

# J K CEMENTS

## RESULT UPDATE

### KEY DATA

<b>Rating</b>	<b>BUY</b>
<b>Sector relative</b>	<b>Outperformer</b>
<b>Price (INR)</b>	<b>5,255</b>
<b>12 month price target (INR)</b>	<b>6,164</b>
<b>52 Week High/Low</b>	<b>5,389/3,635</b>
<b>Market cap (INR bn/USD bn)</b>	<b>395/4.6</b>
<b>Free float (%)</b>	<b>54.32</b>
<b>Avg. daily value traded (INR mn)</b>	<b>496.5</b>

### SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	45.68%	45.68%	45.68%
FII	16.14%	16.88%	17.55%
DII	24.50%	23.70%	22.43%
Pledge	0%	0%	0%

### FINANCIALS

(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	1,15,560	1,18,792	1,30,954	1,47,178
EBITDA	20,598	20,271	25,316	30,873
Adjusted profit	7,954	7,692	10,151	13,270
Diluted EPS (INR)	102.9	99.6	131.4	171.7
EPS growth (%)	91.1	(3.3)	32.0	30.7
RoAE (%)	15.8	13.5	15.5	17.6
P/E (x)	51.2	50.8	40.0	30.6
EV/EBITDA (x)	21.8	22.2	18.2	14.8
Dividend yield (%)	0.4	0.3	0.3	0.3

### CHANGE IN ESTIMATES

Year to March	FY25E	FY26E	FY25E	FY26E
Revenue	1,30,954	1,47,178	2%	2%
EBITDA	25,316	30,873	0%	0%
Adjusted profit	10,151	13,270	1%	1%
Diluted EPS (INR)	131.4	171.7	1%	1%

### PRICE PERFORMANCE



## Firing on all cylinders

JK Cement (JKC) reported ~16% YoY volume growth in Q4FY25. EBITDA beat our/consensus estimate by 21%/16%. Grey cement realisation rose ~3% QoQ; current prices are 1% higher in north and central markets and 5–7% in south than Q4FY25 exit prices. Blended EBITDA/t surged ~18% YoY to INR1,265. Management has guided for ~10% growth in grey cement volumes in FY26E (7% YoY in FY25). JKC expects to commission 6MTPA cement capacity by Dec-25E/Jan-26E.

JKC's consistent volume growth, capex plans, efficiency improvement and superior RoE impel us to increase the target EV/EBITDA to 17x (from 16x). Retain 'BUY' with a revised TP of INR6,164 (earlier INR5,476) as we roll forward the valuation to Q4FY27E.

### Industry-leading growth

Grey cement volume shot up 16% YoY/25% QoQ as government capex picked up in Q4FY25. Grey cement realisation improved ~3% QoQ due to improved realisations in the northern and central markets along with a higher share of premium products in trade sales at 16%. White cement volume rose 7% YoY/5% QoQ while realisation improved ~1.5% QoQ (down ~5% YoY). Management expects grey cement volume to increase 10% YoY in FY26E (7% YoY in FY25).

### Profitability improves

**Per tonne analysis for Q4FY25:** i) Power/fuel cost decreased 17% QoQ/22% YoY; energy cost stood at INR1.41/kcal against INR1.5/kcal in Q3FY25 (INR1.8/kcal in Q4FY24). ii) Freight cost increased 1.5% QoQ/3.5% YoY due to extended footprint. iii) Overall, blended EBITDA/t stood at INR1,265 (up 18% YoY/22% QoQ). The UAE plant is generating quarterly profits of INR150–200mn. The Paint business clocked sales of INR2.7bn in FY25 (INR1.5bn in FY24) with an EBITDA loss of INR0.45bn; management is targeting sales of INR4–4.5bn in FY26E and ~INR6bn in FY27E with EBITDA breakeven likely in FY27E.

### Capex programme on track

Expansion of 3.3mtpa clinker line 2 at Panna and a 1mtpa GU each at Panna, Hamirpur and Prayagraj is progressing as per schedule. Capex incurred on these projects in FY25 was ~INR12.2bn. Apart from this, the 3mtpa GU in Bihar is also on track (capex incurred of ~INR1.6bn). Total capex for the 6mtpa plant will be INR28.5bn (USD57/t). Management has guided for capex of INR18–20bn for FY26E. They are targeting ~50MTPA in capacity by FY30E with brownfield and greenfield expansions at Jaisalmer, Muddapur, Panna and Odisha.

### Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	33,430	29,389	13.7	27,155	23.1
EBITDA	7,364	5,475	34.5	4,896	50.4
Adjusted Profit	3,629	2,265	65.0	2,048	85.1
Diluted EPS (INR)	49.1	29.7	65.0	26.5	85.1

## Financial Statements

### Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	1,15,560	1,18,792	1,30,954	1,47,178
Gross profit	71,309	76,815	87,100	98,531
Employee costs	7,838	9,017	9,478	10,189
Other expenses	42,873	47,527	52,307	57,470
EBITDA	20,598	20,271	25,316	30,873
Depreciation	5,726	6,015	7,104	7,892
Less: Interest expense	4,531	4,592	5,213	5,440
Add: Other income	1,451	1,730	2,085	2,177
Profit before tax	11,736	12,424	15,083	19,718
Prov for tax	3,837	3,702	4,932	6,448
Less: Other adjustment	0	0	0	0
Reported profit	7,899	8,722	10,151	13,270
Less: Excp.item (net)	55	(1,029)	0	0
Adjusted profit	7,954	7,692	10,151	13,270
Diluted shares o/s	77	77	77	77
Adjusted diluted EPS	103	104	131	172
DPS (INR)	20.0	15.0	15.0	15.0
Tax rate (%)	32.7	29.8	32.7	32.7

### Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
EBITDA/tonne	1,081	1,011	1,149	1,247
Net Debt/EBITDA	1.9	1.9	1.9	1.5
Op. exp. as a % of Rev.	82.2	82.9	80.7	79.0
EBITDA margin (%)	17.8	17.1	19.3	21.0
Net profit margin (%)	6.9	6.7	7.8	9.0
Revenue Gth. (% YoY)	18.9	2.8	10.2	12.4
EBITDA growth (% YoY)	56.7	(1.6)	24.9	22.0
Adj. profit growth (%)	91.1	(3.3)	32.0	30.7

### Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	5.8	6.3	6.3	6.3
10 year yield (%)	6.5	6.0	5.3	5.3
USD/INR (average)	82.0	84.0	82.0	82.0
Volumes (MT)	19.0	20.0	22.0	24.8
Realisation/t	6,066	5,926	5,945	5,945
P&F cost/t	1,360	1,088	932	880
Freight/t	1,268	1,337	1,365	1,378
RM cost/t	963	1,007	1,059	1,085
Other exp./t	982	1,034	1,010	943

### Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	51.2	50.8	40.0	30.6
Price/BV (x)	7.6	6.7	5.8	5.0
EV/EBITDA (x)	21.8	22.2	18.2	14.8
Dividend yield (%)	0.4	0.3	0.3	0.3

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	773	773	773	773
Reserves	52,899	60,117	69,109	0
Shareholders funds	53,671	60,890	69,882	0
Minority interest	(455)	(338)	(338)	(338)
Borrowings	52,385	58,955	67,455	64,455
Trade payables	9,311	10,981	11,573	12,957
Other liab & prov	14,078	15,147	17,147	18,147
Total liabilities	1,48,021	1,66,815	1,87,899	0
Net block	89,112	91,493	1,02,889	1,07,998
Intangible assets	3,871	3,694	3,694	3,694
Capital WIP	4,639	13,175	13,675	14,175
Total fixed assets	97,622	1,08,362	1,20,258	1,25,867
Non current inv	3,683	6,009	6,009	6,009
Cash/cash equivalent	8,665	13,697	12,922	0
Sundry debtors	5,663	7,866	8,868	9,530
Loans & advances	17,019	12,154	16,154	19,154
Other assets	3,553	6,976	9,976	10,476
Total assets	1,48,021	1,66,815	1,87,899	0

### Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	11,736	12,424	15,083	19,718
Add: Depreciation	5,726	6,015	7,104	7,892
Interest (net of tax)	3,081	2,862	3,129	3,263
Others	744	(1,997)	(8,061)	0
Less: Changes in WC	(1,697)	90	(4,371)	(2,471)
Operating cash flow	19,591	19,394	12,884	0
Less: Capex	(11,782)	(16,983)	(19,000)	(13,500)
Free cash flow	7,809	2,411	(6,116)	0

### Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	16.0	13.5	15.5	17.6
RoCE (%)	16.2	14.2	15.8	17.8
Inventory days	89	102	106	107
Receivable days	17	21	23	23
Payable days	72	88	94	92
Working cap (% sales)	12.7	10.6	15.3	15.6
Gross debt/equity (x)	1.0	1.0	1.0	0.8
Net debt/equity (x)	0.8	0.7	0.8	0.6
Interest coverage (x)	3.3	3.1	3.5	4.2

### Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	91.1	(3.3)	32.0	30.7
RoE (%)	16.0	13.5	15.5	17.6
EBITDA growth (%)	56.7	(1.6)	24.9	22.0
Payout ratio (%)	19.6	13.3	11.4	8.7

