

JK Cement

BSE SENSEX 78,553
S&P CNX 23,852



Bloomberg	JKCE IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	390.3 / 4.6
52-Week Range (INR)	5142 / 3635
1, 6, 12 Rel. Per (%)	14/22/14
12M Avg Val (INR M)	631

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	116.0	133.0	154.0
EBITDA	19.2	23.5	28.0
Adj. PAT	7.1	9.8	12.7
EBITDA Margin (%)	16.5	17.7	18.2
Adj. EPS (INR)	95.7	126.9	164.2
EPS Gr. (%)	(6.8)	32.6	29.3
BV/Sh. (INR)	773	870	1,005

Ratios

Net D:E	0.7	0.7	0.6
RoE (%)	12.6	15.4	17.5
RoCE (%)	9.7	11.2	12.7
Payout (%)	23.8	23.6	18.3

Valuations

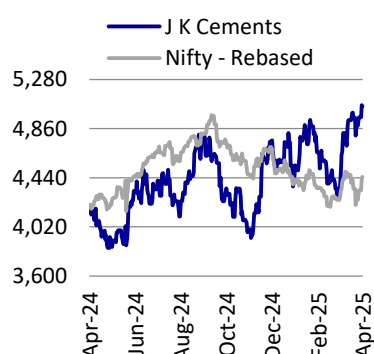
P/E (x)	52.8	39.8	30.8
P/BV (x)	6.5	5.8	5.0
EV/EBITDA(x)	21.7	17.8	14.8
EV/ton (USD)	181	148	147
Div. Yield (%)	0.5	0.6	0.6
FCF Yield (%)	(0.1)	0.7	2.3

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	45.7	45.7	45.7
DII	23.7	22.5	24.1
FII	16.9	17.5	15.2
Others	13.7	14.3	15.0

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR5,050 **TP: INR6,000 (+19%)** **Buy**

Strong volume outlook with margin tailwinds in FY26

Best-placed midcap cement company with a pan-India presence

- JK Cement (JKCE) has exposure to key markets—North, Central, and West regions—where the medium-term growth outlook remains strong. These markets are expected to witness strong demand, backed by the government's focus on infrastructure development, low-cost housing projects, and robust demand from urban and rural housing. It has delivered robust volume (grey cement) CAGR of ~16% over FY20-25. We estimate JKCE to continue reporting strong growth (CAGR of ~14%) over FY25-27.
- Further, JKCE intends to double its grey cement capacity over the next five years (by FY30). The expansion will be carried out through a greenfield and brownfield projects across North, Central, South, and East regions. These initiatives will help the company strengthen its market position across key markets and establish a more balanced pan-India presence.
- JKCE continues to strengthen its cost structure through a combination of capacity expansion (with an increasing share of efficient equipment), upgrade initiatives, and sustainability-driven measures, such as increasing its green power share and Thermal Substitution Rate (TSR). In FY25, the company realized cost savings of INR40-50/t and anticipates additional cost savings of INR75/t over the next few quarters.
- The company is generating strong OCF, with cumulative OCF amounting to INR40.8b over FY22-24. We estimate that OCF will continue to improve, with cumulative OCF projected to reach INR63.6b over FY25-27. Stronger cash flow generation will support the company's expansion plans and help maintain a healthy balance sheet. We estimate the company's net debt-to-EBITDA ratio at 1.5x by FY27 vs. 2.1x in FY25. Given JKCE's increasing scale of operations, strong execution strategy, favorable regional mix, and cost reduction initiatives, we value it at 16x FY27E EV/EBITDA (similar to its five-year average one-year forward EV/EBITDA) to arrive at **our TP of INR6,000. We reiterate our BUY rating on the stock.**

Strong volume growth driving market share gain

- JKCE has demonstrated impressive volume growth, achieving a grey cement volume CAGR of ~16% over FY20-25, significantly outperforming the industry average. This strong performance reflects the company's strategic capacity expansions, enhanced market presence, and efficient execution.
- After a lull period of 1HFY25, cement demand has seen a recovery in 2HFY25, backed by a renewed push in government-driven infrastructure projects, affordable housing projects, and a pick-up in rural and urban housing demand. As a result, JKCE's volume growth in 2HFY25 is estimated at ~6% YoY, largely in line with the industry.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- Going forward, the company is estimated to report industry-leading volume growth by leveraging its presence in high-growth markets across the North, Central, and West regions. We estimate JKCE's grey cement volume CAGR at ~14% over FY25-27, further leading to an increase in its overall market share by ~30bp, reaching 4.3% by FY27E (JKCE's market share increased to 4.0% in FY25 vs. 2.5% in FY20).

