

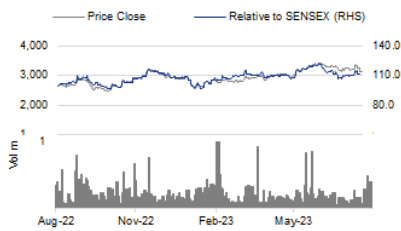
India

HOLD (no change)

Consensus ratings*: Buy 14 Hold 8 Sell 6	
Current price:	Rs3,136
Target price:	Rs3,324
Previous target:	Rs3,324
Up/downside:	6.0%
InCred Research / Consensus:	-2.5%
Reuters:	JKCE.BO
Bloomberg:	JKCE IN
Market cap:	US\$3,336m
	Rs242,222m
Average daily turnover:	US\$5.0m
	Rs362.1m
Current shares o/s:	77.3m
Free float:	37.6%
*Source: Bloomberg	

Key changes in this note

- Sales broadly maintained for FY24F-25F.
- EBITDA broadly maintained for FY24F-25F.
- Introduce FY26F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(6.6)	3.0	16.2
Relative (%)	(5.1)	(3.3)	6.8

Major shareholders	% held
Promoter & Promoter Group	45.8
Fidelity Investment Trust Fidelity Series	5.0
Mirae Asset Emerging Fund	5.0

Analyst(s)



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J K Cement Ltd

Strong volume outlook, but largely priced in

- 1QFY24 consolidated EBITDA stood at ~Rs4.08bn, up 1% yoy & 17% qoq and 9% above our estimate, driven by strong volume and lower costs.
- The grey cement expansion plan remains on track. Positive surprise on pricing front in 2Q while we expect a volume bump due to the seasonal impact.
- We broadly maintain our FY24F-25F EBITDA. Retain our HOLD rating on the stock with a target price of Rs3,324 because of rich valuation.

Steady volume in 1QFY24; new expansion provides growth visibility

JK Cement or JKCE's 1QFY24 grey cement volume (consol.) rose by ~25% yoy to 4.63mt driven by its new Central India capacity which operated at ~75% vs. 60% qoq. The grey realization fell by ~1% qoq mainly due to the focus on volume share. Further, JKCE witnessed an improvement (by Rs7-10/bag) in pricing in Jul 2023, particularly in North India. Avg. realization to improve by Rs50-70/t qoq in 2QFY24F. JKCE retained its grey volume guidance of at least ~15% yoy (at best, it could be ~20% as well) for FY24F. JKCE is on track for 1.5mtpa GU in Ujjain (by FY24F) and a 2mtpa GU in Prayagraj (received environmental clearance, placed an order for main plant & equipment, to be commissioned by 3QFY25F). JKCE strengthened its network in the paint business where it targets a revenue of Rs1.5-2b in FY24F (~Rs3bn in FY25F) with an EBITDA loss of Rs200m. During 1Q, the paint segment reported a revenue of Rs250m and EBITDA loss of Rs20m.

Blended EBITDA/t up at ~Rs881 - seen at ~Rs1,000/t by 2Q-3QFY24F

Blended cost/t declined by ~2% qoq to Rs5,087 in 1Q. Blended fuel consumption costs (incl. Panna unit on a standalone basis) fell to Rs2.2/Kcal from Rs2.5/Kcal qoq. JKCE believes the cost can come down to Rs2/Kcal and Rs1.8/Kcal by 2Q and 3QFY24F, respectively, while current pet-coke prices have shot up to ~US\$135/t. JKCE expects further cost savings of Rs60-75/t each in 2Q-3QFY24F, based on recently purchased inventory. Lead distance declined to 426km vs. 438km qoq.

Leverage position at peak level; deleveraging to kick in post FY24F

Capex guidance maintained at Rs12-14bn for FY24F (Rs3bn incurred in 1Q) and Rs7-8bn for FY25F for the aforesaid expansions. Consol. net debt stood at Rs30bn as of Jun 2023-end vs. Rs29.1bn qoq. We believe net debt peaked during 1Q. On Toshali acquisition, JKCE is awaiting the approval for the mines and has not spent money on M&A till now.

Retain HOLD rating with a target price of Rs3,324 on rich valuation

JKCE trades at FY24F/25F EV/EBITDA of 15.1x/13.1x, respectively. We like JKCE's presence and new expansion in the regions having favourable demand and pricing, but we feel the current EV/t limits any further upside in the stock. We retain HOLD rating on it with a Sep 2024F target price of Rs3,324, set at one-year forward EV/EBITDA of 13.5x (unchanged). **Downside risks:** Weak demand, pricing pressure, delay in commissioning of capacity. **Upside risks:** Strong demand & pricing, sharp deleveraging, and cost control.