**Exhibit 1: Quarterly financial snapshot (INR mn)**

Year to March (INR mn)	Q4FY25	Q4FY24	% change	Q3FY25	% change	FY26E	FY27E
Volume (million tonnes)	5.82	5.08	14.6	4.71	23.6	22.03	24.76
Blended Realisation per tonne	5,744	5,788	(0.8)	5,765	(0.4)	5,945	5,945
Grey cement EBITDA/tonne (INR)	1,169	948	23.4	908	28.8	1,087	1,213
Total Income	33,430	29,389	13.7	27,155	23.1	1,30,954	1,47,178
Raw Material	5,705	4,916	16.1	4,405	29.5	23,319	26,850
Employee Expenses	2,072	1,963	5.5	2,041	1.5	9,478	10,189
Power, Oil & Fuel	5,276	5,873	(10.2)	5,151	2.4	20,535	21,797
Freight	7,686	6,484	18.5	6,118	25.6	30,056	34,116
Other Expenses	5,327	4,678	13.9	4,545	17.2	22,251	23,353
Total expenditure	26,065	23,914	9.0	22,259	17.1	1,05,639	1,16,305
EBITDA	7,364	5,475	34.5	4,896	50.4	25,316	30,873
Depreciation	1,329	1,307	1.7	1,247	6.6	7,104	7,892
EBIT	6,035	4,169	44.8	3,649	65.4	18,212	22,981
Interest	1,089	1,112	(2.0)	1,142	(4.6)	5,213	5,440
Other income	442	431	2.5	441	0.2	2,085	2,177
Exceptional item	544	95	NA	-	NA	-	-
Profit Before Tax	5,931	3,583	65.5	2,948	101.2	12,424	12,424
Tax Expense	1,758	1,223	43.7	900	95.3	4,932	6,448
Reported Profit	4,173	2,360	76.9	2,048	103.8	10,151	13,270
Exceptional item	(544)	(95)	-	-	-	-	-
Adjusted Profit	3,629	2,265	60.3	2,048	77.2	10,151	13,270
Equity Capital (FV INR 10)	773	773		773		773	773
No. of shares (mn)	77	77		77		77	77
Diluted EPS (INR)	47.0	29.3	60.3	26.5	77.2	131.4	171.7
<b>As % of net revenues</b>							
Raw material	17.1	16.7		16.2		17.8	18.2
Staff expenses	6.2	6.7		7.5		7.2	6.9
Power & fuel	15.8	20.0		19.0		15.7	14.8
Selling & Administrative Expense	23.0	22.1		22.5		23.0	23.2
Other expenses	15.9	15.9		16.7		17.0	15.9
EBITDA	22.0	18.6		18.0		19.3	21.0
Net profit	12.5	8.0		7.5		7.8	9.0

