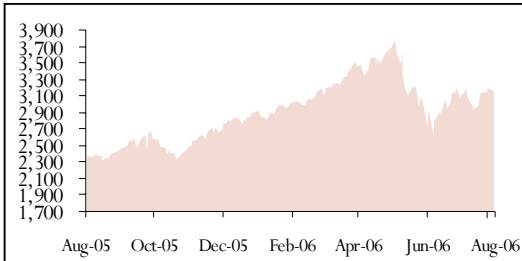
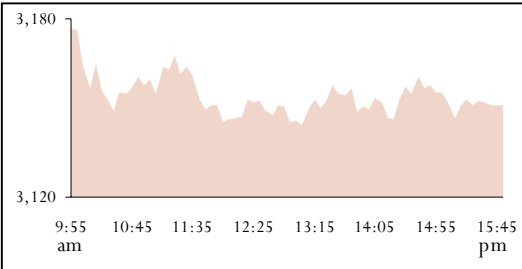


**Nifty Trailing Price Chart**



**Nifty Intraday (7<sup>th</sup> Aug '06)**



**Index Movement (7<sup>th</sup> Aug '06)**

Domestic	Closing	Points	Percent
Sensex	10,813	(54)	(0.5)
BSE IT	3,977	(41)	(1.0)
BSE FMCG	1,858	0	0.0
BSE PHARMA	3,271	2	0.1
BSE BANKEX	4,858	85	1.8
BSE MIDCAP	4,359	(1)	(0.0)
BSE SMALLCAP	5,216	(1)	(0.0)
Nifty (Equities)	3,151	(26)	(0.8)
Nifty 500	2,577	(12)	(0.5)

Overseas	Closing	Points	Percent
Dow Jones	11,219	(21)	(0.2)
Nasdaq	2,073	(13)	(0.6)

**Exchange Volume & Turnover (7<sup>th</sup> Aug '06)**

Exchanges	Vol. (mn)	T/O. (Rs. bn)
NSE	178	41
BSE	129	204
Total	307	246

Derivatives	Trades	Value	Open Int
Nifty Futures	200,067	3,127	231,410

Net Flows (Rs mn)	Per Day	MTD	YTD
FII's	(470)	2,972	144,809
MF's	776	315	118,784

**Investment Alternatives (7<sup>th</sup> Aug '06)**

Debt YTM	10 Yr	5 Yr
Bonds (G-Sec)	8.3	7.9
Others	Latest(Rs)	Change(%)
Gold (10 grm)	9,851	0.4%
Silver (Kg)	18,867	1.1%
Commodities	Latest	Change(%)
Oil (US\$/Barrel- Brent)	78.1	(0.7)
HR Coil (US\$/MT)	505	0.0
Aluminium (LME,US\$/MT)	2,504	0.5
Copper (LME,US\$/MT)	7,954	0.6
Sugar (Rs/Quintal)	1,850	0.0
Coffee (Cents)	70	0.1
Shipping (Baltic Freight)	3,654	1.0

**From the Research Desk**

**Analyst Meet Note: JK Cement**

**From the Dealing Room**

The markets were lackluster yesterday as total market turnover was the lowest in 2006 at Rs. 200bn. F&O turnover too was the lowest in 2006 at Rs.139bn. The Sensex closed at 10,813 down 53 points and the Nifty lost 26 points to close at 3,151. *The market sentiment would remain cautious ahead of the US Federal Reserve meeting today results of which would affect tomorrow's trading.*

**Corporate**

- **MTNL** may seek licences for Kolkata, Chennai [FE]
- **BoB, Andhra Bank** boards retain hike [FE]
- **Apollo Hospital** to set up Rs 5.2bn TN unit [BS]
- **SKS Shipping** to buy 4 vessels for Rs. 10mn [BS]
- **Indian Oil** to raise US\$ 370mn loan to fund oil imports [ET]
- **GE Shipping** wants to extend demerger deadline [ET]
- **Ashok Leyland** will invest Rs. 700mn in its R&D facilities at Hosur (Karnataka) and Ennore (Tamil Nadu) in the next five years. [BL]
- **Manipal Health, Pantaloon** tie up for retail healthcare [BL]

