KJMC-INSTITUTIONAL RESEARCH

Initiating Coverage | **Cement**

BUY

Binani Cement Ltd.

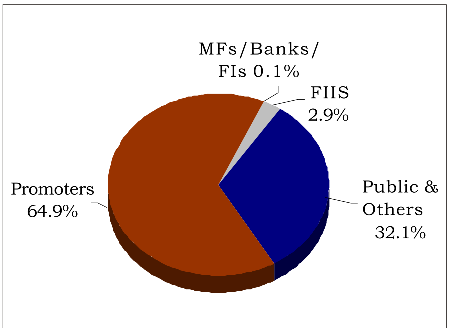
18th December, 2007

CMP-BSE (18/12/2007)	112
Target Price (12 mnth)	147
Face Value	10
Market Cap (Rs in mn)	22788
Total O/S shares (mn)	203.10
Free Float	35.1%
52 Week High/Low	130/58.75
Avg. Monthly Volume (BSE)	209549
Avg. Monthly Volume (NSE)	343471
BSE Code	532849
NSE Code	BINANICEM
Bloomberg Code	BINC@IN
Beta	0.87
Last Dividend Declared	20%
Six month's Return	85.62%

Relative to Nifty

Source : Capitaline

Shareholding Pattern



Source : Capitaline, KJMC Research

Binani Cement Ltd (BCL), the flagship company of Binani group, was promoted by Mr. Braj Binani. The group has multiple products and is located across India with interests in cement, zinc and glass fibre. BCL is a leading Indian cement manufacturer focused on the key markets of states in Northern India and Gujarat in Western India. The company commenced trial production in April 1997 with an initial capacity of 1.65 mtpa of OPC which will be increased to 5.25 mtpa by February '08.

Investment Rationale

- Cement production capacity increased to 3.75 mtpa from 2.25 mtpa in FY07, which is expected to increase further to 5.25 mtpa by January '08. Clinker production capacity increased to 4.3 mtpa from 2 mtpa in FY07 during the month of October '07.
- Power generation capacity is expected to increase to 69.6 MW from 25 MW in FY07 after commissioning of two multi fuel (Coal/Lignite) based power plants of 22.3 MW each, one by the end of December '07 and another by February '08. As per our estimates, this would result in a saving of approx Rs 111 mn in FY08E and Rs 584 mn in FY09E on EBIDTA levels, which would result in an EPS accretion of Rs 0.38 and Rs 1.88 in FY08 and FY09 respectively.
- Acquisition of 70% stake in Chinese cement company Shandong Rogan Group Comp. Ltd. having a production capacity of 0.4 mtpa, which the company plans to augment further to 2.2 mtpa over the next 2-3 yrs. Shandong group also plans to tap up UAE and East Africa markets for exports.
- Robust 39.2% growth in Net Sales to Rs 6798 mn in FY07 as compared to Rs 4885 mn in FY06. Adjusted Net profit of the company during FY07 increased to Rs 956 mn from Rs 530 mn in FY06, a jump of over 80%. During FY07, Operating margins of the company improved by 686 bps to 33.5% whereas adjusted net profit margins improved by 322 bps to 14.1% during the same period.

Valuations

At CMP of Rs 112, the stock trades at P/E of 9.7x and 6.1x FY08E and FY09E earnings of Rs 11.5 and Rs 18.5 respectively. On EV/EBIDTA basis, it trades at 8.1x and 4.8x FY08E and FY09E respectively. On EV/Tonne basis, the stock trades at USD 138 FY08E and USD 129 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 BCL with a "BUY" recommendation and a 12-month target of Rs 147, based on 6x EV/EBIDTA. Our target price offers a potential return of 31% over CMP.

Financial Snapshots	FY06	FY07	FY08E	FY09E
Net Sales (Rs mn)	4885	6798	10773	16478
EBIDTA (Rs mn)	1304	2281	3599	5720
Adj PAT (Rs mn)	530	956	2342	3715
Adj EPS (Rs)	2.6	4.7	11.5	18.3
P/E(X)	43.0	23.8	9.7	6.1
P/BV	9.0	7.6	4.7	2.8
RoE(%)	21.7%	34.5%	59.4%	57.7%
RoCE(%)	11.3%	20.0%	25.8%	36.8%
EV/EBIDTA (x)	20.8	12.8	8.1	4.8
EV/Tonne (USD)	271	292	138	129

Source: Company, KJMC Research

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General data sources

CMA, Capitaline, Company and Public domain

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Investment Arguments

Capacity Expansion and Capex plans

Huge expansion plans to tap the opportunities...