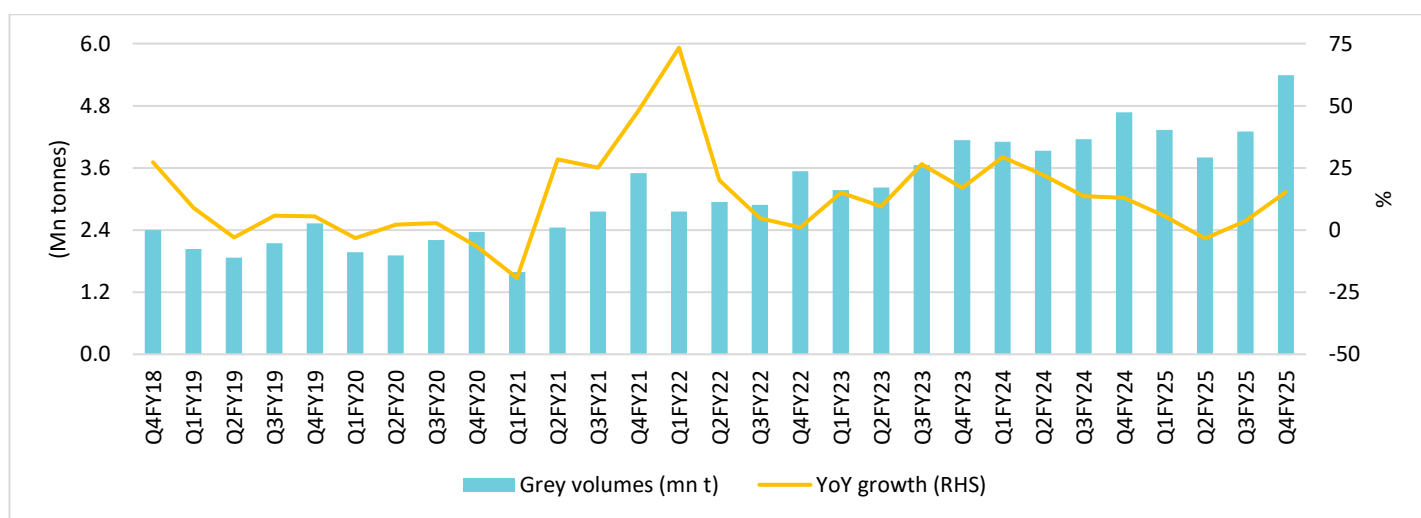
Source: Company, Nuvama Research

**Exhibit 2: Per tonne analysis**

(INR/tonne)	Q4FY25	Q4FY24	% change	Q3FY25	% change
Realisation	5,744	5,788	(0.8)	5,765	(0.4)
Raw material	980	968	1.3	935	4.8
Power	906	1,157	(21.6)	1,094	(17.1)
Freight	1,321	1,277	3.4	1,299	1.7
Staff	356	387	(7.9)	433	(17.8)
Others	915	921	(0.7)	965	(5.1)
Cost	4,479	4,709	(4.9)	4,726	(5.2)
EBITDA	1,265	1,078	17.4	1,040	21.7

