

**J.K. CEMENT LTD.****BUY**

Focus on cost reduction; Expansion plan on track

J.K. Cement Ltd. reported a Q2FY25 volume of 4.4mnt, which is a 2.9% decline YoY and 10.4% decline QoQ. The Q2FY25 revenue was INR25,601mn, down 7.0% YoY and 8.8% QoQ. Management expects a 6-7% volume growth for FY25E. Consequently, the blended realization/t during Q2FY25 was INR5,858/t, down 4.2% YoY but up 1.8% QoQ. PAT for the quarter was INR1,258mn, down 28.2% YoY and 32.1% QoQ. EPS for the quarter was INR17.6. Capacity utilization for grey cement stood at 64% for the quarter. The share of the green power mix was 49% for Q2FY25 and is targeted to reach 75% by FY30E. Premium products accounted for 14% of trade sales.

- **Expansion Plans on Track:** JK Cement Ltd. plans a total Capex of INR19,000mn for FY25E and INR 18,000mn for FY26E, with INR 7,500mn already spent in FY25E and the remainder to be utilized in H2FY25E. The 6 MTPA grey cement capacity expansion is on track, including 3.3 MTPA clinker capacity at Panna and 1 MTPA cement capacity each at Panna, Hamirpur, and Prayagraj. Orders for key machinery and contractors are finalized, with construction progressing as scheduled, and INR4,450mn spent by September 2024, toward a total project cost of INR 23,020mn. Additionally, a 3 MTPA split grinding unit in Bihar is advancing, with land acquisition complete and machinery orders placed; INR 33 crore has been spent on this project as of September 2024. Both expansions are integral to achieving the 30 MTPA capacity target by FY26E.
- **Total cost/t came at INR5,209/t:** During the quarter, JK Cement's total cost/t amounted to INR 5,209/t, reflecting a 2.5% YoY and 9.4% QoQ increase, driven by one-time expenses, including INR 100 million for clinker purchases due to the Muddapur plant shutdown and INR 550 million for maintenance of major kilns, with prolonged downtime caused by excessive rainfall. Power and fuel costs/t stood at INR 1,128/t, decreasing 19.8% YoY and 3.4% QoQ, supported by lower fuel prices. In September 2024, petcoke prices remained at \$102.7, down from \$107.3 the previous month. Freight expenses per ton increased to INR 1,317/t, up 10.5% YoY and 3.7% QoQ, attributed to a higher lead distance of 419 km compared to 415 km in the prior quarter. Management expects a near-term reduction in power, fuel, and freight costs, with a targeted total cost reduction of INR 150-200/t by FY26E. Of this, INR 70-80/t savings are projected for FY25E, with the remainder to be achieved by FY26E.

**Outlook & Valuation:** JK Cement's management anticipates a moderate cement demand growth of 6-7% in FY25E, primarily driven by the infrastructure and industrial/commercial sectors. To strengthen its market position, the company is actively pursuing various expansion initiatives. Additionally, it is focused on cost optimization through the implementation of Waste Heat Recovery Systems (WHRS), aiming to improve operational efficiency and reduce expenses. Management remains optimistic about achieving 10% growth in FY25E, supported by these strategic efforts. They also expect a recovery in cement prices, which will further enhance profitability. As per our FY27E estimates, we expect Volume/Revenue/EBITDA to grow at a CAGR of 6.2%/4.5%/11.1% respectively over FY24-FY27E. Our target EV/EBITDA multiple is 14.5x on FY27E EBITDA, hence we ascribe a target price of INR4,679, upgrading our rating to BUY.

