

## Capacity expansions to drive volume growth...

**About the stock:** JK Cement is one of India's leading manufacturers of grey cement and one of the leading white cement manufacturers in the World. The company has an installed grey cement capacity of 24.34 mtpa & white cement capacity of 3.05 mtpa

- Company's revenues have increased by 20.5% CAGR over the period FY21-24 while EBITDA and PAT have grown at 10.2% and ~4% CAGR respectively over the same period.

**Q2FY25 performance:** Revenue decreased by 7% YoY (-8.8% QoQ) to ₹ 2560 crores. Volumes stood at 4.4 million ton (-3.7% YoY, -10.4% QoQ). However, sales realisation declined by 3.4% YoY (+1.8% QoQ). EBITDA declined by 39.2% YoY (-41.6% QoQ) to ₹ 284 crores. EBITDA/ton stood at ₹ 650/ton (-36.9% YoY, -34.8% QoQ). PAT declined by 28.2% YoY (-32.1% QoQ) to ₹ 125.8 crores

### Investment Rationale:

- Strong expansion plan to fuel volume growth:** Consolidated volumes remained flattish in H1FY25 due to weak demand during the period. However, we believe that company's volumes to improve in 2HFY25, led by pick-up in demand. Management also guides volume growth of 6-7% for FY25E, which implies ~12% volume growth in 2HFY25. Moreover, ramp-up of existing capacities and aggressive capacity expansion plan would help the company in healthy volume growth over FY26E & FY27E. At present, grey cement capacity stands at 24.3 mtpa, which will be increased to 30 mtpa (6 mtpa of capacity expansion is expected to be commissioned by Dec-25). We estimate consolidated volume CAGR of ~9% over FY24-27E. In the longer term, company aims to reach total capacity of 50 mtpa by FY30E, which gives longer-term volume growth visibility
- Cost optimization to drive EBITDA/ton upwards:** Company's EBITDA/ton stood at ₹ 833/ton in H1FY25, down 12.7% YoY primarily due to lower realisations, additional costs due to plant shutdowns and negative operating leverage. Going ahead, we expect company's operational performance to improve, led by improvement in realisation, focus on cost saving measures (primarily led by increase in share of green power to 75% from 49% at present, increasing usage of captive coal, optimising logistics cost and positive operating leverage. The company has also guided for ₹ 150-200/ton of cost savings in the next 2-3 years. We estimate EBITDA/ton to improve to ₹ 1240/ton by FY27E (vs ₹ 943/ton in FY25E)

### Rating and Target Price

- We believe operational performance to improve owing to healthy volume growth (led by healthy expansion plans, ramp-up of existing capacities & demand pick-up) & cost saving initiatives. We expect revenue growth of 9.1% CAGR over FY24-27E, while EBITDA & PAT CAGR at 13.8% & 15.9% respectively over the same period
- We revise downward our EBITDA estimates for FY25E/FY26E respectively to factor in lower-than expected sales realisation. We have cut our target price to ₹ 5060 per share (based on 16.5x EV/EBITDA on FY26E & FY27E average). Recommend BUY



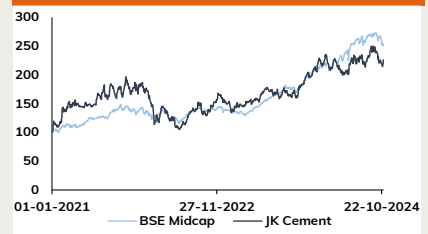
### Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	33,465
FY24 Gross Debt (₹ Crore)	5,239
FY24 Cash & Equivalents (₹ Crore)	967
EV (₹ Crore)	37,737
52 Week H/L (₹)	4896 / 3080
Equity Capital	77.3
Face Value	10.0

### Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	45.7	45.7	45.7	45.7
FII	15.3	15.9	17.7	17.6
DII	24.0	23.4	22.1	22.4
Others	15.0	15.0	14.5	14.3

