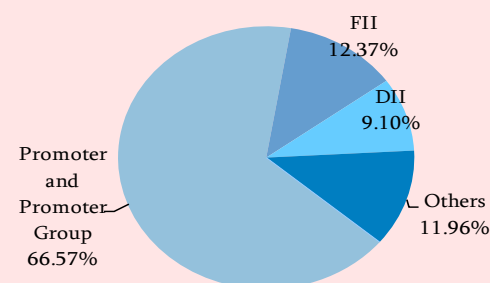


BUY

Market Data

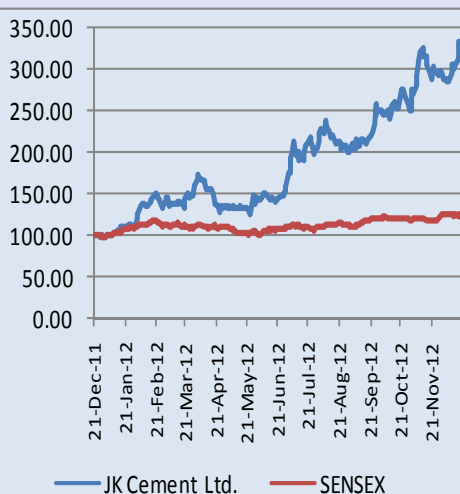
Current Market Price (INR)	337
Target Price	395.00
Upside Potential	17.21%
52 Week High/Low (INR)	338.95/96.20
Market Capitalization (In INR Cr.)	2,357

Shareholding



STOCK SCAN

BSE Code	532644
NSE Code	JKCEMENT
Bloomberg Ticker	JKCE IN
Reuters Ticker	JKCE.BO
Face Value (INR)	10.00
Equity Share Capital (In INR Cr.)	69.93
Beta vs Sensex	0.70
Average Daily Volume	132,159
Dividend Yield	1.49%
PEG Ratio	NA



JK Cement Ltd

Sector – Cement & Construction

We rate JK Cement Limited a **BUY**. JK Cement is one of the largest cement manufacturers in North India and second largest producer of white cement in India. The company exports white cement to countries like South Africa, Nigeria, Singapore, Bahrain, Bangladesh, Sri Lanka, Tanzania, UAE and Nepal. The Company produces 53-grade, 43-grade and 33-grade Ordinary Portland Cement (OPC) grey cement, Portland Pozzolana Cement ('PPC') under grey and white cement. JK Water proof is another product from JK Cements used for flooring, wall application and other specialized applications.

Investment Highlights

Regional player with Multiple product portfolio: JK cement is one of the largest cement players in North and caters to North and Central India majorly followed by south and western India. It deals in grey and white cement production. Currently the grey cement capacity is 7.5mn tons and White cement capacity is at 0.4mn tons. White cement is an advantage on margin front which is a high margins segment.

Expansion plans – To act as a growth driver in future: JK Cement is optimistic about its plan to double its output to 17mnt by 2016-17 from 7.5mnt currently by expanding its business in grey and white cement as mentioned below:

Grey Cement- The company plans to augment its grinding capacity of Grey cement by 3mn tons at Haryana and Rajasthan. The company plans to augment its grinding capacity by 3mt (1.5mt each at Jhajjar, Haryana and Mangrol, Rajasthan). The Company has awarded the EPC contract for the plant and financial closure is expected by this month. The plant is expected to be complete Q4FY15.

White Cement- It also plans to set up 0.6mn tons plant of white cement in UAE for Middle East markets accounts for almost 16% of the global white cement demand.

Strong Financial growth with sound ratios: The Company has registered a strong financial growth in FY12. Its Net sales increased by 22% to INR2547 crore and PAT improved by 178% to INR175 crore. Its EBITDA margin also improved from 13.2% to 20.2%. ROE of the company came at 14.4%. Its total D/E ratio also came down marginally from 1.2 to 1.0. JK cement's financial ratios are strong and are very much in line with top cement players like Ultratech Cement, ACC, Ambuja Cement and Shree Cement.

