

Better market mix and strong execution to drive earnings

JK Cement (JKCE) is targeting to double its grey cement capacity to 50mt by FY30 (14% CAGR, ~2.5x ahead of industry forecast), which will enable it to register strong volume growth with market share gains over the next few years. Better market mix with a strong presence in preferred markets such as North and Central (~75% of capacity mix) should augur well for JKCE compared to peers. Besides, it has enough levers for structural cost improvement of ~INR 100/tn over the next couple of years. Despite factoring in capex of INR 38bn over FY25E- FY27E, we estimate net debt to remain range-bound at ~INR 40bn over FY25E-27E owing to strong OCF generation. We maintain BUY with Mar'26E TP of INR 5,300 based on 16x FY27E EV/E. JKCE is our preferred pick in the mid-cap space.

- Gaining scale steadily through strong execution:** JKCE has consistently maintained a healthy capacity addition trajectory, with grey cement capacity CAGR of 17% during FY19-24 (current capacity at 24.3mt). Its clinker/ cement capacity is likely to increase to ~18mt/ 30mt by FY26. Besides, it aims to increase capacity to 50mt by FY30 (14% CAGR), with the next leg of expansion through the greenfield/brownfield route and fairly spread across regions with likely capex of USD 75-80/tn. Earlier, the management had guided for 7-8% YoY volume growth for 4QFY25 and 10% for FY26. Besides, our checks suggest that average cement prices in North and Central have likely increased by ~INR 10 / INR 5-6 per bag respectively in 4Q, which should augur well for profitability.
- Sustainable cost-saving potential of ~INR 100/tn over the next 2 years:** The management targets sustainable cost savings of ~INR 100/tn (in addition to likely savings of INR 50/tn in FY25) through: 1) increasing share of green power (from 50% in 9MFY25 to >60% by FY26 and 75% by FY30); 2) higher thermal substitution (11% in 9MFY25, targets to increase it by another 10% in the next 2-3 years); 3) logistics cost optimisation through reduction in lead distance by 15km (~INR 45-50/tn); and 4) operating leverage benefits stemming from higher volume growth and other initiatives. This will help to either increase market share further or improve profitability.
- Strong OCF to aid the next leg of growth; net debt unlikely to increase:** With increased scale of operations, we expect JKCE's OCF to increase ~2x over FY25E-27E vs. the average OCF over FY19-22. Its balance sheet remains strong, and despite INR 38bn capex that is to be incurred during FY25E-27E, we expect consolidated net debt to remain range-bound at ~INR 40bn given the healthy OCF during the period. The management has guided for 'net debt to EBITDA' of <2x.
- EBITDA CAGR of 21% over FY25E-27E:** We factor in consolidated volume CAGR of ~12% over FY25E-27E with EBITDA/tn likely to improve to INR 1,135 by FY27E. We are structurally positive on the company given growth visibility, controlled leverage and return ratios being above its cost of capital. White cement/ wall putty (~18-20% of EBITDA) along with higher other operating income (~19% of EBITDA in 9M vs. 10% in FY22) will cushion volatility in earnings during a weak grey cement pricing scenario.

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We acknowledge the contribution of **Akshaan Agrawal** (akshaan.agrawal@jmfl.com) in preparation of this report

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	5,300
Upside/(Downside)	14.2%
Previous Price Target	5,300
Change	0.0%

Key Data – JKCE IN

Current Market Price	INR4,640
Market cap (bn)	INR358.5/US\$4.1
Free Float	45%
Shares in issue (mn)	77.3
Diluted share (mn)	77.3
3-mon avg daily val (mn)	INR537.5/US\$6.2
52-week range	4,989/3,635
Sensex/Nifty	75,449/22,908
INR/US\$	86.4