JKCE's transition from regional strength to pan-India focus

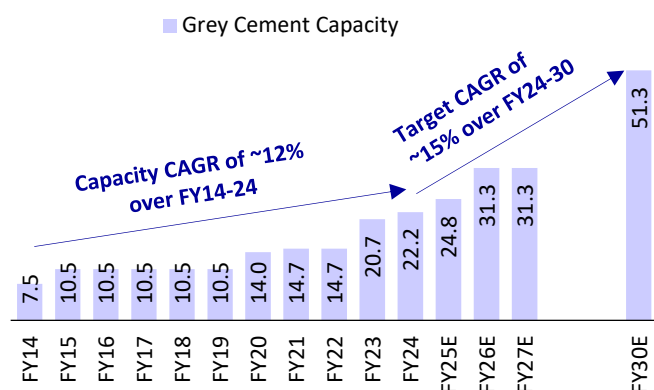
- JKCE has transitioned from being a regional player to a pan-India player through strategic capacity expansions and geographic diversification. Till FY19, the company's grey cement capacity was concentrated in the North and South regions. However, post-FY19, the company embarked on an ambitious expansion plan to reduce regional dependence, enhance market reach, and achieve operational synergies.
- Over FY20-25, the company expanded its capacity into the North, West, Central, and East regions. Currently, its capacity mix consists of ~42% in the North, ~38% in the Central region, ~14% in the South, ~3% in the West, and ~3% in the East, compared to ~71% in the North and 29% in the South in FY19.
- The company intends to double its grey cement capacity over the next five years (by FY30) and achieve a more balanced regional presence. The company's expansion plans include a greenfield expansion of 6mtpa at Jaisalmer (North), brownfield expansions of 6mtpa at Penna Line-III (Central), 5mtpa at Muddapur (South), and 3mtpa at Odisha (East). Once these expansions are completed, the company's capacity mix will consist of ~36% in the Central region, ~33% in the North, ~17% in the South, ~13% in the East, and ~1% in the West. Based on the capacity expansion announcements of industry players, we estimate that JKCE, with a potential capacity target of ~50mtpa by FY30, will position itself among the top five cement players in the industry.

View and valuation

- We estimate JKCE's consol. revenue/EBITDA/PAT CAGR at 15%/21%/33% over FY25-27, driven by robust volume growth and profitability improvement. We anticipate the company's consol. volume to report ~13% CAGR over FY25-27 and OPM to expand 1.7pp to ~18% by FY27. We estimate its EBITDA/t at INR1,070/INR1,120 in FY26/FY27 vs. INR980 in FY25 (avg. INR1,070 over FY20-25).
- We estimate JKCE to generate a cumulative OCF of INR63.6b over FY25-27, with cumulative capex expected to be INR52.0b over the same period. Given the strong cash flow generation and low-cost expansions (capex cost stood at USD60-70/t), we believe its net debt will peak out in FY26E at INR45.0b. Further, we anticipate its RoE/RoCE (post tax) to improve to 18%/14% in FY27 from 13%/10% in FY25E.
- JKCE re-rated in FY21 and has been trading in the range of 12-20x EV/EBITDA (one-year forward). The re-rating is attributed to the company's expanded operations, strong execution capabilities, and cost reduction initiatives. We believe JKCE is best-placed among mid-sized cement companies with a pan-India presence. We value JKCE at 16x FY27E EV/EBITDA (similar to its five-year average one-year forward EV/EBITDA) to arrive at **our TP of INR6,000. We reiterate our BUY rating on the stock.**