Financial Summary

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	79,908	97,202	111,554	120,851	130,581
Operating EBITDA (Rsm)	14,824	13,143	18,744	20,982	22,744
Net Profit (Rsm)	6,871	4,263	7,351	9,137	10,487
Core EPS (Rs)	88.9	55.2	95.1	118.3	135.7
Core EPS Growth	(3.2%)	(38.0%)	72.4%	24.3%	14.8%
FD Core P/E (x)	35.26	56.83	32.96	26.51	23.10
DPS (Rs)	15.0	15.0	16.2	20.1	23.1
Dividend Yield	0.48%	0.48%	0.62%	0.78%	0.89%
EV/EBITDA (x)	18.56	21.51	15.11	13.17	11.94
P/FCFE (x)	531.94	54.79	16.26	8.83	6.67
Net Gearing	77.5%	88.1%	79.0%	58.0%	43.7%
P/BV (x)	5.60	5.17	4.60	4.04	3.55
ROE	17.0%	9.5%	14.8%	16.2%	16.4%
% Change In Core EPS Estimates			(0.42%)	(0.38%)	(0.35%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Strong volume outlook, but largely priced in

Figure 1: Consolidated quarterly performance

Particulars (Rs m)	1QFY24	1QFY24F	4QFY23	1QFY23	% Change		
					1QFY24F	4QFY23	1QFY23
Net Sales	27,626	26,940	27,779	22,697	3%	-1%	22%
Raw Materials Consumed	4,644	4,086	4,556	3,572	14%	2%	30%
Freight and Forwarding Expenses	5,842	5,697	5,905	4,619	3%	-1%	26%
Power and Fuel Cost	6,910	7,091	7,748	5,165	-3%	-11%	34%
Employee Cost	1,839	1,859	1,681	1,568	-1%	9%	17%
Other Expenses	4,312	4,461	4,393	3,736	-3%	-2%	15%
Total Expenditure	23,548	23,193	24,284	18,660	2%	-3%	26%
EBITDA	4,078	3,747	3,495	4,037	9%	17%	1%
Depreciation	1,348	1,334	1,285	1,055	1%	5%	28%
EBIT	2,730	2,413	2,210	2,982	13%	24%	-8%
Interest	1,090	987	1,011	654	10%	8%	67%
Other Income	316	295	380	176	7%	-17%	79%
PBT	1,806	1,720	1,578	2,505	5%	14%	-28%
Tax	671	499	481	896	35%	40%	-25%
PAT before MI & Associates	1,135	1,221	1,097	1,609	-7%	3%	-29%
Minority Interest	12	18	22	19	-34%	-45%	-37%
Profit from Assoc.	0	0	3	-1			
Recurring PAT	1,147	1,239	1,123	1,627	-7%	2%	-30%
Extraordinary Items	-150	0	0	0			
Reported PAT	1,147	1,239	1,123	1,627	-7%	2%	-30%
EPS (Rs)	14.7	15.8	14.2	20.8	-7%	3%	-29%
Gross Margin	37%	37%	34%	41%	-34 bp	258 bp	-413 bp
EBITDA Margin	14.8%	13.9%	12.6%	17.8%	85 bp	218 bp	-303 bp
EBIT Margin	10%	9%	8%	13%	93 bp	193 bp	-325 bp
PBT Margin	7%	6%	6%	11%	15 bp	86 bp	-450 bp
PAT Margin	4%	5%	4%	7%	-45 bp	11 bp	-302 bp
Tax Rate	37%	29%	30%	36%	816 bp	670 bp	139 bp
Cost Items as % of Sales							
Raw Material Cost	17%	15%	16%	16%	164 bp	41 bp	107 bp
Freight Cost	21%	21%	21%	20%	0 bp	-11 bp	79 bp
P&F Cost	25%	26%	28%	23%	-131 bp	-288 bp	226 bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

