

Decent performance despite odds

JK Cement (JKCE) reported decent results for Q3FY25 as revenue at Rs29.3bn was largely in-line with our estimate but EBITDA was slightly below estimate owing to higher than expected costs. The company reported 5% YoY growth in Grey Cement volume and 6% in White Cement. Given the challenging conditions, we believe that realizing Rs1,000/mt EBITDA is a good achievement. Overall, the company's journey is on track with addition of 6mn mt capacity expected in MP, Bihar and UP by Q4FY26. The management announced the acquisition of a small J&K based player, which will help the company in establishing presence in the state. We have maintained our estimate and rating on the stock.

Q3FY25 result highlights (consolidated)

Revenue at Rs29.3bn was flat YoY and up 14.5% QoQ. Aggregate volume at 4.9mn mt was up by 5% YoY and in-line with our estimate. Blended realizations were up 1.7% QoQ. Grey Cement volume increased by 5% while White Cement volume was up by 6% YoY (including JK Cement UAE operations). Grey Cement realization was up 1% QoQ (below our estimate of 2.5% increase) while White Cement realization was up 2.5% QoQ. Operating cost at Rs4,956 increased by 1% YoY and was 2% ahead of our estimate. EBITDA at Rs4.9bn was down 21% YoY and 6% below our estimate. EBITDA/mt came in at Rs1,000 against our expectation of Rs1,062.

Capex plan on track; acquisition of Saifco Cement announced

The company's expansion plan is on track as 2mn mt GU Prayagraj is already commissioned in record time. Recently announced 6mn mt expansion at Panna (MP) and Bihar is expected to be commissioned by Q4FY26. Total capex for FY25/FY26 is pegged at Rs19bn/Rs17bn. The company announced the acquisition of Saifco Cements, which is based in Sri Nagar, Jammu & Kashmir. At present, it has 0.42MTPA capacity and 0.26MTPA clinker capacity. JK proposes to acquire 60% equity for Rs1.75bn by share subscription agreement. Saifco plant currently operates at 40% efficiency. JK plans to double Saifco capacity in one year. The plant is profitable with ~Rs1,500 EBITDA/mt.

Cost reduction of Rs150-200/mt planned over the next 2-3 years

The company has maintained its cost reduction target of Rs150-200/mt over 2-3 years. In FY25, it expects to accrue cost savings of Rs30-40/mt through logistics initiatives, Rs20-30/mt through green power and AFR usage. Total cost savings would be Rs70-75/mt in FY25.

Valuation and Outlook

JKCE's successful capacity addition template has yielded better results in the form of superior volume growth and we believe it will continue to help JKCE to expand its market share in its existing markets. Bihar Grinding unit coupled with gradual ramp-up of Toshali Cement would also aid in enhance its geographical diversification. New capex will deliver ~325bps improvement in ROCE over FY24-FY26E. We maintain our BUY rating with a target price of Rs5,183 based on 14x Mar'27 EV/EBITDA.

Financial and valuation summary

YE Mar (Rs mn)	3QFY25A	3QFY24A	YoY (%)	2QFY25A	QoQ (%)	FY25E	FY26E	FY27E
Revenues	29,303	29,348	(0.2)	25,601	14.5	1,13,275	1,28,908	1,45,491
EBITDA	4,921	6,251	(21.3)	2,840	73.3	16,810	26,963	31,325
EBITDA margin (%)	16.8	21.3	(21.2)	11.1	51.4	14.8	20.9	21.5
Adj. Net profit	1,892	2,838	(33.3)	338	459.8	5,284	11,725	14,100
Adj. EPS (Rs)	24.5	36.7	(33.3)	0.0	∞	68.4	151.7	182.5
EPS growth (%)						(36.8)	121.9	20.3
PE (x)						70.0	31.5	26.2
EV/EBITDA (x)						24.9	15.5	13.2
PBV (x)						6.4	5.5	4.6
RoE (%)						9.5	18.7	19.1
RoCE (%)						8.1	13.2	13.8

Source: Company, Centrum Broking

Result Update

India I Cement

28 January, 2025

BUY

Price: Rs4,786

Target Price: Rs5,183

Forecast return: 8%

Institutional Research

Market Data

Bloomberg:	JKCE IN
52 week H/L:	4,916/3,635
Market cap:	Rs369.8bn
Shares Outstanding:	77.3mn
Free float:	43.5%
Avg. daily vol. 3mth:	1,05,519
Source: Bloomberg	

