Initiating Coverage | **Cement**

BUY

Shree Cement Ltd.

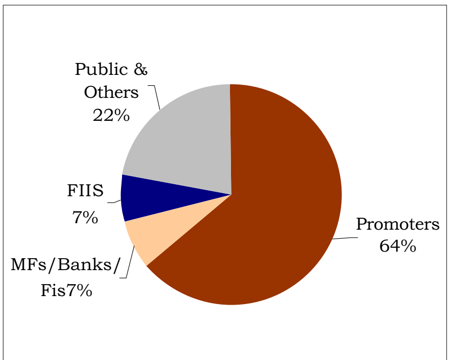
30th November,2007

CMP - BSE (29/11/2007)	1382
Target Price (12 mnth)	1792
Face Value	10
Market Cap (Rs in mn)	49051
Total O/S shares (mn)	35
Free Float	36.3%
52 Week High/Low	1695/851
Avg. Monthly Volume (NSE)	6635
Avg. Monthly Volume (BSE)	1808
BSE Code	500387
NSE Code	SHREECEM
Bloomberg Code	SRCM@IN
Beta	0.73
One Year Return	1.53%
Last Dividend Declared	60%

Relative to Nifty

Source : Capitaline

Shareholding Pattern



Source : Capitaline, KJMC Research

Shree Cement Ltd (SCL), one of the largest cement producers in Rajasthan, was incorporated in 1979 by Kolkata based industrialists P D Bangur and B G Bangur. The company started its operations in 1985 with a total cement production capacity of 0.6 mtpa which has been increased to 8 mtpa (Sep 30, 2007). The company is the largest single location cement producer in North India.

Investment Rationale

- Cement production capacity increased to 8 mtpa (as on Sep 30 '07) from 5.6 mtpa in FY07, which is further expected to increase to 9.1 mtpa by Q1 FY09. Clinker production capacity increased to 5.5 mtpa (as on Sep 30 '07) from 3.5 mtpa in FY07, which the company further plans to increase to 6.5 mtpa by Q1 FY09.
- Pet Coke based Captive Power Plant (CPP) capacity increased to 83 MW (as on Sep 30 '07) from 65 MW in FY07, which is again expected to increase to 101 MW by Q1 FY09. The additional capacity will be sufficient to meet the power requirements of the company on its expanded capacity of 3.5 mtpa.
- Increasing market share of Shree Cement in fast growing Haryana and NCR markets; company already enjoys leadership position in the states of Rajasthan, Delhi and Haryana. Average lead distance of approx 380 kms results in lower freight cost and enables SCL to operate with higher margins.
- Robust 104% growth in Net Sales to Rs 13680 mn in FY07 as compared to Rs 6694 mn in FY06. Adjusted Net profit of the company during FY07 increased to Rs 3765 mn from Rs 184 mn in FY06, a jump of over 1946%. During FY07, Operating margins of the company improved by 1157 bps to 44.7%,while adjusted net profit margins improved by 2477 bps to 27.5% during the same period.

Valuations

At CMP of Rs 1382, the stock trades at P/E of 11.3x and 9.2x FY08E and FY09E earnings of Rs 122.5 and Rs 149.4 respectively. On EV/EBIDTA basis, it trades at 6.3x and 4.6x FY08E and FY09E respectively. On EV/Tonne basis, the stock trades at USD 168.5 FY08E and USD 132.5 FY09E. We initiate coverage on SCL with a "BUY" recommendation and a 12-month target price of Rs 1792, based on 6x EV/EBIDTA.Our target price offers a potential return of 30% on CMP.

Financial Snapshot

Particulars	FY06	FY07	FY08E	FY09E
Net Sales	6694	13680	19474	23927
EBITDA	2219	6117	8522	10422
PAT	184	1770	4267	5205
Adjusted EPS	5.3	108.1	122.5	149.4
Adj. P/E(X)	261.6	12.8	11.3	9.2
P/BV	13.7	9.6	5.3	3.5
RoE(%)	5%	41%	61%	45%
RoCE(%)	8%	17%	30%	30%
EV/EBIDTA (x)	23.3	8.8	6.3	4.6
EV/Tonne (USD)	315	241	168.5	132.5

Source: Company, KJMC Research

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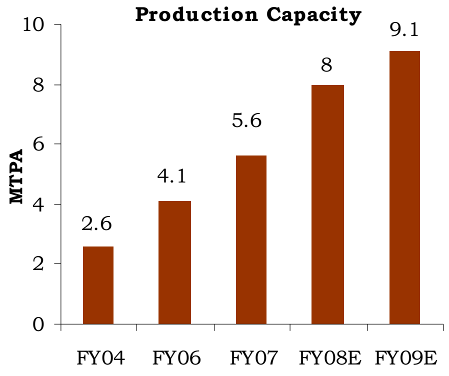
General data sources

CMA, Capitaline, Company and Public domain

C O N T E N T S

Investment Arguments



Source : Company, KJMC Research

Capacity Expansion and Capex plans

- SCL planned a capex of Rs 13000 mn for increasing its cement production capacity by 5 mtpa to 9.1 mtpa, clinker production capacity by 3 mtpa to 6.5 mtpa and pet coke based captive power generation capacity by 36 MW to 101 MW by FY09.
- SCL has increased its production capacity to 8 mn tonnes (as on Sep 30 '07) from 5.6 mn tonnes in FY07. The company aims to increase its capacity to 9.1 mn tones by June 30 '08. During FY07, the company increased its production capacity to 5.6 mn tonnes by completing 1.5 mn tonnes (Line IV) at Bangur City- Ras, Rajasthan.
- Clinker production capacity of the company increased to 5.5 mn tonnes (as on Sep 30 '07) from 3.5 mn tones in FY07, which is expected to increase to 6.5 mn tonnes by June 30, 08.
- Pet coke based captive power generation capacity has been increased to 83 MW (as on Sep 30' 07) from 65 MW in FY07, which is expected to increase to 101 MW by June 30 '08.
- After these expansions, we expect cement production of SCL to grow by 31% and 29% in FY08E and FY09E respectively.

