

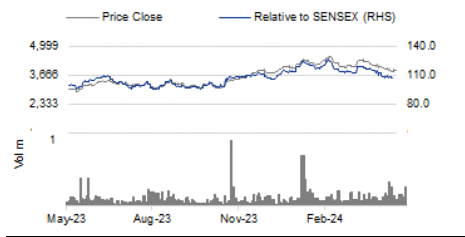
India

HOLD (no change)

Consensus ratings*: Buy 19 Hold 3 Sell 4	
Current price:	Rs3,922
Target price:	Rs4,100
Previous target:	Rs4,100
Up/downside:	4.5%
InCred Research / Consensus:	-6.8%
Reuters:	JKCE.BO
Bloomberg:	JKCE IN
Market cap:	US\$3,629m Rs303,023m
Average daily turnover:	US\$7.6m Rs631.3m
Current shares o/s:	77.3m
Free float:	43.0%
*Source: Bloomberg	

Key changes in this note

- Cut EBITDA by 1-2% for FY25F-26F.
- Maintain target price of Rs4,100.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(7.5)	(5.3)	28.9
Relative (%)	(7.1)	(6.6)	9.9

Major shareholders	% held
Promoter & Promoter Group	45.7
Kotak Small Cap Fund	5.5
Mirae Asset Emerging Fund	3.7

Research Analyst(s)



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J K Cement Ltd

In-line 4Q; long-term growth plans intact

- 4QFY24 consolidated EBITDA stood at ~Rs5.6bn, up ~60% yoy while down ~10% qoq, ~3% below our estimate, mainly due to higher fixed costs.
- JKCE expects ~Rs150-200/t of cost savings in the next two years led by freight cost optimization and increased use of green power as well as alternative fuels.
- We marginally cut our EBITDA estimates by ~1-2% for FY25F-26F to factor in near-term challenges. Retain HOLD rating with an unchanged TP of Rs4,100.

Broadly in-line volume performance in 4QFY24 and FY24

JK Cement or JKCE's 4QFY24 grey cement volume rose by ~11% yoy to 5.2mnt, driven by its new Central India capacity ramp-up, which operated at ~83% in the first year of operations. Grey cement realization declined by 5% qoq led by pricing weakness and we expect the prices to remain soft in 1HFY25F due to elections and onset of the monsoon season. JKCE targets volume growth of ~10% in FY25F (vs. 7% industry growth rate). The ongoing work on 2mpta grinding unit or GU at Prayagraj to be commissioned by 2QFY25F. Moreover, construction work has started on an upcoming clinker and cement capacity of 3.3mpta and 1mpta, respectively, at Panna. JKCE aims to commission the projects by 2Q-3QFY26F. Followed by another 5mpta of GU in Bihar and the central markets.

Blended EBITDA/t Rs1,077;Rs150-200/t cost optimization guidance

Blended costs/t remained flat qoq at Rs4,897 in 4QFY24. Blended fuel consumption cost stood at Rs1.79/Kcal vs. Rs1.82 qoq and Rs2.41 yoy and a marginal fall in fuel costs in FY25F is likely. Overhead costs were higher due to a) increase in employee costs on account of year-end variable pay and additions to the payroll for newly commenced facilities, b) increased spending on branding (related to dealers' annual conference), and c) higher spending on IT upgradation. JKCE sees ~Rs 150-200/t of cost savings in the next two years led by freight cost optimization, increased use of green power & alternative fuels.

Gross debt at Rs46bn in FY24; net debt/EBITDA at <2x in FY25F-26F

JKCE incurred a capex of ~Rs12bn in FY24 and gave guidance of Rs19bn capex for FY25F (Rs22bn earlier) & for FY26F it is at Rs18bn. Consol. gross debt remained broadly flat qoq at ~Rs46bn as of Mar 2024-end and the company expects peak gross debt level of Rs55-56bn by FY26F. JKCE has completed the acquisition of Toshali cement during the quarter and further it will invest Rs 400m during the current financial year to modernize the plant.

