26 May 2025

JK Cement

Strong performance continues; retaining a Buy

Rating: **Buy**
Target Price (12-mth): Rs.6.342
Share Price: Rs.5,256

Capacity ramp-up, demand upswing, stable prices in its key operating regions (North/Central) and various cost optimisation measures aided JK Cement's overall performance. The ongoing expansion would increase capacity to 30m tonnes by FY26; the long-term target is 50m tonnes by 2030. The continuous cost efficiency focus with higher renewable-energy share (60% by FY26) would aid in Rs150-200/ton cost savings (Rs40/tonne by FY25). We retain our Buy rating, with a higher 12-mth TP of Rs6,342 (Rs5,841 earlier), 17.5x FY27e EV/EBITDA.

Strong show. Demand uptick (especially rural) and capacity ramp-up aided cement sales volume to grow 14.6% y/y (grey up 15.3%, white up 7% y/y) to 5.82m tonnes. Its broader operations in North/Central India restricted realisation/tonne decline to 0.8% y/y, leading to revenue growing 13.7% to Rs33bn. Cost optimisation measures and stable cement prices helped EBITDA grow 34.5% y/y to Rs7.4bn and EBITDA/ton 17.4% y/y to Rs1,265.

Expansion status. The ongoing expansion would take grey cement capacity (~3m tonnes each in the Central and eastern regions) to 30.3m tonnes by FY26. Discussions are underway for limestone mining lease transfer/long-term supply agreement in Toshali, along with clearance process for expansion in Jaisalmer. Targeting 50m-tonne capacity by 2030, it is evaluating Jaisalmer, Karnataka, Odisha and Penna sites for expansion.

Outlook, Valuations. Aided by the capacity ramp up and more construction, cement sales volumes are guided to grow 10% in FY26. Cement prices grew 1% in North/Central and 5-7% in South from Mar exit prices. Of the targeted Rs150-200/ton cost savings, Rs40 was in FY25 and a further Rs50-60/ton expected in FY26. Stiff competition would keep white cement/wally putty utilisation and margins in check; the paint business is guided to be EBITDA-positive by FY27. We expect 12/14/25% cement volume/revenue/EBITDA CAGRs over FY25-27. We retain a Buy rating, with a higher Rs6,342 TP, 17.5x FY27e EV/EBITDA. **Risks:** Rise in petcoke/diesel prices; demand slowdown.

Key financials (YE Mar)	FY23	FY24	FY25	FY26e	FY27e
Sales (Rs m)	93,103	1,09,181	1,10,932	1,24,013	1,43,660
Net profit (Rs m)	5,027	8,361	8,156	9,586	14,108
EPS (Rs)	65.1	108.2	105.6	124.1	182.6
P/E (x)	44.9	37.7	49.8	42.4	28.8
EV / EBITDA (x)	20.5	18.1	22.9	19.5	14.8
EV / tonne ($)	145.9	178.0	204.7	169.1	167.3
RoE (%)	11.3	16.7	14.3	14.8	18.7
RoCE (%)	6.7	9.1	8.0	8.4	10.9
Dividend yield (%)	0.5	0.5	0.3	0.3	0.3
Net debt/equity (x)	1.0	0.9	0.8	0.8	0.6

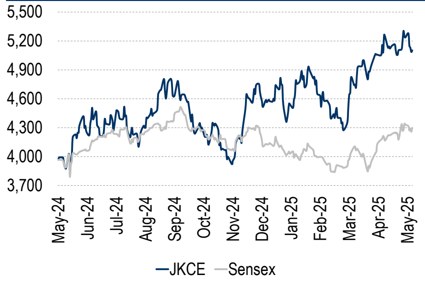
Source: Company, Anand Rathi Research

Key data	JKCE IN / JKCE.BO
52-week high / low	Rs5,389 / 3,639
Sensex / Nifty	82176 / 25001
Market cap	Rs.394bn
Shares outstanding	54m

Shareholding pattern (%)	Mar'25	Dec'24	Sept'24
Promoters	45.7	45.7	45.7
- of which, Pledged	-	-	-
Free float	54.3	54.3	54.3
- Foreign institutions	16.1	16.9	17.6
- Domestic institutions	24.5	23.7	22.4
- Public	13.7	13.7	14.3