### Price Chart



### Key risks

- (i) Slowdown in demand (ii) Delay in capacity expansion (iii) Increase in commodity prices (iv) High competition

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## Key Financial Summary

(₹ crore)	FY22	FY23	FY24	3 Year CAGR (FY21-24)	FY25E	FY26E	FY27E	3 Year CAGR (FY24-27E)
Revenues	7,991	9,720	11,556	20.5%	11,980	13,251	14,989	9.1
EBITDA	1,482	1,314	2,060	10.2%	1,921	2,363	3,037	13.8
EBITDA margin (%)	18.6	13.5	17.8		16.0	17.8	20.3	
Net Profit	679	419	791	4.0%	656	865	1,232	15.9
EPS (₹)	87.9	54.2	102.3		84.9	111.9	159.4	
P/E (x)	49.3	79.9	42.1		51.0	38.7	27.2	
EV/EBITDA (x)	24.8	28.6	18.3		20.0	16.4	12.8	
RoCE (%)	15.7	9.7	15.4		13.0	14.6	17.4	
RoE (%)	15.7	8.9	14.8		11.1	13.0	15.9	

**Q2FY25 Result Highlights:**

- Consolidated revenue de-grew 7% YoY to ₹ 2807 crores, led by decline in volumes by 3.7% to 4.8 million ton as well as decline in sales realization by 3.4%. Sequentially, revenue declined by 8.8%, led by contraction in volumes by 10.4%. However, blended realization grew by 1.8% QoQ led by change in market mix
- Total cost/ton increased to ₹ 5209/ton (+3.4% YoY, +9.4% QoQ) primarily led by increase in freight cost/ton & negative operating leverage
- EBITDA/ton decreased by 36.9% YoY (-34.8% QoQ) to ₹ 650/t
- EBITDA stood at ₹ 284 crores (-39.2% YoY, -41.6% QoQ). PAT stood at ₹ 185.3 crores (-24.2% YoY, -32.1% QoQ) during the quarter

