Axis
Annual Report
Analysis 2024

AAA

JK Cements Ltd

Augmenting Capacity to Support Deeper Market Reach; Retain BUY!

Summary

- In FY24, JK Cement reported a robust cement sales volume of 19.09 million tonnes per annum (MTPA), up 18% YoY from 16.23 MTPA in FY23, with grey and white cement sales up 19% and 9% respectively. Growth was driven by an excellent demand environment, boosted by pre-election spending and the addition of new capacity during the year.
- The company's EBITDA margins improved to 17.8% in FY24 from 13.4% in FY23, an increase of 440 basis points. This was primarily due to the overall decline in production costs, which declined by 4% YoY to Rs 4,974 per tonne. The lower costs were due to a decline in energy costs by 14% per tonne on a YoY basis.
- The company's current expansion plans are progressing well and Grey Cement's total capacity will be expanded to 30 MTPA by FY26. The company aims to double its capacity by FY30 and has devised a plan to achieve this in a phased manner by setting up greenfield and brownfield plants at various locations.

Key Highlights

- **Commercialization of a greenfield plant with a capacity of 1.5 MTPA:** In FY24, the company commissioned its greenfield grinding plant with a capacity of 1.5 Mn tons per annum in Ujjain (MP), thereby strengthening its presence in the high-demand region of Central India. Within a few months of commissioning, the company was able to achieve a capacity utilization rate of 60%.
- **New grinding unit:** The company is also setting up a grinding unit (GU) in Prayagraj (UP) with a capacity of 2 MTPA, which is scheduled to be commissioned in FY25. After these expansions, the company's total grey cement capacity will increase to 24.2 MTPA.
- **Improvement in blended realization**: During the year, blended realization improved by 1.2% to Rs 6,053/tonne.
- **Acquisition:** Acquisition of Toshali Cements (P) Ltd. with an integrated plant with a capacity of 0.20 MTPA in Ampavalli, Odisha, and a split grinding plant with a capacity of 0.44 MTPA in Cuttack, Odisha, to expand its presence in the eastern markets.

Key Competitive Strengths

Capacity to produce both Grey and White cement as well as Wall Putty, enabling it to capture changing customer preferences better than its peers; b) Robust Sales & Distribution network facilitating extensive customer reach;c) Robust financial position; d) Experienced and competent management bandwidth, and e) Favorable demand-supply dynamics in the Central India region to aid in future growth

Strategies Implemented

Capacity expansion to sustain growth; b) Increasing use of green energy; c) Increasing sale of value-added products; d) Optimising capital allocation.

Growth Drivers

Housing for All with a thrust to affordable housing; b) The government's keen focus on infrastructure development including roads, railways, highways, metros, airports, irrigation, and water projects; c) Real estate growth; d) Urban infrastructure development such as Smart Cities and AMRUT Yojana.

Key Focus Areas Moving Forward

Undertaking capacity expansion to further strengthen market reach; b) Improving operational efficiency at all levels; c) Widen visibility by augmenting distribution network while optimizing distribution cost; d) Launching value-added products to improve margin profile; e) Strengthening business stickiness through customer-centricity; f) Sustainable operation.

Outlook& Recommendation

The company's growth plan is progressing well and with its strong presence in the key markets of North India and a recent expansion in the growth-oriented Central region, the company is poised to continue its growth trajectory. With the government's emphasis on infrastructure and affordable housing, coupled with real estate demand and new unit capacity ramp-up, JKCL is poised to expand its market share and deliver exceptional industry performance in the foreseeable future. **We expect the company to grow its volumes/Revenue/EBITDA/APAT at a CAGR of 11%/10%/16%21/% over FY24-FY26E. We value JKCL at 15x FY26E EV/EBITDA and assign a BUY rating to the company with a TP of Rs 4,920/share, implying an upside potential of 12% from the CMP.**

Key Financials

(RsCr)	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)	43	39	29
P/BV (x)	6.4	5.5	4.7
EV/EBITDA (x)	18	17	14
RoE (%)	16	15	17

Source: Company, Axis Securities Research

(CMP as of 23rd Aug'24)	
CMP (Rs)	4393
Upside /(Downside (%))	12
High/Low (Rs)	4,600/3,000
Market cap (Cr)	34010
Avg. daily vol. (6m) Shrs.	1,20,200
No. of shares (Cr)	7.7

Shareholding (%)

	Dec-23	Mar-24	Jun-24
Promoter	45.7	45.7	45.7
FIIs	15.3	15.9	17.7
MFs / UTI	22.6	22.0	20.9
Banks / FIs	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)	43	39	29
P/BV (x)	6.4	5.5	4.7
EV/EBITDA (x)	18	17	14
RoE (%)	16	15	17

Change in Estimates (%)

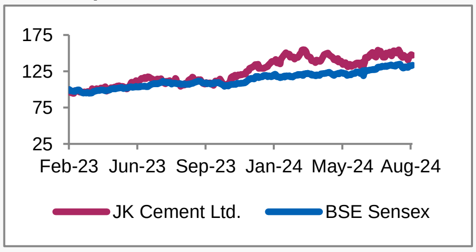
Y/E Mar	FY25E	FY26E
Sales	00	00
EBITDA	00	00
PAT	00	00

ESG disclosure Score**

Environmental Disclosure Score	67
Social Disclosure Score	41
Governance Disclosure Score	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

Uttam K Srimal
Research Analyst
Email: uttamkumar.srimal@axissecurities.in

Shikha Doshi
Research Analyst
Email: shikha.doshi@axissecurities.in

Company Overview

JK Cements Limited (JKCL) – a dominant player in the cement industry in North, Central and South India - has over four decades of experience in cement manufacturing. The company started commercial production at its first grey cement plant in Nimbahera (Rajasthan) in May 75, followed by capacity expansions in its key markets. Today, the company has an installed capacity of 22.3 MTPA for grey cement and a capacity of 3.1 MTPA for white cement and wall putty, making it one of the leading cement manufacturers in the country.

Revenue growth was driven by higher volume , better capacity utilization and higher blended realization. EBITDA margin was higher owing to lower operating cost and supported by higher volume and realization . The PAT grew at a CAGR of 13% in last 4 years. The capacity expansion plans are progressing well and company is on its way to achieve 30 mtpa Grey Cement capacity by FY26.