Retain HOLD rating with an unchanged target price of Rs4,100

We like JKCE's presence and new expansion in the regions having favourable demand and pricing, but we feel the current EV/t still limits any further upside in the stock. We retain our HOLD rating on it with a Mar 2025F target price of Rs4,100, set at one-year forward EV/EBITDA of 13.5x (unchanged). **Downside risks:** Weak demand, pricing pressure, and delay in commissioning the capacity. **Upside risks:** Strong demand & pricing, sharp deleveraging, and cost control.

Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	79,908	97,202	115,560	124,616	139,221
Operating EBITDA (Rsm)	14,824	13,143	20,598	22,845	26,518
Net Profit (Rsm)	6,871	4,236	7,963	9,324	11,399
Core EPS (Rs)	88.9	54.8	103.1	120.7	147.5
Core EPS Growth	(3.2%)	(38.4%)	88.0%	17.1%	22.3%
FD Core P/E (x)	44.10	71.54	38.05	32.50	26.58
DPS (Rs)	15.0	15.0	20.0	24.1	28.0
Dividend Yield	0.38%	0.38%	0.51%	0.74%	0.86%
EV/EBITDA (x)	22.66	26.13	16.76	15.21	13.14
P/FCFE (x)	665.32	68.53	100.24	44.54	18.47
Net Gearing	77.5%	88.2%	80.3%	74.6%	66.5%
P/BV (x)	7.01	6.47	5.65	4.99	4.36
ROE	17.0%	9.4%	15.8%	16.3%	17.5%
% Change In Core EPS Estimates				(0.40%)	(0.38%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

In-line 4Q; long-term growth plans intact

Figure 1: Consolidated quarterly performance

Particulars (Rs m)	4QFY24	4QFY24F	3QFY24	4QFY23	4QFY24F	3QFY24	% Change 4QFY23
Net Sales	31,058	30,798	29,348	27,779	1%	6%	12%
Raw Materials Consumed	5,269	4,374	3,849	4,556	20%	37%	16%
Freight and Forwarding Expenses	6,810	6,781	6,148	5,905	0%	11%	15%
Power and Fuel Costs	6,156	6,958	6,506	7,748	-12%	-5%	-21%
Employee Costs	2,182	2,190	1,988	1,681	0%	10%	30%
Other Expenses	5,041	4,700	4,606	4,393	7%	9%	15%
Total Expenditure	25,458	25,002	23,097	24,283	2%	10%	5%
EBITDA	5,599	5,795	6,251	3,495	-3%	-10%	60%
Depreciation	1,530	1,496	1,404	1,322	2%	9%	16%
EBIT	4,069	4,300	4,847	2,173	-5%	-16%	87%
Interest	1,149	1,198	1,141	1,011	-4%	1%	14%
Other Income	457	400	385	380	14%	19%	20%
PBT	3,472	3,501	4,090	1,542	-1%	-15%	125%
Tax	1,275	1,015	1,252	472	26%	2%	170%
PAT before MI & associates	2,197	2,486	2,838	1,070	-12%	-23%	105%
Minority Interest	-1	18	0	22	-104%	415%	-103%
Profit from Associates	0	0	0	4			
Recurring PAT	2,196	2,504	2,838	1,095	-12%	-23%	101%
Extraordinary Items	95	0	0	0			
Reported PAT	2,196	2,504	2,838	1,095	-12%	-23%	101%
EPS (Rs)	28.4	32.2	36.7	13.8	-12%	-23%	105%
Gross Margin	41%	41%	44%	34%	10 bps	-248 bps	683 bps
EBITDA Margin	18.0%	18.8%	21.3%	12.6%	-79 bps	-327 bps	545 bps
EBIT Margin	13%	14%	17%	8%	-86 bps	-341 bps	528 bps
PBT Margin	11%	11%	14%	6%	-19 bps	-276 bps	563 bps
PAT Margin	7%	8%	10%	4%	-106 bps	-260 bps	313 bps
Tax Rate	37%	29%	31%	31%	772 bps	612 bps	613 bps
Cost items as % of sales							
Raw Material Costs	17%	14%	13%	16%	276 bps	385 bps	57 bps
Freight Costs	22%	22%	21%	21%	-9 bps	98 bps	67 bps
P&F Costs	20%	23%	22%	28%	-277 bps	-235 bps	-807 bps

