BUY (Maintain)

CMP: **INR 5,776** Target Price: **INR 7,151 (INR 8,500)** ▲ 24%

ICICI Securities Limited is the author and distributor of this report

07 November 2025

India | Equity Research | Results Update

JK Cement

Cement

Sectoral pangs to an otherwise compelling growth story

JK Cement (JKCE) remains a premium imperative story - being among the few companies with clear visibility to double capacity in next five years. However, the sectoral pangs (of bleak near-term cement price outlook led by underlying GST rate cut transition phase) warrant recalibration. Factoring in muted price hikes, we prune FY26/27E EBITDA by 8%/7%. Further, we also trim our valuation multiple (from 22x to 20x FY27E EV/EBITDA) reckoning a possible race for capacity share in North India (prompted by recent large capex announcement by industry leader UltraTech Cement in the region), where JKCE has >50% capacity exposure. Yet, the multiple continues to be at a premium vs. those we assign for industry majors (of 18x) given JKCE's sustained industry superior RoE. Overall, we stay positive and retain **BUY** with a revised TP of INR 7,151 (vs. INR 8,500 earlier).

Decent Q2FY26; impressive volume growth continues

JKCE's Q2FY26 EBITDA (up 63% YoY but down 35% QoQ) was just 5% below our forecast. The miss was largely on account of higher-than-expected cost even as grey cement volumes raced ~16% YoY (probably the highest in the industry). White segment volumes stood impressive too, rising 10% YoY. While realisation for grey segment was down 2% QoQ (vs. our estimate: 1.5%), that for white segment rose 1.5% QoQ. Variable cost/t inched up 1.7% QoQ due to the unavailability of WHR power plants (during maintenance shutdown) and also owing to higher clinker production. Towards fixed cost, while the 9% YoY rise in staff cost was in line; 'other expenses' jumped 11% YoY due to advanced dealer sales promotion events and maintenance of a few kilns by a quarter. Both fixed and variable costs are expected to normalise going ahead. However, calibrating for H1FY26 performance and the weak cement price trend in the near term, we chop FY26/27E EBITDA by 8%/7%, respectively.

Industry superior growth may continue

Regardless of the near-term sectoral headwinds, we continue to repose our faith in JKCE tracking – a) clear path to double capacity in five years; b) proven track record of timely project execution and thereafter a fast volume ramp-up capability and c) best-in-class RoE of 16-17% over FY26-27E. Given the prospects, we value JKCE at a rich 20x FY27E EV/EBITDA (vs. 18x assumed for industry leaders UltraTech Cement and Shree Cement) and maintain **BUY** with a revised TP of INR 7,151 (vs. INR 8,500 earlier).

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	1,15,560	1,18,792	1,35,237	1,53,199
EBITDA	20,598	20,271	24,521	29,433
EBITDA (%)	17.8	17.1	18.1	19.2
Net Profit	7,936	7,999	10,956	13,356
EPS (INR)	102.7	103.5	141.8	172.8
EPS % Chg YoY	90.6	0.8	37.0	21.9
P/E (x)	56.2	55.8	40.7	33.4
EV/EBITDA (x)	23.1	23.6	19.9	17.2
RoCE (%)	9.9	8.9	10.3	11.3
RoE (%)	15.8	14.0	16.7	17.4

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Market Data

Market Cap (INR)	446bn
Market Cap (USD)	5,032mn
Bloomberg Code	JKCE IN
Reuters Code	JKCE.BO
52-week Range (INR)	7,566 /3,891
Free Float (%)	54.0
ADTV-3M (mn) (USD)	9.1

Price Performance (%)	3m	6m	12m
Absolute	(14.9)	11.9	35.2
Relative to Sensex	(17.9)	8.2	29.2

ESG Score	2023	2024	Change
ESG score	**73.8**	**71.7**	**(2.1)**
Environment	61.7	61.6	(0.1)
Social	73.1	73.7	0.6
Governance	81.2	79.7	(1.5)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	0.7	0.8
EBITDA	(8.3)	(6.5)
EPS	(12.4)	(9.7)

Previous Reports

01-09-2025: Company Update

22-07-2025: Q1FY26 results review

Q2FY26: Conference call takeaways

Demand/volume

- As per management, sales growth in H1FY26 was led by Central and Southern regions, which recorded strong volume uptick on a low base while North region growth remained flattish at ~5-6%, broadly in line with market trends.
- Management envisages industry demand growth of ~7-8% for FY26.
- Company reiterated its volume guidance of ~20mt (up ~10% YoY) for FY26.
- In Q2FY26, company started branding activities in Jammu and Kashmir markets (post Saifco acquisition) and early traction has been positive from dealers.
- As per management, it can sell ~20,000 tonnes per month from the Saifco plant while the potential total addressable market in the region is ~4mtpa.