Estimates revision (%)	FY26e	FY27e
Sales	1.3	2.0
EBITDA	1.4	3.6
PAT	1.3	7.3

Relative price performance



Source: Bloomberg

Manish Valecha
Research Analyst

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Research Associate

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rsm)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Sales volumes (m tonnes)	15.8	18.5	19.4	21.4	24.2
Net revenues	93,103	1,09,181	1,10,932	1,24,013	1,43,660
Growth (%)	21.2	17.3	1.6	11.8	15.8
Direct costs	59,263	64,797	64,405	70,536	78,536
SG&A	20,635	24,333	26,749	29,796	34,265
EBITDA	**13,204**	**20,051**	**19,778**	**23,681**	**30,858**
EBITDA margins (%)	14.2	18.4	17.8	19.1	21.5
- Depreciation	3,922	4,859	5,083	5,698	6,285
Other income	851	1,353	1,689	1,488	1,580
Interest expenses	2,956	4,366	4,493	4,948	4,778
PBT	7,177	12,179	11,890	14,524	21,375
Effective tax rates (%)	30.0	31.5	30.0	34.0	34.0
+ Associates / (Minorities)					
Net income	5,027	8,306	8,700	9,586	14,108
Adjusted income	5,027	8,361	8,156	9,586	14,108
WANS	77	77	77	77	77
FDEPS (Rs)	65	108	106	124	183
FDEPS growth (%)	-33.9	66.3	-2.5	17.5	47.2

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Share capital	773	773	773	773	773
Net worth	46,397	53,534	60,655	69,081	82,030
Debt	53,304	56,544	63,849	63,849	59,849
Minority interest					
DTL / (Assets)	8,130	10,539	12,034	12,034	12,034
Capital employed	**1,07,831**	**1,20,617**	**1,36,537**	**1,44,964**	**1,53,913**
Net tangible assets	71,854	79,656	82,594	1,05,983	1,12,197
Net intangible assets	1,160	1,160	1,132	1,132	1,132
Goodwill	0	0	0	0	0
CWIP (tang. &intang.)	5,902	4,152	13,086	2,500	2,500
Investments (strategic)	9,449	13,711	13,830	13,830	13,830
Investments (financial)	708	1,090	4,564	4,564	4,564
Current assets (excl. cash)	31,029	35,166	35,118	39,752	46,050
Cash	8,132	7,911	13,064	4,554	5,324
Current liabilities	20,403	22,228	26,851	27,351	31,684
Working capital	10,626	12,938	8,267	12,401	14,366
Capital deployed	**1,07,831**	**1,20,617**	**1,36,537**	**1,44,964**	**1,53,913**
Contingent liabilities	-	-	-	-	-

Fig 3 – Cashflow statement (Rsm)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
PBT (adj. OI and interest)	7,177	12,179	11,890	14,524	21,375
+ Non-cash items	3,922	4,859	5,083	5,698	6,285
Oper. prof. before WC	11,100	17,038	16,973	20,222	27,661
- Incr. / (decr.) in WC	-472	2,312	-4,671	4,134	1,965
Others incl. taxes	1,421	1,420	2,221	4,738	7,068
Operating cash-flow	10,151	13,306	19,424	11,349	18,628
- Capex (tang. + intang.)	28,451	10,911	16,928	18,500	12,500
Free cash-flow	-18,300	2,395	2,495	-7,151	6,128
Acquisitions					
- Div.(incl. buyback & taxes)	1,159	1,545	1,159	1,159	1,159
+ Equity raised	0	0	0	0	0
+ Debt raised	17,446	3,240	7,304	0	-4,000
- Fin investments	-7,291	4,644	3,593	0	0
- Misc. (CFI + CFF)	-28	-333	-105	200	200
Net cash-flow	5,306	-221	5,153	-8,510	769