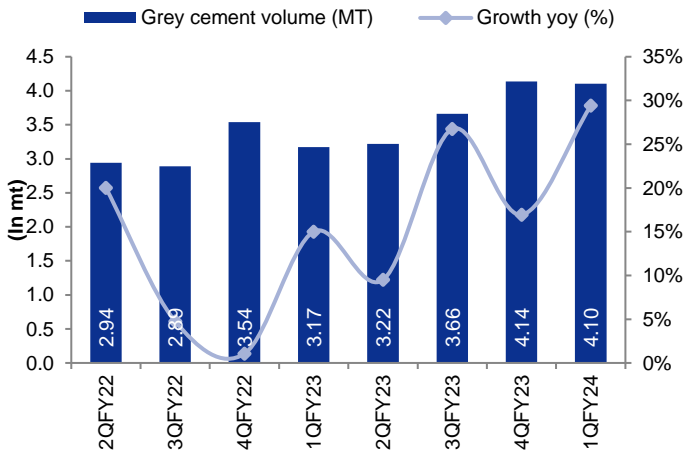
Figure 2: 1QFY24 results on per tonne analysis

Per tonne analysis	1QFY24	1QFY24F	4QFY23	1QFY23	% Change		
					1QFY24F	4QFY23	1QFY23
Sales volume (grey+white)	4.63	4.47	4.67	3.69	4%	-0.9%	25.4%
Blended realization/t	5,968	6,030	5,947	6,149	-1.0%	0.3%	-2.9%
EBITDA/t	881	839	748	1,094	5%	18%	-19%
Raw material cost/t	1,003	914	975	968	10%	3%	4%
P&F cost/t	1,493	1,587	1,659	1,399	-6%	-10%	7%
Freight cost/t	1,262	1,275	1,264	1,252	-1%	0%	1%
Employee cost/t	397	416	360	425	-5%	10%	-6%
Other expenses/t	932	998	941	1,012	-7%	-1%	-8%
Total cost/t	5,087	5,191	5,199	5,055	-2%	-2%	1%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

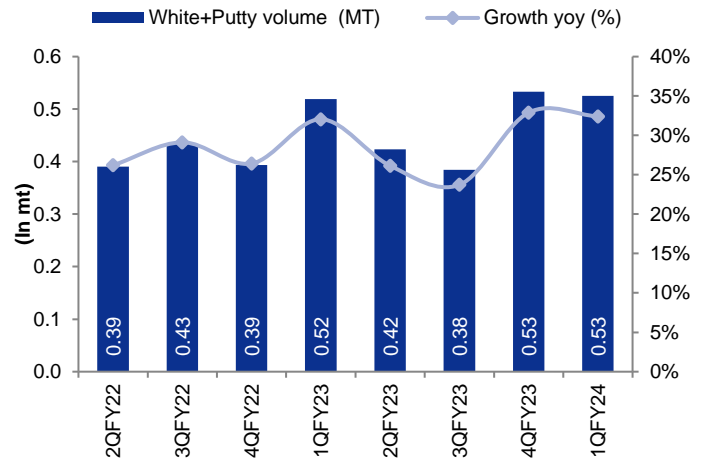
Key charts ➤

Figure 3: Consol. grey cement sales volume rises by ~25% yoy and on expanded capacity



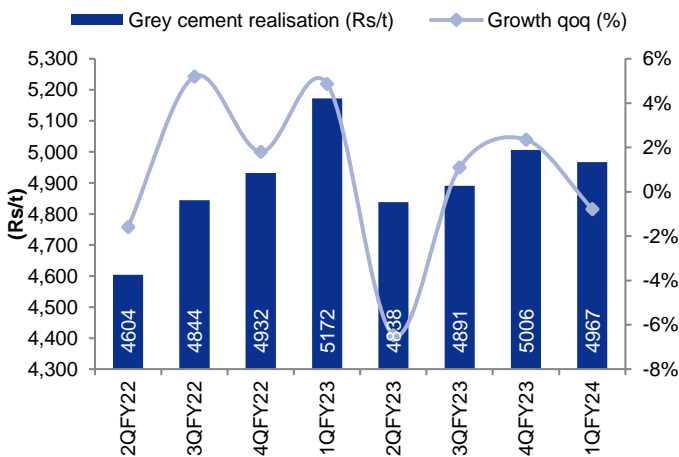
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: White cement (including putty) volume rises by 1% yoy