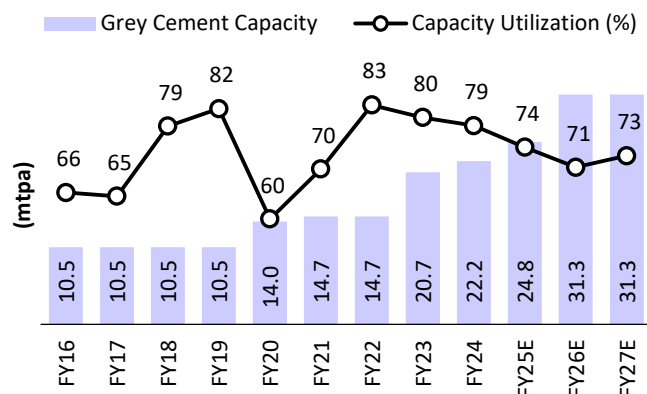
Story in charts

Exhibit 1: Consistent capacity additions by JKCE



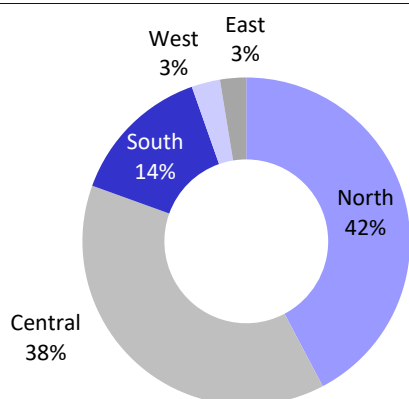
Sources: MOFSL, Company

Exhibit 2: JKCE's capacity utilization likely at 70%+



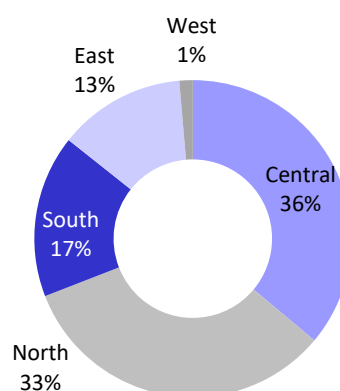
Sources: MOFSL, Company

Exhibit 3: JKCE's diversified capacity share (FY25E)



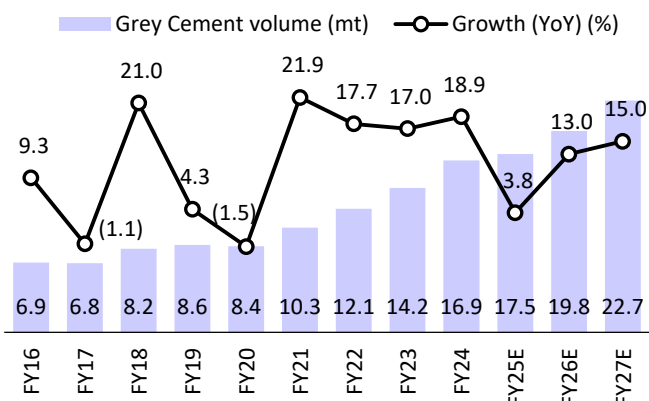
Sources: MOFSL, Company

Exhibit 4: JKCE to balance out its regional capacity mix (FY30E)



