

JK Lakshmi Cement

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	JKLC IN
Equity Shares (m)	118
M.Cap.(INRb)/(USDb)	94.1 / 1.1
52-Week Range (INR)	1000 / 607
1, 6, 12 Rel. Per (%)	-2/-15/-7
12M Avg Val (INR M)	247

Financial Snapshot (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	67.9	73.5	82.8
EBITDA	10.5	11.8	14.1
Adj. PAT	4.7	5.1	6.2
EBITDA Margin (%)	15.5	16.1	17.1
Adj. EPS (INR)	39.6	43.7	52.3
EPS Gr. (%)	29.9	10.5	19.6
BV/Sh. (INR)	271	308	354

Ratios

Net D:E	0.4	0.4	0.5
RoE (%)	15.6	15.1	15.8
RoCE (%)	11.8	12.1	13.0
Payout (%)	18.0	14.2	14.1

Valuations

P/E (x)	20.2	18.3	15.3
P/BV (x)	3.0	2.6	2.3
EV/EBITDA(x)	8.9	7.5	6.0
EV/ton (USD)	81	59	51
Div. Yield (%)	0.8	0.7	0.9
FCF Yield (%)	-1.1	3.0	-4.9

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	46.3	46.3	46.3
DII	25.8	27.6	28.0
FII	11.3	10.8	11.7
Others	16.5	15.3	14.1

FII Includes depository receipts

CMP: INR800 TP: INR1,000 (+25%) Buy

Lower costs drive beat; capacity expansion on track

Estimate capacity utilization of ~70%/80% in FY25/FY26

- JKLC's 4QFY24 operating performance was above our estimates, with consolidated EBITDA at INR3.4b (up 45% YoY; 14% above our estimate). EBITDA/t increased 43% YoY to INR1,032 (est. INR852). OPM was up 6.4pp YoY to ~19%. Adj. PAT grew 43% YoY to INR1.6b (est. INR1.4b).
- The management indicated that cement volume growth (consolidated) of ~1% in 4Q was on a lower side due to lower volumes from outsourced units. The company's expansion plans are on track. It will commission grinding capacity of 1.35mtpa at Surat GU in FY25 and Durg (Phase – I) expansion by FY26-end. Further, in the northeast region, JKLC is in the process of land acquisition and getting external approvals such as environment clearance, etc. After this process, it will take two years to set up the cement plant.
- We largely maintain our EBITDA estimates for FY25/FY26. JKLC is trading at 7.5x/6.0x FY25E/FY26E EV/EBITDA. JKLC is a cost-efficient player with a presence in favorable regions (Gujarat and North). We value JKLC at 9x FY26E EV/EBITDA and arrive at a TP of INR1,000. **Reiterate BUY.**

Consolidated volume up 1% YoY and realization down 5%

- 4Q consolidated revenue/EBITDA/PAT stood at INR17.8b/INR3.4b/INR1.6b (down 4%/up 45%/up 43% YoY and down 8%/up 14%/up 12% vs. our estimates). Volume was up 1% YoY at 3.26mt (6% below est.). Realization declined 5% YoY/QoQ to INR5,459/t (1% below our estimates).
- Opex/t declined 12% YoY (-5% vs. our estimate), led by a decline in variable/freight costs by 20%/6%. Other expenses/t rose 9% YoY. OPM was up 6.4pp YoY at ~19% and EBITDA/t rose 43% YoY to INR1,032 in 4QFY24.
- In FY24, revenue grew 5% YoY to INR68b, primarily led by volume growth (up 5%), while realization remained flat. EBITDA grew 25% YoY to INR10.5b, backed by a decline in opex/t, down 3% YoY. EBITDA/t was up 19% YoY at INR878 and OPM was up 2.5pp YoY at 15.5%. PAT grew 30% YoY to INR4.7b.
- The company's consolidated OFC increased ~42% YoY to INR9b, led by higher profits and a reduction in working capital. Capex stood at INR10.1b vs. INR7.4b in FY23, resulting in cash outflow of INR1.1b vs. INR1.0b in FY23. Net debt stood at INR13.9b vs. INR10.0b in FY23.

