

JK Cement

BSE SENSEX 84,544 S&P CNX 25,791

CMP: INR4,633 TP: INR5,600 (+21%) Buy



Bloomberg	JKCE IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	358 / 4.3
52-Week Range (INR)	4896 / 2996
1, 6, 12 Rel. Per (%)	3/-3/14
12M Avg Val (INR M)	627

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	122.6	140.5	159.8
EBITDA	22.1	28.0	33.7
Adj. PAT	8.7	11.8	15.7
EBITDA Margin (%)	18.0	19.9	21.1
Adj. EPS (INR)	112.0	153.2	203.6
EPS Gr. (%)	9.0	36.8	32.9
BV/Sh. (INR)	782	905	1,078

Ratios

Net D:E	0.8	0.7	0.5
RoE (%)	15.2	18.2	20.5
RoCE (%)	10.7	12.6	14.6
Payout (%)	22.3	19.6	14.7

Valuations

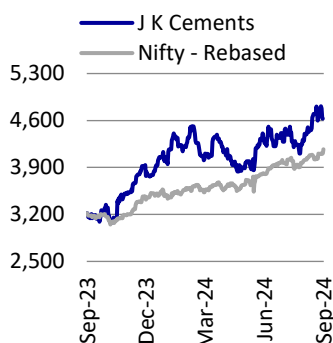
P/E (x)	41.3	30.2	22.7
P/BV (x)	5.9	5.1	4.3
EV/EBITDA(x)	17.7	13.9	11.4
EV/ton (USD)	161	141	139
Div. Yield (%)	0.5	0.6	0.6
FCF Yield (%)	0.2	1.5	3.4

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	45.7	45.7	45.8
DII	22.1	23.4	23.2
FII	17.7	15.9	15.5
Others	14.5	15.0	15.5

FII Includes depository receipts

Stock Performance (one-year)



Strategic expansions aiding growth

Potential to grow grey cement capacity up to 50mtpa by FY30

- JK Cement (JKCE) has been strategically expanding capacity using a balanced approach of improving the regional mix, lowering capex, and ensuring an adequate spread of integrated and grinding units. Further, the company has been successful in ramping up capacity utilization of its new plants.
- Recently, JKCE has unveiled its long-term capacity target of 50mtpa by FY30 vs. 24mtpa currently, which was in line with our estimates. The company's next leg of expansion will be fairly spread across regions, including greenfield expansion of 6mtpa in Jaisalmer (North) and brownfield expansion of 6mtpa in Panna Line-III (Central), 5mtpa in Muddapur (South) and 3mtpa in Odisha (East).
- The company's cost structure has improved with continuous capacity expansion and upgrade works, which helped to reduce energy consumption, optimize logistics costs and drive positive operating leverage. Further, the company has initiated various cost saving initiatives, including an increase in green power share and thermal substitution rate (TSR) by 10% (each) and a reduction in lead distance by 15km. With these initiatives, JKCE estimates cost savings of INR150-200/t in the next two years.
- We raise our EBITDA estimates by 3%/7% for FY26/FY27 and maintain FY25E EBITDA. We estimate JKCE to deliver a CAGR of 11%/ 18% in consol. revenue/EBITDA over FY24-27, driven by a 12% CAGR in sales volume and improvement in EBITDA/t. We estimate JKCE to post EBITDA/t of INR1,060/ INR1,180/INR1,260 in FY25/FY26/FY27 vs. INR1,080 in FY24 (average INR1,035 over FY19-23). The stock currently trades at 14x/11x FY26E/FY27E EV/EBITDA (vs. its five-year average one-year forward EV/EBITDA of 13x). Considering JKCE's increasing scale of operation, better execution strategy and cost reduction initiatives, we value it at 15x Sep'26E EV/EBITDA to arrive at **our TP of INR5,600. We reiterate our BUY rating on the stock.**

Well spread expansion in Central India; entering the east region

- JKCE has significantly expanded grey cement capacity in Central India, becoming the second largest player (in terms of installed capacity) in the region. In Central India, the company has one integrated cement plant in Panna, Madhya Pradesh, and four split locations grinding units (GU) spread across Uttar Pradesh and Madhya Pradesh. Currently, its Central India clinker/grinding capacity stands at 3.3mtpa/9.5mtpa. It is further expanding capacity in Central India by adding clinker capacity of 3.3mtpa and grinding capacity of 3mtpa (1mtpa each at Hamirpur, Panna and Prayagraj). With these expansions, the company's grinding capacity share will increase to ~12% in FY26E vs. ~11% currently. Further, it achieved ~83% capacity utilization for its central India expansion in the first full year of operations.