FY24 Financial & Operational Highlights

- The company reported **revenue of Rs11,556 Cr, up 19% YoY** owing to pre-election spending faster demand recovery and new capacity ramp-up.
- The **blended realization for the year stood at Rs 6,053 /tonne,** up 1% YoY. Price hikes were limited as competitive intensity accelerated and new capacities were commercialized.
- **Sales volumes increased by 18% YoY** (FY24–19.09 MTPA vs FY23 – 16.24mtpa) due to higher and better demand and new capacity ramp-up. It reported higher EBITDA margin of 17.8% in FY24 as against 13.4% in FY23. EBITDA/tonne also improved by 34% to Rs 1079 during the year due to lower production costs and higher realization.
- The company **recommended a dividend of Rs 20/share**, including Rs 5 as a special dividend on completion of 50 years of operation for FY24, which is subject to approval in the AGM.
- **Completed expansion projects:** The company completed the expansion of its greenfield plant at Ujjian, MP by 1.5 MTPA in Q2FY24. It was able to achieve a capacity utilization of 60% during the first year of operation. It also commissioned 16 MTPA of WHRS capacity in Muddapur during the year.
- **Ongoing Expansion Projects:** The company has also embarked on greenfield expansion projects of 2 MTPA capacity at Prayagraj (Uttar Pradesh). The Prayagraj Unit was commissioned recently and the further expansion program of 6 MTPA of Grey Cement is progressing well at various locations which will take its total capacity to 30 MTPA by FY26.
- **Capital Allocation:** In FY24, the company earmarked Rs 1,500 Cr for expansion projects of Panna Line-2, including a greenfield split grinding unit in Bihar, alongside spillover capex for the Ujjain and Prayagraj split grinding units and refurbishing of Toshali Cement. Additionally, Rs 500 Cr have been allocated for multiple purposes, including balance capex for WHRS at Muddapur, upgrading the paints business, initial expenses for the allotment of a coal block, and sustenance capex. These expansions will enable the company to enter untapped markets, explore new growth avenues, and drive incrementally value-accretive growth.
- **Decline in the Net Debt/EBITDA ratio:** Consolidated gross debt stood at around Rs 5,238 Cr as of March 31, 2024. Although the company has nearly Rs 2,000 Cr of capex outlay planned for the next two years, it does not foresee the debt levels increasing. Moreover, as the new capacities come on stream and start contributing to EBITDA, the Debt/EBITDA ratio is expected to significantly improve. The company's Net Debt/EBITDA decreased to 1.6x from 2.6x in FY23, driven by higher profitability during the year.
- **Healthy capacity utilization:** The company's capacity utilization stood at 81% during the year, compared to 87% in FY23, including both Grey and White Cement on a higher base. Grey Cement capacity utilization stood at 80%, while White Cement was at 72% during the year, vs. 90% and 70% in FY23, respectively.
- **Increased use of Green Energy:** In its efforts to increase the proportion of green energy, JK Cement's total WHRS capacity has risen to 82 MW from 42 MW in FY23. This will help the company lower its power costs going forward. The use of green energy has increased significantly over the last four years and currently stands at 51% of the overall energy mix. The company aims to raise the proportion of green energy to 75% of its total power consumption by 2030.
- **Blended Cement:** During the year, blended cement production stood at 65% compared to 62% in FY24. The company intends to further increase the production of blended cement for sustainable production.

Key Growth Drivers

Infrastructure push by the government

In its efforts to increase the proportion of green energy, JK Cement's total WHRS capacity has increased to 82 MW from 42 MW in FY23. This will help the company lower its power costs going forward. The use of green energy has grown significantly over the last four years and currently accounts for 51% of the overall energy mix. The company aims to raise the share of green energy to 75% of its total power consumption by 2030.

Infrastructure spending by the government, real estate demand and housing for all will remain the key growth drivers from medium to long term perspective.

Rural Housing

The Government's announcement of an additional two Cr houses under the Pradhan Mantri Awas Yojana (Rural) over the next five years signifies a monumental step towards addressing housing needs in rural areas. Allocation to Pradhan Mantri Awas Yojana (Rural) has witnessed a substantial increase of 70% from the FY24 revised estimate (RE) to Rs 54,500 Cr for FY25, reflecting the government's commitment to bolster rural housing infrastructure. With 2.5 Cr houses completed over the past eight years, achieving 87% of the total target, the recent announcement of additional houses is expected to stimulate growth in the Indian infrastructure and cement sectors.

Urban Housing

The government plans to introduce a scheme incentivizing individuals residing in rented houses and unauthorized colonies to purchase or construct their own homes, thereby fostering urban housing demand. The allocation to Pradhan Mantri Awas Yojana (Urban) has been increased by 18% from the FY24 revised estimate (RE) to Rs 26,170 Cr for FY25, providing a significant boost to urban housing initiatives.

Key Strategies Moving Forward

The company is focusing on expanding its capacity to sustain growth and gain market share. Key areas of focus include improving operational efficiency, enhancing the brand, and launching value-added products.

Capacity expansion

- **Short-term strategies:** JK Cement has achieved a consolidated grey cement capacity of 22+ MnTPA.
- **Medium & Long-term strategies:** The company is on track to expand its capacity to 30 MTPA by FY25-26, with ongoing expansions at Panna and Hamirpur, along with new units in Prayagraj and Bihar. Over the next four to five years, JK Cement has laid out a roadmap to double its existing capacity through brownfield and greenfield expansions at Panna, Jaisalmer, Muddapur, and Odisha.

Operational efficiency

- **Short-term strategies:** Increasing use of AFR, green power, energy efficiency and decreasing clinker factor.
- **Medium & Long-term strategies:** The company aims to increase the share of blended cement and is actively working on enhancing fuel and power efficiencies to further optimize costs. Additionally, it is focusing on a more efficient go-to-market strategy with an aspiration to be among the top quartile of sustainable and low-cost cement producers in the industry.

Consolidate market position

- **Short-term strategies:** Maintain and improve market share in the existing market for all products b) Enter the untapped market of UP and MP for Grey Cement and newer geographies such as Bihar.
- **Medium & Long-term strategies:** The company aims to consolidate its position in the grey cement markets of Uttar Pradesh, Bihar, and Madhya Pradesh, while also commencing business activities in other eastern states. It seeks to strengthen its leadership position in white cement by improving capacity utilization and increasing the production of value-added products, including paints.

Widen Visibility

- **Short-term Strategies:** Enhance brand visibility further through print and online media and consumer promotions and maintain market share.
- **Long-term strategies:** Expand and improve the distribution network and engage with key influencer and channel partners, strengthen brand equity and reinforce position as a premium brand.