Capacity Snapshot (mn tonnes)

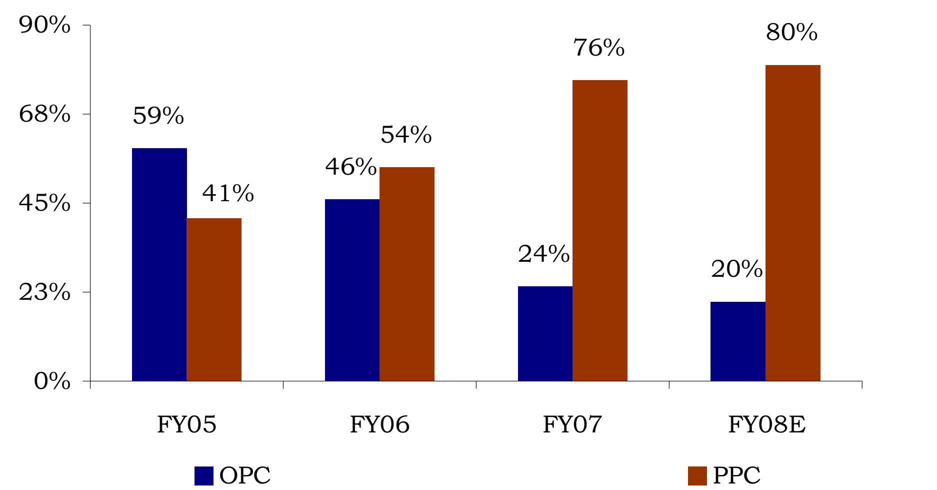
Year	FY07	FY08E	FY09E
Clinker	3.5	5.5	6.5
Cement	5.6	8.0	9.1
Power	65 MW	83 MW	101 MW

Source : Company, KJMC Research

Product-mix of SCL

Shift towards PPC production...

SCL has been shifting cement production from OPC to PPC. The total production of blended cement (PPC) for FY07 increased to 76% from 54% in FY06. The share of blended cement is expected to go up to 80% in FY08E. The cement to clinker ratio of the company improved to 1.41 in FY07 from 1.31 in FY06. The increase in share of blended cement helps to reduce the cost of production by Rs 100 to Rs 150 per metric ton of cement and allows the company to operate with higher margins.



Source : Company, KJMC Research

Captive Power Plant

Captive power plant (CPPs) of 83 MW (as on Sep 30 '07) fulfills SCL's need of electricity and helps it to save huge amount on electricity costs as the cost per unit of power generation through CPP is approx. Rs 1.78 as compared to Rs 4.8, if purchased through power grids and approx. Rs 10.96, if produced through diesel generators. SCL uses pet coke as fuel for its captive power plants.

SCL increased its power plant capacity to 83 MW (as on Sep 30 '07) from 65 MW in FY07. It aims to increase its power generation capacity by 18 MW to 101 MW by June 30 '08. Earlier, the company had increased its power generation capacity to 65 MW by adding 18 MW capacity power plant at Bangur City, Ras during FY07. The company would be self sufficient for its power requirement after commissioning of these power plants as the expanded power generation capacity would fulfill the power requirements of Khushkhera grinding units.

Benefits of Pet Coke

SCL uses pet coke as a fuel for its cement and captive power plants. Petcoke is a low-value residue produced while refining crude oil and is used for producing fuels such as diesel and naphtha. Petcoke has a very high calorific value of more than 8000 kcal/kg, high sulphar content and low volatile matter which make it difficult to burn. The price of petcoke is determined on its calorific value and it proves to be a cheaper option than coal as it has more calorific values, and contains less volatile matters and ash. As cement kilns are able to fire a wide range of fuels; it is possible to burn up to 100% petroleum coke in them.

However, the prices of Petcoke increased to Rs 4050 ton in FY07 as compared to Rs 3338 per ton in FY06. It further moved up to Rs 4225 per ton and Rs 4400 per ton during Q1 and Q2 of FY07 respectively. During Oct 07, the price of petcoke stood up at Rs 4550 per ton.

Locational Advantage

SCL mainly caters to the markets of North India. Shree Cement is located at Beawer, 185 kms from Jaipur off the Delhi-Ahmedabad Highway and Ras from where it caters easily to the markets of Haryana, Delhi and Rajasthan.

SCL concentrated on nearby markets to drive sales and consolidate market shares. It also helped to generate higher profitability from lower logistic costs. The average lead distance of the company is 380 kms which helps it to serve its market efficiently.

SCL has a strong marketing network of 100 sales offices, 3405 dealers and 10504 retailers throughout its key markets.

Freight Cost

Transportation cost plays a significant role in the total operational costs of a cement company. It is the 3rd highest cost component for the cement companies accounting for almost 20-23% of total cost of sales.

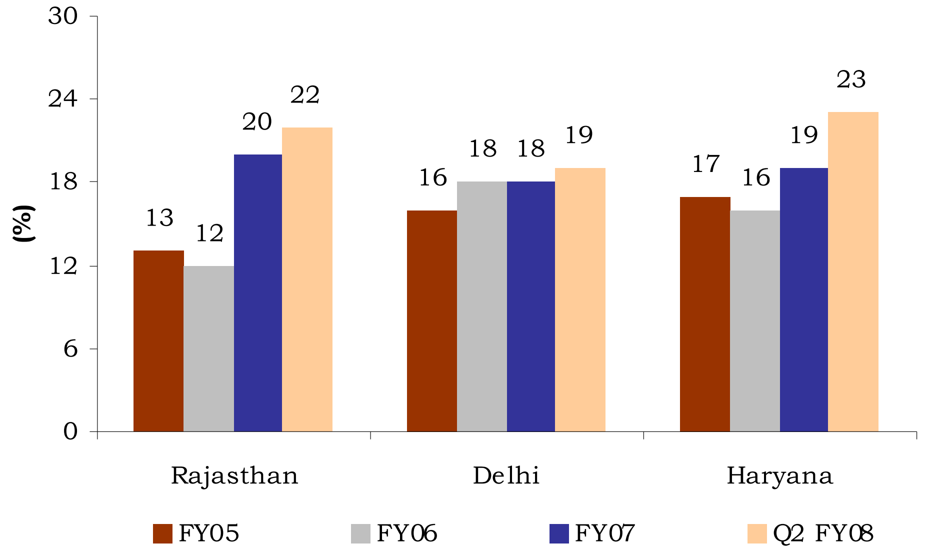
During FY07, SCL increased its rail despatches to 29% as compared to 12% in FY06. Rail Rakes are able to carry much larger loads and there are freight benefits for booking a whole rake. The freight cost per ton per km through rail is Rs 1.1 as compared to freight cost per ton per km through road, which is Rs 1.25.

