

Back ended benefits!: JK Lakshmi Cement Ltd

ADD

May 29, 2025 | CMP: INR 847 | Target Price: INR 970

Expected Share Price Return: 14.4% | Dividend Yield: 0.8% | Expected Total Return: 15.2%

Sector View: Positive

Change in Estimates	✓
Target Price Change	✓
Recommendation	✗

Company Info

BB Code	JKLC IN EQUITY
Face Value (INR)	5.0
52 W High/Low (INR)	935/661
Mkt Cap (Bn)	INR 99.7/ \$1.1
Shares o/s (Mn)	117.7
3M Avg. Daily Volume	1,86,156

Change in Estimates

	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	61.3	58.2	5.4	64.9	62.1	4.7
EBITDA	8.3	7.5	11.2	9.2	8.2	12.7
EBITDAM %	13.5	12.8	73 bps	14.2	13.2	101 bps
PAT	4.5	4.0	11.3	4.7	4.4	6.8
EPS	38.0	34.2	11.3	39.9	37.3	6.8

Actual vs Consensus

INR Bn	Q4FY25A	Consensus Est.	Dev. %
Revenue	17.4	17.5	(0.6)
EBITDA	2.4	2.9	(15.8)
EBITDAM %	13.9	16.5	(252) bps
PAT	1.4	1.3	5.7

Key Financials

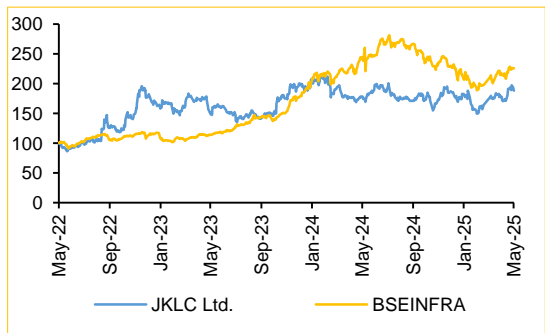
INR Bn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	63.2	57.0	61.3	65.0	68.9
YoY (%)	4.1	(9.8)	7.6	6.0	6.0
EBITDA	8.6	6.3	8.3	9.2	10.6
EBITDAM %	13.7	11.1	13.5	14.2	15.4
Adj PAT	4.2	3.6	4.5	4.7	5.4
EPS	36.1	30.7	38.0	39.9	45.6
ROE %	13.8	10.7	11.7	10.9	11.1
ROCE %	15.9	9.1	11.1	10.5	10.9
PE(x)	24.3	28.2	20.1	21.7	21.7
EV/EBITDA	12.5	17.5	12.1	12.5	12.2
EV/IC	3.6	2.9	2.3	2.3	2.3

Shareholding Pattern (%)

	Mar-25	Dec-24	Sep-24
Promoters	46.34	46.34	46.34
FII	12.06	11.93	11.53
DII	25.24	25.23	24.95
Public	16.36	16.50	17.18

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Infra	125.9	97.7	(6.6)
JKLC Ltd.	88.3	23.8	6.2



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Q4FY25 Cement Result Preview

Capacity expansion still some time away

We maintain our **ADD** rating (earlier rating was HOLD; as per CHOICE new rating methodology ADD is the closest rating to HOLD) on JK Lakshmi Cement Ltd (JKLC) with an increased TP of INR970 (from INR900 earlier) as we factor in: 1) **Capacity addition** of 4.4 MTPA by FY28E, taking the total standalone capacity to 20.9 MTPA by 2027 end, 2) **Volume** growth of 6.0%/6.0% in FY26/27E driven by asset sweating 3) **Cost saving of INR 150/t** phased out over a period of next 3 years, 4) Higher EBITDA and EBITDA/t, and finally, 5) A robust EV to CE (Enterprise Value to Capital Employed) based valuation framework (Exhibit 3 which allows us a rational basis to assign a valuation multiple that captures the fundamentals (marginal ROCE expansion over FY25-28E).

We forecast JKLC's **EBITDA** to grow at a **CAGR of 18.9%** over FY25-28E, supported by our assumptions of **volume** growth at 6.0/6.0/6.0% and **realization** growth of 1.5/0.0/0.0% in FY26E/FY27E/FY28E, respectively. Limited capacity addition in the near to medium term is a limiting factor.

We arrive at a 1-year forward TP of INR970/share for JKLC. We now value JKLC on our EV/CE framework, where we assign an EV/CE multiple of 1.9x/ 1.9x for FY27E/28E (standalone basis), which we believe is a reasonably high enough multiple given limited ROCE expansion (from 9.1% in FY25 to 10.9% in FY28E), even under reasonably optimistic operational assumption. Additionally, we value JKLC's 75% stake in Udaipur Cement Works Limited (UCWL) at a 25% discount to market value. This valuation framework gives us the flexibility to assign a commensurate valuation multiple basis an objective assessment of the quantifiable forecast financial performance of the company. We do a sanity check of our EV/CE TP using implied EV/EBITDA, P/BV, and P/E multiples. On our TP of INR970 FY27E, implied EVEBITDA/PB/PE multiples are 12.5x/2.4x/21.7x. Slowdown in construction activities due to early and excessive monsoon, sudden large spike in petcoke prices as a result of various global dynamics are risks to our ADD rating.