Highlights from the management commentary

- Cement demand is estimated to improve after general election results. Prices declined by ~5% YoY in 4QFY24 and lower by 1.5% YoY in FY24. In 1QFY25 so far, price is down ~1% QoQ. However, it believes prices will improve with improvements in demand.
- Average fuel costs stood at INR1.68/Kcal vs. INR1.78/Kcal in 3QFY24. It is not expected to further decline in the near term, given the prevailing fuel prices.
- AFR project at the Sirohi plant achieved TSR of 11.4% in 4QFY24 and ~7% in FY24 (vs. 4.11% in FY23). JKLC targets to achieve TSR of over ~12% in FY25. Its green energy share stood at ~47%.

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Valuation and view

- JKLC reported strong operating performance during the quarter, led by higher cost reductions. The company's focus on geo-mix optimization, increasing green energy, AFR share, digitization and automation reduced overall cost/t. JKLC is [accelerating its market footprint](#) and aims to increase grinding capacity to 30mtpa by 2030 from its current capacity of 16.4mtpa.
- The stock trades at 7.5x/6.0x FY25E/FY26x EV/EBITDA (consolidated). We value JKLC at 9x FY26E EV/EBITDA to arrive at our TP of INR1,000. We reiterate our BUY rating on the stock.

Quarterly performance (consolidated)

Y/E March	FY23				FY24				(INR b)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY23	FY24	FY24 4QE	Var. (%)
Sales Volumes (mt)	3.00	2.43	2.75	3.23	3.04	2.73	2.96	3.26	11.42	11.99	3.49	(6)
YoY Change (%)	8.3	1.2	7.8	(0.9)	1.2	12.3	7.6	0.9	4	5	8	
Net Sales	16.5	13.7	15.6	18.6	17.3	15.7	17.0	17.8	64.5	67.9	19.3	(8)
YoY Change (%)	24.8	13.6	21.5	16.4	4.6	14.6	9.0	(4.4)	19.0	5.2	3.6	
EBITDA	2.6	1.6	1.9	2.3	2.0	2.2	3.0	3.4	8.4	10.5	3.0	14
Margin (%)	15.5	11.9	11.9	12.5	11.3	13.8	17.7	18.9	13.0	15.5	15.3	
Depreciation	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	2.3	2.5	0.7	(4)
Interest	0.4	0.3	0.4	0.3	0.3	0.3	0.4	0.4	1.3	1.5	0.4	20
Other Income	0.1	0.2	0.1	0.2	0.1	0.1	0.2	0.3	0.6	0.7	0.2	39
PBT before EO expense	1.7	0.9	1.1	1.6	1.2	1.4	2.1	2.5	5.3	7.2	2.1	22
Extra-Ord. expense	-	-	-	-	-	-	(0.1)	-	-	(0.1)	-	
PBT	1.7	0.9	1.1	1.6	1.2	1.4	2.2	2.5	5.3	7.3	2.1	22
Tax	0.6	0.3	0.3	0.5	0.4	0.5	0.7	0.9	1.7	2.4	0.7	
Prior period tax adj.	-	-	-	-	-	-	-	-	-	-	-	
Rate (%)	33.1	33.8	27.9	29.0	32.7	32.0	32.7	35.1	30.9	33.4	31.7	
Reported PAT	1.2	0.6	0.8	1.1	0.8	1.0	1.5	1.6	3.7	4.9	1.4	15
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2	-	
Adj. PAT	1.1	0.6	0.8	1.1	0.8	0.9	1.4	1.6	3.6	4.7	1.4	12
YoY Change (%)	(15.4)	(27.6)	19.1	(13.7)	(29.4)	51.9	80.1	42.7	(12.0)	29.9	22.6	
Per tonne analysis (INR)												
Net realization	5,514	5,645	5,677	5,758	5,699	5,763	5,753	5,459	5,650	5,662	5,538	(1)
RM Cost	1,020	1,119	940	1,446	1,385	1,255	1,066	1,140	1,142	1,210	1,151	(1)
Employee Expenses	340	383	350	297	357	382	370	292	340	348	312	(6)
Power, Oil, and Fuel	1,514	1,722	1,883	1,554	1,508	1,574	1,492	1,273	1,658	1,455	1,461	(13)
Freight and Handling Outward	1,093	1,059	1,108	1,137	1,131	1,094	1,117	1,064	1,102	1,101	1,127	(6)
Other Expenses	691	689	723	604	672	663	687	658	674	670	635	4
Total Expenses	4,658	4,972	5,004	5,038	5,053	4,968	4,732	4,428	4,916	4,784	4,685	(5)
EBITDA	856	674	673	719	646	795	1,021	1,032	735	878	852	21