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- Further, the company is setting up a greenfield GU in Bihar (East) with a capacity of 3mtpa, which is expected to be commissioned by Dec'25. It has completed land acquisition and placed orders for the main plant and equipment. The company also launched its grey cement brand "JK Super Cement" in the southern part of Bihar. Initially, it will serve this market from Prayagraj GU. This will help the company to establish its brand and dealership network, well before the commissioning of the capacity in Bihar.
- After the completion of these expansions (including expansion in central India), the company's clinker/grinding capacity will increase to 17.8mtpa/30.3mtpa by FY26E vs. 14.5mtpa/24.3mtpa currently. The capex for the company's recent expansions in Central India and Bihar is less than USD60/t, significantly lower than the replacement cost of USD110-120/t. The low-cost expansion should boost return ratios. We estimate the company's ROE/ROCE (post tax) to increase to ~21%/15% by FY27 from ~16%/11% in FY24.

Aiming to reach ~50mtpa capacity by FY30

- The company aims to increase its grey cement capacity to 50.3mtpa by FY30 vs. 24.3mtpa currently, which was in line with our estimates. The company's next leg of expansion will be fairly spread across regions, including greenfield expansion of 6mtpa in Jaisalmer (North) and brownfield expansion of 6mtpa in Panna Line-III (Central), 5mtpa in Muddapur (South) and 3mtpa in Odisha (East).
- It has adequate limestone reserves at all the above-mentioned locations (Exhibit: 5). Also, it has procured the land for expansions at all these locations; however, land acquisition will be required for any split location grinding unit.
- The company's capacity/volume CAGR stood at ~12% (each) over FY14-24, surpassing the industry's capacity/volume CAGR of ~5%/6%. Considering the company's disciplined expansion strategy, strong execution capabilities and availability of resources, we believe it will achieve its capacity target of ~50mtpa by FY30.

Cost savings in focus; targeting savings of INR150-200/t in next two years

- With the continuous capacity expansions and upgrade works, JKCE's efficient clinker capacity share stood at ~93%. This has led to a significant reduction in energy consumption. However, thermal energy consumption increased in FY24, due to lower blended cement share at ~61%. Secondly, the company's split location GU share increased to 44% from 25% in FY22. With the ongoing capacity expansion, the share of split location GU will further increase to ~52% by FY26E. A higher split-location GU drive has improved the company's net plant realization.
- The company has invested significantly in WHRS and other renewable energy (RE). Its WHRS/RE capacity stood at 82.3MW/100.64MW in FY24. The company's green energy share increased to ~57% in 1QFY25 from ~23% in FY20. It is adding another 190MW of RE capacity across its various plants. It targets to increase green power share up to ~75% by FY30.
- Moreover, the company plans to increase TSR using biomass and alternative fuels (AFR) to partially replace fossil fuels in its kilns. Its TSR has increased to 17.3% in 1QFY25, and it targets to increase it to 35% by FY30. Further, it is adopting a new technology and installing a chlorine bypass system at a capex of

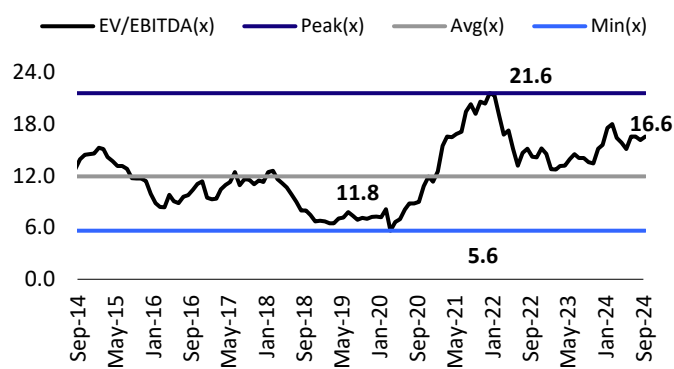
INR2b at its Muddapur plant. The chlorine bypass system facilitates the utilization of various industrial and municipal waste as kiln fuel and replacing fossil fuels. It aims to increase the blended cement share to ~80% by FY30 from ~61% in FY24.

