

### SAGAR CEMENTS LTD.

Company Update

BUY

Sector Cement | CMP Rs 179 | Target Rs 310

### STOCK DATA

Market Capitalisation Book Value per share Equity Shares O/S (EV. Rs 10) 52 Week High/Low BSE Scrip Code Reuters Code Rs.2.0 bn. Rs. 58 12.7 mn. Rs. 185 / 108 502090 SGRC.BO

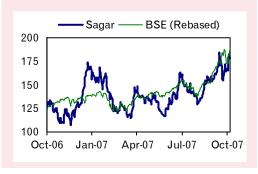
### SHAREHOLDING PATTERN (%)

Qtr. Ended	Dec-06	Mar-07	Jun-07
Promoters	43.1	42.0	42.0
MFs/FIs	2.3	5.3	6.4
FIIs/NRIs/OCBs	3.3	10.6	10.4
PCB	20.3	16.5	16.5
Indian Public/ Oth	31.0	25.7	24.8

### STOCK PERFORMANCE (%)

	1 M	3 M	12M
Absolute	(0.9)	17.6	21.2
Relative	(17.3)	(5.8)	(19.6)

### STOCK PRICE PERFORMANCE



Sagar Cements Limited (SCL) was founded in '83 as a mini cement plant with an annual capacity of 66K tpa (~200 tpd). Its plant is located in the Nalgonda cluster, Andhra Pradesh and has abundant limestone reserve, with strong coal linkages. It is now in the midst of expanding its cement capacity by an additional 1.7 mn tpa and the same is expected to be operational by Mar'08.

### **KEY HIGHLIGHTS:**

- 'SCL, currently operates as a mini cement plant in Mattampally in the Nalgonda cluster, Andhra Pradesh. Its present clinker capacity is 0.528 mn tpa with a grinding capacity of just 0.297 mn tpa.
- ' It has an associate company, Amreshwari Cements Ltd, which has a grinding capacity of 0.4 mn tpa and undertakes grinding for SCL.
- 'SCL is in the midst of a Rs 3 bn expansion, which would enhance its capacity by 1.7 mn mt by Mar'08 to 2.5 mn mt. This would facilitate the company to become a sizeable player in the Andhra Pradesh market.
- ' The company sells  $\sim$ 85% of cement in its home market i.e Andhra Pradesh. It sells most of its cement within a radius of 200 kms from its plant i.e , thereby rationalising its transportation cost.
- On the input side, it has captive limestone reserves adjacent to its plant and sources coal from the Singareni collieries, which are 150 kms away.
- 'SCL turned in one of the highest EBDITA/mt, at Rs 1,115/mt in Q1FY08, which can be comparable with the best in the industry.
- ' The company has a 51% subsidiary, Sagar Power, which operates a 8.5 MW hydel power plant and caters to two-thirds of the power requirement of its existing plant.
- SCL is poised for high growth, as it would not only benefit from the buoyancy in cement realisations, but also from its enhanced scale, due to the capex it is undertaking. At the CMP of Rs 179, the stock is ruling at an EV/EBIDTA of 2.5x, P/E of 2.9x and EV/ton of \$44 discounting its FY09E earnings, which is at substantial discount to its peers.
- ' Consistency in earnings & strong EBITDA margins should result in the stock undergoing a strong re-rating and alignment in valuation with its peerset. Hence, we recommend a 'BUY' on the stock with one year price target of Rs 310.

KEY FINANCIALS (STANDALONE)						
Yr Ended (March)	Net Sales	YoY Gr (%)	Op Profits	Op Marg (%)	Net Profits	Eq Capital
2007	1,978	70.3	443	22.4	277	127
2008E	2,314	17.0	643	27.8	387	140
2009E	4,149	79.3	1,552	37.4	846	140
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KEY RATIOS						
Yr Ended (March)	EPS (Rs.)	ROCE (%)	RONW (%)	P/E (x)	EV/Sales (x)	EV/EBDIT (x)
2007	19.8	66.5	56.2	9.1	0.8	4.4
2008E	27.6	84.3	40.4	6.5	0.7	2.8
2009E	60.4	60.4	53.5	3.0	0.7	2.5

### Background

### Background

SCL was founded in '83 as a mini cement plant in Andhra Pradesh. It commenced operations with a clinker making/grinding facility at Mattampally and two grinding units i.e. Sallur and Bayyavaram, both in Andhra Pradesh.

It is one of the leading players in producing special type of cement i.e. SRC, IRS-40, special grade slag cement & OPC. It markets its cement under the "Sagar Priya" brand name.

### **Business Model**

SCL is a small sized cement company with capacity of 0.3 mn mt...

SCL is a small sized cement player in Andhra Pradesh, with mini cement plant status and presently has a clinker capacity of 0.528 mn tpa (i.e. 1600 tpd) and grinding capacity of 0.297 mn tpa (i.e. 38 tph), both located at Mattampally, in the Nalgonda district.

It sold off its Bayyavaram unit, which had a grinding capacity of 0.132 mn mt in FY04-05. This unit primarily produced slag cement and turned out to be an uneconomical operation due to high costs incurred in transporting clinker from SCL's Mattampally plant to the same.

