

JK Cement

Decent show amid challenges, expansion to drive volume growth; BUY

Notwithstanding weak pricing environment and rising petcoke prices, strong volume growth and cost optimisation measures aided the company's quarterly performance. While the company is aiming 50m tonne cement capacity by 2030, the announced expansion would take grey cement capacity to 38m tonne by FY28. While net debt is expected to rise due to expansion capex, sales volume is expected to continue to outstrip the industry demand on capacity ramp-up. We maintain BUY rating on the stock with a revised 12-mth TP of Rs7,545 (from Rs7,016 earlier), valuing it at 18x FY28e EV/EBITDA.

Volume Growth Continued to Remain Robust: Operating at 83% capacity, cement sales volume grew by a robust 21.4% y/y to 5.77m tonne aided by firm demand, expansion in Central region and extended footprint in Eastern region (Bihar), aiding 17.3% y/y growth in revenue to Rs32bn. However, realisation declined 3.4% y/y on pricing pressure and higher non-trade sales (40% vs. 33% in Q2FY26) leading to 9.2% y/y decline in EBITDA/tonne to Rs928 (up 2.8% q/q). EBITDA grew 10.2% y/y to Rs5.4bn, in line with ARe of Rs5.3bn.

Expansion Status: Having 28.26m tonne grey cement capacity, the ongoing/announced/debottlenecking expansion would increase cement capacity to ~38m tonne by FY28. The 0.6m-tonne putty project at Nathdwara (Rajasthan) is likely to complete by Q2FY27. With an aim to achieve 50m tonne capacity by 2030, it is also evaluating Karnataka, Odisha and Penna sites for expansion. Net debt guided to rise to Rs20bn to fund expansion capex.

Outlook and Valuation: The management has retained FY26 grey cement sales volume guidance of 20m tonne and further guided 12-15% volume growth in FY27/28. As per the management, non-trade price hike undertaken in Jan'26 (15-20/bag) has impacted trade prices also. While petcoke prices has grown, the access to low-cost coal and available inventory would keep fuel cost in check in Q4FY26. Further, cost savings of Rs75-100/tonne guided in FY26/27. Expecting 13/15/23% CAGR in cement volume/revenue/EBITDA over FY25-28e, we maintain BUY rating on the stock, with a revised 12-mth TP of Rs7,545, valuing it at 18x FY28e EV/EBITDA. **Risks:** Rise in pet-coke/diesel prices and demand slowdown.

Key Financials (Y/E Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	1,09,181	1,10,932	1,28,711	1,47,936	1,67,349
Net profit (Rs m)	8,361	8,156	11,015	13,513	16,461
EPS (Rs)	108.2	105.6	142.6	174.9	213.0
P/E (x)	37.7	46.7	41.0	33.4	27.4
EV / EBITDA (x)	18.1	21.6	21.1	17.3	14.4
EV / tonne (\$)	176.9	191.7	178.7	181.9	147.5
RoE (%)	16.7	14.3	16.9	17.7	18.3
RoCE (%)	9.1	8.0	8.6	9.5	10.3
Dividend yield (%)	0.5	0.3	0.3	0.3	0.3
Net debt/equity (x)	0.9	0.8	0.9	1.0	0.7

Source: Company, Anand Rathi Research

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Rating: **BUY**

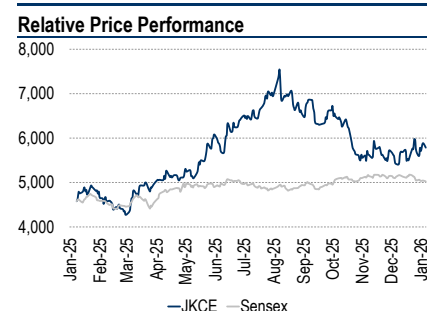
Target Price (12-mth): Rs.7,545

Share Price: Rs.5,844

Key Data	JKCE IN / JKCE.BO
52-week high / low	Rs7566 / 4219
Sensex / Nifty	82180 / 25233
Market cap	Rs447bn
Shares outstanding	77m