Price Performance

%	1M	6M	12M
Absolute	0.4	0.3	15.9
Relative*	0.8	12.4	10.8

* To the BSE Sensex

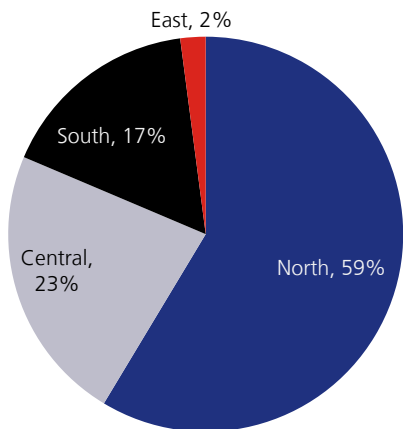
Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	95,030	112,030	113,385	127,663	143,126
Sales Growth (%)	21.2	17.9	1.2	12.6	12.1
EBITDA	13,143	20,598	19,178	23,854	28,048
EBITDA Margin (%)	13.5	17.8	16.4	18.1	19.0
Adjusted Net Profit	4,263	7,963	7,328	10,410	12,925
Diluted EPS (INR)	55.2	103.1	94.8	134.7	167.3
Diluted EPS Growth (%)	-36.6	86.8	-8.0	42.1	24.2
ROIC (%)	7.9	12.5	10.7	12.7	13.6
ROE (%)	9.5	15.8	12.8	16.0	17.2
P/E (x)	84.1	45.0	48.9	34.4	27.7
P/B (x)	7.6	6.7	5.9	5.1	4.4
EV/EBITDA (x)	29.7	18.8	20.5	16.7	14.2
Dividend Yield (%)	0.3	0.4	0.3	0.4	0.5

Source: Company data, JM Financial. Note: Valuations as of 19/Mar/2025

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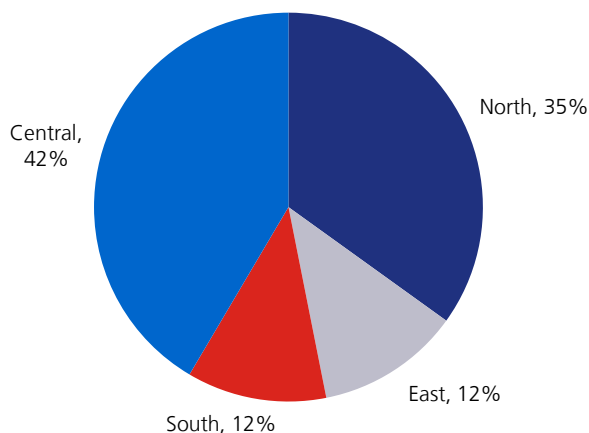
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Clinker capacity stands at 14.5mt in FY24



