

29<sup>th</sup> May 2024

CMP – ₹3991/-

View – **Hold**

**Q4FY24 Performance**

- JK Cement (JKC) reported a robust performance in Q4FY24, aided by higher volumes and lower costs.
- The volume for the quarter grew 12% YoY to 5.22mn ton while achieving capacity utilisation of 85%, increasing the total revenue by 12% YoY to ₹3,105crs in Q4FY24.
- Total expenses for Q4FY24 were ₹2,564crs, representing a 7%/1% rise YoY/QoQ.
- JKC reported a 105% increase in profit at 220crs compared to ₹107crs in Q4FY23, attributable to higher volumes and lower operating costs.
- EBITDA/ton at ₹1073, up 43% YoY and declined 19% sequentially. EBITDA margin expanded to 18% compared to 12.6% YoY.
- Finance cost increased by 14% at ₹115crs on YoY basis.
- Acquired Toshali Cement (P) Ltd to extend footprint in Eastern markets.

**Important Statistics**

<b>Nifty</b>	22,888
<b>Sensex</b>	75,170
<b>MCAP (₹ Cr)</b>	~30,600
<b>52 Week H/L (₹)</b>	4,575/2,900
<b>NSE Code</b>	JKCEMENT
<b>BSE Code</b>	532644
<b>Bloomberg Code</b>	JKCE:IN

<b>Shareholding</b>	<b>Jun'23</b>	<b>Sep'23</b>	<b>Dec'23</b>	<b>Mar'24</b>
Promoters	45.8	45.8	45.7	45.7
FII	15.5	14.4	15.3	15.9
DII	23.1	24.2	24.1	23.3
Public	15.5	15.5	15	15

**Management Concall Highlights**

- **Volume** – The Grey Cement segment experienced a growth in volume that reached 19%, while the White Cement Business saw its volume increase by 9% annually. During Q4FY24, the capacity utilization stood at 75%, which led to a 12% YoY increase in volumes, amounting to 5.22 million tons per annum.
- **Capacity Expansion** – Central India expansion achieved 83% capacity utilization in first full year of operations. The company has unveiled plans for a significant capacity increase, with a new clinker production line of 3.3 mn tons per annum in Panna and an enhancement of cement production by 6 mn tons per annum, which includes 3 million tons in Bihar and 1 mn tons each in Panna, Hamirpur, and Prayagraj, projected to be commissioned in FY26.
- **Trade Mix** – During the quarter, the trade and non-trade mix was 62% for trade and 38% for non-trade, compared to the previous figures of 69% for trade and 31% for non-trade.
- **Cement prices** – Realisation for grey cement has declined somewhat since the end of Q4. Pricing adjustments are anticipated to commence from the third quarter and onward. Immediate changes in price expectations are uncertain. While there is some pressure on pricing in comparison to the fourth quarter, the decrease observed has been slight rather than significant.
- **Premium Sales** – Premium Cement accounted for 13% of the total trade sales, marking a slight increase from 12% in the previous quarter.
- **Energy expense** – The fuel expense has eased further on Kcal basis at 1.79 in Q4FY24 from 2.41 in Q4FY23 and 1.82 in Q3FY24. Diesel prices reduced by ₹1.10/litre in March'24 whereas petcoke prices have been in a tight range. The composition of the fuel mix stood at 60% Pet Coke, with the remaining 40% comprising a combination of imported Coal, renewable energy, and alternative fuels. Waste Heat Recovery Systems and increased usage of AFR shall enable more savings in the tune of ₹150/ton in near-term.

**Key Metrics**

<b>Particulars</b>	<b>(₹ Cr)</b>			
	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>
Revenue (₹ cr)	9,720	11556	12599	14087
PAT	419	790	1016	1216
EBITDA margin %	14	18	19	20%
EPS (₹)	55	102	129	155
ROE (%)	10	16	17	18
ROCE (%)	10	15	16	17
P/BV	6.5	5.6	4.8	4.2
EV/EBITDA (x)	23	17	14.5	12.5

<b>Return (%)</b>	<b>1Yr</b>	<b>2Yr</b>	<b>5Yr</b>
<b>JKC</b>	<b>33</b>	<b>70</b>	<b>288</b>
<b>Nifty 50</b>	24	41	93
<b>Sensex</b>	38	45	144

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- **Freight Cost** – During the quarter, the freight cost remained relatively flat. Lead distance continued to decline at 419kms in Q4FY24 from 438kms in Q4FY23 and 427kms sequentially. Road: Rail mix stood at 90:10 in Q4FY24 vs. 88:12/ 84:16 in Q3FY24/ Q4FY23.
- **Debt & Interest** – The gross debt as on 31<sup>st</sup> March 2024 stood at ₹4,592crs. The net debt of the company saw a reduction of ₹331crs, attributed to enhanced profitability over the year. The company estimates its debt to reach around ₹5,500crs on the higher side going further.

