HOLD
TP: Rs 5,208 | ∀ 0%

JK CEMENT

| Cement | 26 May 2025

Healthy show in challenging times; valuations priced in

- **Grey cement volumes at 5.3mt (ex-clinker volumes) rose by ~14% YoY as presence in key operating regions like Central India helps**
- **Strong EBITDA reversal by ~35%/50% YoY QoQ to ~Rs 7.4bn; EBITDA margin too reversed QoQ to 22% (300bps YoY) on cost savings**
- **We maintain FY26E/FY27E estimates, now value JKCE at 15x 1YF EV/EBITDA (vs 14x) and revise TP to Rs 5,208. Maintain HOLD**

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Healthy grey cement volume gains aid performance: In Q4FY25, revenue recorded a growth of ~14%/23% YoY/QoQ, as grey cement volumes gains were healthy at ~15%/25% YoY/QoQ. Net realisations stayed at Rs 4,899/t (down ~1% YoY) despite volume gains. Grey cement volumes net of clinker sales improved by ~14% YoY, driven by demand uptick in Central Region. Overall revenue included incentives of Rs 0.8bn and carbon credit of Rs 20mn.

Healthy cost savings push up margins: On the expenditure side, there was a positive surprise owing to lower energy cost. Total costs declined by ~3%/3% YoY/QoQ to Rs 4,573/t. Logistics costs inflated by ~6%/4% YoY/QoQ to Rs 1,348/t, driven by higher transportation to farther markets. Energy costs fell by ~20%/15% YoY/QoQ to Rs 926/t, due to reduction in fuel prices to Rs 1.41/kcal from Rs 1.8/kcal. Premium mix was at 15% in Q4FY25.

EBITDA/margins reverse strongly QoQ; YoY still falls short: EBITDA increased significantly by ~35%/50% YoY/QoQ to ~Rs 7.4bn, while EBITDA margin recovered to 22% from 19%/18% YoY/QoQ, due to cost reduction and increase in green power share. Management aims to attain cost savings of Rs 40-50/t annually.

Expansion plans on track: The 3.3mnt clinker line at Panna and 3mnt grinding unit (GU) in Bihar and 1mnt each in Hamirpur, Prayagraj and Panna (3mnt) are on track to be completed by Dec'25/Jan'25. JKCE is evaluating Jaisalmer, Karnataka, Orissa or an additional Panna line for expansion post FY26.

Maintain HOLD rating as now value at 15x: We maintain our EBITDA estimates for FY26/FY27 owing to a healthy recovery in the performance by JKCE. Its presence in the healthy regions of North and Central India augurs well as prices are remunerative in these regions. The white cement segment is steadily recovering too. Our EBITDA/PAT CAGR continues to be at 29%/25% over FY24-27E. JKCE's focus remains on long-term growth with timely capex. Improving earnings quality and focusing on balance sheet health are key. We now value JKCE at 15x 1YF EV/EBITDA to arrive at a TP of Rs 5,208 (from Rs 4,511). Maintain HOLD.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	JKCE IN/Rs 5,213
Market cap	US$ 4.7bn
Free float	54%
3M ADV	US$ 6.6mn
52wk high/low	Rs 5,645/Rs 3,642
Promoter/FPI/DII	46%/16%/22%

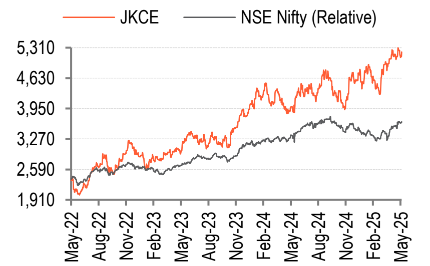
Source: NSE | Price as of 26 May 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	1,10,932	1,37,737	1,57,880
EBITDA (Rs mn)	19,778	23,901	29,041
Adj. net profit (Rs mn)	8,157	11,227	13,489
Adj. EPS (Rs)	105.6	145.3	174.6
Consensus EPS (Rs)	105.6	138.6	173.6
Adj. ROAE (%)	15.9	18.7	17.8
Adj. P/E (x)	49.4	35.9	29.9
EV/EBITDA (x)	22.7	15.0	12.3
Adj. EPS growth (%)	(2.4)	37.6	20.2

