

# Shubh Nivesh



## Timely capacity additions ensures strong growth...

About the stock: JK Cement (JKC), one of the leading manufacturers of cement in India, has a total consolidated capacity of 24.4 million tonnes (mtpa), of which grey cement capacity is 22.2 mtpa and white cement (including wall putty) capacity is 2.2 mtpa. Company also has a 159 MW green power capacity (64 MW waste heat recovery and 95 MW solar & wind)

- Company is in process to take its grey cement capacity to 30 mtpa by FY26

### Investment Rationale:

- Timely capacity additions ensures healthy volume growth: JKC has been focused on timely capacity additions, helped it to grow its cement volumes in double digits & gained market share. During FY23 & YTD FY24, company has increased its grey cement capacity by 7.5 mtpa, taking its grey capacity to 22.2 mtpa. On account of this, the grey cement volume growth remained strong at 15.8% YoY in FY23 and 20% YoY in 9MFY24. With another 2 mtpa scheduled to be completed by Q2FY25, the grey cement capacity would reach 24.2 mtpa. Moreover, a new 6 mtpa expansion plan has already been approved by the company, targeting total capacity of 30 mtpa by FY26 end. We believe the strong focus on timely capacity additions provide longer term visibility on the company's volume growth. We estimate blended volume growth of 11.2% YoY during FY23-26E
- Margins to improve further over FY24-26E led by operational efficiency measures and improvement in capacity utilisation: After witnessing significant contraction in EBITDA/ton during FY23 to ₹ 810/ton (mainly due to increase in fuel cost), company's EBITDA/ton has improved significantly during 9MFY24 to ₹ 1081/ton (+30% YoY) led by decline in fuel prices. Going ahead, we expect company's EBITDA/ton to improve further to ₹ 1228/ton by FY26E, primarily led by realisation pick-up, operational efficiency measures (like improving product mix, increase in share of lower-cost green power, supply chain measures) and positive operating leverage

### Rating and Target Price

- With healthy volume growth (led by healthy demand, improvement in utilisation on ramp-up of new capacities) and operational efficiency measures, we believe company's operational and financial performance to improve significantly over FY23-26E. We estimate revenue CAGR of ~13% over FY23-25E while EBITDA and PAT CAGR at ~28% and ~41%. With improvement in asset turnover and operating margins, return ratios are set to improve over the next two years
- Valuation at 13.2x EV/EBITDA on FY26E basis looks attractive given strong growth ahead led by timely scaling-up of business (entering into a league of 30 mtpa capacity), growing its volumes in double digits & gaining market share. We value JK Cement at ₹ 5175 i.e. 16x FY26E EV/EBITDA



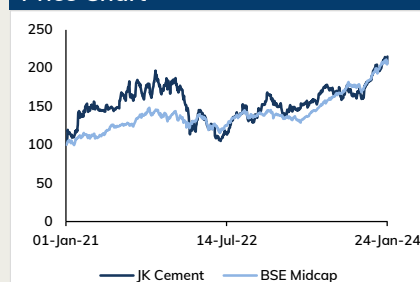
### Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	32,414
FY23 Gross Debt (Rs Crore)	4,995
FY23 Cash & Equivalents (Rs Crore)	2,082
EV (Rs Crore)	35,327
52 Week H/L (Rs)	4239 / 2543
Equity Capital	77.3
Face Value	10.0

### Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	45.8	45.8	45.8	45.7
FII	15.5	15.5	14.4	15.3
DII	22.5	23.2	24.3	24.0
Others	16.2	15.6	15.6	15.0

### Price Chart



### Key risks

- Slowdown in cement demand from housing & infra
- Increase in commodity prices
- Correction in cement prices

### Research Analyst

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### Key Financial Summary

(₹ crore)	FY21	FY22	FY23	3 Year CAGR (FY20-23)	FY24E	FY25E	FY26E	3 Year CAGR (FY23-26E)
Revenues	6,606	7,991	9,720	18.8	11,501	12,673	13,979	12.9
EBITDA	1,539	1,482	1,314	2.7	2,113	2,453	2,738	27.7
EBITDA margin (%)	23.3	18.6	13.5		18.4	19.4	19.6	
Net Profit	703	679	419	(4.6)	806	1,001	1,171	40.9
EPS (₹)	91.0	87.9	54.2		104.4	129.5	151.6	
P/E (x)	46.1	47.7	77.3		39.7	32.4	27.7	
EV/EBITDA (x)	22.2	24.1	26.9		16.8	14.7	13.2	
RoCE (%)	19.6	15.7	9.7		16.2	17.9	18.0	
RoE (%)	18.8	15.7	8.9		15.7	16.4	16.4	

Source: Company, ICICI Direct Research

## RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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