

6th June 2023

CMP – ₹3,208.40/-

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Q4FY23 Performance

- JK Cement Limited (JKC) recorded a Total Income of ₹2,816Cr for Q4FY23, an increase of 18% over the same quarter the previous year.
- Total expenses for Q4FY23 were ₹2,658Cr, a 25%/11% rise YoY/QoQ.
- There was a decline in net consolidated profit of 44.81% YoY, a decreased from ₹199.44Cr in Q4FY22 to ₹110.08 in Q4FY23.
- Earnings per share in Q4FY23 also decreased by -44% to 14.53 from 25.81 in the same quarter the previous year.
- Consolidated EBITDA increased 41% QoQ (down 9% YoY) to ₹349.5Cr as stronger volume growth offsets lower profitability.
- Strong double-digit volume increase of 17%, outpacing industry growth of 12%. Overall volumes increased 17% YoY and 13% QoQ to 4.2mn MT, EBITDA/t decreased 21% YoY (up 25% QoQ).

Important Statistics

M.Cap (₹ Cr)	~25,232
52 Week H/L (₹)	3288 / 2005
NSE Code	JKCEMENT
BSE Code	532644

Shareholding	Sep'22	Dec'22	Mar'23
Promoters	45.84	45.84	45.83
FII	15.63	15.88	15.54
DII	21.91	21.85	22.46
Public	16.63	16.42	16.17

Management Concall Highlights

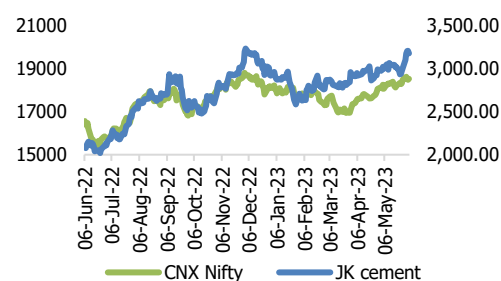
- **Volume** – JKC's volumes in Q4FY23 increased 17%/13% YoY/QoQ as a result of the advantages of the recently inaugurated facility in Panna (central India). Volumes in the white segment increased by 7% YoY. The management aims to raise its volume by 15% during the fiscal FY24.
- **Capacity Expansion** – In Q4FY23, Central India's capacity utilisation was 60%, Panna has turned EBITDA positive on account of increased grey cement capacity by 4mta. The firm focuses on maximizing productivity at the new facility, which will further boost EBITDA/t. Management is optimistic that it will produce a 15% YoY volume growth in FY24 (compared to an industry average of 7-8%) after the commissioning of a 2mtpa expansion (multiple sites) ramp-up in these capacities.
- **Trade Mix** – The Q4FY23 trade and non-trade mix was 69%/31% compared to 67%/33% YoY. Sales of blended cement in Q4FY23 jumped to 68% from 62%, while trade sales increased to 69% from 67% in Q3FY23.
- **Cement prices** – Cement prices have remained stable or slightly declining since Mar'23. After monsoon, the company expects prices to trend upward, although this relies on market conditions.
- **Premium Sales** – Sales of premium sales as a percentage of trade sales increased from 9% in Q3FY23 to 10% in Q4FY23. It aims to expand the percentage of premium offerings to 15% in FY24. When compared to the pricing of the standard PPC brand, premium products cost ₹20–40 more per bag and produce an additional ₹100 in EBITDA per tonne.
- **Energy expense** – Over 75% of the fuel mix was Pet Coke, with the other 20% being imported coal, AFR, and renewable energy. It is anticipated that Pet coke's (landed cost) price would drop from ₹2.3-2.4/Kcal to ₹2.1/Kcal after Jun'23 and then further to ₹1.8-1.9/Kcal. Fuel shipments that have been ordered will arrive in Q2FY24 and will be utilized in Q3FY24. The firm anticipates a decrease in power/fuel costs of 5–10% in Q1FY24.
- **Freight Cost** – Lead distance reduced to 438km in Q4FY23 from 470kms consecutively, with a fall in lead distance at the Central India facility being the main factor. Freight cost/t increased by 1% QoQ as a result of central India's higher transportation costs. The Rail:Road ratio in comparison to Q3FY23 at 19:81,

Key Metrics

Particulars	FY21	FY22	FY23
Revenue (₹ cr)	6,606	7,991	9,720
PAT	703	679	419
OPM %	24%	19%	14%
EPS (₹)	91	88	55
ROE (%)	21	17	10
ROCE (%)	13	11	8
NSR (₹/MT)	5,485	5,718	6,013
EV/MT (₹ cr)	1340	1370	1090
EV/EBITDA (x)	17	18	21

Source: Company, Way2wealth Research

Relative Performance



Source: Company, Way2wealth Research

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was 16:84 in Q4FY23. Due to the railroad's imposition of a busy season charge, freight costs per tonne increased by 5% QoQ to ₹1264/tonne.

- **Debt & Interest** – It appears that the net debt of ₹3400Cr has reached its peak, and major expansions have been completed.
- **Capex** – In FY23, the company spent ₹1600Cr, including expenditure in the paint industry. The estimated capex for FY24 and FY25 is ₹1400Cr and ₹800Cr, respectively.

