Market Insight

SBI Capital Markets Limited

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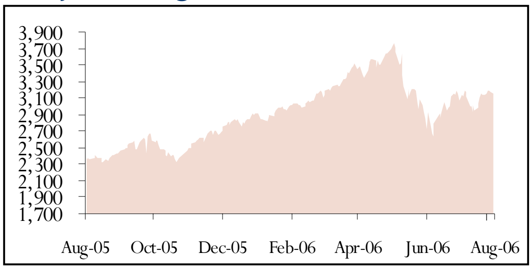
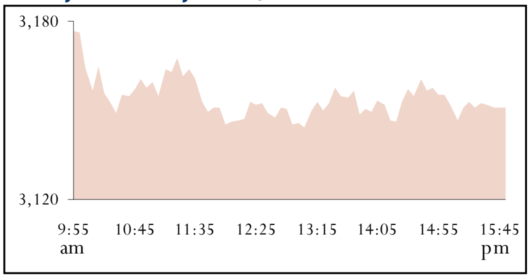
Nifty Trailing Price Chart



Nifty Intraday *(7th Aug'06)*



Index Movement *(7th 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 *(7th 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 *(7th 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 tomorrows 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 deadine [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 *(7th 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

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J K Cement | *Analyst Meet Note* | **Unrated**

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 enables 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 laregly 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.

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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 (%)*
Net sales	**2003**	**2795**	***39.5***
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*
Core EBITDA	**250**	**657**	***162.8***
- 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)*
EBITDA	**258**	**664**	***157.4***
- Margin (%)	*12.8*	*23.7*	*1090 bps*
Interest	124	82	*(33.9)*
Depreciation	76	82	*7.9*
PBT	**58**	**500**	***762.1***
Taxes Paid	23	170	*639.1*
- Effective Tax Rate (%)	*39.7*	*34*	*(570) bps*
PAT	**35**	**330**	***842.9***
EPS	**0.70**	**4.72**	***574.3***

Source: Company Data, Capitaline, SBICAPS Research

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Key to investment Ratings: This is a guide to the expected return relative to the return of the Sensex over the next 12 month. 1=Buy (expected to outperform the market by 15 or more percentage points); 2=Outperform (expected to outperform the market by 5-15 percentage points); 3=Marketperform (expected to perform in line with the market); 4=Underperform (expected to underperform the market) by 5-15 percentage points); 5=Sell (expected to underperform the market by 15 or more percentage points); 6=Venture (return over multiyear time frame consistent with venture capital, should only be held in a well-diversified portfolio).

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