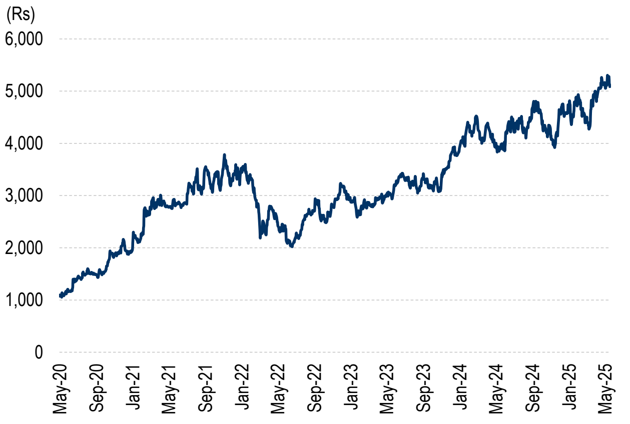
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
P/E (x)	44.9	37.7	49.8	42.4	28.8
EV / EBITDA (x)	20.5	18.1	22.9	19.5	14.8
EV / Sales (x)	2.9	3.3	4.1	3.7	3.2
P/B (x)	4.9	5.9	6.7	5.9	5.0
RoE (%)	11.3	16.7	14.3	14.8	18.7
RoCE (%) - after tax	6.7	9.1	8.0	8.4	10.9
DPS (Rs)	15.0	20.0	15.0	15.0	15.0
Dividend payout (%) - incl. DDT	23.1	18.6	13.3	12.1	8.2
Net debt / equity (x)	1.0	0.9	0.8	0.8	0.6
WC days	41.7	43.3	27.2	36.5	36.5
EV / tonne ($)	145.9	178.0	204.7	169.1	167.3
NSR / tonne (Rs)	5,891	5,896	5,704	5,784	5,934
EBITDA / tonne (Rs)	835	1,083	1,017	1,105	1,275
Volumes (m tonnes)	15.81	18.52	19.45	21.44	24.21
CFO:PAT%	201.9	159.1	238.1	118.4	132.0

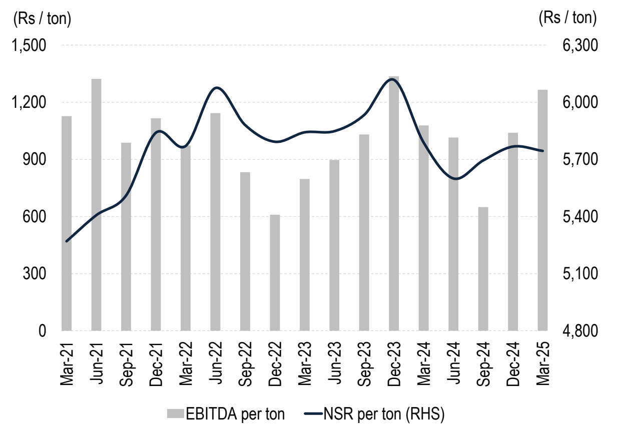
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6–Quarterly per-tonne NSR and EBITDA trends



