

Q2FY25 Performance

- JK Cement (JKC) reported revenue of ₹2560crs for Q2FY25, marking 7% YoY degrowth from ₹2,753crs in Q2FY24, decline was primarily due to both external factors, such as reduced demand from the extended monsoons and ongoing pricing pressure, and internal factors, including an extended shutdown that led to increased expenses affecting profitability.
- The volume for the quarter dropped 3% YoY to 4.37mn while capacity utilisation came down to 64%.
- Total expenses for Q2FY25 remained consistent at ₹2,545crs compared with Q1FY25 and Q2FY24, despite the drop in volume.
- JKC reported a 23% decline in bottom line at ₹136crs compared to ₹176crs in Q2FY24, owing to higher maintenance and branding costs.
- EBITDA/ton is at ₹650, marking a substantial decline of 37% YoY and 35% QoQ, while the EBITDA margin has narrowed to 11%, down from 17% compared to the same period last year.
- Finance costs elevated 7% YoY at ₹123crs during the quarter.
- Paints segment generated a turnover of ₹53crs this quarter, totaling ₹117crs for H1FY25, while incurring an EBITDA loss of ₹25crs during this period.

Important Statistics

Nifty	24,141
Sensex	79,497
MCAP (₹ Crs)	~31,400
52 Week H/L (₹)	4,896 / 3,357
NSE Code	JKCEMENT
BSE Code	532644
Bloomberg Code	JKCE:IN

Shareholding Sep'23 Dec'23 Mar'23 Jun'24 Sep'24

Promoters	45.8	45.7	45.7	45.7	45.68
FII	14.4	15.3	15.9	17.7	17.55
DII	24.2	24.1	23.3	22	22.43
Public	15.5	15	15	14.5	14.32

Management Concall Highlights

- **Volume** – JKC reported a volume growth of approximately 2.1% for the H1FY25, with full year expectations of growth adjusted to around 6% to 7%, down from an initial target of 10%. The management noted that external factors, including monsoon-related demand fluctuations and pricing pressures, impacted performance, but remain optimistic about improving demand moving forward.
- **Capacity Expansion** – Company is progressing with its capacity expansion plans, specifically a 6 million tons increase that is currently on track for commissioning by the beginning of Q4FY26. This expansion aims to enhance production capabilities and meet anticipated demand growth. The management expects to finalize a long-term limestone supply agreement with the government by December 2024, which will support their entry into the eastern market and also plans to assess further investments after completing the current expansion project, indicating a strategic approach to future growth
- **Trade Mix** – The trade and non-trade mix for the quarter was 65% and 35%, respectively, compared to 63% and 37% in the previous quarter.
- **Cement prices** – Cement pricing showed a marginal increase in Q2FY25, with average realizations slightly up compared to the previous quarter, despite ongoing pricing pressures in the market. The management noted that while prices were under pressure overall, strategic reductions in lower-margin sales helped maintain stable realizations per ton.
- **Premium Sales** – Premium cement accounted for 14% of total trade sales, remaining flat YoY, with the company targeting a 20% increase in premium cement sales over the medium to long term. During the quarter, the contributions from grey and white cement were 80% and 20%, respectively, while their total volume contributions were 88% and 12% on a consolidated basis.
- **Energy expense** – Power and fuel costs dropped by 19% YoY and 3% QoQ to ₹1,128 per ton, with further reductions expected in Q3FY25 due to lower pet coke prices. The fuel mix included 68% pet coke, imported coal, renewable

Key Metrics

(₹ crs)

Particulars	FY23	FY24	FY25E	FY26E
Revenue	9,720	11,556	11,827	13,326
PAT	419	790	742	1044
EBITDA margin %	14	18	17	19
EPS (₹)	55	102	97.8	135.7
ROE (%)	10	16	13	16
ROA (%)	10	6	6.9	7.3
P/BV	6.5	5.9	5.5	4.7
EV/EBITDA (x)	23	18.9	18.7	14.6

Source: Company, Way2Wealth

Relative Performance

Return (%)	1Yr	2Yr	5Yr
JKC	19	46	245
Nifty 50	24	33	103
Sensex	22	44	97

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energy, and alternative fuels. The cost per Kcal rose slightly to ₹1.65 but is projected to decrease by 10%

- **Green Power** – Green power initiatives focus on enhancing sustainability and reducing operational costs. The company's total green power capacity currently stands at 173 MW, which includes 82 MW from Waste Heat Recovery Systems (WHRS) and 91 MW from solar and wind energy sources. The operational WHRS at Panna is expected to yield annual savings of approximately ₹50crs in fuel costs, contributing to company's commitment to environmentally friendly practices.
- **Freight Cost** – Lead distance increased to 419kms from 415kms in Q1FY25 due to an expanded footprint. Freight costs per ton rose by 4% YoY and 11% QoQ to ₹1,317. The company transported 91% of its volume by road, with the remaining by rail.
- **Debt & Interest** – As of September 30, 2024, JKC reported a gross debt of ₹4,664crs, up from ₹4,592crs in March 2024. The net debt to EBITDA ratio increased to 1.6x from 1.29x, while the net debt to equity ratio rose to 0.56x from 0.48x, indicating a slight increase in leverage amid ongoing expansion efforts.