Source: Company, MOFSL



Highlights from the management commentary

Demand and pricing

- Cement capacity utilization (standalone) stood at 89% in 4QFY24. However, volume growth was lower due to reduced volume from outsourced grinding units in Punjab and Uttar Pradesh. Cement demand is estimated to improve post general election results and JKLC estimates 2QFY25 volume to be higher YoY.
- Cement prices declined ~5% YoY in 4QFY24 and lower by 1.5% YoY in FY24. In 1QFY25 so far, price is down ~1% sequentially. However, it believes prices will improve with improvement in demand.
- It estimates capacity utilization of ~70% in FY25 and ~80% in FY26 on expanded capacity.

Operational highlights

- Non-cement revenue stood at INR1.54b vs. INR1.28b in 4QFY23. RMC revenue stood at INR860m vs. INR620m in 4QFY23. Margin stood at ~5%.

- Average fuel cost stood at INR1.68/Kcal vs. INR1.78/Kcal in 3QFY24. It is not expected to further decline in the near term given the prevailing fuel prices. Its green energy share stood at ~47%.
- Blended cement share stood at ~66%, while trade sales share stood at ~56%. Lead distance declined by over 25km YoY to 372km (vs. 377Km in 3QFY24).
- Premium products sales stood at over ~25% of trade volume in the north and west markets, while slightly lower in eastern markets.

Capacity expansion and capex plans

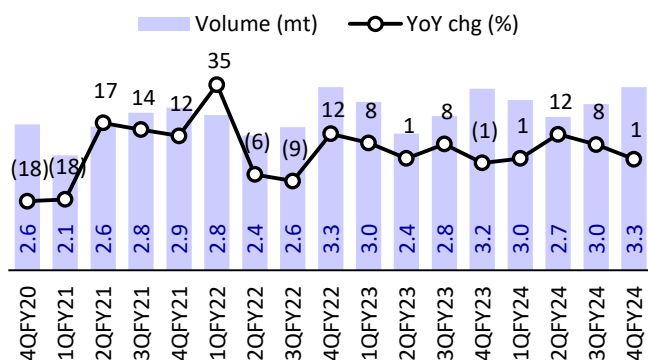
- It commissioned grinding capacity of 2.5mtpa at Udaipur Cement Works (UCWL), a subsidiary, in Mar'24. Current utilization stood at ~40%.
- Brownfield expansion of 1.35mtpa grinding capacity at its GU in Surat, Gujarat, is as per schedule and will be commissioned in two phases. Phase-I of 0.7mtpa is expected to be commissioned in Oct'24 and Phase-II of the balance capacity is expected to be commissioned in Mar-Apr'26.
- Further, 4.6mtpa expansion in East and Central will be commissioned in phases. Phase-I of Durg expansion, which includes – 1) brownfield clinker/cement expansion of 2.3mtpa/1.2mtpa at Durg, Chhattisgarh; and 2) greenfield split location grinding units at Pryagraj by FY26-end. The remaining two split location GUs in Madhubani, Bihar, and Patratu, Jharkhand, are expected to be commissioned in FY27. Total project cost for 2.3mtpa clinker and 4.6mtpa cement is estimated to be INR25b.
- JKLC is also setting up a railway siding at its Durg plant (in phases) at a capex of INR3.25b. The railway siding will help to become more competitive in Odisha. Further, it will help to expand its market to eastern part of MP, Bihar and Jharkhand.
- It also acquired 85% equity shareholding in Agrani Cement at a consideration of INR3.25b. It has paid INR1.25b and the balance will be paid in coming months. Currently, the company is in the process of land acquisition and getting external approvals, such as environment clearance, etc. After these approvals and land acquisition, it will take two years to set up a cement plant in the Northeast. In the Phase – I, it plans to set up 1mtpa/1.5mtpa clinker/cement capacity at an estimated capex of INR15b.
- Capex (standalone) is pegged at INR12.0b in FY25 and INR10b in FY26, attributable to its Durg expansion, railway siding and maintenance. UCWL capex is estimated to be INR3b in FY25-26 combined and INR1.5-2b for maintenance.