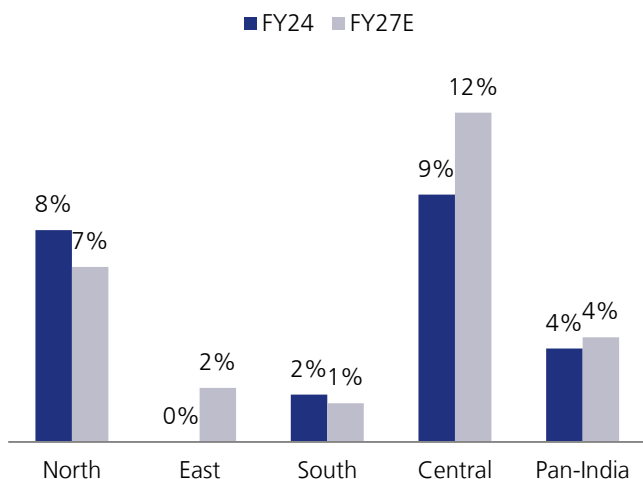
Source: Company, JM Financial

Exhibit 2. ~75% of capacity mix by FY27E likely to be in most preferred regions



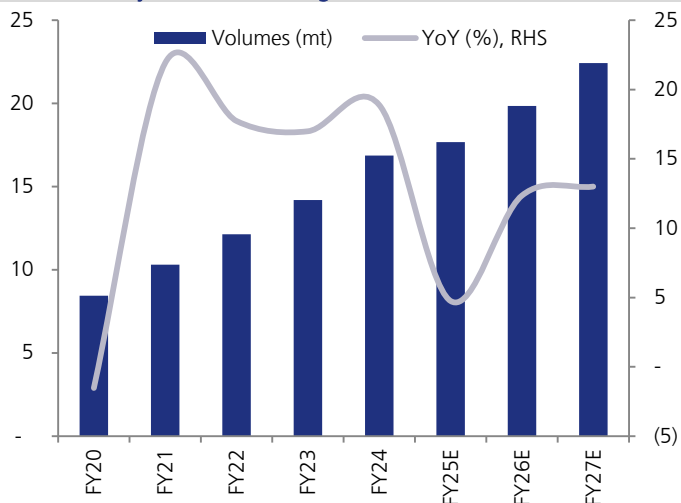
Source: Company, JM Financial

Exhibit 3. JKCE has capacity across all regions except West



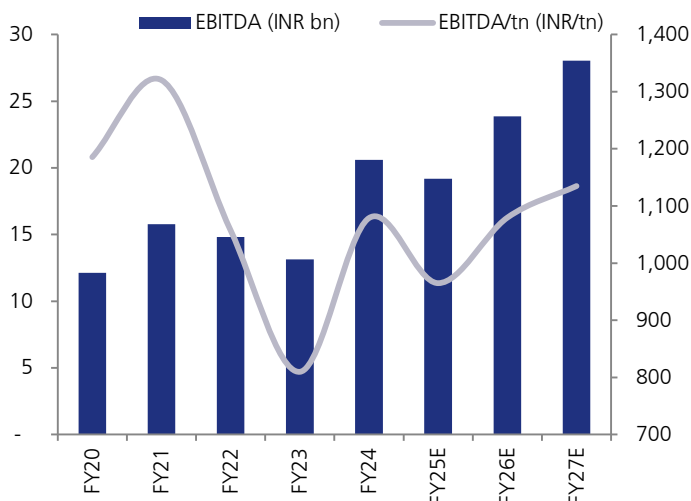
Source: Industry, JM Financial

Exhibit 4. Grey cement vols. to grow at 13% CAGR over FY25E-27E



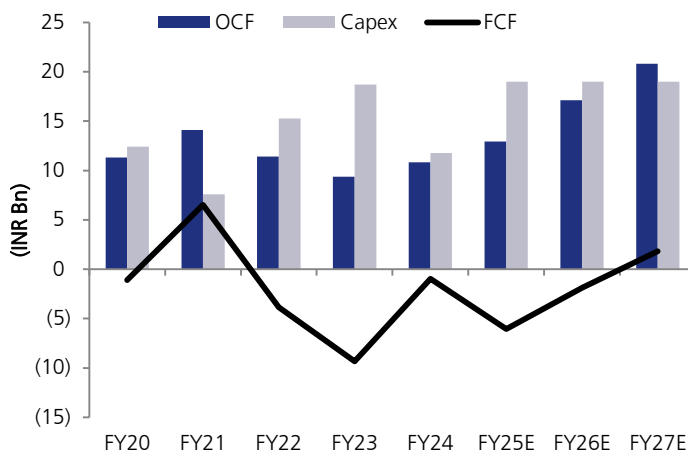
Source: Company, JM Financial

Exhibit 5. EBITDA to grow at 21% CAGR over FY25E-27E



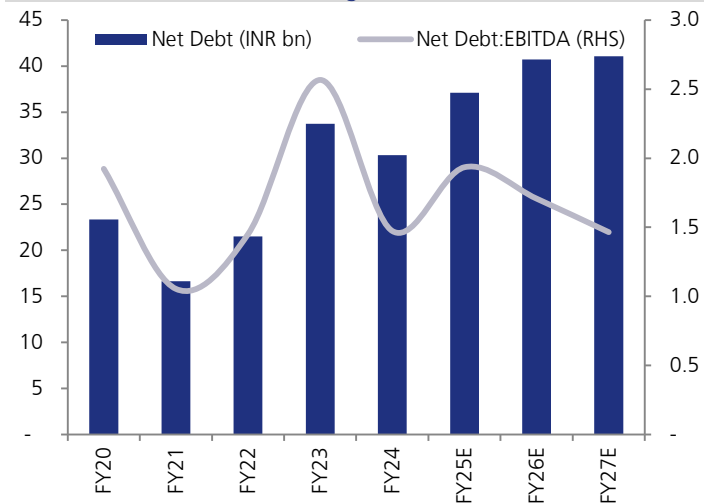
Source: Company, JM Financial

Exhibit 6. OCF generation to be largely utilised to fund capex over FY25E-27E



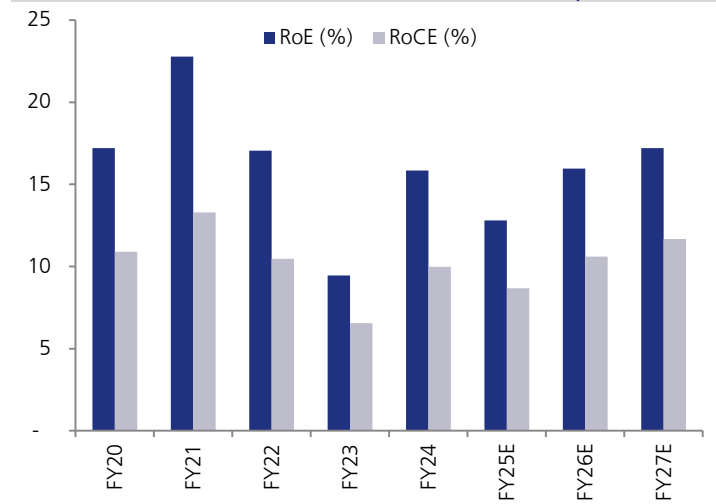
Source: Company, JM Financial

Exhibit 7. Net debt to remain range-bound over FY25E-27E



Source: Company, JM Financial

Exhibit 8. Return ratios to remain well above cost of capital



Source: Company, JM Financial

Exhibit 9. Annual assumptions (Consolidated)

Key Assumptions	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR	
									FY20-25E	FY25E-27E
Grey										
Capacity (mt)	14.7	14.7	15.0	20.7	22.2	24.2	30.6	35.1	10.5	20.5
Volumes (mt)	8.4	10.3	12.1	14.2	16.9	17.7	19.8	22.4	15.9	12.7
Utilisation (%)	58	70	81	69	76	73	65	64		