As a result of this the transportation cost as a % of sales declined to 11.4% in FY07 from 15% in FY06.

Increasing Market Share

Its location in Northern Rajasthan and marketing strategies has enabled it to increase its market share in Northern India. The company enjoys highest market share in the states of Rajasthan, Haryana and Delhi. Total sales of Shree Cement grew by 51% in FY07 whereas the sales in North India grew at 11% during the same period.

Market share of the company is continuously increasing in its key markets...



Source : Company, KJMC Research

Company Overview

Shree Cement Ltd (SCL), one of the largest cement producers in Rajasthan, was incorporated in 1979 by Kolkata based industrialists Mr P D Bangur and Mr B G Bangur. The company started its operations in 1985 with a total cement production capacity of 0.6 mtpa which has been increased to 8 mtpa (Sep 30, 2007). The company further plans to increase its production capacity to 9.1 mtpa by June 30, 2008.

SCL is the largest single location cement producer in North India. According to a business standard survey, it is one of the fastest mid-sized growing companies. The company serves prime markets in North India. It enjoys highest market share in the states of Rajasthan, Delhi and Haryana with around 22%, 19% and 23% respectively of its total sales volume.

Management

SCL is being run under the leadership of Mr B G Bangur who has a long experience in the industry. He is also the director in Didwana Industrial Corporation Ltd, NBI Industrial Finance Com. Ltd., Shree Capital Services Ltd, Khemka Properties Pvt Ltd and Digvijay Finlease Ltd.

Mr H M Bangur, the Managing Director of the company is a Chemical Engineer from IIT Mumbai and brings technical insight to the Board which is the driving force of the technical excellence achieved by the company. He has been elected as the Vice President of Cement Manufacturers' Association (CMA). He is the ex-president of the Bharat Chamber of Commerce and Industry.

Apart from these, the company has eminent persons like Mr Amitabh Ghosh, Mr M K Singhi and Mr R L Gaggar on its Board of Directors who brings with themselves a lot of professional expertise in the industry.

Product Profile

SCL's multi-brand portfolio consists of both OPC and PPC offers like Shree Ultra Ordinary Portland Cement, Shree Ultra Jung Rodhak, Bangur Cement and Tuff Cemento 3556. Shree Cement is one of the most preferred brands in its marketing area.

Production Units

Unit	Location	Capacity (MTPA)
I & II	Bangur City, Ras	2.6
III	Bangur Nagar, Beawar	1.5
IV	Bangur City, Ras	1.5
V & Grinding	Kushkhera, Gurgaon	1.5
VI & Grinding	Kushkhera, Gurgaon	2.0

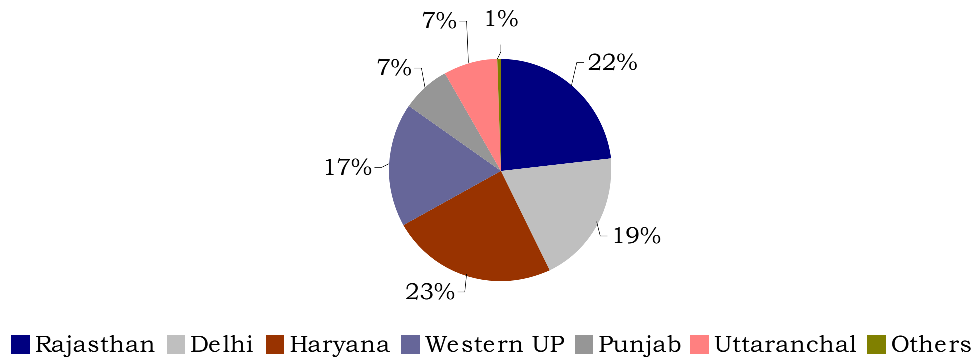
Source : Company

Raw Material Source

SCL has approx 700 mn tonnes of Limestone reserves located at mines at Ras and Beawer. This limestone reserve is sufficient to meet with the requirements of the company for next 50 years at its expanded capacity of 9.1 mtpa.

Sales Mix

SCL primarily caters to the markets of North India such as Rajasthan, Delhi, Haryana and Punjab. It enjoys highest market share in the states of Rajasthan, Delhi and Haryana. The market share of the company improved from 13% in FY05 to 20% in FY07 in Rajasthan, from 16% in FY05 to 18% in FY07 in Delhi and from 17% in FY05 to 19% in FY07 in Haryana.



Source : Company, KJMC Research

Focus towards Non-trade or Institutional Sales

SCL is trying to increase its focus towards Non-trade sales as these are in the nature of direct and/or bulk sales and hence, they lower distribution, logistic and administration costs of the company. Riding on the back of boom in government infrastructure, housing, SEZs, retail among others, SCL's non-trade volumes recorded a growth of 16% to 1.235 mt in FY07 as compared to 1.061 mt in FY06.

During Q2 FY08, the share of non-trade sales was approx. 20% of total sales volume and we expect this trend to continue in future also.

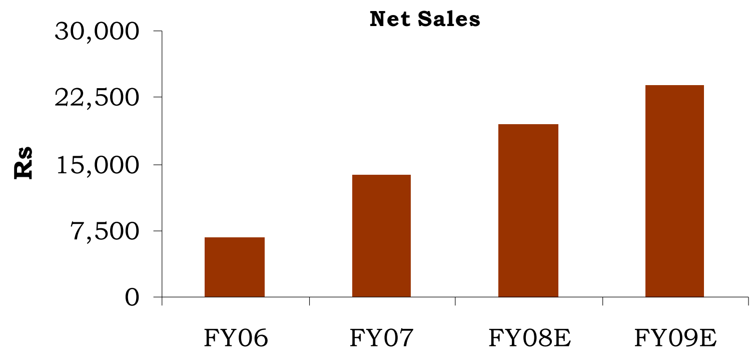
Financial Analysis

Revenues are expected to increase at a scorching pace...

