


**Result Beats Estimates on Lower Costs; Retain BUY**
**Est. vs. Actual for Q1FY25:** Revenue – **INLINE**; EBITDA Margin – **BEAT**; PAT – **BEAT**
**Change in Estimates post Q1FY25 (Abs)**
**FY25E/FY26E:** Revenue: -4%/-3%; EBITDA: -8%/-3%; PAT: -11%/-4%

**Recommendation Rationale**

- **Volume growth visibility remains higher:** Capacity expansion program of 6 mtpa is progressing well, which will take its total Grey Cement capacity to 30 mtpa from the current 24 mtpa (representing a capacity growth of 13% CAGR over FY23-FY26). The expansion of cement capacity in the demand-accretive central India region (93% capacity utilization) aided in the volume growth of the company. The Ramp-up of recently commissioned capacity in Prayagraj (2 mtpa) along with ongoing expansion is expected to drive the company's volume growth moving ahead. We expect the company to post volume growth of 13% CAGR over FY23-26E.
- **EBITDA/tonne to improve:** During the quarter, the company reported better EBITDA margins, driven by lower power/fuel costs. Power & Fuel costs were down 22% YoY and further savings are expected in Q2FY25, albeit marginally. Furthermore, the operating costs of new units have normalized as utilization improves, which will aid in EBITDA margins moving ahead. The company expects cost savings of Rs 150- Rs 200 on a per tonne basis in the next 2 years. We expect the company to report an EBITDA margin in the range of 18%-20% and EBITDA/tonne of Rs 1,050/1,180 in FY25E/FY26E, driven by higher volumes, stable realizations, and lower costs.
- **Central India to aid in revenue growth:** Post the completion of the ongoing and new capacity expansion, Central India would constitute around 40% of the total Grey Cement capacity. With the heightened government focus on developing the infrastructure of the region, per-capita cement consumption is expected to accelerate moving ahead. With its recent expansion and upcoming capacity, we believe the company is well-placed to benefit from the rising cement demand in the region. We expect a revenue CAGR of 13% over FY23-FY26E.

**Sector Outlook: Positive**

**Company Outlook & Guidance:** The company expects to sustain 10% volume growth in FY25. The current demand is subdued owing to monsoon season but expect demand to come back after monsoon. It pegs overall industry growth in the range of 7-9%. The company expects market dynamics to determine cement prices, with cement pricing remaining a key monitorable.

**Current Valuation:** 15x FY26 EV/EBITDA (Earlier Valuation: 13x FY26 EV/EBITDA)

**Current TP:** Rs 4,920/share; (Earlier TP: Rs 4,340/share)

**Recommendation:** We maintain our **BUY** recommendation on the stock.

**Alternative BUY Ideas from our Sector Coverage**

**UltraTech Cement (TP – 12,400/share), Dalmia Bharat Ltd (TP- Rs 2.120/share).**

**Outlook:** The company's superior positioning in the key markets of North India and recent expansion in the demand-accretive central region will keep its growth momentum unabated. Given the government's keen focus on infrastructure and low-cost affordable housing, robust real estate demand, and capacity ramp-up of new units, we expect JKCL to improve its market share and deliver industry-leading performance going forward. We expect the company to grow its Volume/Revenue/EBITDA/APAT at a CAGR of 13%/13%/29%/40% over FY23-FY26E.

