

JK Cement

Strong show to continue

We maintain ADD on JK Cement (JKCE), with a revised target price of INR 6,535/share (15x Sep'27E consolidated EBITDA). The company remains on a solid footing. As per our recent interaction with the management, cement prices have broadly held on QoQ despite heavy monsoon and JKCE is also expected to deliver high-single-digit grey cement volume growth in Q2FY26. It also maintained its ~12% YoY grey cement volume growth guidance for FY26. It is ramping up green power share (already second best after Shree Cement). Additionally, its expansions are on track and JKCE's grey cement capacity will increase to 32mn MT by the end of FY26. It is also well on track to achieve its 50mn MT target by 2030, without straining its balance sheet. We estimate JKCE will deliver consolidated revenue/EBITDA/APAT CAGR of 12/25/30% during FY25-28E, riding on strong 11% volume CAGR (expansion-led) and blended unit EBITDA expansion of ~INR 421/MT (healthy pricing, cost controls, UAE and paint operations turnaround). Subsequently, JKCE's return ratio should remain industry-best, also supporting its premium valuations.

- **Trends in Q2FY26:** In Q2FY26, management noted that cement demand has been subdued owing to a heavy monsoon, impacting construction activities. Company, however, noted its grey volume will grow in high, single digits, driven by ramp-up of sales from the central capacity. Cement prices have been stable QoQ across its north and central operations while there is a slight decline in prices in the south. The overall grey NSR decline should be modest, in our view. Fuel prices have been stable QoQ. Company has taken maintenance shutdown across three kilns in Q2, across north, central and south. Additionally, it has been aggressive on dealers' engagement program in the quarter. These factors will increase operating costs.
- **Demand outlook:** The company maintains its annual grey cement volume guidance of 20mn MT (~12% YoY). With reduction in GST, company expects rural demand to benefit the industry. It also noted that its combined putty/white cement volumes will grow at ~5-6% YoY in FY26, driven by ~8% growth in putty volumes. The white cement volume is growing at a slower pace and will also be impacted by Asian Paints' captive white cement plant becoming operational in FY26.
- **Efficient opex structure:** In our view, JKCE's grey cement operations are already efficient with opex at ~INR 4,050-4,100/MT, despite marketing spends. JKCE is effectively using its large incentives accruals (~INR 150-160/MT) to bolster its brand positioning and increase share of premium cement sales. This has already increased to 15% in FY25 from 10% in FY23. JKCE achieved 52% green power share in Q1FY26 (second-best after Shree Cement at 66%) and is targeting 58% by the end of FY26. It also lowered its lead distance from >450km in FY23 to ~425km in FY25. JKCE expects further reduction once the Bihar SGU becomes operational by the end of FY25. Operating efficiencies and premiumization drove up grey cement margin by INR 40/MT in FY25. In FY26E, it expects similar gains from these factors and increase in green power share.
- **UAE operations have stabilized:** JKCE's overseas subsidiary in the UAE delivered consolidated revenue/EBITDA of ~INR 6/0.6-0.7bn in FY25, leading to a marginal recurring PAT. JKCE is increasing sales in African region to effectively utilize its capacity. The company is confident that this turnaround is sustainable and the UAE operations will continue to deliver marginal revenue growth from here.

ADD

CMP (as on 10 Sep 2025)	INR 6,570
Target Price	INR 6,535
NIFTY	24,973

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 6,125	INR 6,535
EBITDA	FY26E	FY27E
revision %	2.0	2.6

KEY STOCK DATA

Bloomberg code	JKCE IN
No. of Shares (mn)	77
MCap (INR bn) / (\$ mn)	517/5,869
6m avg traded value (INR mn)	739
52 Week high / low	INR 7,566/3,891

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	15.9	51.4	39.2
Relative (%)	17.6	42.3	39.8

SHAREHOLDING PATTERN (%)