Launch of Value-Added Products

- **Short-term strategies:** Increase the volume of premium and value-added products.Expanded the Paints business in FY 2023-24
- **Medium and Long-term strategies:** The company aims to increase the share of premium products in grey cement to 15% of trade volumes and to grow its value-added proposition across existing and new markets. Plans include launching new value-added products and increasing the overall topline of the value-added products and paints business to Rs 500 Cr+. In the long term, the company targets raising the value of premium products to 25% of trade volumes and growing the value of the value-added products, including the paint business, to Rs 2,000 Cr.

Customer Centricity

- **Short-term strategies:** Meet customers' rapidly changing expectations and strive to provide a rich customer experience. Resolve customer grievances.
- **Medium and Long-term Strategies:** The company aims to supply quality products at the right price and strengthen its Customer Technical Services and engagement with various customer segments. It plans to leverage technology, such as GPS-enabled trucks, to enhance its operations. The ultimate goal is to become the preferred supplier of cement and ancillary products.

Sustainable Operation

- **Short-term strategies:** Work towards renewable energy capacity. Use of alternate fuels with lower emissions impact, manage waste with a focus on reducing, reusing, and recycling. The share of renewable energy in the electricity mix increased to 51% in FY24
- **Medium and Long-term strategies:** Increase the share of green power in the energy mix to 75%. Improve thermal substitution rate to 35%.

Business Outlook

> *Cement demand outlook remains robust and are expected to grow at CAGR of 6-7% over next five years. The govt focus on infrastructure development remains the key demand driver.*

Cement Demand Outlook

Cement demand is projected to grow at a 6-7% CAGR over the next five years, driven by infrastructural investments and a robust revival in housing demand. Capacity addition is expected to gain momentum in FY25 due to a positive demand outlook and efforts by players, especially large ones, to maintain market share in a competitive landscape.

End-Use Sector Distribution

The cement industry's end-use sector mix primarily includes housing (57-59%), infrastructure (27-29%), and industrial/commercial (13-15%) segments. While the housing segment is expected to moderate over FY24-FY28 due to a high base, it will remain a key contributor, supported by a lower concretization rate in the country which signifies a high potential for cement demand growth. Infrastructure is anticipated to expand its share, bolstered by government initiatives such as PM Gati Shakti and rising investments in roads, railways, metros, airports, and irrigation. The central government's emphasis on infrastructure projects through the National Infrastructure Pipeline and state governments' increased capex efforts will drive healthy infrastructure-led demand growth in the medium term.

Housing Sector Developments

As of January 2024, out of the existing 29.5 Mn houses, 25.5 Mn have been constructed, with 70% of these having women as either sole or joint owners. The Interim Budget has increased the target under PMAY(G) by 20 Mn houses for the next five years, aimed at reducing rural housing shortages and potentially catalyzing incremental cement demand of at least 15 MTPA.

Infrastructure Budget and Projects

The Ministry of Road Transport & Highways (MoRTH) budget for FY25 is Rs 2.72 Lc, a 3% increase from Rs 2.64 Lc in FY24. The Bharatmala project, which aims to complete 60,000 km of roads, has a revised timeline for Phase 1 to 2028, with 15,549 km completed as of December 2023.

The Railway budget allocation stands at Rs 2.65 Lc, 2% higher than FY24. The development of three key corridors under the PM Gati Shakti plan includes: 1) energy, mineral & cement corridors, 2) port connectivity corridors, and 3) high-traffic density corridors. The Government also plans to expand the Metro Rail and Namo Bharat projects to additional cities, with 874 km of Metro Rail currently operational and another 986 km under construction.

Risks &Mitigation

Key risks identified, assessed, and mitigated during the year under review include:

Cement demand outlook remains robust and are expected to grow at CAGR of 6-7% over next five years. The govt focus on infrastructure development remains the key demand driver.

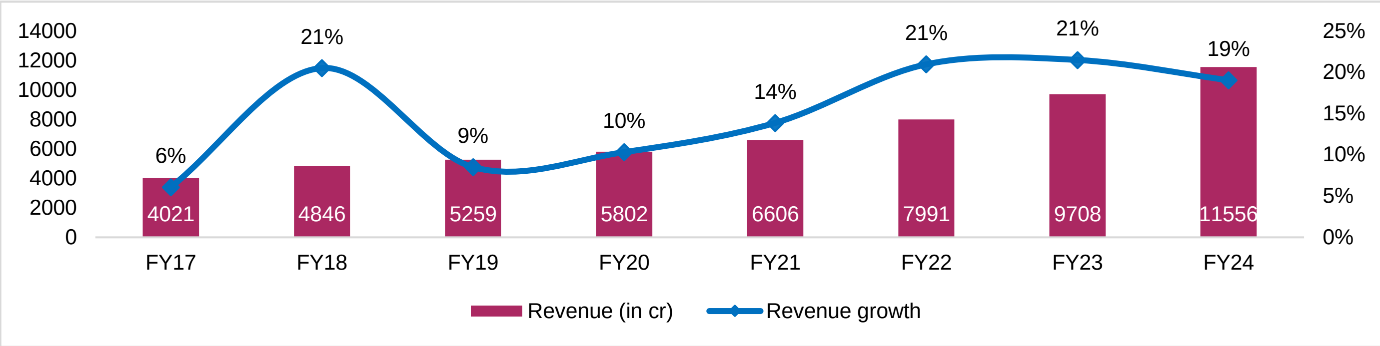
- **Market Demand/Supply Dynamics:** Economic growth drives construction demand, and any negative change in demand can affect sales, prices, and ultimately industry performance. Additionally, changes in consumer behaviour may lead to increased product substitution, impacting the company's growth and profitability.
- **Mitigation:** Approximately 25% of revenue is derived from the white cement business, which mitigates the risk of changes in the grey cement market scenario and consumer preferences as the company is present in both cement types.
- **Business Competition Risk:** The cement industry is undergoing a consolidation phase with large companies acquiring small and medium-sized companies. This could lead to an oligopolistic market, affecting competition intensity and overall profitability.
- **Mitigation:** The company is expanding its business into other regions, including central India, and has increased its grey cement capacity by establishing split grinding plants in Uttar Pradesh and Gujarat. It has also developed new techniques for efficient use of natural resources such as energy and water.
- **Political Risk:** Economic, social, and political instability can impact the cement industry, leading to operational uncertainty. Non-compliance with regulations may severely affect financial performance.
- **Mitigation:** The company adheres to guidelines and state-specific action plans to enhance crisis management. Its diversified product portfolio helps reduce the impact of political risks.
- **Sustainability Risk:** Failure to meet ESG goals can result in fines, business disruption, and damage to the company's reputation.
- **Mitigation:** The company conducts regular performance evaluations and monitoring against set targets. It develops new techniques for efficient use of natural resources, reduces freshwater withdrawals, and adopts energy efficiency measures to balance ESG goals with business performance.
- **Energy Price Risk:** Increases in energy prices can raise production costs, negatively impacting industry dynamics and profitability, and potentially affecting product pricing and future cash flow.
- **Mitigation:** The company focuses on optimizing fuel mix, energy efficiency, and the use of alternative fuels to mitigate energy price risk.
- **Raw Materials (Including Minerals) Risk:** Shortages of natural resources such as limestone, unavailability of production fuel, and stricter regulations on fossil fuel consumption can disrupt business processes and supply chains.
- **Mitigation:** The company is expanding its blended cement portfolio, using low-grade limestone, pushing the use of alternative materials, and incorporating low-grade fuels with high-grade fuels at the plant to reduce raw material risk.
- **Legal & Compliance Risk:** Non-compliance can lead to lawsuits, monetary claims, investigations, and proceedings, affecting growth, revenue, employee development, and the business cycle.
- **Mitigation:** The company participates in a compliance program that guides and maintains adherence to regulations.
- **Cybersecurity Risk:** The transition to remote work during the COVID crisis has exposed the company to technical and human vulnerabilities, increasing the risk of cyberattacks and operational errors.
- **Mitigation:** The company has policies and procedures in place to protect against IT risks, including remedial actions for mitigating incidents on a temporary basis.