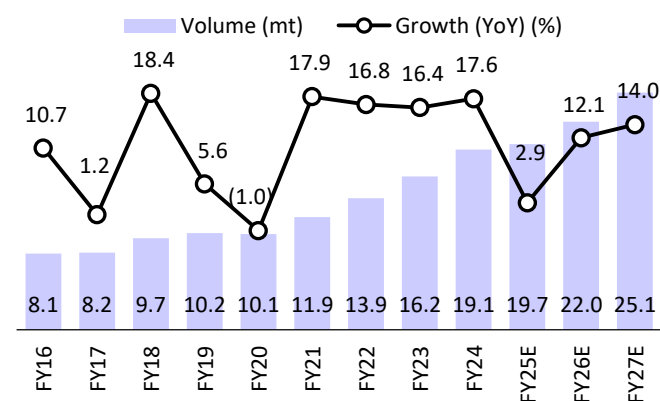
Sources: MOFSL, Company

Exhibit 5: Grey cement volume CAGR of ~14% over FY25-27E



Sources: MOFSL, Company

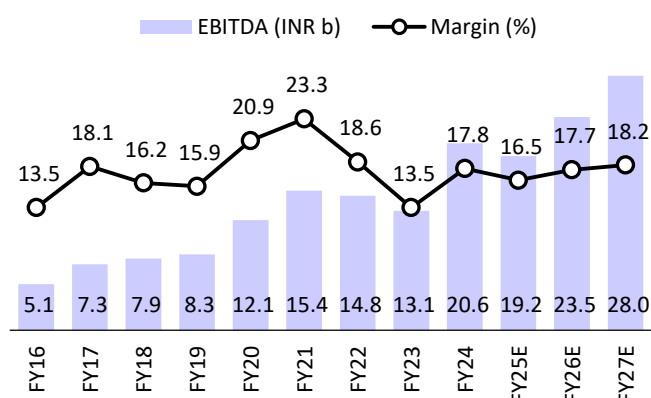
Exhibit 6: Consol. volume CAGR of ~13% over FY25-27E



Sources: MOFSL, Company

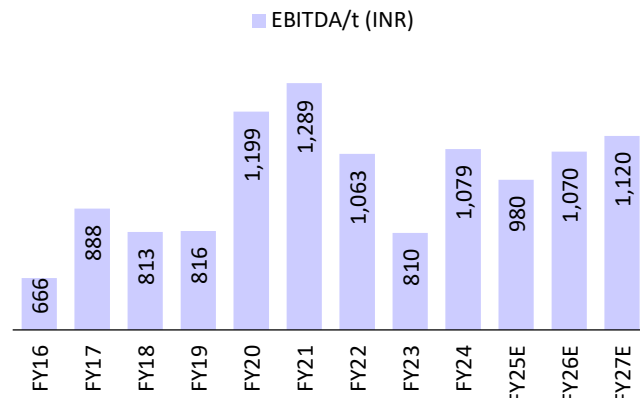
Story in charts

Exhibit 7: Estimate ~21% consol. EBITDA CAGR over FY25-27



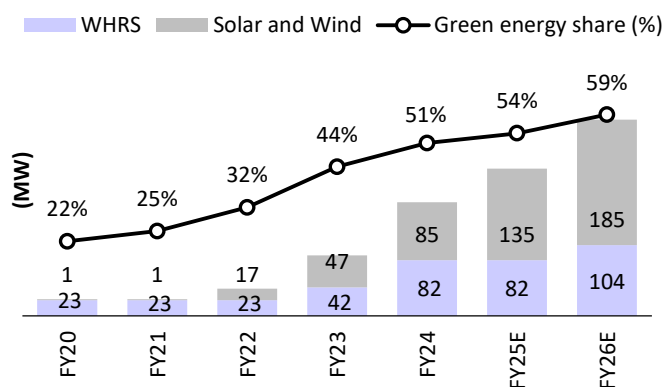
Sources: Company, MOFSL; Note: Consolidated EBITDA

Exhibit 8: Estimate consol. EBITDA/t to rise over FY26-27



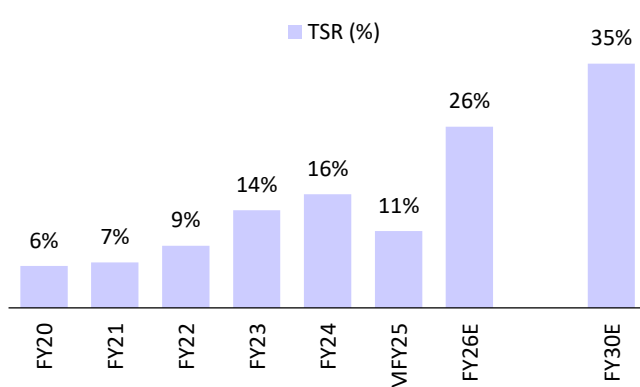
Sources: Company, MOFSL; Note: Consolidated EBITDA/t