Pricing

- Incentive income for Q2FY26 stood at ~INR 700mn and management guided that full year (FY26) incentive income would be ~INR 500mn lower than the earlier guidance (~INR 3bn) due to transitional adjustments, following the GST structure change (from 28% to 18%).
- From FY27, management expects the annual incentive run-rate to revert to ~INR 3bn, aided by the commencement of Bihar grinding unit.
- Incentive income accrued during FY25 was ~INR 3bn, while actual realisation stood at ~INR 3.7bn.
- As per management, net realisation was marginally down in Oct'25 (vs. Q2FY26 average) as prices remained under pressure.
- Company confirmed it has passed on the entire GST benefit to customers.
- Currently, company's non-trade share is one-third of total sales volumes.

Cost

- 'Other expenses' surged ~11% YoY due to planned maintenance shutdowns of kilns and dealer sales promotion costs, generally incurred during the lean period (Q2 of any FY). Management expects these costs to normalise by ~INR 100/t Q3FY26 onwards.
- Lead distance has increased over the past few quarters (from 419 kms in Q2FY25 to 431 in Q2FY26) as company continued to seed the Bihar market from distant grinding units. As per management, Bihar grinding unit will drive major reduction (~12-15kms) in lead distance, post commissioning (expected in Q4FY26).
- Power and fuel cost rose during Q2FY26 primarily due to temporary shutdown of waste heat recovery systems (WHRS) during kiln maintenance and higher clinker production.
- JKCE maintains its cost optimisation guidance of ~INR 150–200/t over FY26-27. It expects to achieve ~INR 75-90/t in FY26 and another ~INR 75-80/t in FY27.

Capex

- 1mtpa grinding unit at Prayagraj (in Uttar Pradesh) got commissioned in Oct'25 while another grinding mill (of 1mtpa) at Hamirpur (in Himachal Pradesh) is nearing completion.

- Work at Panna (in Madhya Pradesh) integrated plant (4mtpa clinker and 1mtpa cement) and Bihar grinding unit (3mtpa) is also in advanced stages of completion and is expected to get commissioned in Q3 and Q4FY26, respectively.
- Company has commenced work on Jaisalmer (4mtpa clinker and 3mtpa cement) and Nathdwara (both in Rajasthan) (0.6mtpa wall putty) plants, with key orders placed and site construction underway.
- Company is currently acquiring land for split GUs in Rajasthan and Punjab, with work expected to commence by Q4FY26.
- Capex for FY26/27 is guided at ~INR 28-30bn/35bn, with Jaisalmer project (of ~INR 48bn) accounting for ~INR 7-8bn in FY26, ~INR 25-28bn in FY27 and remaining in FY28.
- Management expects incremental borrowing of ~INR 30bn for Jaisalmer project, translating into a net debt increase of ~INR 20bn after considering repayment.

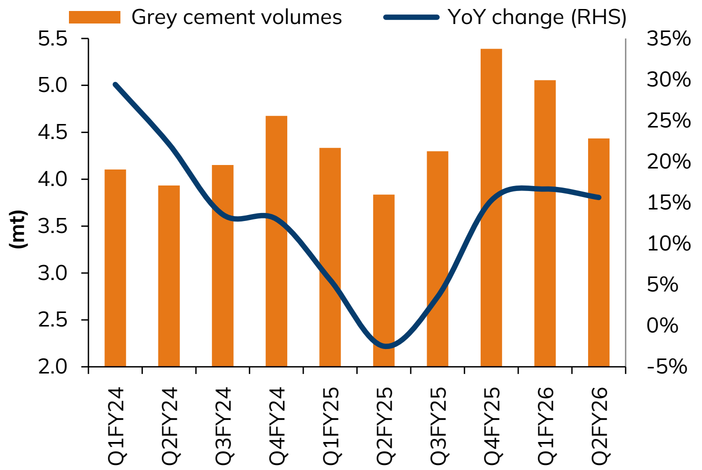
Paints/putty

- Paints business reported revenue of ~INR 950mn in Q2FY26 (vs. ~INR 860mn in Q1FY26) and maintained its full-year (FY26) guidance of ~INR 4bn.
- Paints segment reported EBITDA loss of ~INR 140mn in Q2FY26 (vs. ~INR 100mn in Q1FY26).
- Management expects EBITDA breakeven in FY27 for paints business, with revenue reaching ~INR 6bn.
- JKCE believes white cement and putty margins may have bottomed out in Q2FY26.