As its Mattampally grinding unit does not have the capacity to grind its entire clinker production, currently SCL out sources its excess clinker for grinding to its associate company *Amreshwari Cements Ltd.* The latter has a grinding capacity of 0.4 mn mt and undertakes grinding on a job work basis and the cement ground is sold by SCL under its brand name.

The company sold 85% of its cement in its home market i.e Andhra Pradesh. In Andhra Pradesh it primarily caters to Hyderabad, Khammam, Nalgonda, Krishna, East & West Godavari districts.

Despite being a mini cement player, it has been reporting one of the best EBITDA/mt in the industry. This can largely be attributed to the following reasons:

- 1) SCL sources almost 2/3rd of its power requirement from its subsidiary company Sagar Power Ltd, which has two mini hydel power units with total capacity of 8.5 MW. This offers a marked costing advantage.
- 2) Its power consumption /tonne cement produced is one of the lowest in the industry. In FY07, it was 82 units/mt as compared to the industry norm of  $\sim$ 90-95 units/mt.

Sells 85% of its cement in its home market (Andhra Pradesh)...

# SCL's Plant location & main markets ORISSA Adisabati Nizamatived Warangal Rangaeadily HYDERABAD Nalgonds Rrishnb Godowari Kurnooli Prakasham Chillioor Chillioor Chillioor Chillioor

### Capex Details

3) It has a low transportation cost per tonne of cement sold because it sells a majority of its cement within a radius of 200 kms from its plant, as compared to industry standard of 400-500 kms, hence rationallsing its transportation cost. Its major markets are Nalgonda, Hyderabad and Khamman in Andhra Pradesh. Even Vizag, which is outside the 200 kms range, constitutes a sizeable market for SCL.

EBIDT/tn is among the best in the industry...

- 4) Its inward transportation cost is also low because of the proximity of its plant to the Nalgonda cluster (where it has its limestone reserves) and Singareni Collieries (located <150 kms, from where it sources its coal).
- 5) Its process efficiency is also high as it makes use of contemporary 6 stage pre-heater technology with in-line calciner.

Of the Mattampally unit production, almost 60% is accounted for by blended cement, in which blends fly ash to the extent of  $\sim$  20%/ per mt of cement. It also produces certain grade of special cement, which enhances its overall realisations.

### Yearly product mix of Mattampally unit OPC ■ PPC & SRC 100% 62% 91% 92% 77% 75% 64% 50% 25% 39% 36% 23% 0% FY 05 FY 06 FY 07 FY 08E FY09E

### **Expansion Plans**

SCL has outlined major expansion plans, under which, it is expanding its clinker and grinding capacity at its Mattampally facility.

Quadrupling cement capacity to 2.2 mn mt ...

It envisages setting up a second line which includes a new kiln with the capacity of 1.49 mn mt (i.e 4,500 tpd), thereby enhancing its clinker capacity from 0.528 mn mt to 2.01 mn mt (i.e. 6,100 tpd).

The expansion would increase its grinding capacity by  $1.92 \, \text{mn}$  mt to  $2.22 \, \text{mn}$  mt on account of the two new grinding units (line 3&4) of  $140 \, \text{tph}$  each.

A brief schematic outline of the existing facility and the proposed expansion is given in the annexure attached.

In order to fine tune the usage of existing infrastructure with new layout and optimising the capital cost the company has taken the following steps:

- 1) Utilise the existing limestone crusher as Coal crusher which is exactly suitable for the total clinker production of 6,100tpd.
- 2) Use the existing Stacker Reclaimer for coal blending, as the quality of coal supply from Singareni collieries varies sharply and the same necessitates a washing/blending facility, so as not to impact SCL's productivity.
- 3) Convert the existing two raw mills of 50tph each into coal mills.

Instead of giving full EPC contract to the equipment suppliers like FLSmidth and KHDHumbolt, the company has chosen to captively manage the engineering & procurement of the new plant and place equipment orders on its own. This has resulted in tremendous saving on capital cost front. Details of the same are given below in the table:

The outlay estimated for the above expansion is Rs 3 bn, out of which  $\sim$  Rs 1.2 bn would be funded through internal accruals/equity and rest through debt.

One of the key positives of capex is extremely low capital cost of  $\sim$ \$39/tn, which is significantly lower than industry norms of  $\sim$ \$80/tn, on account of utilising the existing equipments coupled with better sizing of new equipment captively. This will offer tremendous amount of operating and financial leverage going forward.

### Southern region outlook

The promoters of SCL have acquired warrants to subscribe to 1.9 mn shares at Rs 82 and the company has done preferential allotment of 1 mn shares to India Fund Inc. at Rs 190. This would entail an inflow of Rs 342 mn in to the company and enhance its paid up equity capital to Rs 140 mn.

Capex Details						
Equipment	Capacity	Supplier				
Crusher	1200tph	Puzzolona Machinary Fabricators				
Raw Mill (VRM)	500tph	GEBR Pfeiffer				
Blending Silo	15000tn	Sanghavi Engineering				
Preheater	4500tpd	IKN-PSP Engineering				
Kiln	4500tpd	Alstom				
Clinker Cooler	4500tpd	IKN GmbH				
Cement Mills	280tph	Alstom				
Cement Silo	15000tn	Sanghavi Engineering				

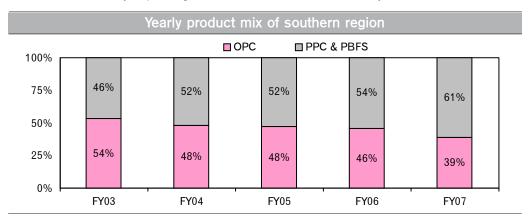
Low capital cost of ~\$39 will offer operating & financial leverage going forward...