- The company targets cost savings of INR150-200/t in the next two years, driven by major initiatives such as an increase in green power/TSR share by 10%, a reduction in lead distance by 15km, and other small initiatives.

Valuation and view

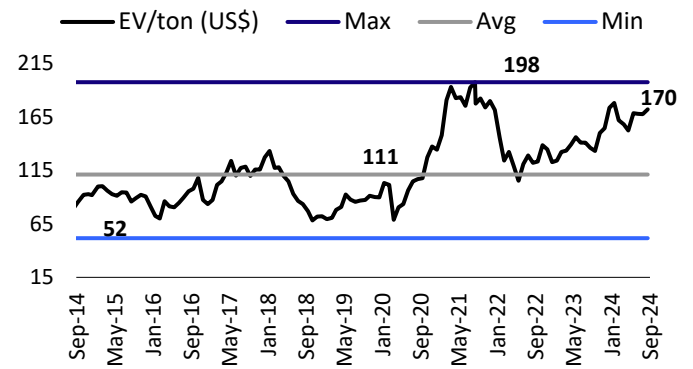
- We estimate JKCE to deliver a CAGR of 11%/18% in consol. revenue/EBITDA over FY24-27, driven by higher sales volume and cost savings. We estimate the company’s consol. volume to report a 12% CAGR over FY24-27 and estimate EBITDA/t of INR1,060/INR1,180/INR1,260 in FY25/FY26/FY27 vs. INR1,080 in FY24 (average INR1,035 over FY19-23). PAT is estimated to clock a 25% CAGR over FY24-27, aided by an improvement in profitability.
- We estimate JKCE to generate a cumulative OCF of INR70b over FY25-27E, and its cumulative capex would be INR52b over the same period. Given the company’s expansion plans, we believe its net debt will peak out in FY26 (net debt is estimated to rise to INR50b by FY26 from INR42b as of Mar’24). Further, we estimate its RoE/RoCE (post tax) to improve to 21%/15% in FY27 from 16%/11% in FY24, led by higher margins and a higher asset turnover ratio.
- JKCE trades at 14x/11x FY26E/FY27E EV/EBITDA. Considering JKCE’s increasing scale of operation, better execution strategy and cost reduction initiatives, we value it at 15x Sep’26E EV/EBITDA to arrive at our TP of INR5,600. **We reiterate our BUY rating on the stock.**

Exhibit 1: One-year forward EV/EBITDA (x) trend



Sources: MOFSL, Company

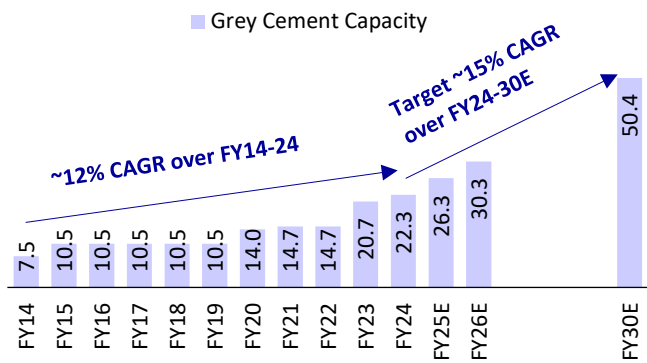
Exhibit 2: One-year forward EV/t (USD) trend