- BCL planned a capex of Rs 6900 mn for increasing its cement production capacity by 3 mtpa to 5.25 mtpa, clinker production capacity by 2.3 mtpa to 4.3 mtpa and coke/lignite based captive power generation capacity by 44.6 MW to 69.6 MW by the end of FY08.
- BCL has increased its production capacity to 3.75 mn tonnes from 2.25 mn tonnes in FY07 after commissioning of its grinding unit at Sirohi, Rajasthan in December '07. The company aims to increase its capacity to 5.25 mn tones by January '08 after commissioning of 1.5 mtpa grinding capacity at Neem Ka Thana, Rajasthan.
- Clinker production capacity of the company increased to 4.3 mn tonnes from 2 mn tonnes in FY07, after commissioning of a fresh clinker capacity of 2.3 mtpa at Sirohi in early October '07.
- BCL plans to set up two multi fuel based CPPs of 22.3 MW each, one by the end of December '07 and another by February '08. These power plants would fulfill 100% power requirements of the company.
- After these expansions, we expect cement production of BCL to grow by 44% and 61% in FY08E and FY09E respectively.

Capacity Snapshot (mn tonnes)

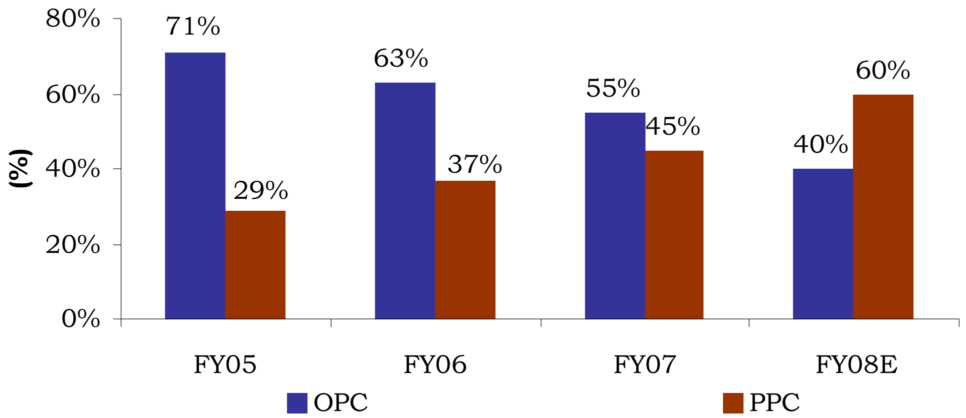
Year	FY07	FY08E	FY09E
Clinker	2	4.3	4.3
Cement	2.25	5.25	5.25
Power	25 MW	69.6 MW	69.6 MW

Source : Company, KJMC Research

Product-mix of SCL

Shift towards PPC production...

BCL has been shifting cement production from OPC to PPC. The total production of blended cement (PPC) for FY07 increased to 45% from 29% in FY06. Total sales of PPC stood at 1.175 mn tones in FY07 as against .873 mn tones in FY06, a jump of over 34.5%. The share of blended cement is expected to go up to 60% in FY08E and may go up further once the grinding units in Sirohi and Neem ka thana becomes fully operational in FY09E. The cement to clinker ratio of the company improved to 1.22 in FY07 from 1.18 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.



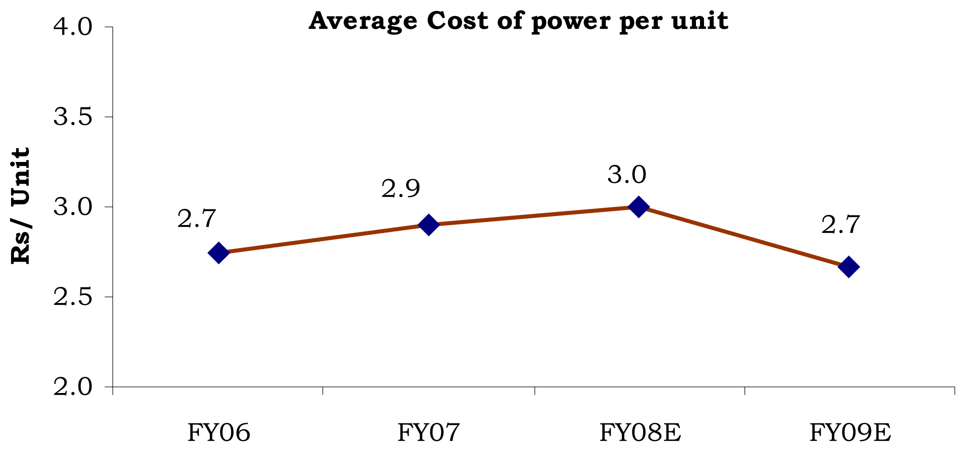
Source : Company, KJMC Research

Huge savings expected due to commissioning of new CPPS

BCL has a CPP of 25 MW capacity which used to fulfill 70% of its total power requirements on FY07 production capacity of 2.3 mtpa. The company plans to set up two coal/ lignite based CPPs of 22.3 MW capacity each , one by the end of December 2007 and another by February 2008. It has been allotted Lignite mines at Nimbri Chandavan by the government of Rajasthan to fuel these plants.