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q4FY25	Q3FY25	Our view
Volumes	Consolidated net sales rose 23%/15% QoQ/YoY to Rs 34.7bn, driven by strong volume growth in Central India. Grey cement volume guidance for FY26 is 20mnt, with a combined (grey + white) volume target of 22mnt. Clinker utilization reached 94% in Q4FY25, with annual clinker production at 11.92mnt. White cement and putty segments faced declining realizations QoQ due to competitive pressure, particularly in putty. Management expects white cement volume growth to be nominal in FY26. The trade mix improved to 71% in Q4FY25 (vs. 61%/66% YoY/QoQ) as the new market (i.e Bihar) was completely trade segment. FY25 volume split was approximately 65% North/South and 35% Central/East.	Grey cement volumes grew by ~5% YoY (13% QoQ) to ~4.3mt in Q3FY25, while consolidated white cement volumes grew 6%/8% YoY/QoQ to 0.57mt. White cement revenue grew 10%/7% QoQ/YoY to Rs 7.51bn. Growth fuelled by the central markets served by JKCE. Putty market continues to be competitive among paint players, as a result pricing remains under pressure. Asian Paints volumes grew in the double digits whereas JKCE's grew by 4%.	Challenges to the white cement segment will continue for the foreseeable future. However, timely expansion of grey cement capacities in Central India should prove handy and offset the same.
Margins	Consolidated EBITDA was ~Rs 7.7bn (Rs 4.9bn/ RS 5.6bn QoQ/YoY), with a margin of 22.1% (17.4%/18.5% QoQ/YoY). Cost reduction efforts resulted in savings of Rs 75/t, with logistics cost savings at Rs 35-40/t. Management expects an additional Rs 25/t savings in FY26, aiming for an average annual saving of Rs 40-50/t. Fuel mix for Q4FY25 was 70% Pet-coke and balance alternate fuels (Indian and imported). Green power share currently came at ~51% and is expected to reach ~60% by FY26.	During Q3FY25, the fuel cost decreased to 1.5/kcal vs 1.65/kcal QoQ due to the reduction in pet coke price. Logistics cost increased 1% QoQ (-0,4% YoY) to Rs 1,263/t. The lead distance increased by 3km QoQ to 422km due to an extended footprint. Management guided for overall cost savings by FY25 end of Rs 50/t and expects the trend to continue in FY26.	JKCE's margin gain will be guided by focus on cost control in the next 4-6 quarters, driven by lower energy and strict control on other expenditure notwithstanding the challenges of catering new markets.
Expansion	Brownfield expansion at Panna (3.3mnt clinker line-II) and greenfield GU in Bihar (3mnt), plus 1mnt each in Hamirpur, Prayagraj, and Panna, are on track for completion by Dec'25/Jan'26. Expansion plans (post-FY26) are under evaluation for Jaisalmer, Karnataka, Orissa, or an additional Panna line. The Jaisalmer cluster is ready for development, though no equipment orders have been confirmed. Orissa limestone mining lease discussions with the government are ongoing, with no firm update yet.	JKCE's previously announced 3.3mt grey clinker line-II at Panna and 3mt grinding unit in Bihar and 1mt each in Hamirpur, Prayagraj and Panna (3mt) are on track to be completed by Dec'25. The board approved the acquisition of Saifco Cements (Saifco) situated in Jammu and Kashmir. The consideration in the form of enterprise value for 60% stake is Rs 1.74bn. Saifco has a clinker capacity of 0.26mt and grinding unit capacity of 0.42mt.	There is no major change in the timelines of JKCE's capacity expansion plans. All project execution is underway as per earlier guidance with minor delays related to systemic issues. Entry into a new region comes with challenges and opportunities and will be watched keenly.
Capex	Capex guidance for FY26 is Rs 18-20bn. Future expansions (post-FY26) may require Rs 110-120bn to achieve the 50mnt target.	Management has a planned capex of Rs 19bn for FY25 (Rs 14bn was incurred in 9MFY25). Guidance for FY26 is Rs 17bn and an additional Rs 1.74bn for the stake in Saifco Cement.	No major change in capex. Capex years are not impacting balance sheet health but do weigh on marginal risk.