**Valuation & Recommendation**

The stock is currently trading at 17x and 14x FY25E/FY26E EV/EBITDA. **We maintain our BUY rating on the stock with a TP of Rs 4,920 implying an upside potential of 10% from the CMP.**

**Key Financials (Consolidated)**

(Rs Cr)	Q1FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	2,808	-10	2	2809	0
EBITDA	486	-13	19	469	4%
EBITDA Margin	17.3%	(70bps)	250bps	16.7%	60bps
Net Profit	185	-16	62	148	25%
EPS (Rs)	24	-16	62	19	25%

Source: Company, Axis Securities Research

 (CMP as of 22<sup>nd</sup> July, 2024)

CMP (Rs)	4,472
Upside /Downside (%)	10
High/Low (Rs)	4,600/3,000
Market cap (Cr)	34,554
Avg. daily vol. (6m)Shrs.	1,20,200
No. of shares (Cr)	7.7

**Shareholding (%)**

	Dec-23	Mar-24	June-24
Promoter	45.7	45.7	45.7
FIIIs	15.3	15.9	17.7
MFs / UTI	22.6	22.0	20.9
Banks / FIIs	0.0	0.0	0.0
Others	16.4	16.4	15.7

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	11,556	12,311	13,919
EBITDA	2,060	2,230	2,780
Net Profit	799	876	1,174
EPS (Rs)	102	113	152
PER (x)	44	39	29
P/BV (x)	6.5	5.6	4.7
EV/EBITDA (x)	18	17	14
ROE (%)	16	15	17

**Change in Estimates (%)**

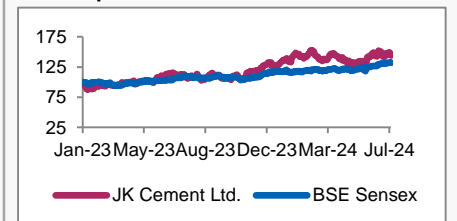
Y/E Mar	FY25E	FY26E
Sales	-4%	-3%
EBITDA	-8%	-3%
PAT	-11%	-4%

**ESG disclosure Score\*\***

Environmental Disclosure	67
Social Disclosure Score	41
Governance Disclosure	90
Total ESG Disclosure Score	67
Sector Average	50

Source: Bloomberg, Scale: 0.1-100

\*\*Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

**Relative performance**


Source: Ace Equity

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## Financial Performance

JKCL's performance was above our expectations on all fronts during the quarter, driven by lower operating costs. Its volume, revenue, EBITDA, and PAT grew by 5%, 2%, 19%, and 62% YoY, respectively. The company reported an APAT of Rs 185 Cr, up 62% YoY. Its EBITDA margins stood at 17.3% (against an expectation of 16.7%), compared to 14.8% YoY. The quarter's consolidated volume (Grey+White) stood at 4.88 million tonnes per annum (mntpa), up 5% YoY. JKCL's combined EBITDA/tonne stood at Rs 997, up 13% YoY. It reported a blended realization/tonne (Grey+White) of Rs 5,757, down 4%/3% YoY/ QoQ. The company's cost/tonne declined by 7% YoY and 2% QoQ to Rs 4,760 due to lower power/fuel costs, down 22% on a tonne basis and lower other expenses during the quarter.

## Key Concall Highlights

- **Capacity Expansion:** The company recently expanded its grey cement capacity by 2 mtpa in Prayagraj, UP, in the demand-accretive Central India region. In FY24, the company expanded its capacity by 1.5 mtpa in the Central region, which has ramped up well, contributing to volume growth and a reduction in fixed costs. The ongoing capacity expansion (Clinker 3 mtpa and Grinding 6 mtpa) is progressing well and is expected to be commissioned by Dec 2025. This will further consolidate its market position in Central India and contribute to its volume growth.

The company is also planning to increase its capacity by another 20 mtpa once the current phase of expansion is complete. An announcement regarding this will be made at an opportune time. The breakup of the upcoming capacity includes 3.3 mtpa CU in Panna, MP, and 3 mtpa GU in Bihar, with 1 mtpa each for GU in Panna, Hamirpur, and Prayagraj. Additionally, the company operates in white cement and wall putty with a capacity of 3.05 mtpa. This will entail a capex of Rs 2,850 Cr (@\$57/tonne). This will take the total grey cement capacity to 30 mtpa by FY26. The company is also debottlenecking its clinker capacity in Panna from 8,000/tonne a day to 10,000/tonne a day, which will aid in producing more cement moving forward and support volume growth.

