

- **In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.**
- **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
- **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP (Rs)	Target Price *	Potential Upside (%)	Reco
JK Cement Limited	11,590	1,500	1,697	13%	<b>BUY</b>

\* Note: Investment horizon Approx. 6-9 months., CMP as on 31<sup>st</sup> July, 2020



CMP (Rs)	Target (Rs)
1,500	1,697

**MARKET DATA**

No. of Shares : 7.69 cr

Market Cap : Rs 11,590 Cr

52-week High / Low : Rs 1,569/795

BSE Code : 532644

NSE Code : JKCEMENT

A leading cement manufacturer in the country, JK Cement Ltd is an affiliate of the multi-disciplinary industrial conglomerate JK Organization, which was founded by Lala Kamlapat Singhania. The Company has over four decades of experience in cement manufacturing. Today, JK Cement has an installed grey cement capacity of 14 mn tpa and White Cement capacity of 1.2 mn tpa, making it one of the top cement manufacturers in the country. The Company is the second largest manufacturer of white cement in India.

**Investment Rationale**

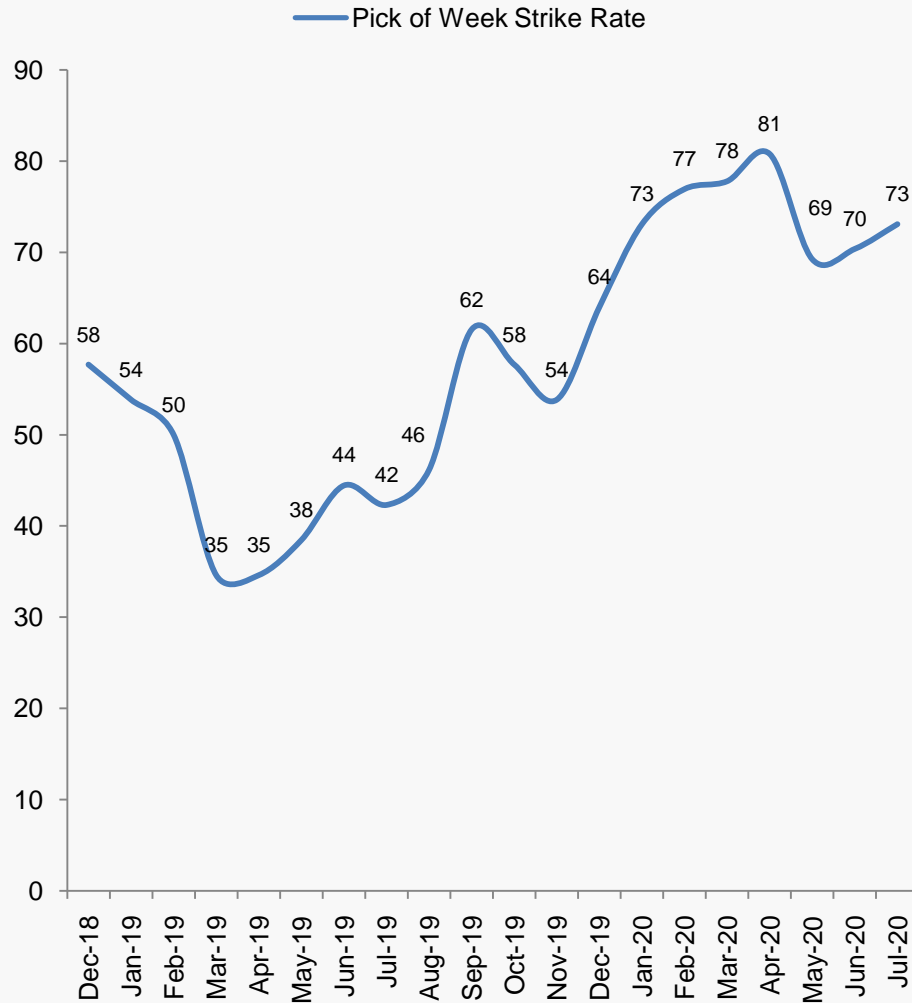
- ❑ **Capacity expansion to drive higher sector revenue growth:** JKCL has expanded its capacity by 33% from 10.47 mn tpa to 13.97 mn tpa and all the extended capacity are ramping up gradually. With the coming up of new capacity the company has the opportunity to capture further market share in its key market of Northern India and also gain in the lucrative central India market. We expect volume CAGR of 8% over FY20-23E which is significantly higher than the industry growth of 4% CAGR over the same period.
- ❑ **Operating efficiency to bring margin expansion:** With the expansion of existing capacity, 80% of grey cement capacity will be now fuel efficient, bringing significant change in cost/tonne. JKCL integrated operations and better utilization of existing capacity will help the company to consolidate and capture further opportunities in its key market (North, South and Central). As a result EBITDA/tonne improves by 4% over the period FY20-23E to Rs.1336/tonne.
- ❑ **Expansion in central region to bring regional diversification:** With the completion of its grinding facility in Aligarh of 1.5 mn tpa company can capture lucrative market of central India due to robust cement demand in the region.
- ❑ **Plan to expand margin accretive wall putty business:** White cement and wall putty business contributes around 30% of overall revenue having EBITDA margin ranging between 26-28%. This will help in blended realization to improve from Rs.5666/tonne in FY21E to Rs.5791/tonne in FY23E.
- ❑ We recommend **BUY** with a target price of Rs. 1,697.

