

31st January 2024

CMP – ₹4330.95/-

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Q3FY24 Performance

- JK Cement (JKC) reported a robust performance in Q3FY24, aided by higher volumes and lower costs.
- The volume for the quarter grew 13% YoY to 4.71mn ton while achieving capacity utilisation of 75%, increasing the total revenue by 21% YoY to ₹2,973crs in Q3FY24.
- Total expenses for Q3FY24 were ₹2,564crs, representing a 7%/1% rise YoY/QoQ.
- EBITDA/ton at ₹1328, up 126% YoY and 29% sequentially. EBITDA margin expanded to 21% compared to 10% YoY.
- JKC reported a 664% increase in profit at 284crs compared to ₹37crs in Q3FY23, attributable to higher volumes and lower operating costs.
- Earnings per share in Q3FY24 also significantly appreciated by 627% YoY to ₹36.73 from ₹5.05.

Important Statistics

Nifty	21,522
Sensex	71,140
MCAP (₹ Cr)	33,568
52 Week H/L (₹)	4,418.00/2,557.20
NSE Code	JKCEMENT
BSE Code	532644
Bloomberg Code	JKCE:IN

Shareholding	Jun'23	Sep'23	Dec'23
Promoters	45.8	45.8	45.7
FII	15.5	14.4	15.3
DII	23.1	24.2	24.1
Public	15.5	15.5	15

Management Concall Highlights

- **Volume** – Grey cement capacity utilization during this quarter was 75%. The recently installed Panna unit functioned at 75% as well. Combined volume increased 14% YoY in Q3FY24. The grey cement volume at 4.15mn grew 14%/6%, YoY/QoQ, whereas White business grew 13% YoY but declined 8% on QoQ basis.
- **Capacity Expansion** – In Q3FY24, the company commissioned a 1.5mn ton grinding unit at Ujjain and a 2mn ton unit at Prayagraj, with the latter likely to be commissioned by Sep24. Management decided to expand the cement grinding capacity in Central India to 6mn ton which includes 2nd clinker line at Panna (MP), 3mn mt GU at Bihar and 1mn mt GU expansion of existing facility each at Panna, Hamirpur and Prayagraj. The project cost is ₹2,850crs, with ₹1,850crs borrowed from banks and the balance from internal accruals. The commissioning is expected to occur within 24 months, with work starting between March and April 2024. The expansion of 6mn ton is expected to be completed by FY26, bringing the company's total installed capacity for grey cement to 30mn ton by the end of the year. Due to spill over into the next year, the capex expenditure for FY24 is ₹1200crs as opposed to the prior projection of ₹1400crs. Capex for FY25 and FY26 is ₹2200crs and ₹1800crs, respectively.
- **Trade Mix** – Sales of blended cement were 66%, down from 69% in Q2FY24, while trade sales were 62%, down from 69%. The trade market share of the business in new areas has increased. Demand in that category was stronger, which led to a rise in non-trade sales.
- **Cement prices** – Realisation for grey cement have declined somewhat since the end of Q3. Although prices in the central region are lower than in the northern regions, overall profitability has remained constant. Competition has put pressure on putty pricing, and the current margins for all white cement are somewhere in the range of 15-18%.
- **Premium Sales** – The percentage of trade sales that comprised premium products was 12%, down from 13% in Q2FY24. Over the medium to long run, the business wants to increase the sale of premium cement to 20%. Consolidated, Grey and White cement's respective volume contributions for the period were 88% and 12%.

Key Metrics

	(₹ Cr)		
Particulars	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

Source: Company, Way2wealth Research

Relative Performance

Return (%)	1 Yr	2 Yr	5 Yr
JK Cement	63	35	523
Nifty 50	22	27	104
SENSEX	20	24	98

Source: Company, Way2wealth Research

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- **Energy expense** – The power and fuel expense has eased further at ₹1383crs/MT, a decline of 18%/1%, YoY/QoQ. In Q4FY24, the business anticipates a slight decrease in power and fuel expenses. The fuel mix consisted of 75% Pet Coke and the remaining 25% imported coal, renewable energy, and AFR. Cost was ₹1.8 per Kcal as of Q2FY24, down from ₹1.9, and is predicted to decrease somewhat going forward. Now that WHRS at Panna is operating, fuel costs would be reduced by ₹50crs annually. By the end of FY25, the JKC wants to increase the overall capacity of green energy to 100 MW. In Q4FY24, the WHRS (18 MW) facility at Muddapur, Karnataka, is scheduled to come online.
- **Freight Cost** – Rail: Road mix stood nearly the same as previous quarter at 11:89. Increase in lead distance due to extended footprint in East U.P. & Bihar and busy season surcharge on rail dispatches resulted in a 5%/11%, YoY/QoQ increase in logistics costs to ₹1307crs/T.
- **Debt & Interest** – With cash and cash equivalents at ₹1,598crs, net debt at ₹2,986crs, and total debt at ₹4,585crs as of right now. The quarter saw a ₹50crs decline in net debt. The company estimates its debt to reach around ₹5,500crs going further.