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Parameter	Q4FY25	Q3FY25	Our view
Other key points	Gross debt at FY25 end was Rs 51bn (vs. Rs 45.9bn in FY24), cash balance at Rs 25.4bn (vs. Rs 20.1bn), net debt at Rs 25.7bn (vs. Rs 25.9bn). Net debt/EBITDA at 1.3x (vs. 1.29x YoY), net debt/equity at 0.48. Paints segment incurred an EBITDA loss of Rs 0.45mn (Q4FY25 loss ~Rs 30mn vs. Rs 0.15-0.17bn in Q3FY25). FY26 revenue target is Rs 4-4.5bn, with breakeven expected by FY27. Margin improvement will be driven by revised discount structures and modernisation. UAE plant contributes Rs 0.15-0.2bn quarterly EBITDA. In Q4FY25, booked Rs 0.75-0.8bn with an additional Rs 0.12bn from Prayagraj. Similar incentives are expected in FY26. Post-March, prices rose ~1% in North/Central and 5-7% in South (mainly Karnataka, less in Pune). Premium cement share was 15% in Q4FY25 (14% for FY25), targeting 15-17% in FY26. Rail movement at 12% in Q4FY25.	Gross debt at Q3FY25-end was Rs 48.6bn vs Rs 45.9bn in FY24-end and net debt Rs 31.1bn vs Rs 25.8bn in FY24-end. Net debt/EBITDA is 1.74x Q3FY25. Revenue from the paints segment was Rs 0.83bn for Q3FY25 vs Rs 0.53bn/ Rs 0.47bn QoQ/YoY. JKCE incurred a loss of Rs 0.17bn in Q3FY25 vs Rs 0.11bn QoQ. JKCE could lose the sale of 100k units of volume to Asian Paints going ahead as the latter plans to set up a white cement plant in the UAE. Management has guided for Rs 0.75bn in incentives per quarter on average.	Balance sheet woes are receding and expected to improve, given the focus on improving the same. Energy expenses following fuel softening will be handy, however challenges in white cement could continue and will be watched keenly.

Source: Company, BOBCAPS Research \| AFR: Alternative Fuels and Raw Material

Fig 2 – Key metrics

Particulars	4QFY25	4QFY24	YoY (%)	4QFY25	QoQ (%)
Aggregate volumes (mn mt)	5.8	5.1	14.3	4.7	23.6
Grey cement (mn mt)	5.4	4.7	15.3	4.3	25.4
White Cement and Putty (mn mt)	0.4	0.4	3.7	0.4	5.1
Aggregate realisations (Rs/mt)	4,899	4,928	(0.6)	4,757	3.0
Operating costs (Rs/mt)	4,573	4,697	(2.6)	4,726	(3.2)
Aggregate EBITDA (Rs/mt)	1,292	1,075	20.1	1,040	24.3