Realisations	4,527	4,495	4,774	4,971	5,013	4,768	4,819	4,872		
White										
Capacity (mt)	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	1.0	-
Volumes (mt)	1.8	1.7	1.9	2.0	2.2	2.2	2.2	2.3	4.3	1.7
Utilisation (%)	85	79	86	93	101	100	102	104		
Total										
Volumes (mt)	10.2	11.9	14.0	16.2	19.1	19.9	22.1	24.7	14.2	11.5
Blended Realisation (INR/tn)	5,603	5,449	5,592	5,854	5,868	5,704	5,777	5,791	0.4	0.8
EBITDA/tn (INR)	1,186	1,320	1,057	810	1,079	965	1,080	1,135	(4.0)	8.5
P&L (INR bn.)										
Revenue	58	66	80	97	116	117	132	148	15.1	12.3
EBITDA	12	16	15	13	21	19	24	28	9.6	20.9
Adj. Net Profit	5	8	7	4	8	7	10	13	8.3	32.8
Balance Sheet (INR bn.)										
Equity	30	37	43	47	54	61	70	81		
Net Debt	23	17	22	34	30	37	41	41		
Net Debt/EBITDA	1.9	1.1	1.5	2.6	1.5	1.9	1.7	1.5		
Net Debt/Equity	0.8	0.4	0.5	0.7	0.6	0.6	0.6	0.5		
Cash Flow (INR bn)										
OCF before NWC change	9	12	16	7	10	13	18	22		
Change in NWC	3	2	(4)	2	1	(0)	(1)	(1)		
Capex	(12)	(8)	(15)	(19)	(12)	(19)	(19)	(19)		
FCF	(1)	7	(4)	(9)	(1)	(6)	(2)	2		
Return ratios (%)										
RoE	17.2	22.8	17.0	9.5	15.8	12.8	16.0	17.2		
RoCE	10.9	13.3	10.5	6.6	10.0	8.7	10.6	11.7		
RoC	12.8	15.8	13.2	7.9	11.8	10.8	13.2	13.7		
Valuations (x)										
PE (x)					46.4	50.5	35.5	28.6		
EV/EBITDA (x)										
EV/tn (x)					200	187	151	132		