Sources: MOFSL, Company

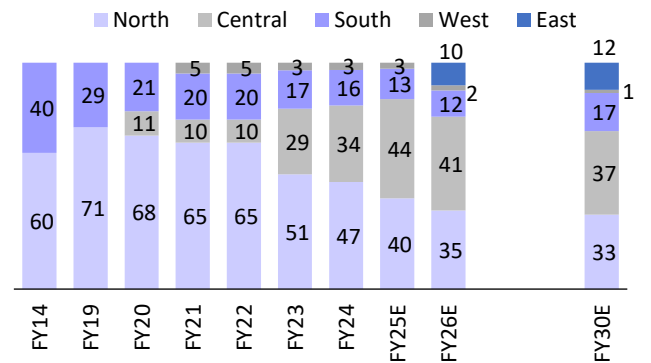
Story in charts

Exhibit 3: JKCE's capacity CAGR stood at ~12% over FY14-24



Sources: MOFSL, Company

Exhibit 4: Regional capacity mix improves over the years

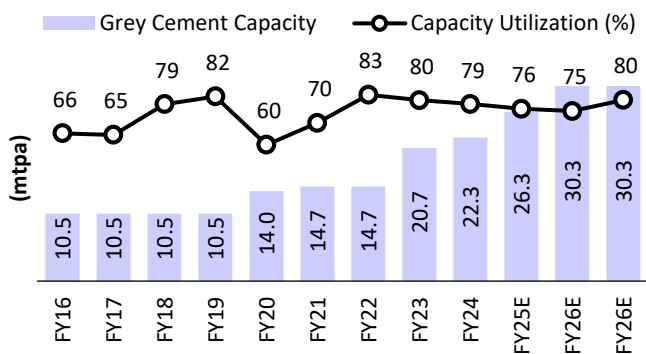


Sources: MOFSL, Company

Exhibit 5: Limestone reserves of 1.6b tons at various locations

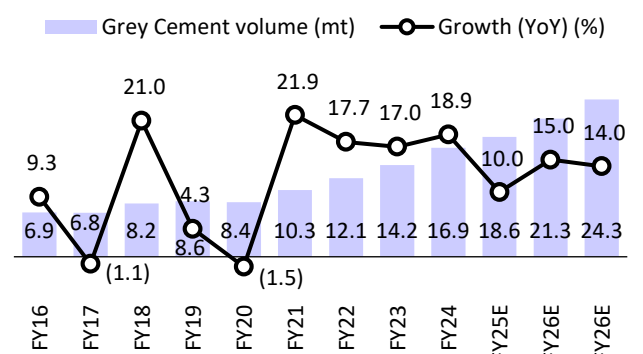
Location	Limestone reserves (mt)	Life (years)
Panna, Madhya Pradesh	>850	>40
Nimbahera, Mangrol (Rajasthan) and Muddapur (Karnataka)	>650	>35
Jaisalmer, Rajasthan	>100	>20

Exhibit 6: Estimate JKCE's capacity utilization at ~75-80%



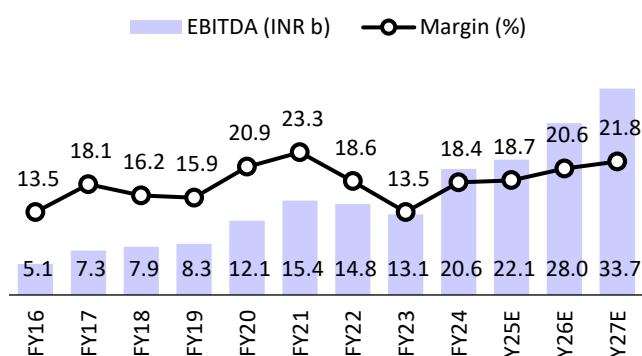
Sources: MOFSL, Company,

Exhibit 7: Grey cement volume CAGR of ~13% over FY24-27E



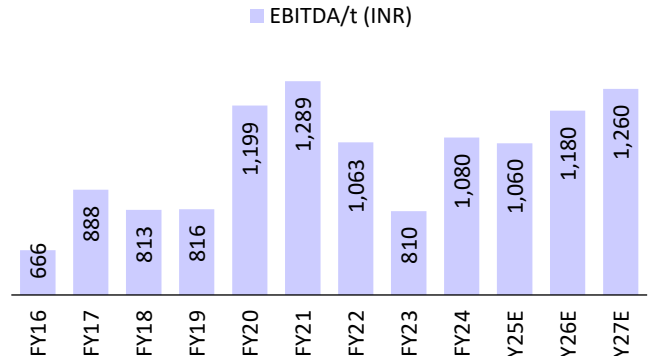
Sources: MOFSL, Company

Exhibit 8: Estimate ~18% consol. EBITDA CAGR over FY24-27



Sources: Company, MOFSL, Note: Consolidated EBITDA

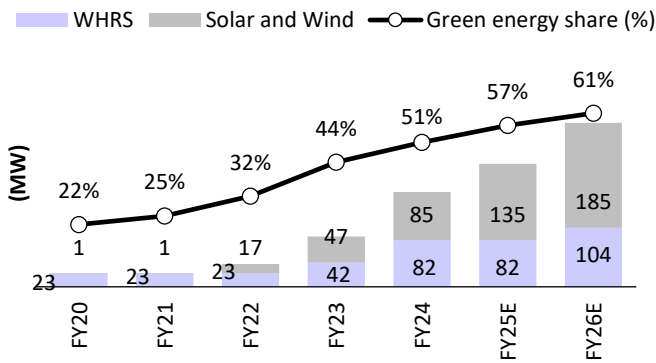
Exhibit 9: Estimate consol. EBITDA/t to rise over FY26-27