**Recent earnings call highlights**

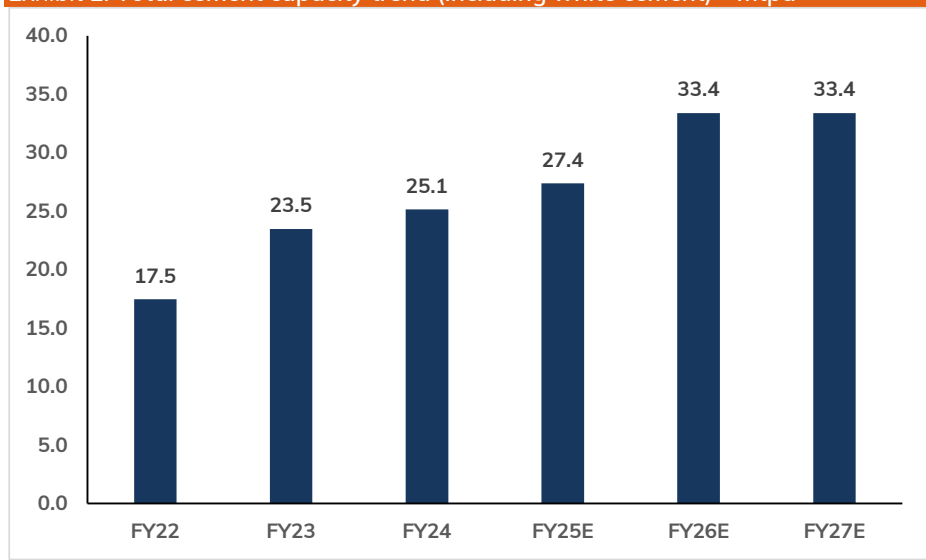
- The company has maintained its capex guidance of ₹ 1800 crores for FY25E & ₹ 1900 crores for FY26E. They guided for capex of ₹ 600 crores for paint business
- Demand during the quarter was subdued, due to intense monsoon season & prolonged kiln shutdown. The company expects demand to improve from mid Nov24 onwards
- However, the company has contracted its volume guidance of 6-7% (earlier 10%) vs 3-4% of industry for FY25. The company expects putty volume growth at 5% for FY25 vs 8-9% for industry
- Cement prices of grey cement improved QoQ, due to change in geographical & product mix & increase in share of premium products. Grey cement prices in Oct24 are marginally better vs Q2FY25 average prices
- Paint business revenue stands at ₹ 53 crores in Q2FY25 vs ₹ 64 crores in Q1FY25 with EBITDA loss of ₹ 15 crores in Q2FY25 vs loss of ₹ 10 crores in Q1FY25. They are targeting ₹ 250-300 crores top line with EBITDA loss of ₹ 40 crores in FY25. They expect revenue to be ₹ 400-450/600 crores in FY26/27 with EBITDA break even in FY27
- The company has maintained its guidance of cost optimisation of ₹150/t over FY25E/26E. Aim is to realise ₹ 60/t of cost saving in logistics (₹ 40-50/t), higher share of green power & AFR (₹ 10-20/t)
- The company expects raw material cost saving on account of recently won coal blocks in Madhya Pradesh. Fuel cost from captive coal is ₹ 1/kcal vs ₹ 1.5/kcal of imported pet coke. Fuel consumption cost in Q2FY25 is ₹1.65/kcal vs ₹ 1.62/kcal in Q1FY25. There was increase in fuel consumption cost due to rise in cost of alternative fuel
- Pet coke mix stands at 75% in Q2FY25 (vs 68% in Q1FY25), while the balance was domestic coal, imported coal & alternative fuel
- Freight mix: Rail 9%, road-91%
- It has booked incentives of ₹ 58 crores in Q2FY25 vs ₹ 69 crores in Q1FY25
- JK Cement has incurred one-time expense of ₹ 45-50 crores in Q2FY25 as they have to purchase clinker owing to prolonged shutdowns
- Blended cement mix stands at 70% in Q2FY25 vs 67% in Q1FY25. Trade sales stood at 65% in Q2FY25 vs 63% in Q1FY25

Exhibit 1: Quarterly Analysis

	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comments
Operating Income	2,560.1	2,752.8	-7.0	2,807.6	-8.8	Revenue declined due to lower volumes.
Other income	37.8	29.3	28.8	44.7	-15.6	
Total Revenue	2,597.9	2,782.1	-6.6	2,852.3	-8.9	
Raw materials costs	451.6	458.4	-1.5	478.9	-5.7	
Employees Expenses	224.5	182.9	22.8	218.6	2.7	
Other Expenses	434.7	431.2	0.8	504.1	-13.8	
Total Expenditure	2,276.2	2,285.8	-0.4	2,321.4	-1.9	
EBITDA	284.0	467.0	-39.2	486.2	-41.6	EBITDA declined due to lower margins despite lower power & fuel cost
EBITDA margins (%)	11.1	17.0	-587 bps	17.3	-623 bps	
Interest	122.8	115.0		110.5		
Depreciation	146.3	140.7	3.9	147.3	-0.7	
Tax	18.9	64.8	-70.9	88.4	-78.7	
Other Income	37.8	29.3	28.8	44.7	-15.6	
PAT	125.8	175.4	-28.2	185.3	-32.1	