Savings to supplement bottomline...

These power plants would help the company to meet with 100% of its power requirements on its expanded capacity of 5.25 mtpa. According to the company, power generation through CPPs would cost around Rs 2.4 per unit whereas cost of purchase through grids costs approx. Rs 4.6 per unit. We expect the average cost of power to be around Rs 3 per unit in FY08E and Rs 2.7 per unit in FY09E as compared to Rs 2.9 per unit during FY07. As per our estimates, this would result in a saving of approx Rs 111 mn in FY08E and Rs 584 mn in FY09E on EBIDTA levels, which would result in an EPS accretion of Rs 0.38 and Rs 1.88 in FY08 and FY09 respectively.



Source : Company, KJMC Research

Investment in Chinese Company

BCL acquired 70% stake in Chinese cement firm Shandong Rogan Group Comp. Ltd. having a production capacity of 0.4 mtpa at an investment of USD 11 mn during mid FY08. Going ahead, the company plans to increase its capacity to 2.2 mtpa in next 2-3 years at an investment of USD 100 mn.

Potential to become a global market player...

The Chinese company has limestone reserves of 148 mn which would be sufficient to cater to the needs for the next 30 yrs at projected expanded capacity. Shandong group plans to tap up UAE and East Africa markets for exports.

Company Overview

Binani Cement Ltd (BCL), the flagship company of Binani group, was promoted by Mr. Braj Binani. The group has multiple products and is located across India with interests in cement, zinc and glass fibre. BCL is a leading Indian cement manufacturer focused on the key markets of states in Northern India and Gujarat in Western India. The company commenced trial production in April 1997 with an initial capacity of 1.65 mtpa of OPC which will be increased to 5.25 mtpa by February '08. The company's plant is located at Sirohi in Rajastahn and was set up with the support of Denmark based F. L. Smidth and Larsen & Toubro Ltd, India.

Management

The Company is managed by a team of experienced and professional managers focused on different aspects of the cement industry including production, manufacturing, marketing, quality control and finance. The Promoters and management of the Company have experience in the cement industry.

Mr Braj Binani, the Chairman and Managing Director of the company, has a long experience in the industry. He was the driving force behind the diversification initiative of Binani Group into cement and glass fibre business. He was also associated in the expansion of zinc smelter capacity and its modernization. He is responsible for the growth of the Binani Group in India.

Product Profile

BCL manufactures Portland Pozzollana Cement (PPC) and Ordinary Portland Cement (OPC) of 43 and 53 grades and markets its products under the brand name "Binani".

Marketing and Distribution network

BCL has a distribution network of 2250 dealers and 65 Market Organisers (MO) in the states of Rajasthan, Gujarat, Delhi, Haryana, parts of Uttar Pradesh and Punjab. The sales and marketing functions of the Company are managed from New Delhi, with a team of 83 professionals based at six main centres of Ahmedabad, New Delhi, Jodhpur, Jaipur, Ghaziabad and Chandigarh.

The Company has also engaged Mr. Amitabh Bachchan for a period of twelve months from February 2007 for endorsing the Company's products through out India.

Raw Material Source

Limestone Reserves

BCL has approx 200 mn tons of Limestone reserves located at mines at Amli and Thandiberi situated at a distance of 2 km and 7 km respectively from Sirohi plant. These mines are leased from the State of Rajasthan for a period of 20 yrs and can be renewed further. The company pays a royalty of Rs 46 per tonne of limestone extracted to the government of Rajasthan. This limestone reserve is sufficient to meet with the requirements of the company for next 25 years at its expanded capacity of 5.25 mtpa.

Fly Ash

The total requirement of fly ash by the Company was approx 0.3 mt during FY07, which we expect to go upto 0.52 mt and 0.84 mt during FY08 and FY09 respectively. It is sourced from AEC, Ahmedabad, GEB, Gandhinagar and NTPC, Suratgarh. While the power plants charge only Rs. 60 to Rs. 150 per tonne as administrative charges to allow the Company to lift the fly ash, the main cost is incurred in transportation. During FY07, the landed cost of fly ash was around Rs. 689 per tonne which we expect to go upto Rs 737 per tonne and Rs 789 per tonne during FY08 and FY09 respectively. The Company does not use the fly ash generated by its power plant, as the fly ash from the captive power plant has high carbon content and is efficiently recycled by usage in the kiln.