Sources: Company, MOFSL, Note: Consolidated EBITDA/t

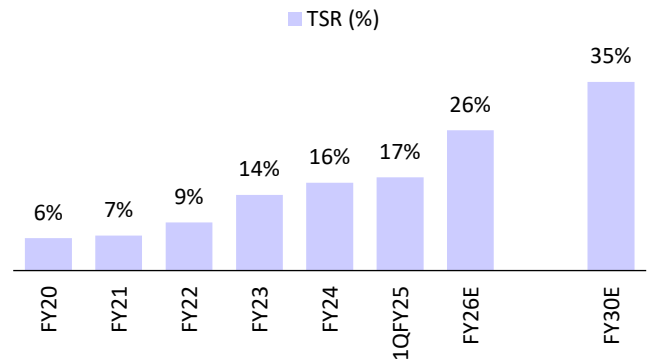
Story in charts

Exhibit 10: JKCE's green power share improving



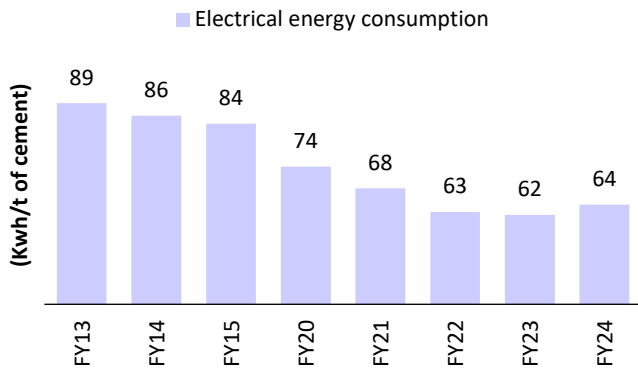
Sources: MOFSL, Company

Exhibit 11: Targets to achieve a TSR of 35% by FY30



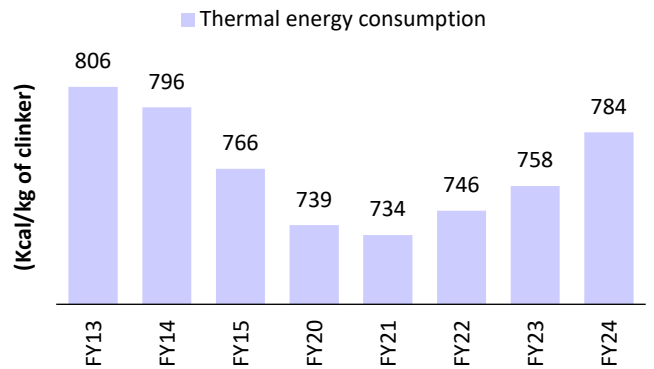
Sources: MOFSL, Company

Exhibit 12: Electrical energy has reduced over the years



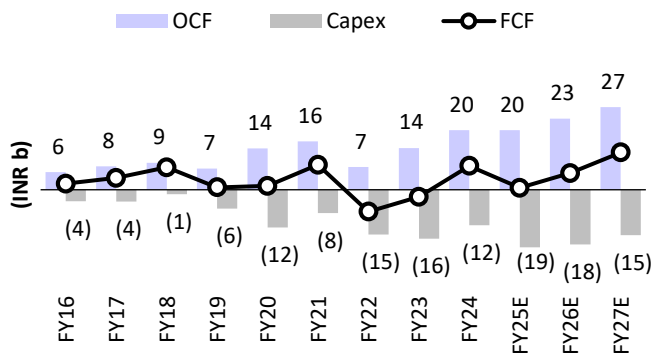
Sources: MOFSL, Company

Exhibit 13: Heat consumption improved v/s historical levels



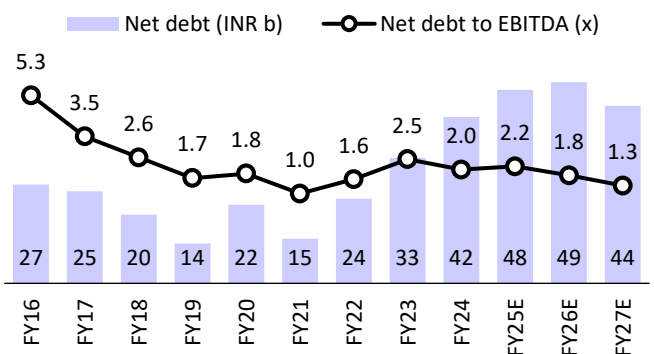
Sources: MOFSL, Company

Exhibit 14: OCF will support company's expansion plans



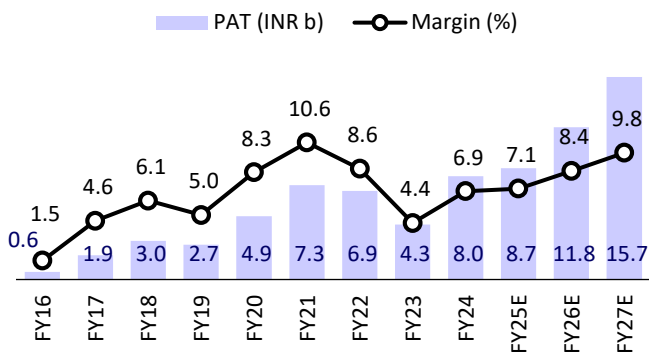
Sources: MOFSL, Company

Exhibit 15: Net debt is estimated to peak out in FY26



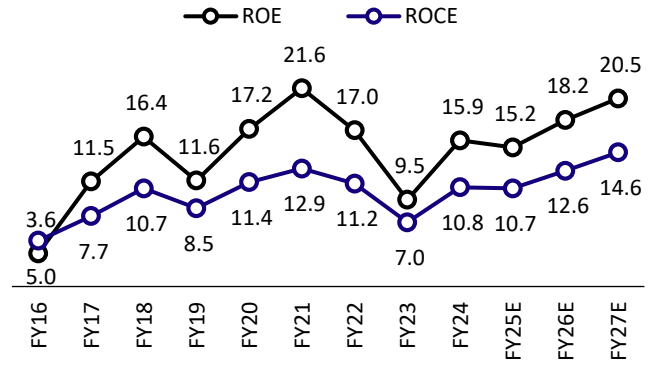
Sources: MOFSL, Company

Exhibit 16: PAT margin to improve



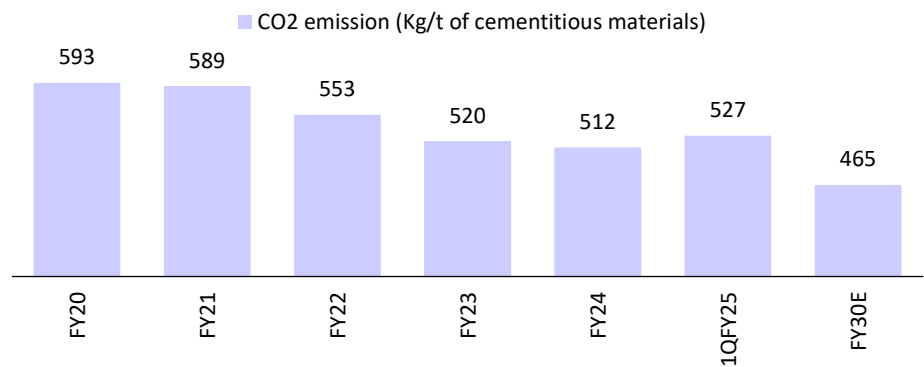
Sources: MOFSL, Company

Exhibit 17: Estimate return ratios to improve



Sources: MOFSL, Company

Exhibit 18: Target CO2 emission reduction by 22% from base years FY20



Source: MOFSL, Company

Consolidated financials and valuations

Income Statement									(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	
Net Sales	58,016	66,061	79,908	97,202	1,15,560	1,22,606	1,40,495	1,59,817	
Change (%)	10.3	13.9	21.0	21.6	18.9	6.1	14.6	13.8	