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: 4QFY24 results on per tonne analysis

Per tonne analysis	4QFY24	4QFY24F	3QFY24	4QFY23	4QFY24F	3QFY24	% Change 4QFY23
Sales volume (grey+white)	5.20	5.24	4.70	4.67	-1%	10.5%	11.3%
Blended realization/t	5,974	5,876	6,238	5,947	1.7%	-4.2%	0.5%
EBITDA/t	1,077	1,106	1,329	748	-3%	-19%	44%
RM Costs/t	1,014	834	818	975	21%	24%	4%
P&F Costs/t	1,184	1,327	1,383	1,659	-11%	-14%	-29%
Freight Costs/t	1,310	1,294	1,307	1,264	1%	0%	4%
Employee Costs/t	420	418	423	360	0%	-1%	17%
Other Expenses/t	970	897	979	941	8%	-1%	3%
Total Costs/t	4,897	4,770	4,909	5,199	3%	0%	-6%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Key takeaways from 4QFY24 results, presentation and earnings call ➤

Demand and pricing outlook:

- **JKCE combined sales volume** (grey + white) stood at 5.2mt, up ~11% yoy (broadly in line with Incred estimate). Standalone grey cement volume was up 13% yoy at 4.68mt (the highest) while consol. white cement volume declined by ~2% yoy to 523kt. **Capacity utilization** stood at 85% during the quarter. Total combined volume in FY24 stood at ~19.07mt, up 18%. Central India unit's expansion achieved 83% utilization in FY24.
- Management sees the **volume growing by 10% vs. 7% industry growth in FY25F**. It expects the demand to remain soft till 2HFY25F due to general elections and the onset of the monsoon season. Sees prices improving in 2HFY25F if demand recovers.
- **Regional market:** Expects Central India to add more volume due to commencement of operations of the Prayagraj unit. Gives guidance of the growth rate similar to the regional level for North and South India markets.

Costs:

- Fuel costs at Rs1.79/kcal in 4QFY24 vs. (Rs1.82/kcal qoq and Rs2.41/kcal yoy). Management expects fuel costs to fall marginally from the current levels in FY25F.
- Expects cost reduction of Rs150-200/t in the next two years. Logistic costs should account for Rs50/t, P&F costs should improve going ahead due to the rising mix of green energy & AFR. Operating leverage should aid too.
- **Lead distance time:** Freight expenses were flat qoq (while up 4% yoy) at Rs1,310/t, as the lead distance stood at 419km vs. 427km qoq & 438km yoy.
- **WHRS:** The company added 28.3MW wind power & 25.5MW solar power during FY24 to take its total green power capacity to 183MW (82MW WHRS & 101MW RE power).
- Expects full benefits of WHRS from 2QFY25F, 18MW capacity to be commissioned in 2QFY25F.
- During 4Q, employee costs were higher due to year-end incremental variable pay and furthermore, the payroll now incorporates compensation associated with recently commenced plants. Employee costs for FY25F to be at Rs3bn.
- Other expenses were higher due to the increase in branding expenditure, In 4Q, it had hosted annual dealer conferences for both its businesses and increased its spending on IT infrastructure

Expansion and capex update:

- **Panna unit expansion:** 3.3mtpa clinker line 2 & 1mtpa cement expansion at Panna, the order for main plant and machinery released, construction work started and is expected to be completed by 2QFY26F. Incurred a capex of Rs 590m till Mar 2024 out of the expected total capex of Rs 23bn. Panna line-2 IU to get operational by 3QFY26F. In advanced talks for land acquisition in respect of grinding unit (GU).
- Further, the company has laid down its 8mtpa capacity expansion plan. This will include 3.3mtpa Clinker Line-2 at Panna, Madhya Pradesh. with 6mtpa additional cement grinding capacity (3mtpa in Bihar & 1mtpa each at Panna, Hamirpur & Prayagraj). The project cost is estimated to be Rs.28.5bn of which Rs18.5bn will be funded with debt and the rest from internal accruals.
- **New project update:** 2mtpa Prayagraj GU is in the advanced stage with major ordering and engineering completed and is likely to be commissioned in 2QFY25F.
- **Capex update:** JKCE narrowed its capex guidance to Rs19bn (vs.Rs22bn earlier) for FY25F and to Rs18bn for FY26F.

Figure 3: JKCE at a glance

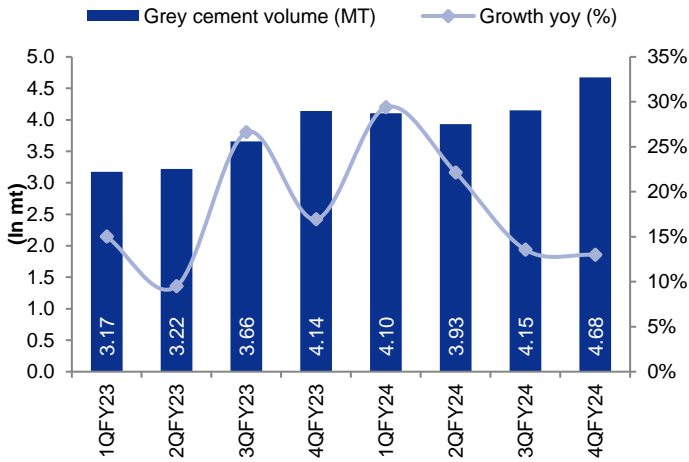


Other business highlights:

- Paints:** The company achieved sales amounting to Rs500m in 4Q and Rs1,530m in FY24 vs. a target of Rs1,500m for FY24 and suffered an EBITDA loss of Rs60m/300m in 4Q/FY24, respectively. It expects EBITDA loss of Rs350-400m in FY25F (current focus to be on brand expansion). The revenue target is Rs5bn for FY26F and the company expects to turn EBITDA positive by FY27F.
- White cement/putty:** Management sees high competition from paints players in white cement and putty business. It highlighted that competitive intensity has picked up since the entry of Birla Opus.
- Incentives:** JKCEM received incentives worth Rs800m in 4QFY24 for all its plants. Panna line-2 will also be eligible for incentives.
- Net debt:** Consolidated net debt stood at Rs25.8bn as of Mar 2024-end vs. Rs29.1bn in FY23. Net debt/EBITDA stood at 1.29x as of Mar 2024-end vs. 2.21x in FY23. CFO was at Rs19.6bn in FY24 vs. Rs13.8bn in FY23. Capex in FY24 stood at Rs11.7bn vs. Rs16.1bn in FY23.
- Toshali acquisition:** The company will invest ~Rs400m in its plant and aims at 0.4mt volume once it achieves normal operations. The company expects it to run at full capacity by 3QFY25F.
- Key statistics:** The company has a **45-48%** market share in white cement business and a **22%** share in putty business with a market size of 4.2mt.
- Trade mix** was 61% in 4Q. Clinker ratio was at 0.66x in FY24.
- Clinker ratio to improve going ahead. Its GU-clinker ratio is less than 16%.
- Fuel mix:** 60% pet coke, 40% imported coal and AFR. AFR 16.3% in FY24.
- The company highlighted improvement in its UAE business, growing 34% yoy in F24 with a volume of 0.57mt and expects to maintain this volume going ahead. It is also looking to enter new international markets.