Profitability Analysis (Rs Cr)

Particulars	FY23	FY24	Change	Comments/Analysis
Sales	9708	11556	19%	• Higher volumes drove the company's revenue growth, supported by the ramp-up of new capacity and better realization during the year. We expect the company to post healthy revenue growth of 10% in FY24-26E, driven by housing for all, government support for infrastructure, and commercial and real estate demand.
Gross Profits	3519	4715	34%	• Gross Profits were higher due to higher volumes and higher realizations during the year.
Operating Expenses	2216	2655	20%	• Operating expenses were higher owing to higher volume, higher staff costs, higher Packing materials and sales/marketing expenses.
EBITDA	1302	2060	58%	• EBITDA improved substantially owing to higher volume, lower cost and better realization during the year. We expect the company to report an EBITDA CAGR of 16% over FY24-26E, driven by higher Volume, lower costs, and stable realizations.
Depreciation	458	565	23%	• Depreciation was higher owing to the commissioning of new plants.
EBIT	943	1640	74%	• EBIT was higher owing to higher volume, better realization and lower cost.
Interest	312	453	45%	• Interest costs rose due to an increase in gross debt raised to finance the ongoing expansion and higher interest costs.
PBT	631	1186	88%	• PBT was higher led by the reasons mentioned above.
Tax	212	386	82%	• Tax was higher owing to higher profitability during the year. The tax rate was 33% against 34% last year.
PAT	426	788	85%	• PAT was higher due to the combined impact of the above-mentioned attributes.
EPS	55	103	85%	• EPS was in line with the PAT de-growth
Volume (MTPA)	16.24	19.09	18%	• Volume growth was driven by higher demand in the operating region both from trade and non-trade segments and an improved capacity ramp-up. We expect the company to achieve volume growth CAGR of 11% over FY24-26E, driven by better demand and new capacity in the Central region boosting demand.

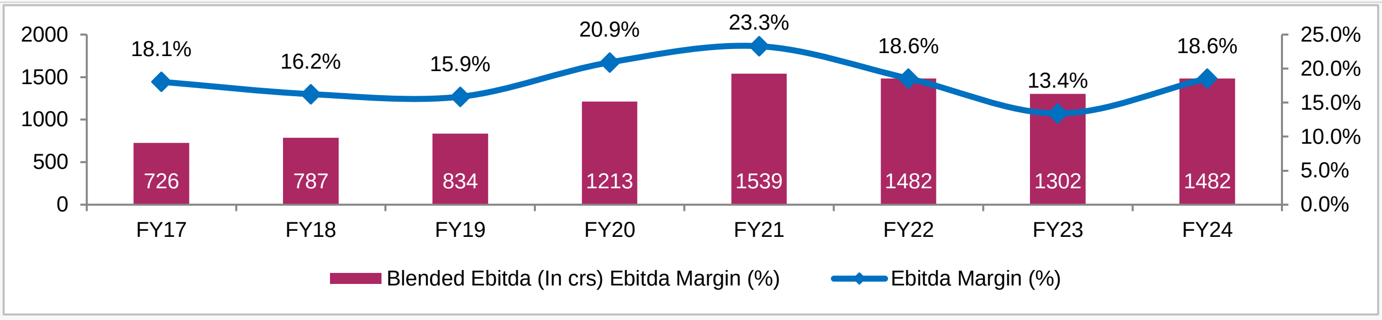
Source: Company; Axis Securities Research

Exhibit 1: Revenue & Revenue Growth



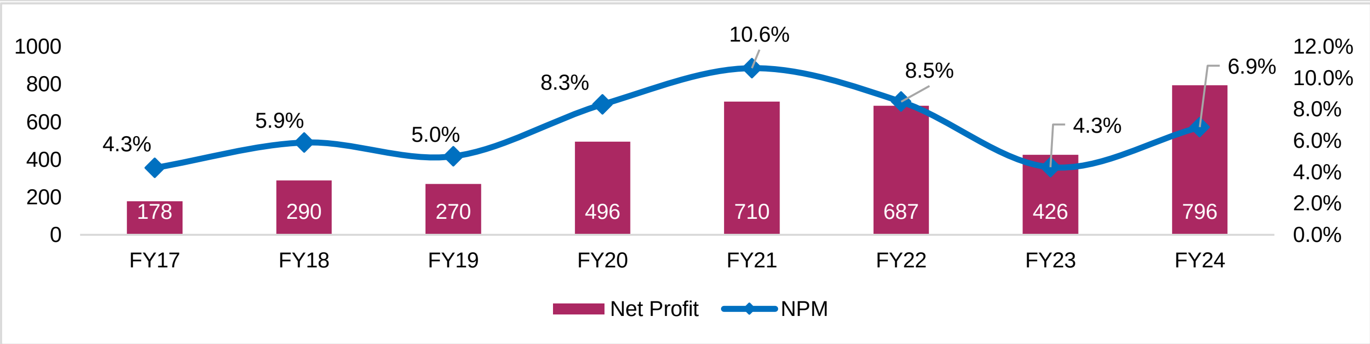
Source: Company, Axis Securities Research