EBITDA	12,134	15,387	14,824	13,143	20,598	22,085	28,025	33,691	
Margin (%)	20.9	23.3	18.6	13.5	17.8	18.0	19.9	21.1	
Depreciation	2,880	3,062	3,425	4,582	5,726	5,968	7,026	7,184	
EBIT	9,255	12,325	11,399	8,561	14,872	16,117	21,000	26,507	
Int. and Finance Charges	2,764	2,528	2,697	3,122	4,531	4,683	4,872	4,692	
Other Income – Rec.	853	1,130	1,429	874	1,451	1,603	1,709	1,881	
PBT bef. EO Exp.	7,344	10,927	10,131	6,313	11,791	13,037	17,836	23,696	
EO Expense/(Income)	0	0	0	0	55	0	0	0	
PBT after EO Exp.	7,344	10,927	10,131	6,313	11,736	13,037	17,836	23,696	
Current Tax	1,593	3,296	2,429	1,424	1,487	4,382	5,996	7,966	
Deferred Tax	917	600	908	698	2,350	0	0	0	
Tax Rate (%)	34.2	35.7	32.9	33.6	32.7	33.6	33.6	33.6	
Reported PAT	4,834	7,031	6,794	4,191	7,899	8,654	11,840	15,731	
PAT adj. for EO items	4,834	7,031	6,871	4,263	7,936	8,654	11,840	15,731	
Change (%)	83.4	45.5	-2.3	-38.0	86.2	9.0	36.8	32.9	
Margin (%)	8.3	10.6	8.6	4.4	6.9	7.1	8.4	9.8	
Less: Minority Interest	-90.0	-66.2	-77.0	-72.5	-24.1	0.0	0.0	0.0	
Net Profit	4,924	7,317	6,871	4,263	8,013	8,654	11,840	15,731	

Balance Sheet									(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	
Equity Share Capital	773	773	773	773	773	773	773	773	
Total Reserves	29,504	36,595	42,476	46,095	52,899	59,621	69,144	82,556	
Net Worth	30,277	37,367	43,249	46,868	53,671	60,394	69,916	83,329	