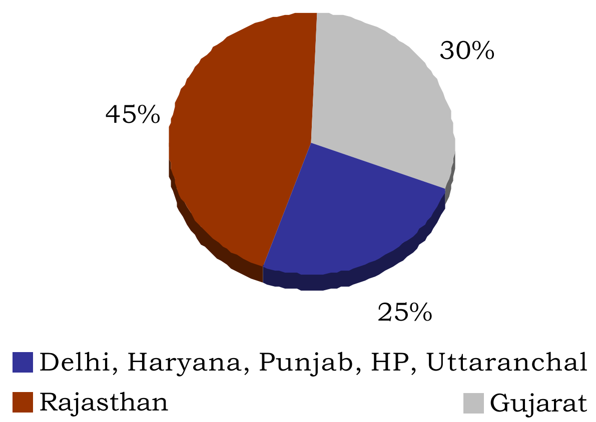
Regionwise Sales Mix

Region-wise sales mix

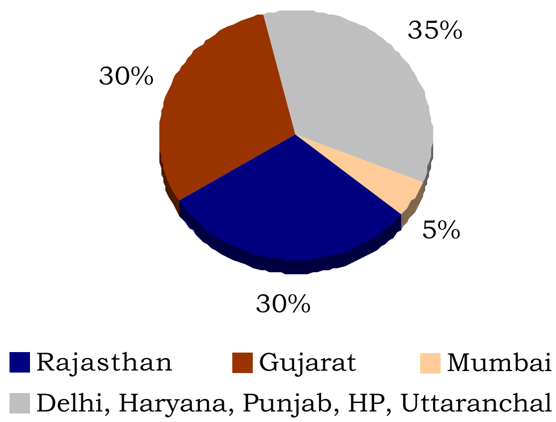
BCL primarily caters to the markets of Rajasthan and Gujarat. Almost 75% of its total sales accrue from these two states, whereas remaining 25% of total sales accrue from other NCR regions such as Delhi, Haryana, Punjab, Himachal Pradesh and Uttaranchal. It enjoys 3rd highest market share in Rajasthan with over 13% market share. It also enjoys over 7% market share in Gujarat.

After the planned expansions of its capacity, BCL plans to boost its sales into NCR markets and plans to enter into Mumbai markets as well. Going ahead, we expect total sales of the company to decline to 30% in Rajasthan, whereas the sales in NCR markets will climb up to 35%.

Sales Break-up



Sales Break-up FY09E



Source : Company, KJMC Research

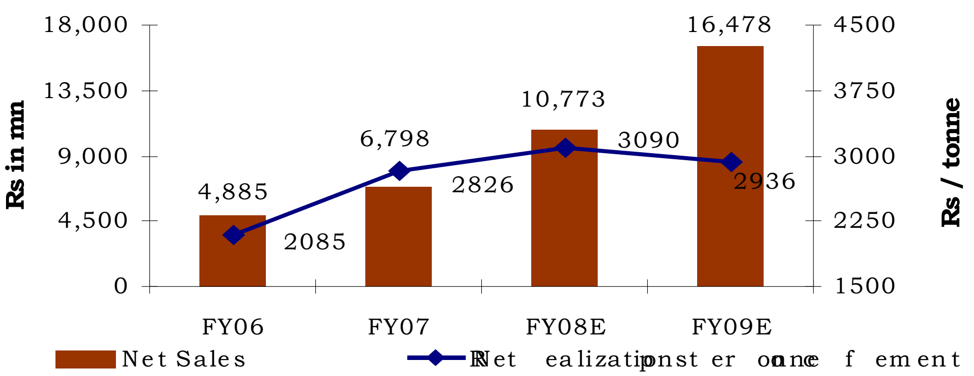
Financial Analysis

Net Revenues of BCL increased at a CAGR of 24.6% 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 1957.8 per tonne in FY05 to Rs 2825.8 in FY07, Gross realizations in FY05 being Rs 2363.7 per tonne while in FY07 it was Rs 3250.5 per tonne. During the same period, total production of the company witnessed a growth of 8.4% from 2.24 mt in FY05 to 2.43 mt in FY07, whereas the sales recorded a growth of 7.5% from 2.24 mt in FY05 to 2.41 mt in FY07.

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

However, we expect the gross realization per tonne of cement to be around Rs 3622 in FY08E, net realization per tonne being around Rs 3090. 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 3441, net realizations per tonne being around Rs 2936.