Other highlights

- AFR project at the Sirohi plant achieved TSR of 11.4% in 4Q and ~7% in FY24 (vs. 4.11% in FY23). JKLC targets to achieve TSR of over 12% in FY25. AFR project at UCWL is expected to be commissioned in Sep'24. On the consolidated basis, JKLC targets to increase TSR to ~10% in FY25 vs. ~6% in FY24.
- The company is focusing on increasing renewable power share. Its green power share stood at 47% on a consolidated basis. It is enhancing its WHRS capacity by 3.5MW at Sirohi, which will be commissioned in 1QFY25.
- Approval for the conveyor belt is in the final stage and is expected in next two months. Post approval it will take another six months to take this on stream.

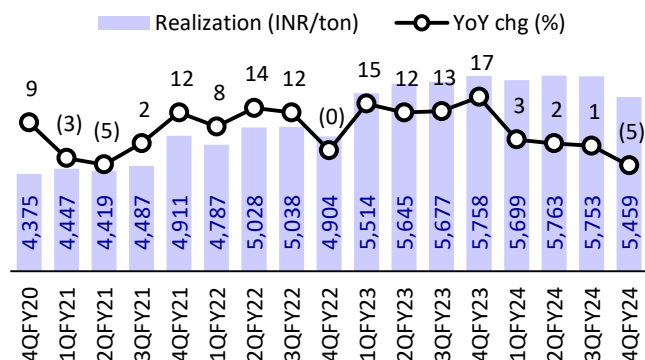
Story in charts

Exhibit 1: Sales volume (consolidated) up 1% YoY



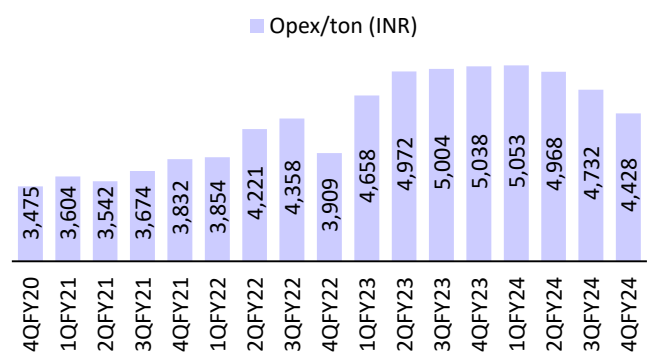
Source: Company, MOFSL

Exhibit 2: Blended realization was down ~5% YoY