### Key Risks

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

### View

The grey cement segment demonstrated strong profitability, with an impressive 19% growth in volume and EBITDA per metric ton of ₹1,078 for FY24. The company's expansion initiatives are progressing as planned, with the 2 mn metric tons grinding unit at Prayagraj and the 1 mn metric tons at Panna scheduled to commence operations by the second quarter of FY25 and FY26, respectively. JKC is projecting a volume growth of approximately 10% for FY25, which surpasses the industry's expected growth of about 7%. Acquisition of Toshali Cement in the eastern region, the company is projecting an expected volume of between 0.4 to 0.5 million metric tons.

Monsoons typically slows demand down due to reduced construction activity. Election outcomes can cause market volatility and monsoon moisture can affect cement quality, leading to potential price drops pre-monsoon. Management foresees market dynamics will play a crucial role in shaping cement prices, which will be an important factor to monitor moving forward, we recommend investors to continue to **Hold, the company is currently quoting at 13x FY26E EV/EBITDA.**

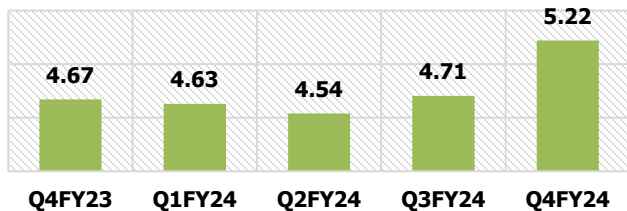
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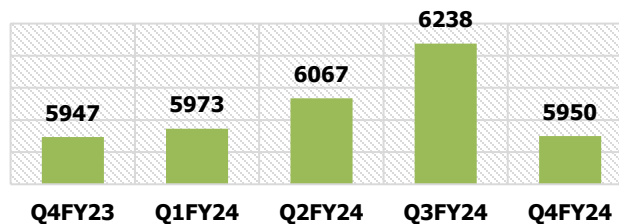
View – **Hold**

