



J K Lakshmi Cement

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Cementing The Future

Not only is J K Lakshmi Cement keen on ramping up its capacity with a properly laid out plan for investments but the steady growth in the infrastructure sector is bound to help it reap rich rewards

J K Lakshmi Cement (JKLCL) seems to be a good investment opportunity at current levels and there are compelling reasons for the same. These include good growth in dispatches, better expected performance for Q1FY10, recent hike in cement prices, sustenance of demand, its capacity addition of 1.20 million tonnes and its plans to go ahead with a greenfield cement plant of 2.70 million tonnes. On the valuation front too the scrip seems to be placed in a good position. At its CMP of Rs 53.25, it is still trading below its book value of Rs 103, resulting in a price to book ratio of just 0.51x.

Further, the CMP discounts its trailing four quarter earnings by 1.72x and with better performance for Q4FY09 the EPS is expected to improve. Even the FV/EBITDA of 2.20x is placed much better than the other cement counters. Considering the above factors we recommend that investors should buy the scrip at its current levels with a target price of Rs 65 in the next two quarters.

JKLCL has recently added 1.20 million tonne capacity to its existing plant at Kalol (Gujarat), thereby taking its total capacity to 4.85 million tonnes with a capex of Rs 210 crore. The important factor is that its current capacity is 4.85 million tonnes. Even by conservative estimates (Rs 350 crore for 1 million tonne), the total value of the current capacity can be tagged at Rs 1,700 crore. If we consider its debt of Rs 695 crore, market cap of Rs 325 crore and its recent capex of Rs 210 crore (our assumption being that it is funded 100 per cent through debt), the total cost arrives at Rs 1,230 crore. So this clearly provides a scope for upward movement.

The company is further planning to invest Rs 1,100 crore in the next two years for setting up a greenfield plant at Durg (Chattisgarh) to add another 2.7 million tonnes of cement capacity. The management expects the capacity to go on stream by the end of 2011. The operating performance of the company has also been good and the same can be seen from the fact that for FY09 its dispatches have increased to 4 million tonnes as compared to 3.63 million tonnes in FY08. Further, the company has managed to sustain its realisation for the same period. However, this is expected to increase as the company has recently opted for a price hike. The management has attributed growth to the increased demand from smaller cities, rural areas and government infrastructure projects. With infrastructure projects expected to remain buoyant for the next few months, we expect Q1FY10 to be good for the company.

On the financial front, for 9MFY09 the company has posted a topline of Rs 860.12 crore and bottomline of Rs 121.61 crore as compared to Rs 816.31 crore and Rs 203.06 crore for 9MFY08. Considering a better performance in Q4FY09, for FY09 we expect the company to post a topline of Rs 1,214 crore and bottomline of Rs 181 crore, resulting in EPS of Rs 29.50 and P/E of 1.82x. This provides scope for further upward movement and hence our recommendation is that investors should buy the scrip with a target price of Rs 65 in the next two quarters.

(The analyst does not hold any shares in the company)

BEST OF LAST ONE YEAR			
Company Name	Reco.	CMP (Rs)	Gain %
Murjal Auto Industries	30.70	40.00	30.29
Vinali Organics	62.00	73.00	17.74
Tata Exlsi	76.75	89.00	15.96
Invin Borax & Chemicals	43.95	50.00	13.77
Agri Industries	28.20	31.00	9.93
MTNL	68.25	72.00	6.40
Rural Electrification Corp.	95.80	99.25	3.60
INP Power	42.80	44.30	3.50

CMP as on April 08, 2009



SHARE HOLDING PATTERNS AS ON 31/12/2008	
Indian Promoters	45.63
Mutual Funds and UTI	0.16
Banks Fin. Inst. and Insurance	16.10
FII's	3.04
Private Corporate Bodies	11.82
General Public	23.10
GRAND TOTAL	100

	LAST FIVE QUARTERS (RS/CR)				
	Dec 08	Sep 08	Jun 08	Mar 08	Dec 07
Sales	344.33	342.61	314.57	339.54	325.46
Other Income	0.01	0.74	0.50	1.62	0.77
Operating Profit	78.57	55.95	64.46	87.11	86.52
Interest	4.73	10.82	7.42	5.86	11.39
Depreciation	17.52	18.73	18.73	14.97	14.53
Net Profit / Loss	56.04	26.88	38.69	67.63	61.10
Equity Capital	61.19	61.19	61.19	61.19	57.09