Exhibit 2: Blended EBITDA & EBITDA margin



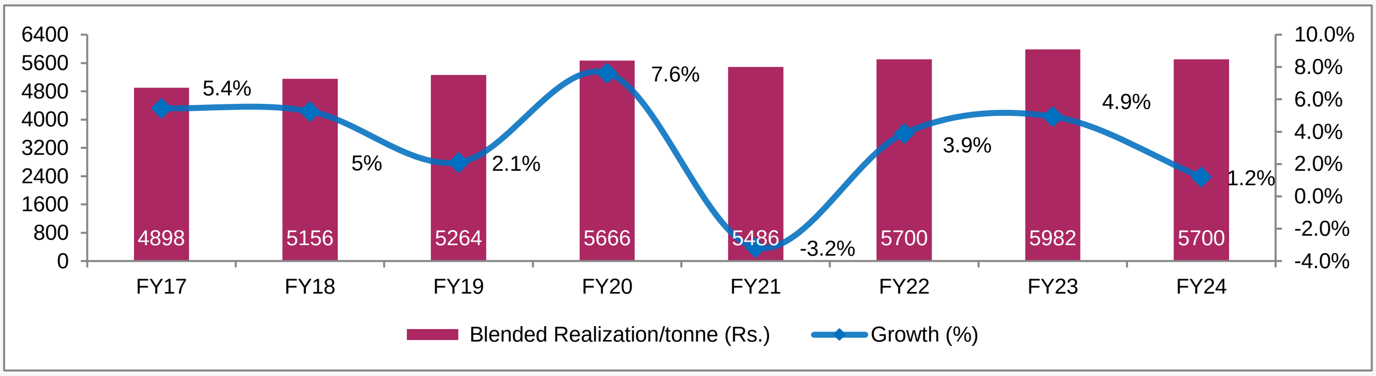
Source: Company, Axis Securities Research

Exhibit 3: Net Profit & NPM Trend



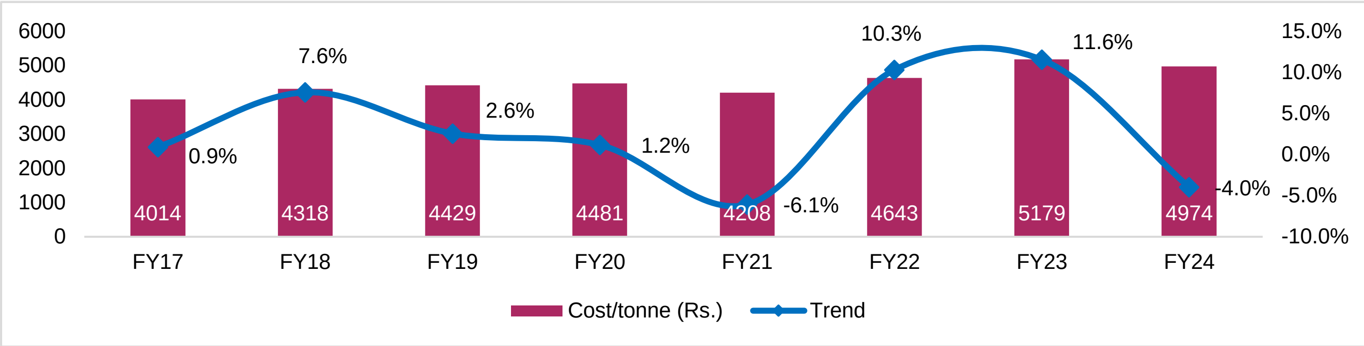
Source: Company, Axis Securities Research

Exhibit 4: Realization/Tonne and Growth Trend



Source: Company, Axis Securities Research

Exhibit 5: Cost/tonne Trend



Source: Company, Axis Securities Research

Profitability Margins

Particulars	FY23	FY24	Change	Comments/Analysis
GPM	36%	41%	500 bps	GPM was higher owing to lower cost and improved realization.
EBITDAM	13.4%	17.8%	440bps	EBITDAM improved owing to lower operating costs and better-fixed cost absorption. with input cost softening.
PATM	4.3%	6.9%	260bps	PATM was higher owing to higher profit for the reasons attributed above.

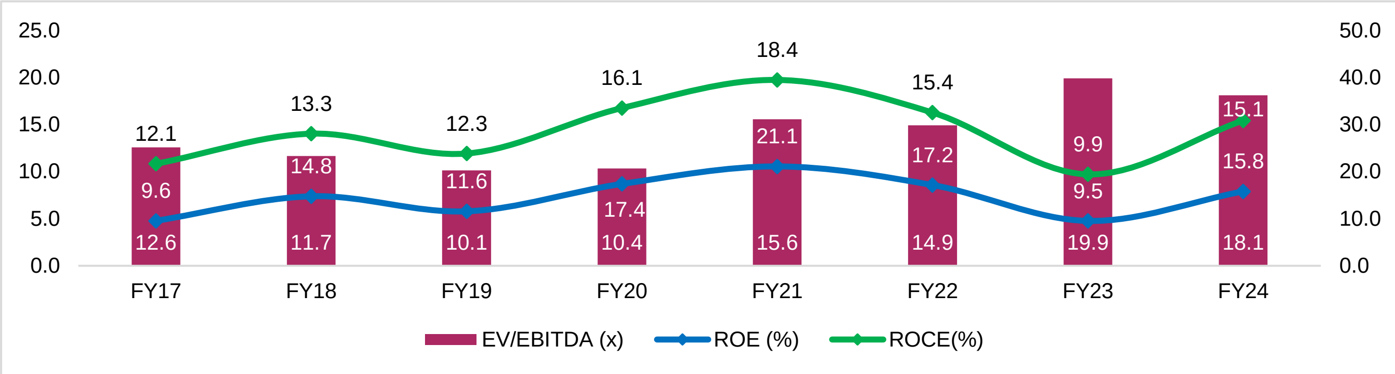
Source: Company; Axis Securities Research

Financial Ratio

Particulars	FY22	FY23	Change	Comments/Analysis
ROE	9.5%	16%	650bps	ROE improved owing to higher profitability led by improved performance
ROCE	10%	15%	500bps	ROCE improved as the EBIT margin increased to 14% from 10% in FY23 owing to the impact of Lower cost and better realization.
Asset Turn	0.90x	0.95x	5bps	Asset-turn improved marginally during the year along with a rise in sales as well as an increased asset base.
Net Debt/Equity	0.7x	0.6x	-10bps	Decreased owing to higher profit during the year.
EV/EBITDA	20x	17x	-3x	EV/EBITDA was lower owing to better operating performance.