Others

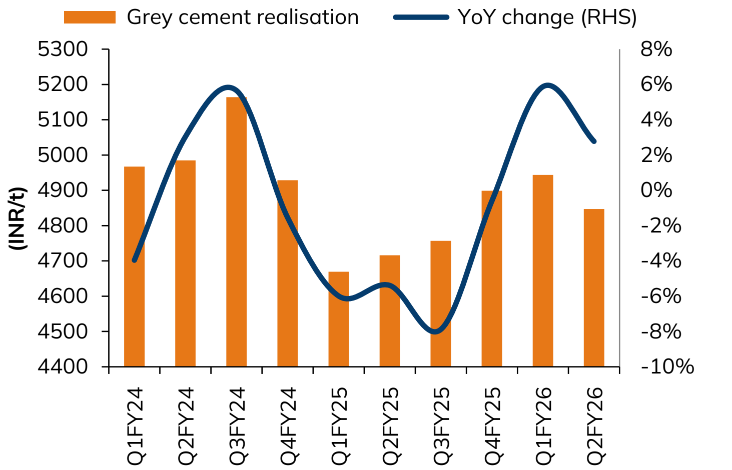
- Toshali Cements merger was approved by the NCLT during Q2FY26, and its financials have now been consolidated with JKCE's standalone result.
- Standalone gross debt stood at ~INR 52.89bn while net debt stood at ~INR 31.39bn as of Sep'25, taking JKCE's net debt/EBITDA ratio to 1.34x.
- JKCE's net debt/equity stood at 0.49x as of Sep'25 (vs. 0.44 as of Jun'25).