Net Revenues of SCL increased at a CAGR of 53% during FY05 to FY07 on account of improved realizations per tonne of cement and volume growth. Net realizations per tonne of cement improved from Rs 1961 per tonne in FY05 to Rs 2851 in FY07, Gross realizations in FY05 being Rs 2354 per tonne while in FY07 it was Rs 3361 per tonne. During the same period, the production capacity of the company increased at a CAGR of 47% from 2.6 mtpa in FY05 to 5.6 mtpa in FY07, whereas total production of the company witnessed a growth of 59% from 3 mt in FY07 to 4.8 mt in FY07.

However, we expect the gross realization per tonne of cement to be around Rs 3621 in FY08E, net realization per tonne being around Rs 3096 per tonne. Going forward in FY09E, we believe that cement prices will be under pressure in North region and hence, we expect the gross realizations per tonne to go down to Rs 3440, net realizations per tonne being around Rs 2941.

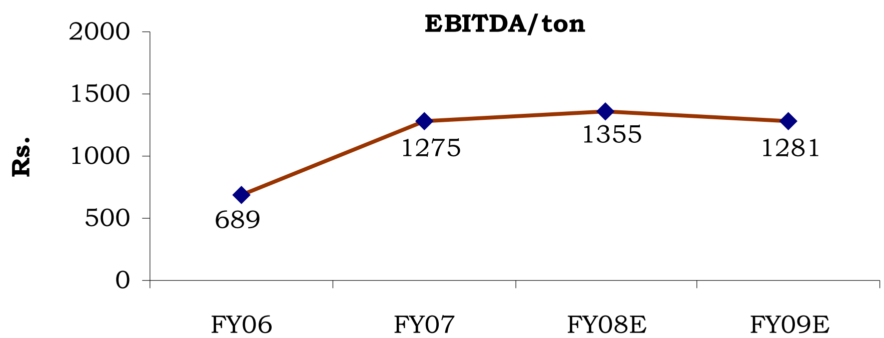
We expect the total sales volume of the company to be around 6.3 mn tonnes and 8.1 mn tonnes in FY08E and FY09E respectively on account of increase in production capacity of the company from 5.6 mtpa in FY07 to 8 mtpa (as on Sep 30, 2007) and again 9.1 mtpa by June 30, 2008. We expect net revenues to grow at a CAGR of 32% over the next 2 years driven by the strong volume growth of the company



Source : Company, KJMC Research

Company has significantly high operating profit per tonne of sales volume...

Operating profit per tonne of the company increased to Rs 1275 in FY07 as compared to Rs 689 in FY06 on account of improved realizations per tonne of cement and reduction in Power & fuel cost and freight costs as a percentage of net sales. We expect the operating profit per tonne to be Rs 1355 in FY08E on account of improvement in realizations per tonne of cement. However, in FY09E we expect operating profit per tonne to be Rs 1293 as we expect that net realizations per tonne of cement in Northern region will go down in FY09 as the region is expected to witness a surplus of cement in the 2H FY09E.



Source : Company, KJMC Research

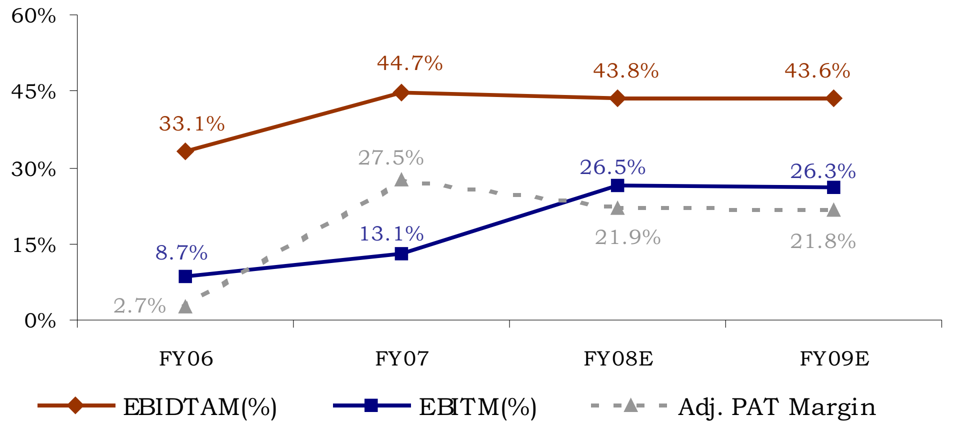
Financial Analysis (contd)..

Company is operating with high margins...

Operating margins of the company improved by 1157 bps in FY07 to 44.7% from 33.1% in FY06 on account of improvement in power & fuel costs, freight costs and reduction in consumption of stores & spares as a percentage of net sales. Power and fuel costs as percentage of sales decreased to 17.1% in FY07 as compared to 20.5% in FY06, whereas the freight costs as percentage of net sales declined to 11.4% from 15% in FY06. Going forward, we expect operational costs to increase due to increase in raw material costs and petcoke prices and hence, we expect the operating margins to be 43.8% and 43.6% in FY08E and FY09E respectively.

EBIT margin of the company have improved by 440 bps in FY07 to 13.1% from 8.7% in the previous year. We expect the EBIT margin to be 26.5% and 26.3% in FY08E and FY09E respectively.

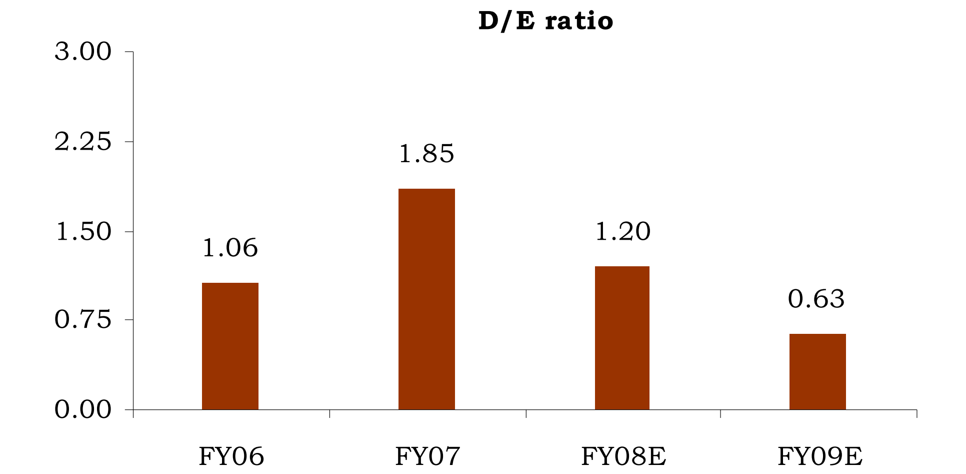
Adjusted Ne profit margins of the company have improved by 2477 bps in FY07 to 27.5% from 2.7% in FY06 due to improvement in other income by around 540% and decrease in interest costs by 19% pa. Going forward, we expect the net profit margins to be 21.9% in FY08E and 21.8% in FY09E.