**Operational Highlights**

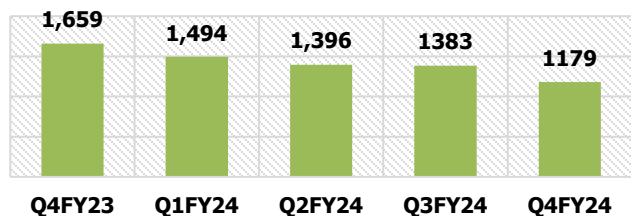
**Volume/mnt**



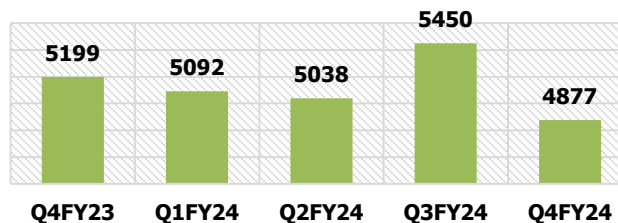
**Realisation/tonne**



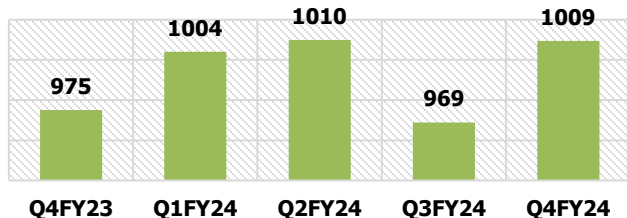
**Energy / tonne**



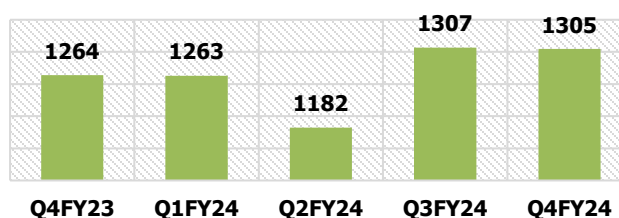
**Cost / tonne**



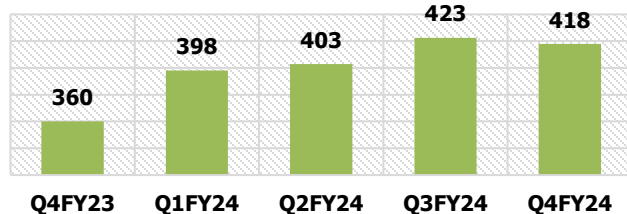
**Raw Materials / tonne**



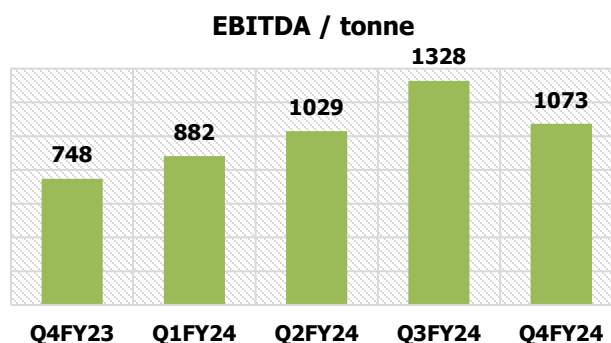
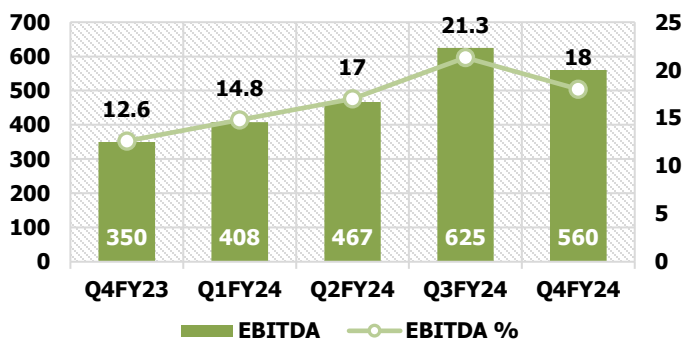
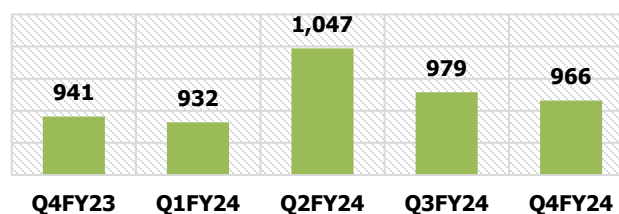
**Freight / tonne**



**Staff Cost / tonne**



**Other Expenses / tonne**



Source: Company, Way2wealth Research

W2W Lighthouse - A Quick Perspective

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**Key Operational Metrics**

(₹ Cr)

Particulars	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ	FY24	FY23	YoY
Volume/mnt	5.22	4.67	12%	4.71	11%	19.1	16.2	18%
Realisation/tonne	5950	5948	0%	6231	-5%	6050	6000	1%
Cost/tonne	4877	5200	-6%	4904	-1%	4972	5189	-4%
Raw materials /tonne	1009	976	3%	817	24%	961	983	-2%
Staff cost/tonne	418	360	16%	422	-1%	410	394	4%
Energy cost/tonne	1179	1659	-29%	1381	-15%	1356	1582	-14%
Freight/tonne	1305	1265	3%	1305	0%	1265	1255	1%
Other Expenses/tonne	966	941	3%	978	-1%	980	975	1%
EBITDA/tonne	1073	748	43%	1327	-19%	1078	811	33%

Source: Company, Way2wealth Research

**Product Mix**

(₹ Cr)

Particulars	Q4FY24	Q3FY24	QoQ	Q4FY23	YoY	FY24	FY23	YoY
Grey Net Sales	2310	2144	8%	2072	11%	8454	7052	20%
White Net Sales	707	699	1%	653	8%	2750	2452	12%
Total Net Sales	3017	2843	6%	2725	11%	11204	9504	18%
Combined EBITDA	560	625	11%	350	60%	2060	1314	57%

Source: Company, Way2wealth Research

**Debt profile**

(₹ Cr)

	FY24	FY23	YoY
Gross Debt	4592	4534	1.12%
Cash	2011	1621	-1.42%
Net Debt	2582	2913	2.51%
Net Debt/EBITDA	1.29	2.21	-25.45%
Equity	5353	4640	10.37%
Net Debt/Equity	0.48	0.63	-7.94%