Source: Company, JM Financial

Exhibit 10. Annual analysis on a per-tonne basis

INR/tn	FY20	FY21E	FY22	FY23E	FY24E	FY25E	FY26E	FY27E
Grey Cement realisation	4,527	4,495	4,774	4,971	5,013	4,768	4,819	4,872
White Cement realisation	10,686	11,403	10,821	11,968	11,645	11,868	11,968	12,010
Blended realisation	5,603	5,449	5,592	5,854	5,868	5,704	5,777	5,791
% YoY	10.5	(2.8)	2.6	4.7	0.2	(2.8)	1.3	0.2
Raw materials consumed	851	896	918	981	961	987	995	1,003
Power & fuel costs	1,069	975	1,178	1,579	1,357	1,126	1,093	1,059
Freight costs	1,077	1,089	1,179	1,252	1,265	1,315	1,306	1,296
Staff cost	445	387	399	393	410	453	443	430
Other expenses	1,040	860	967	973	980	1,042	1,043	1,046
Operating Cost	4,483	4,208	4,641	5,178	4,973	4,923	4,879	4,834
Other operating income	65	79	107	134	185	183	181	178
Blended EBITDA	1,186	1,320	1,057	810	1,079	965	1,080	1,135
% YoY	45.2	11.4	(19.9)	(23.4)	33.2	(10.6)	11.9	5.1

Source: Company, JM Financial

Exhibit 11. Reiterate BUY with TP of INR 5,300 based on 16x FY27 EV/E

EV/E method

Mar'27E EBITDA (INR bn)	28
EV/E multiple (x)	16.0
EV (INR bn)	450
Net debt (Mar'26E)	41
Equity value	410
No. of shares (mn)	77
Mar'26 Target Price (INR)	5,300

Source: JM Financial

Exhibit 12. 1-year forward EV/E (x)



Source: Bloomberg, JM Financial

Exhibit 13. 1-year forward EV/tn (USD)



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	95,030	112,030	113,385	127,663	143,126	
Sales Growth	21.2%	17.9%	1.2%	12.6%	12.1%	
Other Operating Income	2,172	3,530	3,639	4,003	4,404	
Total Revenue	97,202	115,560	117,024	131,667	147,530	
Cost of Goods Sold/Op. Exp	15,928	18,347	19,617	21,983	24,799	
Personnel Cost	6,378	7,838	9,008	9,787	10,620	
Other Expenses	61,753	68,778	69,222	76,043	84,063	
EBITDA	13,143	20,598	19,178	23,854	28,048	
EBITDA Margin	13.5%	17.8%	16.4%	18.1%	19.0%	
EBITDA Growth	-11.3%	56.7%	-6.9%	24.4%	17.6%	
Depn. & Amort.	4,582	5,726	5,889	6,704	7,513	
EBIT	8,561	14,872	13,289	17,151	20,535	
Other Income	874	1,451	1,651	1,700	1,751	
Finance Cost	3,122	4,531	4,673	5,036	5,105	
PBT before Excep. & Forex	6,313	11,791	10,267	13,816	17,182	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	6,313	11,791	10,267	13,816	17,182	
Taxes	2,122	3,837	3,029	3,495	4,347	
Extraordinary Inc./Loss(-)	0	-55	1,024	0	0	
Assoc. Profit/Min. Int.(-)	-72	-9	-90	-90	-90	
Reported Net Profit	4,263	7,908	8,351	10,410	12,925	
Adjusted Net Profit	4,263	7,963	7,328	10,410	12,925	
Net Margin	4.4%	6.9%	6.3%	7.9%	8.8%	
Diluted Share Cap. (mn)	77.3	77.3	77.3	77.3	77.3	
Diluted EPS (INR)	55.2	103.1	94.8	134.7	167.3	
Diluted EPS Growth	-36.6%	86.8%	-8.0%	42.1%	24.2%	
Total Dividend + Tax	1,159	1,545	1,253	1,562	1,939	
Dividend Per Share (INR)	15.0	20.0	16.2	20.2	25.1	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	6,313	11,791	10,267	13,816	17,182	
Depn. & Amort.	4,582	5,726	5,889	6,704	7,513	
Net Interest Exp. / Inc. (-)	3,019	4,435	4,673	5,036	5,105	
Inc (-) / Dec in WCap.	2,264	630	-785	-673	-483	
Others	-785	-1,450	-24	-920	-802	
Taxes Paid	-1,622	-1,542	-3,029	-3,495	-4,347	
Operating Cash Flow	13,771	19,591	16,990	20,467	24,168	
Capex	-18,697	-11,782	-19,000	-19,000	-19,000	
Free Cash Flow	-4,926	7,809	-2,010	1,467	5,168	
Inc (-) / Dec in Investments	4,245	-4,270	0	0	0	
Others	570	951	1,651	1,700	1,751	
Investing Cash Flow	-13,882	-15,101	-17,349	-17,300	-17,249	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-1,159	-1,158	-1,253	-1,562	-1,939	
Inc / Dec (-) in Loans	11,562	1,201	5,000	0	-1,500	
Others	-2,990	-4,200	-5,154	-5,228	-5,333	
Financing Cash Flow	7,413	-4,157	-1,406	-6,790	-8,772	
Inc / Dec (-) in Cash	7,302	333	-1,765	-3,623	-1,852	
Opening Cash Balance	1,030	8,333	8,665	6,900	3,277	
Closing Cash Balance	8,333	8,665	6,900	3,277	1,425	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	46,868	53,671	60,770	69,619	80,605	
Share Capital	773	773	773	773	773	
Reserves & Surplus	46,095	52,899	59,997	68,846	79,832	
Preference Share Capital	0	0	0	0	0	
Minority Interest	-444	-455	-569	-711	-889	
Total Loans	49,951	52,385	57,385	57,385	55,885	
Def. Tax Liab. / Assets (-)	8,094	10,756	11,269	11,960	12,819	
Total - Equity & Liab.	104,469	116,358	128,856	138,253	148,421	
Net Fixed Assets	90,376	97,622	111,100	123,447	134,985	
Gross Fixed Assets	115,581	129,834	134,834	159,834	177,834	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	31,125	36,851	42,373	49,026	56,489	
Capital WIP	5,920	4,639	18,639	12,639	13,639	
Investments	8,092	16,060	16,060	16,060	16,060	
Current Assets	34,383	34,339	30,851	28,520	28,028	
Inventories	9,821	11,816	12,244	13,602	15,183	
Sundry Debtors	4,801	5,663	5,445	5,824	6,203	
Cash & Bank Balances	8,333	8,665	6,900	3,277	1,425	
Loans & Advances	11,428	8,195	6,262	5,817	5,217	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	28,382	31,663	29,155	29,774	30,652	
Current Liabilities	8,221	9,311	8,236	8,241	8,301	
Provisions & Others	20,161	22,353	20,920	21,533	22,351	
Net Current Assets	6,001	2,675	1,696	-1,254	-2,624	
Total - Assets	104,469	116,358	128,856	138,253	148,421	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Y/E March						
Net Margin		4.4%	6.9%	6.3%	7.9%	8.8%
Asset Turnover (x)		1.0	1.0	1.0	1.0	1.0
Leverage Factor (x)		2.1	2.2	2.1	2.0	1.9
RoE		9.5%	15.8%	12.8%	16.0%	17.2%