**Financial Snapshot**

Quarter end: March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR Mn.)	97,202	1,15,560	1,15,461	1,23,577	1,31,697
EBITDA (INR Mn.)	13,143	20,598	18,346	22,630	28,222
EBITDA Margins (%)	13.5	17.8	15.9	18.3	21.4
PAT	4,236	7,908	5,909	8,436	11,920
PAT Margins (%)	4.4	6.8	5.1	6.8	9.1
EPS	54.8	102.3	76.5	109.2	154.3

Source: Company, CEBPL

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Oct 30, 2024

CMP (Rs.)	4,353
Target Price (Rs.)	4,679
Potential Upside (%)	7.5

\*CMP as on 29<sup>th</sup> Oct 2024**Company Info**

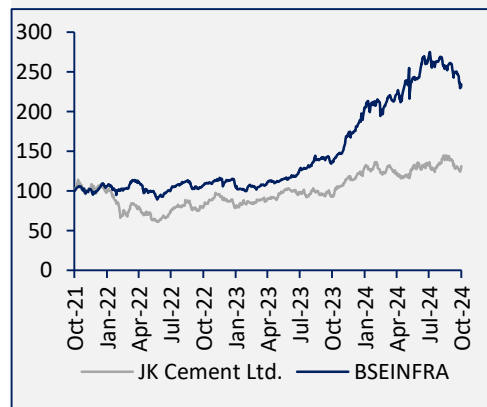
BB Code	JKCE IN EQUITY
ISIN	INE823G01014
Face Value (Rs.)	10
52 Week High (Rs.)	4,895.9
52 Week Low (Rs.)	3,063.4
Mkt Cap (Rs. bn)	336.3
Mkt Cap (\$ bn)	4.0
Shares o/s (Mn)/F.Float	77.3/54
FY24 EPS (Rs.)	102.3
FY27E EPS (Rs.)	154.3

**Shareholding Pattern (%)**

	Sep-24	Jun-24	Mar-24
Promoters	45.68	45.70	45.70
FII's	17.55	17.71	15.92
DII's	22.44	22.06	23.38
Public	14.33	14.53	15.00

**Relative Performance (%)**

YTD	3Y	2Y	1Y
BSE INFRA	134.5	119.2	71.4
JK CEMENTS	31.1	67.2	41.4

**Rebased Price Performance****Bharat Kudikyala, Analyst**Email: ashutosh.murarka@choiceindia.com  
Ph: +91 22 6707 9887**Ashutosh Murarka, Analyst**Email: ashutosh.murarka@choiceindia.com  
Ph: +91 22 6707 9887

## Sequential Operating Performance

Operating Metrics INR/t	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Blended Realisation	6,006	6,117	6,244	5,950	5,757	5,858
Raw Material Cost	956	983	970	865	882	888
Employee Cost	400	406	423	418	448	514
Power & Fuel Cost	1,502	1,407	1,384	1,179	1,168	1,128
Freight & Handling Expense	1,270	1,191	1,308	1,305	1,270	1,317
Other Expenses	938	1,056	980	966	891	1,217
Total Costs	5,119	5,080	4,914	4,877	4,760	5,209
EBITDA	886	1,038	1,330	1,073	997	650

Source: Company, CEBPL

## CEBPL Estimates vs Actual for Q2FY25

JK Cements Ltd. (INR Mn.)	Q2FY25	Q2FY24	YoY(%)	Q1FY25	QoQ (%)	CEBPL Est.	Dev. (%)
Volumes	4.4	4.5	(2.9)	4.9	(10.4)	4.8	(9.2)
Revenues	25,601	27,528	(7.0)	28,076	(8.8)	26,553	(3.6)
RM Cost	3,881	4,424	(12.3)	4,304	(9.8)		
Power and Fuel Cost	4,928	6,332	(22.2)	5,697	(13.5)		
Freight Exp	5,755	5,362	7.3	6,195	(7.1)		
EBITDA (INR Mn.)	2,840	4,669	(39.2)	4,862	(41.6)	4,193	(32.3)
EBITDA Margin (%)	11.1	17.0	(587)bps	17.3	(623)bps	15.8	(471)bps
Depreciation	1,463	1,407	3.9	1,473	(0.7)		
EBIT (INR Mn.)	1,754	3,555	(50.7)	3,837	(54.3)	2,918	-39.9
EBIT Margin (%)	6.9	12.9	(606)bps	13.7	(681)bps	11.0	(415)bps
Other Income	378	293	28.8	447	(15.6)		
Interest	1228	1150	6.8	1105	11.1		
PBT	1,550	2,405	(35.6)	2,732	(43.3)		
Tax	189	648	(70.9)	884	(78.7)		
PAT (INR Mn.)	1,258	1,753	(28.2)	1,853	(32.1)	1,392	(9.6)
Basic EPS (INR)	17.6	22.7	(22.4)	24.0	(26.5)	18.0	(2.1)