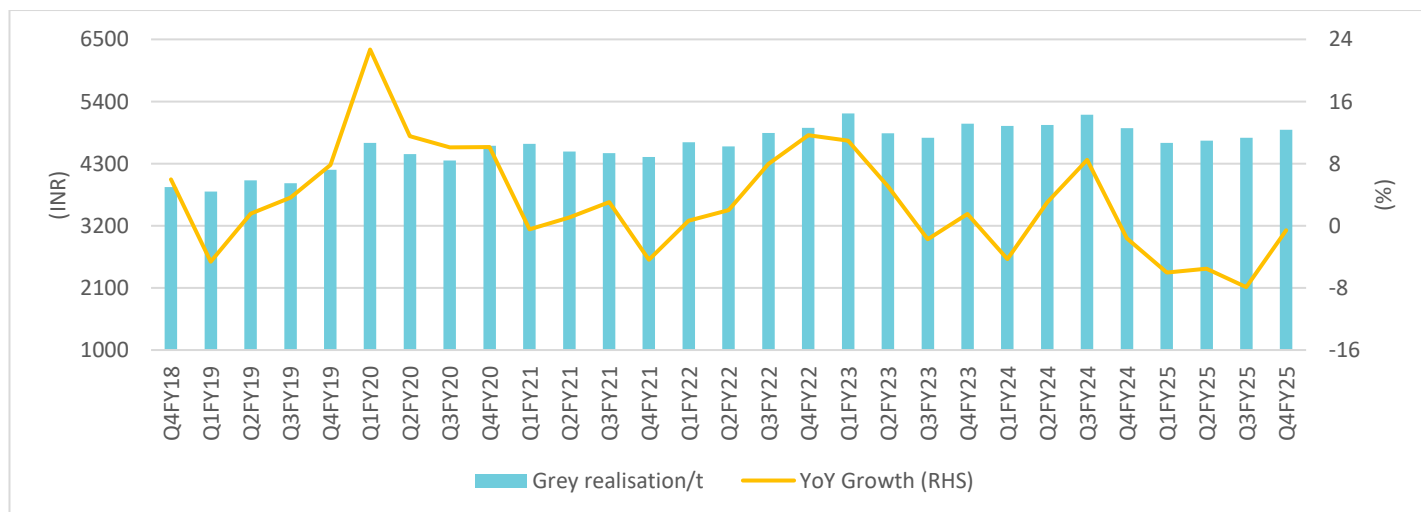
Source: Company, Nuvama Research

**Exhibit 3: Grey cement volume rose ~16% YoY**



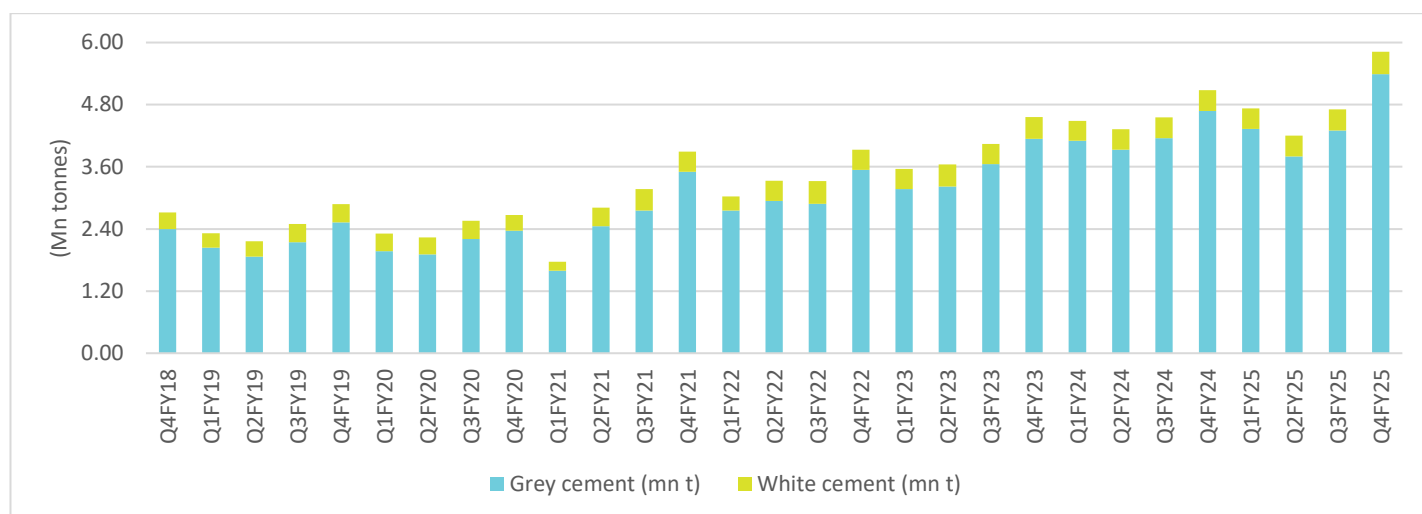
Source: Company, Nuvama Research

**Exhibit 4: Grey cement realisation fell ~1% YoY**



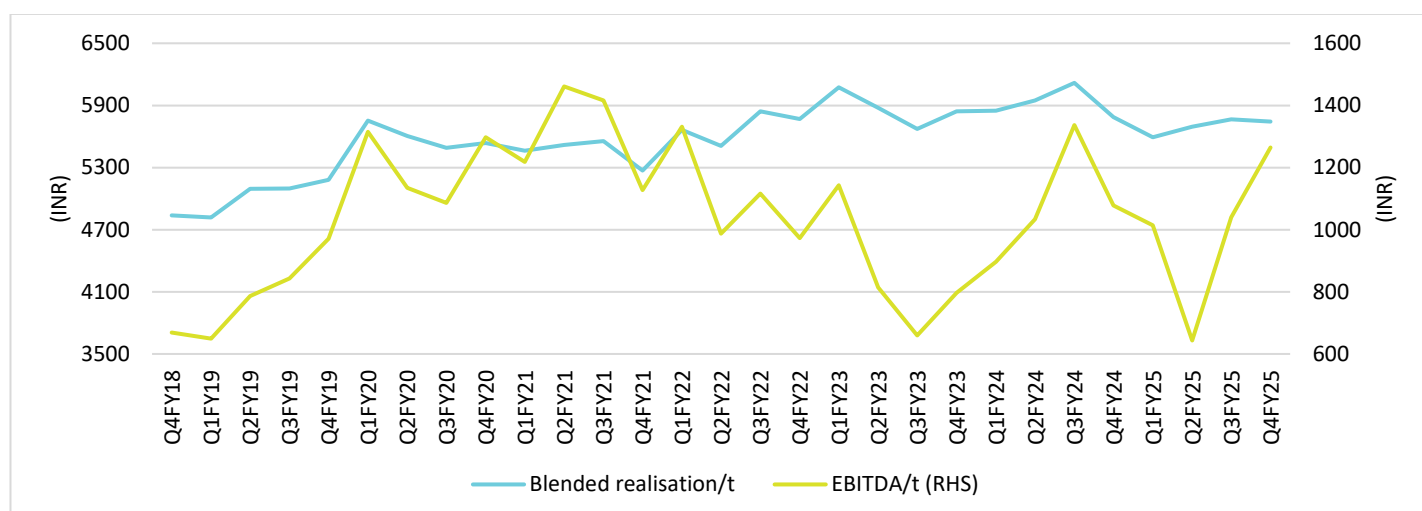
Source: Company, Nuvama Research

**Exhibit 5: Volume split between grey and white segment**



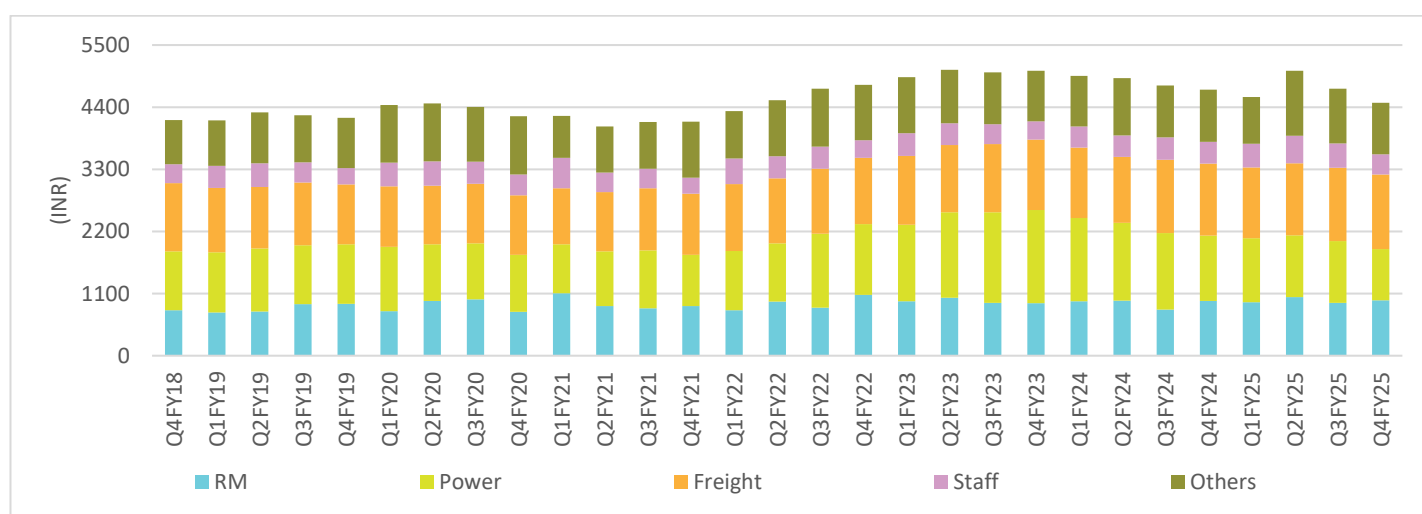
Source: Company, Nuvama Research

**Exhibit 6: Blended realisation versus EBITDA/t**



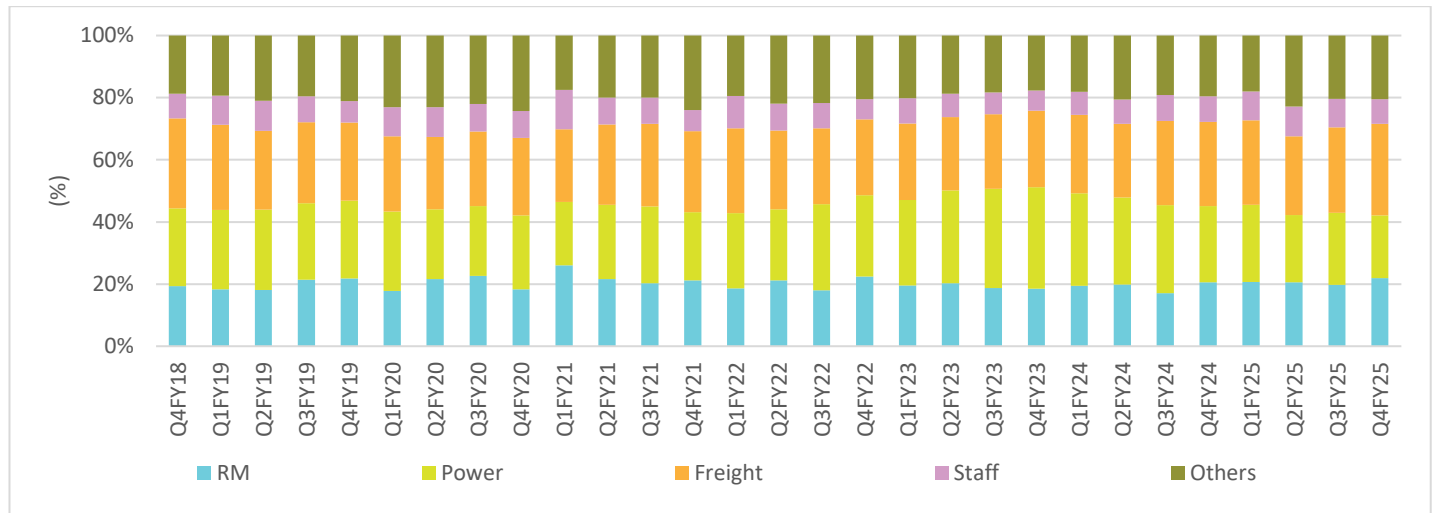
Source: Company, Nuvama Research

**Exhibit 7: Opex cost split (absolute terms)**



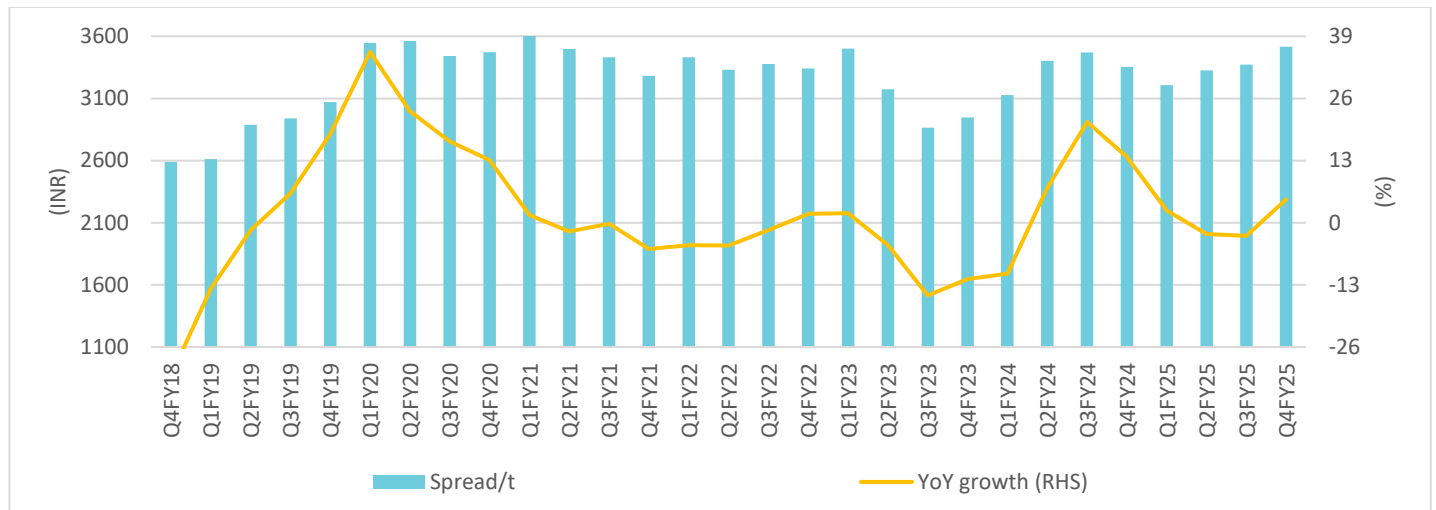
