INSTITUTIONAL RESEARCH

JK Cement

BUY

CMP *(as on 9 Feb 2021)*	INR 2,268
Target Price	INR 2,545
NIFTY	15,109

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,450	INR 2,545
EBITDA %	FY21E	FY22E
	3.3	*3.5*

KEY STOCK DATA	
Bloomberg code	JKCE IN
No. of Shares (mn)	77
MCap (INR bn) / ($ mn)	175/2,403
6m avg traded value (INR mn)	249
52 Week high / low	INR 2,385/795

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	21.4	44.9	59.5
Relative (%)	0.9	9.9	34.8

SHAREHOLDING PATTERN (%)	Sep-20	Dec-20
Promoters	58.07	57.74
FIs & Local MFs	23.29	21.64
FPIs	13.95	15.41
Public & Others	4.69	5.21
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Both segments continue to perform

JK Cement delivered strong volume growth across both grey (+25% YoY) and white/putty (+17% in India) segments, gaining market share. Healthy realization across both segments and increased grey cement productivity (from new capacity) drove margin expansion. Subsequently, consolidated Revenue/EBITDA/APAT rose 25/56/75% YoY to Rs 18.3/4.5/2.2bn resp. We continue to like JKCE for its continued healthy traction across both its segments. We maintain BUY rating on the stock with a revised target price of INR 2,545/share (10.5x Dec'22E consolidated EBITDA).

- **3QFY21 performance**: Grey cement volumes rose 25% YoY on production ramp-up from new expansions in north. NSR growth remained firm at 4%. In our view, grey segmental unitary EBITDA rose 60% YoY to INR 1,040/MT, on healthy pricing and lower opex. Grey EBITDA thus doubled YoY to INR 2.9bn. In the white/putty segment strong 17% YoY domestic volume uptick boosted total segmental volumes by 10% YoY, driving up segmental EBITDA by ~13% YoY to INR 1.6bn. Strong fixed costs controls and higher utilisation across both business segments and increased efficiencies from new grey cement plants offset impact of rising fuel prices.
- **Capex update and Outlook**: JKCE expects to complete clinker debottlenecking in Rajasthan by 2QFY22. Its 4mn MT green-field expansion in Panna, MP (INR 29.5bn capex) is expected to be completed by 1HFY24E. In the interim, capacity expansions across both grey and white/putty segments will continue to drive volume growth and margin expansion. We raise our FY21E/22E/23E EBITDA estimates by 3/4/4% respectively on strong volume and cost performance. We maintain BUY on JKCE with a higher target price of INR 2,545/sh (10.5x Dec'22E consolidated EBITDA).

Consolidated Financial Summary

YE Mar (INR mn)	Q3 FY21	Q3 FY20	*YoY (%)*	Q2 FY21	*QoQ (%)*	FY19	FY20	FY21E	FY22E	FY23E
Sales (mn MT)*	3.26	2.66	*22.5*	2.93	*11.2*	10.2	10.2	11.4	12.7	14.4
NSR (INR/MT)*	5,622	5,533	*1.6*	5,575	*0.8*	5,155	5,666	5,491	5,628	5,749
Opex (INR/MT)*	4,240	4,444	*(4.6)*	4,103	*3.3*	4,337	4,481	4,176	4,253	4,312
EBITDA (INR/MT)*	1,381	1,088	*26.9*	1,471	*(6.1)*	818	1,185	1,315	1,375	1,437
Net Sales	18,327	14,718	24.5	16,344	12.1	52,587	58,016	62,631	71,287	83,010
EBITDA	4,503	2,895	55.5	4,314	4.4	8,345	12,134	14,998	17,415	20,745
APAT	2,194	1,255	74.8	2,217	(1.1)	2,703	4,964	6,510	8,061	10,625
AEPS (INR)	28.4	16.2	74.8	28.7	(1.1)	35.0	64.2	84.2	104.3	137.5
EV/EBITDA (x)						23.4	16.5	13.2	11.4	9.4
EV/MT (INR bn)						13.29	11.0	10.2	10.2	10.0
P/E (x)						64.8	35.3	26.9	21.7	16.5
RoE (%)						11.6	17.4	19.7	20.4	22.2

Source: Company, HSIE Research, *Quarterly numbers are blended

Estimates Revision Consolidated

INR Bn	FY21E Old	FY21E Revised	*Chg%*	FY22E Old	FY22E Revised	*Chg%*	FY23E Old	FY23E Revised	*Chg%*
Net Revenues	62.3	62.6	*0.5*	70.9	71.3	*0.5*	82.6	83.0	*0.5*
EBITDA	14.5	15.0	*3.3*	16.8	17.4	*3.5*	20.0	20.7	*4.0*
APAT	6.2	6.5	*5.2*	7.6	8.1	*5.5*	10.0	10.6	*6.3*
AEPS	80.1	84.2	*5.2*	98.8	104.3	*5.5*	129.4	137.5	*6.3*

Source: Company, HSIE Research

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