	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
NSR /t	5,858	6,117	(4.2)	5,757	1.8
Cement Cost/t	5,209	5,080	2.5	4,760	9.4
EBITDA/t	650	1,038	(37.4)	997	(34.8)

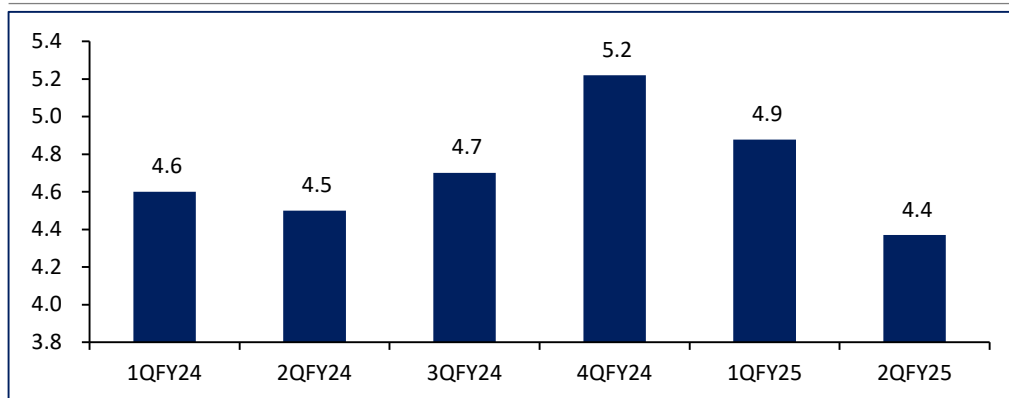
Source: Company, CEBPL

## Change in estimates

Income Statement (INR Mn.)	FY25E			FY26E			FY27E
	Old	New	Dev. (%)	Old	New	Dev. (%)	New
Revenues	1,20,256	1,15,461	(4.0)	1,30,251	1,23,577	(5.1)	1,31,697
Gross Profit Margin (%)	83.1	82.6	(53)bps	82.9	82.6	(30)bps	83.4
EBIT	14,254	13,174	(7.6)	19,254	16,485	(14.4)	21,385
EBIT Margin (%)	11.9	11.4	(49)bps	14.8	13.3	(146)bps	16.2
EPS	81.2	76.5	(5.8)	112.0	109.2	(2.5)	154.3