Exhibit 9: JKCE's green power share improving



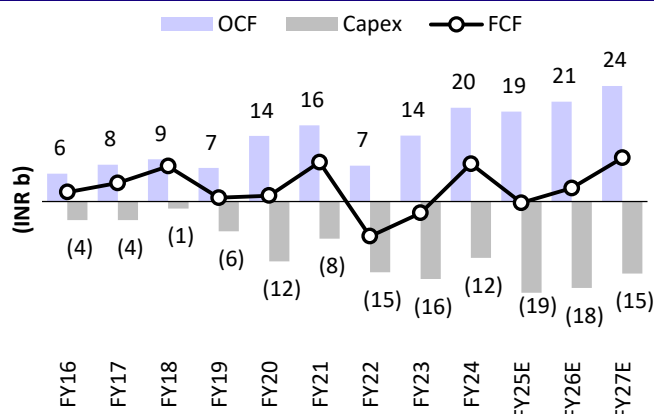
Sources: MOFSL, Company

Exhibit 10: Targets to achieve a TSR of 35% by FY30



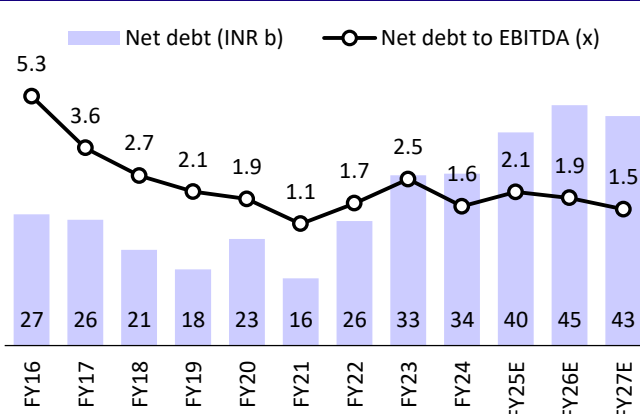
Sources: MOFSL, Company

Exhibit 11: OCF will support JKCE's expansion plans



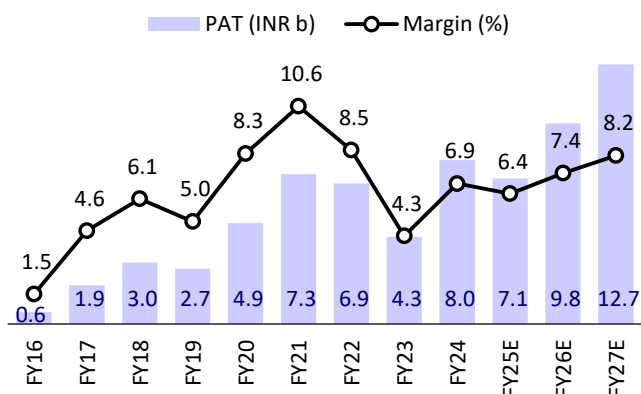
Sources: MOFSL, Company

Exhibit 12: Net debt to peak out in FY26E



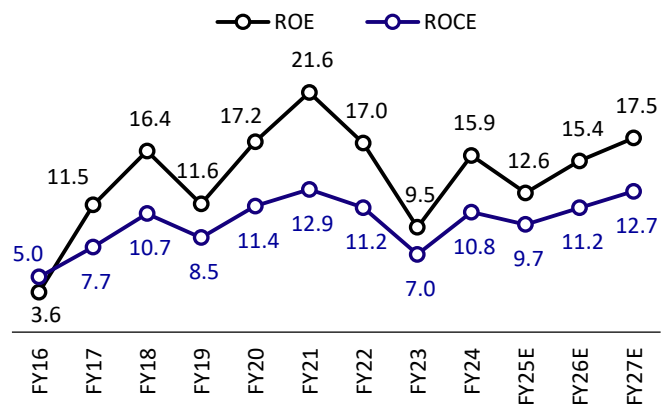
Sources: MOFSL, Company

Exhibit 13: PAT margin to expand



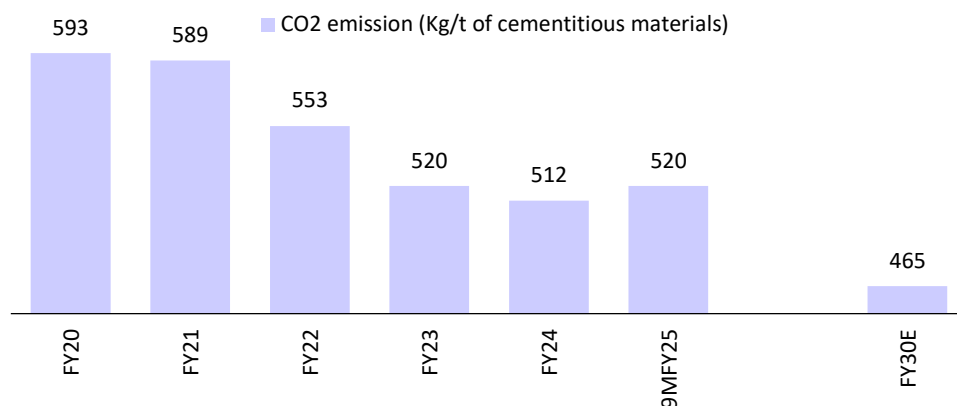
Sources: MOFSL, Company

Exhibit 14: Estimate return ratios to improve



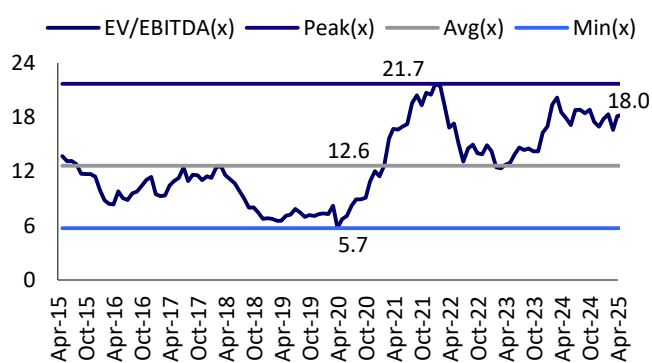
Sources: MOFSL, Company

Exhibit 15: Targets ~22% reduction in CO2 emissions from FY20 base year



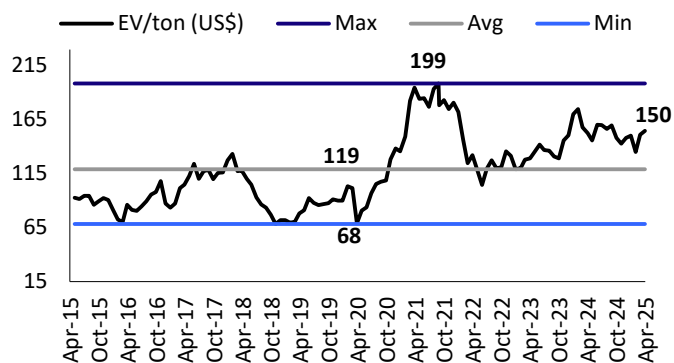
Source: MOFSL, Company

Exhibit 16: One-year forward EV/EBITDA (x) trend



Sources: MOFSL, Company

Exhibit 17: One-year forward EV/t (USD) trend



Sources: MOFSL, Company

Consolidated financials and valuations

Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	58,016	66,061	79,908	97,202	1,15,560	1,16,024	1,32,996	1,53,988
Change (%)	10.3	13.9	21.0	21.6	18.9	0.4	14.6	15.8
EBITDA	12,134	15,387	14,824	13,143	20,598	19,179	23,511	28,045
Margin (%)	20.9	23.3	18.6	13.5	17.8	16.5	17.7	18.2