Source : Company, KJMC Research

Company has a comfortable D/E Ratio...

Net Debt to Equity of the company increased to the levels of 1.85x in FY07 from 1.06x in FY06 on account of funds generated by the company to meet with its capex requirements. Going further, we expect the D/E ratio to rationalize to the levels of 1.2x in FY08E and 0.63x in FY09E.

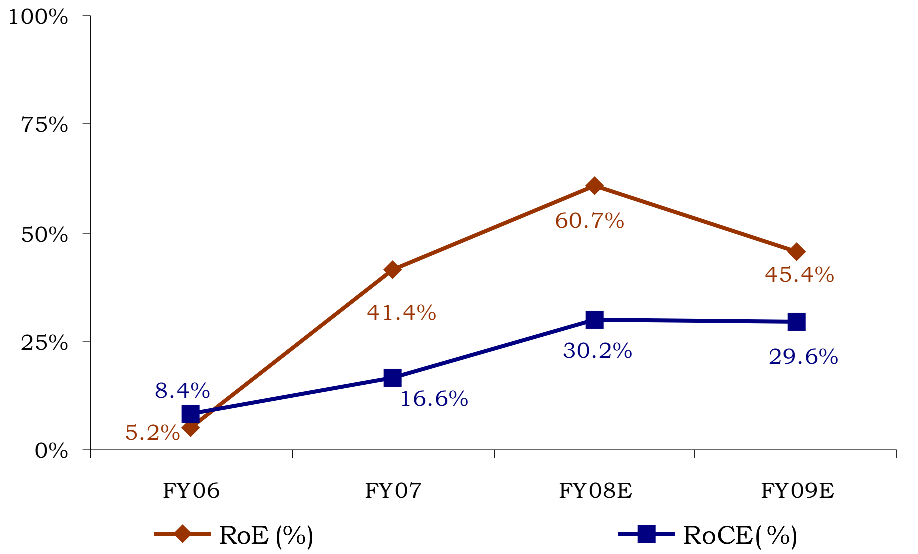


Source : Company, KJMC Research

Financial Analysis (contd)..

Company has reported healthy RoE & RoCE…

Return on Equity (RoE) of the company increased to 41.4% in FY07 from 5.2% in FY06 on account of increase in net profit margin from 2.7% in FY06 to 12.9% in FY07. Return on Capital employed (RoCE) improved by around 812 bps to 16.6% in FY07 from 8.4% in FY06. Going forward, we expect the RoE to rationalize to the levels of 60.7% and 45.4% in FY08E and FY09E respectively on account of the improved earnings of the company which will supplement to the total Reserves & Surplus of the company. We expect the RoCE to be around 30.2% and 29.6% in FY08E and FY09E respectively.

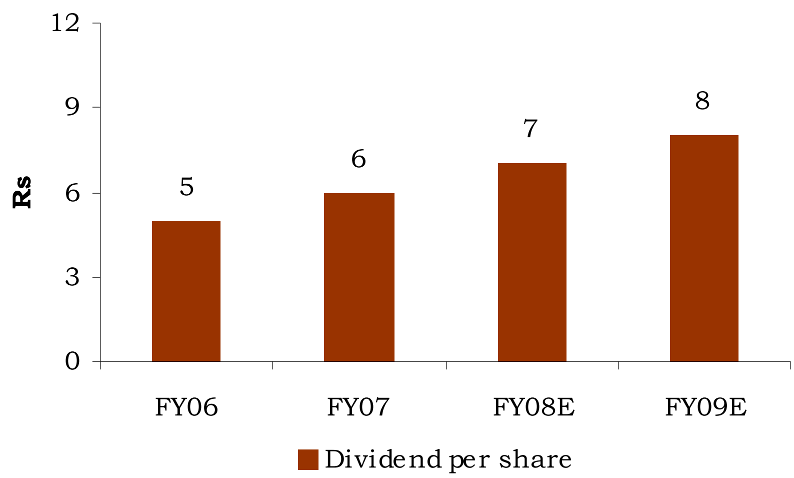


Source: - Company, KJMC Research

Dividend Policy

Company has consistent dividend payout record…

The management of Shree Cement has rewarded its shareholders through consistent dividend payouts, which increased to Rs 6/share in FY07 from Rs 2.5 in FY03. During FY07 the Board of Directors of the company recommended a dividend of 60% despite requirement of funds for rapid capacity expansions. We expect that the management will continue paying dividend in the range of 70-80% during next 2-3 years which will result in dividend pay out ratio of 5.72% and 5.35% in FY08E and FY09E respectively.



Source: - Company, KJMC Research

Quarterly & Half yearly Analysis

During Q2 FY08, SCL recorded a robust net sales growth of 47.6% YoY to Rs 4664 mn as compared to Rs 3160 during Q2 FY07 on account of higher volumes and improved realizations per tonne of cement. During Q2 FY08, the volume of SCL grew by 35% YoY to 1.49 MT and the realizations witnessed a 9.2% YoY growth to Rs 3113/tonne. For the half year ended Sep 30, '07, net sales of the company grew 43% YoY to Rs 8922 mn as compared to Rs 6254 mn during the same period last year.

EBIDTA grew by 41% YoY to Rs 2011 mn during Q2 FY08 as compared to Rs 1427 mn during Q2 FY07. EBIDTA margins of the company decreased by 202 bps to 43.1% during Q2 FY08 as compared to 45.2% during Q2 FY07, due to increase in power & fuel costs, freight expenses and other expenses.