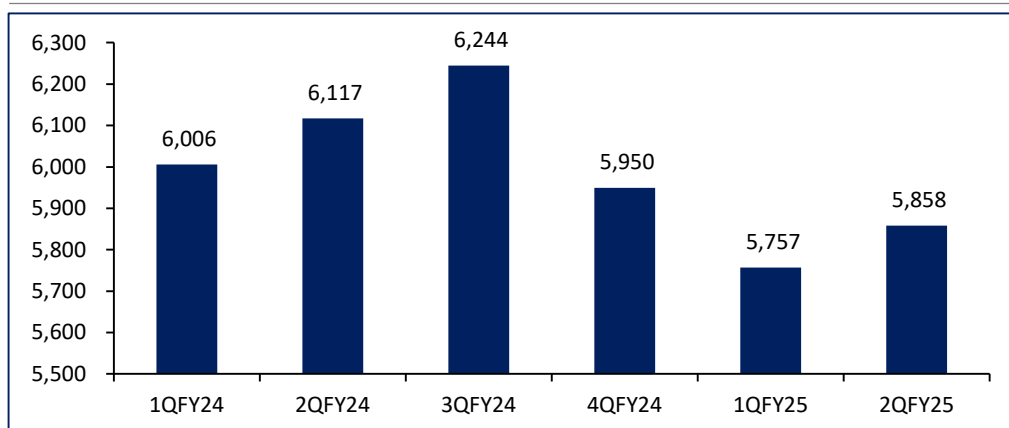
Source: Company, CEBPL

## Sales Volume (MT)



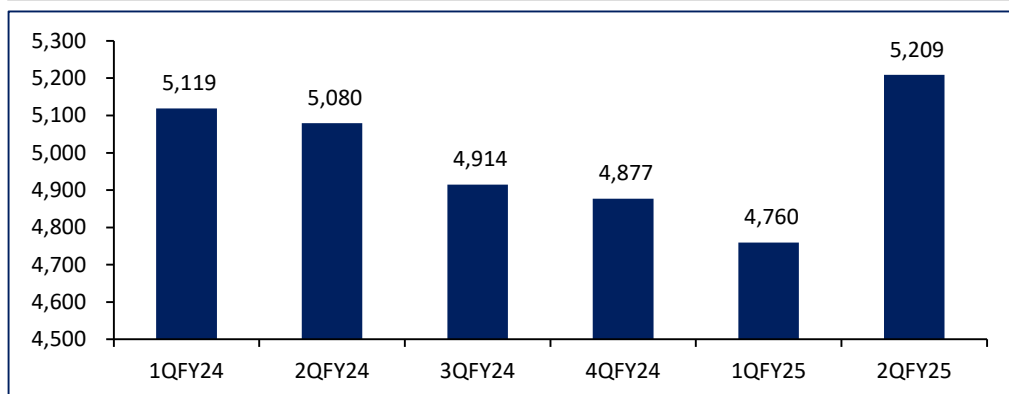
Source: Company, CEBPL

## Sales Realisation per Tonne



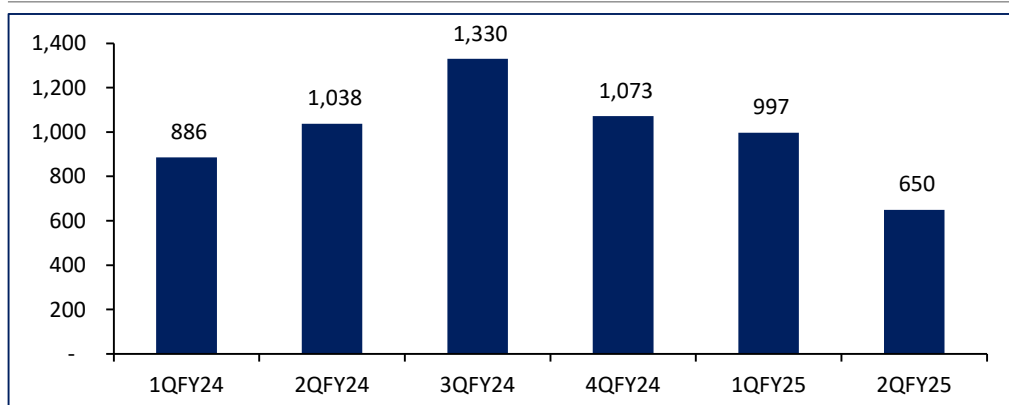
Source: Company, CEBPL

## Total Costs per Tonne



Source: Company, CEBPL

## EBITDA per Tonne



Source: Company, CEBPL

## Management Call Highlights

- Net Sales Realization stood at ₹4,708 per ton, compared to ₹4,669 per ton in Q1FY25, driven by a strategic focus on high-revenue markets.
- The trade mix increased to 65% from 63% in Q1 FY25, with premium products accounting for 14% of trade sales, while non-trade sales were reduced.
- Secured two coal blocks in Madhya Pradesh through auction, aligning with its strategy to mitigate fuel cost volatility.
- Focused on new markets, gaining market share in East Uttar Pradesh, with trade volume in Bihar exceeding 15,000 MT in September 2024.
- The company has a diverse power generation portfolio, comprising 77.50 MW of coal-based captive power, 173.14 MW of green power, and 82.3 MW from its Waste Heat Recovery System (WHRS). Additionally, it leverages renewable energy sources with 90.84 MW of captive solar and wind power capacity, enhancing sustainability while reducing operational costs and carbon footprint.
- During FY24, the company's green power mix stood at 51%, with a year-to-date (YTD) figure of 49% as of September 2024. The target is to reach 75% by FY30. Starting from a baseline of 19% in FY20, the green power mix has now reached 49%, demonstrating steady progress towards a cleaner and more sustainable energy portfolio.