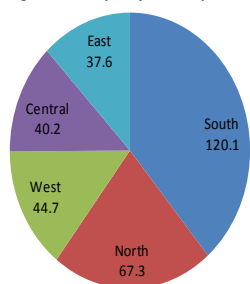
Exhibit 1. JK Cement financial performance (In INR Cr. except per share data and %)

Particulars	FY 2010 A	FY 2011 A	FY 2012 A	FY 2013 E	FY 2014 E
Net Sales (post Excise Duty)	1,826.78	2,094.35	2,546.79	2,980.00	3,457.00
Growth (%)		14.65%	21.60%	17.01%	16.01%
EBITDA	438.00	276.00	514.00	662.00	815.00
EBITDA Margins (%)		13.18%	20.18%	22.21%	23.58%
Net Profit	225.00	63.00	175.00	260.00	325.00
Net Profit Margins (%)		3.01%	6.87%	8.72%	9.40%
Net Profit Growth (%)		-72.00%	177.78%	48.57%	25.00%
EPS	32.10	9.00	25.00	37.20	46.50
BVPS	155.00	163.00	183.00	211.00	247.00
P/E	10.50	37.60	13.50	9.10	7.30
P/BV	2.20	2.10	1.80	1.60	1.40
RoE	22.70%	5.60%	14.40%	18.90%	20.30%

Source: Ace Equity, Microsec Research

Saroj Singh
Executive Research
Email Id-ssingh2@microsec.in

Region-wise capacity break-up MTPA



Industry Snapshot

Strong presence of cement across different regions of India: India is the second largest cement market after China, accounting for 7-8% of the total global production with an installed capacity of 310 mtpa. The cement industry is spread across five geographic regions - South, North, West, Central and East. The Southern region of India has a total installed capacity of 120.1 mtpa (38.7% of total India's cement capacity), followed by North with 67.3 mtpa (21.7% of total India's cement capacity). Whereas, the Western region has a total capacity of 44.7 (14.4% of total India's cement capacity), Central India has a total capacity of 40.2 mtpa (13.0% of total India's cement capacity) and Eastern India has a total installed capacity of 37.6 mtpa (12.1% of total India's cement capacity).

Peer Group Comparison

Company	Capacity	Sales	EBITDA	EBITDA (%)	PAT	PAT (%)	EPS FY12	ROE (%)	D/E	(21th Dec 2012) CMP	No. of share	MCAP	EPS FY13E	EPS FY14E	P/E FY13E	P/E FY14E
Ultratech	52.0	19235	4194	21.8	2398	12.5	87.7	20	0.4	1989	27	54508	100.6	110.5	19.8	18.0
ACC	30.1	10237	1921	18.8	1301	12.7	69.2	20	0.1	1397	19	26262	78.4	89.5	17.8	15.6
Ambuja Cement	27.0	8619	1995	23.1	1227	14.2	8	16	0	200	154	30761	10.8	12	18.5	16.6
India Cements Ltd.	15.5	4645	927	20.0	271	5.8	8.8	8	0.77	86	31	2647	8.2	10.3	10.5	8.4
Shree Cement	13.5	5049	1390	27.5	563	11.2	161.7	24	0.6	4490	3	15642	178	213	25.2	21.1
Madras Cements Ltd.	12.5	3278	960	29.3	385	11.7	16.1	20	1	230	24	5474	17.4	21.7	13.2	10.6
JK Cement	7.9	2546.8	514	20.2	175	6.9	25	14.4	1	337	7	2357	37.2	46.5	9.1	7.3

Source: ACE, Company Database. * Shree cement financials adjusted for 12months period

Valuation

At the CMP of INR337, the stock discounts its FY13E EPS of INR37.2 by 9.1x and its FY14E of INR46.5 by 7.3x. **JK cement is attractively priced at the current level, considering its higher EBITDA margin and sound ROE.** We assign a P/E multiple of 8.5x on its FY14E EPS to arrive at the target price of INR395 for the stock.

Key Risks

- Being the commodity product, slowdown in the economy may impact the demand scenario for the product.
- Drop in cement prices can impact company's topline as well as bottomline.

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