

15<sup>th</sup> November 2023

CMP – ₹3424/-

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## Q2FY24 Performance

- JK Cement (JKC) reported a robust performance in Q2FY24, aided by higher volumes and lower costs.
- The volume for the quarter grew 22% YoY to 4.54 mnt while achieving capacity utilization of 75%, increasing the total revenue by 24% YoY to ₹2,782crs in Q2FY24.
- Total expenses for Q2FY24 were ₹2,538crs, representing a 21%/-2% change YoY/QoQ.
- EBITDA/tonne at ₹1029, up 26% YoY and 17% sequentially. EBITDA margin expanded to 17% compared to 13.7% YoY.
- JKC reported a 61% increase in profit at 178crs compared to ₹111crs in Q2FY23, attributable to higher volumes and lower operating costs.
- Overall fuel consumption cost Rs1.9/kcal compared to Rs2.4/kcal in Q1FY24, saving Rs100/T in Q2FY24. The pet coke accounted for 75% of the fuel mix, with coal, renewable energy, and AFR making up the rest.
- Earnings per share in Q2FY24 also significantly appreciated by 59%YoY to 23.05 from 14.54.

## Important Statistics

<b>Nifty</b>	19,444
<b>Sensex</b>	64,934
<b>MCAP (₹Cr)</b>	24,158
<b>52 Week H/L (₹)</b>	3467/2425
<b>NSE Code</b>	JKCEMENT
<b>BSE Code</b>	532644
<b>Bloomberg Code</b>	JKCE:IN

Shareholding	Mar'23	Jun'23	Sep'23
Promoters	45.8	45.8	45.8
FII	15.5	15.5	14.4
DII	22.4	23.1	24.2
Public	16.1	15.5	15.5

## Management Concall Highlights

- **Volume** – With 75% capacity utilisation, the company's volume increase during the quarter was boosted by the recent development of 4mtpa grey cement capacity in the demand-accretive central India geographical region. After the current capacity expansion (Grey Cement) is completed, the total capacity will be 24.2 mtpa.
- **Capacity Expansion** – Management has set a target capex of ₹14,00crs for FY24. Out of this sum, ₹500crs has already been utilised and an additional ₹700crs in capex is planned for FY25. The firm is currently expanding its Ujjain grinding unit, intending to increase grey cement capacity by 1.5 mtpa. The project is on target to be completed in Q3FY24. JKC has also begun a new greenfield expansion at their Prayagraj grinding unit, intending to boost grey cement capacity by 2.0 mtpa.
- **Trade Mix** – During the quarter, the trade and non-trade mix was 69%/31% vs 66%/34%. Volume growth in grey and white cement on YoY basis was 22% and 19%, respectively. The blended cement sale accounted for 69% of total sales (up 1% sequentially) with the remainder being OPC.
- **Cement prices** – Cement prices are up 3–4% on average for the firm. Prices in the North climbed (4-5%) in the latter half of Q2FY24, while prices in the South surged (5-7%) in Oct'23. Prices have risen slightly in the Central area as well.
- **Premium Sales** – Premium product sales as a percentage of trade sales were 13%, up from 11% in Q1FY24. The Putty market grew by 10%, and the company's growth was consistent with that of the industry. However, the Putty industry is quite competitive since paint firms are very aggressive, resulting in lower pricing.
- **Energy expense** – 75% of the fuel mix was pet coke, followed by coal, renewable energy, and AFR. Overall fuel consumption cost ₹1.9/kcal, compared to ₹2.4/kcal in Q1FY24. In Q3FY24, it is likely to fall further to ₹1.8-1.85/kcal. The price of Pet Coke increased by 20% from June 23 to US\$132.3/T while diesel prices remained constant at ₹93/litre. The fuel cost decrease saved Rs100/T in the overall cost.