## Financial Summary Consolidated (INR Mn)

Income Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	97,202	1,15,560	1,15,461	1,23,577	1,31,697
Gross profit	81,274	97,214	95,322	1,02,073	1,09,857
<b>EBITDA</b>	<b>13,143</b>	<b>20,598</b>	<b>18,346</b>	<b>22,630</b>	<b>28,222</b>
Depreciation	4,619	5,726	6,492	7,257	8,022
<b>EBIT</b>	<b>9,398</b>	<b>16,322</b>	<b>13,174</b>	<b>16,485</b>	<b>21,385</b>
Other income	874	1,451	1,319	1,112	1,185
Interest expense	3,122	4,531	4,952	5,238	5,238
<b>PAT</b>	<b>4,236</b>	<b>7,908</b>	<b>5,909</b>	<b>8,436</b>	<b>11,920</b>
EPS (INR)	54.8	102.3	76.5	109.2	154.3

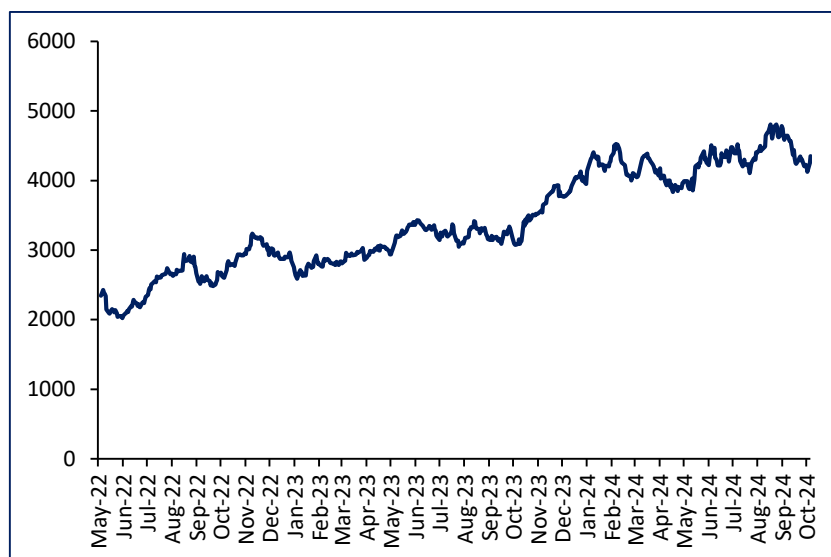
Balance Sheet (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Tangible fixed assets	84,456	92,983	1,05,491	1,15,235	1,24,213
Capital Work in Progress	5,920	4,639	3,712	2,598	1,559
Investments	923	1,002	1,348	1,372	1,397
Cash & Cash equivalents	8,333	8,665	3,670	3,418	6,182
Loans & Advances and Other Assets	18,597	23,253	22,587	22,789	22,992
Net Working Capital	6,401	8,168	8,258	8,833	10,569
<b>Total assets</b>	<b>1,24,629</b>	<b>1,38,710</b>	<b>1,45,065</b>	<b>1,54,246</b>	<b>1,66,912</b>
Shareholder's funds	46,424	53,217	59,581	68,016	79,936
Borrowings	45,578	52,386	52,377	53,122	53,868
Deferred Tax	8,094	10,756	10,756	10,756	10,756
Other Liabilities & Provisions	24,534	22,352	22,352	22,352	22,352
<b>Total equity &amp; liabilities</b>	<b>1,24,629</b>	<b>1,38,710</b>	<b>1,45,065</b>	<b>1,54,246</b>	<b>1,66,912</b>
Capital Employed	90,243	1,02,206	1,08,775	1,16,920	1,27,844
Invested Capital	75,990	88,901	1,01,394	1,10,904	1,20,103