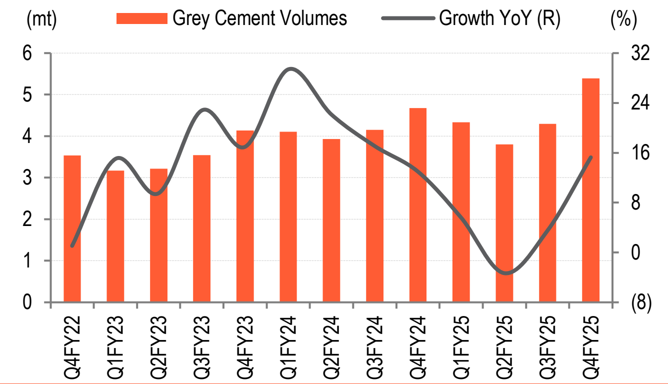
Source: Company, BOBCAPS Research

Fig 3 – Quarterly performance

Rs mn	4QFY25	4QFY24	YoY (%)	4QFY25	QoQ (%)	4QFY25E	Deviation (%)
Net Sales	**33,430**	**29,389**	**13.7**	**27,155**	**23.1**	**30,956**	**8.0**
Expenditure							
Change in stock	798.9	(242.0)	(430.1)	(333.1)	(339.8)	(55.0)	(1,552.5)
Raw material	3,922	4,079	(3.8)	3,750	4.6	4,566	(14.1)
purchased products	984	1,080	(8.8)	988	(0.4)	877	12.2
Power & fuel	5,276	5,873	(10.2)	5,151	2.4	6,264	(15.8)
Freight	7,686	6,484	18.5	6,118	25.6	7,393	4.0
Employee costs	2,072	1,963	5.5	2,041	1.5	2,089	(0.8)
Other exp	5,327	4,678	13.9	4,545	17.2	4,757	12.0
Total Operating Expenses	26,065	23,914	9.0	22,259	17.1	25,891	0.7
EBITDA	**7,364**	**5,475**	**34.5**	**4,896**	**50.4**	**5,065**	**45.4**
EBITDA margin (%)	22.0	18.6	340bps	18.0	400bps	16.4	567bps
Other Income	442	431	2.5	441	0.2	499	(11.5)
Interest	1,089	1,112	(2.0)	1,142	(4.6)	1,191	(8.5)
Depreciation	1,329	1,307	1.7	1,247	6.6	1,291	3.0
PBT	5,387	3,488	54.5	2,948	82.7	3,082	74.8
Non-recurring items	543.8	95.0	-	0.0	-	0.0	-
PBT (after non-recurring items)	4,844	3,393	42.8	2,948	64.3	3,082	57.1
Tax	1,758	1,223	43.7	900	95.3	925	90.1
Reported PAT	3,086	2,170	42.2	2,048	50.7	2,158	43.0
Adjusted PAT	**3,629**	**2,265**	**60.3**	**2,048**	**77.2**	**2,158**	**68.2**
NPM (%)	10.9	7.7	315bps	7.5	331bps	7.0	389bps
Adjusted EPS (Rs)	**47.0**	**29.3**	**60.3**	**26.5**	**77.2**	**27.9**	**68.2**

