

JK Lakshmi Cement

Demand picking up; margin to look up

We maintain our BUY rating on JK Lakshmi (JKLC) with an unchanged target price of INR 872/share (9x FY27E consolidated EBITDA), post our interaction with the management. After a flattish FY25, we estimate JKLC's volume growth to accelerate to 9% CAGR during FY25-27E on the ramp-up of its north expansion. The company has launched a brand enhancement exercise and is also beefing up its green energy infrastructure along with a further reduction in lead distance. Falling fuel prices are also expected to further cushion the margin compression (from poor pricing) in FY25 and add to margin recovery from FY26 onwards. Subsequently, we estimate unit EBITDA to rebound from a six-year low of INR 648 per MT in FY25E to INR 863/968 per MT in FY26/27E. Ongoing expansions should lead to consolidated capacity increasing to 22.5mn MT by FY28 (from 16.5mn MT in FY24).

- **Volumes and pricing have improved post Q3FY25:** During Q4FY25, management is confident of delivering more than 8% YoY volume growth as against +2/-4% YoY in Q3/H1FY25. Demand has picked up, and JKLC is ramping up its sales across the northern and eastern regions. For FY26, JKLC is confident of growing slightly ahead of the industry. Cement prices have also improved QoQ, and the company expects its NSR to improve by ~INR 100/MT QoQ in Q4FY25.
- **New brand launch to boost premiumization and profitability:** On January 15, 2025, JKLC launched the premium brand *Green+* across all its markets and has priced it at ~INR 25/bag higher than its existing premium brand *PRO+*. Furthermore, JKLC stated that market response is healthy, and hence anticipates a substantial rise in *Green+* sales over the coming years. Therefore, in the upcoming years, JKLC expects an increase in sales of premium cement and an overall NSR/unit EBITDA gain of ~INR 100/70 per MT.
- **Cost rationalization efforts continue:** In line with the other cement companies, JKLC is also working on various cost reduction programs. It aims to increase the share of green power and fuel while lowering lead distance. Some of these milestones have been covered, and more are anticipated. The share of low-cost green power consumption has steadily increased from 25/35% in FY22/23 to 39/47% in FY24/25E. In FY26, it will further increase to ~51%, and JKLC is targeting >60% over the next three years. Similarly, the thermal substitution rate (TSR) will expand to ~15% in FY26 from 7/10% in FY24/25E. Logistics-wise, it lowered its lead distance from ~400 km in FY23 to ~385/375 km in FY24/25 and is expected to further lower it to ~365 km by the end of FY26. Cumulatively, these efforts will reduce its unit opex by ~INR 50/25 per MT in FY25/26E, in our view.
- **Fuel price corrections to further assist margin uptick:** Falling fuel prices have cooled off JKLC's consolidated fuel cost by ~INR 160 per MT YoY in FY25. We estimate if fuel prices remain stable around Q3FY25 levels, it will lead to further savings of ~INR 25 per MT in FY26E. Thus, overall, JKLC's cement opex should reduce by ~INR 260 per MT during FY24-26E, cushioning against the sharp price fall seen in FY25. In our view, an increase in cement prices from FY26 onwards and brand premiumization gains should drive up the EBITDA margin from a six-year low of ~INR 648 per MT in FY25E to ~INR 863/968 in FY26/27E.

BUY

CMP (as on 10 Mar 2025)	INR 722
Target Price	INR 872
NIFTY	22,460

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 872	INR 872
EBITDA revision %	FY25E 0.0	FY26E 0.0

KEY STOCK DATA

Bloomberg code	JKLC IN
No. of Shares (mn)	118
MCap (INR bn) / (\$ mn)	85/970
6m avg traded value (INR mn)	144
52 Week high / low	INR 935/661

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(15.8)	(10.0)	(19.3)
Relative (%)	(6.7)	(0.4)	(19.3)

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	46.34	46.34
FIs & Local MFs	24.95	25.23
FPIs	11.53	11.93
Public & Others	17.17	16.49
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi

rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Keshav Lahoti

keshav.lahoti@hdfcsec.com
+91-22-6171-7353

Riddhi Shah

riddhi.shah@hdfcsec.com
+91-22-6171-7359

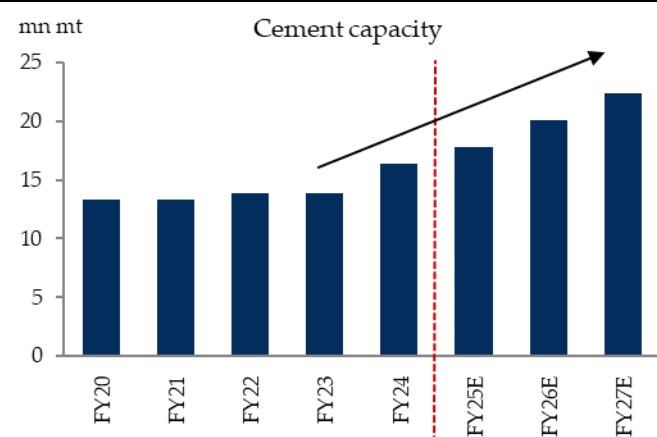
- **Targeting to double non-cement revenues in the next three years:** JKLC's non-cement revenue has doubled to INR 5.5bn during FY21-24. The company currently operates four AAC block plants and 22 RMC plants. Over the following three years, it plans to add two more AAC block facilities and increase the total number of its RMC plants to 50. These would help JKLC to double its non-cement revenues to INR 10bn over the next three years.
- **Concerns over Sirohi limestone mines:** The management noted that most of its limestone mines at Sirohi are scheduled to go for an auction in 2030. However, JKLC is in talks with the government to seek an extension of the expiring mining lease without holding an auction. Even in the case of an auction, JKLC is confident of retaining the same with an expected increase in the royalty. These mines can sustain the current production run rate at Sirohi until 2050-55.
- **Expansion progress:** Phase 1 of the Surat SGU expansion by 0.8mn MT is under a trial run, and the remaining 0.55mn MT will become operational by Jun'25. The work on the long-pending limestone conveyor belt in Durg will start in early FY26 (requisite approval is expected in the month of Mar-25) and should become operational during FY26E. The 2.3mn MT brownfield clinker unit at Durg and 1.2mn MT GU each at Durg and Prayagraj will be operational by FY27. In Phase 2, 1.2/1mn MT SGUs in Bihar and Jharkhand will come up in FY28. These will increase the consolidated capacity to 20.3/22.5mn MT in FY27/28. Additionally, the greenfield northeast expansion will add another 1.5mn MT by FY29E, increasing its capacity to 24mn MT. In its vision of 30mn MT by 2030, JKLC is building in greenfield expansions in Gujarat and Rajasthan. JKLC maintained its capex outgo guidance of INR 8/10/15bn in FY25/26/27E towards these expansions.
- **Maintain BUY:** We remain positive on JKLC's growth prospects (both on volume and margin). Thus, we estimate the company to deliver a 6% consolidated volume CAGR during FY24-27E (despite flattish FY25E). This implies a 9% volume CAGR during FY25-27E. Subsequently, we estimate unit EBITDA to rebound from a six-year low of INR 648 per MT in FY25E to INR 863/968 per MT in FY26/27E. Furthermore, we estimate its consolidated net debt to EBITDA to cool off to remain under 2x during FY26/27E. We currently value the company at 9x its FY27E consolidated EBITDA. We maintain our BUY rating with an unchanged target price of INR 872/sh.

Key operational assumptions

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Cement Cap (mn MT)	12.5	12.5	13.3	13.3	14.0	14.0	16.5	17.9	20.3	22.5
Sales Volume (mn MT)	9.5	10.8	9.7	10.4	11.2	11.5	12.0	12.1	13.2	14.4
YoY change (%)	19.7	13.6	(9.9)	7.5	7.2	2.6	4.4	1.0	9.0	9.0
Utilisation (%)	75.9	86.3	73.1	78.6	80.0	82.0	72.7	67.8	65.2	64.1
(Rs/ MT trend)										
NSR	3,949	4,002	4,490	4,524	4,840	5,617	5,662	5,067	5,194	5,324
YoY change (%)	7.2	1.3	12.2	0.8	7.0	16.1	0.8	(10.5)	2.5	2.5
Input cost	1,835	1,803	1,815	1,835	2,106	2,784	2,665	2,338	2,280	2,257
Logistics costs	1,001	971	879	886	982	1,095	1,101	1,046	1,056	1,067
Fixed cost	659	807	975	905	903	1,007	1,018	1,035	995	1,031
Total Opex	3,494	3,581	3,669	3,626	3,991	4,887	4,784	4,419	4,331	4,356
YoY change (%)	8.6	2.5	2.4	(1.2)	10.1	22.5	(2.1)	(7.6)	(2.0)	0.6
EBITDA	455	421	821	898	849	730	878	648	863	968