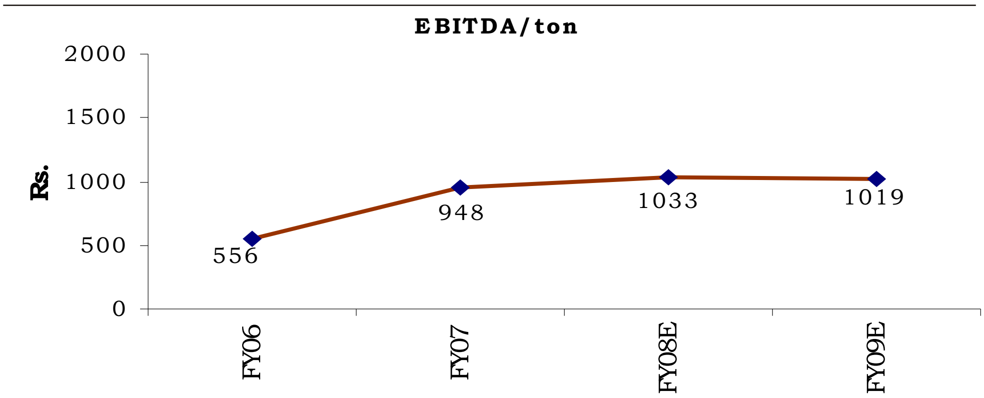
We expect the total sales volume of the company to be around 3.5 mn tonnes and 5.6 mn tonnes in FY08E and FY09E respectively on account of increase in production capacity of the company from 2.25 mtpa in FY07 to 5.25 mtpa by January 2008. We expect net revenues to grow at a CAGR of 55.7% over the next 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 948 in FY07 as compared to Rs 556 in FY06 on account of improved realizations per tonne of cement from Rs 2084.8 in FY06 to Rs 2825.8 in FY07. We expect the operating profit per tonne to be Rs 1033 in FY08E on account of improvement in realizations per tonne of cement from Rs 2825.8 in FY07 to Rs 3090.4 in FY08E. However, in FY09E we expect operating profit per tonne to be Rs 1019 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 second half of FY09E.



Source : Company, KJMC Research

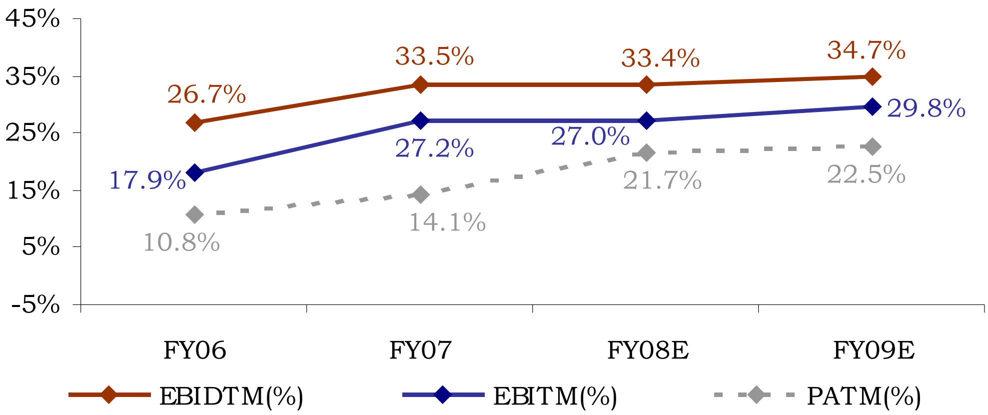
Financial Analysis (contd)..

Company is operating with high margins...

Operating margins of the company improved by 686 bps in FY07 to 33.5% from 26.7% in FY06 on account of reduction in power & fuel costs and staff costs as a percentage of net sales, however freight costs of as a % of net sales of the company increased to 21.6% in FY07 as compared to 16.7% in FY06. Going forward, we expect slight increase in raw material costs and coke prices, but it will be offset by savings on account of new power plants and freight costs as the company is shifting towards rails for transportation and hence, we expect the operating margins to be 33.4% and 34.7% in FY08E and FY09E respectively.

EBIT margin of the company have improved by 925 bps in FY07 to 27.2% from 17.9% in the previous year. We expect the EBIT margin to be 27% and 29.8% in FY08E and FY09E respectively.