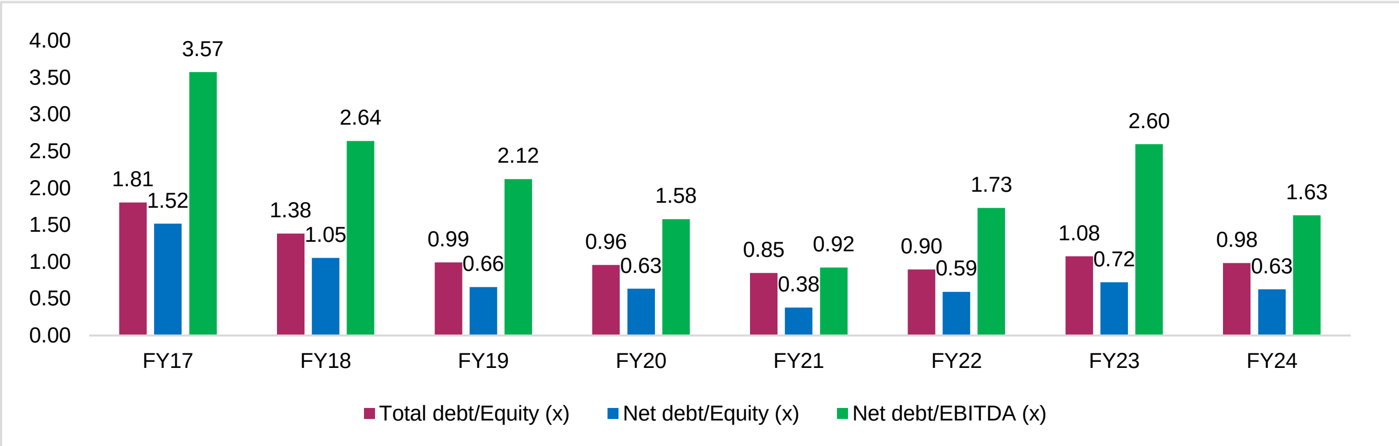
Source: Company; Axis Securities Research

Exhibit 6: EV/EBITDA, ROE, & ROCE Trend



Source: Company, Axis Securities Research

Exhibit 7: Leverage Ratio



Source: Company, Axis Securities Research

Key Balance Sheet Takeaways

Working Capital Management

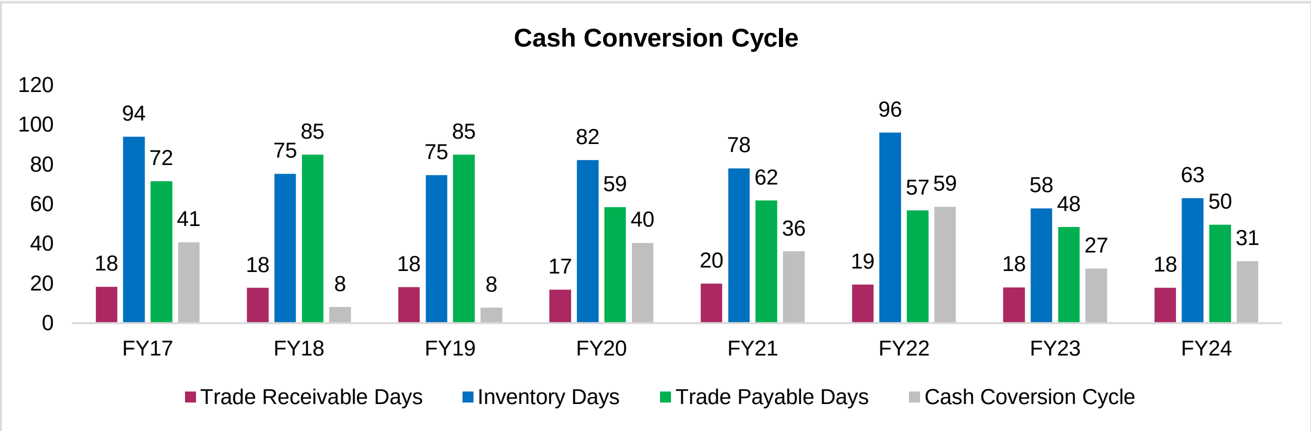
- Working capital intensity increased in FY24, with the cash conversion cycle rising to 31 days from 27 days in FY23. This was primarily due to an increase in inventory days, which rose from 58 days in FY23 to 63 days in FY24. During the year, the OCF to EBITDA conversion stood at 95%, compared to 106% in FY23, driven by the higher cash conversion cycle.
- From FY19 to FY24, the company generated a total OCF of Rs 7,873 Cr, with 88% of this amount (Rs 6,970 Cr) allocated to the company's capex program. This reflects a very high capex intensity, as the company has completed a major expansion program and is on track for further expansion, including a 6 MTPA grinding unit, with an estimated capex of Rs 2,000 Cr. For FY25E, capex, including maintenance and the paint business, is expected to be Rs 1,500 Cr and Rs 500 Cr, respectively. While the CFO remained the primary source of funding, the company availed a long-term loan of Rs 2,200 Cr, adjusted for repayment, and generated FCF of Rs 900 Cr during FY19-FY24.

Cash Conversion Cycle

Particulars	FY23	FY24	Change	Comments/Analysis
Inventory Days	58	63	5	Inventory days decreased owing to higher procurement of fuel.
Trade Receivables	18	18	0	Receivable days remained the same owing to better credit control
Trade Payables	48	50	2	Trade payable days increased on account of business conditions.
Cash Conversion Cycle	27	31	3	Overall CCC increased by 3 days owing to increase in inventory.

Source: Company; Axis Securities Research

Exhibit 8: Cash Conversion Cycle

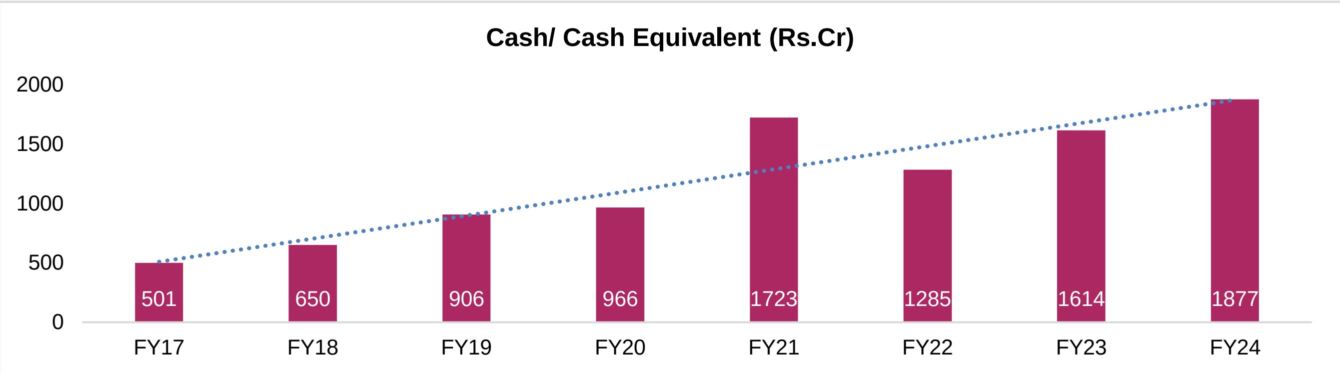


Source: Company, Axis Securities Research

Key Balance Sheet Takeaways (Cont...)