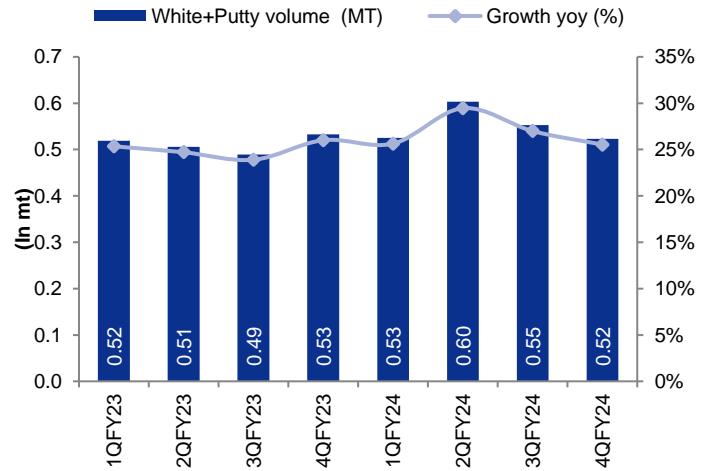
Key charts

Figure 4: Consol. grey cement sales volume rises by ~13% yoy



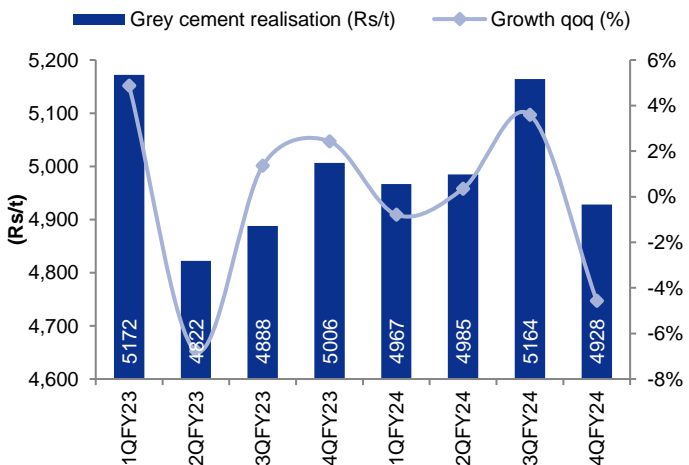
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: White cement (including putty) volume rises by 26% yoy



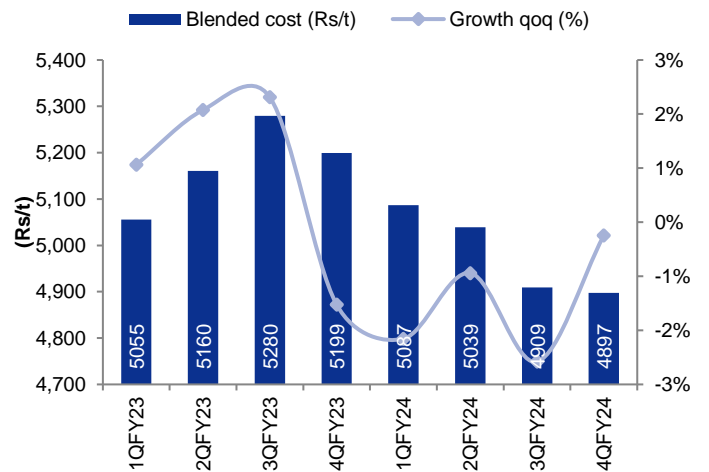
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Grey cement realization declined by 5% qoq and ~2% yoy



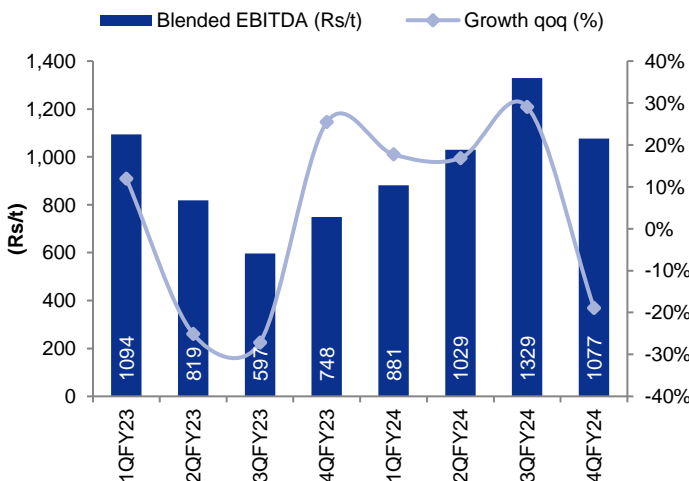
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Blended cost/t remained flat qoq and declined by 6% yoy



