

# BONANZA WEALTH MANAGEMENT RESEARCH



30<sup>th</sup> April 2025

## JK Cement Ltd. – BUY

**CMP** : Rs. 5,111.0  
**Target Price** : Rs. 6,068.0  
**Upside** : ~19%  
**Stop Loss** : Rs. 4,842 (Closing basis)

### Investment Thesis

- JK Cement (JKCE) maintains strategic presence in the North, Central, and West regions of India, where growth prospects remain favorable in the medium term. These markets are positioned to experience strong demand, supported by government infrastructure initiatives, affordable housing programs, and sustained demand from both urban and rural residential sectors. Between FY20-25, the company achieved impressive grey cement volume growth at approximately 16% CAGR. Looking ahead, we project JK Cement will maintain strong momentum with an estimated 14% CAGR during FY25-27.
- JKCE plans to double its grey cement production capacity by FY30 through a combination of new facilities (greenfield) and expansions of existing plants (brownfield) across North, Central, South, and East India. This strategic growth will strengthen the company's market position in key regions and create a more balanced nationwide presence.
- JKCE is improving its cost efficiency through multiple strategies: expanding capacity with more efficient equipment, upgrading existing facilities, and implementing sustainability measures including higher green power usage and increased Thermal Substitution Rate. The company achieved cost reductions of INR40-50 per ton in FY25 and expects further savings of INR75 per ton in the coming quarters.
- JKCE has delivered robust operating cash flow (OCF) of INR40.8b during FY22-24, with projections indicating further improvement to INR63.6b for FY25-27. This strong cash generation will fund the company's expansion strategy while maintaining financial health. The company's net debt-to-EBITDA ratio is expected to improve from 2.1x in FY25 to 1.5x by FY27.

### Financials

- Q3 FY25 net sales increased to ₹2,606 crores, up 12% sequentially but down 3% year-on-year. Revenue from operations at ₹2,716 crores, up 14% sequentially but down 2% year-on-year.

Consol. (Rs. Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	97,202	1,15,560	1,14,041	1,28,866	1,48,196
EBITDA	13,267.40	20,707.00	17,903	20,619	26,675
EBITDA Margin (%)	13.65%	17.92%	15.70%	16.00%	18.00%
PAT	4,235.7	7,908.3	6,468.6	9,020.6	11,559.3
EPS (Rs.)	54.8	102.3	83.7	116.7	149.5
P/E (x)	93.4	50.0	61.1	43.8	34.2
RoE (%)	9.04%	14.73%	5.47%	4.33%	3.57%

### Stock Data

Market Cap (Rs. Mn)	3,95,810
Market Cap (\$ Mn)	4652.12
Shares O/S (in Mn)	77.3
Avg. Volume (3 month)	1,24,973
52-Week Range (Rs.)	5,323/3,639

### Shareholding Pattern

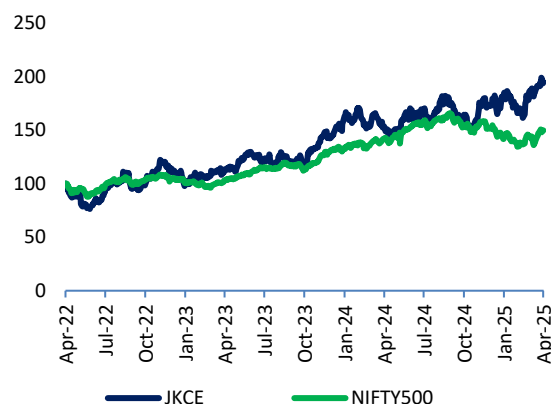
Promoters	45.68%
FIIIs	16.14%
Institutions	24.50%
Others (incl. body corporate)	13.68%

### Key Ratios

Div Yield	0.29%
TTM PE	61.8x
ROE	15.9%
TTM EPS (Rs.)	93.2

### Stock Performance

Performance (%)	1M	6M	1Yr
JKCE	4.5%	18.4%	28.8%
NIFTY 500	4.9%	(3.0%)	5.3%



- EBITDA for the Q3FY25 was ₹489 crores, a 79% increase sequentially but down 20% year-on-year. EBITDA margin improved to 18.7% from 11.7% in the previous quarter but down from 22.6% year-on-year.
- EBITDA per ton for Q3FY25 was ₹1,040, up from ₹649 sequentially but down from ₹1,335 year-on-year.
- Power and fuel costs have decreased by 19% year-on-year, while raw material costs have increased, leading to a mixed impact on margins.
- Management expects mid-single-digit growth in the grey cement segment for FY26, with a target of around 10% volume growth.