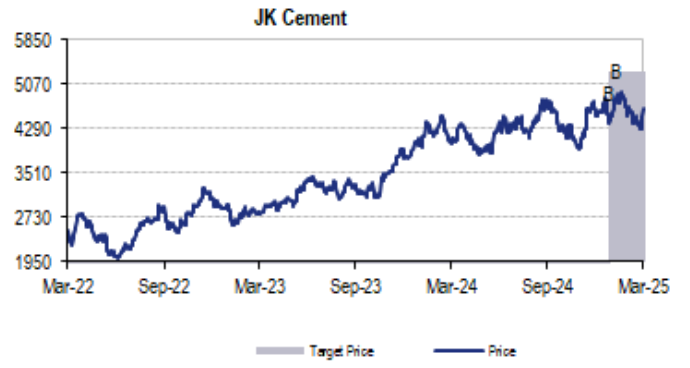
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
Y/E March						
BV/Share (INR)		606.6	694.6	786.5	901.0	1,043.2
ROIC		7.9%	12.5%	10.7%	12.7%	13.6%
ROE		9.5%	15.8%	12.8%	16.0%	17.2%
Net Debt/Equity (x)		0.7	0.6	0.6	0.6	0.5
P/E (x)		84.1	45.0	48.9	34.4	27.7
P/B (x)		7.6	6.7	5.9	5.1	4.4
EV/EBITDA (x)		29.7	18.8	20.5	16.7	14.2
EV/Sales (x)		4.0	3.4	3.4	3.0	2.7
Debtor days		18	18	17	16	15
Inventory days		37	37	38	38	38
Creditor days		36	36	31	28	25

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
14-Jan-25	Buy	5,300	
27-Jan-25	Buy	5,300	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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