

# JK Cement Ltd



## STRONG INDICATORS

**J**K Cement Ltd would witness 14% revenue compounded annual growth rate (CAGR) over FY10-12, driven by a robust 16.6% volume CAGR over the same period as compared with FY08-10 CAGR of just 7%. JK Cement has put on hold its plan to build a 2.2 million tonnes per annum cement plant in the UAE. This would reduce capex and aid in repayment of debt, which is likely to lower debt-equity ratio to 0.4x against the current 0.9x. The company trades at FY11 price-earnings multiple of 4.6x while large firms such as ACC Ltd and Ambuja Cements Ltd are trading at much higher valuation of 11x. On an EV/tonne basis, the company trades at \$50 (Rs2,335) for FY11, representing a 50% discount to the replacement cost. We forecast earnings per share CAGR of 13.3% over FY10-12 and recommend buy with a one-year price target of Rs192.

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