Adj. PAT margins of the company decreased by 184 bps to 22.8% during Q2 FY08 as compared to 24.6% during the same period last year, mainly due to higher depreciation costs (116% YoY to Rs 688 mn). Other Income of the company recorded a 579% YoY jump to Rs 291 mn which includes sale of carbon credits of Rs 160 mn. The company has approx. 3.43 lakh CER accrued till Dec'06 out of which 2.10 lakh is sold during Q2 FY08 at Euro 14.5/CER and the rest is expected to be sold at around Euro 15/CER in the 2H FY08. The company will be generating approx. 1.2 lakh CERs per annum and these CERs shall accrue upto 2010 and will be sold periodically by the company.

Rs in Million

Particulars	Q2 FY07	Q2 FY08	% Change	6 mnths ended Sep 30 07	6 mnths ended Sep 30 08	% Change	FY07	FY08e	% Change
Net Sales	3160	4664	48%	6254	8922	43%	13,680	19,474	42%
Total Expenditure	1733	2652	53%	3453	5088	47%	7,563	10,952	45%
EBITDA	1427	2011	41%	2802	3835	37%	6117	8522	39%
Depreciation	338	688	103%	601	1046	74%	4331	3370	-22%
EBIT	1089	1324	22%	2200	2789	27%	1787	5151	188%
Other Income	43	291	579%	73	417	471%	212	774	266%
Interest	27	85	213%	81	124	53%	104	263	154%
PBT	1104	1530	39%	2193	3083	41%	1894	5662	199%
Tax	326	468		511	851	67%	124	1,395	
Adj PAT	778	1062	37%	1682	2231	33%	3,765	4,267	13%
EBIDTA margin (%)	45.2%	43.1%		44.8%	43.0%		44.7%	43.8%	
PBT margin (%)	34.9%	32.8%		35.1%	34.5%		13.8%	29.1%	
Adj PAT margin (%)	24.6%	22.8%		26.9%	25.0%		27.5%	21.9%	

Source : Company, KJMC Research

Peer Comparison

Cement companies are expanding their capacities sensing Infrastructure development in the country. SCL is a prominent cement player in Northern region with current annual capacity of 8 mtpa, which will be increased to 9.1 mtpa by June 30 '08.

SCL is currently trading at adj. P/E of 12.8x while on P/BV; it is currently trading at 9.6x. SCL is attractively valued based on FY08E and FY09E financials when compared to its peers like ACC, Madras Cement and Ultratech Cement Ltd.

Company	CMP (RS	Mcap	P/E (x)		EV/EBIDTA (x)		EV/Tonne (USD)	
		(Rs mn)	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E
Shree Cement	1382	48150	11.3	9.2	6.3	4.6	168.5	132.5
ACC	1069	200416	16.2	14.5	10.1	9.2	240	219
Madras Cement	4469	53986	12.3	11.1	7.4	5.7	205	176
Ultratech	980	122000	14.1	12.7	8.4	7.4	213	172

Source: Bloomberg consensus, KJMC Research

Source: Capitaline

Outlook & Valuation

Source: Capitaline

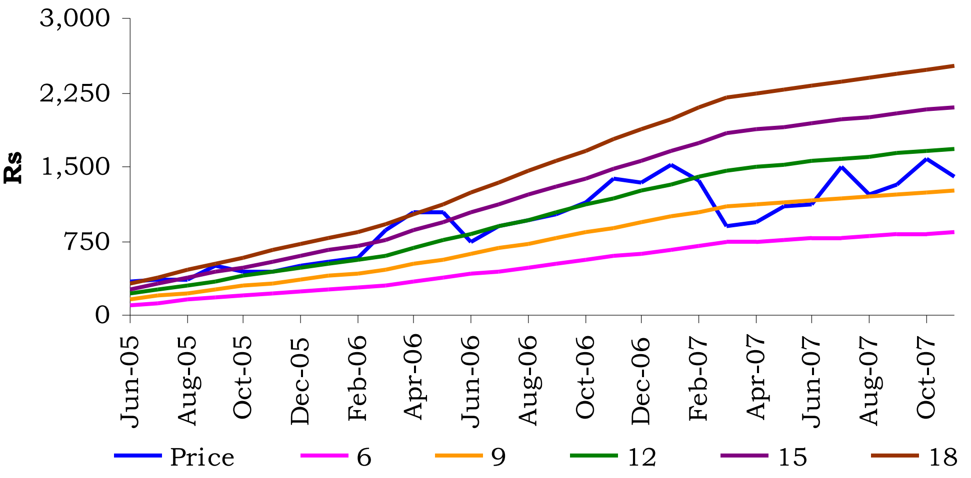
Going forward, we expect the topline and bottomline of the company to increase at a CAGR of 32% and 18% respectively over the next two years on account increased production capacity and volume growth.

At CMP of Rs 1382, the stock trades at P/E of 11.3x and 9.2x FY08E and FY09E earnings of Rs 122.5 and Rs 149.4 respectively. On EV/EBIDTA basis, it trades at 6.3x and 4.6x FY08E and FY09E respectively. On EV/Tonne basis, the stock trades at USD 168.5 FY08E and USD 132.5 FY09E.

We expect the demand-supply scenario in Northern region to be firm till first half of FY09E, but after that we expect the supply to exceed the demand in this region. We initiate coverage on SCL with a “BUY” recommendation and a 12-month target price of Rs 1792, based on 6x EV/EBIDTA.Our target price offers a potential return of 30% on CMP.