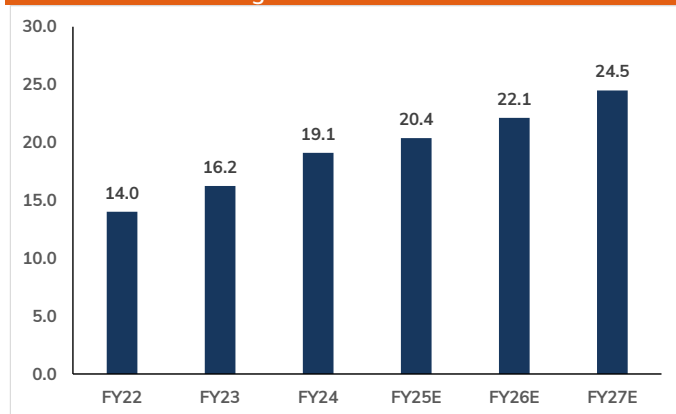
Source: Company, ICICI Direct Research

Exhibit 2: Total cement capacity trend (including white cement) - mtpa



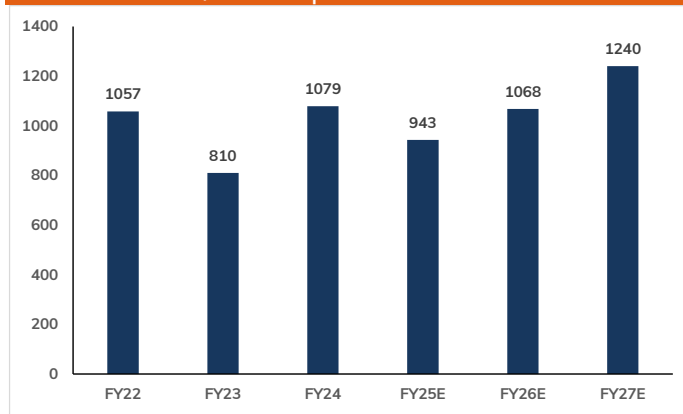
Source: Company, ICICI Direct Research

Exhibit 3: Volumes to grow at ~9% CAGR over FY24-27E



Source: Company, ICICI Direct Research

Exhibit 4: EBITDA/ton to improve over FY26E-FY27E



Source: Company, ICICI Direct Research

## Financial summary - Consolidated

### Exhibit 5: Profit and loss statement

₹ crore

(₹Crore)	FY24	FY25E	FY26E	FY27E
Revenue	11,556.0	11,979.6	13,251.3	14,988.7
% Growth	18.9	3.7	10.6	13.1
Other income	145.1	155.0	150.0	145.0
Total Revenue	11,556.0	11,979.6	13,251.3	14,988.7
% Growth	18.9	3.7	10.6	13.1
Total Raw Material Costs	1,834.7	2,067.2	2,246.2	2,486.0
Employee Expenses	783.8	942.2	1,055.3	1,181.9
other expenses	794.5	655.9	864.8	1,231.5
Total Operating Expenditure	9,496.2	10,058.8	10,888.3	11,951.2
Operating Profit (EBITDA)	2,059.8	1,920.7	2,362.9	3,037.5
% Growth	56.7	(6.8)	23.0	28.5
Interest	453.1	477.0	495.0	518.4
PBDT	1,751.7	1,598.7	2,017.9	2,664.1
Depreciation	572.6	611.0	715.6	809.4
PBT before Exceptional Items	1,179.1	987.8	1,302.3	1,854.7
Total Tax	383.7	331.9	437.6	623.2
PAT before MI	789.9	655.9	864.8	1,231.5
PAT	790.8	655.9	864.8	1,231.5
% Growth	88.7	(17.1)	31.8	42.4
EPS	102.3	84.9	111.9	159.4