Changes in the report

Rating:	Unchanged
Target price:	Unchanged
EBITDA:	Unchanged
Source: Centrum Broking	

Shareholding pattern

	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	45.7	45.7	45.7	45.7
FIIIs	16.9	17.6	17.7	15.9
DIIIs	23.7	22.4	22.1	23.4
Public/other	13.7	14.3	14.5	15.0

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q3FY25	Actual Q3FY25	Variance (%)
Revenue	29,054	29,303	0.9
EBITDA	5,218	4,921	-5.7
EBITDA margin	18.0	16.8	(117) bps
Adj. PAT	2,137	1,892	-11.5
EPS (Rs)	30.6	24.5	-19.9

Source: Bloomberg, Centrum Broking



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Cement

Thesis Snapshot

JK Cement versus NIFTY Midcap 100

	1m	6m	1 year
JKCE IN	4.7	9.1	15.0
NIFTY Midcap 100	(9.1)	(10.3)	9.7

Source: Bloomberg, NSE

Key assumptions

Y/E Mar	FY25E	FY26E	FY27E
Capacity (mn mt)	27.5	33.5	33.5
Volumes (mn mt)	19.8	21.6	24.1
Realizations (Rs/mt)	5,719	5,977	6,041
Operating expense (Rs/mt)	4,871	4,727	4,740
EBITDA/mt (Rs)	849	1,250	1,301
Capex (Rs mn)	-16,975	-16,975	-14,975
Net Debt (Rs mn)	52,898	52,657	46,969

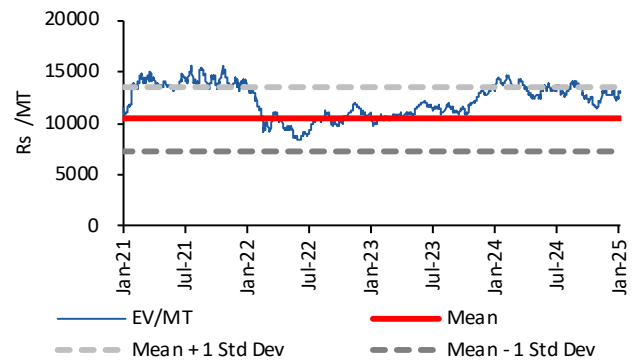
Source: Centrum Broking

Valuation

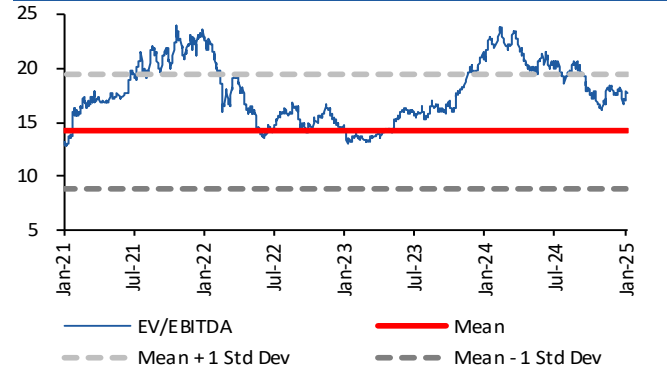
We are building in 10%/16% CAGR in Revenue/EBITDA for JKCE over FY24-FY27E. We value it at 14x FY27E EV/EBITDA to arrive at our revised target price of Rs5,183.

Particulars	(Rs mn)
FY27E EBITDA	31,325
Target multiple (x)	14
Enterprise value	4,38,554
Less: Net debt	37,969
Equity value	4,00,585
No of shares (mn)	77.3
Target Price (Rs)	5,183

