

Q1FY25 Performance

- JK Cement (JKC) reported a steady performance in Q1FY25 despite a challenging environment, thanks to operational optimization and cost control.
- The volume for the quarter grew 5% YoY to 4.88mn ton while achieving capacity utilisation of 79%, increasing the total revenue by 2% YoY to ₹2808crs in Q1FY25.
- Total expenses for Q1FY25 at ₹2,579crs, representing a 1%/8% decline YoY/QoQ.
- JKC reported a 66% increase in profit at ₹185crs compared to ₹111crs in Q1FY24, attributable to higher volumes and lower operating costs.
- EBITDA/ton at ₹996, up 13% YoY and declined 7% sequentially. EBITDA margin expanded to 17% compared to 15% YoY.
- Finance costs remained flat YoY at ₹111crs during the quarter.
- The company's subsidiary, Toshali Cements, contributed 30,000 tons of grey cement volume in Q1FY25.

Important Statistics

Nifty	24,633
Sensex	80,654
MCAP (₹ Cr)	~34,400
52 Week H/L (₹)	4,600 / 3,030
NSE Code	JKCEMENT
BSE Code	532644
Bloomberg Code	JKCE:IN

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

Promoters	45.8	45.8	45.7	45.7	45.7
FII	15.5	14.4	15.3	15.9	17.7
DII	23.1	24.2	24.1	23.3	22
Public	15.5	15.5	15	15	14.5

Management Concall Highlights

- **Volume** – The company's operational performance saw growth in sales volumes for grey and white cement, with the grey cement realisation at ₹4,669/ton. The Grey Cement segment experienced a growth in volume that reached 6% YoY, while the white cement business saw its volume increase by 2% YoY. During Q1FY25, capacity utilisation stood at 79%, which led to a 5% YoY increase in volumes, amounting to 4.88mtpa.
- **Capacity Expansion** – Central India expansion achieved 93% capacity utilisation. Commissioned 2 mn tons Greenfield grinding unit at Prayagraj completed in record time of 10 months. JK Cement is progressing towards its goal of 30 mn tons by FY26, currently at 24 mn tons. The 6 mn ton expansion includes a clinkerisation unit and Brownfield expansions at Prayagraj, Hamirpur, and Panna, with Greenfield expansion in Bihar. Work at Panna has begun, with main plant and equipment orders placed, aiming for commissioning in Q3FY26. For the Bihar grinding unit, land acquisition is complete, approvals are underway, and work is expected to start post-monsoon, adhering to the schedule.
- **Trade Mix** – During the quarter, the trade and non-trade mix was 63% for trade and 37% for non-trade, compared to the previous year figures of 62% for trade and 38% for non-trade.
- **Cement prices** – Prices are currently under pressure, with a 1-1.5% drop already observed this month compared to Q1FY25. It is expected that Q2FY25 pricing will be lower than Q1FY25. However, demand is anticipated to increase by September24, potentially leading to price corrections in October24. However, it faces pricing pressure in the wall putty segment and competition from Asian Paints.
- **Premium Sales** – Premium Cement accounted for 13% of overall trade sales and remained flat YoY. The company aims to increase premium cement sales by 20% over the medium to long term.
- **Energy expense** – This quarter, the cost per KCal is ₹1.62, compared to ₹1.80 in Q4FY24 and ₹2.19 in Q1FY24. Expected to decline more around ₹1.50 in

Key Metrics

Particulars	(₹ Cr)			
	FY23	FY24	FY25E	FY26E
Revenue (₹ cr)	9,720	11556	12318	13818
PAT	419	790	945	1172
EBITDA margin %	14	18	18	19
EPS (₹)	55	102	127	155
ROE (%)	10	16	16	17
ROCE (%)	10	15	16	17
P/BV	6.5	5.6	5.5	4.7
EV/EBITDA (x)	23	16	17	14

Source: Company, Way2Wealth

Relative Performance

Return (%)	1Yr	2Yr	5Yr
JKC	35	87	351
Nifty 50	24	46	117
Sensex	21	44	112

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29th Jul 2024

CMP – ₹4,387.65/-

View – **Accumulate on Dips**

Q2FY25. Diesel prices reduced by ₹2/litre YoY, whereas petcoke prices have also declined at 106.5\$/mt in Jun'24. The composition of the fuel mix stood at 68% Pet Coke, with the remaining 40% comprising a combination of imported coal, renewable energy, and alternative fuels.