**Economy / Industry**

- Govt. to hike import duty on refined palm oil [FE]
- Ras Gas, Petroleum ministry to discuss LNG price for Dabhol [FE]
- India to offer tariff concessions to least developed African nations [FE]
- World Bank, ADB keen to fund NHDP [FE]
- Tea companies brewing alternative revenue lines [BS]
- JNPT loses 32% tonnage after rain silts channel [BS]

**Top 5 Performers**

Scrip	Price(Rs)	(%)Change
ICICI BANK	568	3.8
TATATEA	834	2.3
ORIENTAL BANK	166	1.8
BHARAT HEAVY	2,185	1.5
GAIL INDIA	237	1.4

**Worst 5 Performers**

Scrip	Price(Rs)	(%)Change
WIPRO	494	(2.7)
HERO HONDA	670	(2.6)
HPCL	214	(2.5)
SAIL	70	(2.4)
SUZLON ENERG	1,096	(2.3)

**ADR / GDR Listing (7<sup>th</sup> Aug '06)**

Scrip	Latest(US\$)	(%) Change	Volume	Prem./Disc.
Dr Reddy Labs	53	0.8	151,900	2.9
HDFC Bank	30	0.4	88,100	1.1
ICICI Bank	26	(1.2)	800,600	7.7
ITC	4	0.6	118,784	1.0
Infosys	41	(1.4)	807,587	14.0
Ranbaxy	9	0.0	39,921	0.9
Reliance Industries	41	(2.7)	140,689	0.7
Satyam Computers	34	(2.8)	508,000	7.8
State Bank of India	44	1.0	124,528	25.6
Tata Motors	16	0.4	276,700	1.2
Wipro	12	(1.4)	156,300	16.4

August 08, 2006

CMP Rs. 158

**Stock INFO**

Outstanding shares (mn)	70
Face Value (Rs)	10
MCap (Rs mn/USD mn)	11055 / 238
52 Week H/L	225 / 105
Bloomberg Code	JKCE IN
Reuters Code	532644.NS

We attended the analyst meet of the J K Cement, discussing the company's performance for the 1QFY07 and future capex plans. Following were the key takeaways from the meeting:

**Future plans**

- The company announced its plans for setting up a 3 million ton greenfield project with 44 MW captive power plant in Karnataka at a cost of around Rs 7.5bn and it is expected to be commissioned by Sep'08. The capex would be financed through debt and internal accruals in the ratio of 50:50.
- The captive power plants are expected to be commissioned fully by the end of Jun'07. Power plants are expected to be commissioned in the beginning of FY08 which will bring down the power cost from present Rs.3.95 to 1.5 per Kwh, adding about Rs 150/tonne to EBITDA taking it to about Rs.800/tonne.
- Company expanded the grinding capacity of the grey cement by 0.5 million tonnes to 4 million in June'06 through de-bottlenecking, which will enable it to increase the share of blended cement production from the present 60% to 75%.
- Company will expand the white cement's capacity by 0.05 million tonnes to 0.4 million tonnes by Sep'06.

**Financial Analysis of 1QFY07****Robust sales growth**

Aided largely by strong cement prices, company's net revenue in 1QFY07 grew 39.5% YoY to Rs 2.8bn. Sales volume of grey cement grew 5.4% YoY to 0.92 million tonnes while for white cement, sales volume grew 15% YoY to 0.058 million tonnes.

Realisation showed smart recovery on account of the tight demand-supply situation in the North region. Net realisation for grey cement soared by 31.7% YoY to Rs 2,700 per tonne while for white cement, it remained largely flat, at Rs 5,800 per tonne.

**Huge expansion in Core EBITDA margin**

Core EBITDA margin expanded by 11 percentage points to 23.5% in the quarter. Core EBITDA grew by 163% to Rs 657 million on account of improved realizations. EBITDA per tonne for grey cement rose by 116.7% YoY to Rs 650 per tonne while in case of white cement, it declined by 9.1% YoY to Rs 1,500 per tonne.

**Strong growth in Net profit**

Profit before tax grew by 762% YoY to Rs 500 million on account of lower net interest expense due to interest income generated on unutilized portion of the money raised through public offering in mar'06. PAT grew by 843% YoY to Rs 330 million.