Source : Company

### South India Market Outlook:

The southern region is the largest cement producing region in India with a production of 49 mn mt in FY07 of the total domestic production of 155 mn mt.

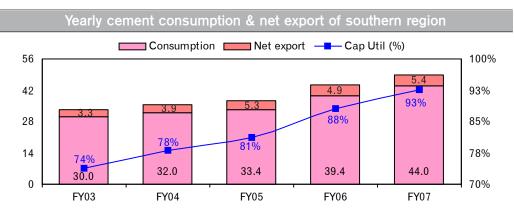
The region has an annual cement capacity of 53 mn mt (excluding mini cement plant capacity) as on date. The breakup among OPC:PPC for southern region is around 42%:58% in FY07 and has been consistently improving in favour of PPC over the last few year.



Cement consumption in Southern region showing a CAGR of 10%...

In the region, Andhra Pradesh is the largest cement producing state with a production of 22.2 mn mt in FY07, followed by Tamil Nadu with 16.5 mn mt.

Cement consumption in southern India has been posting a CAGR of 10% over the last 5 years. However, till 1HFY07, the consumption exhibited a robust growth of 12% YoY. This was largely due to the increased focus on infrastructure development by state governments, the realty boom being triggered off due to the IT/ITES upsurge and also industrial development due to the resurgence of the core sector like mining, metals and manufacturing.



### Outlook & Valuations

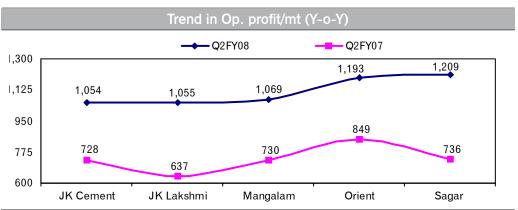
The capacity utilisation in the region has shown a consistent improvement over last three years due to the above mentioned factors besides, aided by the fact that over the last 5 years the capacity has grown by a CAGR of  $\sim$ 4% (i.e.  $\sim$ 7.6 mn mt between 2003-07).

Currently, the southern region is a net exporter of cement to other regions, mainly Maharashtra and Orissa, with net exports of 5.4 mn mt in FY07.

Going forward, the upsurge in demand, coupled with a low capacity addition, would reduce the surplus in this region and also ensure a return of pricing power in favour of the cement manufacturers of the region.

### Outlook

SCL, being one of the most efficient cement players in India, stands to benefit immensely from the steady upsurge in demand in the market. Also, the southern region of India is slowly achieving market equilibrium and moving away from being a cement surplus region.



This has resulted in prices hardening since Q1FY06 and has had a positive rub off on players catering to the AP/TN market. Notably, there was no dip in prices even during the traditionally weak monsoon season.

Even after Jan'07 the cement prices perked up significantly by  $\sim$ 15% and even sustained at these higher levels during monsoons. With monsoons getting over, we expect another round of price hike in coming months.

SCL has also benefitted from the same as its average realiastion has improved from  $\sim$ Rs 103/bag in Q3FY07 to Rs 129/bag in Q1FY08. This trend is expected to be sustained in view of the demand supply scenario.



Source: CRIS Infac

In FY08, we expect cement volumes to grow by 5% to 0.62 mn mt and net realisations to improve by 15% to Rs 2,500/mt. This will translate into net revenues of Rs 2.3 bn (+16%) and Operating profit/tn of Rs 1,070, on back of firm cement prices. Net profit is likely to grow by 33% to Rs 384 mn.

In FY09, we expect cement volumes by 124% to 1.34 mn mt on back of commissioning of new plant and realisations to improve by 7% to Rs 2,660/mt. This will translate into net revenues of Rs 4.1 bn (+16%) and net profits of Rs 846 mn (+120%).

Southern region is the net exporter of cement to other regions...

Since Jan'07 cement prices in Southern region increased by 15%...

### Valuations

### **Valuations**

At the CMP of Rs 179, the stock is ruling at an EV/EBIDTA of 2.5x, P/E of 2.9x and EV/ton of \$44 discounting its FY09E earnings. This is at a considerable discount to its peers, as can be inferred from the table below.

Peer Comparision							
Company	CMP(Rs)	P/E	EV/EBIDT	EV/Sales	EV/tn(\$)		
JK Cement	203	6.0	3.4	0.9	93		
JK Lakshmi	198	4.9	3.9	1.2	97		
Mangalam	214	5.6	3.0	0.8	70		
Kesoram	579	7.4	5.0	1.1	117		
Sagar	179	2.9	2.5	0.7	44		

Trading at EV/tn of  $\sim$ \$35, which is at considerable discount to its peers ...

Considering its operating efficiency, low gearing, high EBITDA margins, we believe that there is a substantial scope for a re-rating in SCL's valuations. *Hence, we recommend a 'BUY' on the stock with one year price target of Rs 310.* 

### Concerns

Post its expansion, SCL will have to give up its mini cement plant status. This could have an adverse impact of  $\sim$ Rs 12-15mn in its bottomline. However, the benefits accruing from economies of scale would largely negate the same.