Key Risks

- Inflation in input costs mostly from Power, Freight and Fuel
- Significant decline in cement pricing

View

The performance for the quarter did not meet expectations due to a combination of external and internal factors. Externally, demand was lower than anticipated because of the monsoons, leading to continued pricing pressure. Internally, additional shut-downs caused by the monsoons resulted in increased expenses that impacted on the bottom line.

JKC's management is on track with its 6 million tons capacity expansion, expected to be commissioned by the end of Q3 or early Q4FY26, positioning it well for future growth. Despite recent challenges, including a 6% YoY decline in net sales, management anticipates a rebound in demand and has adjusted its growth expectations for grey cement to 6-7% for the full year, indicating a potential recovery in performance. They have implemented strategies to manage costs effectively, including renegotiating fuel contracts and optimizing their fuel mix, which could lead to improved margins moving forward. The company's commitment to green energy, with a total capacity of 173 MW, including significant contributions from WHRS, enhances its operational efficiency and aligns well with market trends towards sustainability. Although there has been an increase in debt levels, the net debt to EBITDA ratio remains manageable at 1.6x, suggesting that the company is still in a stable financial position to support its growth initiatives. Overall, these factors suggest that while JKC faces short-term challenges, its long-term growth prospects and strategic initiatives warrant an **"ACCUMULATE"** rating for investors looking for potential upside as market conditions improve going forward. **Currently the stock is trading at 14.6x FY26E EV/EBITDA.**

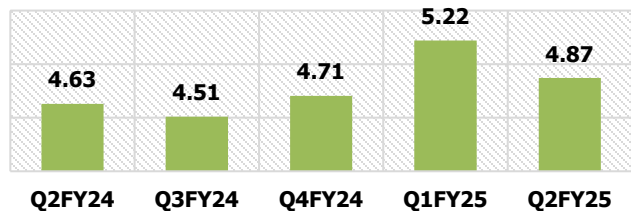
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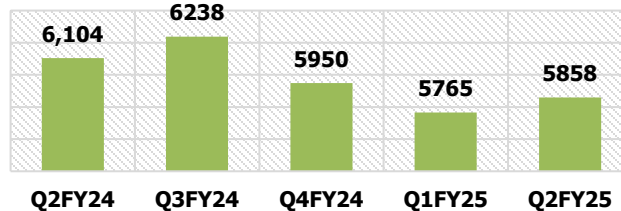
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Operational Highlights