	Mar-25	Jun-25
Promoters	45.68	45.66
FIs & Local MFs	24.50	23.06
FPIs	16.14	17.56
Public & Others	13.68	13.72
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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- **Marginal impact of GST rate cut on incentive accruals:** The recently announced GST rate cut will not meaningfully impact its incentives accrual as most of its incentives accruals are capital subsidies and the GST rate cut will impact the accruals on the SGUs. With Bihar SGU getting commissioned in FY26, the incremental incentives will nullify the fall. Hence, JKCE expects INR 3bn incentive accrual to continue from here. Additionally, with a fall in cement prices, demand from price-sensitive rural customers will increase, boosting volume growth for the industry and JKCE.
- **Margin outlook remains solid:** Grey cement prices have remained stable during the monsoon period (post recent recovery mainly in the eastern and southern regions), implying JKCE's H1FY26 grey NSR will rise ~5% YoY. We estimate JKCE's grey NSR to rise at 2% CAGR during FY25-28E. We estimate its unit opex will reduce over next three years at 1% CAGR, driven by lower fuel prices, rising share of green power, fall in lead distance and continued focus on efficiency. Thus, we estimate grey cement unit EBITDA to expand by ~INR 400/MT during FY25-28E to ~INR 1330/MT. We also estimate 12% grey cement volume growth in the same period, driven by ramp-up of ongoing expansions. Thus, we estimate grey segment will deliver 26% EBITDA CAGR during FY25-28E. We estimate the white/putty EBITDA will grow at 10% CAGR over the same period, mainly led by putty sales growth. Additionally, the paints business is expected to start contributing to EBITDA late-FY27 onwards, thus boosting consolidated EBITDA CAGR of 25% and blended unit EBITDA of INR 1,427/MT in FY28E.
- **Well-poised to reach 50mn MT grey cement capacity by 2030:** JKCE's grey cement capacity will increase by 8mn MT in FY26, led by 0.5mn MT debottlenecking at Ujjain, MP (in Q1FY26), 0.42mnMT Saifco acquisition (Q2FY26), 6mn MT ongoing expansions across UP, MP and Bihar (by Dec-25E) and 1mn MT debottlenecking in Karnataka (late FY26E). Additionally, JKCE also completed *bhumi-pujan* for two recently announced expansions: 0.6mn MT putty plant in Rajasthan (INR 1.95bn capex, CoD by FY27) and 3mn MT integrated greenfield plant in Jaisalmer in Rajasthan. This plant will also supply clinker to two upcoming SGUs (2mn MT each) in Punjab and Rajasthan. JKCE will spend INR 48bn on this project and we estimate the capacities will be fully operational by FY28/early FY29. Subsequently, its cement capacity will increase to 39mn MT. JKCE is also working towards capacity additions/expansion in Odisha/Karnataka/Madhya Pradesh, which should become operational during FY29-FY30, leading to a ~47mn MT in FY30.
- **Capex to accelerate but well-supported by internal accruals:** JKCE will spend cumulative capex of ~INR 80bn during FY26-28E (vs INR 47.5bn in the preceding three years), which will include the pending capex towards the ongoing central/eastern region expansion and new project announced in the northern region (both grey and putty) including maintenance capex. While we believe this will increase net debt to ~INR 59bn at FY28E-end vs INR 33.5bn at FY25-end, its net debt to EBITDA ratio should marginally cool off to 1.5x in FY28E from 1.65x in FY25, as we estimate consolidated EBITDA will almost double in the same period.
- **JKCE leads the industry with the highest return ratios that seem sustainable:** In FY25, weak pricing and subdued demand pulled down margin and return ratios for all cement companies, including JK Cement. However, JKCE outperformed the industry on account of its healthy capacity utilization and margin as well as lean working capital. Thus, JKCE delivered the industry-best RoCE (12.7%) and RoE (13.8%) and emerged as the only cement company (in the listed space) to deliver >10% RoCE/RoE. As we expect JKCE to deliver 12/25/30% consolidated volumes/EBITDA/APAT CAGRs over FY25-27E, we project its RoCE/RoE will further expand and also remain the best in the industry.

- **Maintain ADD:** We introduce FY28E financial estimates in this report. We maintain ADD and roll forward out valuations on Sep'27E consolidated EBITDA (vs Mar'27E earlier), leading to a higher target price of INR 6,535/share. Our target valuation multiple of 15x is in line with its three-year mean and at a slight premium over its five-year mean of 14x.