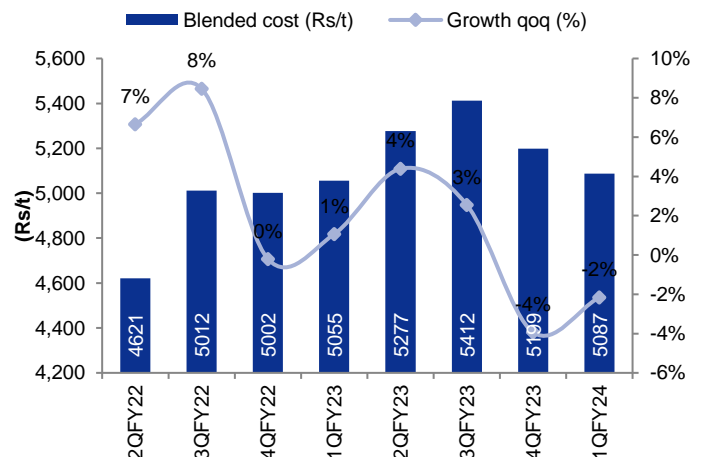
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Grey cement realization declines by 1% qoq and 4% yoy



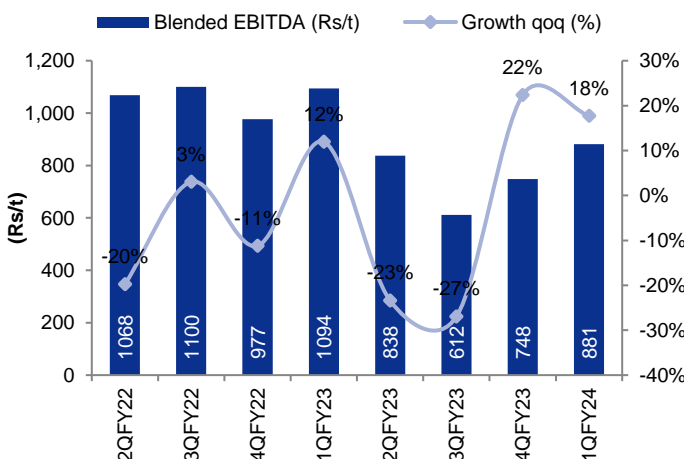
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Blended cost/t declines by 2% qoq while it rises by 1% yoy



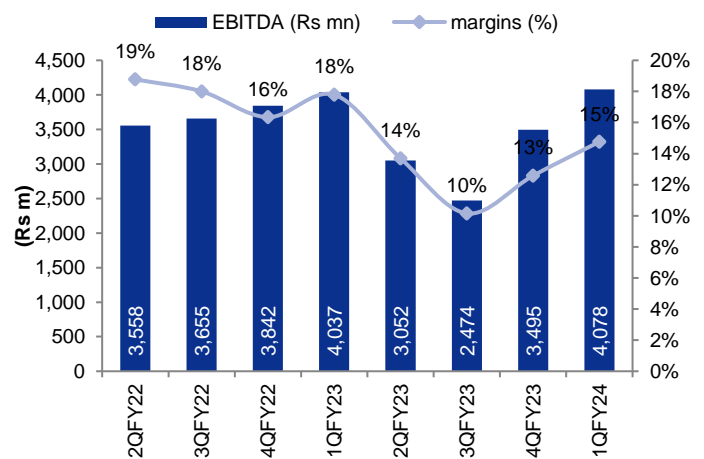
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Blended EBITDA/t improves to Rs133 qoq while it declines by Rs213 to Rs881 yoy



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Consolidated EBITDA at Rs4.08bn, up by ~1% yoy and 17% qoq



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Our revised earnings estimates

Rs. m	New		Old		Change (%)	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Sales	1,11,554	1,20,851	1,10,501	1,19,179	1%	1%
EBITDA	18,744	20,982	18,861	21,276	-1%	-1%
Recurring PAT	7,351	9,137	7,502	9,325	-2%	-2%
EPS (Rs.)	95.1	118.3	98	121	-2%	-2%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: Changes in our estimates vs. Bloomberg consensus estimates

Rs. m	Incred		Consensus		Change (%)	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Sales	1,11,554	1,20,851	1,08,615	1,21,526	3%	-1%
EBITDA	18,744	20,982	18,406	22,354	2%	-6%
PAT	7,351	9,137	6,935	9,713	6%	-6%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 11: Key assumptions

	FY22A	FY23A	FY24F	FY25F	FY26F
Volume (mtpa) (Grey + White)	14	16	18	20	21
Yoy	17%	16%	16%	8%	7%
Blended realization (per tonne)	5,759	6,013	5,955	5,967	6,025
Yoy	3%	4%	-1%	0%	1%
Blended cost (per tonne)	4,780	5,319	5,059	5,035	5,075
Yoy	10%	11%	-5%	0%	1%
Blended EBITDA (per tonne)	1,089	832	1,022	1,058	1,070
Yoy	-18%	-24%	23%	4%	1%
EBITDA (Rs m)	14,824	13,143	18,744	20,982	22,744
Yoy	-4%	-11%	43%	12%	8%