## Key Business Highlights

- With over 40 years of expertise in cement manufacturing, the company specializes in producing and marketing cement and related products. It operates as an affiliate of the diversified industrial group JK Organisation.
- JKCE ranks among India's top 10 grey cement producers, holding the position of fifth-largest cement manufacturer in North India and sixth-largest in the central region.
- The company's product portfolio in his Grey cement includes several cement brands such as JK Super Cement (available in OPC, PPC, and PSC variants), JK Super Strong Cement, and JK Super Strong Weather Shield Cement, along with other offerings.
- The company's portfolio in white cement features brands including JKCement WhiteMaxX, JKCement WallMaxX, JKCement ShieldMaxX, JKCement GypsoMaxx, JKCement TileMaxX Adhesives & grouts, and JK Wood Amore.

## Valuation

- Through strategic capacity expansions and geographic diversification, JKCE has evolved from a regional operator to a pan-India player. Until FY19, the company's grey cement capacity was primarily concentrated in the North and South regions. Following FY19, JKCE launched an ambitious growth strategy aimed at decreasing regional concentration, expanding market coverage, and creating operational efficiencies.
- Since FY21, JKCE has experienced a market re-rating, trading within an EV/EBITDA range of 12-20x (one-year forward). This valuation improvement reflects the company's operational expansion, demonstrated execution strength, and successful cost-cutting measures. Among mid-sized cement companies with nationwide operations, JKCE appears to be strategically positioned better than its peers.
- We value the company on 1-yr forward PE of 52x on FY26E EPS of Rs. 116.7. Thus we ascribe a **BUY** rating on JKCE at a target price of Rs. 6,068, signalling an upside of ~19%.

## Risk & Concern

- Input costs fluctuations could impact the profitability
- Cement prices are still volatile and can lead to uncertainty in robust revenues and topline growth.

## Graphs & Charts

Figure 1: Net Sales Trend

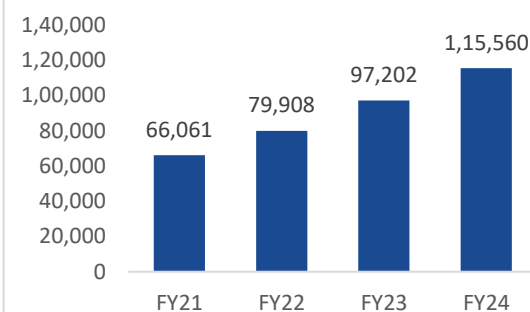


Figure 2: EBITDA & EBITDA Margin Trend

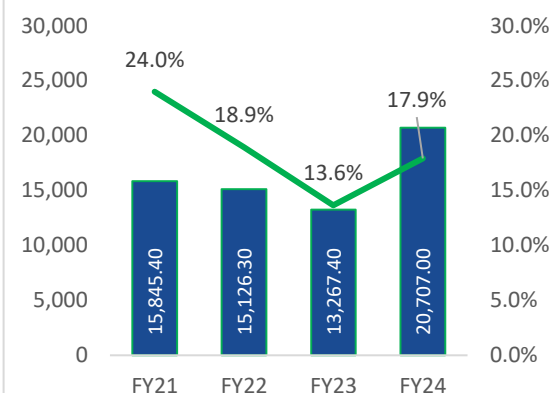


Figure 3: Profit after Tax Trend

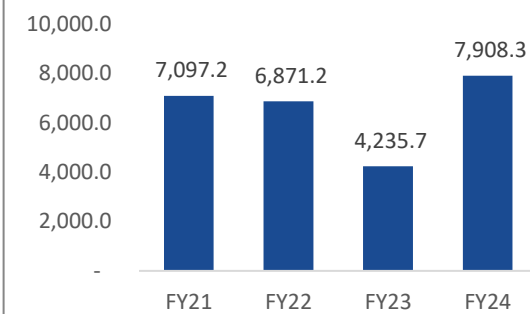
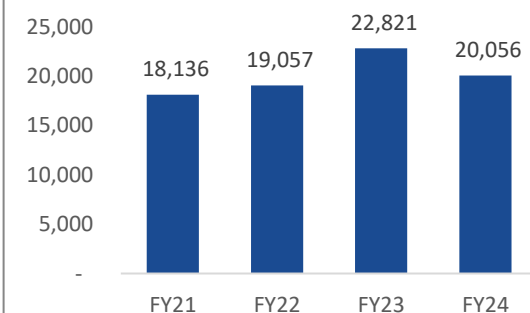


Figure 4: Realisation/tonne trend



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