Exhibit 1: Quarterly volume trend



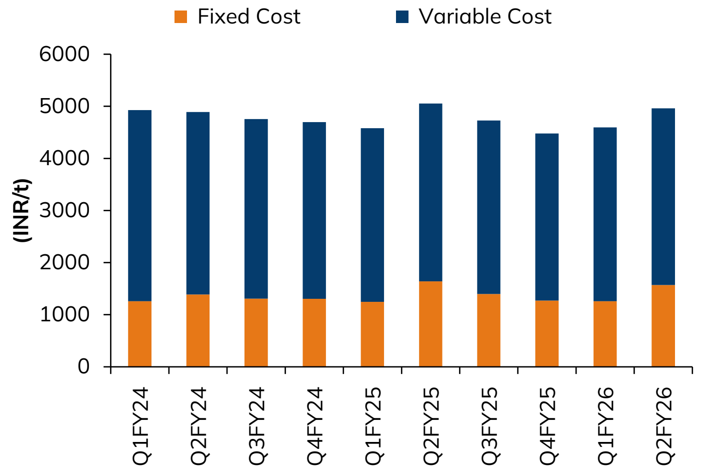
Source: I-Sec research, Company data

Exhibit 2: Quarterly realisation trend



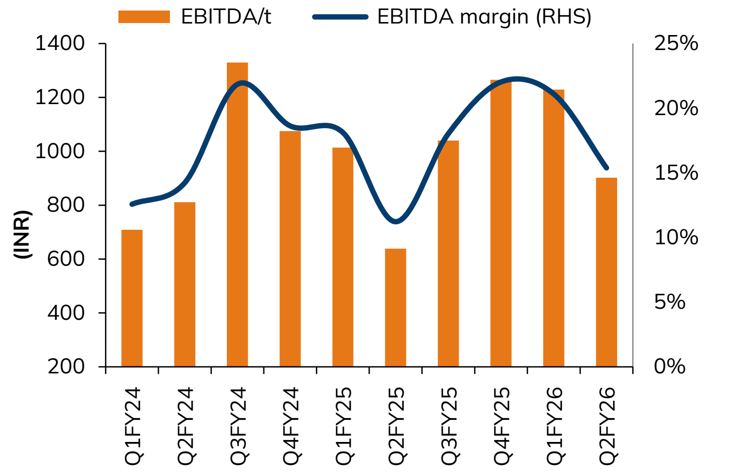
Source: I-Sec research, Company data

Exhibit 3: Break up of total cost - standalone



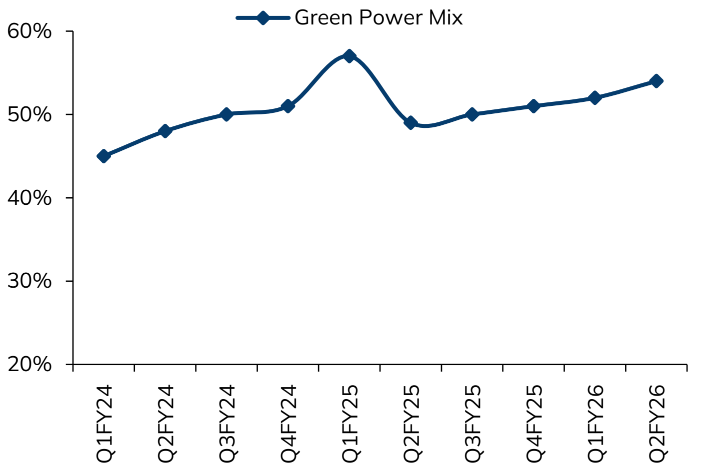
Source: I-Sec research, Company data

Exhibit 4: Quarterly margin trend - standalone



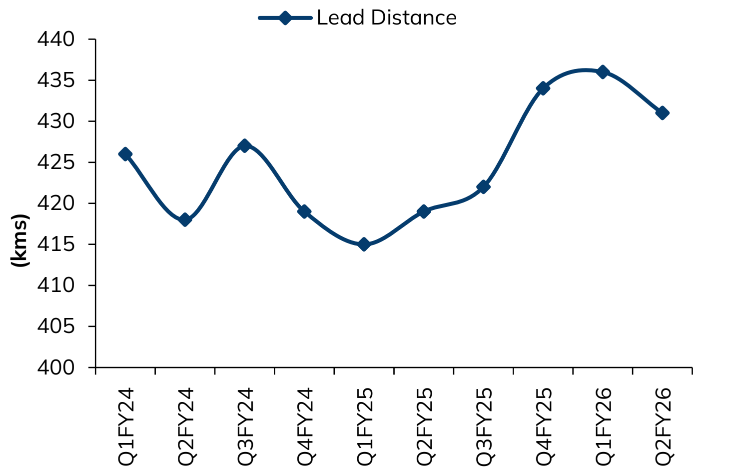
Source: I-Sec research, Company data

Exhibit 5: Share of green power



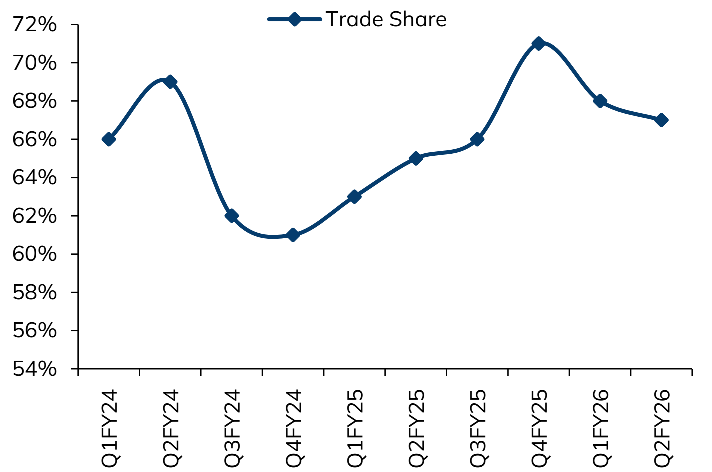
Source: I-Sec research, Company data

Exhibit 6: Lead distance trajectory



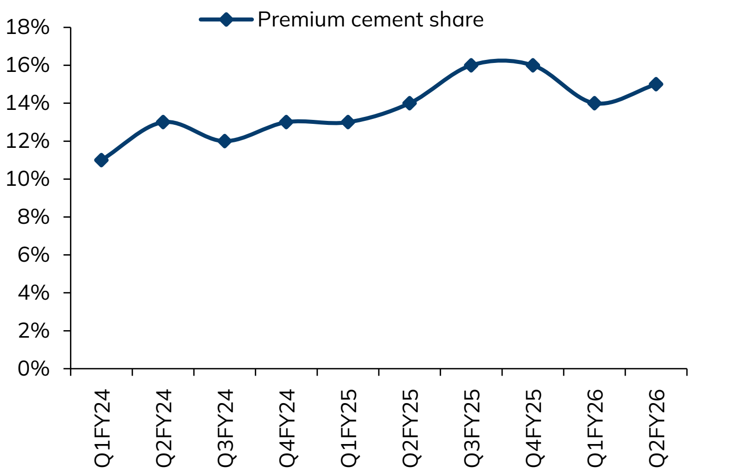
Source: I-Sec research, Company data

Exhibit 7: Trade sales volume trend



Source: I-Sec research, Company data

Exhibit 8: Share of premium cement



Source: I-Sec research, Company data

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Exhibit 9: Q2FY26 result review – standalone

Particulars (INR mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Q2FY26E	Variance
Volume Sales (mt)	4.87	4.23	15.1	5.48	(11.0)	4.69	3.9
Blended realisations (INR/t)*	5,864	5,693	3.0	5,824	0.7	5,835	0.5
Net Sales	**28,585**	**24,104**	**18.6**	**31,901**	**(10.4)**	**27,363**	**4.5**
Raw Materials	4,703	4,404	6.8	5,326	(11.7)	3,752	25.4
Personnel Cost	2,237	2,056	8.8	2,239	(0.1)	2,240	(0.2)
Power & fuel costs	5,695	4,652	22.4	5,714	(0.3)	5,533	2.9
Freight cost	6,133	5,391	13.8	7,224	(15.1)	6,096	0.6
Other Expenses	5,420	4,897	10.7	4,668	16.1	5,115	5.9
Total Expenses	**24,188**	**21,399**	**13.0**	**25,171**	**(3.9)**	**22,737**	**6.4**
EBITDA	**4,398**	**2,705**	**62.6**	**6,730**	**(34.7)**	**4,626**	**(4.9)**
EBITDA/t (INR)	**902**	**639**	**41.2**	**1,229**	**(26.6)**	**986**	**(8.5)**