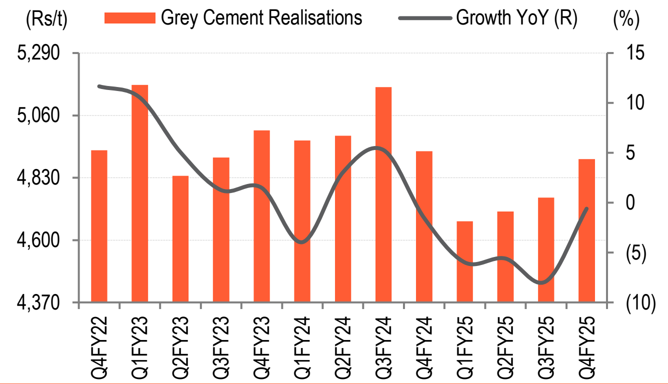
Source: Company, BOBCAPS Research

Fig 4 – Volume gains YoY is very encouraging



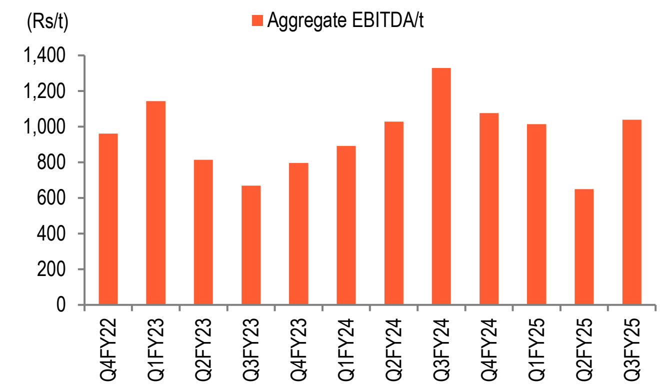
Source: Company, BOBCAPS Research

Fig 5 – Prices recovering from QoQ weakness, fell YoY



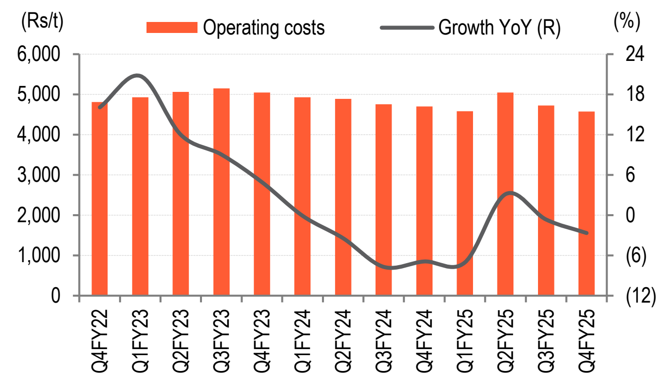
Source: Company, BOBCAPS Research

Fig 6 – Cost savings key driver to boost EBITDA/t YoY



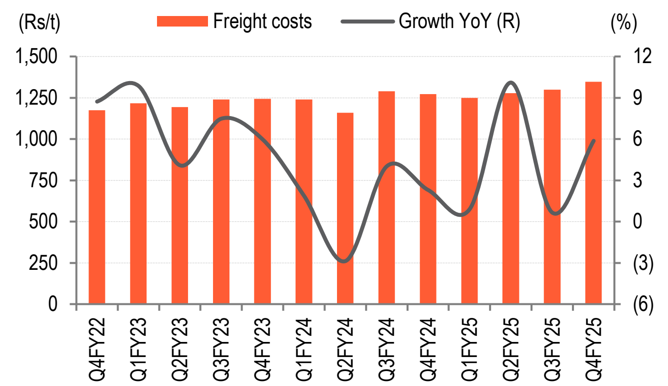
Source: Company, BOBCAPS Research

Fig 7 – Overall cost efficiencies driven by energy and other expenses savings



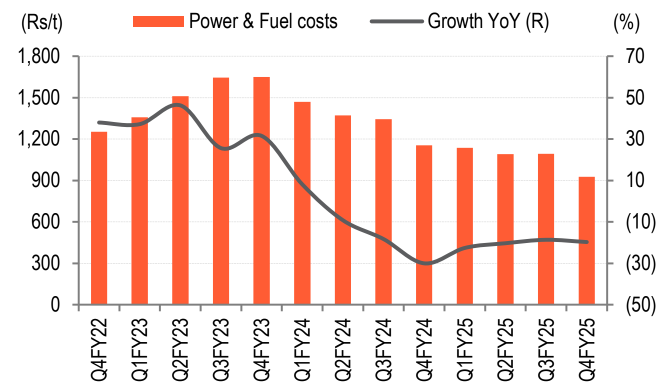
Source: Company, BOBCAPS Research

Fig 8 – Freight cost inched up on account of travelling farther distance in Central India region



Source: Company, BOBCAPS Research

Fig 9 – Fuel efficiencies will be the key cost driver



Source: Company, BOBCAPS Research

Valuation methodology

We maintain our EBITDA estimates for FY26/FY27 owing to healthy recovery in the performance by JKCE. Its presence in the healthy regions of North and Central India augurs well as prices are remunerative in these regions. The white cement segment is steadily recovering too. Our EBITDA/PAT CAGR continues to be at 29%/25% over FY24-27E. JKCE's focus remains on long-term growth with timely capex. Improving earnings quality and focusing on balance sheet health are key.

The white cement segment is currently under stress due to stiff competition from paint companies (in the putty segment). We believe this can further escalate with Asian Paints having its own white cement manufacturing unit in the Middle East (Gulf). However, consolidation its position in Central India and focusing on other remunerative areas like North for expansion are healthy strategies offsetting challenges in other segment business. Factoring in the same, we feel JKCE will deliver healthy performance with cost consciousness and balance sheet focus

Effectively, we now value JKCE at 15x 1Y forward EV/EBITDA to arrive at a TP of Rs 5,208 (from Rs 4,511). Maintain HOLD. At our TP the stock trades at a replacement cost of ~Rs 13bn.

Fig 10 – Key assumptions

Parameter	FY24	FY25P	FY26E	FY27E
Volumes (mt)	17.47	18.75	22.13	24.78
Realisations (Rs/t)	5,013	5,013	5,150	5,305
Operating costs (Rs/t)	5,103	4,861	5,145	5,199
EBITDA/t (Rs/t)	868	973	1,005	1,091

Source: Company, BOBCAPS Research, Note: Grey Cement Realisation only, cost is aggregate including White cement segment

Fig 11 – Valuation summary

Business (Rs mn)	FY26E
Target EV/EBITDA (x)	15.0
EBITDA	29,041
Target EV	**448,395**
Total EV	448,395
Net debt	45,947
Target market capitalisation	4,02,448
Target price (Rs/sh)	**5,208**
Weighted average shares (mn)	77.3