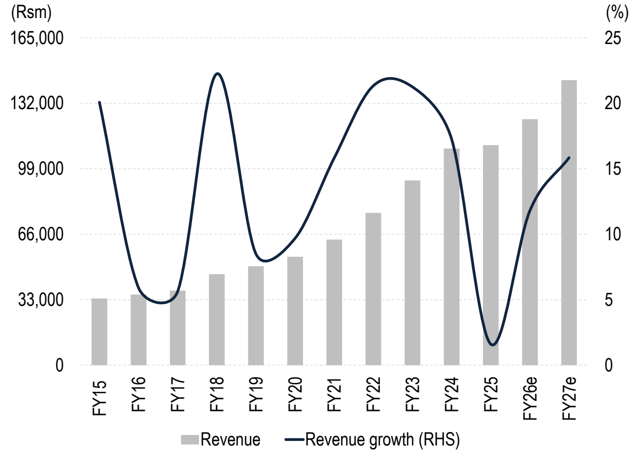
Source: Company

Other key highlights

Revenue growth

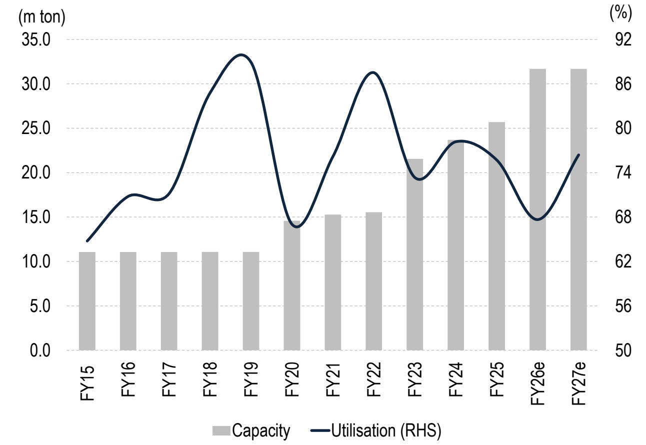
JK Cement's Q4 revenue grew 13.7% y/y to Rs33.4bn due to the better demand and pricing environment. While cement sales volumes grew 14.6% y/y to 5.82m tonnes (grey cement up ~15.3% y/y, white cement ~7% y/y), realizations were down 0.8% y/y to Rs5,745. The trade: non-trade mix was 71:29.

Fig 7 – Revenue and revenue growth



Source: Company, Anand Rathi Research

Fig 8 – Capacity and utilisation



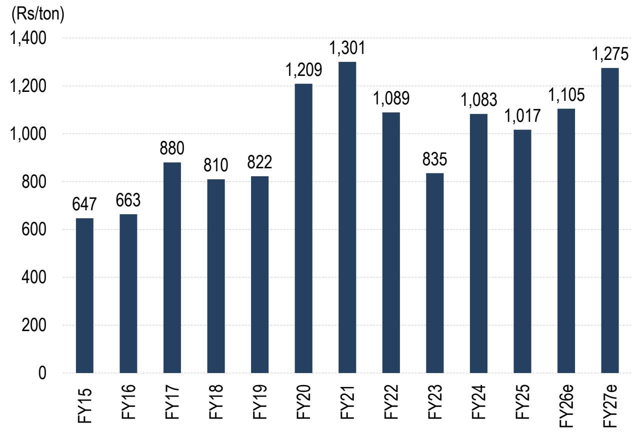
Source: Company, Anand Rathi Research

Operating performance

EBITDA grew 34.5% y/y to Rs7.36bn and EBITDA/tonne 17.4% y/y to Rs1,265. Per-tonne power & fuel/raw material costs fell 21.6/17% y/y. Freight cost per tonne grew 3.4% y/y; staff costs 5.5%; other expenditure grew 13.9% y/y on an absolute basis.

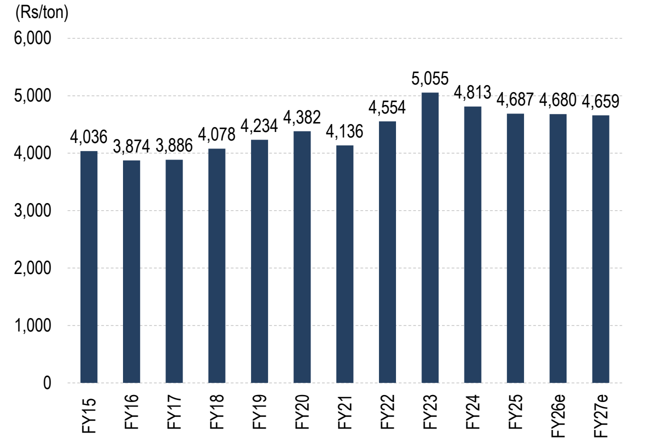
An exceptional item of Rs543.8m was related to the provision for impairment based on business valuation of JKC WF, a step-down subsidiary. On the higher operating performance, adj. net profit grew 60.3% y/y to Rs3,629m. Reported PAT grew 77% y/y to Rs4bn.