Interest	1,032	1,197	(13.8)	1,061	(2.7)	1,060	(2.7)
Depreciation	1,252	1,278	(2.0)	1,248	0.3	1,228	1.9
Other Income	493	369	33.5	557	(11.6)	560	(12.1)
Recurring pre-tax income	**2,606**	**600**	**334.6**	**4,979**	**(47.7)**	**2,898**	**(10.1)**
Extraordinary inc/(exp)	-	-	NA	-	NA	-	NA
Taxation	848	195	335.2	1,654	(48.7)	869	(2.4)
Reported Net Income	**1,758**	**405**	**334.3**	**3,325**	**(47.1)**	**2,028**	**(13.3)**
Recurring Net Income	**1,758**	**405**	**334.3**	**3,325**	**(47.1)**	**2,028**	**(13.3)**
Ratios (%)							
EBITDA margins	15.4	11.2		21.1		16.9	
Net profit margins	6.1	1.7		10.4		7.4	

Source: I-Sec research, Company data, *Excluding other operating income

Exhibit 10: Historical quarterly analysis

(INR/t)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Blended realisations*	**5,772**	**5,595**	**5,693**	**5,767**	**5,824**	**5,864**
Growth (%) YoY	(0.7)	(0.2)	(5.2)	(0.5)	4.1	3.0
Raw materials	946	1,040	936	980	972	965
Staff costs	422	485	433	356	409	459
Power & fuel costs	1,136	1,099	1,094	906	1,043	1,168
Outward freight	1,251	1,273	1,299	1,321	1,319	1,258
Other expenditure	826	1,157	965	915	852	1,112
Total	**4,581**	**5,054**	**4,728**	**4,478**	**4,595**	**4,962**
EBITDA-blended	**1,191**	**541**	**965**	**1,289**	**1,229**	**902**

Source: I-Sec research, Company data, *Excluding other operating income

Exhibit 11: Historical segmental analysis

Particulars	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Grey Cement						
Revenue (INR mn)	20,236	18,085	20,447	26,401	24,993	21,492
Realisation (INR/t)	4,670	4,716	4,757	4,899	4,944	4,847
Volumes (mn.t)	4.33	3.83	4.30	5.39	5.06	4.43
White Cement						
Revenue (INR mn)	4,893	4,822	4,960	5,286	4,947	5,236
Realisation (INR/t)	12,521	12,074	12,103	12,271	11,726	11,896
Volumes (mn.t)	0.391	0.399	0.410	0.431	0.422	0.440