Shareholding Pattern (%)	Dec'25	Sep'25	Jun'25
Promoters	45.7	45.7	45.7
- of which, Pledged	-	-	-
Free float	54.3	54.3	54.3
- Foreign institutions	17.9	18.6	17.6
- Domestic institutions	22.5	21.7	23.1
- Public	14.0	14.0	13.7

Estimates Revision (%)	FY26e	FY27e	FY28e
Sales	3.2	2.9	2.9
EBITDA	0.4	0.3	(0.3)
PAT	1.2	0.8	0.2



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income Statement (Rs m)

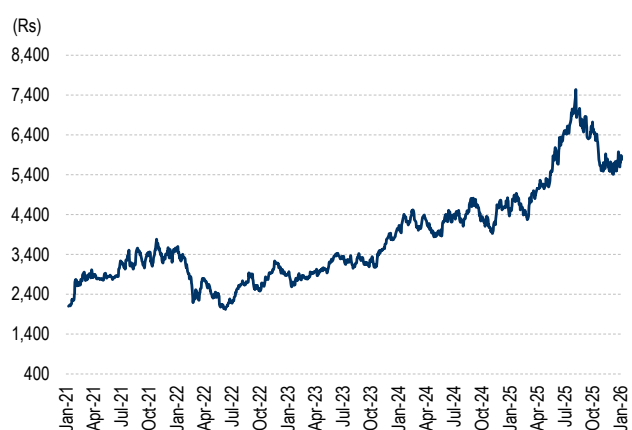
Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
Sales (m tonnes)	18.5	19.5	22.3	25.2	28.1
Net revenue	1,09,181	1,10,932	1,28,711	1,47,936	1,67,349
Growth (%)	17.3	1.6	16.0	14.9	13.1
Direct costs	64,797	64,405	74,890	83,549	93,197
SG&A	24,333	26,749	29,505	33,636	37,700
EBITDA	20,051	19,778	24,316	30,751	36,452
EBITDA margin (%)	18.4	17.8	18.9	20.8	21.8
- Depreciation	4,859	5,083	5,288	6,307	7,148
Other income	1,353	1,689	1,931	1,775	1,841
Interest expenses	4,366	4,493	4,506	5,744	6,205
PBT	12,179	11,890	16,452	20,475	24,940
Effective tax rates (%)	31.5	30.0	34.0	34.0	34.0
+ Associates / (Minorities)					
Net income	8,306	8,700	10,555	13,513	16,461
Adjusted income	8,361	8,156	11,015	13,513	16,461
WANS	77	77	77	77	77
FDEPS (Rs)	108	106	143	175	213
FDEPS growth (%)	66.3	-2.5	35.0	22.7	21.8

Fig 3 – Cashflow Statement (Rs m)

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT (adj. OI and interest)	12,179	11,890	16,452	20,475	24,940
+ Non-cash items	4,859	5,083	5,288	6,307	7,148
Oper. prof. before WC	17,038	16,973	21,741	26,782	32,088
- Incr. / (decr.) in WC	2,312	-4,671	4,957	2,380	2,048
Others incl. taxes	1,420	2,221	5,237	6,761	8,280
Operating cash-flow	13,306	19,424	11,546	17,640	21,761
- Capex (tang. + intang.)	10,911	16,928	25,698	35,250	12,500
Free cash-flow	2,395	2,495	-14,152	-17,610	9,261
Acquisitions					
- Div.(incl. buyback & taxes)	1,545	1,159	1,159	1,159	1,159
+ Equity raised	0	0	0	0	0
+ Debt raised	3,240	7,304	8,000	18,000	-8,000
- Fin investments	4,644	3,593	0	0	0
- Misc. (CFI + CFF)	-333	-105	660	200	200
Net cash-flow	-221	5,153	-7,971	-969	-98

