

Udaipur Cement

₹ 34

*The Rising Phoenix !***Buy**

Gateway to Prosperity

Apr 21, 2017

Company Background

Udaipur Cement Works Limited (Udaipur), formerly known as 'J.K. Udaipur Udyog Limited' was incorporated as a Public Limited Company in 1993. The name of the Company was subsequently changed to its present name in 2006. The Company is principally engaged in the business of manufacture and sale of cement. The Company's plant is located in Udaipur district, Rajasthan. The Company is a subsidiary of JK Lakshmi Cement Limited.

On the basis of audited Annual Accounts for the year ended 31st March 2002, the Company became a sick industrial Company was referred to the Board for Industrial and Financial Reconstruction (BIFR) and was declared the Company as a 'Sick Company' on 13th November 2003. A rehabilitation scheme was formulated and it was sanctioned by BIFR on 14th November 2011. On the basis of Audited Annual Accounts of the Company for the Financial Year 2014-15 ended 31st March 2015, the Company's Networth as on that date has become positive. The Company has implemented major part of the Scheme of Rehabilitation sanctioned by Hon'ble Board for Industrial and Financial Reconstruction (BIFR) on 13th January 2012 including settlement of Secured Lenders on OTS basis, payment to unsecured creditors, payment to Government Authorities of their outstanding dues of sales tax, stamp duty, electricity etc. as per the said Scheme. The Company formally approach and make an application to BIFR to seek an exit from the purview of BIFR in the interest of the Company. Hon'ble Appellate Authority for Industrial & Financial Reconstruction (AAIFR) vide its order dated 22nd January 2016, had interalia approved discharge of the Company from the purview of SICA.

Key Highlights

- ➔ The company has been discharged from the BIFR status and has officially declared that the conditions of revival, rehabilitation scheme has been fulfilled and commercial production has started at integrated cement plant at Udaipur and dispatches of clinker and cement have begun.
- ➔ Many news sources suggest that going forward the company may be merged with its parent company JK Lakshmi Cement Limited.

Key Financials

Year Ended 31 st	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	392.9	1,069.2	1,030.0
Rev. growth (%)	1,090.61	172.13	(3.67)
EBITDA (INR mn)	(16.2)	66.8	42.4
Net profit (INR mn)	23.5	99.5	120.2
Shares outstanding (mn)	308.0	458.0	458.0
EPS (INR)	0.1	0.3	0.4
EPS growth (%)	-	580.00	20.59
P/E (x)	163.00	36.82	27.51
RONW (%)	(4.16)	6.44	8.11
ROCE (%)	(2.63)	0.14	(0.35)

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Info Codes

Reuters	: JKUU.BO
Bloomberg	: UCW:IN
NSE	: JKUDYOG
BSE	: 530131

Market Data

52 Wk Range (₹)	: 11 / 37
Shares in Issue (mn)	: 458.0
Mkt. Cap (₹ bn)	: 9.83
BSE 2 Wk Avg Vol	: 755000

Share Holding Pattern (%)

Promoters Holding	: 75.00
Corporate Holding	: 0.00
Domestic Institution	: 0.67
Foreign Institution	: 0.17
Public & Others	: 24.16

Investment Theme

Udaipur has had a very bad phase for the last 9 to 10 years. However it has recovered. The company has officially announced that it has revived after the Rehabilitation Scheme and has now started Commercial Production and regular dispatches of Cement & Clinker. The company has a facility of 1.7 mn tn of production and building such a facility would require a large capital expense. The total expenditure required for setting up such a facility is more than current Market Cap of Udaipur. Therefore there are chances that the parent company JK Lakshmi cement may take over the company & merge it with itself. Whatever the case a fresh start will give Udaipur Cement a boost. The Market has already indicated this with prices steadily rising from 17 Rs to 37 Rs over the last months so its an ideal time. We recommend to Buy the Scrip.

Rising for Merger ?

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	268.7	924.3	244.0	879.8	(4.8)
Other Income	77.5	15.2	(80.4)	28.4	86.8
Change in Stocks	20.6	(9.5)	(146.1)	7.9	(183.2)
Raw Material Con.	214.2	666.2	211.0	640.7	(3.8)
Employee Exp.	13.8	28.5	106.5	28.6	0.4
Indirect Taxes	46.7	129.7	177.7	121.8	(6.1)
Other Exp.	25.4	63.3	149.2	87.4	38.1
Operating Exp.	300.1	887.7	195.8	878.5	(1.0)
Operating Profit	66.7	42.3	(36.6)	37.6	(11.1)
Total Interest	3.5	37.4	968.6	9.3	(75.1)
Gross Profit	63.2	4.9	(92.2)	28.3	477.6
Net Dep.	39.7	26.5	(33.2)	26.8	1.1
Total Taxation	0.0	(121.1)	-	(118.7)	(2.0)
Net Profit/Loss	23.5	99.5	323.4	120.2	20.8