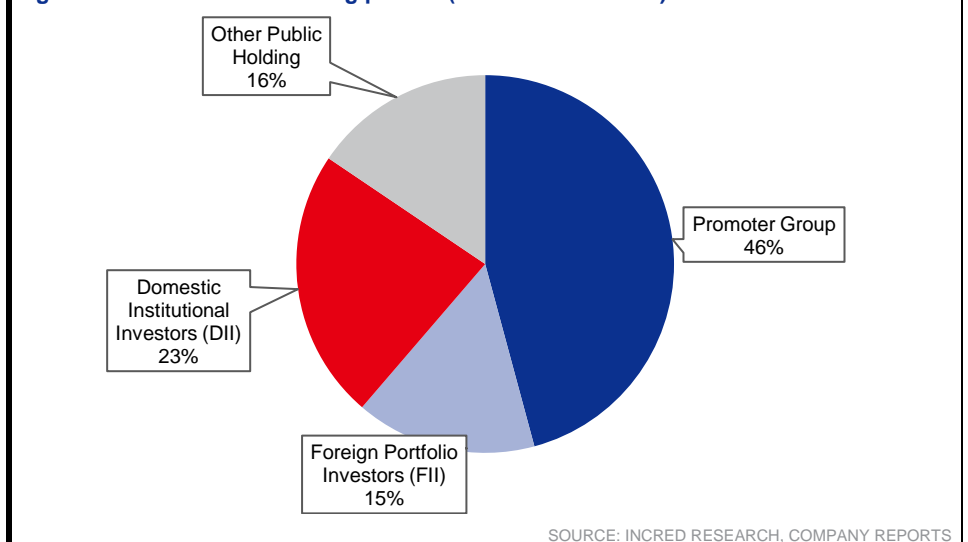
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 12: Maintain HOLD rating with a Sep 2024F target price of Rs3,324, set at one-year forward EV/EBITDA of 13.5x (unchanged)

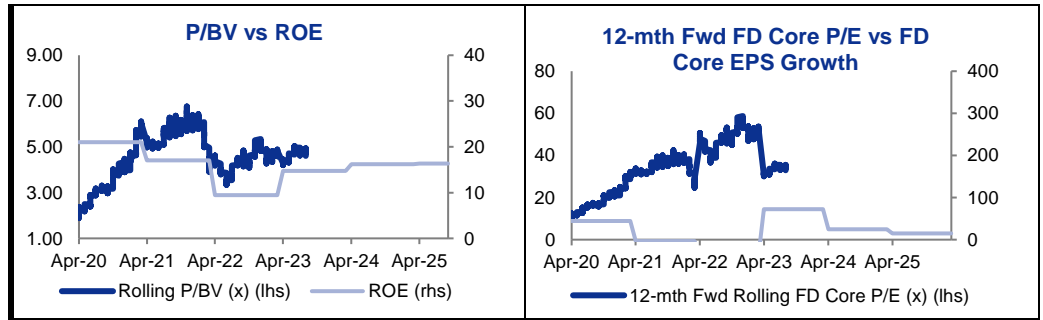
Valuation	TP
Target EV/EBITDA (x)	13.5
Target EV (Rs m)	3,07,051
Net debt / (cash) (Rs m)	33,779
No. of shares (m)	77
Fair value per share (Rs)	3,324

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 13: JKCE's shareholding pattern (as of Jun 2023-end)



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	79,908	97,202	111,554	120,851	130,581
Gross Profit	79,908	97,202	111,554	120,851	130,581
Operating EBITDA	14,824	13,143	18,744	20,982	22,744
Depreciation And Amortisation	(3,425)	(4,582)	(5,316)	(5,528)	(5,749)
Operating EBIT	11,399	8,561	13,428	15,454	16,995
Financial Income/(Expense)	(2,697)	(3,122)	(4,121)	(3,626)	(3,264)
Pretax Income/(Loss) from Assoc.	(2)				
Non-Operating Income/(Expense)	1,429	874	1,241	1,310	1,362
Profit Before Tax (pre-EI)	10,129	6,313	10,549	13,137	15,094
Exceptional Items					
Pre-tax Profit	10,129	6,313	10,549	13,137	15,094
Taxation	(3,337)	(2,122)	(3,270)	(4,073)	(4,679)
Exceptional Income - post-tax					
Profit After Tax	6,792	4,191	7,279	9,065	10,415
Minority Interests	79	72	72	72	72
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	6,871	4,263	7,351	9,137	10,487
Recurring Net Profit	6,871	4,263	7,351	9,137	10,487
Fully Diluted Recurring Net Profit	6,871	4,263	7,351	9,137	10,487