Key operational assumptions (consolidated)

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Combined Capacity (mn MT)	12.6	16.1	17.1	17.1	23.0	24.5	27.1	35.0	35.6	38.6
Combined Volume (mn MT)	10.2	10.2	12.0	14.0	16.2	19.0	20.1	22.4	25.1	27.5
<i>YoY change (%)</i>	4.7	0.4	17.6	16.0	15.7	17.4	6.1	11.3	12.1	9.4
<i>Utilisation (%)</i>	81.0	63.6	70.5	81.8	70.3	77.5	74.3	64.0	70.5	71.2
(Rs/ MT trend)										
NSR	5,155	5,666	5,485	5,718	6,013	6,087	5,897	5,988	6,075	6,114
<i>YoY change (%)</i>	3.5	9.9	(3.2)	4.2	5.2	1.2	(3.1)	1.5	1.5	0.6
Input cost	1,952	1,926	1,861	2,103	2,571	2,331	2,084	2,009	2,009	1,969
Logistics costs	1,102	1,077	1,081	1,183	1,258	1,273	1,330	1,317	1,317	1,330
Fixed cost	1,283	1,478	1,233	1,352	1,371	1,399	1,477	1,441	1,389	1,388
Total Opex	4,337	4,481	4,175	4,638	5,200	5,002	4,891	4,767	4,715	4,337
<i>YoY change (%)</i>	3.9	3.3	(6.8)	11.1	12.1	(3.8)	(2.2)	(2.5)	(1.1)	(0.6)
EBITDA	818	1,185	1,310	1,079	813	1,085	1,006	1,221	1,361	1,427

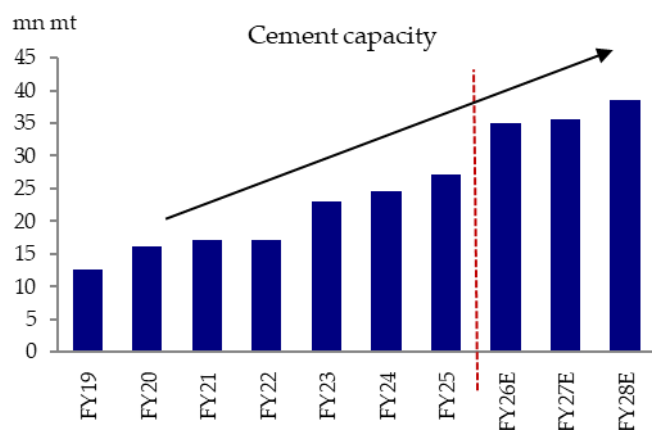
Source: Company, HSIE Research

Estimates revision: we have marginally increased FY26/27E to factor in higher white cement/putty sales and stable grey cement pricing

INR Bn	FY26E New	FY27E New	FY26E Old	FY27E Old	FY26E Chg %	FY27E Chg %
Net sales	134.21	152.62	133.48	151.42	0.5	0.8
EBITDA	27.37	34.19	26.83	33.31	2.0	2.6
APAT	12.07	15.89	11.54	15.87	4.5	0.1
AEPS	156	206	149	205	4.5	0.1

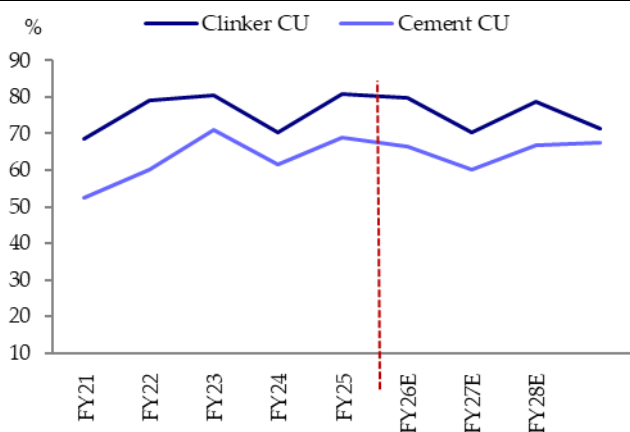
JK Cement: Company Update

Consol capacity to almost treble to 35mn MT during FY19-26E, led by continued grey cement expansion



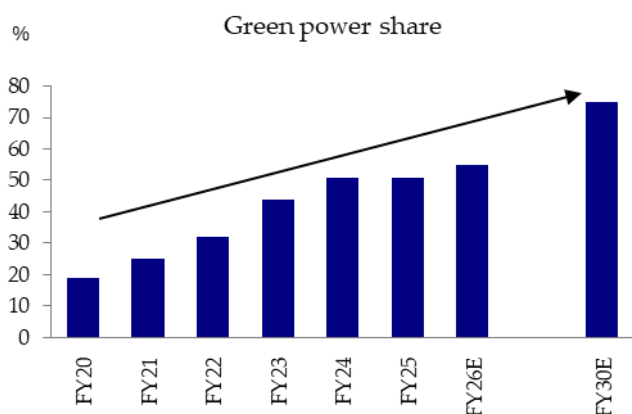
Source: Company, HSIE Research

JKCE has consistently operated its clinker plants at ~80% utilization, boosting growth



