

**March 5, 2007**

**JK Lakshmi Cement Ltd.**

**CMP - Rs. 117 NSE Symbol-JKLAKSHMI BSE Code -500380**

The Union Budget 2007-08 has introduced differential excise duty based on the retail price of cement. If the Maximum Retail Price (MRP) is upto Rs 190 per 50 kg bag, then the excise duty on cement has been reduced from Rs 400 per metric tonne to Rs 350 per tonne; If the MRP exceeds Rs 190 per 50 kg bag, then the excise duty on cement stands increased from Rs 400 per tonne hitherto to Rs 600 per metric tonne.

The provisions of the recent budget have been a dampener for Cement stocks with most cement stock getting badly hammered and have fallen by roughly 30% over the last 15-20 days.

The industry however feels that the cement prices will be governed by demand-supply economics and prices are unlikely to come down because of the new provisions. The tussle between the government (in its effort to rein in inflation & hence incentivising reduced cement prices) and the industry may lead to a further fall in stock prices of cement companies (remember this would lead to uncertainty in the minds of investors & markets donot like uncertainty). Given the fact that the fundamentals of the business remain good, this could be an opportunity for the long term investor.

**JK Lakshmi Cement** has its plant located at Sirohi, Rajasthan and caters to the Northern and Western parts of India. The company has a capacity of 2.4 million tones. The company sells most of its production in the states of Rajasthan and Gujarat. The company's plant has been operating at over 100% capacity utilisation for over two years. Coupled with a successful cost-reduction exercise and an improvement in cement prices, the company has managed to significantly improve its finances during the past 18 months.

The company is setting up a 36 MW thermal power plant at its factory at a cost of Rs.152 crores. The power plant is likely to become operational towards the June-July 07.

Once on stream, the plant would result in substantial savings in power cost for the company.

### **Financials**

The latest financials of the company are given as under :-

### **QUARTERLY - LATEST RESULTS - JK Lakshmi Cement Ltd (Curr: Rs in Cr.)**

<b>Particulars</b>	<b>Quarter Ended (Dec 06)</b>	<b>Quarter Ended (Dec 05)</b>	<b>Quarter Ended (% Var)</b>	<b>YTD / Latest Half (Dec 06)</b>	<b>YTD / Latest Half (Dec 05)</b>	<b>YTD / Latest Half (% Var)</b>	<b>Year Ended (Mar 06) (12)</b>	<b>Year Ended (Mar 05) (12)</b>	<b>Year Ended (%Var)</b>
Sales	228.64	152.86	49.6	580.59	402.7	44.2	582.48	486.9	19.6
Other Income	1	0.88	13.6	2.17	6.53	-66.8	7.9	11.34	-30.3
PBIDT	73.14	30.83	137.2	173.33	77.48	123.7	128.81	78.97	63.1
Interest	6.96	6.69	4	18.97	7.54	151.6	19.49	4.4	343
PBDT	66.18	24.14	174.2	154.36	69.94	120.7	109.32	74.57	46.6

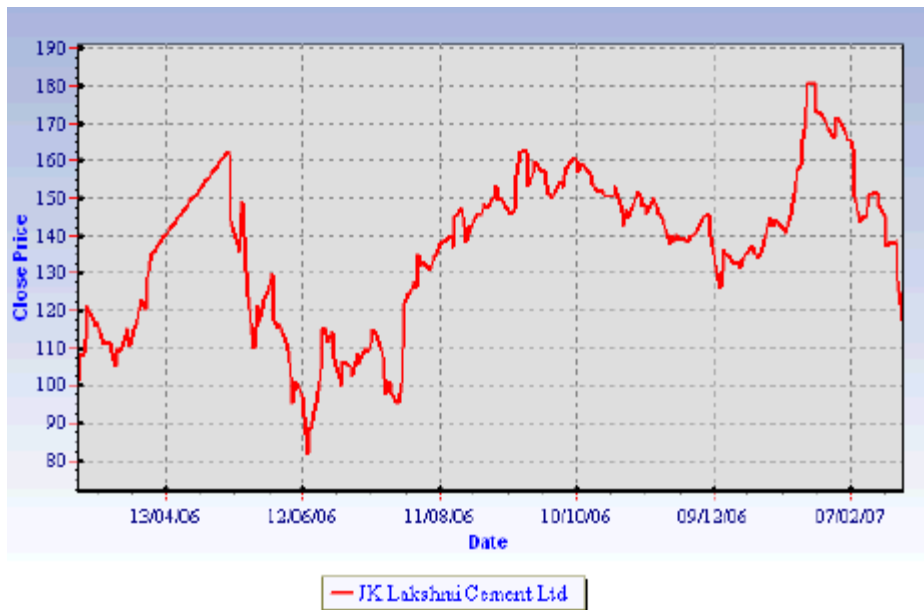
Depreciation	10.92	12.6	-13.3	32.78	37.76	-13.2	53.07	48.95	8.4
PBT	55.26	11.54	378.9	121.58	32.18	277.8	56.25	25.62	119.6
Tax	0.2	0.21	-4.8	4.3	0.43	900	0.8	0	-
Deferred Tax	0	0	-	0	0	0	0	-0.43	100
PAT	55.06	11.33	386	117.28	31.75	269.4	55.45	26.05	112.9

The company has managed to substantially boost its Topline and bottomline and with consistently better performance quarter on quarter.

**Latest Data As On  
02/03/2007**

Latest Equity(Subscribed)	57.08
Latest Reserve	161.11
Latest Bookvalue -Unit Curr.	38.23
Latest EPS -Unit Curr.	24.7
Latest Market Price -Unit Curr.	117.8
Latest P/E Ratio	4.77
52 Week High -Unit Curr.	194.8
52 Week High-Date	5/11/2006
52 Week Low -Unit Curr.	79
52 Week Low-Date	6/14/2006
Market Capitalisation	672.4
Stock Exchange	BSE
Dividend Yield -%	0

The share price chart is given below :-



## **Conclusion**

JK Lakshmi Cement has been operating at over 100% capacity for the last 2 years. The company has managed to substantially control costs leading to higher profitability. The company can expect to make greater savings in power cost once the captive power plant goes operational.

The company is also undertaking capacity expansion and with the completion, the installed capacity will increase to 3.0 million tons.

At its current price of Rs.117, JK Lakshmi Cement trades at a PE ratio of less than 5 on TTM earnings and looks attractive.

Given the panic which has been gripping the markets, a further downside is not totally ruled out. Investors can choose to stagger their purchase -buy some at the current price and add on declines.