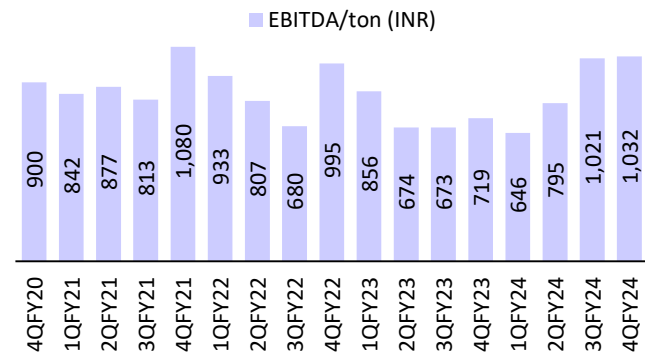
Source: Company, MOFSL

Exhibit 3: OPEX/t declined 12% YoY



Source: Company, MOFSL

Exhibit 4: EBITDA/t was up 43% YoY



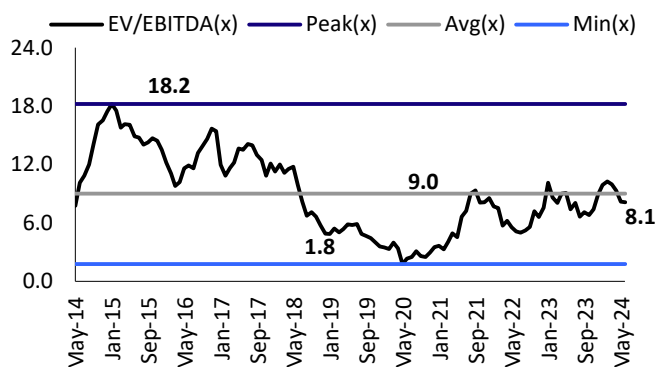
Source: Company, MOFSL

Exhibit 5: Key performance indicators – per ton analysis

INR/t	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Net realization	5,459	5,758	(5.2)	5,753	(5.1)
RM Cost	1,140	1,446	(21.1)	1,066	7.0
Employee Expenses	292	297	(1.8)	370	(21.1)
Power, Oil, and Fuel	1,273	1,554	(18.1)	1,492	(14.7)
Freight and Handling Outward	1,064	1,137	(6.4)	1,117	(4.7)
Other Expenses	658	604	9.0	687	(4.2)
Total Expenses	4,428	5,038	(12.1)	4,732	-6.4
EBITDA	1,032	719	43.4	1,021	1.1

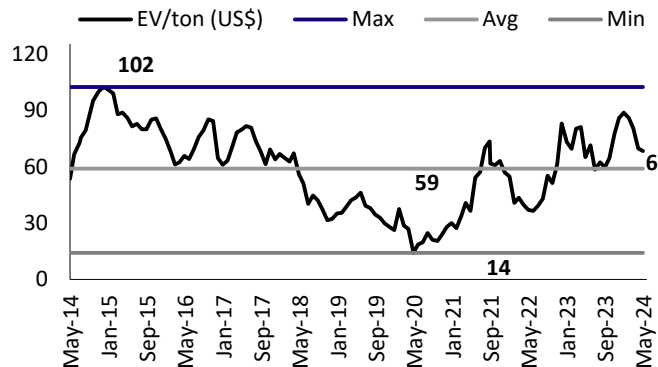
Source: Company, MOFSL

Exhibit 6: One-year forward EV/EBITDA chart



Source: Company, MOFSL

Exhibit 7: One-year forward EV/t chart



Source: Company, MOFSL

Financials and valuations (consolidated)