Depreciation	2,880	3,062	3,425	4,582	5,726	5,879	6,485	7,184
EBIT	9,255	12,325	11,399	8,561	14,872	13,301	17,026	20,862
Int. and Finance Charges	2,764	2,528	2,697	3,122	4,531	4,645	5,007	4,962
Other Income – Rec.	853	1,130	1,429	874	1,451	1,759	1,796	1,969
PBT bef. EO Exp.	7,344	10,927	10,131	6,313	11,791	10,415	13,815	17,868
EO Expense/(Income)	0	0	0	0	55	-1,024	0	0
PBT after EO Exp.	7,344	10,927	10,131	6,313	11,736	11,438	13,815	17,868
Current Tax	1,593	3,296	2,429	1,424	1,487	3,317	4,006	5,182
Deferred Tax	917	600	908	698	2,350	0	0	0
Tax Rate (%)	34.2	35.7	32.9	33.6	32.7	29.0	29.0	29.0
Reported PAT	4,834	7,031	6,794	4,191	7,899	8,121	9,808	12,686
PAT adj. for EO items	4,834	7,031	6,794	4,191	7,936	7,394	9,808	12,686
Change (%)	83.4	45.5	-3.4	-38.3	89.4	-6.8	32.6	29.3
Margin (%)	8.3	10.6	8.5	4.3	6.9	6.4	7.4	8.2
Less: Minority Interest	-90.0	-66.2	-77.0	-72.5	-24.1	97.9	0.0	0.0
Net Profit	4,924	7,317	6,871	4,263	8,013	7,124	9,808	12,686

Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	773	773	773	773	773	773	773	773
Total Reserves	29,504	36,595	42,476	46,095	52,899	58,990	66,480	76,849
Net Worth	30,277	37,367	43,249	46,868	53,671	59,763	67,253	77,621
Deferred Liabilities	4,173	5,930	7,383	8,094	10,756	10,756	10,756	10,756