Source: I-Sec research, Company data

Exhibit 12: Q2FY26 result review – consolidated

(INR mn)	Q2FY26	Q2FY25	% chg (YoY)	Q1FY26	% chg (QoQ)
Net Sales	**30,192**	**25,601**	**17.9**	**33,525**	**(9.9)**
Raw Materials	4,647	4,516	2.9	5,516	(15.8)
Personnel Cost	2,476	2,245	10.3	2,474	0.1
Power fuel costs	6,074	4,928	23.3	5,981	1.6
Freight	6,519	5,755	13.3	7,649	(14.8)
Other Expenses	6,010	5,318	13.0	5,029	19.5
Total Expenses	**25,726**	**22,762**	**13.0**	**26,649**	**(3.5)**
EBITDA	**4,466**	**2,840**	**57.3**	**6,877**	**(35.1)**
Interest	1,053	1,228	(14.3)	1,085	(3.0)
Depreciation	1,495	1,463	2.2	1,464	2.1
Other Income	509	378	34.7	564	(9.9)
Recurring pre-tax income	**2,427**	**527**	**361.0**	**4,891**	**(50.4)**
Extraordinary inc/(exp)	-	-	NA	-	NA
Taxation	836	189	343.7	1,649	(49.3)
Reported Net Income	**1,591**	**338**	**370.7**	**3,242**	**(50.9)**
Recurring Net Income	**1,591**	**338**	**370.7**	**3,242**	**(50.9)**
Ratios (%)					
EBITDA margins	14.8	11.1		20.5	
Net profit margins	5.3	1.3		9.7	

Source: I-Sec research, Company data

Exhibit 13: Valuations based on 20x Mar'27E EV/E

Particulars	FY27E
Assumed EV/EBITDA multiple (x)	20.0
Total EBITDA (INR mn)	29,433
EV (INR mn)	5,88,657
Less: Net debt (adjusted to CWIP) (INR mn)	51,074
Value of the Paints business @3x FY27E Price/Sales	15,000
Mcap (INR mn)	5,52,583
Shares o/s (mn)	77.3
Value per share (INR)	**7,151**
Potential Upside (%)	23.8

Source: I-Sec research, Company data

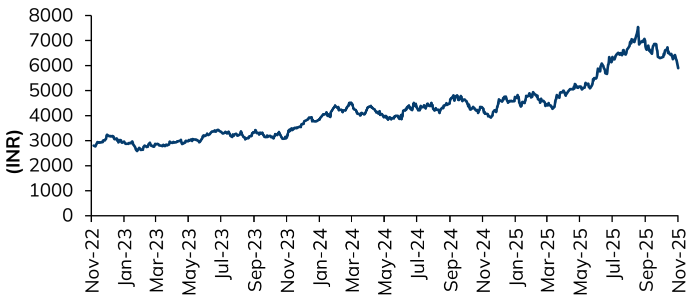
Risk: Sharp drop in cement prices.

Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	45.7	45.7	45.7
Institutional investors	40.6	42.6	40.3
MFs and others	22.6	21.0	19.7
FIs/Banks	0.0	2.2	0.2
Insurance	1.9	1.8	1.8
FIIs	16.1	17.6	18.6
Others	13.7	11.7	14.0

Source: Bloomberg, I-Sec research

Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 14: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	**1,15,560**	**1,18,792**	**1,35,237**	**1,53,199**
Operating Expenses	76,615	78,345	89,551	1,01,061
EBITDA	**20,598**	**20,271**	**24,521**	**29,433**
EBITDA Margin (%)	17.8	17.1	18.1	19.2
Depreciation & Amortization	5,726	6,015	6,170	7,224
EBIT	14,872	14,257	18,351	22,209
Interest expenditure	4,531	4,592	4,347	4,309
Other Non-operating Income	1,451	1,730	1,670	1,126
Recurring PBT	**11,736**	**12,424**	**15,673**	**19,025**
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	3,837	3,702	4,718	5,669
PAT	7,899	8,722	10,956	13,356
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	(37)	723	-	-
Net Income (Reported)	**7,899**	**8,722**	**10,956**	**13,356**
Net Income (Adjusted)	**7,936**	**7,999**	**10,956**	**13,356**