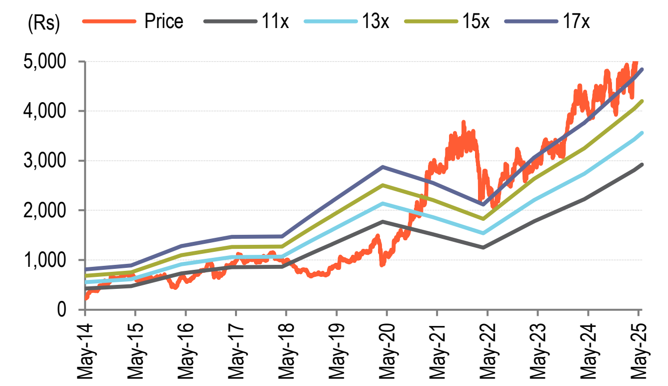
Source: BOBCAPS Research, Note: 1-year forward multiple includes partial earnings of FY27E

Fig 12 – Peer comparison

Ticker	Rating	Target Price (Rs)	EV/EBITDA (x)			EV/tonne (US$)			ROE (%)			ROCE (%)		
			FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
JKCE IN	HOLD	5,208	22.7	15.0	12.3	282	219	176	15.9	18.7	17.8	13.2	16.2	17.4
DALBHARA IN	SELL	1,742	16.9	12.4	9.9	97.0	97.4	99.3	4.6	4.7	6.5	5.5	6.0	7.5
TRCL IN	SELL	699	23.1	17.2	13.6	145	129	130	1.5	4.3	7.5	4.4	6.7	9.2

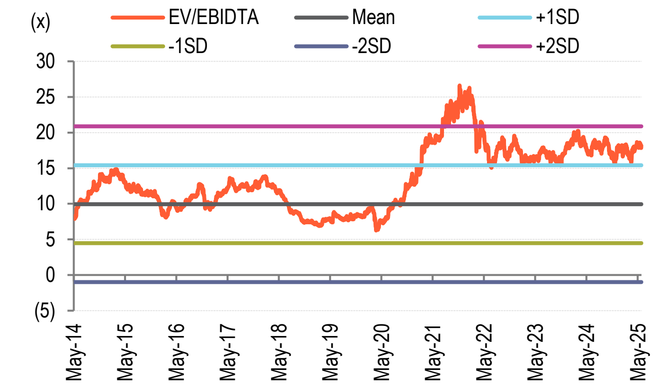
Source: BOBCAPS Research

Fig 13 – Current valuations leave limited room for healthy upside



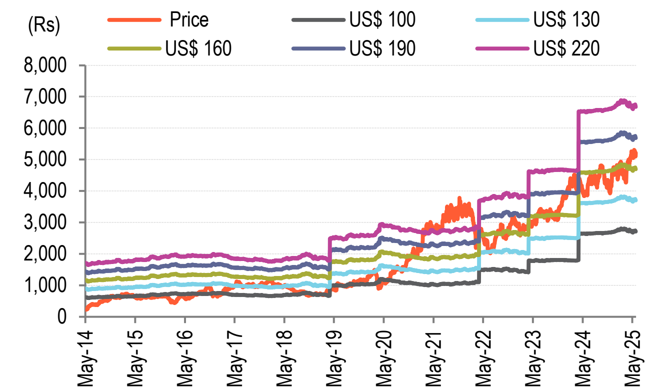
Source: Bloomberg, BOBCAPS Research

Fig 14 – Valuations may be range bound in the short term



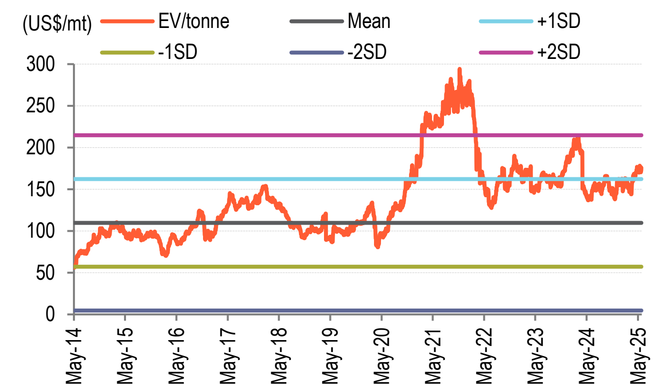
Source: Bloomberg, BOBCAPS Research

Fig 15 – Replacement cost premium factoring in white cement business



Source: Bloomberg, BOBCAPS Research

Fig 16 – Replacement cost premium likely to stay



Source: Bloomberg, BOBCAPS Research

Key risks

Key upside/downside risks to our estimates are:

- competition intensifying more than estimated in regions of operations including Central India,
- higher-than-estimated costs pose downside risk to earnings, and
- risk of capacity expansion timelines altered based on cement demand.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Total revenue	**87,768**	**1,05,632**	**1,10,932**	**1,37,737**	**1,57,880**
EBITDA	11,175	16,502	19,778	23,901	29,041
Depreciation	(3,615)	(4,859)	(5,083)	(6,753)	(7,935)
EBIT	10,608	16,545	16,383	22,047	26,067
Net interest inc./(exp.)	(2,605)	(4,366)	(4,493)	(6,009)	(6,230)
Other inc./(exp.)	3,048	4,902	1,689	4,899	4,961
Exceptional items	0	0	0	0	0
EBT	8,003	12,179	11,890	16,038	19,837
Income taxes	(2,377)	(3,817)	(3,734)	(4,811)	(6,348)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**5,626**	**8,361**	**8,157**	**11,227**	**13,489**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,626**	**8,361**	**8,157**	**11,227**	**13,489**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Accounts payables	6,042	8,092	15,234	18,713	21,179
Other current liabilities	8,343	11,187	15,280	9,118	9,209
Provisions	1,402	1,556	1,605	1,658	1,715
Debt funds	32,077	52,216	59,079	59,797	56,563
Other liabilities	8,394	16,262	17,871	16,084	15,106
Equity capital	773	773	773	773	773
Reserves & surplus	43,915	51,934	49,435	69,051	81,284
Shareholders' fund	44,688	52,707	50,208	69,823	82,057
Total liab. and equities	**1,00,946**	**1,42,019**	**1,59,277**	**1,75,193**	**1,85,829**
Cash and cash eq.	5,677	7,777	13,066	14,011	10,617
Accounts receivables	3,712	4,604	6,593	5,849	6,596
Inventories	7,779	10,675	9,940	12,453	13,625
Other current assets	6,348	19,993	18,585	20,015	21,557
Investments	22,604	14,001	14,083	14,124	14,166
Net fixed assets	51,121	77,458	84,936	98,797	1,10,821
CWIP	3,551	6,073	10,634	8,500	7,000
Intangible assets	154	1,437	1,440	1,443	1,446
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**1,00,946**	**1,42,019**	**1,59,276**	**1,75,192**	**1,85,829**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Cash flow from operations	**15,216**	**8,185**	**25,020**	**8,145**	**16,914**
Capital expenditures	(3,661)	(34,485)	(15,928)	(16,194)	(15,778)
Change in investments	(5,156)	8,603	(81)	(42)	(42)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(8,817)**	**(25,882)**	**(16,009)**	**(16,235)**	**(15,820)**
Equities issued/Others	(2,296)	1,501	(9,620)	9,738	94
Debt raised/repaid	(125)	20,139	6,864	718	(3,234)
Interest expenses	0	0	0	0	0
Dividends paid	(1,159)	(1,159)	(1,285)	(1,427)	(1,356)
Other financing cash flows	32	(685)	319	7	7
Cash flow from financing	**(3,548)**	**19,796**	**(3,722)**	**9,036**	**(4,489)**
Chg in cash & cash eq.	**2,851**	**2,099**	**5,288**	**946**	**(3,394)**
Closing cash & cash eq.	**5,677**	**7,776**	**13,065**	**14,011**	**10,617**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25P	FY26E	FY27E
Reported EPS	72.8	108.2	105.6	145.3	174.6
Adjusted EPS	72.8	108.2	105.6	145.3	174.6
Dividend per share	15.0	15.0	15.0	15.0	15.0
Book value per share	578.3	682.1	649.8	903.6	1,062.0