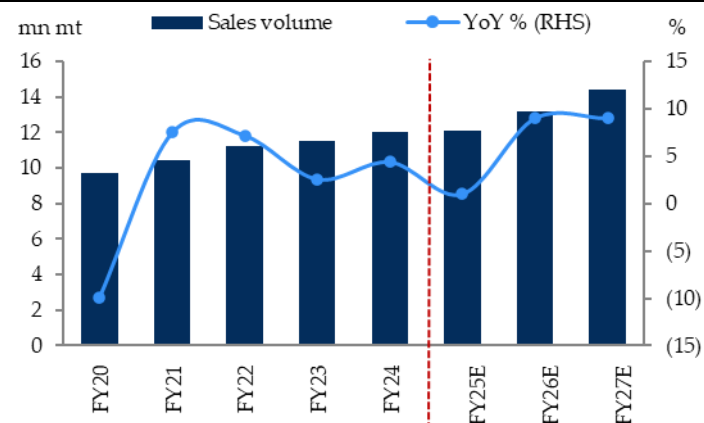
Source: Company, HSIE Research

Capacity expansion pace to pick up to support healthy volume growth



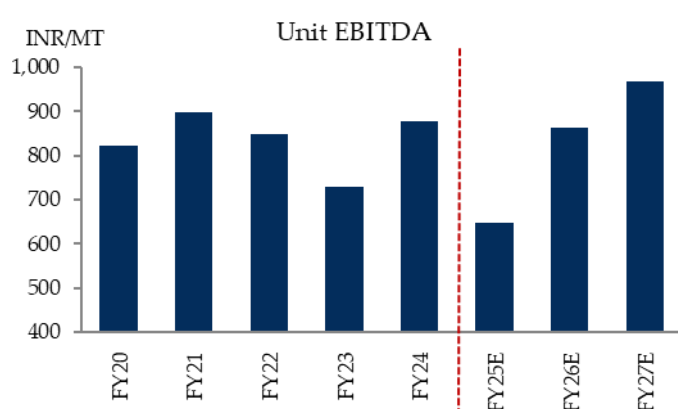
Source: Company, HSIE Research

Consolidated volume is expected to clock 9% CAGR during FY25-27E



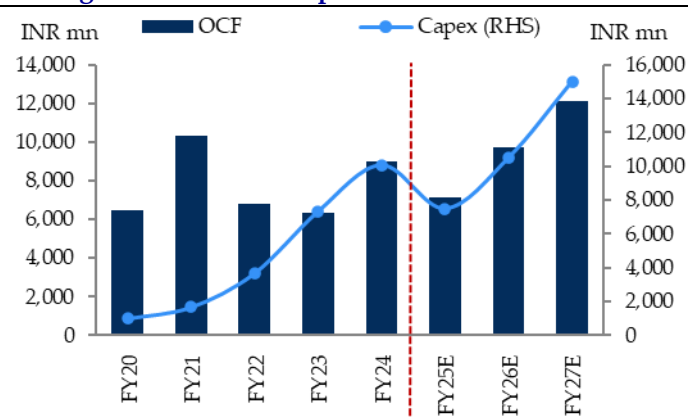
Source: Company, HSIE Research

Unitary EBITDA to recover from a six-year low in FY25



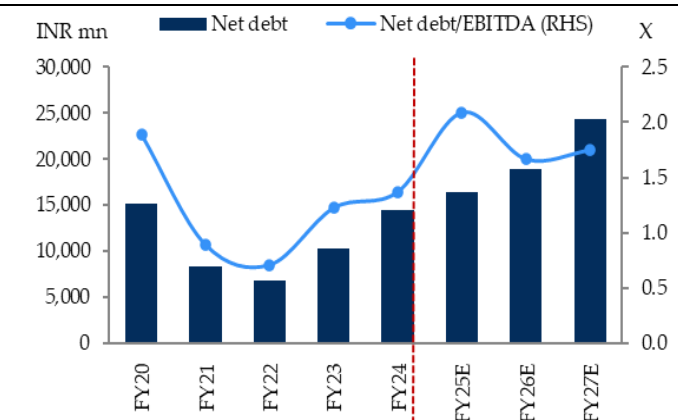
Source: Company, HSIE Research

Strong OCF will fund Capex



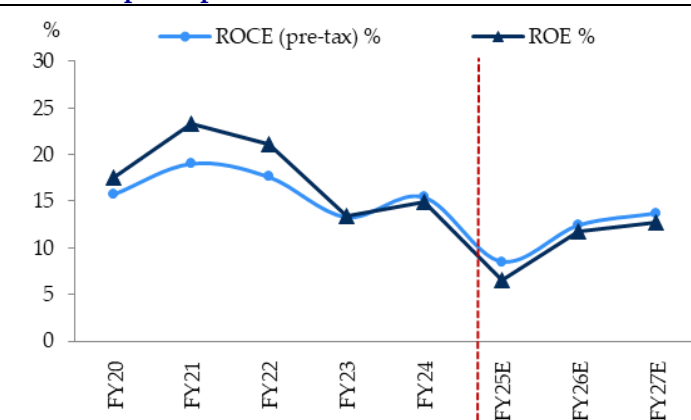
Source: Company, HSIE Research

Despite major expansions, company's gearing should remain comfortable



Source: Company, HSIE Research

Return ratios should recover as profitability and volumes pick up



Source: Company, HSIE Research

Financials

Consolidated Income Statement

YE Mar (INR mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	54,199	64,515	67,885	61,364	68,559	76,598
Growth %	14.6	19.0	5.2	(9.6)	11.7	11.7
Raw Material	10,694	13,044	14,506	14,212	15,491	16,885
Power & Fuel	12,893	18,935	17,448	14,098	14,598	15,594
Freight Expense	10,994	12,582	13,201	12,667	13,945	15,352
Employee cost	3,628	3,877	4,176	4,427	4,692	5,303
Other Expenses	6,482	7,690	8,032	8,112	8,436	9,533
EBITDA	9,507	8,387	10,522	7,849	11,397	13,932
EBITDA Margin (%)	17.5	13.0	15.5	12.8	16.6	18.2
EBITDA Growth %	1.3	(11.8)	25.4	(25.4)	45.2	22.2
Depreciation	2,235	2,283	2,460	2,997	3,554	4,172
EBIT	7,272	6,104	8,062	4,853	7,843	9,759
Other Income	683	575	681	448	386	333
Interest	1,422	1,334	1,504	1,810	1,562	2,025
PBT	6,534	5,345	7,239	3,490	6,668	8,068
Tax	1,488	1,654	2,446	1,169	2,134	2,582
