

# JK Cement

## Strong volume; sharp cool-off in fuel cost

We maintain our REDUCE rating on JK Cement (JKCE), with an unchanged TP of INR 2,755 (11x Mar-25E consolidated EBITDA). In Q1FY24, JKCE reported strong 29% YoY grey cement volume growth on a healthy ramp of its Panna capacity (75% utilization). Fuel cost cooled off by INR 150/MT QoQ in Q1, thus driving grey unit EBITDA recovery by INR 130/MT QoQ in Q1. We expect 15% YoY consolidated volume growth in FY24, led by the fast ramp-up of Panna IU in the central region. We estimate ~INR 210/MT YoY improvement in margins in FY24, owing to the sharp cool-off in fuel cost and a greater share of green power. The upcoming expansion in UP and MP will increase grey cement capacity to 24mn MT in FY25E.

- **Q1FY24 performance:** Grey cement sales volume soared 29% YoY (down 1% QoQ) to 4.1mn MT (79% total utilization), led by a ramp-up of its central India capacities. Its central region plants operated at 75% utilization (vs 59% QoQ) and its margins are in line with the company's grey cement division. NSR improved a 1% QoQ (due to large incentives on recent expansions). As per our estimates, unit EBITDA recovered ~INR 130/MT QoQ to ~INR 700/MT (down ~INR 260/MT YoY). The ramp-up of Panna, cost stabilization, rising consumption of green energy, and falling fuel prices drove margin recovery QoQ. Segmental EBITDA rose ~25% QoQ (down 5% YoY) to ~INR 2.9bn (70% EBITDA share). White/Putty: sales volume rose a modest 4% YoY (-1% QoQ) to 0.52 mn MT. Segmental EBITDA rose ~15/5% YoY/QoQ to INR 1.2bn. EBITDA margin remained flattish QoQ /YoY at ~17-18%.
- **Capex update and outlook:** JKCE will incur a total Capex of ~INR 12-14/7-8bn in FY24/25E towards ongoing expansions. 1.5/2mn MT SGUs will be commissioned in Ujjain (MP)/Prayagraj (UP) by H2FY24/Q3FY25 respectively. Panna's (MP) clinker capacity expansion from 8,000 TPD to 10,000 TPD is expected by Q3FY24. Management guided INR 1.5-2bn revenue from paints in FY24 with INR 0.2bn EBITDA loss owing to ad spends. We estimate it to deliver 15% consolidated grey cement volume growth in FY24E on the ramp-up of central plants. JKCE expects INR 70/MT QoQ fuel saving in Q2/Q3FY24 each. Therefore, we model in ~INR 210/MT YoY margin improvement in FY24, given the sharp cool-off in fuel cost and greater share of green power. We maintain our FY24/25E EBITDA estimates.

### Consolidated quarterly/annual financial summary

YE Mar (INR bn)	Q1 FY24	Q1 FY23	YoY (%)	Q4 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Sales (mn MT)	4.6	3.7	26.0	4.7	(0.8)	12.0	14.0	16.2	18.5	21.0
NSR (INR/MT)	5,980	6,196	(3.5)	5,967	0.2	5,485	5,693	6,013	5,911	5,998
EBITDA (INR/MT)	883	1,108	(20.3)	751	17.6	1,310	1,055	813	1,022	1,075
Net Sales	27.63	22.72	21.6	27.78	(0.5)	66.06	79.56	97.20	109.54	126.24
EBITDA	4.08	4.06	0.3	3.50	16.7	15.78	14.74	13.14	18.93	22.63
APAT	1.30	1.63	(20.3)	1.12	15.5	7.49	6.79	4.26	6.91	9.34
AEPS (INR)	24.8	6.3	267.2	33.0	(24.7)	96.9	87.8	55.2	89.5	120.8
EV/EBITDA(x)						16.3	17.9	20.9	14.6	12.3
EV/MT (INR bn)						13.2	13.6	10.5	10.5	9.3
P/E (x)						32.3	35.6	56.7	35.0	25.9
RoE (%)						22.3	17.0	9.5	14.0	16.7

Source: Company, HSIE Research; Operating trends are on a blended basis (grey cement+ white/putty)

## REDUCE

CMP (as on 16 Aug 2023) INR 3,130

Target Price INR 2,755

NIFTY 19,465

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 2,755	INR 2,755
EBITDA revision %	FY24E (0.1)	FY25E (0.1)

### KEY STOCK DATA

Bloomberg code	JKCE IN
No. of Shares (mn)	77
MCap (INR bn) / (\$ mn)	242/2,957
6m avg traded value (INR mn)	363
52 Week high / low	INR 3,467/2,425

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	2.7	13.5	18.0
Relative (%)	(2.4)	6.5	7.8

### SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	45.83	45.80
FIs & Local MFs	22.47	23.15
FPIs	15.55	15.50
Public & Others	16.16	15.54

Pledged Shares	-	-
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Source : BSE

Pledged shares as % of total shares

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