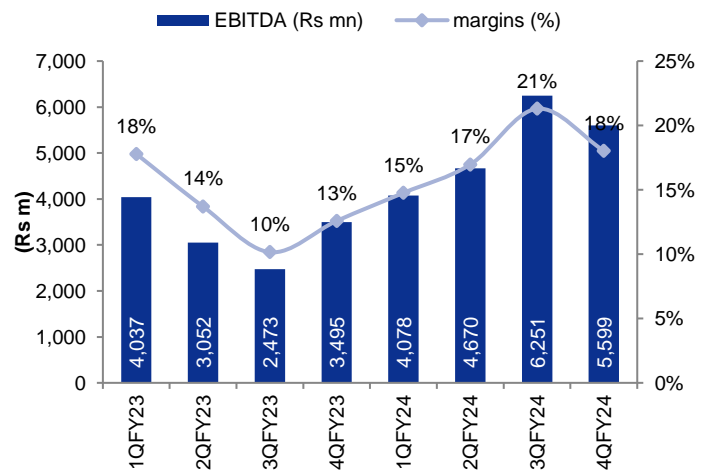
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Blended EBITDA/t declined by Rs252 qoq and improved by Rs329 yoy to Rs,1077



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Consolidated EBITDA stood at ~Rs5.6bn, a growth of ~60% yoy and a decline of 10% qoq



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key changes ➤

Figure 10: Our revised earnings estimates

Rs. m	New		Old		Change (%)	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Sales	1,24,616	1,39,221	1,24,054	1,38,326	0%	1%
EBITDA	22,845	26,518	23,370	26,673	-2%	-1%
PAT	9,324	11,399	9,758	11,661	-5%	-2%
EPS (Rs.)	120.7	147.5	126	151	-5%	-2%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 11: Changes in our earnings estimates vs. Bloomberg consensus estimates

Rs. m	Incred		Consensus		Change (%)	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Sales	1,24,616	1,39,221	1,24,357	1,37,390	0%	1%
EBITDA	22,845	26,518	22,758	25,616	0%	4%
PAT	9,324	11,399	9,807	11,753	-5%	-3%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 12: Key assumptions

	FY22A	FY23A	FY24A	FY25F	FY26F
Volume (mtpa) (Grey + White)	14	16	19	21	23
Yoy	17%	16%	18%	9%	11%
Blended realization (per tonne)	5,590	5,854	5,865	5,864	5,906
Yoy	3%	5%	0%	0%	1%
Blended cost (per tonne)	4,641	5,178	4,974	4,885	4,868
Yoy	10%	12%	-4%	-2%	0%
Blended EBITDA (per tonne)	1,057	810	1,079	1,096	1,146
Yoy	-18%	-23%	33%	2%	4%
EBITDA (Rs m)	14,824	13,143	20,598	22,845	26,518
Yoy	-4%	-11%	57%	11%	16%