- **Paint Foray:** The company expects the paint business to contribute Rs 300 Cr in FY25 and Rs 500 Cr in FY26 in sales. For 12MFY24, the paint business reported revenue of Rs 153 Cr. In Q1FY25, the paint revenue stood at Rs 57 Cr. The company aims to be EBITDA-positive by FY27. Currently, it made a loss of Rs 10 Cr in the paint business.
- **Volume:** During the quarter, the company registered volume growth of 5% YoY on a consolidated basis. For the quarter, grey and white cement volume growth stood at 6% and -2% YoY, respectively. The blended cement sale was 67%, compared to 66% YoY, with the balance being OPC. The trade and non-trade mix during the quarter stood at 63% and 37%, respectively, against 62% and 38% YoY. Capacity utilization stood at 79% during the quarter.
- **Premium Cement:** Premium Cement formed 13% of overall trade sales and was flatish YoY. The company aims to increase the sale of premium cement by 20% over the medium to long term. Grey cement and white cement contributions stood at 80:20 during the quarter. The total volume contribution between grey and white cement stood at 88% and 12%, respectively, on a consolidated basis. The company has a 50% market share in the white cement business in India.
- **Pricing:** During the quarter, blended realization lowered by 4% YoY and 3% QoQ to Rs 5,757. Cement prices have softened and are currently lower by Rs 100 on a tonne basis QoQ. The company sees market dynamics as determining prices.
- **Power/Fuel:** During the quarter, power/fuel costs were lower by 22% YoY and 1% QoQ to Rs 1,168. The company expects a marginal reduction in power/fuel costs in Q2FY25. The fuel mix was 68% pet coke and the balance was imported coal, renewable energy, and AFR. On a per Kcal basis, the cost stood at Rs 1.62, compared to Rs 1.80 in Q4FY24, and the same is expected to reduce marginally moving forward. Waste Heat Recovery Systems (WHRS) at Panna are operational, which shall entail savings of Rs 50 Cr annually in fuel costs. The company's total green power capacity currently stands at 167.5 MW, out of which WHRS stands at 82 MW and solar and wind energy at 85 MW.

- **Freight:** Lead distance during the quarter was 415 km against 419 km in Q4FY24. On a tonne basis, freight cost was lower by 3% and remained flattish YoY/QoQ at Rs 1,270, primarily due to the lower lead distance. The company transported 91% of the volume by road and the balance by rail.
- **Subsidy:** The company expects a subsidy of Rs 200 on a tonne basis for Central India's operation. The company aims to receive Rs 300 Cr as a subsidy for Central India operation for the next few years. This will aid in revenue growth. During the quarter the company received an incentive of Rs 69 cr.
- **Capex:** For FY25/FY26, Capex guidance is Rs 1,900 Cr/ Rs 1,800 Cr respectively. In Q1FY25, the company spent Rs 125 cr on expansion.
- **Debt/Cash:** The current gross debt stands at Rs 4,515 Cr, with cash/cash equivalents at Rs 1,685 Cr, resulting in a net debt of Rs 2,830 Cr. Net debt increased by Rs 248 Cr. The company expects the peak debt to be around Rs 5,500 Cr.

### Key Risks to Our Estimates and TP

- Lower realization and demand in its key market and delay in capacity expansion.
- Higher input costs may impact margins.