While the anticipated outlay of its capex plans is Rs 3 bn,  $\sim$  Rs 1.8 bn is expected to be funded by debt and balance by internal accruals and equity. As the cash flows in the coming two years are estimated to amount to Rs 740 mn, there would a be shortfall of funds which will have to be bridged either by equity infusion or by extra debt. In case, SCL is not able to raise the equity, the extra debt would be a strain the on the company and impact its earnings.

(Increase)/Decrease in stock in Trade         (14)         (1)         (18)         1         5           Consumption of Raw Material         35         32         8.4         61         62         (2.8)         128           Power & Fuel         95         82         16.1         173         161         7.7         325           Staff Cost         18         12         57.8         34         22         52.8         49           Other expenditure         54         42         29.5         98         91         7.0         188           Operating Profit         160         107         49.5         282         220         28.4         429           Other income         6         0         7         0         9           PBDIT         166         107         55.1         289         220         31.4         438           Interest (Net)         9         3         146.4         16         8         111.5         16           Depreciation         10         8         21.6         19         16         18.5         34           PBT         148         95         54.6         253         196         29.3	Financial res	sults for th	e quarter &	half year	ended 30 S	September 2	2007	
Not Sales  Total Expenditure  189  167  13.2  347  338  2.8  699  (Increase)/Decrease in atook in Trade  (Irid)  (II)  (II)  (III)  (III)  (III)  (III)  (III)  (III)  (III)  (III)  (III)  (IIII)  (IIII)  (IIII)  (IIII)  (IIII)  (IIII)  (IIII)  (IIIII)  (IIIII)  (IIIIIIII	Particulars (Rs mn)	20/00/07						
Total Expenditure         189         167         13.2         347         388         2.8         696           (Increase)/Decrease in stock in Trade         (14)         (1)         (1)         (18)         1         5           Consumption of Rew Material         35         32         8.4         61         62         (2.8)         178           Power & Fuel         95         82         16.1         173         161         7.7         329           Staff Cost         18         12         57.8         34         29         56.8         49           Other expenditure         54         42         29.5         98         91         7.0         188           Operating Profit         160         107         49.5         282         220         28.4         429           Other income         6         0         7         0         9         9         3         146.4         16         8         111.5         16           Depreciation         10         8         21.6         19         16         18.5         34         34         11.6         18.5         34         34         11.5         16.5         34	Not Salos							
Consumption of Raw Material         35         3P         8.4         61         8P         (2.8)         198           Power & Fuel         95         82         16.1         173         161         7.7         325           Shriff Code         18         12         57.8         34         22         52.8         49           Other expenditure         54         42         29.5         96         91         7.0         188           Operating Profit         160         107         49.5         282         220         28.4         429           Other income         6         0         7         0         9         9           PBDIT         166         107         65.1         289         220         31.4         438           Internat (Net)         9         3         145.4         16         8         111.5         16           Depreciation         10         8         21.6         19         16         18.5         34           PBT         148         96         64.6         263         196         29.3         388           (-) Provision for current tax         57         43         112	Total Expenditure							
Power & Fuel   96   82   16.1   17.3   161   7.7   326     Staff Cost   18   12   57.8   34   22   52.8   49     Other expenditure   54   42   29.5   98   91   7.0   188     Operating Profit   160   107   49.5   282   220   28.4   429     Other income   6   0   7   0   9     PBDIT   166   107   55.1   289   220   31.4   438     Interest (Net)   9   3   146.4   16   8   111.5   16     Depreciation   10   8   21.6   19   16   18.5   34     PBT   148   95   54.6   263   196   29.3   388     (-) Provision for current tax   57   43   93   43   112     Net Profit   90   52   72.5   161   153   5.1   277     Equity Capital (EV of Rs 10/share)   131   112   121   122   127     EPS for the period (Rs.)   6.9   4.7   12.3   13.7   21.8     Reserves (excline reason   610     Book Value per share (Rs)   58     OPM (%)   25.9   19.2   25.5   27.4   24.6     Coment & Clinker Des (mn mt)   0.13   0.15   (9.1)   0.24   0.30   (18.5)   0.59     Op. Profit/mt   1.209   736   64.4   1.166   741   57.5   729     Expenditure (as % of net sates)   5.3   4.3   5.3   3.9   4.4     Purchasses (Trading)   27.4   30.0   27.5   28.9   29.9     Power & Fuol   5.3   4.3   5.3   3.9   4.4     Staff Cost   15.6   15.6   15.6   16.5   16.4   16.7	(Increase)/Decrease in stock in Trade	(14)	(1)		(18)	1		5
Staff Cost         18         12         57.8         34         22         52.8         49           Other expenditure         54         42         29.5         98         91         7.0         188           Operating Profit         160         107         49.5         282         220         28.4         429           Other income         6         0         7         0         9         9           PBDIT         166         107         55.1         289         220         31.4         438           Interest (Net)         9         3         146.4         16         8         111.5         16           Deprociation         10         8         21.6         19         16         18.5         34           PBT         148         95         54.6         283         196         29.3         388           (-) Provision for current fax         57         43         93         43         112           Net Profit         90         52         72.5         161         153         5.1         277           Eguity Capital (EV of Rs 10/ehare)         131         112         131         112         127	Consumption of Raw Material	35	32	8.4	61	62	(2.8)	128
Other expenditure         b4         42         29.5         98         91         7.0         188           Operating Profit         160         107         49.5         282         220         28.4         429           Other income         6         0         7         0         9         9           PBDIT         166         107         55.1         289         220         31.4         438           Interest (Net)         9         3         146.4         16         8         111.5         16           Depreciation         10         8         21.6         19         16         18.5         34           PBT         148         95         54.6         253         196         29.3         388           (-) Provision for current tax         57         43         93         43         112           Net Profit         90         52         72.5         161         153         5.1         277           Equity Capital (EV of Rs 10/share)         131         112         131         112         133         112         12.3         13.7         21.8           Reserved (excl rev res)         6.9         4.7	Power & Fuel	95	82	16.1	173	161	7.7	325