## Key Metrics

Particulars	(₹ Cr)		
	FY21	FY22	FY23
Revenue (₹crs)	6,606	7,991	9,720
PAT	703	679	419
OPM %	24%	19%	14%
EPS (₹)	92	89	55
ROE (%)	19	17	10
ROCE (%)	17	15	10
NSR (₹/MT)	5,436	5,641	5909
EV/EBITDA (x)	15	16	23

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- **Freight Cost** – The rail:road mix stood at 11:89 in Q2FY24 vs. 14:86 in Q1FY24. The reduction in lead distance and the waiver of busy season fee resulted in a 4.7% QoQ decrease in logistics costs to Rs1,160/T. Lead distance further reduced to 418km in Q2FY24 from 426kms sequentially.
- **Debt & Interest** – The company's net debt has reached its peak level, and there are no expectations for further increases in net debt. However, there might be small borrowings for the Ujjain and Prayagraj projects, but the company plans to ensure timely repayment of these borrowings.

## 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 is expected to grow at a CAGR of 7-8%. Higher allocation for infrastructure– US\$120 billion (Rs. 10 trillion), apart from additional expenditure on green transition is likely to boost demand for cement. JKC's outstanding presence in major North Indian regions, as well as recent development in the demand-accretive central area, will ensure that its growth momentum continues uninterrupted.

JKC's Q2FY24 performance was impressive, with the company achieving a 330bps YoY gain in EBITDA margin (Q1FY24 EBITDA was 13.7%). There is a potential for further margin expansion as the company expects further cost savings of ~₹50/t for H2FY24.

Given the strong demand going forward, the company anticipates a double-digit volume growth (grey cement) in FY24 and higher margins going forward by efficiently curbing input costs, we recommend long-term investors to continue to **Accumulate on dips, the company is currently quoting at 12.5x FY25E EV/EBITDA.**

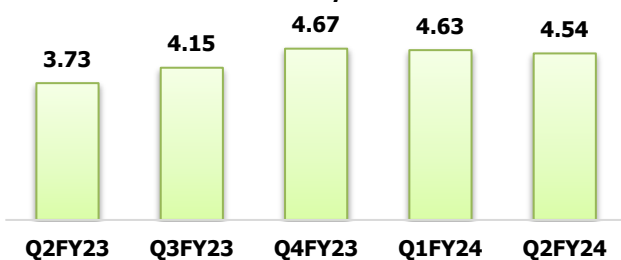
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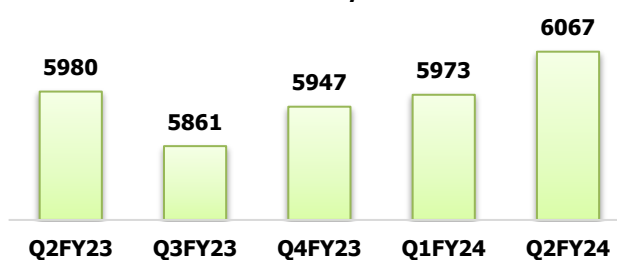
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## Operational Highlights