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)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	% Y/Y	% Q/Q
Sales	26,646	26,236	25,707	27,848	29,389	26,431	23,917	27,155	33,430	13.7	23.1
EBITDA	3,636	4,024	4,467	6,084	5,475	4,790	2,727	4,896	7,364	34.5	50.4
EBITDA margins (%)	13.6	15.3	17.4	21.8	18.6	18.1	11.4	18.0	22.0	340bps	400bps
EBITDA / tonne (Rs)	797	897	1,031	1,337	1,078	1,015	649	1,040	1,265	17.4	21.7
Interest	976	1,055	1,091	1,109	1,112	1,066	1,196	1,142	1,089	(2.0)	(4.6)
Depreciation	1,117	1,178	1,196	1,178	1,307	1,245	1,263	1,247	1,329	1.7	6.6
Other income	361	293	278	352	431	438	368	441	442	2.5	0.2
Exceptional items	-	150	-	-	(95)	-	-	-	(544)	NA	NA
PBT	1,904	1,935	2,457	4,149	3,583	2,918	636	2,948	5,931	65.5	101.2
Tax	510	672	668	1,254	1,223	891	185	900	1,758	43.7	95.3
Reported PAT	1,394	1,263	1,789	2,895	2,360	2,027	452	2,048	4,173	76.9	103.8
Adj. PAT	1,394	1,413	1,789	2,895	2,265	2,027	452	2,048	3,629	60.3	77.2

Source: Company, Anand Rathi Research

Fig 12 – Per-tonne analysis

(Rs)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	%Y/Y	%Q/Q
Realisations	5,842	5,848	5,933	6,118	5,788	5,600	5,694	5,767	5,745	(0.8)	(0.4)
EBITDA	797	897	1,031	1,337	1,078	1,015	649	1,040	1,265	17.4	21.7
Sales volumes (m tonnes)	4.56	4.49	4.33	4.55	5.08	4.72	4.20	4.71	5.82	14.6	23.6
Costs											
Raw material	959	1,013	1,074	1,078	1,016	965	1,015	1,006	843	(17.0)	(16.2)
Power & Fuel	1,649	1,476	1,374	1,352	1,157	1,137	1,092	1,094	907	(21.6)	(17.1)
Freight	1,245	1,246	1,163	1,297	1,277	1,252	1,278	1,299	1,321	3.4	1.6
Staff	324	371	381	400	387	422	485	433	356	(7.9)	(17.8)
Other expenditure	894	895	1,010	915	921	827	1,151	965	915	(0.7)	(5.2)

Source: Company, Anand Rathi Research

Concall highlights

Cement demand and pricing

- The cement volume growth was helped by the capacity ramp-up especially in Central India and more rural demand. In Q4, clinker capacity utilisation was 94%, for FY25 82% (clinker production ~11.92m tons). Sales of 22m tonnes were guided to for FY25 (grey ~20 tonnes, white ~2m) where more than 50% of grey cement volumes would be in Central India.
- Cement prices increased 1% in North/Central India and 5-7% in South from exit of Mar'25. The company is targeting FY26 EBITDA/ton at the FY24 level.
- The accrued government subsidy is guided to be Rs750m-800m every quarter. In Q4 FY25, additional incentives of Rs120m accrued from the Prayagraj unit. Incentives are received a year from the accrual.

Capacity expansion and subsidies

- The company targets 30m-tonne cement capacity (>18m-tonne clinker capacity) by end-FY26 and 50m by 2030.
- The 3.3m-tonne clinker (Panna) and 6m-tonne cement capacities (Bihar~3m tonnes, 1m tonne each in Panna, Hamirpur and Prayagraj) would be complete by Q3/Q4 FY26 with a Rs28.5bn outlay. The company has long-term fly-ash and slag tie-ups at all sites, barring Bihar.
- It completed the acquisition of Toshali Cement in Feb'24 at Rs900m; the balance Rs670m would be paid after the mining lease is transferred to the company (discussions ongoing with Odisha government; either lease or a long-term supply agreement).
- For the next phase of expansion, the company is evaluating expansions at Jaisalmer, Karnataka, Odisha and Penna.

Renewable energy

- The company intends to raise the share of green power to 60% by FY26, from 51/44% in FY24/FY23.
- It plans to have solar/wind power at its plants by investments in group power providers. Savings of Rs3/unit are guided to from green capacity.