Q4FY25 Results: EBITDA fall short of expectations, despite in-line volume

JKLC reported Q4FY25 Revenue and EBITDA of INR17,388 Mn (+5.5% YoY, 26.6% QoQ) and INR2,424 Mn (-12.0% YoY, +70.1% QoQ) vs CEBPL estimates of INR16,097 Mn and INR2,505 Mn, respectively. In our view, the market expectation of Q4FY25 EBITDA was in the range of INR 2,600-3,000 Mn, so the reported numbers are on the lower side. Total volume for Q4 stood at 2.6 Mnt (vs CEBPL est. 2.6 Mnt), up 0.8% YoY and 14.3% QoQ.

Realization/t came in at INR6,766/t (+4.7% YoY and 10.8% QoQ), which is higher than CEBPL's est of INR6,201/t. The reported realization/t was higher because of non-cement business revenue of INR1,510 Mn. Total cost/t came in at INR5,823/t (+8.2% YoY and +6.4% QoQ). As a result, EBITDA/t came in at INR 943/t, which is a decline of -INR137/t YoY.

Management Call - Highlights

Capex & Capacity Expansion:

- JKLC has planned a capex of INR11,000 Mn for FY26E and INR10,000 Mn for FY27E. These investments will support capacity expansion and infrastructure development initiatives.
- JKLC is expanding the cement grinding capacity at its Surat Grinding Unit from 1.35 Mnt to 2.7 Mnt. The project is expected to cost INR2,250 Mn and will be funded through term loans of INR1,500 Mn from banks, with the balance to be met through internal accruals.
- JKLC is also setting up a railway siding at its Durg Cement Plant at an estimated cost of INR 3,250Mn. The project will be funded through debt of INR2,250 Mn, with the remaining amount to be met through internal accruals.
- JKLC is expanding clinker capacity at its integrated cement plant in Durg, Chhattisgarh, by setting up an additional clinker line of 2.3 MTPA and 4 cement grinding units with a combined capacity of 4.6 MTPA at the same location. Commissioning expected in FY27E.
- Additionally, JKLC is establishing 3 split-location cement grinding units with a total capacity of 3.4 MTPA at Prayagraj in Uttar Pradesh, Madhubani in Bihar, and Patratu in Jharkhand. The total cost of the project is estimated at INR25 Bn, which is proposed to be funded through term loans of INR17.5 Bn from banks and the balance through internal accruals.

Others:

- Cement demand is projected to grow by 6–7% in FY26E, supported by improving demand drivers.
- In Q4, JKLC reported non-cement revenue of INR1,510 Mn, and INR750 Mn was contributed by the Ready-Mix Concrete (RMC) segment.
- JKLC is undertaking a project to increase its Thermal Substitution Rate (TSR) from 4% to 16% in a phased manner at its Sirohi Cement Plant, as part of its Green Initiatives. During the quarter, green power accounted for 50% of the Company's total power mix.
- In Q4, JKLC reported a fuel cost of INR1.52 per Kcal, with blended cement accounting for 65% of total sales. The company also witnessed a 12 km increase in lead distance. Premium share was 25%, and cc ratio was 1.44.
- Net Debt to EBITDA stood at 0.14x in Q4FY25, compared to 0.22x in Q4FY24. Net Debt to Equity improved to 0.03x from 0.07x in Q4FY24.
- The board has recommended a dividend of INR 6.5 per share.

Exhibit 1: EBITDA fall short of expectations, despite in-line volume

JK Lakshmi Cement Ltd.	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	CEBPL Est.	Dev. (%)
Volumes	2.6	2.6	0.8	2.2	14.3	2.6	(1.0)
Revenues (INR Mn)	17,388	16,478	5.5	13,733	26.6	16,097	8.0
COGS	5,366	4,558	17.7	4,351	23.3		
Power and Fuel Cost	2,855	3,200	(10.8)	2,356	21.2		
Freight Exp.	3,614	3,207	12.7	2,847	26.9		
Employee Cost	1,017	849	19.7	1,015	0.2		
Other Expenses	2,113	1,909	10.7	1,739	21.5		
EBITDA (INR Mn)	2,424	2,755	(12.0)	1,425	70.1	2,505	(3.2)
EBITDA Margins (%)	13.9	16.7	(278)bps	10.4	356 bps	15.6	(162)bps
Depreciation	512	492	4.1	508	0.8		
EBIT (INR Mn)	1,912	2,263	(15.5)	917	108.4	1,790	6.8
EBIT Margin (%)	11.0	13.7	(274)bps	6.7	432 bps	11.1	(13)bps
Other Income	152	180	(15.7)	106	42.5		
Interest	164	209	-21.5	172	(4.4)		
PBT	1899	2233	-15.0	852	123.0		
Tax	520	810	(35.8)	255	103.4		
PAT (INR Mn)	1,380	1,424	(3.1)	596	131.3	1,211	13.9
Basic EPS (INR)	11.7	12.1	(3.1)	5.1	131.3	10.3	13.9