Source: Company, Anand Rathi Research

Fig 5 – Price Movement



Source: Bloomberg

Fig 2 – Balance Sheet (Rs m)

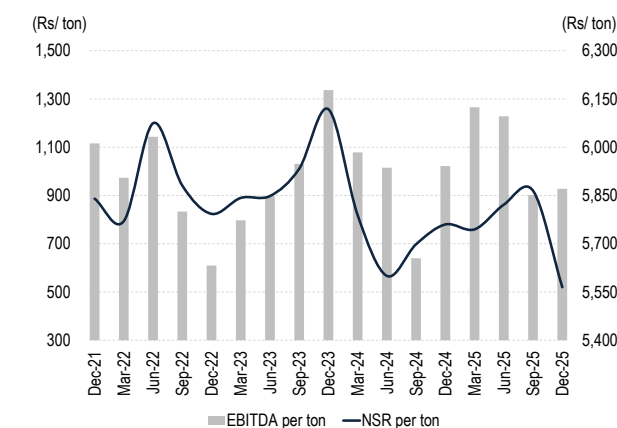
Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	773	773	773	773	773
Net worth	53,534	60,655	70,051	82,405	97,707
Debt	56,544	63,849	71,849	89,849	81,849
Minority interest					
DTL / (Assets)	10,539	12,034	12,034	12,034	12,034
Capital employed	1,20,617	1,36,537	1,53,933	1,84,288	1,91,589
Net tangible assets	79,656	82,594	1,06,090	1,30,033	1,45,386
Net intangible assets	1,160	1,132	1,132	1,132	1,132
Goodwill	0	0	0	0	0
CWIP (tang. & intang.)	4,152	13,086	10,000	15,000	5,000
Investments (strategic)	13,711	13,830	13,830	13,830	13,830
Investments (financial)	1,090	4,564	4,564	4,564	4,564
Current assets (excl. cash)	35,166	35,118	41,611	48,231	54,560
Cash	7,911	13,064	5,094	4,125	4,026
Current liabilities	22,228	26,851	28,387	32,627	36,908
Working capital	12,938	8,267	13,224	15,604	17,652
Capital deployed	1,20,617	1,36,537	1,53,933	1,84,288	1,91,589
Contingent liabilities	-	-	-	-	-

Fig 4 – Ratio Analysis

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	37.7	46.7	41.0	33.4	27.4
EV / EBITDA (x)	18.1	21.6	21.1	17.3	14.4
EV / Sales (x)	3.3	3.9	4.0	3.6	3.1
P/B (x)	5.9	6.3	6.4	5.5	4.6
RoE (%)	16.7	14.3	16.9	17.7	18.3
RoCE (%) - after tax	9.1	8.0	8.6	9.5	10.3
DPS (Rs)	20.0	15.0	15.0	15.0	15.0
Dividend payout (%) - incl. DDT	18.6	13.3	11.0	8.6	7.0
Net debt / equity (x)	0.9	0.8	0.9	1.0	0.7
WC days	43.3	27.2	37.5	38.5	38.5
EV / tonne (\$)	176.9	191.7	178.7	181.9	147.5
NSR / tonne (Rs)	5,896	5,682	5,762	5,862	5,962
EBITDA / tonne (Rs)	1,083	1,013	1,088	1,218	1,299
Volumes (m tonnes)	18.52	19.53	22.34	25.24	28.07
CFO : PAT %	159.1	238.1	104.8	130.5	132.2