**Analyst:** Kamlesh Bagmar**Tel:** 22189166 Ext. 516**E-mail:** kamlesh.bagmar@sbicaps.com

**Valuation**

At current market price, the stock is trading at P/E of 9.6x and EV/EBITDA of 6.5x FY07E EPS and EBITDA respectively. While on EV/tonne basis, it is trading at \$83 as compared to sector's average of \$150 per tonne.

**Table 2: Key Financials**

YE Mar - Rs mn	1QFY06	1QFY07	YoY (%)
<b>Net sales</b>	<b>2003</b>	<b>2795</b>	<b>39.5</b>
Net Realization per tonne			
Grey cement	2050	2700	36.7
White cement	5800	5800	-
Expenditure	1753	2138	22.0
- Raw material consumption	190	293	54.2
- Stock Adjustments	57	-33	
- Employee Costs	95	122	28.4
- Power & Fuel	631	736	16.6
- Stores & Spares	185	221	19.5
- Freight & Handling	418	591	41.4
- Other Expenses	177	208	13.0
<b>Core EBITDA</b>	<b>250</b>	<b>657</b>	<b>162.8</b>
- Margin (%)	12.5	23.5	1,100bps
EBITDA Per tonne			
Grey cement	300	650	116.7
White cement	1650	1500	-9.1
Other income	8	7	(12.5)
<b>EBITDA</b>	<b>258</b>	<b>664</b>	<b>157.4</b>
- Margin (%)	12.8	23.7	1090 bps
Interest	124	82	(33.9)
Depreciation	76	82	7.9
<b>PBT</b>	<b>58</b>	<b>500</b>	<b>762.1</b>
Taxes Paid	23	170	639.1
- Effective Tax Rate (%)	39.7	34	(570) bps
<b>PAT</b>	<b>35</b>	<b>330</b>	<b>842.9</b>
<b>EPS</b>	<b>0.70</b>	<b>4.72</b>	<b>574.3</b>

Source: Company Data, Capitaline, SBICAPS Research

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## SBI Capital Markets Limited

### Corporate Office

202, Maker Tower 'E', Cuffe Parade, Mumbai 400005

Phone: (022) 22189166-69 Fax: (022) 22188332 E-mail: corporate.office@sbicaps.com

Name	Designation	Phone	E-mail
V. Gopinathan	EVP	(022)2215 3128	v.gopinathan@sbicaps.com
R. N. Nehriya	SVP	(022) 2218 1675	ram.neheriya@sbicaps.com
<b>Research</b>		(022) 2218 4301	sbicapresearch@sbicaps.com
Sanjay Chawla	Head of Research	(022) 2218 7057	sanjay.chawla@sbicaps.com
<b>Equity Sales</b>		(022) 2216 5247	
<b>Equity Dealing</b>		(022) 2216 0112	

### Regional Offices

#### Delhi

World Trade Tower  
6th floor. Barakhamba Lane  
New Delhi - 110 001.  
Phone: (011) 23418460-64  
E-mail: head.ndro@sbicaps.com

#### Ahmedabad

Zodiac Avenue, 4th Floor,  
Netaji Road, Opp: Mayor's Bungalow,  
Near Law Garden, Ahmedabad 380 006.  
Phone: (079) 2656 0122  
Fax: (079) 2656 5718  
E-mail: head.aro@sbicaps.com

#### Bangalore

6th Floor, Almas Centre,  
87, M. G. Road,  
Bangalore - 560 001.  
Phone: (080) 2558 5471/72  
Fax: (080) 2558 5478  
E-mail: head.bro@sbicaps.com

#### Chennai

Ground Floor, Circle Top house,  
Aparna complex,  
16, College Lane, Chennai - 600 006.  
Phone: (044) 28213801/02/03  
Fax: (044) 2825 6244  
E-mail : head.chenro@sbicaps.com

#### Hyderabad

Sufi Chambers, 1st Floor, 8-2-672/s,  
Nawab Mehdi Nawaz Jung Road,  
Hyderabad 500 034.  
Phone: (040) 23315846/1605  
Fax: (040) 23316800  
E-mail: head.hro@sbicaps.com

#### Kolkata

9th floor, Jeevandeep Building,  
1, Middleton Street,  
Kolkata - 700 071.  
Phone: (033) 22882182  
Fax : (033) 22887567  
E-mail : head.calro@sbicaps.com