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	14,824	13,143	18,744	20,982	22,744
Cash Flow from Invt. & Assoc.					
Change In Working Capital	8,813	(4,112)	(1,357)	333	(719)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,429	874	1,241	1,310	1,362
Other Operating Cashflow	(15,720)	5,366	14,366	23,366	32,366
Net Interest (Paid)/Received	(2,697)	(3,122)	(4,121)	(3,626)	(3,264)
Tax Paid	2,137	1,622	(3,270)	(4,073)	(4,679)
Cashflow From Operations	8,787	13,771	25,603	38,291	47,810
Capex	(15,275)	(18,697)	(14,000)	(7,000)	(7,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	5,312	(1,451)	1,800	(1,850)	(1,500)
Cash Flow From Investing	(9,964)	(20,148)	(12,200)	(8,850)	(8,500)
Debt Raised/(repaid)	1,632	10,799	1,500	(2,000)	(3,000)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,159)	(1,159)	(1,512)	(1,880)	(2,157)
Preferred Dividends					
Other Financing Cashflow	144	(2,226)	(12,293)	(20,793)	(32,293)
Cash Flow From Financing	617	7,413	(12,305)	(24,673)	(37,450)
Total Cash Generated	(560)	1,036	1,098	4,769	1,860
Free Cashflow To Equity	455	4,422	14,903	27,441	36,310
Free Cashflow To Firm	1,520	(3,255)	17,524	33,067	42,574

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	5,299	9,041	10,139	14,907	16,767
Total Debtors	4,268	4,801	5,196	5,629	6,082
Inventories	12,087	9,821	11,614	12,913	13,952
Total Other Current Assets	13,593	13,720	15,394	16,073	17,367
Total Current Assets	35,247	37,383	42,342	49,522	54,169
Fixed Assets	65,437	84,456	93,140	94,612	95,863
Total Investments	110	215	415	765	765
Intangible Assets	10,321	5,920	3,920	5,420	6,920
Total Other Non-Current Assets	2,916	4,877	4,877	4,877	4,877
Total Non-current Assets	78,783	95,468	102,352	105,674	108,425
Short-term Debt	8,683	8,941	8,941	8,941	8,941
Current Portion of Long-Term Debt					
Total Creditors	7,151	8,221	8,865	10,065	10,868
Other Current Liabilities	10,870	12,305	14,167	15,711	16,975
Total Current Liabilities	26,704	29,468	31,974	34,717	36,784
Total Long-term Debt	29,866	41,010	42,510	40,510	37,510
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	14,553	15,949	17,949	20,449	20,449
Total Non-current Liabilities	44,419	56,959	60,459	60,959	57,959
Total Provisions					
Total Liabilities	71,123	86,427	92,432	95,676	94,743
Shareholders Equity	43,249	46,868	52,706	59,964	68,294
Minority Interests	(343)	(444)	(444)	(444)	(444)
Total Equity	42,906	46,424	52,262	59,520	67,850

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	21.0%	21.6%	14.8%	8.3%	8.1%
Operating EBITDA Growth	(3.7%)	(11.3%)	42.6%	11.9%	8.4%
Operating EBITDA Margin	18.6%	13.5%	16.8%	17.4%	17.4%
Net Cash Per Share (Rs)	(430.32)	(529.46)	(534.66)	(447.07)	(384.17)
BVPS (Rs)	559.72	606.56	682.12	776.05	883.86
Gross Interest Cover	4.23	2.74	3.26	4.26	5.21
Effective Tax Rate	32.9%	33.6%	31.0%	31.0%	31.0%
Net Dividend Payout Ratio	16.9%	27.2%	20.6%	20.6%	20.6%
Accounts Receivables Days	18.00	17.03	16.35	16.35	16.37
Inventory Days	44.88	41.13	35.07	37.04	37.55
Accounts Payables Days	36.87	33.38	33.60	34.59	35.43
ROIC (%)	12.6%	8.3%	12.1%	13.6%	14.5%
ROCE (%)	14.9%	9.6%	13.4%	14.5%	15.2%
Return On Average Assets	8.9%	5.9%	8.2%	8.5%	8.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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