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25P	FY26E	FY27E
EV/Sales	4.9	4.2	4.0	2.6	2.3
EV/EBITDA	38.4	27.1	22.7	15.0	12.3
Adjusted P/E	71.6	48.2	49.4	35.9	29.9
P/BV	9.0	7.6	8.0	5.8	4.9

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25P	FY26E	FY27E
Tax burden (Net profit/PBT)	70.3	68.7	68.6	70.0	68.0
Interest burden (PBT/EBIT)	75.4	73.6	72.6	72.7	76.1
EBIT margin (EBIT/Revenue)	12.1	15.7	14.8	16.0	16.5
Asset turnover (Rev./Avg TA)	85.9	87.0	73.6	82.4	87.5
Leverage (Avg TA/Avg Equity)	2.3	2.5	2.9	2.8	2.4
Adjusted ROAE	12.9	17.2	15.9	18.7	17.8

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25P	FY26E	FY27E
YoY growth (%)					
Revenue	16.6	20.4	5.0	24.2	14.6
EBITDA	(16.1)	47.7	19.9	20.8	21.5
Adjusted EPS	(26.0)	48.6	(2.4)	37.6	20.2
Profitability & Return ratios (%)					
EBITDA margin	12.7	15.6	17.8	17.4	18.4
EBIT margin	12.1	15.7	14.8	16.0	16.5
Adjusted profit margin	6.4	7.9	7.4	8.2	8.5
Adjusted ROAE	12.9	17.2	15.9	18.7	17.8
ROCE	12.7	16.0	13.2	16.2	17.4
Working capital days (days)					
Receivables	15	16	22	16	15
Inventory	32	37	33	33	32
Payables	29	33	61	60	60
Ratios (x)					
Gross asset turnover	1.2	1.0	0.9	1.0	1.0
Current ratio	1.5	2.1	1.5	1.8	1.6
Net interest coverage ratio	4.1	3.8	3.6	3.7	4.2
Adjusted debt/equity	0.7	1.0	1.2	0.9	0.7

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

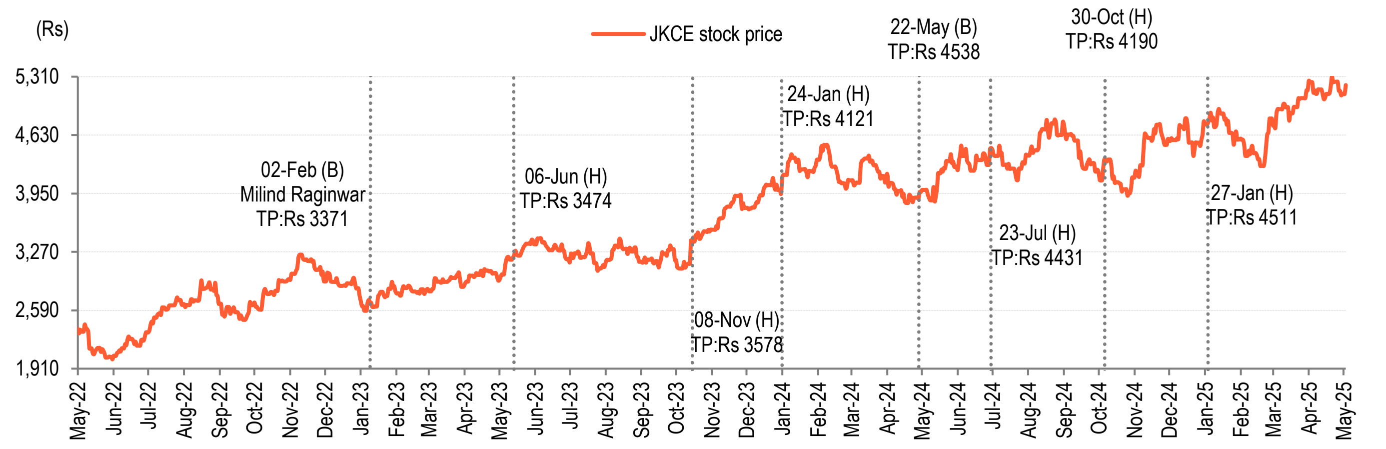
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): JK CEMENT (JKCE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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