Operating Profit         160         107         49.5         282         220         28.4         429           Other income         6         0         7         0         9           PBDIT         166         107         55.1         289         220         31.4         438           Interest (Net)         9         3         146.4         16         8         111.5         16           Depreciation         10         8         21.6         19         16         18.5         34           PBT         148         95         54.6         253         196         29.3         388           (-) Provision for current tax         57         43         93         43         112           Net Profit         90         82         72.5         161         153         5.1         277           Equity Capital (EV of Rs 10/share)         131         112         131         112         131         112         12.3         13.7         21.8           Reserves( excl rev res)         6.9         4.7         12.3         13.7         21.8         21.8         28.2         25.5         27.4         24.6         25.8         27.4 <td>Staff Cost</td> <td>18</td> <td>12</td> <td>57.8</td> <td>34</td> <td>22</td> <td>52.8</td> <td>49</td>	Staff Cost	18	12	57.8	34	22	52.8	49
Other income         6         0         7         0         9           PBDIT         166         107         55.1         289         220         31.4         438           Interest (Net)         9         3         146.4         16         8         111.5         16           Depreciation         10         8         21.6         19         16         18.5         34           PBT         148         95         54.6         253         196         29.3         388           (-) Provision for current tax         57         43         93         43         112           Net Profit         90         52         72.5         161         153         5.1         277           Equity Capital (EV of Rs 10/share)         131         112         131         112         123         13.7         21.8           FPS for the period (Rs.)         6.9         4.7         12.3         13.7         21.8         21.8           Reserves( excl rev res)         58         39.0         44.8         39.4         38.2         38.2           NPM (%)         45.8         39.0         44.8         39.4         38.2         24.6 <td>Other expenditure</td> <td>54</td> <td>42</td> <td>29.5</td> <td>98</td> <td>91</td> <td>7.0</td> <td>188</td>	Other expenditure	54	42	29.5	98	91	7.0	188
PBDIT         166         107         55.1         289         220         31.4         438           Interest (Net)         9         3         146.4         16         8         111.5         16           Depreciation         10         8         21.6         19         16         18.5         34           PBT         148         95         54.6         263         196         29.3         388           C-) Provision for current tax         57         43         93         43         112           Net Profit         90         52         72.5         161         153         5.1         277           Equity Capital (EV of Rs 10/share)         131         112         131         112         12.7         128         13.7         21.8           Reserves (excl rev res)         6.9         4.7         12.3         13.7         21.8         21.8           Reserves (excl rev res)         88         8         8         8         39.0         44.8         39.4         38.2           NPM (%)         25.9         19.2         25.5         27.4         24.6         24.6           Cement & Clinker Des (mn mt)         0.13         <	Operating Profit	160	107	49.5	282	220	28.4	429
Interest (Net) 9 3 146.4 16 8 111.5 16 Depreciation 10 8 21.6 19 16 18.5 34  PBT 148 95 54.6 253 196 29.3 388  (·) Provision for current tax 57 43 93 43 112  Net Profit 90 52 72.5 161 153 5.1 277  Equity Capital (EV of Rs 10/share) 131 112 131 112 127  EPS for the period (Rs.) 6.9 4.7 12.3 13.7 21.8  Reserves( excl rev res) 610  Book Value per share (Rs) 58  OPM (%) 45.8 39.0 44.8 39.4 38.2  NPM (%) 25.9 19.2 25.5 27.4 24.6  Cement & Clinker Des (mn mt) 0.13 0.15 (9.1) 0.24 0.30 (18.5) 0.59  Op. Profit/mt 1,209 736 64.4 1,166 741 57.5 729  Expenditure (as % of net sales)  Cons.of Raw Material (incl. stock adj) 6.0 11.4 6.8 11.5  Purchases (Trading) 27.4 30.0 27.5 28.9 28.9  Power & Fuel 5.3 4.3 5.3 3.9 4.4  Staff Cost 15.6 15.3 15.5 16.4	Other income	6	0		7	0		9
Depreciation         10         8         21.6         19         16         18.5         34           PBT         148         95         54.6         253         196         29.3         388           (-) Provision for current tax         57         43         93         43         112           Net Profit         90         52         72.5         161         153         5.1         277           Equity Capital (EV of Rs 10/share)         131         112         131         112         12.3         13.7         21.8           Reserves (excl rev res)         6.9         4.7         12.3         13.7         21.8           Book Value per share (Rs)         58         58         58         58           OPM (%)         45.8         39.0         44.8         39.4         38.2           NPM (%)         25.9         19.2         25.5         27.4         24.6           Cement & Clinker Des (mn mt)         0.13         0.15         (9.1)         0.24         0.30         (18.5)         0.59           Op. Profit/mt         1,209         736         64.4         1,166         741         57.5         729           Expenditure (as % o	PBDIT	166	107	55.1	289	220	31.4	438
PBT         148         95         54.6         253         196         29.3         388           (+) Provision for current tax         57         43         93         43         112           Net Profit         90         52         72.5         161         153         5.1         277           Equity Capital (EV of Rs 10/share)         131         112         131         112         12.3         13.7         21.8           Reserves (excl rev res)         6.9         4.7         12.3         13.7         21.8         610           Book Value per share (Rs)         58         58         58         58         58         58           OPM (%)         45.8         39.0         44.8         39.4         38.2         38.2           NPM (%)         25.9         19.2         25.5         27.4         24.6         24.6           Cement & Clinker Des (mn mt)         0.13         0.15         (9.1)         0.24         0.30         (18.5)         0.59           Op. Profit/mt         1,209         736         64.4         1,166         741         57.5         729           Expenditure (as % of net sales)         6.0         11.4         6.8	Interest (Net)	9	3	146.4	16	8	111.5	16
( → ) Provision for current tax 57 43 93 43 112  Net Profit 90 52 72.5 161 153 5.1 277  Equity Capital (EV of Rs 10/share) 131 112 131 112 127  EPS for the period (Rs.) 6.9 4.7 12.3 13.7 21.8  Reserves( excl rev res) 58  OPM (%) 45.8 39.0 44.8 39.4 38.2  NPM (%) 25.9 19.2 25.5 27.4 24.6  Cement & Clinker Des (mn mt) 0.13 0.15 (9.1) 0.24 0.30 (18.5) 0.59  Op. Profit/mt 1,209 736 64.4 1,166 741 57.5 729  Expenditure (as % of net sales)  Cons.of Raw Material (incl. stock adj) 6.0 11.4 6.8 11.5 11.8  Purchases (Trading) 27.4 30.0 27.5 28.9 28.9  Power & Fuel 5.3 4.3 5.3 3.9 4.4  Staff Cost 15.6 15.3 15.5 16.4	Depreciation	10	8	21.6	19	16	18.5	34
Net Profit         90         52         72.5         161         153         5.1         277           Equity Capital (EV of Rs 10/share)         131         112         131         112         131         112         12.3         13.7         21.8           EPS for the period (Rs.)         6.9         4.7         12.3         13.7         21.8           Reserves( excl rev res)         610         610         610         610         610           Book Value per share (Rs)         58         58         58         58         610         <	РВТ	148	95	54.6	253	196	29.3	388