### Change in Estimates

	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	12,311	13,919	12768	14291	-4%	-3%
EBITDA	2,230	2,780	2429	2857	-8%	-3%
PAT	876	1,174	986	1225	-11%	-4%

Source: Company, Axis Securities Research

**Result Review Q1FY25**

(Rs Cr)	Quarterly Performance				
	1QFY25	4QFY24	1QFY24	% Chg QoQ	% Chg YoY
Net sales	2808	3106	2763	-10%	2%
Expenditure	2321	2546	2355	-9%	-1%
EBITDA	486	560	408	-13%	19%
Other income	45	46	32	-2%	42%
Interest	111	115	109	-4%	1%
Depreciation	147	153	135	-4%	9%
PBT	273	338	196	-19%	40%
Tax	88	128	67	-31%	32%
Adjusted PAT	185	220	115	-16%	62%
EBITDA margin (%)	17.3%	18.0%	14.8%	(70bps)	250bps
EPS (Rs)	24.1	28.5	14.9	-16%	62%

Source: Company, Axis Securities Research

**Volume/ Realization / Cost Analyses**

(Rs Cr)	Quarterly Performance				
	1QFY25	4QFY24	1QFY24	% Chg QoQ	% Chg YoY
Volume/mnt	4.88	5.22	4.63	-7%	5%
Realization/tonne (Rs)	5757	5946	5973	-3.2%	-3.6%
Cost/tonne (Rs)	4760	4874	5092	-2%	-7%
Raw material/tonne (Rs)	982	1009	1004	-3%	-2%
Staff Cost/tonne (Rs)	448	418	398	7%	13%
Power & Fuel/tonne (Rs)	1168	1179	1494	-1%	-22%
Freight/tonne (Rs)	1270	1304	1263	-3%	1%
Other Expenses /tonne (Rs)	891	965	932	-8%	-4%
EBITDA/tonne (Rs)	997	1072	882	-7%	13%

Source: Company, Axis Securities Research

**Financials (consolidated)**
**Profit & Loss**

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
<b>Net sales</b>	<b>9708</b>	<b>11556</b>	<b>12311</b>	<b>13919</b>
Other operating income	0	0	0	0
<b>Total income</b>	<b>9708</b>	<b>11556</b>	<b>12311</b>	<b>13919</b>
Raw Material	1593	1835	2021	2244
Power & Fuel	2563	2590	2444	2689
Freight & Forwarding	2033	2416	2698	2968
Employee benefit expenses	638	784	878	966
Other Expenses	1579	1871	2038	2273
<b>EBITDA</b>	<b>1302</b>	<b>2060</b>	<b>2230</b>	<b>2780</b>
Other income	100	145	170	139
	0	0	0	0
<b>PBITD</b>	<b>1402</b>	<b>2205</b>	<b>2400</b>	<b>2919</b>
Depreciation	458	565	627	712
Interest & Fin Chg.	312	453	465	454
E/o income / (Expense)	0	0	0	0
<b>Pre-tax profit</b>	<b>631</b>	<b>1186</b>	<b>1308</b>	<b>1753</b>
Tax provision	212	386	432	578
Minority Interests	7	-1	0	0
Associates	0	0	0	0
RPAT	<b>426</b>	<b>799</b>	<b>876</b>	<b>1174</b>
Other Comprehensive Income	0	0	0	0
<b>APAT after Comprehensive Income</b>	<b>426</b>	<b>799</b>	<b>876</b>	<b>1174</b>

Source: Company, Axis Securities Research

**Balance Sheet**

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
<b>Total assets</b>	<b>13285</b>	<b>14802</b>	<b>15976</b>	<b>17204</b>
Net Block	8348	9062	10282	11268
CWIP	592	464	464	464
Investments	92	368	318	368
Wkg. cap. (excl cash)	640	817	866	971
Cash / Bank balance	833	867	778	765
Misc. Assets	2779	3224	3268	3368
<b>Capital employed</b>	<b>13285</b>	<b>14802</b>	<b>15976</b>	<b>17204</b>
Equity capital	77	77	77	77
Reserves	4609	5290	6120	7248
Minority Interests	-44	-46	-46	-46
Borrowings	4995	5239	5539	5539
DefTax Liabilities	809	1076	1076	1076
Other Liabilities and Provision	2838	3166	3210	3310