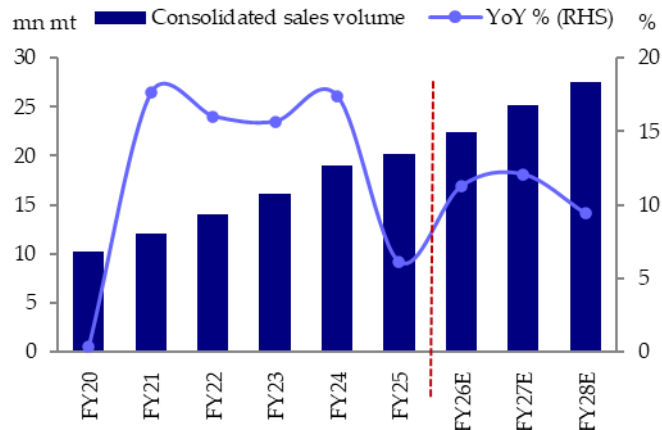
Source: Company, HSIE Research

Its low-cost green power share is industry's second-best, after Shree Cement



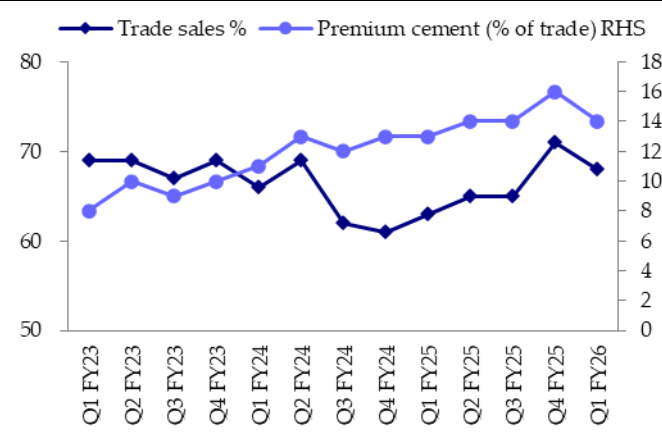
Source: Company, HSIE Research

Consolidated volume soared at 14.5% CAGR over FY20-25; we estimate 11% CAGR over FY25-28E



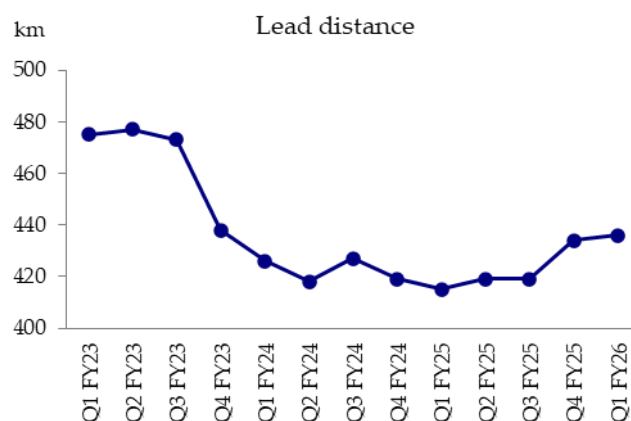
Source: Company, HSIE Research

Share of premium cement sales is on the rise



Source: Company, HSIE Research

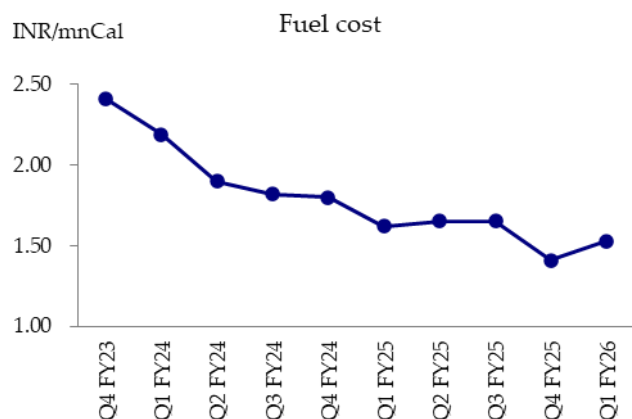
It has lowered its lead distance over the past few years