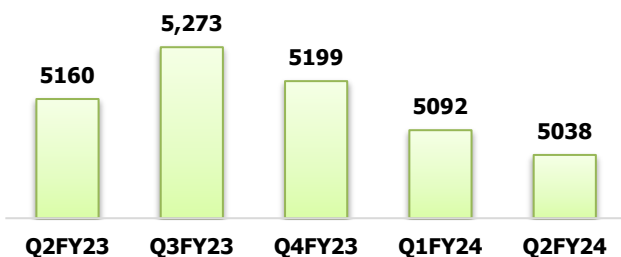
### Volume/mnt



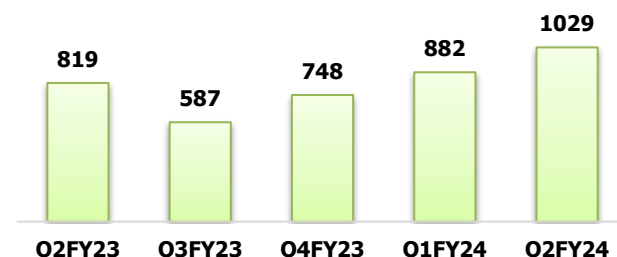
### Realisation/tonne



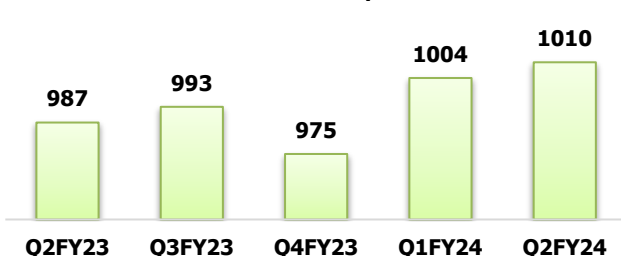
### Cost / tonne



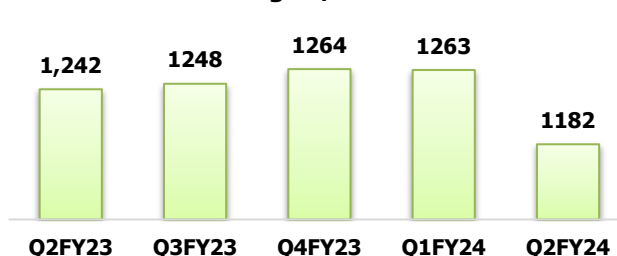
### EBITDA / tonne



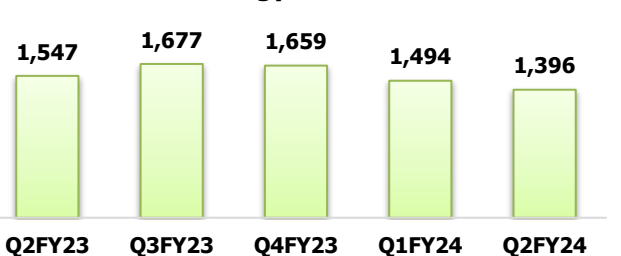
### Raw Materials / tonne



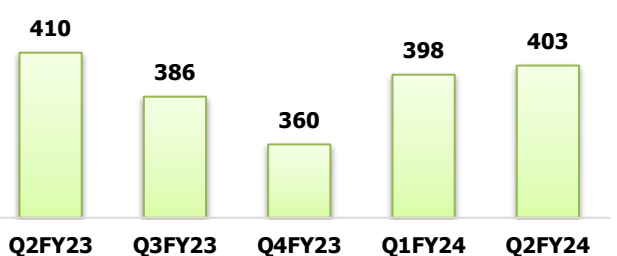
### Freight / tonne



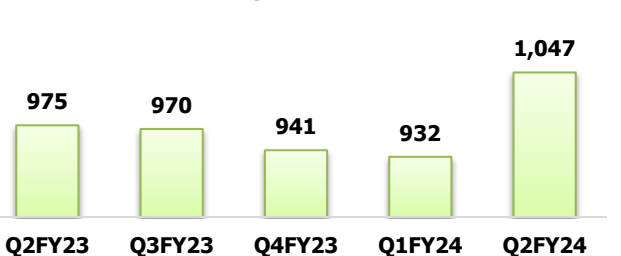
### Energy / tonne



### Staff Cost / tonne



### Other Expenses / tonne



Source: Company, Way2wealth Research

W2W Lighthouse - A Quick Perspective

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### Key Operational Metrics

(₹ Cr)	Q2FY24	Q2FY23	YoY	Q1FY24	QoQ
Volume/mnt	4.54	3.73	22%	4.63	-2%
Realisation/tonne	6067	5,980	1%	5,973	2%
Cost/tonne	5038	5,161	-2%	5,092	-1%
Raw materials /tonne	1010	987	2%	1,004	1%
Staff cost/tonne	403	410	-2%	398	1%
Energy cost/tonne	1396	1,547	-10%	1,494	-7%
Freight/tonne	1182	1,242	-5%	1,263	-6%
Other Expenses/tonne	1047	975	7%	932	12%
EBITDA/tonne	1029	819	26%	882	17%