Minority Int	141	105	163	70	133	161
RPAT	4,636	3,586	4,718	2,251	4,401	5,325
EO (Loss) / Profit (Net Of Tax)	(270)	-	89	-	-	-
APAT	4,906	3,586	4,629	2,251	4,401	5,325
APAT Growth (%)	10.7	(26.9)	29.1	(51.4)	95.5	21.0

Source: Company, HSIE Research

Consolidated Balance Sheet

YE Mar (INR mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS						
Share Capital	589	589	589	589	589	589
Reserves And Surplus	24,463	27,450	31,278	33,304	37,045	41,571
Total Equity	25,052	28,039	31,867	33,893	37,633	42,159
Long-term Debt	18,723	18,659	18,715	19,123	20,532	24,941
Short-term Debt	143	138	2,126	2,126	2,126	2,126
Total Debt	18,865	18,797	20,840	21,249	22,658	27,066
Deferred Tax Liability	531	1,327	2,651	2,651	2,651	2,651
Long-term Liab+ Provisions	3,439	3,739	3,790	3,942	4,103	4,272
TOTAL SOURCES OF FUNDS	48,154	52,272	60,851	63,508	68,951	78,217
APPLICATION OF FUNDS						
Net Block	35,358	35,270	51,481	54,735	56,681	74,509
Capital WIP	2,512	8,902	3,832	5,082	10,082	3,082
Other Non-current Assets	1,761	1,833	2,430	2,765	2,765	2,765
Total Non-current Investments	151	151	345	345	345	345
Total Non-current Assets	39,781	46,157	58,088	62,927	69,873	80,701
Inventories	5,810	8,416	9,912	8,591	8,913	9,192
Debtors	352	654	443	614	686	766
Cash and Cash Equivalents	12,099	8,504	6,397	4,854	3,678	2,705
Other Current Assets (& Loans/adv)	1,220	1,677	1,660	1,660	1,660	1,660
Total Current Assets	19,481	19,252	18,412	15,718	14,936	14,322
Creditors	3,660	5,860	5,560	4,909	5,485	6,128
Other Current Liabilities & Provns	7,448	7,276	10,089	10,228	10,373	10,678
Total Current Liabilities	48,154	52,272	60,851	63,508	68,951	78,217