Source: Company, HSIE Research

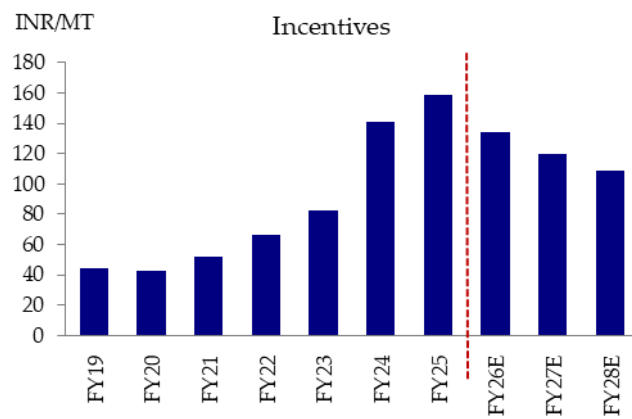
JK Cement: Company Update

Fuel costs are expected to remain stable around Q1FY26 levels



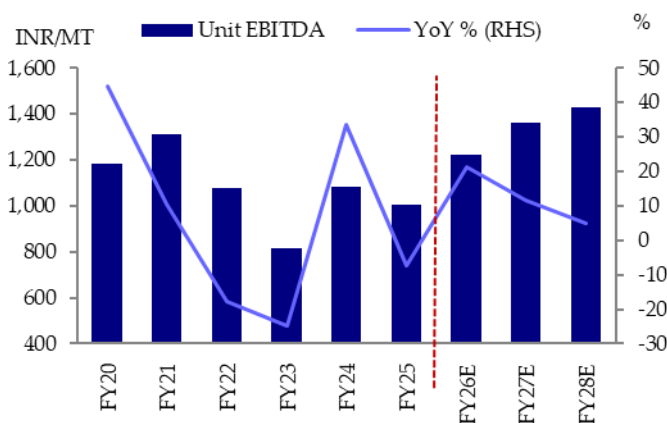
Source: Company, HSIE Research

Incentive accrual is expected to remain high over the next few years



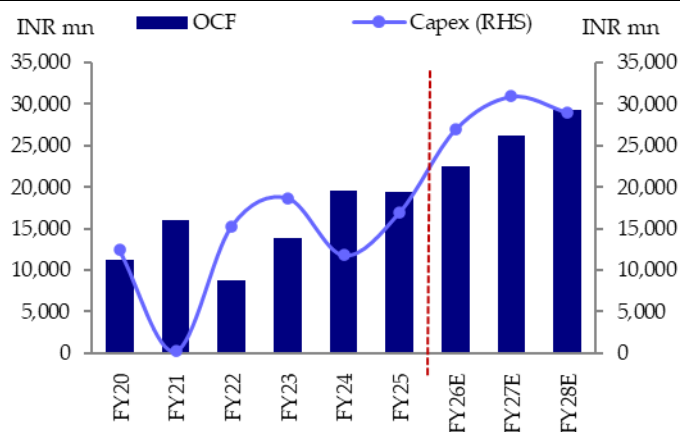
Source: Company, HSIE Research

Unit EBITDA should expand to > INR 1,400/MT by FY28E on better pricing and cost controls



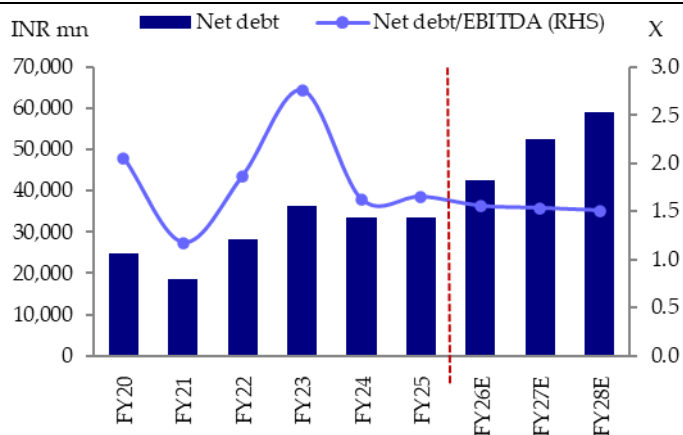
Source: Company, HSIE Research

Healthy internal accruals to majorly fund ongoing expansion...