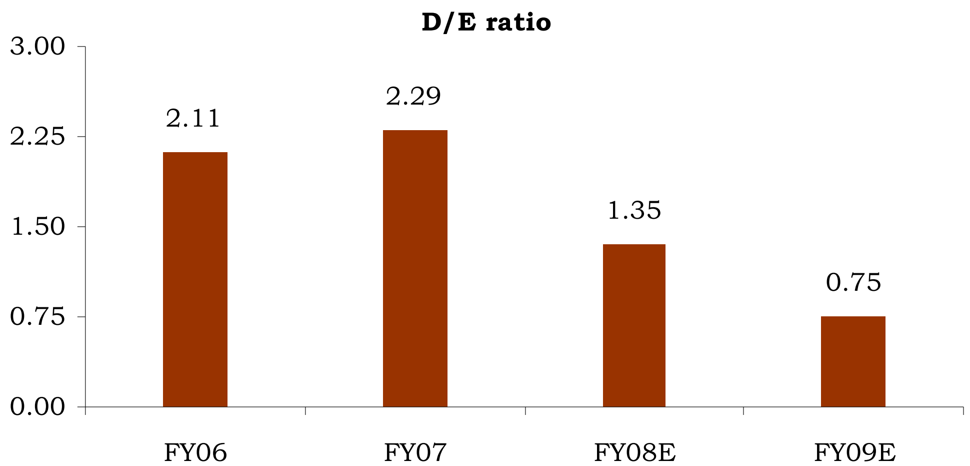
Adjusted Net profit margins of the company have improved by 322 bps in FY07 to 14.1% from 10.8% in FY06 due to decrease in interest costs by 5% pa, however, tax provisions as a % of PBT increased to 38.9% in FY07 as compared to 8.8% in FY06 due to provisions for deferred taxes. Going forward, we expect the net profit margins to be 21.7% in FY08E and 22.5% in FY09E on account of decline in Interest costs due to repayment of loans.



Source : Company, KJMC Research

Company has a comfortable D/E Ratio...

Net Debt to Equity of the company increased to the levels of 2.29x in FY07 from 2.11x 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 1.35x in FY08E and 0.74x in FY09E.

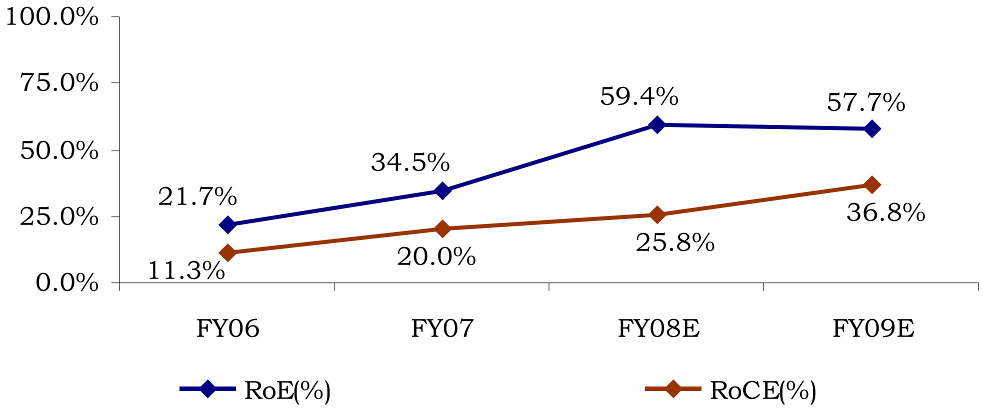


Source : Company, KJMC Research

Financial Analysis (contd)..

Company has reported healthy RoE & RoCE…

Return on Equity (RoE) of the company increased to 34.5% in FY07 from 21.7% in FY06 on account of increase in net profit margin from 10.8% in FY06 to 14.1% in FY07. Return on Capital employed (RoCE) improved by around 863 bps to 20% in FY07 from 11.3% in FY06. Going forward, we expect the RoE to improve to the levels of 59.4% and 57.2% 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 25.8% and 36.6% in FY08E and FY09E respectively.



Source : Company, KJMC Research

Dividend Policy

Dividend Policy

During FY07, the Board of Directors of Binani Cement have recommended a dividend of 20% on its equity capital with a dividend pay-out ratio of 42.49%. We expect that the management will continue paying dividend in the range of 20%-25% over the next 2 years which will result in a dividend pay out ratio of 17.34% and 13.67% in FY08E and FY09E respectively.

Quarterly & Half yearly Analysis

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	1539.7	2137.4	38.8%	3280.9	4093.6	24.8%	6,798.3	10,773.1	58.5%
Total Expenditure	1009.2	1444.0	43.1%	2148.3	2659.2	23.8%	4,517.6	7,173.8	58.8%
EBITDA	530.5	693.4	30.7%	1132.6	1434.4	26.6%	2,280.7	3,599.4	57.8%
Depreciation	107.8	113.5	5.3%	215.5	224.5	4.2%	434.6	690.0	58.8%
EBIT	422.7	579.9	37.2%	917.1	1209.9	31.9%	1,846.2	2,909.4	57.6%
Other Income	8.3	59.6	618.1%	16.9	77.5	358.6%	45.8	135.0	194.9%
Interest	79.9	98.3	23.0%	159.0	173.8	9.3%	326.2	311.4	-4.5%
PBT	351.1	541.2	54.1%	775.0	1113.6	43.7%	1,565.7	2,733.0	74.6%
Tax	200.0	62.5	-68.8%	248.1	128.2	-48.3%	609.6	390.8	-35.9%
Adj PAT	151.1	478.7	216.8%	526.9	985.4	87.0%	956.1	2,342.2	145.0%
EBIDTA margin (%)	34.5%	32.4%		27.7%	35.0%		33.5%	33.4%	
PBT margin (%)	22.8%	25.3%		23.6%	27.2%		23.0%	25.4%	
Adj PAT margin (%)	9.8%	22.4%		16.1%	24.1%		14.1%	21.7%	