**Financial Summary**

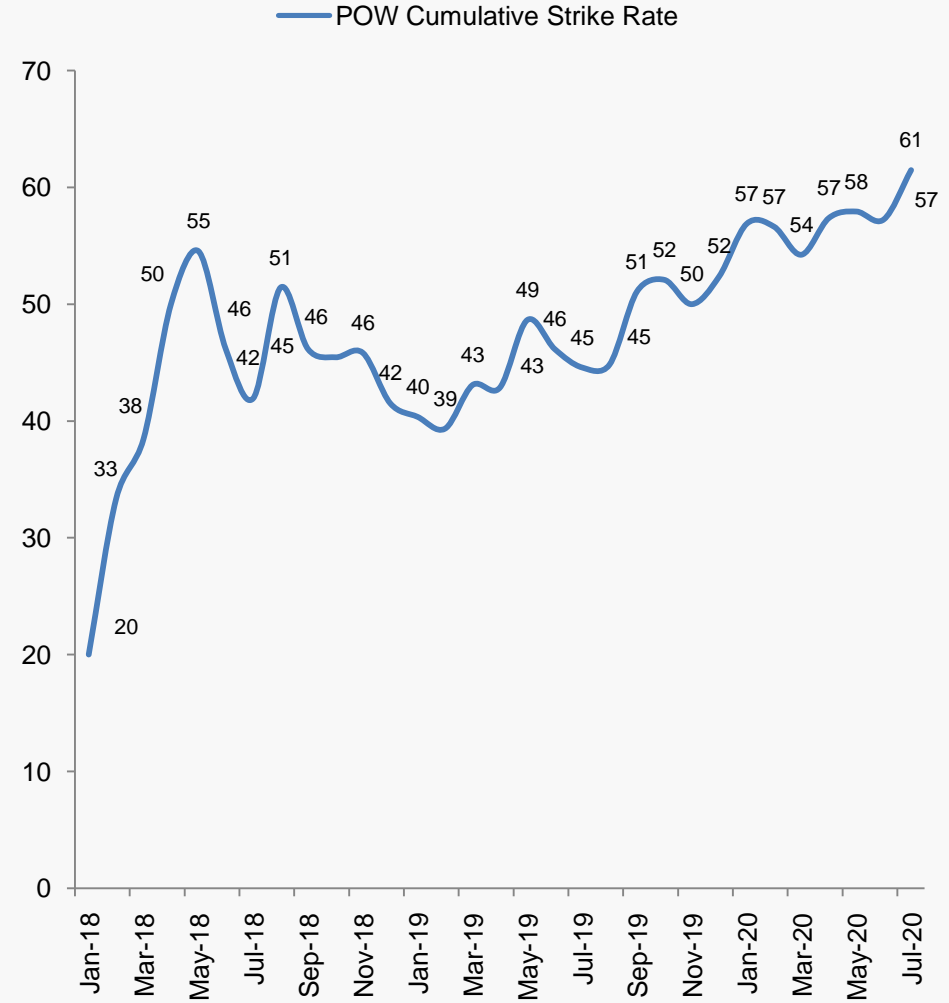
Y/E March	Revenue (Rs cr)	EBITDA (Rs cr)	PAT (Rs cr)	EV/EBITDA (x)	P/BV (x)	EPS (Rs)	P/E (x)	D/E (x)
2020	5,802	1,213	496	11	3.50	64	21	1.1
2021E	5,668	1,027	378	13	3.26	49	28	1.1
2022E	6,744	1,408	635	10	2.82	82	17	1.0
2023E	7,371	1,700	829	8	2.38	107	13	0.8

Source: Axis Securities

## Strike rate based on rolling 6 months



## Strike rate since Jan 2018



Note: We have changed our methodology of calculation of strike rates for PoW product from July 2020; and shifted to calculations using 6 months rolling returns method and cumulative basis as against earlier method of calculating the strike rate for last 9 months. The performance under the revised methodology is as above.

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