Wally putty and white cement

- Keener competition and falling realisations continue to impact its white cement business. Further its key customer, Asian Paints, is setting up a manufacturing plant in the UAE (by Q2 FY26), which would affect the business. However the company is looking for new avenues (Africa) and has entered into the Dry Mix business (currently in the top-3). In India, it exports annually 40,000-45,000 tonnes white cement to the South.
- It reported Rs150m-200m operating profits for its UAE business, which it said would continue subject to seasonality and festivities.

Debt and capex

- On 31st Mar'25, standalone gross/net debt were Rs51.01bn/25.63bn (45.93bn/25.82bn on 31st Mar'24). Net debt-to-EBITDA was 1.3x (1.29x) and net D/E was 0.42x (0.48x).
- FY26 capex is guided to be Rs18bn-20bn.

Paints

- FY26/27 paints revenue is guided to be Rs4bn-4.5bn/6bn (~2.75bn in FY25, 1.5bn in FY24, 900m in FY23). The target is to be EBITDA-positive in FY27 (EBITDA loss of Rs450m in FY25). It has completed the modernisation of the paint plant and is working on a discount structure.

Other operational highlights

- The company guided to Rs150-200/tonne cost-savings ahead, aided by freight optimisation, green power savings, higher AFR use, fixed-cost optimisation, etc. Of this, ~Rs40/tonne savings were achieved in FY25 and a further Rs40-50/tonne was guided to for FY26.
- It is in talks with Container Corp for tankers to transport bulk cement to optimise freight cost. The lead distance increased on cement sales in Bihar from central units to create market for coming units.
- In the fuel mix, petcoke was 70%, the balance imported coal and alternative fuel. Petcoke was largely used for the north and south units, in the central region domestic fuel is mostly used, with petcoke's share at ~25-30%.
- The Q4 trade-non-trade mix was 71:29 mainly on selling trade volumes in Bihar. Premium cement sales were 14% of trade sales in FY25, targeted at 15-17% in FY26. The rail-road mix was12:88.
- Branding and advertising expenses, network creation (new-market entry), new logo, appointment of a brand ambassador, change in bag design, etc. resulted in higher other expenses.

Valuations

While the ongoing expansion would take grey cement capacity to ~30m tonnes by FY26, the company aims to have 50m tonnes capacity by 2030. On the capacity ramp-ups, it aims at an 8-12% market share in major districts of central India. It intends to raise the share of green power to 75% by FY30. While ramping up the expanded capacity would push volume growth, its focus on increasing the share of green energy would help cost-rationalisation.

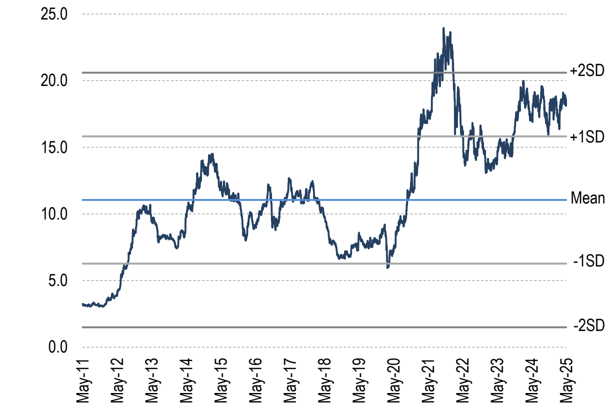
Fig 13 – Change in estimates

	Old		New		Variance %	
(Rs m)	FY26e	FY27e	FY26e	FY27e	FY26	FY27
Sales	1,22,406	1,40,818	1,24,013	1,43,660	*1.3*	*2.0*
EBITDA	23,359	29,791	23,681	30,858	*1.4*	*3.6*
PAT	9,466	13,142	9,586	14,108	*1.3*	*7.3*

