

2<sup>nd</sup> March 2022

CMP – ₹2847.7/-

View – **Accumulate on dips**
**Q3FY22 Performance**

Revenue recorded a growth of 10% Y-o-Y, led by volume and sales realisation. Sales volume were up 5% Y-o-Y in both grey/white cement segment while Blended realisations were up by 6% Q-o-Q & +5% YoY; owing to change in sales mix in favour of trade segment.

EBITDA stood at ₹3,708mn down 17.4% Y-o-Y but up 13% in Q3FY22, while EBITDA margins stood at 19% in Q3FY22 vs 25.5% in Q3FY21 and 17.9% in Q2FY22. EBITDA/t at ₹1,116/ton, was up marginally Q-o-Q, led by rise in realisation offsetting the impact of escalating costs (commodity prices and abd overhead expenses).

Adjusted PAT dropped to ₹1673mn in Q3FY22 v/s ₹1688mn in Q2FY22 and ₹2382mn in Q3FY21.

Management guided that profitability may witness dilution in the near term owing to rising input costs and change in segment mix in favour of grey cement.

**Important Statistics**

<b>MCap (₹ Cr)</b>	22,995.40
<b>52 Week H/L (₹)</b>	3836.65/2572.7
<b>NSE Code</b>	JKCEMENT
<b>BSE Code</b>	532644

**Shareholding pattern (%) Dec'21**

Promoter Holding	51.50
FII	17.72
DII	19.82
Public	10.96

**Key Concall Highlights**

- Management guided sales volumes saw some headwinds in Jan'22 owing to unseasonal rains and COVID-19. However, demand continues to be good on the back of housing and infrastructure and impetus given in Budget 2022.
- Trade mix stood at 69% in Q3FY22 vs 66% in Q2FY22. Blended cement sales stood at 63% in the quarter.
- Realisation in Q3FY22 was higher than expected on the back of focus on trade segment volumes and higher realisations in non-trade segment.
- Management guided sales volumes are expected to be flattish in Q4FY22 while on the realisations front, management highlighted that they have taken a price increase of ₹10-20/bag in North and ₹15-25/bag in South. Operating Costs are expected to continue to witness an impact of rise in fuel costs in Q4FY22 and Q1FY23.
- Capex estimates for FY22 stands at ₹12,500mn and for FY23E stands at ₹14,000mn.
- As of Dec`21, gross debt stands at ₹32,000mn and net debt at ₹18,500mn on consolidated basis.
- Management expects that the current clinker capacity (along with Panna) can support incrementally 1-1.5MTPA of grinding capacity and will look to add that capacity going forward. Further, Jaisalmer limestone line is part of the growth plans and currently approvals and clearances are being processed.
- Company has embarked on the next leg of expansion at Panna (4MTPA across MP and UP with 2.6MTPA clinker), near term growth will be constrained by high utilisations (FY23E at 90%) as the commissioning is back-ended (FY23-end).

**Financials**

(₹ mn)

	FY21	FY20	FY19
Net Sales	66,061	58,016	48,525
EBITDA	15,387	12,134	8,345
PAT	7,031	4,834	2,636
EPS (₹)	90.9	62.6	34.1
P/E (x)	32.7	47.6	87.2
EV/EBITDA (x)	16.9	21.3	30.5
ROE (%)	18.9	16.1	9.8
ROCE (%)	18.0	15.7	11.0
Net Debt/Equity	0.7	0.8	0.8

**Key Risks**

- Slower than expected demand recovery in its key markets
- Increase in RM prices sharply could impact the performance of company

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## View

Company reported good numbers on topline front in Q3FY22 due to higher utilizations in its key markets however cost pressure impacted its margin profile. Management stated there would be cost pressure and profitability may be impacted due to rising costs and higher share of low margin grey cement business in near term for over 6 months. Company's future plans of commissioning greenfield capacity in Central India, modernization and debottlenecking of facilities not only provides growth visibility but also could aid margin expansion going ahead. **At CMP of ₹2847.7, stock is trading at ~32x P/E on FY21 EPS & EV/EBITDA of ~16x which is justified given its healthy balance sheet, leadership position and focus on increasing share of premium products, hence we are positive on the stock and recommend investors to ACCUMULATE on Dips.**

## Financial Highlights

Particulars	Q3FY21	Q2FY22	Q3FY22	QoQ %	YoY %
Sales volume (MT)	3.17	3.33	3.32	-0.3	4.8
Realisations (₹/ton)	5,554	5,510	5,841	6.0	5.2
Total cost (₹/ton)	4,138	4,523	4,725	4.5	14.2
<b>EBITDA(₹/ton)</b>	<b>1,416</b>	<b>988</b>	<b>1,116</b>	<b>13.0</b>	<b>-21.2</b>

Source: Company Filing, Way2wealth Research

Particulars	Q3FY22	Q3FY21	YoY %	Q2FY22	QoQ %
<b>Net Sales</b>	19,404	17,601	10.2	18,355	5.7
Change in stock	-531	-419	26.8	151	-450.8
Raw material	3,105	2,912	6.6	2,809	10.5
purchased products	246	171	43.9	238	3.4
Employee costs	1,290	1,098	17.5	1,298	-0.6
Power & Fuel	4,351	3,243	34.2	3,437	26.6
Freight	3,834	3,484	10.0	3,822	0.3
Other exp	3,401	2,625	29.6	3,310	2.8
Total Operating Expenses	15,696	13,113	19.7	15,065	4.2
<b>EBITDA</b>	<b>3,708</b>	<b>4,488</b>	<b>-17.4</b>	<b>3,290</b>	<b>12.7</b>
<b>EBITDA margin (%)</b>	<b>19.1</b>	<b>25.5</b>	<b>(640 bps)</b>	<b>17.9</b>	<b>120 bps</b>
Other Income	264	303	-12.9	480	-45.0
Interest	653	593	10.1	591	10.5
Depreciation	719	622	15.6	687	4.6
PBT	2,600	3,576	-27.3	2,492	4.3
Tax	926	1,194	-22.4	803	15.3
Reported PAT	1,673	2,382	-29.7	1,688	-0.9
<b>Adjusted PAT</b>	<b>1,673</b>	<b>2,382</b>	<b>-29.7</b>	<b>1,688</b>	<b>-0.9</b>
<b>NPM (%)</b>	<b>8.6</b>	<b>13.5</b>	<b>(490 bps)</b>	<b>9.2</b>	<b>(60 bps)</b>
<b>Adjusted EPS (₹)</b>	<b>21.7</b>	<b>30.8</b>	<b>-29.7</b>	<b>21.8</b>	<b>-0.9</b>

Source: Company Filing, Way2wealth Research

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Name of the Security	JK Cement Ltd.
Name of the analyst	Yogita Desai
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
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