Key Risks

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

View

The market for cement is anticipated to be strong, driven by rising infrastructure spending and a demand for affordable housing and real estate in the Central region of India and is expected to grow at a CAGR of 7-8%.

JKC added 4 MTPA of greenfield capacity (Panna & Hamirpur) over past 18 months, total capacity is boosted to 20.7 MTPA. A strong double-digit volume increase of 17%, outpacing industry growth of 12% Management expects volume growth of 15% in FY24 and is optimistic to increase grey cement production to 25 mtpa by FY25. Panna facility went EBITDA positive and attained 60% utilisation.

Due to the advantages of the planned WHRS power plant, the accumulation of state incentives, and the further ramp-up of capacity utilisation a considerable improvement in the project's profitability starting in Q3FY24 is expected.

Moreover, the firm expects to get a subsidy of ₹200/tonne beginning from Q2FY24 and beyond and will help increase the revenue further. On a per-tonne basis, power/fuel costs are predicted to drop by ₹250–₹300 in FY24.

Considering the high realisation base of Q4FY23, fuel cost reductions, and anticipated advantages from the additional capacity in central India, notably the benefit of the planned WHRS power plant and accrual of state incentives, we recommend investors to continue to **Accumulate** on dips, **the company is currently quoting at 12x FY25E EV/EBITDA.**

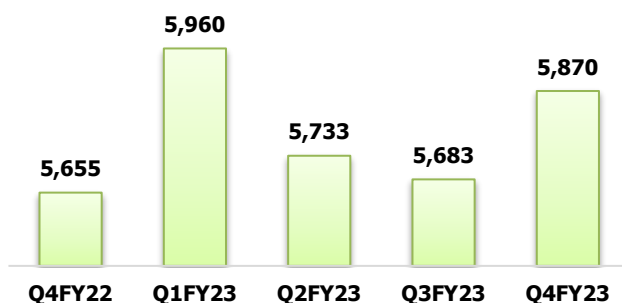
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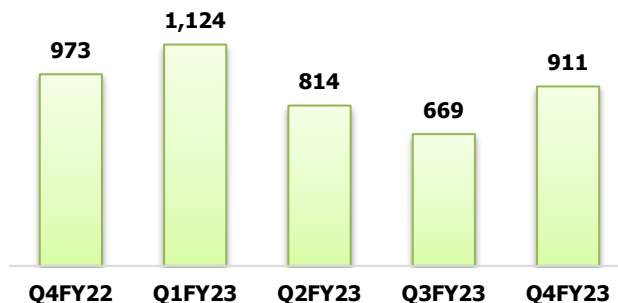
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Operational Highlights

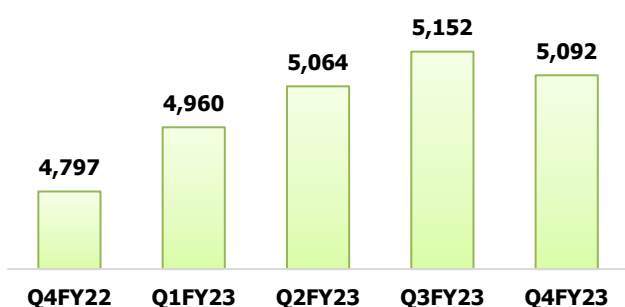
Realisations/te (Blended)



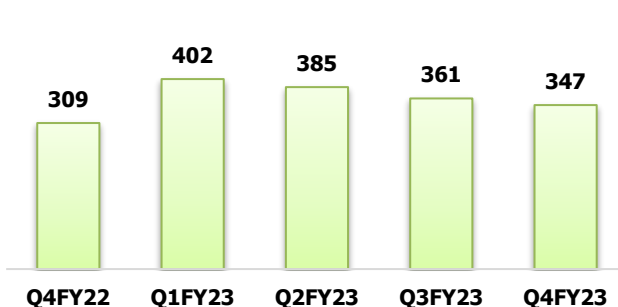
EBITDA/te (Blended)