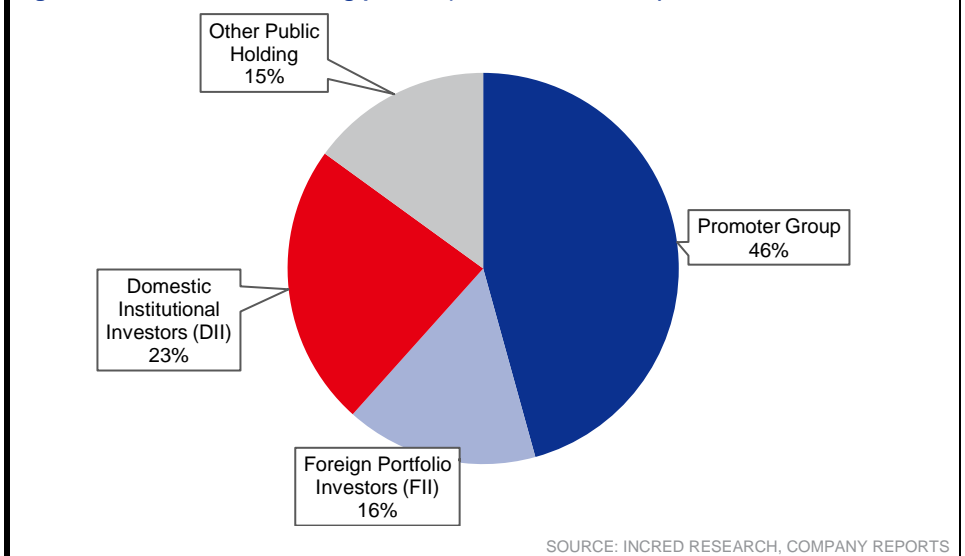
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 13: Maintain HOLD rating with a Mar 2025F target price of Rs4,100, set at one-year forward EV/EBITDA of 13.5x (unchanged)

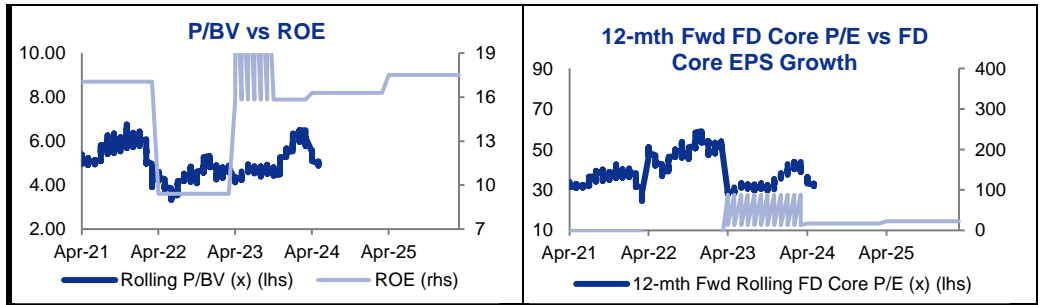
Valuation	TP
Target EV/EBITDA (x)	13.5
Target EV (Rs m)	3,59,002
Net debt / (cash) (Rs m)	41,924
No. of shares (m)	77
Fair value per share (Rs)	4,100

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 14: JKCE's shareholding pattern (as of Mar 2024-end)



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	79,908	97,202	115,560	124,616	139,221
Gross Profit	79,908	97,202	115,560	124,616	139,221
Operating EBITDA	14,824	13,143	20,598	22,845	26,518
Depreciation And Amortisation	(3,425)	(4,619)	(5,726)	(6,184)	(6,926)
Operating EBIT	11,399	8,524	14,872	16,661	19,592
Financial Income/(Expense)	(2,697)	(3,122)	(4,531)	(4,640)	(4,594)
Pretax Income/(Loss) from Assoc.	(2)				
Non-Operating Income/(Expense)	1,429	874	1,451	1,480	1,509
Profit Before Tax (pre-EI)	10,129	6,276	11,791	13,500	16,507
Exceptional Items					
Pre-tax Profit	10,129	6,276	11,791	13,500	16,507
Taxation	(3,337)	(2,113)	(3,837)	(4,185)	(5,117)
Exceptional Income - post-tax					
Profit After Tax	6,792	4,163	7,954	9,315	11,390
Minority Interests	79	73	9	9	9
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	6,871	4,236	7,963	9,324	11,399
Recurring Net Profit	6,871	4,236	7,963	9,324	11,399
Fully Diluted Recurring Net Profit	6,871	4,236	7,963	9,324	11,399