Source: Company, Anand Rathi Research

Fig 6 – Quarterly per-tonne NSR and EBITDA Trend



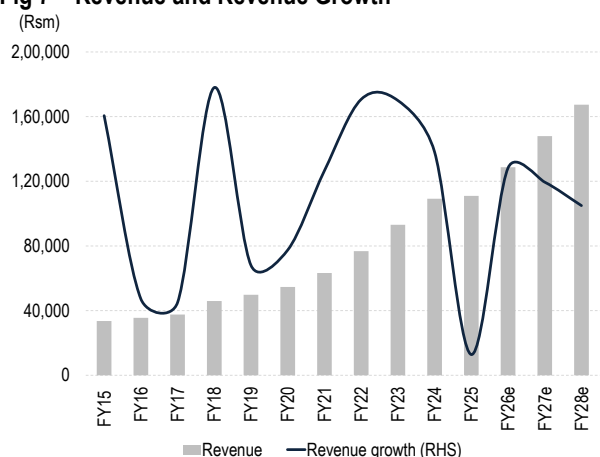
Source: Company, Anand Rathi Research

Key Earnings Highlights

Revenue Growth

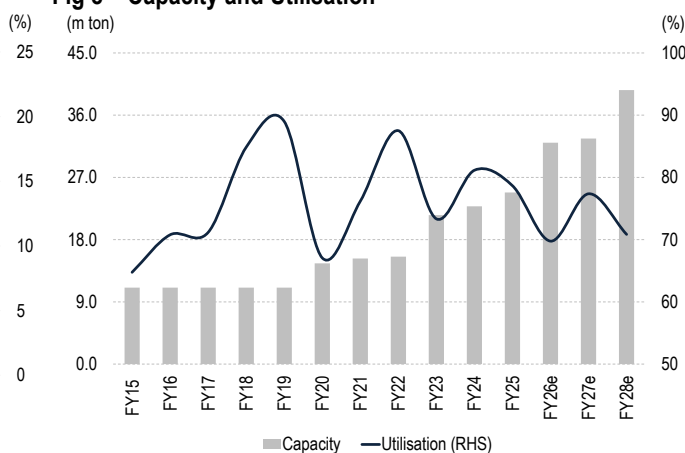
Revenue grew 17.3% y/y to Rs32.1bn in Q3FY26, led by extended footprint in central/eastern markets amid healthy demand. Cement sales volume grew 21.4% y/y to 5.77m tonne (grey cement: ~22.3% and white cement: ~11.5%). Realisation declined 3.4% y/y to Rs5,565 due to pricing pressure and higher non-trade sales. The trade/non-trade mix stood at 60:40.

Fig 7 – Revenue and Revenue Growth



Source: Company, Anand Rathi Research

Fig 8 – Capacity and Utilisation



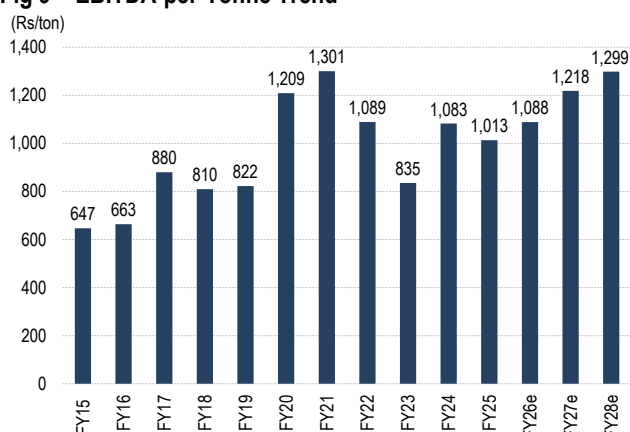
Source: Company, Anand Rathi Research

Operating Performance

EBITDA grew 10.2% y/y to Rs5.4bn and EBITDA/tonne declined 9.2% y/y to Rs928. Per-tonne Power & Fuel cost declined 3.7% y/y due to change in fuel-mix. Freight cost/tonne grew 0.9% y/y on change in mix of road dispatches and withdrawal of lean period discount by Railways.