Income Statement							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	43,163	43,641	47,274	54,199	64,515	67,885	73,516	82,817
Change (%)	15.2	1.1	8.3	14.6	19.0	5.2	8.3	12.7
EBITDA	4,536	7,981	9,386	9,507	8,387	10,522	11,823	14,125
Margin (%)	10.5	18.3	19.9	17.5	13.0	15.5	16.1	17.1
Depreciation	2,110	2,198	2,253	2,235	2,283	2,460	2,816	3,041
EBIT	2,426	5,782	7,133	7,272	6,104	8,062	9,007	11,084
Int. and Finance Charges	2,528	2,250	1,920	1,422	1,334	1,504	1,450	1,532
Other Income – Rec.	554	460	726	683	575	681	758	828
PBT bef. EO Exp.	452	3,993	5,939	6,534	5,345	7,239	8,315	10,380
EO Expense/(Income)	-37	302	379	270	0	-89	0	0
PBT after EO Exp.	489	3,690	5,561	6,264	5,345	7,328	8,315	10,380
Total Tax	82	1,161	1,349	1,488	1,654	2,446	2,694	3,334
Tax Rate (%)	16.8	31.4	24.3	23.7	30.9	33.4	32.4	32.1
Reported PAT	407	2,530	4,211	4,776	3,691	4,882	5,621	7,046
Minority Interest	-106	49	157	140	105	163	471	890
PAT Adj. for EO items and MI	476	2,686	4,311	4,073	3,586	4,658	5,149	6,156
Change (%)	-9.5	464.9	60.5	-5.5	-12.0	29.9	10.5	19.6
Margin (%)	1.1	6.2	9.1	7.5	5.6	6.9	7.0	7.4

Balance Sheet							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	589	589	589	589	589	589	589	589
Total Reserves	14,257	16,281	20,357	24,463	27,450	31,278	35,721	41,053
Net Worth	14,846	16,869	20,946	25,052	28,039	31,867	36,309	41,641
Minority Interest	(76)	(29)	128	267	370	1,704	2,175	3,065
Deferred Liabilities	(931)	(390)	68	531	1,327	2,651	2,651	2,651
Total Loans	21,348	19,871	16,531	18,565	18,463	20,249	20,306	26,006
Capital Employed	35,187	36,322	37,672	44,415	48,199	56,470	61,441	73,363
Gross Block	41,337	44,722	44,138	47,469	49,667	68,338	72,328	78,578
Less: Accum. Deprn.	7,557	9,598	11,748	13,992	16,275	18,734	21,571	24,633
Net Fixed Assets	33,780	35,124	32,390	33,477	33,392	49,604	50,757	53,945
Capital WIP	4,166	1,662	2,738	2,425	8,902	3,832	8,092	18,092
Total Investments	3,780	4,583	5,922	7,677	6,421	5,222	5,222	5,222
Goodwill	723	723	723	723	723	725	725	725
Curr. Assets, Loans, and Adv.	7,277	9,146	11,090	14,959	15,971	17,118	16,964	17,780
Inventory	3,522	4,806	3,662	5,810	8,416	9,912	8,818	10,836
Account Receivables	1,098	959	545	352	654	443	499	492
Cash and Bank Balance	194	328	3,719	5,729	3,390	2,673	3,407	2,093
Loans and Advances	2,462	3,054	3,164	3,068	3,511	4,090	4,240	4,359
Curr. Liability and Prov.	14,539	14,917	15,190	14,847	17,210	20,030	20,319	22,400
Account Payables	5,448	5,102	4,368	3,660	5,860	5,560	5,849	7,930
Other Liabilities	8,901	9,610	10,609	10,894	11,098	14,261	14,261	14,261
Provisions	190	205	212	293	252	209	209	209
Net Current Assets	(7,262)	(5,770)	(4,100)	112	(1,239)	(2,913)	(3,355)	(4,621)
Appl. of Funds	35,187	36,322	37,672	44,415	48,199	56,470	61,441	73,363

Source: Company, MOFSL estimates

Financials and valuations (standalone)