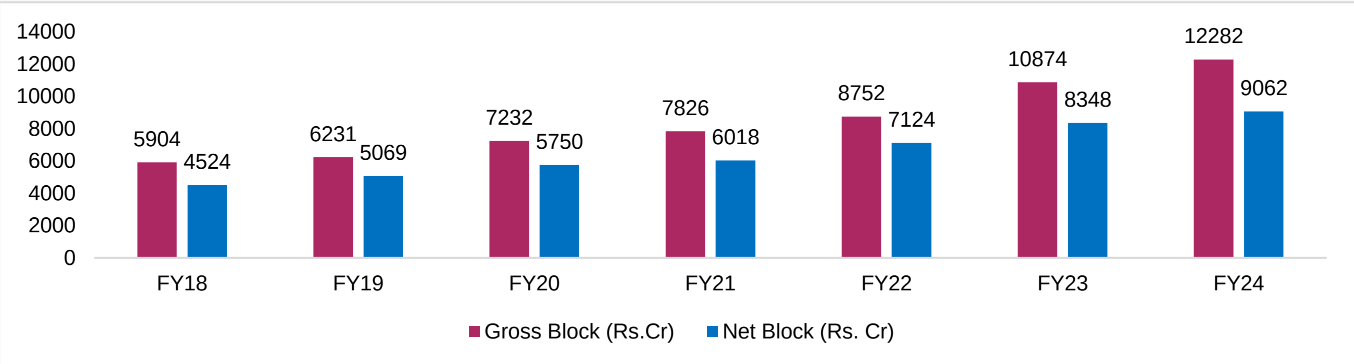
- **Debt Levels:** The company's long-term debt increased in FY24 by Rs 234 Cr while short-term debt, including the current maturity of long-term debt, increased by Rs 234 Cr. We expect the company's debt levels to remain high till the ongoing expansion is completed.
- **Fixed capital formation:** Gross fixed capital formation increased to Rs 11,907 Cr in FY24 from Rs 10,613 Cr in FY23, an improvement of 12%, as the company incurred Capex on expansion projects.
- **Capex plans:** The company is expanding its capacity by setting up two grinding plants with a capacity of 6 MTPA grinding units in various locations and other investments in green energy and sustenance Capex cost of Rs 2,000 Cr.
- **Cash and liquidity position:** The company's liquidity position improved due to enhanced profitability, with OCF increasing compared to the previous year. Cash and cash equivalents, including bank balances and fixed deposits, stood at Rs 1,876 Cr in FY24, up from Rs 1,685 Cr in FY23, marking an 11% YoY increase.

Exhibit 9: Cash & Cash Equivalent (Rs Cr)



Source: Company, Axis Securities Research

Exhibit 10: Gross & Net Block



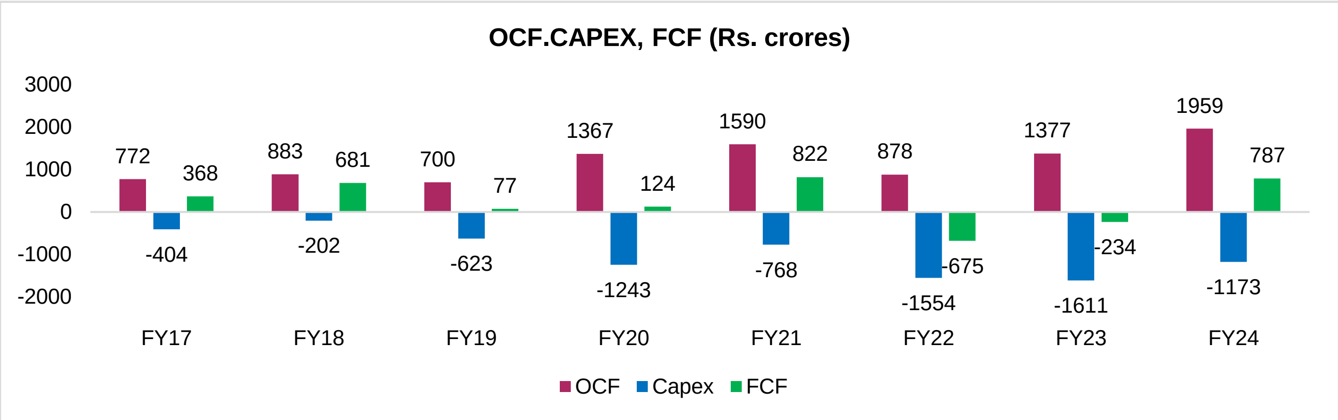
Source: Company, Axis Securities Research

Key Cash Flow Takeaways

Particulars (Rs Cr)	FY23	FY24	Change	Comments/Analysis
PBT	631	1173	85%	PBT was higher due to improved profitability.
Non-cash expenses				
Depreciation	458	572	25%	Depreciation increased as new plants were commissioned.
Finance Cost	301	443	47%	Finance costs were higher owing to elevated debt levels and an increase in interest cost
Others	-49	-139	183%	Increased owing to other non-cash adjustments.
Working Capital Adjustments	226	630	178%	Increased owing to business conditions.
CFO	1377	1959	42%	Higher CFO YoY owing to improvement in profitability during the year.
CFI	-1611	-1172	27%	CFI reduced as the new Capex program on completion.
CFF	741	415	44%	Lower owing to repayment of long-term debt during the year.
Capex	-1611	-1172	27%	Lower as new capacity expansion under completion.
Free Cash Flow Generation	-234	786	NA	Improved owing to higher OCF and lower capex during the year.