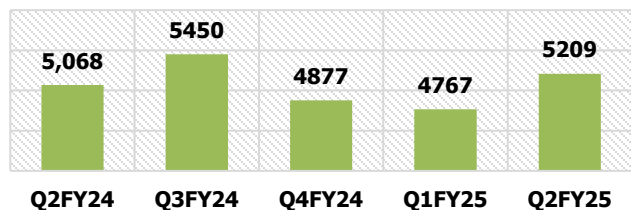
Volume/mnt



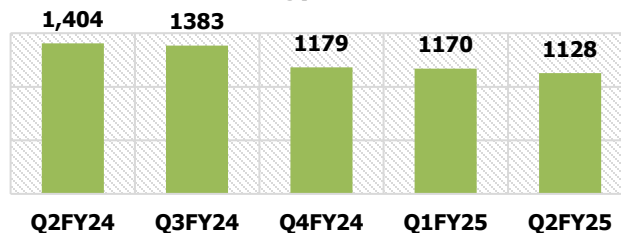
Realisation/tonne



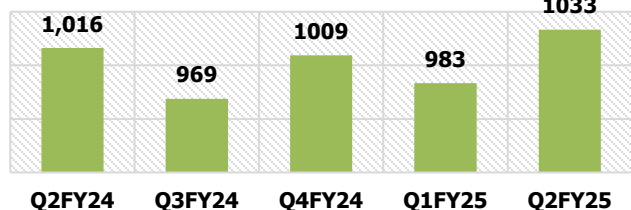
Cost / tonne



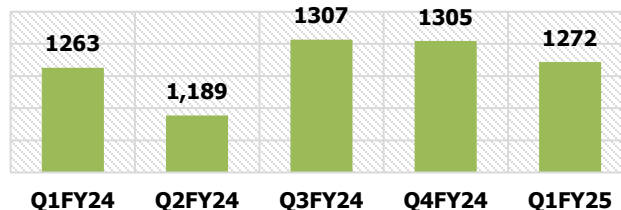
Energy / tonne



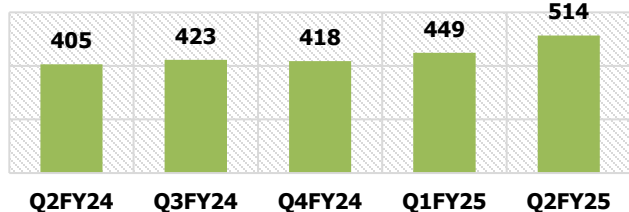
Raw Materials / tonne



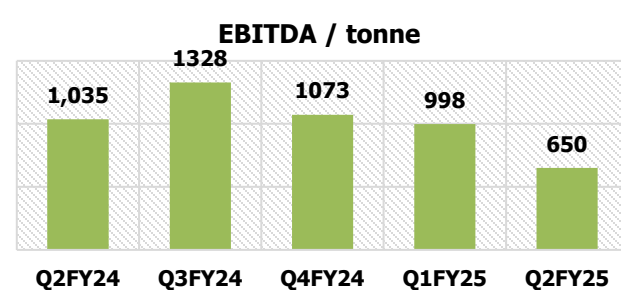
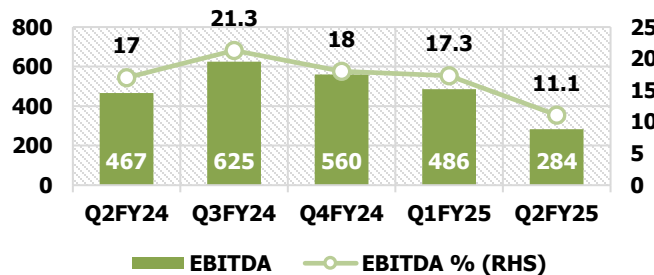
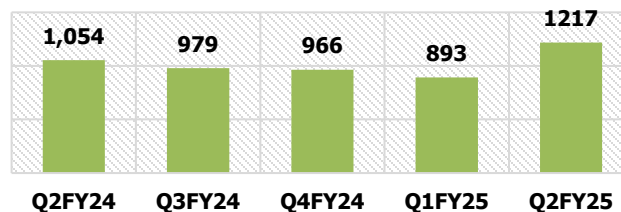
Freight / tonne



Staff Cost / tonne



Other Expenses / tonne



Source: Company, Way2wealth Research

W2W Lighthouse - A Quick Perspective

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Key Operational Metrics

Particulars	(₹ crs)							
	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ	H1FY25	H1FY24	YoY
Volume/mnt	4.37	4.51	(3)	4.87	(10)	9.24	9.12	1
Realisation/tonne	5858	6104	(4)	5765	2	5809	6048	(4)
Cost/tonne	5209	5068	3	4767	9	4976	5088	(2)
Raw materials /tonne	1033	1016	2	983	5	1007	1012	(0)
Staff cost/tonne	514	405	27	449	14	480	402	19
Energy cost/tonne	1128	1404	(20)	1170	(4)	1150	1452	(21)
Freight/tonne	1317	1189	11	1272	4	1293	1228	5
Other Expenses/tonne	1217	1054	15	893	36	1035	994	4
EBITDA/tonne	650	1035	(37)	998	(35)	844	959	(12)

Source: Company, Way2wealth Research

Product Mix

Particulars (₹ Cr)	(₹ crs)							
	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ	H1FY25	H1FY24	YoY
Grey Net Sales	1,809	1,960	(8)	2,040	(11)	3848	3999	(4)
White Net Sales	681	703	(3)	679	0	1361	1344	1
Total Net Sales	2,490	2,663	(6)	2,719	(8)	5209	5343	(3)
Combined EBITDA	284	467	(39)	486	(42)	770	875	(12)

Source: Company, Way2wealth Research

Debt profile

Particulars	(₹ crs)		
	FY24	30-Sep-24	YoY
Gross Debt	4592	4664	(2)
Cash	2011	1620	24
Net Debt	2582	3044	(15)
Net Debt/EBITDA	1.29	1.6	(19)
Equity	5353	5446	(2)
Net Debt/Equity	0.48	0.56	(14)