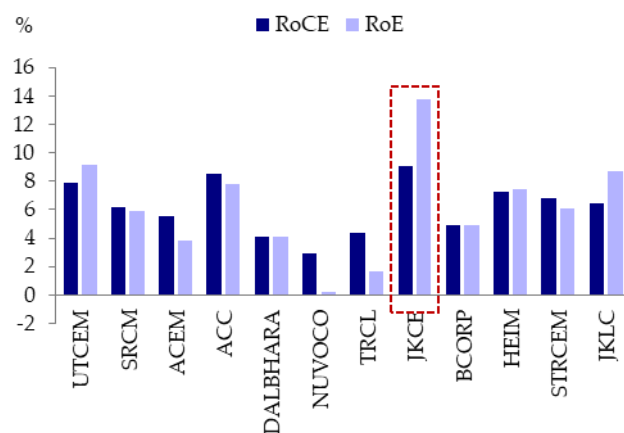
Source: Company, HSIE Research

... and hence JKCE's leverage ratio should remain well under 2x



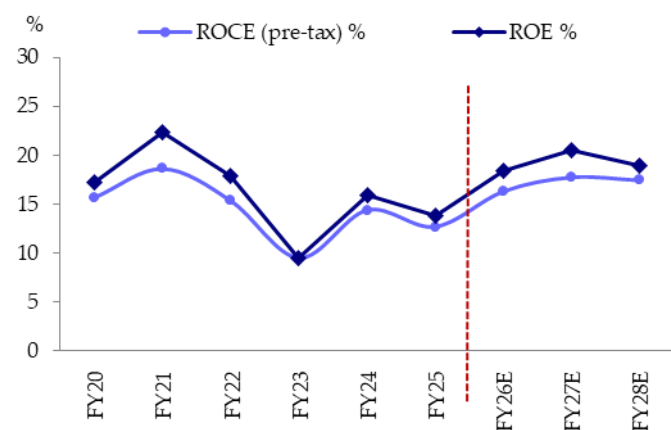
Source: Company, HSIE Research

FY25 RoCE (pre-tax)/RoE of various cement companies: JKCE tops the list



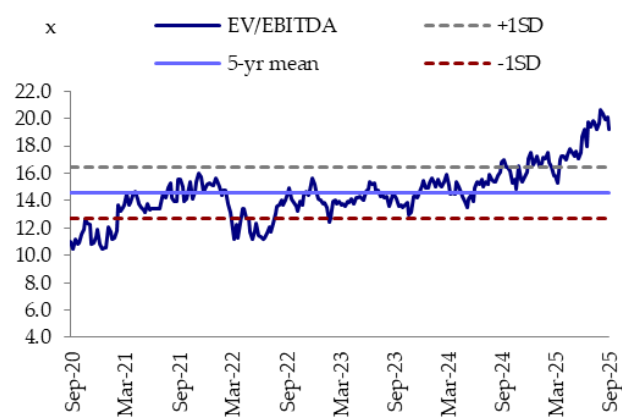
Source: Company, HSIE Research

JKCE's return ratios to continue their upward trend and maintain their lead over other cement companies