Minority Interest	-203	-257	-343	-444	-455	-357	-357	-357
Total Loans	32,840	34,017	38,549	49,951	52,385	54,385	56,885	53,385
Capital Employed	67,086	77,057	88,838	1,04,469	1,16,358	1,24,547	1,34,537	1,41,406
Gross Block	75,780	82,126	91,614	1,12,857	1,29,469	1,41,108	1,56,108	1,69,108
Less: Accum. Deprn.	20,235	22,752	26,177	30,759	36,486	42,364	48,849	56,033
Net Fixed Assets	55,545	59,374	65,437	82,097	92,983	98,744	1,07,258	1,13,075
Capital WIP	5,295	5,093	10,321	5,920	4,639	12,000	15,000	17,000
Total Investments	458	1,422	2,157	923	3,683	3,683	3,683	3,683
Curr. Assets, Loans, and Adv.	24,122	32,831	36,115	41,552	46,716	42,223	43,306	45,273
Inventory	6,904	7,566	12,087	9,821	11,816	11,715	13,155	15,000
Account Receivables	2,677	3,615	4,268	4,801	5,663	5,618	6,266	7,073
Cash and Bank Balance	9,649	16,416	10,793	15,874	17,749	12,903	10,897	9,211
Loans and Advances	4,892	5,233	8,967	11,056	11,488	11,988	12,988	13,988
Curr. Liability and Prov.	18,334	21,663	25,192	26,024	31,663	32,103	34,710	37,625
Account Payables	16,725	20,276	23,803	24,512	29,955	30,379	32,971	35,869
Provisions	1,609	1,388	1,389	1,511	1,709	1,725	1,739	1,755
Net Current Assets	5,788	11,167	10,923	15,528	15,053	10,121	8,596	7,648
Appl. of Funds	67,086	77,057	88,838	1,04,469	1,16,358	1,24,547	1,34,537	1,41,406