Key Risks

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

View

JKC anticipates benefits from the upcoming union budget and general elections through potential government initiatives. Infrastructure focus, housing schemes, and favorable policies could elevate demand for cement, while economic stability may create a positive business environment. Investors should monitor developments for opportunities.

JKC's Q3FY24 performance was impressive, with the company achieving a 1100bps YoY gain in EBITDA margin (Q2FY24 EBITDA was 10%). JKC reported to have a 60–75-day fuel inventory and advantages of the recent drop in fuel prices will be noticed in Q1FY25E. The management expects to save an additional ₹30–40/t in Q4FY24, making room for further margin expansion.

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 investors to continue to **Accumulate** on dips, **the company is currently quoting at 15.4x FY26E EV/EBITDA.**

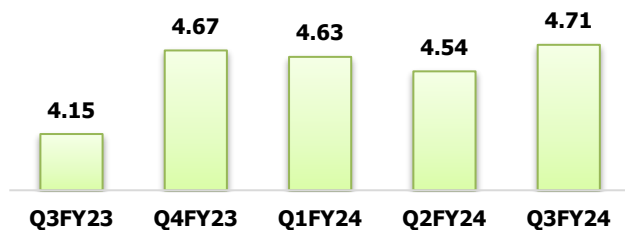
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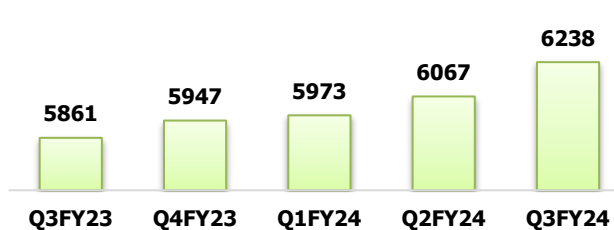
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Operational Highlights