Source: Company, HSIE Research

The stock continues to get rerated



Source: Company, HSIE Research, Bloomberg

Financials

Consolidated Income Statement

YE Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenues	97,202	115,560	118,792	134,214	152,622	168,059
<i>Growth %</i>	<i>21.6</i>	<i>18.9</i>	<i>2.8</i>	<i>13.0</i>	<i>13.7</i>	<i>10.1</i>
Raw Material	15,928	18,347	20,175	22,223	24,907	26,710
Power & Fuel	25,634	25,904	21,801	22,800	25,554	27,404
Freight Expense	20,331	24,162	26,797	29,516	33,082	36,562
Employee cost	6,378	7,838	9,017	9,919	10,713	11,570
Other Expenses	15,788	18,712	20,730	22,388	24,179	26,597
EBITDA	13,144	20,598	20,271	27,367	34,187	39,217
<i>EBITDA Margin (%)</i>	<i>13.5</i>	<i>17.8</i>	<i>17.1</i>	<i>20.4</i>	<i>22.4</i>	<i>23.3</i>
<i>EBITDA Growth %</i>	<i>(12.9)</i>	<i>56.7</i>	<i>(1.6)</i>	<i>35.0</i>	<i>24.9</i>	<i>14.7</i>
Depreciation	4,619	5,726	6,015	6,638	7,921	9,192
EBIT	8,524	14,872	14,257	20,729	26,266	30,026
Other Income	874	1,451	1,730	1,781	1,230	1,186
Interest	3,122	4,531	4,592	4,496	3,936	5,656
PBT	6,277	11,791	11,395	18,014	23,560	25,556
Tax	2,113	3,851	3,446	6,035	7,775	8,434
Minority Int			105			
RPAT	4,236	7,908	8,611	12,070	15,887	17,250
EO (Loss) / Profit (Net Of Tax)	-		768	-	-	-
APAT	4,236	7,950	7,844	12,070	15,887	17,250
<i>APAT Growth (%)</i>	<i>(40.6)</i>	<i>87.7</i>	<i>(1.3)</i>	<i>53.9</i>	<i>31.6</i>	<i>8.6</i>
AEPS	54.8	102.9	101.5	156.2	205.6	223.2
<i>AEPS Growth %</i>	<i>(40.6)</i>	<i>87.7</i>	<i>(1.3)</i>	<i>53.9</i>	<i>31.6</i>	<i>8.6</i>

Source: Company, HSIE Research

Consolidated Balance Sheet

YE Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS						
Share Capital	773	773	773	773	773	773
Reserves And Surplus	46,067	52,899	60,117	70,376	83,880	98,543
Total Equity	46,840	53,671	60,890	71,149	84,653	99,316
Minority Int						
Long-term Debt	47,340	47,857	52,147	52,147	62,147	72,147
Short-term Debt	5,582	7,663	8,136	8,136	8,136	8,136
Total Debt	52,922	55,520	60,282	60,282	70,282	80,282
Deferred Tax Liability	8,339	10,756	12,215	12,215	12,215	12,215
Long-term Liab+ Provisions	-	-	-	-	-	-
TOTAL SOURCES OF FUNDS	107,657	119,493	133,050	143,219	166,621	191,156
APPLICATION OF FUNDS						
Net Block	82,315	91,381	93,586	120,550	119,579	162,387
Capital WIP	5,920	4,639	13,175	8,175	32,175	9,175
Goodwill	2,358	1,602	1,602	-	-	-
Total Non-current Investments	-	-	-	-	-	-
Total Non-current Assets	90,594	97,622	108,362	128,724	151,753	171,562
Inventories	9,741	11,816	11,751	14,708	16,726	18,417
Debtors	4,801	5,663	7,866	6,986	7,945	8,748
Cash and Cash Equivalents	16,678	22,086	26,802	17,722	17,869	21,142
Other Current Assets (& Loans/adv)	11,255	10,835	12,035	13,537	15,172	16,951
Total Current Assets	42,475	50,399	58,453	52,954	57,712	65,259
Creditors	8,221	8,804	10,981	11,767	13,381	14,734
Other Current Liabilities & Provns	17,190	19,725	22,785	26,693	29,464	30,931
Total Current Liabilities	25,411	28,528	33,766	38,460	42,844	45,665
TOTAL APPLICATION OF FUNDS	107,657	119,493	133,050	143,219	166,621	191,156