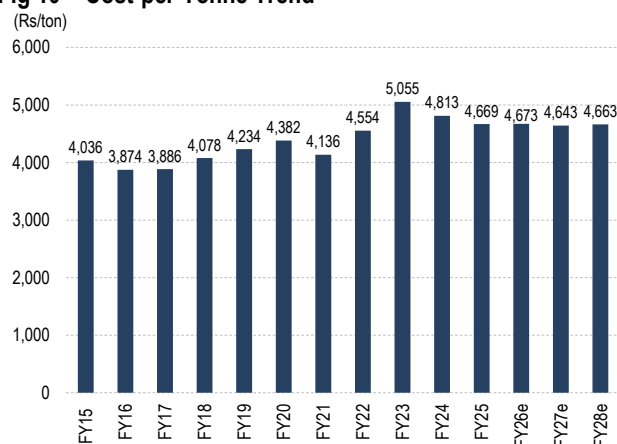
RM cost/tonne declined 1.3% y/y. Staff cost/other expenditure rose 11/7.7% y/y on absolute basis. Exceptional cost of Rs460m pertains to statutory impact of new labour codes. Impairment loss of Rs167.8m pertains to certain assets including CPP. While adj. PAT grew 13.4% y/y to Rs2.3bn, reported PAT declined 9.6% y/y to Rs1.8bn.

Fig 9 – EBITDA-per-Tonne Trend



Source: Company, Anand Rathi Research

Fig 10 – Cost-per-Tonne Trend



Source: Company, Anand Rathi Research

Result Highlights

Fig 11 – Quarterly trend

(Rs m)	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	y/y (%)	q/q (%)
Sales	27,848	29,389	26,431	24,104	27,392	33,430	31,901	28,585	32,128	17.3	12.4
EBITDA	6,084	5,475	4,790	2,705	4,859	7,364	6,731	4,398	5,356	10.2	21.8
EBITDA margin (%)	21.8	18.6	18.1	11.2	17.7	22.0	21.1	15.4	16.7	-107bps	129bps
EBITDA / tonne (Rs)	1,337	1,078	1,015	640	1,022	1,265	1,228	902	928	(9.2)	2.8
Interest	1,109	1,112	1,066	1,197	1,143	1,089	1,061	1,032	1,100	(3.7)	6.6
Depreciation	1,178	1,307	1,245	1,278	1,260	1,329	1,248	1,252	1,498	18.9	19.6
Other income	352	431	438	369	440	442	557	493	458	4.1	(7.0)
Exceptional items	-	(95)	-	-	-	(544)	-	-	460	NA	NA
PBT	4,149	3,583	2,918	600	2,896	5,931	4,980	2,606	2,756	(4.8)	5.7
Tax	1,254	1,223	891	195	898	1,758	1,654	848	951	5.8	12.0
Reported PAT	2,895	2,360	2,027	405	1,998	4,173	3,326	1,758	1,805	(9.6)	2.7
Adj. PAT	2,895	2,265	2,027	405	1,998	3,629	3,326	1,758	2,265	13.4	28.9

Source: Company, Anand Rathi Research

Fig 12 – Per-tonne Analysis

(Rs)	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	y/y (%)	q/q (%)
Realisation	6,118	5,788	5,600	5,698	5,760	5,745	5,821	5,864	5,565	(3.4)	(5.1)
EBITDA	1,337	1,078	1,015	640	1,022	1,265	1,228	902	928	(9.2)	2.8
Sales (m tonnes)	4.55	5.08	4.72	4.23	4.76	5.82	5.48	4.87	5.77	21.4	18.4
Cost											
Raw material	1,078	1,016	965	1,021	1,013	843	1,024	1,058	1,000	(1.3)	(5.5)
Power & Fuel	1,352	1,157	1,137	1,100	1,098	907	1,043	1,168	1,057	(3.7)	(9.5)
Freight	1,297	1,277	1,252	1,274	1,294	1,321	1,318	1,258	1,306	0.9	3.8
Staff	400	387	422	486	434	356	409	459	396	(8.5)	(13.6)
Other expenditure	915	921	827	1,158	972	915	852	1,112	862	(11.3)	(22.5)