Source: Company, Way2wealth Research

### Product Mix

	(₹ Cr)				
	Q2FY24	Q1FY24	QoQ	Q2FY23	YoY
Grey Net Sales	1960	2039	-4%	1553	26%
White Net Sales	703	641	10%	622	13%
Total Net Sales	2663	2680	-1%	2175	22%
Combined EBITDA	467	408	14%	311	50%

Source: Company, Way2wealth Research

### Debt profile

	(₹ Cr)		
(₹cr)	FY24 *	FY23	YoY
Gross Debt	4515	4534	-0.4%
Cash	1479	1621	-9%
Net Debt	3036	2913	4%
Net Debt/EBITDA	2.1	2.2	-5%
Equity	4831	4640	4%
Net Debt/Equity	0.63	0.63	0%

\*As on 30<sup>th</sup> Sep, 2023

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## Financials

(₹ Cr)

Particulars	Q2FY24	Q2FY23	YoY	Q1FY24	QoQ	1HFY24	1HFY23	YoY	FY23	FY22	YoY
<b>Revenue from operations</b>	2752.8	2233.8	23%	2762.6	-0.4%	5515.4	4506.2	22%	9720	7991	22%
<b>Other Income</b>	29.3	15.8	86%	31.6	-7.2%	60.9	30.7	98%	87	142	-38%
<b>Total Income</b>	2782.1	2249.6	24%	2794.2	-0.4%	5576.3	4536.9	23%	9808	8134	21%
<b>Expenses</b>											
Cost of materials consumed	442.4	337.1	31%	439.8	0.6%	882.1	671.2	31%	1492	1205	24%
Purchases of stock in trade	46.6	29.5	58%	39.9	16.9%	85.5	59.3	44%	127	105	21%
Changes in inventories	-30.6	1.2	-2725%	-15.2	101.3%	-45.8	-5.4	743%	-25	-23	10%
Employee benefits expenses	182.9	152.8	20%	183.9	-0.6%	366.8	309.5	19%	638	559	14%
Finance costs	115.0	67.0	72%	109.0	5.5%	224.1	132.3	69%	312	270	16%
Depreciation and amortisation expense	137.1	106.1	29%	134.8	1.7%	271.8	211.6	28%	458	342	34%
Power and fuel	633.2	576.2	10%	691.0	-8.4%	1324.2	1092.6	21%	2563	1652	55%
Freight and forwarding expenses	536.2	462.7	16%	584.2	-8.2%	1120.4	924.6	21%	2033	1653	23%
Other expenses	475.2	363.3	31%	431.2	10.2%	906.5	737.0	23%	1579	1356	16%
<b>Total Expenses</b>	2537.9	2095.9	21%	2598.6	-2.3%	5136.5	4132.7	24%	9176	7121	29%
<b>Profit before tax</b>	244.2	153.6	59%	180.6	35.2%	424.8	403.9	5%	631	1013	-38%
Current tax	37.6	26.6	41%	36.3	3.5%	73.8	78.5	-6%	142	190	-25%
Deferred tax	28.2	15.9	78%	27.2	3.5%	55.4	53.6	3%	70	157	-56%
Earlier years tax adjustments (net)	-	-		3.6	-	3.6	-		0	14	-
<b>Total tax expense</b>	65.7	42.5	55%	67.1	-2.1%	132.8	132.1	1%	212	334	-36%
<b>Net Profit</b>	178.5	111.0	61%	113.5	57.3%	291.9	271.8	7%	419	679	-38%
Paid-up equity share capital	77.3	77.3	0%	77.3	0.0%	77.3	77.3	0%	77	77	0%
Other Equity	-	-		-	-	4797.0	4452.0	8%	4609	4247	9%
<b>EPS</b>	23.05	14.54	59%	14.84	55.3%	37.89	35.6	6%	55.17	87.9	-37%

Source: Company, Way2wealth Research

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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
Investment Banking relationship with company covered	NIL

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