Source: Company, HSIE Research

Consolidated Cash Flow

YE Mar (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	6,313	11,736	12,424	18,014	23,560	25,556
Non-operating & EO Items	(785)	(1,395)	(1,639)	(1,781)	(1,230)	(1,186)
Interest Expenses	3,019	4,435	4,507	4,496	3,936	5,656
Depreciation	4,582	5,726	6,015	6,638	7,921	9,192
Working Capital Change	2,263	631	92	1,113	(226)	(1,454)
Tax Paid	(1,622)	(1,542)	(2,004)	(6,035)	(7,775)	(8,434)
OPERATING CASH FLOW (a)	13,770	19,591	19,394	22,446	26,186	29,330
Capex	(18,697)	(11,782)	(16,983)	(27,000)	(30,950)	(29,000)
Free Cash Flow (FCF)	(4,927)	7,809	2,411	(4,554)	(4,764)	330
Investments	(2,021)	(5,507)	(3,740)	7,096	-	-
Non-operating Income	570	931	1,627	1,781	1,230	1,186
INVESTING CASH FLOW (b)	(20,148)	(16,358)	(19,097)	(18,123)	(29,720)	(27,814)
Debt Issuance/(Repaid)	11,560	1,325	6,683	-	10,000	10,000
Interest Expenses	(2,942)	(4,324)	(4,401)	(4,496)	(3,936)	(5,656)
FCFE	3,692	4,810	4,693	(9,050)	1,300	4,674
Share Capital Issuance	-	-	-	-	-	-
Dividend	(1,159)	(1,158)	(1,544)	(1,810)	(2,383)	(2,588)
FINANCING CASH FLOW (c)	7,460	(4,157)	738	(6,306)	3,681	1,757
NET CASH FLOW (a+b+c)	1,082	(924)	1,035	(1,984)	147	3,273
Closing Cash & Equivalents	14,047	15,754	23,121	24,818	17,869	21,142

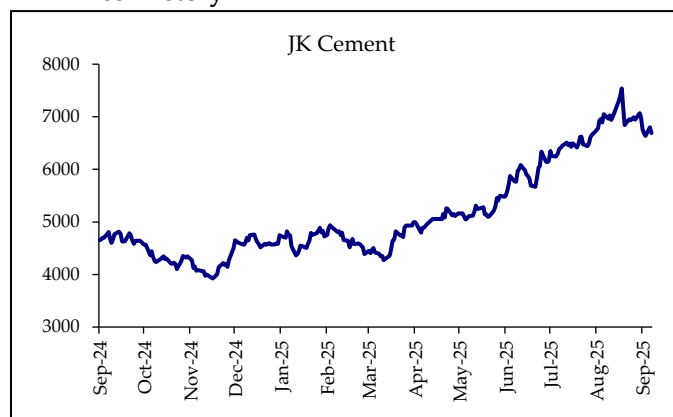
Source: Company, HSIE Research

Key Ratios

	FY23	FY24	FY25	FY26E	FY27E	FY28E
PROFITABILITY %						
EBITDA Margin	13.5	17.8	17.1	20.4	22.4	23.3
EBIT Margin	8.8	12.9	12.0	15.4	17.2	17.9
APAT Margin	4.4	6.9	6.6	9.0	10.4	10.3
RoE	9.5	16.0	13.8	18.4	20.5	18.9
RoIC (pre-tax)	11.1	16.7	15.3	19.7	22.5	21.6
RoCE (pre-tax)	9.4	14.4	12.7	16.3	17.7	17.4
EFFICIENCY						
Tax Rate %	33.7	32.7	30.2	33.5	33.0	33.0
Fixed Asset Turnover (x)	0.9	0.9	0.9	0.9	0.9	0.8
Inventory (days)	37	37	36	40	40	40
Debtors (days)	18	18	24	19	19	19
Other Current Assets (days)	42	34	37	37	36	37
Payables (days)	31	28	34	32	32	32
Other Current Liab & Provns (days)	65	62	70	73	70	67
Cash Conversion Cycle (days)	1	(1)	(6)	(9)	(7)	(3)
Net Debt/EBITDA (x)	2.8	1.6	1.7	1.6	1.5	1.5
Net D/E	0.8	0.6	0.6	0.6	0.6	0.6
Interest Coverage	2.7	3.3	3.1	4.6	6.7	5.3
PER SHARE DATA (Rs)						
EPS	54.8	102.9	101.5	156.2	205.6	223.2
CEPS	114.6	177.0	179.3	242.1	308.1	342.2
Dividend	15.0	20.0	15.0	23.4	30.8	33.5
Book Value	600	689	784	915	1,089	1,277
VALUATION						
P/E (x)	80.2	42.7	43.3	42.1	32.0	29.4
P/Cash EPS (x)	38.3	24.9	23.2	27.1	21.3	19.2
P/BV (x)	7.2	6.3	5.6	7.1	6.0	5.1
EV/EBITDA (x)	28.3	18.0	18.1	19.9	15.9	14.3
EV/MT (Rs bn)	3.8	3.2	3.1	4.1	3.6	3.3
Dividend Yield (%)	0.2	0.3	0.2	0.4	0.5	0.5

Source: Company, HSIE Research

1 Yr Price History



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:

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