Source: Company, ICICI Direct Research

### Exhibit 6: Cash flow statement

₹ crore

(₹ Crore)	FY24	FY25E	FY26E	FY27E
Profit after Tax	790.8	655.9	864.8	1,231.5
Depreciation	572.6	611.0	715.6	809.4
Interest	453.1	477.0	495.0	518.4
Cash Flow before WC changes	1,816.6	1,743.8	2,075.3	2,559.3
Changes in inventory	(199.4)	(32.8)	(128.9)	(176.1)
Changes in debtors	(86.2)	(24.5)	(62.7)	(85.7)
Changes in loans & Advances	-	-	-	-
Changes in other current assets	200.3	100.8	(25.4)	(34.7)
Net Increase in Current Assets	(615.6)	43.5	(217.1)	(296.6)
Changes in creditors	108.9	20.7	101.0	138.0
Changes in provisions	13.2	2.0	11.1	15.6
Net Inc in Current Liabilities	286.2	79.4	206.0	288.5
Net CF from Operating activities	1,487.2	1,866.7	2,064.3	2,551.3
Changes in deferred tax assets	-	-	-	-
(Purchase)/Sale of Fixed Assets	(1,705.4)	(1,900.0)	(1,800.0)	(2,200.0)
Net CF from Investing activities	(1,133.8)	(1,980.3)	(1,788.2)	(2,051.0)
Dividend and Dividend Tax	(115.9)	(115.9)	(115.9)	(115.9)
Net CF from Financing Activities	(320.1)	(451.1)	(360.9)	(383.3)
Net Cash flow	33.2	(564.7)	(84.7)	117.0
Opening Cash/Cash Equivalent	833.3	866.5	301.8	217.0
Closing Cash/ Cash Equivalent	866.5	301.8	217.0	334.0

Source: Company, ICICI Direct Research

### Exhibit 7: Balance sheet

₹ crore

(₹ Crore)	FY24	FY25E	FY26E	FY27E
Equity Capital	77.3	77.3	77.3	77.3
Reserve and Surplus	5,289.9	5,821.6	6,570.5	7,686.1
Total Shareholders funds	5,367.1	5,898.9	6,647.8	7,763.4
Total Debt	5,238.5	5,388.5	5,638.5	5,889.5
Total Liabilities	12,463.2	13,232.6	14,281.4	15,649.1
Gross Block	11,907.6	12,871.5	15,871.5	16,571.5
Acc: Depreciation	3,309.0	3,920.0	4,635.6	5,444.9
Net Block	8,598.6	8,951.5	11,236.0	11,126.6
Capital WIP	463.9	1,400.0	200.0	1,700.0
Total Fixed Assets	9,762.2	11,051.3	12,135.7	13,526.3
Non Current Assets	355.3	523.3	561.4	613.5
Inventory	1,181.6	1,214.4	1,343.3	1,519.4
Debtors	566.3	590.8	653.5	739.2
Other Current Assets	340.4	239.6	265.0	299.8
Cash	866.5	301.8	217.0	334.0
Total Current Assets	4,316.3	3,708.1	3,840.4	4,253.9
Current Liabilities	931.1	951.8	1,052.8	1,190.9
Provisions	66.7	90.0	91.0	92.0
Total Current Liabilities	2,338.9	2,418.3	2,624.3	2,912.8
Net Current Assets	1,977.4	1,289.8	1,216.1	1,341.1
Total Assets	12,463.2	13,232.6	14,281.4	15,649.1

Source: Company, ICICI Direct Research

### Exhibit 8: Key ratios

(Year-end March)	FY24	FY25E	FY26E	FY27E
EPS	102.3	84.9	111.9	159.4
Cash per Share	125.1	52.0	41.0	43.2
BV	694.6	763.4	860.3	1,004.7
EBITDA Margin	17.8	16.0	17.8	20.3
PAT Margin	6.8	5.5	6.5	8.2
RoE	14.8	11.1	13.0	15.9
RoCE	15.4	13.0	14.6	17.4
RoIC	15.3	11.9	13.6	16.7
EV / EBITDA	18.3	20.0	16.4	12.8
P/E	42.1	51.0	38.7	27.2
EV / Net Sales	3.3	3.2	2.9	2.6
Sales / Equity	2.2	2.0	2.0	1.9
Market Cap / Sales	2.9	2.8	2.5	2.2
Price to Book Value	6.2	5.7	5.0	4.3
Asset turnover	1.1	1.1	1.1	1.1
Debtors Turnover Ratio	22.1	20.7	21.3	21.5
Creditors Turnover Ratio	13.2	12.7	13.2	13.4
Debt / Equity	1.0	0.9	0.8	0.8
Current Ratio	1.5	1.4	1.4	1.5
Quick Ratio	0.6	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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