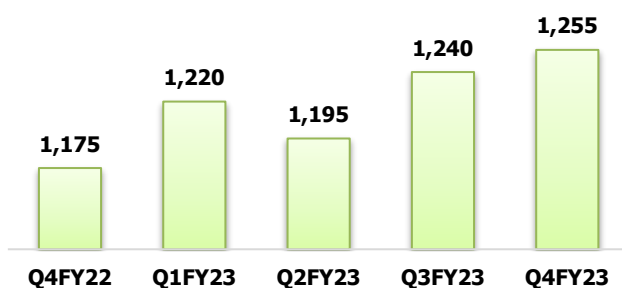
Opex/te



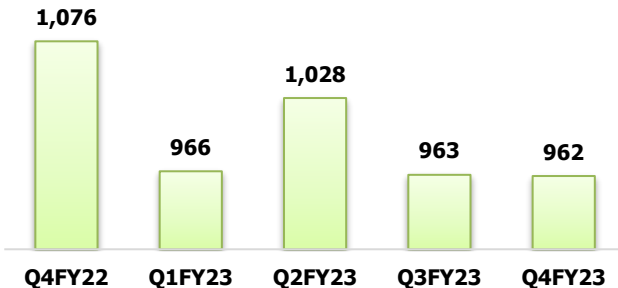
Staff cost /te



Freight /te



Raw material/te



Source: Company, Way2wealth Research

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Key Operational Metrics

(₹/te)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Blended realisations	5,655	5,960	5,733	5,683	5,870
Growth % (YoY)	8.6	12.6	6	-0.8	3.8
Raw materials cost	1,076	966	1,028	963	962
Staff cost	309	402	385	361	347
Energy cost	1,254	1,364	1,510	1,646	1,575
Freight cost	1,175	1,220	1,195	1,240	1,255
Other exp	983	1,009	946	942	953
Total	4,797	4,960	5,064	5,152	5,092
Other operating inc	115	124	145	138	132
EBITDA-blended	973	1,124	814	669	911

Source: Company, Way2wealth Research

Product Mix

	Q4FY23	Q3FY23	QoQ	Q4FY22	YoY	FY23	FY22	YoY
Grey Net Sales	1791	1740	3%	1745	3%	6735	5788	16%
White Net Sales	541	494	10%	479	13%	2042	1741	17%
Total Net Sales	2332	2234	4%	2224	5%	8777	7529	17%
Combined EBITDA	372	267	39%	397	6%	1346	1536	12%

Source: Company, Way2wealth Research

Debt profile

(₹ cr)	FY23	FY22	YoY
Gross Debt	4534	3434	32%
Cash	1621	1284	26%
Net Debt	2913	2150	35%
Net Debt/EBITDA	2.2	2.24	-2%
Equity	4701	4252	11%
Net Debt/Equity (x)	0.62	0.51	22%

Source: Company, Way2wealth Research

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Quarterly Financials

								(₹ Cr)
Particulars	Q4FY23	Q4FY22	YoY	Q3FY23	QoQ	FY23	FY22	YoY
Revenue from operations	2777	2351	18%	2435	14%	9720	7991	22%
Other Income	38	42	-9%	19	103%	87	143	-39%
Total Income	2816	2393	18%	2455	15%	9808	8134	21%
Expenses								
Cost of materials consumed	418	322	30%	402	4%	1492	1206	24%
to Purchases of stock in TAGE	34	62	-45%	33	3%	127	105	20%
Changes in inventories	3	40	-92%	-23	-114%	-25	-23	10%
Employee benefits expenses	168	136	24%	160	5%	638	559	14%
Finance costs	101	73	39%	79	29%	312	270	16%
Depreciation and amortisation	129	91	42%	118	9%	458	342	34%
Power and fuel	775	524	48%	696	11%	2563	1652	55%
Freight and forwarding expenses	591	487	21%	518	14%	2033	1553	31%
Other expenses	439	396	11%	402	9%	1579	1357	16%
Total Expenses	2658	2130	25%	2386	11%	9176	7121	29%
Profit before tax	158	262	-40%	69	129%	631	1013	-38%
Current tax	41	53	-23%	23	75%	142	190	-25%
Deferred tax	7	24	-69%	9	-13%	60	157	-62%
Total Tax Expense	48	63	-24%	32	50%	212	334	-36%
Net Profit	110	199	-45%	37	196%	419	679	-38%
Operating Margin (in %)	12.6	16.09	-349	10.03	257	13.52	18.55	-503
Net Profit Margin (in %)	3.91	8.1	-419	1.51	240	4.27	8.35	-408
Debt-Equity Ratio (in Times)	1.08	0.9	20%	1.01	7%	1.08	0.9	20%
Debt Service Coverage Ratio (in Times)	1.89	2.24	-16%	1.22	55%	1.6	1.77	-10%
Interest Service Coverage Ratio (in Times)	3.96	5.94	-33%	3.45	15%	4.61	6.13	-25%
Net Worth (₹ Cr)	4642	4290	8%	4536	2%	4642	4291	8%
Earnings Per Share	14.53	25.81	-44%	4.81	202%	55.17	87.9	-37%
Current Ratio (in Times)	1.49	1.6	-7%	1.49	0%	1.49	1.6	-7%
Long Term Debt to Working Capital (in Times)	3.69	2.62	41%	3.17	16%	3.69	2.62	41%
Bad debts to Account Receivable Ratio (in %)	-0.13	0.01	-14	1	-113	1.32	0.04	128
Current Liability Ratio (in %)	0.29	0.31	-2	0.32	-3	0.29	0.31	-2
Total Debts to Total Assets (in %)	0.38	0.34	4	0.35	3	0.38	0.34	4
Trade Receivables Turnover	20.27	19.5	4%	17.41	16%	20.31	18.77	8%
Inventory Turnover Ratio	10.42	7.38	41%	8.13	28%	8.68	7.98	9%

Source: Company, Way2wealth Research

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Disclosure of Interest Statement J K Cement Ltd. as on June 6th, 2023

Name of the Security	J K Cement 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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