EV / MT mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap (Rs bn)	CAGR (FY24E-27E)			EV/EBITDA (x)			EV/mt (US\$)			FY26E	
		Sales	EBITDA	EPS	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	RoE (%)	ROCE (%)
ACC	375	5.4%	12.2%	1.7%	11.5	9.3	7.7	99.0	94.4	88.9	11%	15%
Ambuja Cement	1,318	13.3%	22.9%	17.2%	24.7	16.3	14.0	185.9	166.6	155.0	8%	10%
Birla Corporation	88	3.5%	9.4%	18.2%	9.5	6.5	5.7	72.6	62.7	53.5	8%	9%
Heidelberg Cement	51	2.3%	15.9%	25.3%	16.1	10.3	8.9	90.1	87.8	84.5	19%	20%
JK Cement	370	10.0%	16.0%	19.3%	25.1	15.7	13.3	210.3	168.4	166.2	19%	13%
JK Lakshmi Cement	97	5.2%	12.5%	12.5%	13.6	8.6	7.5	76.2	67.0	60.3	16%	13%
Nuvoco Vistas	123	5.1%	8.7%	60.5%	10.3	7.7	6.5	76.1	71.1	65.5	5%	8%
Sagar Cements	26	12.0%	31.9%	NA	18.5	10.0	7.4	43.5	43.4	44.6	1%	6%
Shree Cements	907	7.3%	13.9%	13.0%	22.1	15.6	13.6	164.3	149.0	147.2	12%	19%
Star Cements	87	12.9%	17.6%	15.1%	15.2	11.2	9.4	126.8	126.1	124.0	12%	18%
The Ramco Cements	208	6.3%	13.3%	25.0%	17.2	13.0	11.3	133.0	124.3	121.7	8%	9%
Ultratech Cements	3,312	11.2%	19.0%	23.1%	25.8	18.3	15.5	246.0	229.4	210.8	16%	16%

Source: Company, Centrum Broking

Exhibit 1: Q3FY25 results summary

Y/E March (Rsmm)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	YoY (%)
Net Sales	29,348	25,601	29,303	(0.2)	14.5	84,502	82,980	(1.8)
Expenditure								
Chg. in stock	(1,384)	73	(412)	NA	NA	(1,842)	(496)	NA
RM consumption	4,559	3,881	4,540	(0.4)	17.0	13,380	12,725	(4.9)
Purchase of traded goods	675	562	646	(4.4)	14.9	1,540	1,850	20.2
Employee costs	1,988	2,245	2,288	15.1	1.9	5,656	6,719	18.8
Freight Costs	6,148	5,755	6,604	7.4	14.8	17,352	18,554	6.9
Power and fuel	6,506	4,928	5,531	(15.0)	12.2	19,748	16,157	(18.2)
Other exp	4,606	5,318	5,184	12.6	(2.5)	13,671	14,849	8.6
Total Operating Expenses	23,097	22,762	24,382	5.6	7.1	69,504	70,357	1.2
EBITDA	6,251	2,840	4,921	(21.3)	73.3	14,999	12,623	(15.8)
EBITDA Margin (%)	21.3%	11.1%	16.8%	(451)bps	570bps	17.7%	15.2%	(254)bps
Other Income	385	378	446	15.9	17.9	994	1,271	27.9
Finance Costs	1,141	1,228	1,124	(1.5)	(8.5)	3,382	3,457	2.2
Depreciation	1,404	1,463	1,457	3.7	(0.4)	4,196	4,392	4.7
PBT	4,090	527	2,786	(31.9)	429.2	8,414	6,044	(28.2)
Tax	1,252	189	894	(28.6)	374.2	2,562	1,966	(23.3)
Exceptional Items	-	1,024	-	NA	NA	(150)	1,024	NA
Reported PAT	2,838	1,362	1,892	(33.3)	39.0	5,703	5,102	(10.5)
Adjusted PAT	2,838	338	1,892	(33.3)	459.8	5,853	4,078	(30.3)
NPM(%)	9.7%	5.3%	6.5%	(321)bps	114bps	6.9%	4.9%	(201)bps
EPS (Rs.)	36.7	17.6	24.6	(33.1)	39.5	75.7	52.8	(30.3)

Source: Centrum Broking, Company Data

Exhibit 2: Operational data

Operational Data	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	YoY (%)
Volume (mn mt)	4.7	4.4	4.9	4.6	12.6	13.8	14.2	2.5
Cement Realisation (Rs/mt)	6,238	5,858	5,956	(4.5)	1.7	6,112	5,857	(4.2)
Operating Costs (Rs/mt)	4,909	5,209	4,956	0.9	(4.9)	5,027	4,966	(1.2)
EBITDA (Rs/mt)	1,329	650	1,000	(24.7)	53.9	1,085	891	(17.9)