Particulars	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ	H1FY25	H1FY24	YoY
Debt-Equity Ratio (in Times)	1.02	1.05	(3)	0.94	9	1.02	1.05	(3)
Debt Service Coverage Ratio (in Times)	1.91	2.37	(19)	1.82	5	1.98	1.99	(1)
interest Service Coverage Ratio (in Times)	2.65	4.43	(40)	4.91	(46)	3.71	4.24	(13)
Net Worth (₹ in Crores)	5,490.74	4,820.80	14	5,506.93	(0)	5,490.74	4,820.80	14
Net Profit after Tax (₹ In Crores)	136.15	175.73	(23)	184.82	(26)	320.97	286.45	12
Basic and Diluted EPS	16.28	22.69	(28)	23.98	(32)	40.27	37.18	8
Current Ratio (in Times)	1.4	1.41	(1)	1.42	(1)	1.4	1.41	(1)
Long Term Debt to Working Capital (in Times)	3.61	3.91	(8)	3.23	12	3.61	3.91	(8)
Bad Debts to Account Receivable Ratio (in %)	0.29	0.27	7	0.17	71	0.5	0.28	79
Current Liability Ratio (in Times)	0.33	0.31	6	0.34	(3)	0.33	0.31	6
Total Debts to Total Assets (in Times)	0.36	0.36	-	0.34	6	0.36	0.36	-
Trade Receivables Turnover Ratio (in Times)	12.27	16.44	(25)	15.62	(21)	14.83	18.41	(19)
Inventory Turnover Ratio (in Times)	7.32	9.46	(23)	8.66	(15)	8.1	10.24	(21)
Operating Margin (in %)	11.09	16.96	(35)	17.32	(36)	14.35	15.86	(10)
Net Profit Margin (in %)	5.24	6.32	(17)	6.48	(19)	5.89	5.14	15
Asset Cover Ratio for Secured NCDs (in Times)	42.54	16.58	157	27.34	56	42.54	16.58	157
Debenture Redemption Reserve (₹ In Crores)	7.5	20.57	(64)	7.5	-	7.5	20.57	(64)
Securities Premium ₹ In Crores)	756.8	756.8	-	756.8	-	756.8	756.8	-

Source: Company, Way2wealth Research

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Financials

(₹ crs)

Particulars	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ	1HFY25	1HFY24	YoY
Revenue from operations	2,560.12	2,752.77	(7)	2807.57	(9)	5,367.69	5,515.40	(3)
Other income	37.78	29.33	29	44.74	(16)	82.52	50.92	62
Total Income	2,597.90	2,782.10	(7)	2,852.31	(9)	5,450.21	5,576.32	(2)
Expenses								
Cost of materials consumed	388.08	442.36	(12)	430.38	(10)	818.46	882.12	(7)
Purchases of traded goods	56.17	46.59	21	64.3	(13)	120.47	86.45	39
Changes in inventories	7.3	-30.58	(124)	-15.77	(146)	-8.47	-45.76	(81)
Employee benefits expenses	224.54	182.88	23	218.62	3	443.18	366.81	21
Finance costs	122.81	115.01	7	110.5	11	233.31	224.06	4
Depreciation and amortisation	146.29	140.74	4	147.27	(1)	293.58	279.18	5
Power and fuel (net)	492.82	633.16	(22)	569.72	(13)	1,062.54	1,324.18	(20)
Freight and forwarding expenses	575.45	536.15	7	619.46	(7)	1,194.91	1,120.36	7
Other expenses	531.79	475.24	12	434.66	22	956.45	906.48	6
Total Expenses	2,545.25	2,541.56	0	2,579.14	(1)	5,124.39	5,143.88	(0)
Profit before exceptional Items and tax	52.65	240.54	(78)	273.17	(81)	325.82	432.44	(25)
Exceptional Items-(gain)loss	(102.35)	-		-		-102.35	15	
Profit before tax	155	240.54	(36)	273.17	(43)	428.17	417.44	3
Current tax	11.12	37.55	(70)	51.95	(79)	63.07	73.81	(15)
Adjustment of tax relating to earlier periods (net)	1.26	-		-0.27	(567)	0.99	3.63	
Deferred tax	6.47	27.26	(76)	36.67	(82)	43.14	53.55	(19)
Total tax expense	18.85	64.81	(71)	88.35	(79)	107.2	130.99	(18)
Profit after tax	136.15	175.73	(23)	184.82	(26)	320.97	286.45	12
Paid-up equity share capital (Fv ₹ 10)	77.27	77.27	-	77.27	-	77.27	77.27	-
Basic and Diluted EPS	16.28	22.69	(28)	23.98	(32)	40.27	37.18	8

Source: Company, Way2wealth Research

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Disclosure of Interest Statement J K Cements Ltd. as on November 12th, 2024

Name of the Security	J K Cements Ltd.
Name of the analyst	Dhananjay Kansara
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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