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	14,824	13,143	20,598	22,845	26,518
Cash Flow from Invt. & Assoc.					
Change In Working Capital	8,813	(4,112)	3,294	259	(253)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,429	874	1,451	1,480	1,509
Other Operating Cashflow	(15,720)	5,366	(2,707)	6,293	15,293
Net Interest (Paid)/Received	(2,697)	(3,122)	(4,531)	(4,640)	(4,594)
Tax Paid	2,137	1,622	1,542	(4,185)	(5,117)
Cashflow From Operations	8,787	13,771	19,646	22,051	33,356
Capex	(15,275)	(18,697)	(11,782)	(19,000)	(18,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	5,312	(1,451)	(4,576)	1,252	(450)
Cash Flow From Investing	(9,964)	(20,148)	(16,358)	(17,748)	(18,450)
Debt Raised/(repaid)	1,632	10,799	(265)	2,500	1,500
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,159)	(1,159)	(1,545)	(2,256)	(2,621)
Preferred Dividends					
Other Financing Cashflow	144	(2,226)	(2,347)	(4,284)	(13,284)
Cash Flow From Financing	617	7,413	(4,157)	(4,040)	(14,405)
Total Cash Generated	(560)	1,036	(869)	263	502
Free Cashflow To Equity	455	4,422	3,023	6,803	16,406
Free Cashflow To Firm	1,520	(3,255)	7,819	8,943	19,500

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	5,299	9,041	9,667	9,930	10,431
Total Debtors	4,268	4,801	5,663	5,804	6,103
Inventories	12,087	9,741	11,816	12,974	14,494
Total Other Current Assets	13,593	13,800	17,019	16,823	18,099
Total Current Assets	35,247	37,382	44,165	45,531	49,127
Fixed Assets	65,437	83,071	91,381	104,196	115,270
Total Investments	110	215	2,681	3,031	3,481
Intangible Assets	10,321	7,522	6,242	4,639	4,639
Total Other Non-Current Assets	2,916	4,877	3,553	3,553	3,553
Total Non-current Assets	78,783	95,686	103,857	115,420	126,943
Short-term Debt	8,683	8,941	10,612	10,612	10,612
Current Portion of Long-Term Debt					
Total Creditors	7,151	8,221	9,311	9,797	10,608
Other Current Liabilities	10,870	12,305	14,078	14,954	16,985
Total Current Liabilities	26,704	29,468	34,001	35,363	38,204
Total Long-term Debt	29,866	41,010	41,774	44,274	45,774
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	14,553	16,194	19,030	21,030	23,030
Total Non-current Liabilities	44,419	57,204	60,804	65,304	68,804
Total Provisions					
Total Liabilities	71,123	86,672	94,805	100,666	107,008
Shareholders Equity	43,249	46,840	53,671	60,739	69,517
Minority Interests	(343)	(444)	(455)	(455)	(455)
Total Equity	42,906	46,396	53,216	60,284	69,062

Key Ratios					
	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	21.0%	21.6%	18.9%	7.8%	11.7%
Operating EBITDA Growth	(3.7%)	(11.3%)	56.7%	10.9%	16.1%
Operating EBITDA Margin	18.6%	13.5%	17.8%	18.3%	19.0%
Net Cash Per Share (Rs)	(430.32)	(529.46)	(552.86)	(581.81)	(594.74)
BVPS (Rs)	559.72	606.20	694.61	786.08	899.69
Gross Interest Cover	4.23	2.73	3.28	3.59	4.26
Effective Tax Rate	32.9%	33.7%	32.5%	31.0%	31.0%
Net Dividend Payout Ratio	16.9%	27.4%	19.4%	24.2%	23.0%
Accounts Receivables Days	18.00	17.03	16.53	16.79	15.61
Inventory Days	44.88	40.98	34.04	36.30	36.01
Accounts Payables Days	36.87	33.38	33.69	34.26	33.04
ROIC (%)	12.6%	8.3%	13.2%	13.5%	14.6%
ROCE (%)	14.9%	9.6%	14.7%	15.1%	16.3%
Return On Average Assets	8.9%	5.9%	8.9%	9.0%	9.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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