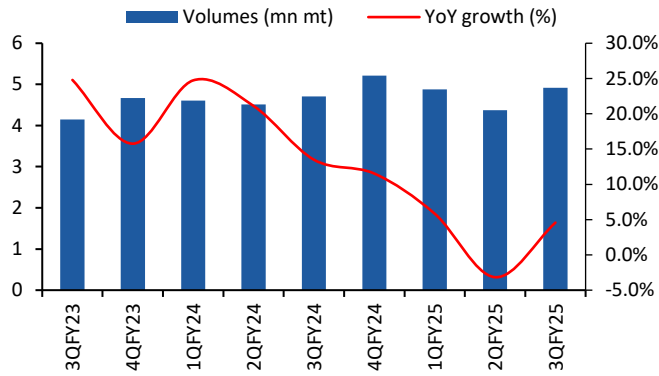
Source: Centrum Broking, Company Data

Exhibit 3: Trend in operating costs per tonne

Costs/mt (Rs)	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	YoY (%)	QoQ (%)
RM consumption	994	975	1,008	1,016	818	1,012	982	1,033	970	18.6	(6.1)
Employee cost	386	360	399	405	423	419	448	514	465	10.0	(9.5)
Freight, packing etc	1,249	1,264	1,268	1,188	1,307	1,307	1,270	1,317	1,342	2.7	1.9
Power and fuel	1,679	1,659	1,500	1,403	1,383	1,182	1,168	1,128	1,124	(18.7)	(0.3)
Other exp	971	941	936	1,053	979	968	891	1,217	1,054	7.6	(13.4)
Operating costs/mt	5,280	5,199	5,111	5,065	4,909	4,887	4,760	5,209	4,956	0.9	(4.9)
EBITDA/mt	597	748	885	1,035	1,329	1,075	997	650	1,000	(24.7)	53.9