- **Green Power** – The management has indicated that the cost saving is approximately ₹3 per unit. Green power is a priority for the company. Initially, in 2020, there was uncertainty about reaching the 75% target early. However, they now believe they can achieve this by FY28, possibly even sooner.
- **Freight Cost** – During the quarter, the freight cost/ton remained relatively flat on a YoY basis and declined 3% sequentially. Lead distance continued to decline at further at 415kms in Q1FY25 from 419kms in Q4FY24 and 426kms in Q1FY24. Road: Rail mix stood at 91:9 in Q1FY25.
- **Debt & Interest** –Gross debt stood at ₹4,515crs, while the net debt was ₹2,830crs. As of 30Jun24, the net debt to EBITDA ratio was 1.36.

Key Risks

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

View

JKC has reported a 67% increase in its bottom line and a 1.6% YoY increase in its top line, showcasing resilience in a challenging market. The company is celebrating its 50th year in grey cement and 40th year in white cement in FY25. It is on track to expand its capacity to 30 mtpa by FY26 and aims to achieve a 75% green power mix by FY30. Management expects cement demand to grow by 7-9% in FY25, driven by robust infrastructure projects and housing initiatives, especially under the Pradhan Mantri Awas Yojana.

Going forward, profitability ratios are anticipated to benefit from reduced energy costs and improved operational efficiencies. JKC's outlook remains positive, driven by strong demand forecasts, strategic capacity expansions, and a focus on cost management. Despite short-term challenges, the company's proactive strategies and leadership in the white cement market position it well for growth in the upcoming quarters. We recommend investors to **Accumulate on dips, with the stock trading at 14x FY26E EV/EBITDA.**

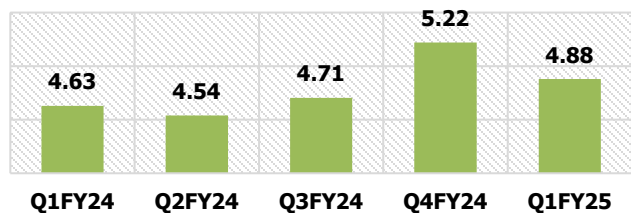
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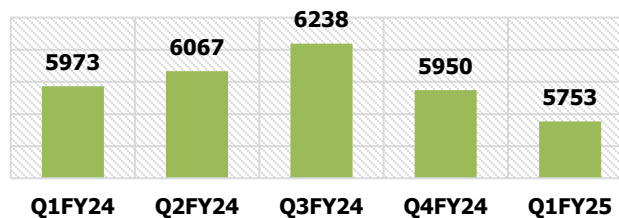
View – Accumulate on Dips