The stock is trading in a P/E range of 9x-12x…

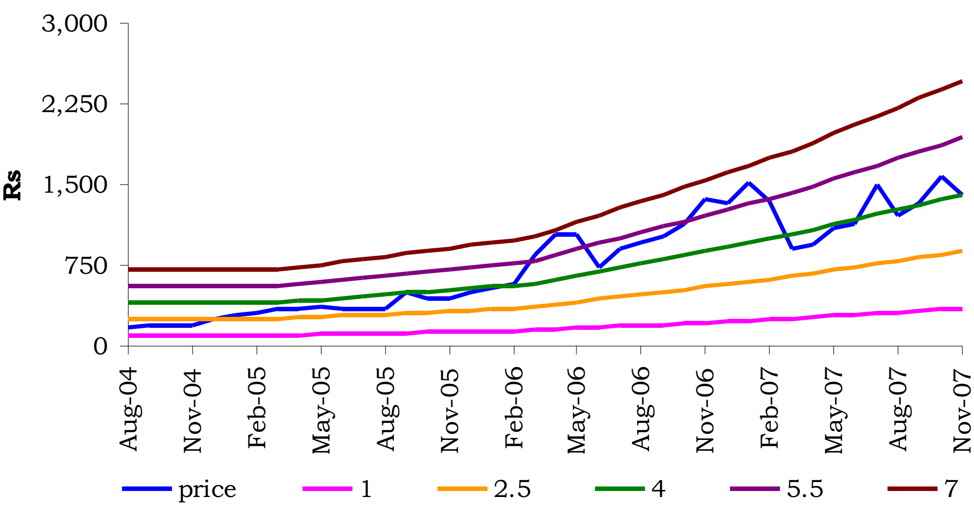
Rolling forward P/E



Source : KJMC Research

The stock is trading in a P/BV range of 4x-5.5x…

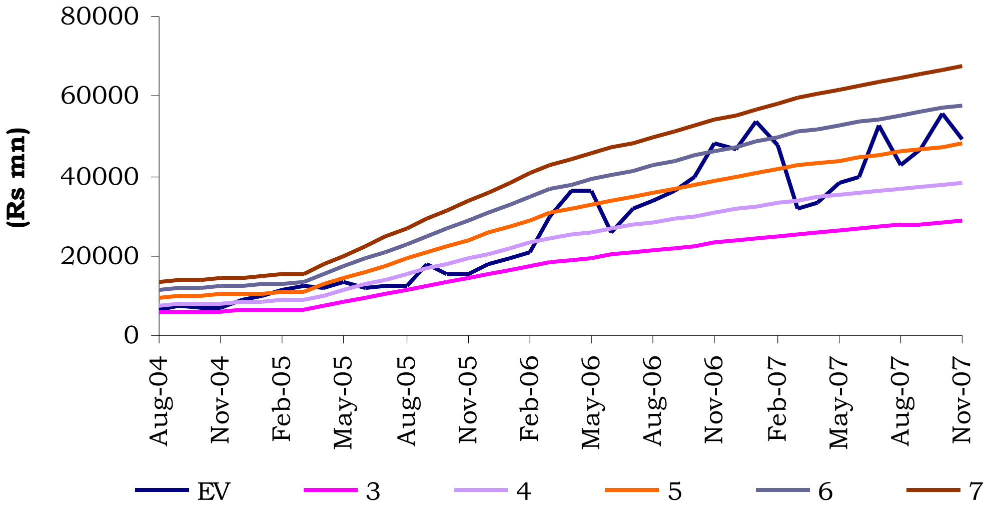
Rolling forward P/BV



Source : KJMC Research

The stock is trading in a EV/EBIDTA range of 5x-6x …

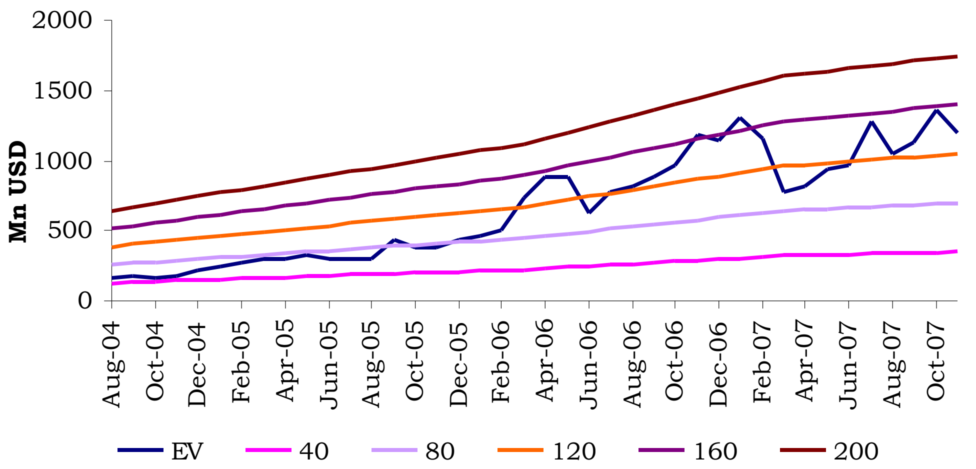
Rolling forward EV/EBIDTA



Source : KJMC Research

The stock is trading in a EV/Tonne range of USD120-USD160 …

Rolling forward EV/Tonne



Source : KJMC Research

Key Risks and Concerns

Slowdown in Infrastructure and construction activities

Housing sector accounts for around 60-65% of total cement consumption while Infrastructure activities accounts for around 20-25% of total consumption. Any slowdown in economy will affect the construction and infrastructure activities which could cool off the total demand for cement.

Government Regulations

From the beginning of 2007, cement industry witnessed a number of government interventions such as removal of countervailing duty and additional excise duty, reduction of import duty on cement to nil from 12.5%, dual excise structure and price freeze issues. Any further move by the government to regulate cement sector would hamper the performance of cement companies.

Decline in cement prices

We have assumed that cement will start declining from 2H FY09. If the prices start correcting before this period, it would impact the topline and bottomline of the company and result in profits, lower than our estimates.

Price Sensitivity Analysis

Year	Average Price/50 kg bag	EPS	Variance(%)
FY08			
Base Case	154.8	122.48	
Rs 5/bag up	159.8	126.44	3.2%
Rs 5/bag down	149.8	118.53	-3.2%
FY09			
Base Case	147.1	149.4	
Rs 5/bag up	152.1	154.5	3.4%
Rs 5/bag down	142.1	144.3	-3.4%

Delay in Capex Plans

Any delay in the capex plans of the company would have a negative impact on our assumptions of total sales volume and profitability of the company which will result in lower than estimated profits.