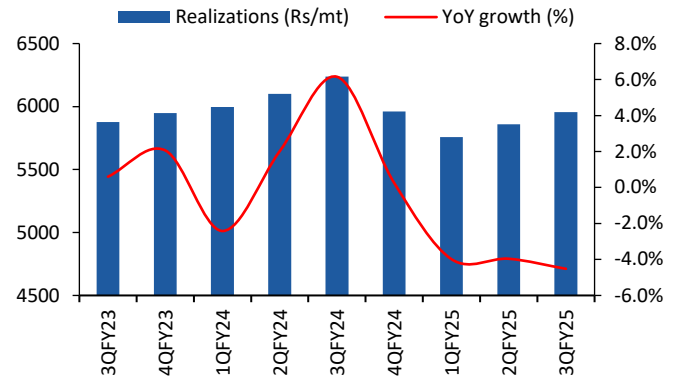
Source: Centrum Broking, Company Data

Exhibit 4: Volume growth of 4.6% YoY



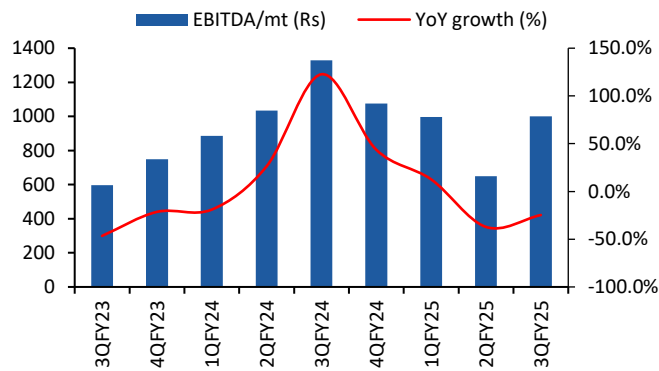
Source: Centrum Broking, Company Data

Exhibit 5: Realizations up 1.7% QoQ



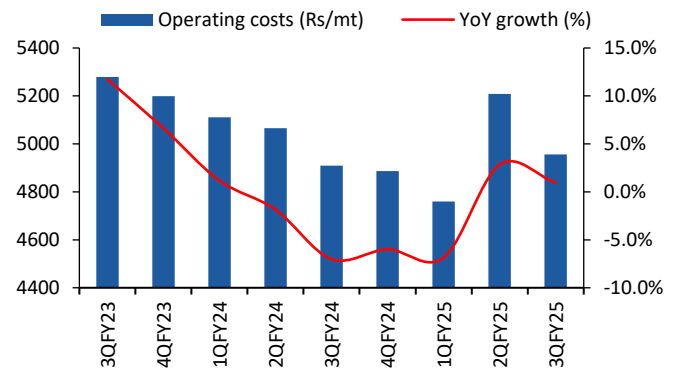
Source: Centrum Broking, Company Data

Exhibit 6: EBITDA/mt at Rs1,000



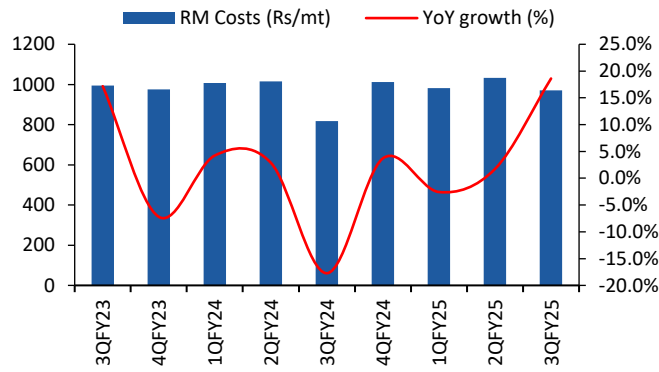
Source: Centrum Broking, Company Data

Exhibit 7: Operating costs up 0.9% YoY



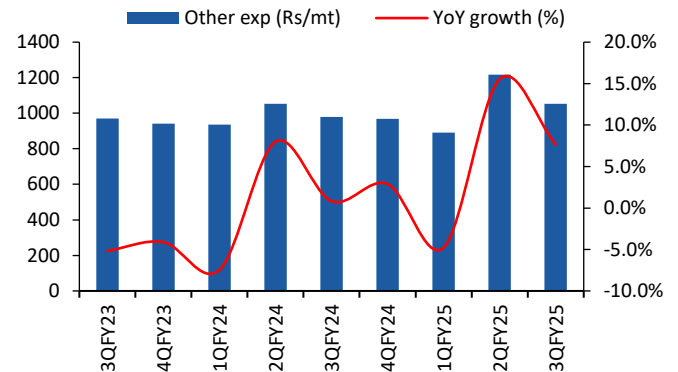
Source: Centrum Broking, Company Data

Exhibit 8: RM costs up by 18.6% YoY



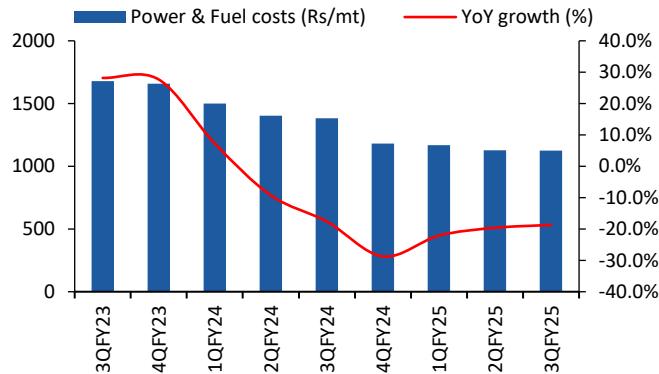
Source: Centrum Broking, Company Data

Exhibit 9: Other expenses up 7.6% YoY



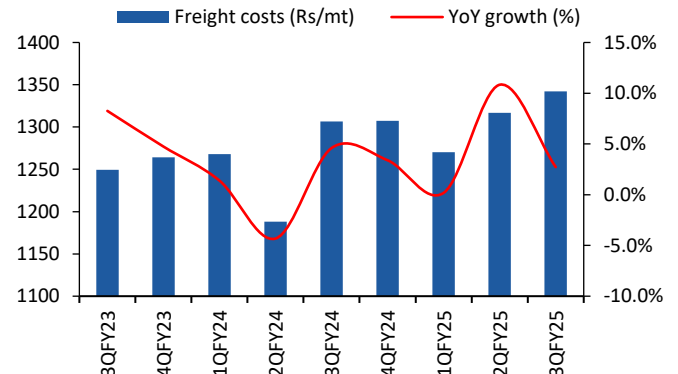
Source: Centrum Broking, Company Data

Exhibit 10: Power & fuel costs down 18.7% YoY



Source: Centrum Broking, Company Data

Exhibit 11: Freight costs up 2.7% YoY



Source: Centrum Broking, Company Data

Q3FY25 conference call highlights

Demand - Demand growth revived in both North and Central regions during the quarter. January growth has been strong. The company will report better growth in the Central region given the new capacities in the region. For White Cement, the new plant by Asian Paints in the UAE will impact the sale of 1 lakh tons of white cement as JK used to supply to Asian Paints. The company is trying to look for other avenues for boosting White Cement revenue. For Grey Cement, no impact/hit on volume due to Kumbh Mela.