Source: Company, Nuvama Research

**Exhibit 8: Opex cost split (% terms)**



Source: Company, Nuvama Research

**Exhibit 9: Spread/t increases ~5% YoY**



**Exhibit 10: Operational data**

	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Capacity (mtpa)	14.67	18.7	20.7	20.7	20.7	22.2	22.2	24.2	24.2	24.2	24.2
Volumes (MT)	3.64	4.04	4.56	4.49	4.32	4.55	5.08	4.73	4.20	4.71	5.82
Realisation	5,878	5,673	5,842	5,848	5,947	6,118	5,788	5,594	5,694	5,765	5,744
EBITDA/t	814	660	797	897	1,033	1,337	1,078	1,014	649	1,040	1,265
Standalone Net debt (INR mn)	29,390	28,710	29,130	30,310	30,360	29,860	25,820	28,300	30440	31080	25650
Net debt/EBITDA	2.47	2.7	2.2	2.3	2.08	1.64	1.29	1.36	1.6	1.74	1.3
Green power (%)	43	43	44	45	48	50	51	57	49	50	51
Capacity utilisation (%)	84	93	88	75	75	75	85	79	64	73	90
Premium share	9	9	10	11	13	12	13	13	14	16	16
Fuel cost (kcal)	2.4	2.6	2.4	2.2	1.9	1.82	1.8	1.62	1.65	1.5	1.41

Source: Company, Nuvama Research

## Q4FY25 conference call: Key takeaways

### Demand

Management is expecting ~10% volume growth for the grey cement business in FY26E. It expects to clock ~20MnT volumes in grey cement and combined volumes of ~22MnT in FY26E.

### Pricing

The current prices are ~1% higher in the north and central regions and 5–7% higher in the southern region compared with Q4FY25 exit prices.