Operational Highlights

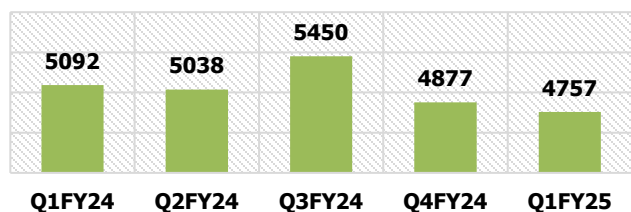
Volume/mnt



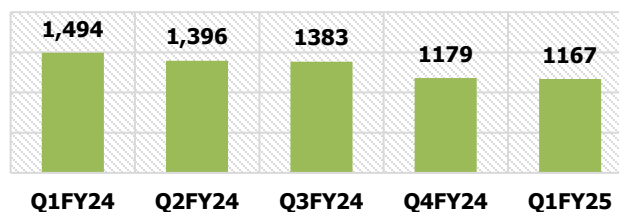
Realisation/tonne



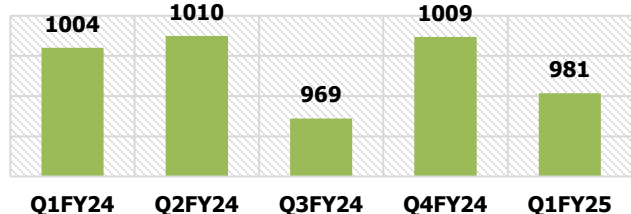
Cost / tonne



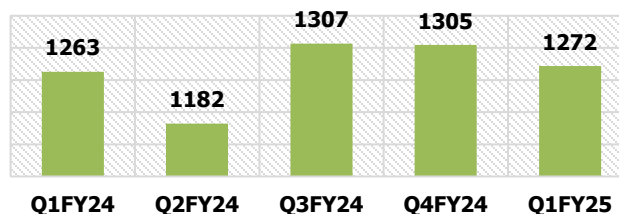
Energy / tonne



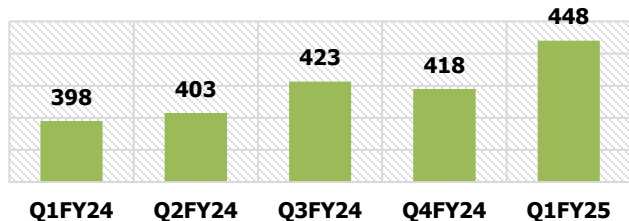
Raw Materials / tonne



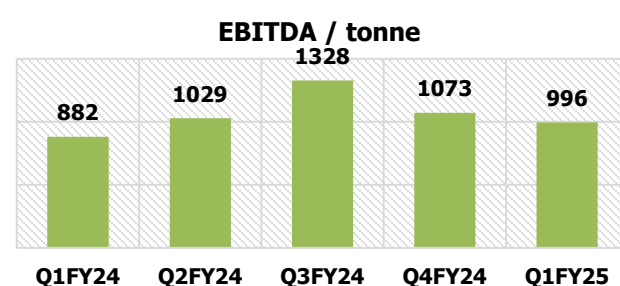
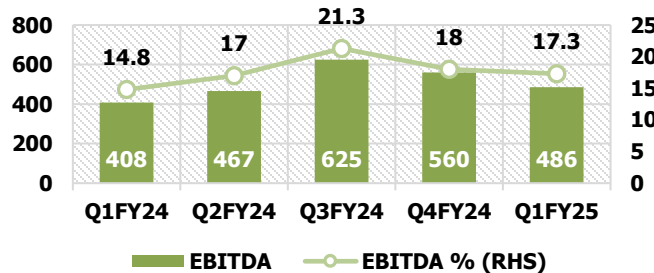
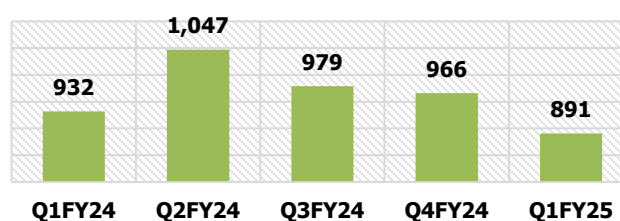
Freight / tonne



Staff Cost / tonne



Other Expenses / tonne



Source: Company, Way2wealth Research

W2W Lighthouse - A Quick Perspective

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 View – **Accumulate on Dips**
Key Operational Metrics

Particulars	₹ Cr							
	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ	FY24	FY23	YoY
Volume/mnt	4.88	4.63	5%	5.22	-7%	19.1	16.2	18%
Realisation/tonne	5753	5967	-4%	5950	-3%	6050	6000	1%
Cost/tonne	4757	5086	-7%	4877	-2%	4972	5189	-4%
Raw materials /tonne	981	1003	-2%	1009	-3%	961	983	-2%
Staff cost/tonne	448	397	13%	418	7%	410	394	4%
Energy cost/tonne	1167	1492	-22%	1179	-1%	1356	1582	-14%
Freight/tonne	1269	1262	1%	1305	-3%	1265	1255	1%
Other Expenses/tonne	891	931	-4%	966	-8%	980	975	1%
EBITDA/tonne	996	881	13%	1073	-7%	1078	811	33%

Source: Company, Way2wealth Research

Product Mix

Particulars	₹ Cr							
	Q1FY25	Q4FY24	QoQ	Q1FY24	YoY	FY24	FY23	YoY
Grey Net Sales	2040	2310	-12%	2039	-	8454	7052	20%
White Net Sales	679	707	-4%	641	6%	2750	2452	12%
Total Net Sales	2719	3017	-10%	2680	1%	11204	9504	18%
Combined EBITDA	486	560	-13%	408	19%	2060	1314	57%

Source: Company, Way2wealth Research

Debt profile

	₹ Cr		
	FY24	30-Jun-24	Var %
Gross Debt	4592	4515	-1.68
Cash	2011	1685	-16.21
Net Debt	2582	2830	9.60
Net Debt/EBITDA	1.29	1.36	5.43
Equity	5353	5556	3.79
Net Debt/Equity	0.48	0.51	6.25