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash flows from Operations	13,771	19,591	18,775	23,482	30,373
Cash flows from Investing	(20,148)	(16,358)	(17,014)	(16,091)	(16,018)
Cash flows from financing	13,174	2,764	(1,113)	(5,826)	(5,826)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Ratios (%)</b>					
Revenues	21.6	18.9	(0.1)	7.0	6.6
Gross Profit	21.2	19.6	(1.9)	7.1	7.6
EBITDA	(11.3)	56.7	(10.9)	23.4	24.7
PAT	(38.4)	86.7	(25.3)	42.8	41.3
<b>Margin Ratios (%)</b>					
Gross Profit Margin	83.6	84.1	82.6	82.6	83.4
EBITDA Margin	13.5	17.8	15.9	18.3	21.4
EBIT Margin	9.7	14.1	11.4	13.3	16.2
<b>Profitability (%)</b>					
Return on equity	9.1	14.9	9.9	12.4	14.9
Return on invested capital	9.6	14.0	10.7	12.3	14.3
Return on capital employed	10.4	16.0	12.1	14.1	16.7
<b>Valuation</b>					
OCF / IC (%)	18.1	22.0	18.5	21.2	25.3
EV / EBITDA (x)	28.4	18.4	20.9	17.0	13.6
EV/IC (x)	4.9	4.3	3.8	3.5	3.2

Source: Company, CEBPL

## Historical recommendations and target price: J.K. Cements Ltd.



### J.K. Cements Ltd.

1. 26-05-2022	ADD,	Target Price, 2,404
2. 16-08-2022	ADD,	Target Price, 2,849
3. 17-11-2022	NEUTRAL,	Target Price, 3,069
4. 07-02-2023	OUTPERFORM,	Target Price, 3,285
5. 31-05-2023	NEUTRAL,	Target Price 3,276
6. 17-08-2023	NEUTRAL,	Target Price 3,280
7. 08-11-2023	ADD,	Target Price 3,745
8. 23-01-2024	ADD,	Target Price 4,310
9. 15-05-2024	BUY,	Target Price 4,340
10. 23-07-2024	SELL,	Target Price 4,396
11. 30-10-2024	BUY,	Target Price 4,679

Institutional Research Team			
Jathin kaithavalappil	AVP – Automobile /Defence/Real Estate	jathin.jayan@choiceindia.com	+91 22 6707 9994
Deepika Murarka	Analyst - Pharmaceuticals / Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Ashutosh Murarka	Analyst – Cement / Building Material	ashutosh.murarka@choiceindia.com	+91 22 6707 9442
Putta Ravi Kumar	Analyst – Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Aayush saboo	Associate – Real Estate	aayush.saboo@choiceindia.com	+91 22 6707 9811
Maitri Sheth	Analyst – Pharmaceuticals / Healthcare	maitri.sheth@choiceindia.com	+91 22 6707 9811
Bharat Kumar Kudikyala	Associate – Cement / Building Material	bharat.kudikyala@choiceindia.com	+91 22 6707 9798
Arshay Agarwal	Associate – BFSI	arshay.agarwal@choiceindia.com	+91 22 6707 9811
Heet Chheda	Associate – Automobile	heet.chheda@choiceindia.com	+91 22 6707 9422
Rushil Katiyar	Associate - Information Technology	Rushil.katiyar@choiceindia.com	+91 22 6707 9811
CA Sheetal Murarka	Vice President - Institutional Sales	sheetal.murarka@choiceindia.com	+91 22 6707 9857
Nitesh Jalan	AVP – Institutional Sales	nitesh.jalan@choiceindia.com	+91 22 6707 9877 /878 /879

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Compliance Officer--Prashant Salian, Email Id – Prashant.salain@choiceindia.com Contact no. 022- 67079999- Ext-2310

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