Equity Capital (EV of Rs 10/share) 131 112 131 112 127  EPS for the period (Rs.) 6.9 4.7 12.3 13.7 21.8  Reserves( excl rev res) 610  Book Value per share (Rs) 58  OPM (%) 45.8 39.0 44.8 39.4 38.2  NPM (%) 25.9 19.2 25.5 27.4 24.6  Cement & Clinker Des (mn mt) 0.13 0.15 (9.1) 0.24 0.30 (18.5) 0.59  Op. Profit/mt 1,209 736 64.4 1,166 741 57.5 729  Expenditure (as % of net sales) 59  Expenditure (as % of net sales) 27.4 30.0 27.5 28.9 28.9  Power & Fuel 5.3 4.3 5.3 3.9 4.4  Staff Cost 15.6 15.3 15.5 16.4	( - ) Provision for current tax	57	43		93	43		112
EPS for the period (Rs.)       6.9       4.7       12.3       13.7       21.8         Reserves( excl rev res)       58         Book Value per share (Rs)       58         OPM (%)       45.8       39.0       44.8       39.4       38.2         NPM (%)       25.9       19.2       25.5       27.4       24.6         Cement & Clinker Des (mn mt)       0.13       0.15       (9.1)       0.24       0.30       (18.5)       0.59         Op. Profit/mt       1,209       736       64.4       1,166       741       57.5       729         Expenditure (as % of net sales)       Cons.of Raw Material (incl. stock adj)       6.0       11.4       6.8       11.5       11.8         Purchases (Trading)       27.4       30.0       27.5       28.9       28.9         Power & Fuel       5.3       4.3       5.3       3.9       4.4         Staff Cost       15.6       15.3       15.5       16.4       16.7	Net Profit	90	52	72.5	161	153	5.1	277
Reserves( excl rev res)       610         Book Value per share (Rs)       58         OPM (%)       45.8       39.0       44.8       39.4       38.2         NPM (%)       25.9       19.2       25.5       27.4       24.6         Cement & Clinker Des (mn mt)       0.13       0.15       (9.1)       0.24       0.30       (18.5)       0.59         Op. Profit/mt       1,209       736       64.4       1,166       741       57.5       729         Expenditure (as % of net sales)       Cons.of Raw Material (incl. stock adj)       6.0       11.4       6.8       11.5       11.8         Purchases (Trading)       27.4       30.0       27.5       28.9       28.9         Power & Fuel       5.3       4.3       5.3       3.9       4.4         Staff Cost       15.6       15.3       15.5       16.4       16.7	Equity Capital (F.V of Rs 10/share)	131	112		131	112		127
Book Value per share (Rs)         58           OPM (%)         45.8         39.0         44.8         39.4         38.2           NPM (%)         25.9         19.2         25.5         27.4         24.6           Cement & Clinker Des (mn mt)         0.13         0.15         (9.1)         0.24         0.30         (18.5)         0.59           Op. Profit/mt         1,209         736         64.4         1,166         741         57.5         729           Expenditure (as % of net sales)         Cons.of Raw Material (incl. stock adj)         6.0         11.4         6.8         11.5         11.8           Purchases (Trading)         27.4         30.0         27.5         28.9         28.9           Power & Fuel         5.3         4.3         5.3         3.9         4.4           Staff Cost         15.6         15.3         15.5         16.4         16.7	EPS for the period (Rs.)	6.9	4.7		12.3	13.7		21.8
OPM (%)         45.8         39.0         44.8         39.4         38.2           NPM (%)         25.9         19.2         25.5         27.4         24.6           Cement & Clinker Des (mn mt)         0.13         0.15         (9.1)         0.24         0.30         (18.5)         0.59           Op. Profit/mt         1,209         736         64.4         1,166         741         57.5         729           Expenditure (as % of net sales)         Cons.of Raw Material (incl. stock adj)         6.0         11.4         6.8         11.5         11.8           Purchases (Trading)         27.4         30.0         27.5         28.9         28.9           Power & Fuel         5.3         4.3         5.3         3.9         4.4           Staff Cost         15.6         15.3         15.5         16.4         16.7	Reserves( excl rev res)							610
NPM (%)       25.9       19.2       25.5       27.4       24.6         Cement & Clinker Des (mn mt)       0.13       0.15       (9.1)       0.24       0.30       (18.5)       0.59         Op. Profit/mt       1,209       736       64.4       1,166       741       57.5       729         Expenditure (as % of net sales)       Cons.of Raw Material (incl. stock adj)       6.0       11.4       6.8       11.5       11.8         Purchases (Trading)       27.4       30.0       27.5       28.9       28.9         Power & Fuel       5.3       4.3       5.3       3.9       4.4         Staff Cost       15.6       15.3       15.5       16.4       16.7	Book Value per share (Rs)							58
Cement & Clinker Des (mn mt)         0.13         0.15         (9.1)         0.24         0.30         (18.5)         0.59           Op. Profit/mt         1,209         736         64.4         1,166         741         57.5         729           Expenditure (as % of net sales)         Cons.of Raw Material (incl. stock adj)         6.0         11.4         6.8         11.5         11.8           Purchases (Trading)         27.4         30.0         27.5         28.9         28.9           Power & Fuel         5.3         4.3         5.3         3.9         4.4           Staff Cost         15.6         15.3         15.5         16.4         16.7	OPM (%)	45.8	39.0		44.8	39.4		38.2
Op. Profit/mt         1,209         736         64.4         1,166         741         57.5         729           Expenditure (as % of net sales)         Expenditure (as % of net sales)           Cons.of Raw Material (incl. stock adj)         6.0         11.4         6.8         11.5         11.8           Purchases (Trading)         27.4         30.0         27.5         28.9         28.9           Power & Fuel         5.3         4.3         5.3         3.9         4.4           Staff Cost         15.6         15.3         15.5         16.4         16.7	NPM (%)	25.9	19.2		25.5	27.4		24.6
Expenditure (as % of net sales)         6.0         11.4         6.8         11.5         11.8           Purchases (Trading)         27.4         30.0         27.5         28.9         28.9           Power & Fuel         5.3         4.3         5.3         3.9         4.4           Staff Cost         15.6         15.3         15.5         16.4         16.7	Cement & Clinker Des (mn mt)	0.13	0.15	(9.1)	0.24	0.30	(18.5)	0.59
Cons.of Raw Material (incl. stock adj)       6.0       11.4       6.8       11.5       11.8         Purchases (Trading)       27.4       30.0       27.5       28.9       28.9         Power & Fuel       5.3       4.3       5.3       3.9       4.4         Staff Cost       15.6       15.3       15.5       16.4       16.7	Op. Profit/mt	1,209	736	64.4	1,166	741	57.5	729
Purchases (Trading)       27.4       30.0       27.5       28.9       28.9         Power & Fuel       5.3       4.3       5.3       3.9       4.4         Staff Cost       15.6       15.3       15.5       16.4       16.7	Expenditure (as % of net sales)							
Power & Fuel       5.3       4.3       5.3       3.9       4.4         Staff Cost       15.6       15.3       15.5       16.4       16.7	Cons.of Raw Material (incl. stock adj)	6.0	11.4		6.8	11.5		11.8
Staff Cost 15.6 15.3 15.5 16.4 16.7	Purchases (Trading)	27.4	30.0		27.5	28.9		28.9
	Power & Fuel	5.3	4.3		5.3	3.9		4.4
Other expenditure         45.8         39.0         44.8         39.4         38.2	Staff Cost	15.6	15.3		15.5	16.4		16.7
	Other expenditure	45.8	39.0		44.8	39.4		38.2