### Cost

Fuel cost was INR1.41/kcal in Q4FY25 versus INR1.5/kcal in Q3FY25.

The company expects to reduce operating cost by INR150–200/t over the next two–three years by focusing on logistic fronts, increasing the share of green power, optimising the usage of AFR, controlling fixed costs in supply chain, etc.

Management has stated that FY25 exit cost was INR75/t lower YoY (INR40/t average) and FY26E should see incremental benefit of INR 25/t on the basis of above measures.

### Expansion

i) It has commenced the expansion of 3.3mtpa clinker line-2 at Panna and 1mtpa GU at Panna, MP; this is expected to be commissioned by Q3/Q4FY26.

ii) Apart from this, 5mtpa GU expansion in Central India (3mtpa greenfield unit in Bihar at INR5bn and 1mtpa each at Hamirpur and Prayagraj at INR0.5bn) are on track.

Total capex for the 6mtpa will be INR28.5bn (USD57/t). This will be financed by borrowings to the tune of INR18.5bn and internal accruals (INR10bn).

iii) Furthermore, management has created a roadmap to reach 50MnT capacity with brownfield and greenfield expansions at Jaisalmer, Muddapur, Panna and Odisha by FY30.

### Capex

Management has guided for capex of INR18–20bn in FY26E.

### Balance sheet

The standalone net debt stood at INR25.65bn at end-FY25E (INR25.87bn in FY24) and net debt/EBITDA stood at 1.3x (1.29x in FY24).

### Paint and Putty/white cement business

The company achieved a turnover of INR2.75bn in FY25, and expects to achieve revenue of INR4bn/6bn in FY26E/27E.

The company is witnessing stiff competition in the putty segment as competitors such as Asian Paints are very aggressive. At present, the company is selling volumes to Asian Paints, which will be impacted from FY26E as Asian Paints is establishing a plant in UAE.

## Other operational updates

Management has guided for a quarterly run-rate of net profit of INR0.15–0.2bn for the **UAE entity**.

Pet coke constituted 70% of the **fuel mix**.

**Blended cement** stood at 68%.

**Rail share** stood at 12%.

**Lead distance** increased to 434km from 422km in Q3FY25.

**Trade mix** stood at 71% of sales.

Premium products constituted 16% of trade sales – highest ever (14% in FY25; aim is to reach 15–17% in FY26E).

The target is to reach **green power** share of 75% by FY28E (60% by FY26 from 51% at present).

Grey cement capacity utilisation stood at 90% while clinker utilisation was ~94% in Q4FY25. Clinker utilization was 82% in FY25.



## Company Description

JKCE is one of the leading cement manufacturers in India and the second-largest white cement manufacturer in the country. It is an affiliate of the JK Organisation, which was founded by Mr. Lala Kamlapat Singhania. JKCE is second largest producers of white cement in India and is a leading manufacturer of putty. The company also has an overseas subsidiary, which operates a 0.6mtpa white cement plant in Fujairah, UAE.

## Investment Theme

We like JKC for its consistent volume growth visibility complimented by structural positives of improving regional mix (rising exposure in North + Central India) and improving efficiency mix (rising share of modern plants and higher blending).

## Key Risks

Sharp decline in cement prices/demand and/or sharp increase in input cost

## Additional Data

### Management

Chairperson	Smt. Sushila Devi Singhania
MD	Dr. Raghavpat Singhania
Deputy MD & CEO	Mr. Madhav krishna Singhania
CFO	Mr. Ajay kumar Saraogi
Auditor	S.R. Batliboi & Co. LLP

### Holdings – Top 10\*

	% Holding		% Holding
Kotak Small cap	5.10	Aditya Birla Su	1.60
Fidelity invest	3.71	DSP Investment	1.26
Canara Robeco A	2.21	Invesco Asset	1.24
Vanguard group	2.16	PGIM India Asse	1.15
Axis AMC	1.78	Nippon Life Ind	1.11

\*Latest public data

### Recent Company Research

Date	Title	Price	Reco
27-Jan-25	Steady performance; <i>Result Update</i>	4,447	Buy
29-Oct-24	Soft quarter; growth outlook intact; <i>Result Update</i>	4,350	Buy
22-Jul-24	Healthy capex outlook; <i>Result Update</i>	4,472	Buy

### Recent Sector Research

Date	Name of Co./Sector	Title
23-May-25	Grasim Inds	Tepid performance; bright outlook; <i>Result Update</i>
19-May-25	Cement	Price up move brings cheer; <i>Sector Update</i>
14-May-25	Shree Cement	All-round beat; <i>Result Update</i>

### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	204
Hold	<15% and >-5%	63
Reduce	<-5%	34

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