Source: Company, Anand Rathi Research

Key Concall Highlights

Cement Demand and Pricing

- Extended footprint in central/eastern markets and firm demand led healthy growth in cement volume. Cement demand is expected to grow at 6-7% in Q4FY26.
- Cement/clinker capacity utilisation stood at 83/97% in Q3FY26. The management maintained FY26 grey cement sales volume guidance of 20m tonne and further guided 12-15% volume growth in FY27 and FY28. CC ratio is 67%. Clinker production was 3.6m tonne in Q3FY26.
- Non-trade cement prices hiked by Rs15-20/bag in Jan'26. Though the trade prices were not hiked, the rise in non-trade prices has released pressure on trade prices. Thus, the trade prices is likely to rise shortly.
- Accrued government subsidy is guided at Rs250m/month in FY26 (vs. Rs300m guided earlier) due to lower GST rates. With commissioning of Bihar unit, incentive is expected to rise to Rs300m/month in FY27, which would albeit be lower on per tonne basis. Notably, it accrued Rs700/600m incentive in Q2FY26/Q3FY26 (vs. Rs860m in Q3FY25).

Capacity Expansion and Subsidies

- The company targets 32m tonne cement capacity (19.6m tonne clinker capacity) by FY26 and 50m tonne by 2030. For the next phase of expansion, it mulls expansion at Jaisalmer, Karnataka, Odisha and Penna.
- It commissioned 4m tonne clinker (Panna) and 3m tonne cement capacities (1m tonne each at Panna, Hamirpur and Prayagraj) taking cement capacity to 28.26m tons. 3m tonne capacity expansion at Bihar would be complete by Q3/Q4. It has long-term fly-ash and slag tie-ups at all sites, barring Bihar. Further, it would be debottlenecking 0.7-1m tonne of cement capacity in south in FY26.
- The company is setting up and IU in Jaisalmer (cement/clinker: ~3/~4m tonne) by H1FY28 with two split grinding units (2m tonne each) in Punjab and Rajasthan by FY28 with Rs36.3bn capex (FY26: ~Rs7-8bn, FY27: ~Rs25-28bn, FY28: the rest).
- The company's current wall putty capacity stood at 1.3m tonne. It is setting up 0.6m tonne wall putty plant near Nathdwara in Rajasmand district of Rajasthan with Rs1.95bn capex (expected to be operational by Q2FY27) with an IIR of >15%. Expansion would cater to rising demand (7-10% CAGR) especially in the peak season (Diwali/year-end), which it is doing via toll arrangement. The site has efficient infrastructural accessibility to inbound and outbound logistics and proximity to Dolomite source.
- The company acquired Toshali Cement (0.6m tonne capacity) in Feb'24 for Rs900m. Operating at 80-85% capacity, it likely to reach EBITDA breakeven by FY26. Discussions are underway with the Odisha government either for lease or long-term supply agreement for limestone. With the available limestone, the capacity can be expanded to 2.5-3m tonne.

Renewable Energy

- The company intends to raise the share of green power to 75% by FY30, from 51/52% in FY25/9M FY26.
- It has 253.74MW of green energy capacity (WHRS: ~82.3MW, solar/wind ~171.44MW). It plans solar/wind power at its plants by investing in group power providers, entailing expected saving of Rs3/unit.

Wall Putty and White Cement

- Keener competition and falling realisation continue to impact its white cement business. Further, its key customer, Asian Paints, has set up a manufacturing plant in the UAE, which would affect the business. However, it is looking for new avenues (Africa) and has forayed into dry mix/construction chemical business (currently amongst Top 3). EBITDA margin is guided to bottom out.

Debt and Capex

- Standalone gross/net debt stood at Rs52.55/33.58bn in Dec-25 (vs. Rs51.01/25.63bn in FY25). Net debt-to-EBITDA stood at 1.41x (1.3x) and guided to be 1.6x by Mar'26 and 2x by Mar'27 and net D/E stood at 0.51x (0.42x). Net debt is guided to rise by Rs20bn due to expansion.
- Capex is guided at Rs25-26/35/12bn for FY26/27/28e, out of which, Rs6/30bn will be spent towards Jaisalmer IU expansion in FY26/FY27.