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Sep 12	Mar 14	Mar 15	Mar 16
SOURCES OF FUNDS	227.5	1,148.3	1,471.2	4,563.7
Equity Share capital	451.8	1,231.8	1,831.8	1,831.8
Equity Application Money	700.3	337.9	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	(1,012.2)	(988.7)	(894.2)	(774.0)
Secured Loans	0.0	500.0	500.0	3,500.0
Unsecured Loans	87.6	67.3	33.6	5.9
USES OF FUNDS	227.5	1,148.3	1,471.2	4,563.7
Gross Block	1,720.8	1,558.3	1,299.2	1,328.4
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	1,511.1	1,024.3	804.3	831.0
Net Block	209.7	534.0	494.9	497.4
Capital Work in Progress	38.2	168.2	934.8	3,582.5
Investments	0.0	0.0	0.0	0.0
Current Assets	164.2	626.9	153.6	546.6
Less : Current Liabilities	184.6	199.5	359.9	457.7
Total Net Current Assets	(20.4)	427.4	(206.3)	88.9
Misc. Expenses not writtenoff	0.0	18.7	247.8	394.9
NOTE				
Book Value of Unquoted Investments	0.0	0.0	0.0	0.0
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	262.0	126.0	124.8	124.8
Dividend (%)	0.0	0.0	0.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 16	Jun 16	Sep 16	Dec 16
Net Sales	213.3	184.5	145.0	196.8
Cost Of Sales	210.8	178.6	141.3	202.8
Operating Profit	2.5	5.9	3.7	(6.0)
Other Income	9.2	6.7	4.1	25.1
Adjusted PBDIT	11.7	12.6	7.8	19.1
Financial Expenses	0.0	0.0	0.0	0.0
Depreciation	6.8	6.6	17.9	12.2
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	4.9	6.0	(10.1)	6.9
Tax Charges	(118.7)	0.0	0.0	0.0
Reported Profit	123.6	6.0	(10.1)	6.9
Extra Ordinary Items	3.0	1.1	0.0	16.7
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	120.6	4.9	(10.1)	(9.8)

52 Week Index Relative Percentage Appreciation



Udaipur vs SENSEX

Risks Associated

- The Cement Industry is capital intensive in nature. In the execution of projects which are highly capital intensive in nature, there could be exposure to time and cost overruns.
- The Cement Industry is becoming intensely competitive with the foray of new entrants and some of the existing players adopting inorganic growth strategies.
- Availability of fuel at reasonable rates is one of the main concerns of the Company as it uses coal annually to meet its kiln and captive power generation requirements.
- The overall cement demand growth in India continues to be at creepy phase, while the cost inflation is only expected to worsen given that Udaipur is under severe pressure to raise prices going ahead.
- Further increase in fuel (petrol and diesel) costs is expected to hike the freight expenses of the cement companies sharply. The cement prices across the country are currently quoting at all pretty high levels. Thus the flexibility to pass on the cost increase from here on appears limited and could pressurize the margins going ahead.
- At some point we believe that there would be government intervention to control prices. The regulatory uncertainty with regard to the investigation by Competition Commission of India (CCI) on cartelization charges by cement major is another major overhang. Though the sector faces a lot of cost worries and regulations the over all Cement demand expected to grow at ~8-9 % per annum in foreseeable future on the back of ~7 % GDP growth. Low Indian Per capita consumption and higher Infrastructure growth leaves a bigger room for industry growth.

Udaipur

In a Nutshell

Udaipur Cement is a subsidiary of JK Lakshmi Cement. Though after a initial successful run the company went for a downturn, turned into a sick company and was referred to the BIR for around 9 to 10 years. It is now that the on the basis of Audited Annual Accounts of the Company for the Financial Year 2014-15 ended 31st March 2015, the Company's Network as on that date has become positive. The Company has implemented major part of the Scheme of Rehabilitation sanctioned by Hon'ble Board for Industrial and Financial Reconstruction (BIFR) on 13th January 2012 including settlement of Secured Lenders on OTS basis , payment to unsecured creditors, payment to Government Authorities of their outstanding dues of sales tax , stamp duty , electricity etc. as per the said Scheme. The Company formally approach and make an application to BIFR to seek an exit from the purview of BIFR in the interest of the Company. Hon'ble Appellate Authority for Industrial & Financial Reconstruction (AAIFR) vide its order dated 22nd January 2016, had interalia approved discharge of the Company from the purview of SICA. The company has a capacity of 1.7 mn tn of cement production and was operating at just near to 60% capability due to various implications of the BIFR order. now with the release of the company from BIR it is expected that the company will perform better. The market has already understood this factor and the moving average price indicators have already shown the same on the bourses. We feel this is the right time to Buy the company as the future seems bright for Udaipur Cement.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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