Deferred Liabilities	4,173	5,930	7,383	8,094	10,756	10,756	10,756	10,756	
Minority Interest	-203	-257	-343	-444	-455	-455	-455	-455	
Total Loans	32,840	34,017	38,549	49,951	52,385	53,385	54,885	49,385	
Capital Employed	67,086	77,057	88,838	1,04,469	1,16,358	1,24,080	1,35,103	1,43,015	
Gross Block	75,780	82,126	91,614	1,12,857	1,29,469	1,41,108	1,56,108	1,69,108	
Less: Accum. Deprn.	20,235	22,752	26,177	30,759	36,486	42,453	49,479	56,663	
Net Fixed Assets	55,545	59,374	65,437	82,097	92,983	98,655	1,06,629	1,12,445	
Capital WIP	5,295	5,093	10,321	5,920	4,639	12,000	15,000	17,000	
Total Investments	458	1,422	2,157	923	3,683	3,683	3,683	3,683	
Curr. Assets, Loans, and Adv.	24,122	32,831	36,115	41,552	46,716	41,711	43,107	44,959	
Inventory	6,904	7,566	12,087	9,821	11,816	11,859	13,121	14,826	
Account Receivables	2,677	3,615	4,268	4,801	5,663	5,922	6,690	7,495	
Cash and Bank Balance	9,649	16,416	10,793	15,874	8,665	3,658	3,424	3,166	
Loans and Advances	4,892	5,233	8,967	11,056	20,572	20,272	19,872	19,472	
Curr. Liability and Prov.	18,334	21,663	25,192	26,024	31,663	31,969	33,317	35,072	
Account Payables	16,725	20,276	23,803	24,512	29,955	30,245	31,577	33,317	
Provisions	1,609	1,388	1,389	1,511	1,709	1,724	1,739	1,755	
Net Current Assets	5,788	11,167	10,923	15,528	15,053	9,743	9,791	9,887	
Appl. of Funds	67,086	77,057	88,838	1,04,469	1,16,358	1,24,080	1,35,103	1,43,015	