Paints

- The current paint capacity stands at 60,000kL with Rs4.5bn investment. Out of the approved Rs6bn capex, Rs1.5bn will be spent in FY27.
- FY26/27e paints revenue is guided at Rs3.8-3.9bn/5bn (~Rs2.75bn in FY25, Rs1.5bn in FY24, Rs900m in FY23). It aims to be EBITDA-positive in FY27 (vs. Rs450m EBITDA loss in FY25). In Q3FY26, it reported Rs1.03bn revenue.

Other Operational Highlights

- The company expects Rs150-200/tonne cost-savings, due to freight optimisation, green power savings, higher AFR use and fixed-cost optimisation. Out of this, ~Rs60/tonne savings were achieved in FY25, while Rs50/tonne was guided for FY26 and Rs25-40/tonne for FY27.
- Fuel consumption cost, which stood at Rs1.5/kcal in Q3FY26, is guided to remain at these levels in Q4FY26 on low inventory cost and access to low-cost domestic coal. Shipment will be costly on INR devaluation and higher petcoke cost (by \$8/ton). Fuel mix: ~60% petcoke and 40% Indian coal/AFR (linkage: 70% and open market: 30%).
- Lead distance remained elevated on cement sales in Bihar from its central units to create a market for the coming units, which guided to reduce by 12-15km post commissioning. Rail share was 9%. Withdrawal of lean period discount by Railways led to higher freight cost.
- Trade/non-trade mix stood at 60:40 in Q3FY26 vs. 67:33 in Q3FY25. Premium cement account for 17% of trade sales. Non-trade share increased to 40% to cater higher demand, which the management guided to peak. Premium cement share stood at 17.3% vs. 14.9% in Q2FY26 and 15.8% in Q3FY25.
- Exceptional cost of Rs460m pertains to statutory impact of new labour codes. Further, labour cost is expected to rise by Rs30-40m monthly.

Valuations

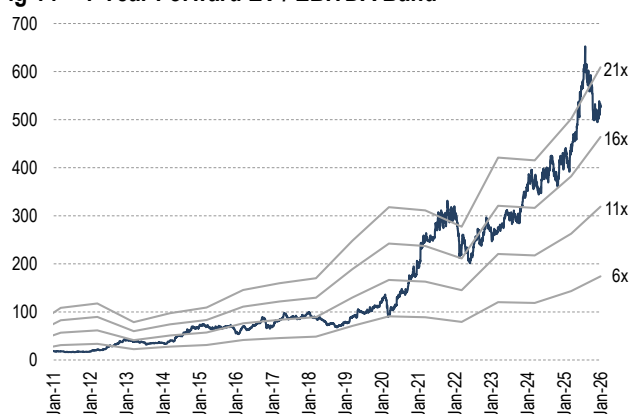
While the company is aiming at 50m tonne by 2030, the announced expansion would take grey cement capacity to 38m tonne by FY28. It intends to raise the share of green power to 75% by FY30. While ramping up the expanded capacity would push volume, its focus on increasing the share of green energy would help cost rationalisation. **We maintain a BUY rating on the stock, with a revised 12-mth TP of Rs7,545 (from Rs7,016 earlier), valuing it at 18x FY28e EV/EBITDA.**

Fig 13 – Change in Estimates

(Rs m)	Old			New			Variance (%)		
	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26	FY27	FY28
Sales	1,24,661	1,43,771	1,62,628	1,28,711	1,47,936	1,67,349	3.2	2.9	2.9
EBITDA	24,227	30,662	36,559	24,316	30,751	36,452	0.4	0.3	(0.3)
PAT	10,431	13,406	16,433	10,555	13,513	16,461	1.2	0.8	0.2