Source: Company, Way2wealth Research

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**Quarterly Financials**

									(₹ Cr)
Particulars	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ	FY24	FY23	YoY	
Revenue from operations	3,105.77	2,777.88	12%	2,934.83	6%	11,556.00	9,720.20	19%	
Other income	45.68	37.97	20%	38.45	19%	145.06	87.41	66%	
<b>Total Income</b>	<b>3,151.45</b>	<b>2,815.85</b>	<b>12%</b>	<b>2,973.28</b>	<b>6%</b>	<b>11,701.06</b>	<b>9,807.61</b>	<b>19%</b>	
<b>Expenses</b>									
Cost of materials consumed	451.52	418.32	8%	455.85	-1%	1,789.49	1,491.58	20%	
Purchases of stock in trade	93.6	34.1	174%	67.5	39%	247.56	126.56	96%	
Decrease/(increase) in inventories of finished goods	-18.18	3.14	-679%	-138.44	-87%	-202.38	-25.29	700%	
Employee benefits expenses	218.15	168.14	30%	198.82	10%	783.78	637.76	23%	
Finance costs	114.94	101.15	14%	114.13	1%	453.13	312.18	45%	
Depreciation and amortisation expenses	153	132.21	16%	140.44	9%	572.62	461.92	24%	
Power and fuel (net)	615.64	774.78	-21%	650.6	-5%	2,590.42	2,563.41	1%	
Freight and forwarding expenses	680.96	590.54	15%	614.83	11%	2,416.15	2,033.11	19%	
Other expenses	504.14	439.32	15%	460.56	9%	1,871.18	1,578.77	19%	
<b>Total Expenses</b>	<b>2,813.77</b>	<b>2,661.70</b>	<b>6%</b>	<b>2,564.29</b>	<b>10%</b>	<b>10,521.95</b>	<b>9,180.00</b>	<b>15%</b>	
Profit before exceptional items, share in associates and tax	337.68	154.15	119%	408.99	-17%	1,179.11	627.51	88%	
Exceptional Items	-9.5	.	-	.	.	5.5	-	.	
Share in associates (net of tax)-profit	-	0.35	-	.	.	.	-	.	
<b>Profit before tax</b>	<b>347.18</b>	<b>154.5</b>	<b>125%</b>	<b>408.99</b>	<b>-15%</b>	<b>1,173.61</b>	<b>627.61</b>	<b>87%</b>	
Current tax	-8.08	40.63	-120%	81.08	-110%	146.81	142.48	3%	
Deferred tax	137.35	8.56	1505%	44.11	211%	235.01	68.84	241%	
<b>Total tax expense</b>	<b>127.5</b>	<b>47.16</b>	<b>170%</b>	<b>125.19</b>	<b>2%</b>	<b>383.68</b>	<b>211.29</b>	<b>82%</b>	
<b>Profit after tax</b>	<b>219.68</b>	<b>107.34</b>	<b>105%</b>	<b>283.8</b>	<b>-23%</b>	<b>789.93</b>	<b>416.32</b>	<b>90%</b>	
Paid-up equity share capital (FV ₹10/- each)	77.27	77.27	0%	77.27	0%	77.27	77.27	0%	
Other Equity	-	.	-	.	.	5,289.87	4,606.73	15%	
<b>EPS(₹ 10/-each)</b>	<b>28.44</b>	<b>14.17</b>	<b>101%</b>	<b>36.73</b>	<b>-23%</b>	<b>102.35</b>	<b>54.82</b>	<b>87%</b>	

Particulars	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ	FY24	FY23	YoY
Debi-Equity Ratio (in Times)	1.0	1.1	-9%	1.0	-6%	1.0	1.1	-9%
Debt Service Coverage Ratio (in Times)	2.2	1.9	14%	2.4	-10%	2.1	1.6	31%
Interest Service Coverage Ratio (in Times)	5.4	4.0	37%	5.9	-8%	5.0	4.6	7%
Net Worth (In Crores)	5322	4640	15%	5104	4%	5322	4640	15%
Net Profit after Tax (₹ In Crores)	220	107	105%	284	-23%	790	416	90%
Earnings Per Share for the period/year ended	28.4	14.2	101%	36.7	-23%	102.4	54.8	87%
Current Ratio (in Times)	1.5	1.5	-1%	1.4	6%	1.5	1.5	-1%
Long Term Debt to Working Capital (in Times)	3.2	3.7	-13%	3.5	-9%	3.2	3.7	-13%
Bad Debts to Account Receivable Ratio (in %)	-0.2	-0.1	15%	0.3	-156%	0.5	1.3	-64%
Current Liability Ratio (in Times)	0.3	0.3	7%	0.3	-9%	0.3	0.3	7%
Total Debts to Total Assets (in Times)	0.4	0.4	-8%	0.4	-3%	0.4	0.4	-8%
Trade Receivables Turnover Ratio (in Times) Annualized	8.4	20.3	-59%	16.4	-49%	20.6	20.3	1%
Inventory Turnover Ratio (in Times) Annualized	9.4	10.4	-10%	9.1	3%	10.4	8.7	19%
Operating Margin (in %)	18.0	12.6	43%	21.3	-15%	17.8	13.5	32%
Net Profit Margin (in %)	7.0	3.9	78%	9.6	-27%	6.8	4.2	59%
Asset Cover Ratio for Secured NCDs (in Times)	22.8	0.2	11921%	17.8	28%	22.8	11.1	105%
Debenture Redemption Reserve (₹ In Crores)	7.5	20.6	-64%	20.6	-64%	7.5	20.6	-64%
Securities Premium (in Crores)	756.8	756.8	0%	756.8	0%	756.8	755.8	0%

Source: Company, Way2wealth Research

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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
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