Source: Anand Rathi Research

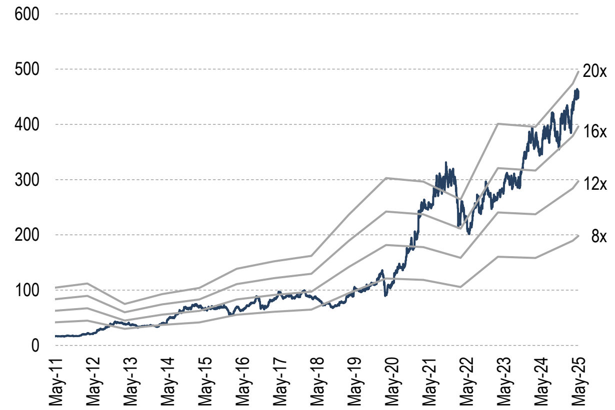
We retain our Buy rating, with a 12-mth TP of Rs6,342 (Rs5,841 earlier), 17.5x FY27e EV/EBITDA. **Risks:** Demand slowdown, rise in petcoke and diesel prices.

Fig 14 – EV / EBITDA band, one-year-forward



Source: Bloomberg, Anand Rathi Research

Fig 15 – EV / EBITDA: Standard deviation, one-year-forward



Source: Bloomberg, Anand Rathi Research

Fig 16 – Peer comparison– Valuations

Company	CMP	P/E (x)		EV / EBITDA (x)		EV / tonne ($)	
	(Rs)	FY26e	FY27e	FY26e	FY27e	FY26e	FY27e
JK Cement	5,256	42.4	28.8	19.5	14.8	169	167
Ramco Cement	980	77.2	35.6	17.8	13.1	107	105
Birla Corp.	1,401	18.9	15.3	9	8.1	68	69
Shree Cement	31,070	56.9	42.8	21	17.6	179	177
Dalmia Bharat	2,056	38.1	26.7	12.9	10.6	90	90
JK Lakshmi	880	27.9	18.8	12.3	9.7	84	76
Heidelberg Cement	203	24.4	18.7	11.9	9.4	72	69
Prism Johnson	141	NA	NA	13	11.2	68	65
Star Cement	220	34.8	27.3	12.2	9.9	111	91

Source: Company, Anand Rathi Research

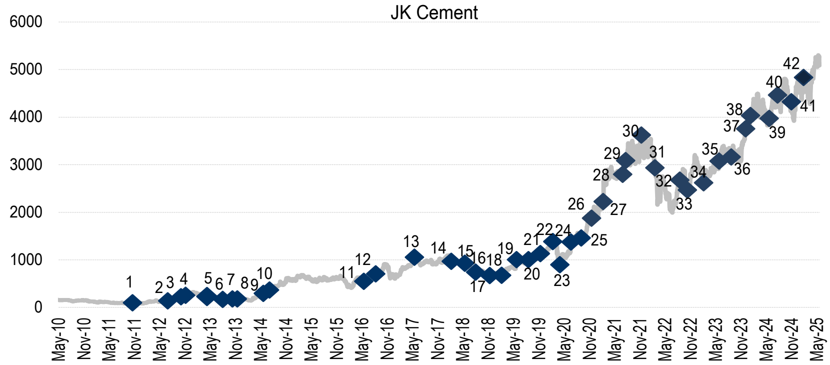
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 26 May 2025)



	Date	Rating	TP (Rs)	Share Price (Rs)
31	10-Feb-22	**Hold**	3,718	3,294
32	22-Aug-22	**Hold**	3,122	2,659
33	15-Nov-22	**Hold**	3,298	2,928
34	10-Feb-23	**Hold**	2,996	2,796
35	01-Jun-23	**Hold**	3,523	3,208
36	17-Aug-23	**Buy**	3,762	3,049
37	01-Dec-23	**Buy**	4,462	3,645
38	24-Jan-24	**Buy**	5,000	4,137
39	15-May-24	**Buy**	5,050	3,904
40	24-Jul-24	**Buy**	5,411	4,484
41	30-Oct-24	**Buy**	5,213	4,324
42	28-Jan-25	**Buy**	5,841	4,834
31	10-Feb-22	**Hold**	3,718	3,294
32	22-Aug-22	**Hold**	3,122	2,659

Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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