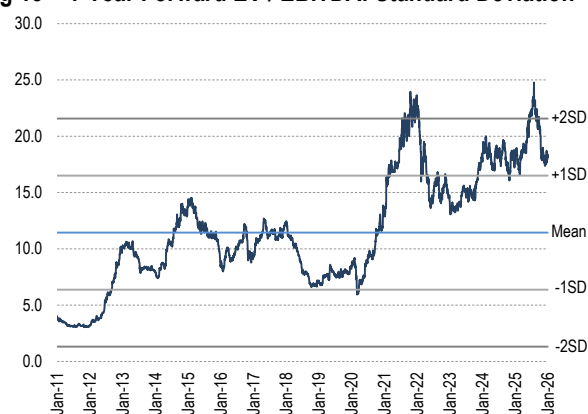
Source: Anand Rathi Research

Fig 14 – 1-Year Forward EV / EBITDA Band



Source: Bloomberg, Anand Rathi Research

Fig 15 – 1-Year Forward EV / EBITDA: Standard Deviation



Source: Bloomberg, Anand Rathi Research

Fig 16 – Relative Valuation

Company	CMP (Rs)	P/E (x)			EV / EBITDA (x)			EV / tonne (\$)		
		FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e
JK Cement	5,844	41.0	33.4	27.4	21.1	17.3	14.4	179	182	148
Ramco Cement	1,067	78.5	41.4	29.4	18.9	15.0	12.6	110	109	106
Birla Corp.	1,084	15.4	12.0	10.0	7.7	6.8	6.0	54	55	49
Shree Cement	27,173	48.8	40.2	34.9	19.7	16.8	14.5	150	147	142
Dalmia Bharat	2,158	34.7	27.4	21.8	12.8	11.0	9.4	90	83	75
JK Lakshmi	795	20.8	16.2	14.8	10.8	9.6	8.9	73	70	67
Heidelberg Cement	167	20.4	15.5	13.9	10.3	7.9	6.8	57	54	51
Prism Johnson	125	NA	179.0	70.7	13.3	11.3	9.6	61	61	57
Star Cement	211	25.7	22.0	17.2	10.4	9.1	7.4	101	99	79

Source: Company, Anand Rathi Research

Risks

- Demand slowdown.
- Rise in petcoke/coal/diesel prices.

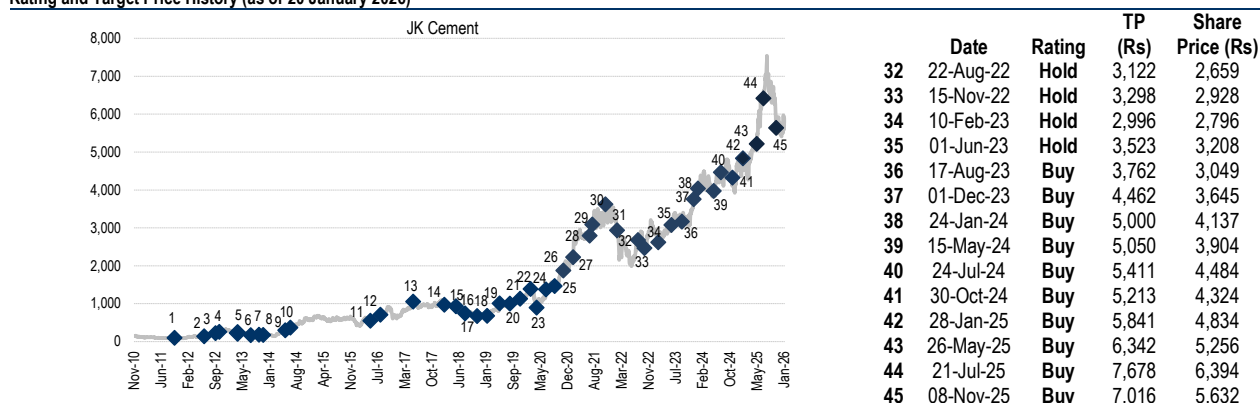
Appendix

Analyst Certification

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