Source : Company, KJMC Research

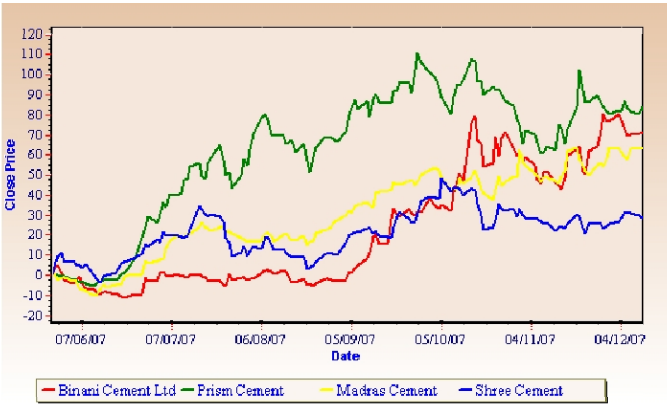
Peer Comparison

Cement companies are expanding their capacities sensing Infrastructure development in the country. BCL is a prominent cement player in Northern region with current annual capacity of 3.75 mtpa (as on December '07), which will be increased to 5.25 mtpa by February '08.

BCL is currently trading at adj. P/E of 23.8x while on P/BV; it is currently trading at 7.6x. BCL is attractively valued based on FY08E and FY09E financials when compared to its peers like Prism Cement, Madras Cement and Shree Cement. We believe that BCL commands a higher valuation on account of (i) Clinker and Cement capacity expansion (ii) strong brand image andhigh quality and (iii) potential to become a global market player due to its stake in Chinese cement firm.

Company	CMP (RS	Mcap	P/E (x)		EV/EBIDTA (x)		EV/Tonne (USD)	
		(Rs mn)	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E
Binani Cement	112	22788	9.7	6.1	8.1	4.8	138	129
Prism Cement	66	19744	8.2	7.7	5.0	4.8	186	191
Madras Cement	4524	54652	12.3	11.1	7.4	5.7	205	176
Shree Cement	1435	49976	11.7	9.6	6.5	4.8	174	138

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 54% and 98.3% respectively over the next two years on account increased production capacity and volume growth.

At CMP of Rs 112, the stock trades at P/E of 9.7x and 6.1x FY08E and FY09E earnings of Rs 11.5 and Rs 18.5 respectively. On EV/EBIDTA basis, it trades at 8.1x and 4.8x FY08E and FY09E respectively. On EV/Tonne basis, the stock trades at USD 138 FY08E and USD 129 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 BCL with a “BUY” recommendation and a 12-month target price of Rs 147, based on 6x EV/EBIDTA.Our target price offers a potential return of 31% on CMP.

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.

Oversupply in Key Markets (Northern Region)

As per Industry sources, Northern Region will witness around 20.2 mtpa new capacities in FY08 & FY09, which would create a situation of demand-supply crunch leading to decline in cement prices in this region.

(In mn tonnes)

Year	Capacity	Production	Demand	Capacity Utilization (%)
FY05	27.4	26.7	24.3	97.6%
FY06	29.6	29.7	27.1	100.3%
FY07	32.3	31.8	29.8	98.5%
FY08E	39.6	34.8	33	88%
FY09E	52.5	44.1	36.5	84%

Source: - CMA, KJMC Research

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	154.5	11.53	
Rs 5/bag up	159.5	11.91	3.2%
Rs 5/bag down	149.5	11.16	-3.2%
FY09			
Base Case	146.8	18.3	
Rs 5/bag up	151.8	18.9	3.4%
Rs 5/bag down	141.8	17.7	-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	**4,885**	**6,798**	**10,773**	**16,478**
Growth in Net Sales	11%	39%	58%	53%
Operating Expenses	**3,581**	**4,518**	**7,174**	**10,758**
Raw Material Consumption	693	924	1,464	2,239
Staff Cost	151	187.83	345	577
Power & Fuel	1,375	1,420	2,155	2,966
Freight Cost	816	1,470	2,262	3,460
Consumption of stores & spares	153	163	269	445
Other Exps	356	418	679	1,071
EBIDTA	**1,304**	**2,281**	**3,599**	**5,720**
% growth	**31%**	**75%**	**58%**	**59%**
EBIDTA Margin	27%	34%	33%	35%
Depreciation	429.06	434.56	690	815
EBIT	**875**	**1,846**	**2,909**	**4,905**
Other Income	48	46	135	50
Interest	342	326	311	282
PBT	**580.7**	**1,565.7**	**2,733**	**4,673**
Tax	51	610	391	958
PAT	**530**	**956**	**2,342**	**3,715**
% Growth	721%	81%	145%	59%
Adjusted PAT	**530**	**956**	**2,342**	**3,715**
EPS reported	3	5	12	18
Diluted EPS	3	5	12	18
CEPS	5	7	15	22