Source Company data, I-Sec research

Exhibit 15: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	46,602	55,434	47,588	36,176
of which cash & cash eqv.	20,111	25,398	14,936	2,943
Total Current Liabilities & Provisions	23,389	26,127	27,832	28,845
Net Current Assets	**23,213**	**29,307**	**19,756**	**7,331**
Investments	2,681	1,442	1,442	1,442
Net Fixed Assets	92,983	95,188	1,14,536	1,16,812
ROU Assets	-	-	-	-
Capital Work-in-Progress	5,755	14,751	14,751	42,251
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	**1,24,632**	**1,40,688**	**1,50,485**	**1,67,836**
Liabilities				
Borrowings	**52,385**	**58,955**	**58,955**	**63,955**
Deferred Tax Liability	**19,030**	**21,181**	**21,181**	**21,181**
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	773	773	773	773
Reserves & Surplus	52,899	60,117	69,914	82,265
Total Net Worth	**53,671**	**60,890**	**70,686**	**83,038**
Minority Interest	(455)	(338)	(338)	(338)
Total Liabilities	**1,24,632**	**1,40,688**	**1,50,485**	**1,67,836**

Source Company data, I-Sec research

Exhibit 16: Quarterly trend

(INR mn, year ending March)

	Dec-24	Mar-25	Jun-25	Sep-25
Net Sales	29,303	35,812	33,525	30,192
% growth (YOY)	(0.2)	15.3	19.4	17.9
EBITDA	4,921	7,649	6,877	4,466
Margin %	16.8	21.4	20.5	14.8
Other Income	446	459	564	509
Extraordinaries	-	-	-	-
Adjusted Net Profit	1,892	3,614	3,242	1,591

Source Company data, I-Sec research

Exhibit 17: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	**20,502**	**21,306**	**21,843**	**26,249**
Working Capital Changes	(911)	(1,913)	(5,627)	(5,239)
Capital Commitments	(11,782)	(16,983)	(25,518)	(37,000)
Free Cashflow	-	-	-	-
Other investing cashflow	**(4,576)**	**(2,114)**	**4,567**	-
Cashflow from Investing Activities	(16,358)	(19,097)	(20,951)	(37,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(1,158)	(1,544)	(1,159)	(1,004)
Others	(2,999)	2,283	-	5,000
Cash flow from Financing Activities	(4,157)	738	(1,159)	3,996
Chg. in Cash & Bank balance	**(924)**	**1,035**	**(5,894)**	**(11,994)**
Closing cash & balance	14,576	20,145	14,936	2,943

Source Company data, I-Sec research

Exhibit 18: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	102.7	103.5	141.8	172.8
Adjusted EPS (Diluted)	102.7	103.5	141.8	172.8
Cash EPS	176.8	181.4	221.6	266.3
Dividend per share (DPS)	20.0	15.0	15.0	13.0
Book Value per share (BV)	694.6	788.0	914.8	1,074.7
Dividend Payout (%)	19.5	14.5	10.6	7.5
Growth (%)				
Net Sales	18.9	2.8	13.8	13.3
EBITDA	56.7	(1.6)	21.0	20.0
EPS (INR)	90.6	0.8	37.0	21.9
Valuation Ratios (x)				
P/E	56.2	55.8	40.7	33.4
P/CEPS	32.7	31.8	26.1	21.7
P/BV	8.3	7.3	6.3	5.4
EV / EBITDA	23.1	23.6	19.9	17.2
EV / te (USD)	254.7	232.2	190.2	196.8
Dividend Yield (%)	0.3	0.3	0.3	0.2
Operating Ratios				
Gross Profit Margins (%)	84.1	83.0	84.3	85.2
EBITDA Margins (%)	17.8	17.1	18.1	19.2
Effective Tax Rate (%)	32.7	29.8	30.1	29.8
Net Profit Margins (%)	6.8	7.3	8.1	8.7
NWC / Total Assets (%)	18.6	20.8	13.1	4.4
Net Debt / Equity (x)	0.6	0.5	0.6	0.7
Net Debt / EBITDA (x)	1.4	1.6	1.7	2.0
Profitability Ratios				
RoCE (%) (Post Tax)	9.9	8.9	10.3	11.3
RoE (%)	15.8	14.0	16.7	17.4
RoIC (%)	13.3	12.5	13.4	12.7
Fixed Asset Turnover (x)	1.3	1.3	1.3	1.3
Inventory Turnover Days	48	44	47	45
Receivables Days	19	25	25	24
Payables Days	38	41	44	43

Source Company data, I-Sec research

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