Particulars	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ	FY24	FY23	YoY
Debt-Equity Ratio (in Times)	0.9	1.0	-10%	1.0	-4%	1.0	1.1	-9%
Debt Service Coverage Ratio (in Times)	1.8	1.5	21%	2.2	-15%	2.1	1.6	31%
Interest Service Coverage Ratio (in Times)	4.9	4.1	21%	5.4	-9%	5.0	4.6	7%
Net Worth (₹ In Crores)	5506.9	4749.8	16%	5321.6	3%	5321.6	4640	15%
Net Profit after Tax (₹ crs)	184.8	110.7	67%	219.7	-16%	789.9	416	90%
Basic and Diluted EPS (₹)	24.0	14.5	66%	28.4	-16%	102.4	54.8	87%
Current Ratio (in Times)	1.4	1.4	2%	1.5	-4%	1.5	1.5	-1%
Long Term Debt to Working Capital (in Times)	3.2	4.0	-20%	3.2	1%	3.2	3.7	-13%
Bad Debts to Account Receivable Ratio (in %)	0.2	0.0	-1800%	-0.2	-213%	0.5	1.3	-64%
Current Liability Ratio (in Times)	0.3	0.3	6%	0.3	10%	0.3	0.3	7%
Total Debts to Total Assets (in Times)	0.3	0.4	-6%	0.4	-3%	0.4	0.4	-8%
Trade Receivables Turnover Ratio (in Times) Annualized	15.6	19.0	-18%	18.4	-15%	20.7	20.3	2%
Inventory Turnover Ratio (in Times) Annualized	8.7	10.2	-15%	9.4	-8%	10.4	8.7	19%
Operating Margin (in %)	17.3	14.8	17%	18.0	-4%	17.8	13.5	32%
Net Profit Margin (in %)	6.5	4.0	64%	7.0	-7%	6.8	4.2	59%
Asset Cover Ratio for Secured NCDs (in Times)	27.3	12.0	127%	22.8	20%	22.8	11.1	105%
Debenture Redemption Reserve (₹ crs)	7.5	20.6	-64%	7.5	0%	7.5	20.6	-64%
Securities Premium (₹ crs)	756.8	756.8	0%	756.8	0%	756.8	755.8	0%

Source: Company, Way2wealth Research

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 View – **Accumulate on Dips**
Financials

(₹ Cr)

Particulars	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ	FY24	FY23	YoY
Revenue from operations	2,807.57	2,762.63	1.6%	3,105.77	-9.6%	11,556.00	9,720.20	19%
Other income	44.74	31.6	41.6%	45.68	-2.1%	145.06	87.41	66%
Total Income	2,852.31	2,794.23	2.1%	3,151.45	-9.5%	11,701.06	9,807.61	19%
Expenses								
Cost of materials consumed	430.38	439.76	-2.1%	451.52	-4.7%	1,789.49	1,491.58	20%
Purchases of stock in trade	64.3	39.86	61.3%	93.6	-31.3%	247.56	126.56	96%
Changes in inventories	-15.77	-15.19	3.8%	-18.18	-13.3%	-202.38	-25.29	700%
Employee benefits expenses	218.62	183.93	18.9%	218.15	0.2%	783.78	637.76	23%
Finance costs	110.5	109.04	1.3%	114.94	-3.9%	453.13	312.18	45%
Depreciation and amortisation expenses	147.27	138.44	6.4%	153	-3.7%	572.62	461.92	24%
Power and fuel (net)	569.72	691.02	-17.6%	615.64	-7.5%	2,590.42	2,563.41	1%
Freight and forwarding expenses	619.46	584.21	6.0%	680.96	-9.0%	2,416.15	2,033.11	19%
Other expenses	434.66	431.25	0.8%	504.14	-13.8%	1,871.18	1,578.77	19%
Total Expenses	2,579.14	2,602.32	-0.9%	2,813.77	-8.3%	10,521.95	9,180.00	15%
Profit before exceptional items and tax	273.17	191.91	42.3%	337.68	-19.1%	1,179.11	627.51	88%
Exceptional Items	-	15		-9.5		5.5	-	
Profit before tax	273.17	176.91	54.4%	347.18	-21.3%	1,173.61	-	
Current tax	51.95	36.26	43.3%	-8.08	-742.9%	146.81	627.61	-77%
Adjustment of tax relating to earlier periods (net)	-0.27	3.63	-107.4%	-1.77	-84.7%	1.86	142.48	-99%
Deferred tax	36.67	26.29	39.5%	137.35	-73.3%	235.01	68.84	241%
Total tax expense	88.35	66.18	33.5%	127.5	-30.7%	383.68	211.29	82%
Profit after tax	184.82	110.73	66.9%	219.68	-15.9%	789.93	416.32	90%
Paid-up equity share capital	77.27	77.27	0.0%	77.27	0.0%	77.27	77.27	0%
Other Equity (Excluding Revaluation Reserves)	.	-		.		5,289.87	4,606.73	15%
Basic and Diluted EPS	23.98	14.48	65.6%	28.44	-15.7%	102.35	54.82	87%

Source: Company, Way2wealth Research

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Disclosure of Interest Statement J K Cements Ltd. as on July 29th, 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
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