Income Statement	2006	2007	2008E	2009E
Revenues	1,162	1,978	2,314	4,149
Total Expenditure	1,083	1,536	1,671	2,597
Operating Profit	79	443	643	1,552
Interest & dividend income	7	9	2	8
EBIDT	85	452	645	1,560
(-) Interest	26	16	27	190
(-) Depreciation	30	34	37	102
PBT & ex. Ord item	29	401	581	1,268
(-) Tax provision	0	112	194	422
PAT before ex. Ord item	29	290	387	846
(-) Extraordinary items & Dep	0	13	=	
PAT after ex. Ord item	29	277	387	846
Fully diluted Eq. sh. O/s (mn	no)11.2	12.7	14.0	14.0
Book Value (Rs)	22	58	84	142
Basic EPS (Rs)	2.6	22.8	27.6	60.4

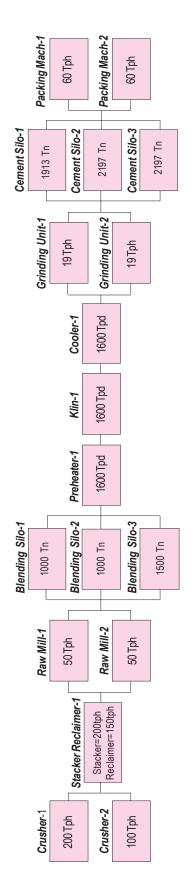
Dasic Li O (Ns)	2.0	22.0	21.0	00.4
Balance Sheet	2006	2007	2008E	2009E
Equity Share Capital	112	127	140	140
Reserves & Surplus	137	610	1,039	1,846
Net worth	249	737	1,179	1,986
Total Debt	199	243	1,746	2,074
Deferred Tax liability	81	85	85	85
Capital Employed	529	1,064	3,010	4,144
Fixed Assets	395	766	2,729	3,351
CWIP	7	331	2,300	25
Net current assets	107	270	253	765
Investments	28	28	28	28
Misc exp.	-	-	-	-
Total Assets	529	1,064	3,010	4,144