Source: Company, HSIE Research

Consolidated Cash Flow

YE Mar (INR mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	6,263	5,345	7,325	3,490	6,668	8,068
Non-operating & EO Items	(855)	(567)	(741)	(448)	(386)	(333)
Interest Expenses	1,422	1,334	1,504	1,810	1,562	2,025
Depreciation	2,235	2,283	2,460	2,997	3,554	4,172
Working Capital Change	(1,277)	(1,145)	(430)	456	488	758
Tax Paid	(988)	(909)	(1,126)	(1,169)	(2,134)	(2,582)
OPERATING CASH FLOW (a)	6,800	6,342	8,992	7,136	9,751	12,108
Capex	(3,661)	(7,320)	(10,060)	(7,500)	(10,500)	(15,000)
Free Cash Flow (FCF)	3,138	(978)	(1,069)	(364)	(749)	(2,892)
Investments	(3,264)	4,070	818	-	-	-
Non-operating Income	274	255	442	448	386	333
INVESTING CASH FLOW (b)	(6,651)	(2,995)	(8,800)	(7,052)	(10,114)	(14,667)
Debt Issuance/(Repaid)	1,952	(566)	1,420	409	1,409	4,409
Interest Expenses	(1,401)	(1,505)	(2,033)	(1,810)	(1,562)	(2,025)
FCFE	3,689	(3,049)	(1,682)	(1,765)	(902)	(508)
Share Capital Issuance	-	-	-	-	-	-
Dividend	(443)	(587)	(674)	(225)	(660)	(799)
FINANCING CASH FLOW (c)	108	(2,658)	(1,287)	(1,626)	(813)	1,585
NET CASH FLOW (a+b+c)	257	689	(1,095)	(1,543)	(1,176)	(973)
Closing Cash & Equivalents	8,588	12,788	7,409	4,854	3,678	2,705

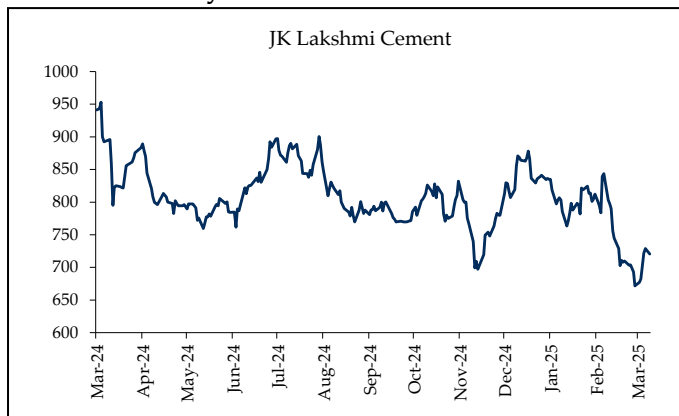
Source: Company, HSIE Research

Key Ratios

	FY22	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY %						
EBITDA Margin	17.5	13.0	15.5	12.8	16.6	18.2
EBIT Margin	13.4	9.5	11.9	7.9	11.4	12.7
APAT Margin	9.1	5.6	6.8	3.7	6.4	7.0
RoE	21.1	13.3	14.9	6.5	11.7	12.7
RoIC (pre tax)	22.5	17.8	18.9	9.3	14.4	15.3
RoCE (pre tax)	17.6	13.3	15.5	8.5	12.4	13.7
EFFICIENCY						
Tax Rate %	22.8	30.9	33.8	33.5	32.0	32.0
Fixed Asset Turnover (x)	1.1	1.3	1.1	0.8	0.9	0.8
Inventory (days)	39	48	53	51	47	44
Debtors (days)	2	4	2	4	4	4
Other Current Assets (days)	20	20	22	26	24	21
Payables (days)	25	33	30	29	29	29
Other Current Liab & Provns (days)	73	62	75	84	77	71
Cash Conversion Cycle (days)	(36)	(24)	(27)	(32)	(32)	(32)
Net Debt/EBITDA (x)	0.7	1.2	1.4	2.1	1.7	1.7
Net D/E	0.3	0.4	0.4	0.5	0.5	0.6
Interest Coverage	5.1	4.6	5.4	2.7	5.0	4.8
PER SHARE DATA (Rs)						
EPS	41.7	30.5	39.3	19.1	37.4	45.2
CEPS	60.7	49.9	60.2	44.6	67.6	80.7
Dividend	5.0	3.8	6.5	1.9	5.6	6.8
Book Value	215.2	241.4	285.3	303.1	336.0	375.8
VALUATION						
P/E (x)	17.3	23.7	18.4	37.7	19.3	16.0
P/Cash EPS (x)	12.4	14.5	11.8	16.2	10.7	8.9
P/BV (x)	3.4	3.0	2.7	2.5	2.3	2.0
EV/EBITDA (x)	9.7	11.4	9.6	13.1	9.3	8.0
EV/MT (Rs bn)	6.57	6.83	6.13	5.78	5.23	4.96
Dividend Yield (%)	0.7	0.5	0.9	0.3	0.8	0.9

Source: Company, HSIE Research

1 Yr Price History



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:

We, **Rajesh Ravi, MBA, Keshav Lahoti, CA and CFA & Riddhi Shah, MBA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

Any holding in stock – NO

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

HDFC Securities

Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com