Volume - Reported 4.6% volume growth YoY. Expects FY26 volume to grow by 10% YoY.

Pricing – Prices in January have been marginally higher over average of third quarter. Management is hopeful of better prices in Q4 vs Q3. It is confident of getting incremental EBITDA per ton in Q4 due to increase in pricing. Expects incentive for Q4 to be ~Rs750mn.

Saifco Cements acquisition - Saifco is based in Sri Nagar, Jammu & Kashmir. At present, it has 0.42MTPA capacity and 0.26MTPA clinker capacity. JK proposes to acquire 60% of equity for Rs1.75bn by share subscription agreement. Saifco plant currently operates at 40% efficiency. JK plans to double Saifco capacity in one year. The plant is profitable with Rs1,500 EBITDA/mt.

Update on Paints business - Revenue guidance for FY25 at Rs4bn while for FY26 it is Rs6bn. EBITDA breakeven by FY27. Revenue this quarter was Rs870mn.

Update on Putty business - Putty market is competitive due to big players like Asian Paints and Birla. Expects industry to grow at 8-9% while JK at 4%. Bigger players to grow in double digit.

Capex- 9MFY25 – Rs14bn. Expected FY25 capex is ~Rs19bn. FY26 capex is pegged at Rs17bn. Further, Rs1.75bn to be spent towards Saifco Cement’s acquisition in FY26.

Others - Fuel cost of Rs1.5/kcal, Trade share – 66%, Premium product share – 16%, expects premium product share to reach 20% in two years, Road mix – 91%, Pet Coke 75%.

Exhibit 12: Valuation summary

Particulars	(Rs mn)
FY26E EBITDA	31,325
Target multiple (x)	14
Enterprise value	4,38,554
Less: Net debt	37,969
Equity value	4,00,585
No of shares (mn)	77.3
Target Price (Rs)	5,183

Source: Centrum Broking

P&L					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenues	93,103	1,09,180	1,13,275	1,28,908	1,45,491
Operating Expense	59,263	64,797	67,994	72,599	82,198
Employee cost	5,756	7,098	8,931	9,289	9,660
Others	14,882	17,235	19,539	20,057	22,307
EBITDA	13,201	20,050	16,810	26,963	31,325
Depreciation & Amortisation	3,923	4,859	5,706	6,435	7,310
EBIT	9,278	15,191	11,104	20,528	24,015
Interest expenses	2,956	4,366	5,082	5,173	5,264
Other income	851	1,353	1,692	1,759	1,830
PBT	7,174	12,179	7,713	17,113	20,580
Taxes	2,151	3,817	2,429	5,388	6,480
Effective tax rate (%)	30.0	31.3	31.5	31.5	31.5
PAT	5,023	8,361	5,284	11,725	14,100
Minority/Associates	0	0	0	0	0
Recurring PAT	5,023	8,361	5,284	11,725	14,100
Extraordinary items	0	(55)	0	0	0
Reported PAT	5,023	8,306	5,284	11,725	14,100