Financial Summary

Profit & Loss Statement

Rs. In Million

Particulars	FY06	FY07	FY08E	FY09E
Net Sales	**6,694**	**13,680**	**19,474**	**23,927**
Growth in Net Sales	15%	104%	42%	23%
Operating Expenses	**4,475**	**7,563**	**10,952**	**13,504**
Raw Material Consumption	896	1,642	2,619	3,217
Staff Cost	327	580	857	1,077
Power & Fuel	1,373	2,345	3,213	3,924
Transport, Clearing & forwarding charges	1,005	1,556	2,142	2,680
Consumption of stores & spares	611	874	1,245	1,529
Purchase of finished goods	64	69	98	120
Other Exps	472	517	779	957
EBITDA	**2,219**	**6,117**	**8,522**	**10,422**
% growth	31%	176%	39%	22%
EBITDA Margin	33%	45%	43.8%	43.6%
Depreciation	1,640	4,331	3,370	4,140
EBIT	**579**	**1,787**	**5,151**	**6,282**
Other Income	33	212	774	928
Interest	128	104	263	223
PBT	**271**	**1,894**	**5,662**	**6,987**
Tax	87	124	1,395	1,782
PAT	**184**	**1,770**	**4,267**	**5,205**
% Growth	-37%	862%	141%	22%
Adjusted PAT	**184**	**3,765**	**4,267**	**5,205**
EPS reported	5	51	123	149
Adjusted EPS	5	108	123	149
CEPS	58	232	219	268

Source : Company, KJMC Research

Balance Sheet

Rs. In Million

Particulars	FY06	FY07	FY08E	FY09E
SOURCES OF FUNDS				
Share Capital	348	348	348	348
Reserves Total	3162	4689	8671	13550
Total Shareholders Funds	**3510**	**5038**	**9019**	**13899**
Secured Loans	3259	8483	9969	7969
Unsecured Loans	468	831	831	831
Total Debt	**3727**	**9314**	**10800**	**8800**
Capital Employed	**7237**	**14351**	**19819**	**22699**
APPLICATION OF FUNDS				
Gross Block	12932	16573	24073	29573
Less : Accumulated Depreciation	6632	11092	14462	18602
Net Block	**6300**	**5482**	**9612**	**10971**
Capital Work in Progress	978	3438	2500	0
Investments	**0**	**500**	**500**	**500**
Deferred Tax Asset	**-690**	**37**	**37**	**37**
Current Assets, Loans & Advances				
Inventories	1129	1561	2134	2294
Sundry Debtors	183	263	320	361
Cash and Bank	191	3533	5041	8704
Loans and Advances	679	2384	3394	4170
Total Current Assets	**2182**	**7741**	**10890**	**15529**
Current Liabilities				
- Sundry Creditors	1273	1963	2668	3147
Total Provisions	260	883	1052	1192
Current Liabilities & Provisions	**1532**	**2846**	**3719**	**4339**
Net Current Assets	649	4895	7170	11190
Total Assets	**7237**	**14351**	**19819**	**22699**

Source :Company,KJMC Research

Summary Cash Flow

Rs. In Million

Particulars	FY06	FY07	FY08E	FY09E
Net Profit before Tax & Extraordinary Items	271	1894	5662	6987
Net cash from operating activities	2114	4605	6820	8985
Net Cash flow/(used) in Investing Activities	-2544	-6425	-6514	-2952
Net Cash flow/(used) in Financing Activities	491	5162	1202	-2371
Net Inc/(Dec) in Cash and Cash Equivalent	60	3342	1508	3663
Opening Cash & Cash Equivalents	130	191	3533	5041
Cash and Cash Equivalents at the End of the Year	191	3533	5041	8704

Source : Company, KJMC Research

Ratio Analysis

Particulars	FY06	FY07	FY08E	FY09E
Valuation Ratios				
Adj. P/E(X)	261.6	12.8	11.3	9.2
P/BV(X)	13.7	9.6	5.3	3.5
EV/EBIDTA(X)	23.3	8.8	6.3	4.6
EV/SALES(X)	7.7	3.9	2.8	2.0
EV/Tonne (USD)	516.9	539.3	168.5	132.5
Mcap/Sales(X)	7.19	3.52	2.47	2.01
Dividend Yield (%)	0.36%	0.43%	0.51%	0.58%
Growth Ratios (%)				
Net Sales	15%	104%	42%	23%
EBIDTA	31%	176%	39%	22%
EBIT	24%	209%	188%	22%
Adj. Net Profit	-37%	1946%	13%	22%
Adj. EPS	-37%	1946%	13%	22%
Profitability Ratios (%)				
EBIDTA Margin	33.1%	44.7%	43.8%	43.6%
EBIT Margin	8.7%	13.1%	26.5%	26.3%
Adj. PAT Margin	2.7%	27.5%	21.9%	21.8%
Return Ratios (%)				
ROE	5%	41%	61%	45%
ROCE	8%	17%	30%	30%
Per Share Ratios (Rs)				
Adj. EPS	5	108	122	149
CEPS	58	232	219	268
Book Value	101	145	259	399
DPS	5	6	7	8
Other Ratios				
Debt/Equity(X)	1.06	1.85	1.20	0.63
Interest Coverage (X)	4.5	17.2	19.6	28.2
Current Ratio (X)	1.4	2.7	2.93	3.58

Source :KJMC Research

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Recommendation Parameters

Expected returns in absolute terms over a one-year period

Buy	-	appreciate more than 20% over a 12- month period
Hold / Neutral	-	appreciate up to 20% over a 12- month period
Reduce	-	depreciate up to 10% over a 12- month period
Sell	-	depreciate more than 10% over a 12- month period

Recent Research Reports

Company	Industry/Sector	Reco
Dena Bank	Banking & Financial Services	Hold
Union Bank of India	Banking & Financial Services	Buy
Bank of India	Banking & Financial Services	Buy
Yes Bank Ltd.	Banking & Financial Services	Buy
Gujarat Industries Power Co Ltd.	Power	Buy
JK Lakshmi Cement	Cement	Buy
Prism Cement	Cement	Hold
BSEL Infra	Construction	Buy
Exide Industries Ltd.	Auto Ancillary - Batteries	Buy
Ahmednagar Forgings Ltd.	Auto Ancillary - Forging	Buy
Stone India Ltd.	Electric Equipment - Railways	Buy
Polymedicure Ltd.	Pharmaceuticals/Medical Disposable	Buy
Autometer	Automobiles - Monthly Update	Not Rated

KJMC Capital Market Services Ltd.

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The National Stock Exchange (EQ, WDM)	:	SEBI Regn. No. INB 230719932
The National Stock Exchange (Derivatives)	:	SEBI Regn. No. INF 230719932
The Stock Exchange, Mumbai	:	SEBI Regn. No. INB 010719939

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