Cash Flow Statement	2006	2007	2008E	2009E
PBT & Extraord. items	28	388	581	1,268
Depreciation	30	34	37	102
Interest & dividend inc.	-	-	(2)	(8)
Interest paid	26	16	27	190
Misc Exp W/off	(2)	0	-	=
Tax paid	(2)	(119)	(194)	(422)
(Inc)/Dec in working capital	112	(12)	(19)	(12)
Cash from operations	193	307	429	1,119
Net capital expenditure	(30)	(405)	(2,000)	(724)
Net investments	-	-	-	-
Interest recd	-	-	2	8
Cash from inv. activ.	(30)	(405)	(1,998)	(716)
Issue of eq. shares	-	246	96	=
Change in debt	(106)	68	1,502	328
Sales tax deferment	(13)	(13)	-	-
Dividend paid	(13)	(41)	(40)	(40)
Interest paid	(26)	(15)	(27)	(190)
Cash from financing activ.	(158)	245	1,532	98
Inc/Dec. in cash	6	147	(37)	501
Cash bal at the end of y	ear 12	159	123	623

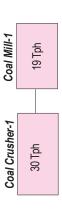
Key Ratios	2006	2007	2008E	2009E
EBIDT (%)	6.8	22.4	27.8	37.4
ROACE (%)	9.7	66.5	84.3	60.4
ROANW (%)	11.9	56.2	40.4	53.5
Sales/Total Assets (x)	2.9	2.3	0.9	1.3
Debt:Equity (x)	0.8	0.3	1.5	1.0
Current Ratio (x)	1.7	2.0	1.7	2.1
Debtors (days)	28.3	15.0	15.6	16.5
Inventory (days)	46.4	28.6	30.7	36.3
Net Working Capital (days)	31.2	2.8	4.3	11.4
EV/Sales (x)	1.4	0.8	0.7	0.7
EV/EBIDT (x)	25.2	4.4	2.8	2.5
P/E (x)	87.2	9.1	6.5	3.0
P/BV (x)	8.0	3.1	2.1	1.3

## **Existing Plant**

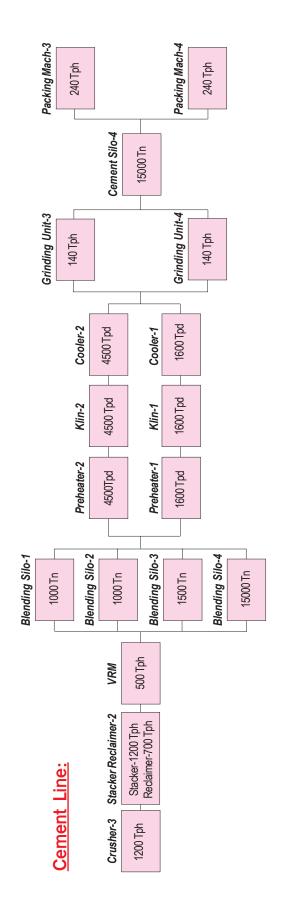
## Cement Line:



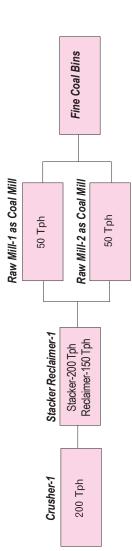
### Coal Line:



## Plant after expansion



## Coal Line:



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