Ratios					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
Growth (%)					
Revenue	21.2	17.3	3.8	13.8	12.9
EBITDA	(10.9)	51.9	(16.2)	60.4	16.2
Adj. EPS	(34.0)	66.5	(36.8)	121.9	20.3
Margins (%)					
Gross	83.4	84.3	82.4	83.9	83.9
EBITDA	14.2	18.4	14.8	20.9	21.5
EBIT	10.0	13.9	9.8	15.9	16.5
Adjusted PAT	5.4	7.6	4.7	9.1	9.7
Returns (%)					
ROE	11.3	16.7	9.5	18.7	19.1
ROCE	8.5	11.3	8.1	13.2	13.8
ROIC	6.4	9.2	6.1	10.4	11.5
Turnover (days)					
Gross block turnover ratio (x)	0.9	1.0	0.9	0.9	0.9
Debtors	16	15	15	14	14
Inventory	234	205	200	209	210
Creditors	168	166	154	158	153
Net working capital	66	68	40	40	52
Solvency (x)					
Net debt-equity	0.9	0.8	0.8	0.7	0.5
Interest coverage ratio	4.5	4.6	3.3	5.2	6.0
Net debt/EBITDA	3.1	2.1	2.9	1.8	1.4
Per share (Rs)					
Adjusted EPS	65.0	108.2	68.4	151.7	182.5
BVPS	600.5	692.8	744.0	875.9	1,035.6
CEPS	115.8	171.1	142.2	235.0	277.1
DPS	15.0	15.0	17.2	19.8	22.8
Dividend payout (%)	23.1	13.9	25.2	13.1	12.5
Valuation (x)					
P/E	73.6	44.2	70.0	31.5	26.2
P/BV	8.0	6.9	6.4	5.5	4.6
EV/EBITDA	31.1	20.6	24.9	15.5	13.2
Dividend yield (%)	0.3	0.3	0.4	0.4	0.5

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Equity share capital	773	773	773	773	773
Reserves & surplus	45,624	52,761	56,714	66,907	79,246
Shareholders fund	46,397	53,534	57,486	67,679	80,018
Minority Interest	0	0	0	0	0
Total debt	49,168	51,780	52,780	53,780	54,780
Non Current Liabilities	6,173	6,676	7,473	8,462	9,511
Def tax liab. (net)	8,130	10,539	10,539	10,539	10,539
Total liabilities	1,09,867	1,22,529	1,28,278	1,40,460	1,54,848
Gross block	98,240	1,10,926	1,20,078	1,40,078	1,55,078
Less: acc. Depreciation	(25,226)	(30,110)	(35,842)	(42,302)	(49,637)
Net block	73,014	80,816	84,236	97,776	1,05,441
Capital WIP	5,902	4,152	12,000	9,000	9,000
Net fixed assets	78,916	84,968	96,236	1,06,776	1,14,441
Non Current Assets	4,751	3,465	3,465	3,465	3,465
Investments	9,449	13,711	16,125	16,125	16,125
Inventories	8,635	10,675	11,172	12,714	14,350
Sundry debtors	4,108	4,604	4,655	5,298	5,979
Cash & Cash Equivalents	8,840	8,775	4,253	5,494	12,182
Loans & advances	7,922	13,085	11,776	10,598	9,539
Other current assets	5,613	3,563	3,694	4,123	4,577
Trade payables	7,532	8,092	8,758	9,255	10,365
Other current liab.	9,925	11,187	13,303	13,839	14,407
Provisions	909	1,038	1,038	1,038	1,038
Net current assets	16,751	20,385	12,452	14,094	20,817
Total assets	1,09,867	1,22,529	1,28,278	1,40,460	1,54,848

Cashflow					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Profit Before Tax	7,174	12,124	7,713	17,113	20,580
Depreciation & Amortisation	3,923	4,859	5,706	6,435	7,310
Net Interest	2,956	4,366	5,082	5,173	5,264
Net Change – WC	(886)	(3,699)	3,411	(402)	(34)
Direct taxes	(2,151)	(3,817)	(2,429)	(5,388)	(6,480)
Net cash from operations	11,016	13,832	19,484	22,932	26,641
Capital expenditure	(28,448)	(10,911)	(16,975)	(16,975)	(14,975)
Acquisitions, net	0	0	0	0	0
Investments	7,689	(4,553)	(2,413)	0	0
Others	(2,931)	1,286	0	0	0
Net cash from investing	(23,690)	(14,178)	(19,388)	(16,975)	(14,975)
FCF	(12,674)	(345)	96	5,957	11,666
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	20,786	2,612	1,000	1,000	1,000
Dividend paid	(1,159)	(1,158)	(1,332)	(1,532)	(1,761)
Interest paid	(2,956)	(4,366)	(5,082)	(5,173)	(5,264)
Others	1,446	2,902	797	989	1,049
Net cash from financing	18,117	(10)	(4,617)	(4,716)	(4,977)
Net change in Cash	5,443	(356)	(4,522)	1,240	6,689

Source: Company, Centrum Broking

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JK Cement



Source: Bloomberg

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