Source: Company, MOFSL estimates

Consolidated financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)*								
Consol. EPS	62.6	91.0	87.9	54.2	102.7	95.7	126.9	164.2
Cash EPS	99.8	130.6	132.3	113.5	176.8	171.8	210.9	257.2
BV/Share	391.8	483.6	559.7	606.6	694.6	773.4	870.4	1,004.5
DPS	17.5	15.0	15.0	15.0	20.0	25.0	30.0	30.0
Payout (%)	33.7	16.5	17.1	27.7	19.6	23.8	23.6	18.3
Valuation (x)*								
P/E	80.7	55.5	57.4	93.1	49.2	52.8	39.8	30.8
Cash P/E	50.6	38.7	38.2	44.5	28.6	29.4	23.9	19.6
P/BV	12.9	10.4	9.0	8.3	7.3	6.5	5.8	5.0
EV/Sales	7.0	6.1	5.1	4.3	3.6	3.6	3.2	2.7
EV/EBITDA	33.6	26.1	27.4	31.8	20.2	21.7	17.8	14.8
EV/t (USD)	298	277	273	209	195	181	148	147
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.4	0.5	0.6	0.6
Return Ratios (%)								
RoIC	13.0	15.0	12.8	7.7	11.6	10.1	12.0	13.7
RoE	17.2	21.6	17.0	9.5	15.9	12.6	15.4	17.5
RoCE	11.4	12.9	11.2	7.0	10.8	9.7	11.2	12.7
Working Capital Ratios								
Asset Turnover (x)	0.9	0.9	0.9	0.9	1.0	0.9	1.0	1.1
Inventory (Days)	43	42	55	37	37	37	36	36
Debtor (Days)	17	20	19	18	18	18	17	17
Creditor (Days)	105	112	109	92	95	96	90	85
Working Capital Turnover (Days)	-24	-29	1	-1	-9	-9	-6	-4
Leverage Ratio (x)								
Current Ratio	1.3	1.5	1.4	1.6	1.5	1.3	1.2	1.2
Debt/Equity ratio	1.1	0.9	0.9	1.1	1.0	0.9	0.8	0.7

Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
(INR m)								
OP/(Loss) before Tax	7,344	10,927	10,131	6,276	11,736	10,415	13,815	17,868
Depreciation	2,880	3,062	3,425	4,619	5,726	5,879	6,485	7,184
Interest and Finance Charges	1,975	1,666	2,697	3,019	4,435	4,645	5,007	4,962
Direct Taxes Paid	-1,530	-1,959	-2,429	-1,622	-1,542	-3,317	-4,006	-5,182
(Inc.)/Dec. in WC	2,819	1,715	-5,379	2,276	2,352	85	-482	-738
CF from Operations	13,488	15,411	8,445	14,568	22,708	17,706	20,819	24,095
Others	179	490	(967)	(797)	(3,117)	1,024	-	-
CF from Operations incl. EO	13,668	15,901	7,478	13,771	19,591	18,730	20,819	24,095
(Inc.)/Dec. in FA	-12,428	-7,678	-14,716	-16,115	-11,726	-19,000	-18,000	-15,000
Free Cash Flow	1,240	8,223	-7,238	-2,344	7,865	-270	2,819	9,095
(Pur.)/Sale of Investments	-2,622	-11,747	-734	-2,021	-5,634	0	0	0
Others	6,998	11,665	2,232	-2,012	1,002	0	0	0
CF from Investments	-8,052	-7,760	-13,218	-20,148	-16,358	-19,000	-18,000	-15,000
Issue of Shares	0	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	3,133	1,120	4,532	11,560	1,431	2,000	2,500	-3,500
Interest Paid	-2,507	-2,427	-2,697	-2,841	-4,324	-4,645	-5,007	-4,962
Dividend Paid	-1,630	0	-1,159	-1,159	-1,158	-1,932	-2,318	-2,318
Others	-77	-68	-559	-147	-106	0	1	0
CF from Fin. Activity	-1,081	-1,375	117	7,413	-4,157	-4,576	-4,824	-10,780
Inc./Dec. in Cash	4,534	6,767	-5,623	1,036	-924	-4,847	-2,006	-1,685
Opening Balance	5,116	9,650	16,416	14,838	18,674	17,749	12,903	10,897
Closing Balance	9,650	16,416	10,793	15,874	17,749	12,903	10,897	9,211

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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