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	4.0	22.8	36.6	34.6	30.5	39.6	43.7	52.3
Cash EPS	22.0	41.5	55.8	53.6	49.9	60.5	67.7	78.1
BV/Share	126.1	143.3	178.0	212.8	238.2	270.7	308.5	353.8
DPS	0.7	3.1	3.8	5.0	3.8	6.5	6.0	7.0
Payout (%)	13.4	19.6	12.1	13.8	13.3	18.0	14.2	14.1
Valuation (x)								
P/E		35.1	21.9	23.1	26.3	20.2	18.3	15.3
Cash P/E		19.3	14.4	14.9	16.1	13.2	11.8	10.3
P/BV		5.6	4.5	3.8	3.4	3.0	2.6	2.3
EV/Sales		2.5	2.1	1.8	1.5	1.5	1.4	1.2
EV/EBITDA		12.1	9.4	9.2	10.0	8.9	7.5	6.0
EV/t (USD)		88	80	76	73	81	59	51
Dividend Yield (%)		0.4	0.5	0.6	0.5	0.8	0.7	0.9
Return Ratios (%)								
RoE	3.2	16.9	22.8	17.7	13.5	15.6	15.1	15.8
RoCE	6.5	11.7	16.0	15.0	10.2	11.7	12.1	13.0
RoIC	5.9	12.2	17.2	17.4	11.6	13.8	15.4	15.8
Working Capital Ratios								
Asset Turnover (x)	1.2	1.2	1.3	1.2	1.3	1.2	1.2	1.1
Inventory (Days)	29.8	40.2	28.3	39.1	47.6	53.3	43.8	47.8
Debtor (Days)	10	9	5	3	4	3	3	2
Creditor (Days)	46	43	34	25	33	30	29	35
Leverage Ratio (x)								
Current Ratio	0.5	0.6	0.7	1.0	0.9	0.9	0.8	0.8
Interest Coverage Ratio	1.0	2.6	3.7	5.1	4.6	5.4	6	7
Debt/Equity ratio	1.4	1.2	0.8	0.7	0.7	0.6	0.6	0.6

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
(INR m)								
OP/(Loss) before Tax	452	3,993	5,939	6,534	5,345	7,325	8,315	10,380
Depreciation	2,110	2,198	2,253	2,235	2,283	2,460	2,837	3,062
Interest and Finance Charges	2,528	2,250	1,920	1,422	1,334	1,504	1,450	1,532
Direct Taxes Paid	(185)	(761)	(871)	(888)	(909)	(1,126)	(2,694)	(3,334)
(Inc.)/Dec. in WC	3,029	(483)	2,060	(1,526)	(1,135)	(430)	1,177	(49)
CF from Operations	7,934	7,196	11,301	7,776	6,918	9,733	11,084	11,591
Others	(332)	(701)	(983)	(976)	(576)	(741)	-	-
CF from Operations incl. EO	7,602	6,495	10,318	6,800	6,342	8,992	11,084	11,591
(Inc.)/Dec. in FA	(2,109)	(1,047)	(1,661)	(3,661)	(7,320)	(10,060)	(8,250)	(16,250)
Free Cash Flow	5,493	5,449	8,658	3,138	(978)	(1,069)	2,834	(4,659)
(Pur.)/Sale of Investments	1,337	(951)	(2,678)	(3,264)	4,070	818	-	-
Others	-	-	-	274	255	442	-	-
CF from Investments	(771)	(1,997)	(4,339)	(6,651)	(2,995)	(8,800)	(8,250)	(16,250)
Issue of Shares	-	-	-	-	-	931	-	-
Inc./(Dec.) in Debt	(3,976)	(1,552)	(3,392)	2,042	(431)	1,601	57	5,700
Interest Paid	(2,674)	(2,489)	(2,130)	(1,401)	(1,505)	(2,033)	(1,450)	(1,532)
Dividend Paid	(111)	(455)	(5)	(443)	(587)	(674)	(706)	(824)
Others	-	-	-	(90)	(136)	(181)	-	-
CF from Fin. Activity	(6,761)	(4,496)	(5,526)	108	(2,658)	(356)	(2,100)	3,344
Inc./Dec. in Cash	70	2	453	257	689	(164)	735	(1,315)
Opening Balance	125	29	30	484	2,701	2,837	2,673	3,407
Closing Balance	194	30	484	740	3,390	2,673	3,407	2,093

Source: Company, MOFSL estimates

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