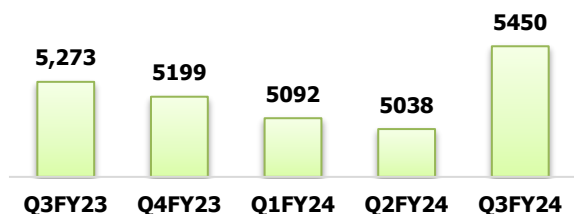
Volume/mnt



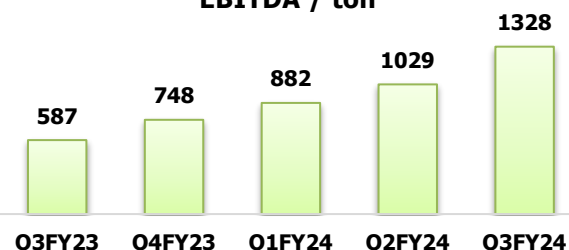
Realisation/ton



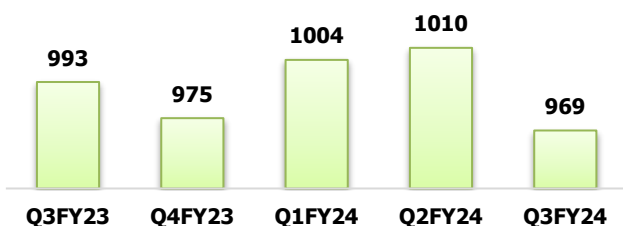
Cost / ton



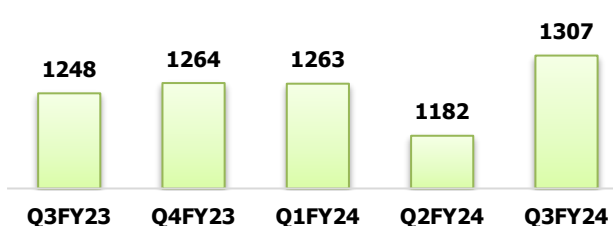
EBITDA / ton



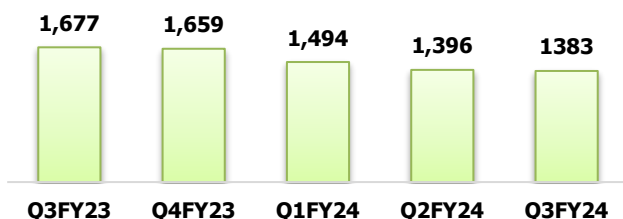
Raw Materials / ton



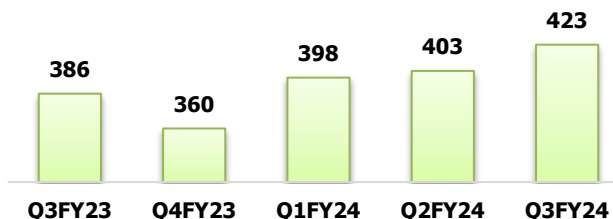
Freight / ton



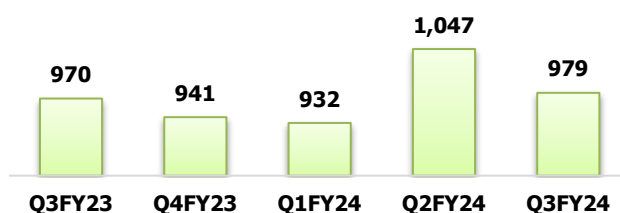
Energy / ton



Staff Cost / ton



Other Expenses / ton



Source: Company, Way2wealth Research

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Key Operational Metrics

	(₹ Cr)				
	Q3FY24	Q3FY23	YoY %	Q2FY24	QoQ %
Volume/mnt	4.71	4.15	13%	4.54	4%
Realisation/ton	6238	5861	6%	6067	3%
Cost/tonne	5450	5,273	3%	5038	8%
Raw materials /ton	969	993	-2%	1010	-4%
Staff cost/ton	423	386	9%	403	5%
Energy cost/ton	1383	1,677	-18%	1,396	-1%
Freight/ton	1307	1248	5%	1182	11%
Other Expenses/ton	979	970	1%	1,047	-7%
EBITDA/ton	1328	587	126%	1029	29%

Source: Company, Way2wealth Research

Product Mix

	(₹ Cr)				
Particulars	Q3FY24	Q2FY24	QoQ	Q3FY23	YoY
Grey Net Sales	2144	1960	9%	1,787	20%
White Net Sales	699	703	1%	591	18%
Total Net Sales	2843	2663	7%	2,377	20%
Combined EBITDA	625	467	34%	247	153%

Source: Company, Way2wealth Research

Debt profile

	(₹ Cr)		
	FY24 *	FY23	YoY
Gross Debt	4585	4534	1.12%
Cash	1598	1621	-1.42%
Net Debt	2986	2913	2.51%
Net Debt/EBITDA	1.64	2.2	-25.45%
Equity	5121	4640	10.37%
Net Debt/Equity	0.58	0.63	-7.94%

*As on 31th Dec, 2023

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Financials

(₹ Cr)

Particulars	Q3FY24	Q3FY23	YoY	Q2FY24	QoQ	9MFY24	9MFY23	YoY	FY23	FY22	YoY
Revenue from operations	2935	2436	20%	2753	7%	8450	6942	22%	9720	7990	22%
Other Income	38	19	105%	29	31%	99	49	101%	87	142	-38%
Total Income	2973	2455	21%	2782	7%	8550	6992	22%	9808	8134	21%
Expenses											
Cost of materials consumed	456	402	13%	442	3%	1338	1073	25%	1492	1205	24%
Purchases of stock in trade	68	33	104%	47	45%	154	92	67%	127	105	21%
Changes in inventories	-138	-23	502%	-31	353%	-184	-28	548%	-25	-23	10%
Employee benefits expenses	199	160	24%	183	9%	566	470	20%	638	559	14%
Finance costs	114	79	45%	115	-1%	338	211	60%	312	270	16%
Depreciation and amortisation ex- penses	140	118	19%	141	0%	420	330	27%	462	342	35%
Power and fuel (net)	651	696	-7%	633	3%	1975	1789	10%	2563	1652	55%
Freight and forwarding expenses	615	518	19%	535	15%	1735	1443	20%	2033	1653	23%
Other expenses	461	402	14%	475	-3%	1367	1139	20%	1579	1356	16%
Total Expenses	2564	2386	7%	2542	1%	7708	6518	18%	9180	7121	29%
Profit before tax	409	69	491%	241	70%	826	473	75%	628	1013	-38%
Current tax	81	23	247%	38	116%	155	102	52%	142	190	-25%
Deferred tax	44	9	410%	27	62%	98	62	57%	70	157	-55%
Earlier years tax adjustments (net)	-	-	-	-	-	4	-	-	0	14	-
Total tax expense	125	32	291%	65	93%	256	164	56%	211	334	-37%
Net Profit after tax for the period	284	37	664%	176	62%	570	309	85%	416	679	-39%
Paid-up equity share capital	77	77	-	77	-	77	77	-	77	77	-
Other Equity	-	-	-	-	-	-	-	-	4607	4247	8%
EPS	36.73	5.05	627%	22.69	62%	73.91	40.65	82%	54.82	87.9	-38%

Source: Company, Way2wealth Research

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Disclosure of Interest Statement J K Cements Ltd. as on January 31st, 2024

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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