Source: Company; Axis Securities Research

Exhibit 11: OCF, Capex, FCF Trend (in Cr)



Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25E	FY26E
Net sales	**11556**	**12311**	**13919**
Other operating income	0	0	0
Total income	**11556**	**12311**	**13919**
Raw Material	1835	2021	2244
Power & Fuel	2590	2444	2689
Freight &Forwarding	2416	2698	2968
Employee benefit expenses	784	878	966
Other Expenses	1871	2038	2273
EBITDA	**2060**	**2230**	**2780**
Other income	145	170	139
	0	0	0
PBIDT	2205	2400	2919
Depreciation	565	627	712
Interest & Fin Chg.	453	465	454
E/o income / (Expense)	0	0	0
Pre-tax profit	**1186**	**1308**	**1753**
Tax provision	386	432	578
Minority Interests	-1	0	0
Associates	0	0	0
RPAT	**799**	**876**	**1174**
Other Comprehensive Income	0	0	0
APAT after Comprehensive Income	**799**	**876**	**1174**

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25E	FY26E
Total assets	**14802**	**15976**	**17204**
Net Block	9062	10282	11268
CWIP	464	464	464
Investments	368	318	368
Wkg. cap. (excl cash)	817	866	971
Cash / Bank balance	867	778	765
Misc. Assets	3224	3268	3368
Capital employed	**14802**	**15976**	**17204**
Equity capital	77	77	77
Reserves	5290	6120	7248
Minority Interests	-46	-46	-46
Borrowings	5239	5539	5539
Def Tax Liabilities	1076	1076	1076
Other Liabilities and Provision	3166	3210	3310

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25E	FY26E
Profit before tax	**1174**	**1308**	**1753**
Depreciation	573	627	712
Interest Expenses	444	465	454
Non-operating/ EO item	-129	-170	-139
Change in W/C	63	-49	-106
Income Tax	154	432	578
Operating Cash Flow	**1970**	**1750**	**2096**
Capital Expenditure	-1173	-1847	-1698
Investments	-288	50	-50
Others	100	170	139
Investing Cash Flow	**-1361**	**-1627**	**-1609**
Borrowings	120	300	0
Interest Expenses	-420	-465	-454
Dividend paid	-116	-46	-46
Others	0	0	0
Financing Cash Flow	**-416**	**-211**	**-501**
Change in Cash	-92	-88	-14
Opening Cash	257	174	86
Closing Cash	**174**	**86**	**73**

Source: Company, Axis Securities Research

Ratio Analysis

(%)

Y/E Mar	FY24	FY25E	FY26E
Operational Ratios			
Gross profit margin	41%	42%	43%
EBITDA margin	18%	18%	20%
PAT margin	7%	7%	8%
Depreciation / G. block	4.6%	4.4%	4.5%
Growth Indicator			
Sales growth	19%	7%	13%
Volume growth	18%	11%	11%
EBITDA growth	58%	8%	25%
PAT growth	90%	10%	34%
Efficiency Ratios			
Sales/Gross block (x)	0.94	0.87	0.88
Sales/Net block(x)	1.3	1.2	1.2
Working capital/Sales (%)	7%	7%	7%
Valuation Ratios			
PE (x)	43	39	29
P/BV (x)	6.4	5.5	4.7
EV/Ebitda (x)	18	17	14
EV/Sales (x)	3.2	3.1	2.7
MCap/ Sales (x)	2.9	2.8	2.4
EV/Tonne $	180	169	151
Return Ratios			
ROE	16	15	17
ROCE	15	15	17
ROIC	18	17	19
Leverage Ratios			
Debt/equity (x)	1.0	0.9	0.8
Net debt/ Equity (x)	0.6	0.6	0.5
Net debt/Ebitda	1.6	1.7	1.4
Interest Coverage ratio (x)	3.6	3.8	4.9
Cash Flow Ratios			
OCF/Sales	17%	14%	15%
OCF/Ebitda	95%	78%	75%
OCF/Capital Employed	18%	15%	16%
FCF/Sales	7%	-1%	3%
Payout ratio (Div/NP) (%)	19	5	4
AEPS (Rs.)	102	113	152
AEPS Growth (%)	85	11	34
CEPS (Rs.)	176	195	244
DPS (Rs.)	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
22-Jul-24	BUY	4,920	Result Update
26-Aug-24	BUY	4,920	AAA

Source: Axis Securities Research

Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited, is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE,MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Jatin Sanghani, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock'sprice movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.

RATING SCALE: Definitions of ratings

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.

List of Research Analyst (Fundamental):

Sr. No	Name	Designation	Sector	E-mail
1	Neeraj Chadawar	Head of Research	All Sectors	neeraj.chadawar@axissecurities.in
2	Preeyam Tolia	Research Analyst	FMCG and Retail, Real Estate	preeyam.tolia@axissecurities.in
3	Omkar Tanksale	Research Analyst	IT, Telecom, Internet	omkar.tanksale@axissecurities.in
4	Uttamkumar Srimal	Research Analyst	Cement, Infra, Railway	uttamkumar.srimal@axissecurities.in
5	Ankush Mahajan	Research Analyst	Pharmaceutical, Hospital, Hotel	ankush.mahajan@axissecurities.in
6	Dnyanada Vaidya	Research Analyst	BFSI	dnyanada.vaidya@axissecurities.in
7	Aditya Welekar	Research Analyst	Metal and Mining, Power Utilities	aditya.welekar@axissecurities.in
8	Sani Vishe	Research Analyst	Chemicals Capital Goods, Mid-cap	sani.vishe@axissecurities.in
9	Eesha Shah	Research Analyst	Real Estate, Special Situation	eesha.shah@axissecurities.in
10	Shridhar Kallani	Research Associate	Auto and Auto ancillaries	shridhar.kallani@axissecurities.in
11	Shikha Doshi	Research Associate	Cement, Infra, Railway	shikha.doshi@axissecurities.in
12	Suhanee Shome	Research Associate	FMCG and Retail	suhanee.shome@axissecurities.in
13	Shivani More	Research Associate	Chemicals Capital Goods, Mid-cap	shivani.more@axissecurities.in
14	Pranav Nawale	Research Associate	BFSI	pranav.nawale@axissecurities.in
15	Darsh Solanki	Research Associate	Metal and Mining, Power Utilities	darsh.Solanki@axissecurities.in
17	Aman Goyal	Research Associate	Pharmaceutical, Hospital, Hotel	aman.goyal@axissecurities.in
18	Arundhati Bagchi	Research Associate	Database Analyst, Economy	arundhati.bagchi@axissecurities.in

NEERAJ CHADAWAR

Digitally signed by NEERAJ CHADAWAR
Date: 2024.08.26 08:54:02 +05'30'