

Shubh Nivesh



Strong focus on capacity expansion & cost control...

About the stock: JK Lakshmi Cement (JKLC) mainly caters to the north, west & eastern markets of India with a total consolidated capacity of 16.5 million tonnes (mtpa). Plants are located at Rajasthan (Sirohi & Udaipur), Chhattisgarh (Durg), Gujarat (Surat & Kalol), Haryana (Jhajjar) and Odisha (Cuttack)

- Company's current capacity stands at 10.7 mtpa in North India, followed by 3.5 mtpa in East India and balance 2.2 mtpa in West India
- Company's revenue has grown by ~13% CAGR over FY21-24, while EBITDA & PAT have grown at ~4% CAGR each over the same period

Investment Rationale:

- **Capacity expansions to drive volume growth:** Company's volume growth at consolidated level is expected to pick-up significantly in the coming period (~10% CAGR during FY24-26E vs 4.5% CAGR during FY21-24), primarily led by capacity expansions and pick-up in demand in company's core markets. Company's total capacity (which remained largely same at ~14 mtpa over the period FY19-23) has been recently expanded to 16.5 mtpa (through 2.5 mtpa expansion at Udaipur in Mar-24). Further, the company is in process of expanding its cement capacity to 24.1 mtpa by FY27E (through 1.35 mtpa expansion at western region and 6.1 mtpa expansion at eastern & north-eastern markets). In the longer term, company strategically aims to reach 33.1 mtpa by FY30E from 24.1 mtpa in FY27E (which would include 6 mtpa at north region and 3 mtpa at western region)
- **Focus on operational efficiencies to drive improvement in EBITDA/ton:** Company's EBITDA/ton improved to ₹ 877/ton in FY24 (vs ₹ 736/ ton in FY23) as total cost/ton reduced by ₹ 140/ton YoY (mainly led by significant decline in power & fuel cost/ton as fuel prices fell significantly during the year). Going ahead, company remain focused on further reduction in total cost/ton by ₹ 50-75/ton in the coming period. We estimate EBITDA/ton to improve to ₹ 896/ton by FY26E. Reduction in overall cost structure would be primarily driven by increasing usage of green power & alternative fuels (company targets share of overall renewable energy usage at 60% of total by 2030 from 38% at present). Moreover, focus on optimising product mix & geographical mix would further help company in more operational competences

Rating and Target Price

- After a muted H1FY25, company's operational performance is expected to improve significantly in H2FY25, led by demand pick-up & improvement in prices. We estimate revenue CAGR of ~6% over FY24-26E as the healthy volume growth of ~10% CAGR would be negated partially by softness in realisations in the last one year. However, EBITDA is expected at ~11% CAGR over the same period, led by continuous focus on cost efficiency measures
- Net debt/EBITDA to remain in the comfort range of 2-2.3x by FY26E despite significant capex planned over FY25-26E. Valuations at 9.4x EV/EBITDA & \$67 EV/ton) on FY26E, leaves room for re-rating, looking at company's strategic plan of achieving 33 mtpa by FY30E with favourable market mix. We recommend BUY on JKLC with TP of ₹ 960 (based on 11x FY26E EV/EBITDA)



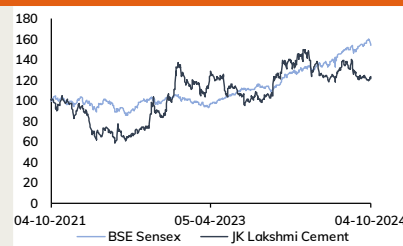
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	9,202
FY24 Gross Debt (Rs Crore)	2,025
FY24 Cash (Rs Crore)	640
EV (Rs Crore)	10,587
52 Week H/L	1000 / 650
Equity Capital	58.9
Face Value	5.0

Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24
Promoter	46.3	46.3	46.3	46.3
FII	10.5	10.8	11.3	11.3
DII	27.6	27.6	25.8	25.4
Others	15.5	15.3	16.5	17.0

Price Chart



Key risks

- (i) Slowdown in demand (ii) Delay in capacity expansion plan (iii) Increase in commodity prices (iv) prolonged correction in cement prices (v) Increasing competitive intensity

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Key Financial Summary

(₹ crore)	FY21	FY22	FY23	FY24	3 Year CAGR (FY21-24)	FY25E	FY26E	2 Year CAGR (FY24-26E)
Revenues	4,727	5,420	6,452	6,788	12.8%	6,796	7,676	6.3%
EBITDA	939	951	839	1,052	3.9%	981	1,306	11.4%
EBITDA margin (%)	19.9	17.5	13.0	15.5		14.4	17.0	
Net Profit	421	478	369	472	3.9%	363	524	5.4%
EPS (Rs)	35.8	40.6	31.4	40.1		30.9	44.5	
P/E (x)	20.5	18.5	24.9	19.7		25.3	17.6	
EV/EBITDA (x)	10.3	10.4	12.2	10.1		11.7	9.4	
EV/ton (USD)	83	84	87	76		76	67	
RoCE (%)	23.3	18.1	14.2	16.2		12.2	14.1	
RoE (%)	21.4	19.7	13.0	13.9		10.0	12.9	

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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