Source: Company, Axis Securities Research

**Cash Flow**

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
<b>Profit before tax</b>	<b>631</b>	<b>1174</b>	<b>1308</b>	<b>1753</b>
Depreciation	458	573	627	712
Interest Expenses	302	444	465	454
Non-operating/ EO item	-45	-129	-170	-139
Change in W/C	226	63	-49	-106
Income Tax	162	154	432	578
<b>Operating Cash Flow</b>	<b>1411</b>	<b>1970</b>	<b>1750</b>	<b>2096</b>
Capital Expenditure	-1611	-1173	-1847	-1698
Investments	-977	-288	50	-50
Others	65	100	170	139
<b>Investing Cash Flow</b>	<b>-2523</b>	<b>-1361</b>	<b>-1627</b>	<b>-1609</b>
Borrowings	1140	120	300	0
Interest Expenses	-283	-420	-465	-454
Dividend paid	-116	-116	-46	-46
Others	0	0	0	0
<b>Financing Cash Flow</b>	<b>741</b>	<b>-416</b>	<b>-211</b>	<b>-501</b>
Change in Cash	104	-92	-88	-14
Opening Cash	103	257	174	86
Closing Cash	<b>257</b>	<b>174</b>	<b>86</b>	<b>73</b>

Source: Company, Axis Securities Research

**Ratio Analysis**

(%)

Y/E March	FY23	FY24	FY25E	FY26E
<b>Operational Ratios</b>				
Gross profit margin	36%	41%	42%	43%
EBITDA margin	13%	18%	18%	20%
PAT margin	4%	7%	7%	8%
Depreciation / G. block	4.2%	4.6%	4.4%	4.5%
<b>Growth Indicator</b>				
Sales growth	21%	19%	7%	13%
Volume growth	16%	18%	11%	11%
EBITDA growth	-12%	58%	8%	25%
PAT growth	-38%	90%	10%	34%
<b>Efficiency Ratios</b>				
Sales/Gross block (x)	0.89	0.94	0.87	0.88
Sales/Net block(x)	1.2	1.3	1.2	1.2
Working capital/Sales (%)	6%	7%	7%	7%
<b>Valuation Ratios</b>				
PE (x)	81	44	39	29
P/BV (x)	7.4	6.5	5.6	4.7
EV/Ebitda (x)	29	18	17	14
EV/Sales (x)	3.9	3.3	3.1	2.8
MCap/ Sales (x)	3.6	3.0	2.8	2.5
EV/Tonne \$	195	184	172	154
<b>Return Ratios</b>				
ROE	10	16	15	17
ROCE	10	15	15	17
ROIC	12	18	17	19
<b>Leverage Ratios</b>				
Debt/equity (x)	1.1	1.0	0.9	0.8
Net debt/ Equity (x)	0.7	0.7	0.6	0.5
Net debt/Ebitda	2.6	1.7	1.8	1.4
Interest Coverage ratio (x)	3.0	3.6	3.8	4.9
<b>Cash Flow Ratios</b>				
OCF/Sales	14%	17%	14%	15%
OCF/Ebitda	106%	95%	78%	75%
OCF/Capital Employed	14%	18%	15%	16%
FCF/Sales	-2%	7%	-1%	3%
Payout ratio (Div/NP) (%)	13	19	5	4
AEPS (Rs)	55	102	113	152
AEPS Growth (%)	-38	85	11	34
CEPS (Rs)	114	176	195	244
DPS (Rs)	7	20	6	6

Source: Company, Axis Securities Research

## JK Cement Price Chart and Recommendation History



Date	Reco	TP	Research
08-Feb-23	BUY	3,000	Result Update
31-May-23	BUY	3,560	Result Update
17-Aug-23	BUY	3,560	Result Update
28-Aug-23	BUY	3,569	AAA
08-Nov-23	BUY	3,830	Result Update
24-Jan-24	BUY	4,400	Result Update
15-May-24	BUY	4,340	Result Update
23-Jul-24	BUY	4,920	Result Update

Source: Axis Securities Research



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Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.

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