Source: Company, MOFSL estimates

Consolidated financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)*								
Consol. EPS	62.6	91.0	88.9	55.2	102.7	112.0	153.2	203.6
Cash EPS	99.8	130.6	133.2	114.5	176.8	189.2	244.2	296.5
BV/Share	391.8	483.6	559.7	606.6	694.6	781.6	904.8	1,078.4
DPS	17.5	15.0	15.0	15.0	20.0	25.0	30.0	30.0
Payout (%)	33.7	16.5	17.1	27.7	19.6	22.3	19.6	14.7
Valuation (x)*								
P/E	73.9	50.8	52.0	83.8	45.0	41.3	30.2	22.7
Cash P/E	46.3	35.4	34.7	40.4	26.1	24.4	18.9	15.6
P/BV	11.8	9.6	8.3	7.6	6.7	5.9	5.1	4.3
EV/Sales	6.5	5.6	4.7	4.0	3.4	3.2	2.8	2.4
EV/EBITDA	30.9	23.9	25.1	29.2	19.1	17.7	13.9	11.4
EV/t (USD)	279	259	256	196	188	161	141	139
Dividend Yield (%)	0.4	0.3	0.3	0.3	0.4	0.5	0.6	0.6
Return Ratios (%)								
RoIC	13.0	15.0	12.8	7.7	11.1	10.5	12.8	15.2
RoE	17.2	21.6	17.0	9.5	15.9	15.2	18.2	20.5
RoCE	11.4	12.9	11.2	7.0	10.8	10.7	12.6	14.6
Working Capital Ratios								
Asset Turnover (x)	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.1
Inventory (Days)	43.4	41.8	55.2	36.9	37.3	35.3	34.1	33.9
Debtor (Days)	17	20	19	18	18	18	17	17
Creditor (Days)	105	112	109	92	95	90	82	76
Working Capital Turnover (Days)	-24	-29	1	-1	20	18	17	15
Leverage Ratio (x)								
Current Ratio	1.3	1.5	1.4	1.6	1.5	1.3	1.3	1.3
Debt/Equity ratio	1.1	0.9	0.9	1.1	1.0	0.9	0.8	0.6

Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
(INR m)								
OP/(Loss) before Tax	7,344	10,927	10,131	6,276	11,736	13,037	17,836	23,696
Depreciation	2,880	3,062	3,425	4,619	5,726	5,968	7,026	7,184
Interest and Finance Charges	1,975	1,666	2,697	3,019	4,435	4,683	4,872	4,692
Direct Taxes Paid	-1,530	-1,959	-2,429	-1,622	-1,542	-4,382	-5,996	-7,966
(Inc.)/Dec. in WC	2,819	1,715	-5,379	2,276	-6,732	302	-282	-354
CF from Operations	13,488	15,411	8,445	14,568	13,624	19,607	23,456	27,253
Others	179	490	(967)	(797)	5,967	-	-	-
CF from Operations incl. EO	13,668	15,901	7,478	13,771	19,591	19,607	23,456	27,253
(Inc.)/Dec. in FA	-12,428	-7,678	-14,716	-16,115	-11,726	-19,000	-18,000	-15,000
Free Cash Flow	1,240	8,223	-7,238	-2,344	7,865	607	5,456	12,253
(Pur.)/Sale of Investments	-2,622	-11,747	-734	-2,021	-5,634	0	0	0
Others	6,998	11,665	2,232	-2,012	1,002	0	0	0
CF from Investments	-8,052	-7,760	-13,218	-20,148	-16,358	-19,000	-18,000	-15,000
Issue of Shares	0	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	3,133	1,120	4,532	11,560	1,431	1,000	1,500	-5,500
Interest Paid	-2,507	-2,427	-2,697	-2,841	-4,324	-4,683	-4,872	-4,692
Dividend Paid	-1,630	0	-1,159	-1,159	-1,158	-1,932	-2,318	-2,318
Others	-77	-68	-559	-147	-106	1	0	0
CF from Fin. Activity	-1,081	-1,375	117	7,413	-4,157	-5,614	-5,690	-12,510
Inc./Dec. in Cash	4,534	6,767	-5,623	1,036	-924	-5,007	-234	-258
Opening Balance	5,116	9,650	16,416	14,838	9,590	8,665	3,658	3,424
Closing Balance	9,650	16,416	10,793	15,874	8,665	3,658	3,424	3,166

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Explanation of Investment Rating	
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BUY	>=15%
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