Source : Company, KJMC Research

Balance Sheet

Rs. In Million

Particulars	FY06	FY07	FY08E	FY09E
SOURCES OF FUNDS				
Share Capital	2031	2031	2031	2031
Reserves Total	500	981	2848	5969
NetWorth	**2531**	**3012**	**4879**	**8000**
Secured Loans	5344	6588	6288	5688
Unsecured Loans	0	322	322	322
Stockists' deposits	118	150	150	150
Net Deferred Tax	0	431	431	431
Capital Employed	**7993**	**10504**	**12070**	**14591**
APPLICATION OF FUNDS				
Gross Block	8040	8400	13800	16300
Less : Accumulated Depreciation	3081	3470	4160	4975
Net Block	**4959**	**4930**	**9640**	**11325**
Capital Work in Progress	1000	5174	1076	500
Current Assets, Loans & Advances				
Inventories	336	573	1417	1806
Sundry Debtors	2	2	6	9
Cash and Bank	1028	477	387	1618
Loans and Advances	1521	1391	1939	2636
Total Current Assets	**2887**	**2443**	**3749**	**6070**
Current Liabilities				
- Sundry Creditors	668	1429	1919	2709
Total Provisions	**184**	**613**	**475**	**594**
Current Liabilities & Provisions	**852**	**2042**	**2394**	**3303**
Net Current Assets	2034	401	1355	2767
Total Assets	**7993**	**10504**	**12070**	**14591**

Source :Company,KJMC Research

Summary Cash Flow

Rs. In Million

Particulars	FY06	FY07	FY08E	FY09E
Net Profit before Tax & Extraordinary Items	581	1566	2733	4673
Net cash from operating activities	1293	2306	2152	4560
Net Cash flow/(used) in Investing Activities	-356	-3805	-1302	-1924
Net Cash flow/(used) in Financing Activities	2	948	-940	-1405
Net Inc/(Dec) in Cash and Cash Equivalent	939	-551	-90	1231
Opening Cash & Cash Equivalents	88	1028	477	387
Cash and Cash Equivalents at the End of the Year	1028	477	387	1618

Source : Company, KJMC Research

Ratio Analysis

Particulars	FY06	FY07	FY08E	FY09E
VALUATION RATIOS				
P/E(X)	43.0	23.8	9.7	6.1
P/BV(X)	9.0	7.6	4.7	2.8
EV/EBIDTA(X)	20.8	12.8	8.1	4.8
EV/SALES(X)	5.5	4.3	2.7	1.6
EV/Tonne (USD)	271	292	138	129
Mcap/Sales(X)	4.7	3.4	2.1	1.4
Dividend Yield (%)	0.00%	1.78%	1.78%	2.23%
GROWTH RATIOS (%)				
Net Sales	11.5%	39.2%	58.5%	53.0%
EBIDTA	31.1%	75.0%	57.8%	58.9%
EBIT	52.3%	111.1%	57.6%	68.6%
Net Profit	721.1%	80.5%	145.0%	58.6%
EPS	777.5%	80.5%	145.0%	58.6%
PROFITABILITY RATIOS (%)				
EBIDTA Margin	26.7%	33.5%	33.4%	34.7%
EBIT Margin	17.9%	27.2%	27.0%	29.8%
PAT Margin	10.8%	14.1%	21.7%	22.5%
RETURN RATIOS (%)				
ROE	21.7%	34.5%	59.4%	57.7%
ROCE	11.3%	20.0%	25.8%	36.8%
PER SHARE RATIOS (Rs)				
EPS	2.6	4.7	11.5	18.3
CEPS	4.7	6.8	14.9	22.3
Book Value	12.5	14.8	24.0	39.4
DPS	0	2	2	2.5
OTHER RATIOS				
Debt/Equity(X)	2.11	2.29	1.35	0.75
Interest Coverage (X)	2.6	5.7	9.3	17.4
Current Ratio (X)	3.4	1.2	1.6	1.8

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
Shree Cement Ltd.	Cement	Buy
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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