Source: Company, CEBPL

Exhibit 2: Cost Take outs to drive EBITDA higher (Standalone in INR/t)

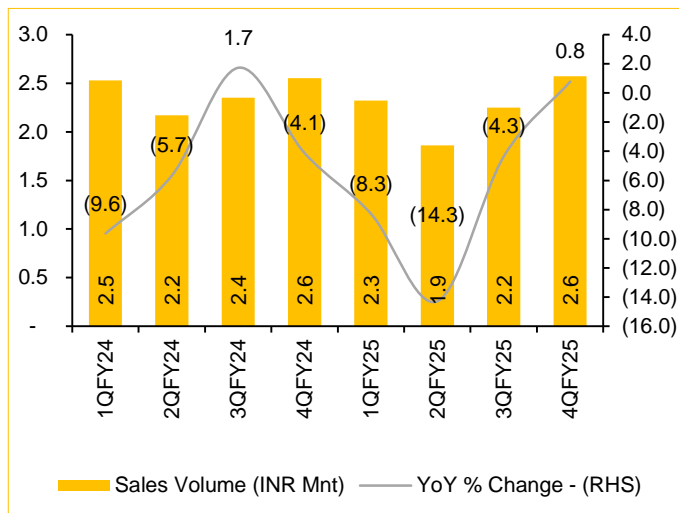
Particulars	FY23	FY24	FY25	FY26E	FY27E	FY28E
Volume (in Mnt)	9.5	9.6	9.6	10.2	10.8	11.4
Realization/t	6,411	6,583	5,935	6,024	6,024	6,024
COGS/t	1,670	1,841	1,838	1,865	1,868	1,868
Employee Cost/t	369	389	403	410	410	410
Power & Fuel Cost/t	1,630	1,423	1,076	990	941	894
Freight Expenses/t	1,276	1,301	1,215	1,191	1,167	1,144
Other Expenses/t	722	729	746	753	783	783
Total Cost/t	5,667	5,683	5,278	5,209	5,168	5,098
EBITDA/t	744	900	657	815	856	927
Revenue (INR Mn)	60,711	63,198	56,980	61,304	64,983	68,882
EBITDA (INR Mn)	7,043	8,638	6,308	8,297	9,235	10,593
PAT (INR Mn)	3,302	4,243	3,615	4,476	4,694	5,368

Source: Company, CEBPL

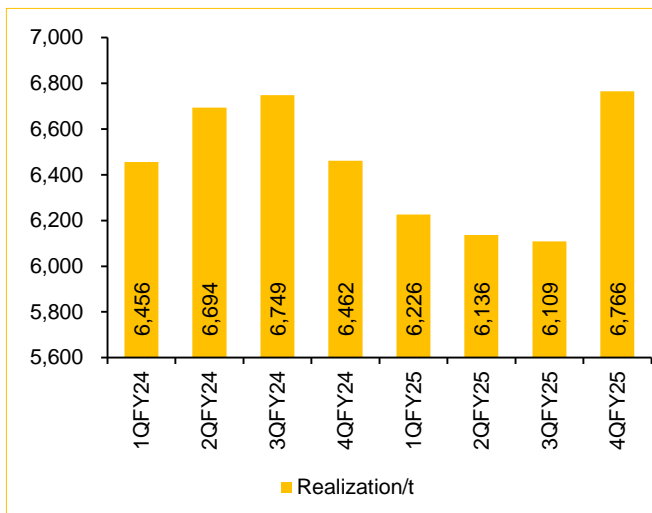
Exhibit 3: Introducing EV/CE Valuation Framework

INR Mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
RoCE	16.5%	13.2%	15.9%	9.1%	11.1%	10.5%	10.9%
WACC	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
RoCE less WACC %	4.5	1.2	3.9	(2.9)	(0.9)	(1.5)	(1.1)
EV	59,243	97,913	1,07,866	1,10,356	1,00,416	1,15,035	1,29,034
Capital Employed	36,919	38,609	42,017	47,374	52,850	60,545	67,913
EV/CE	1.60	2.54	2.57	2.33	1.90	1.90	1.90
Target EV/CE					1.9	1.9	1.9
Target EV					1,00,416	1,15,035	1,29,034
Gross Debt					11,103	14,103	16,103
Cash & Equivalent					849	1,150	3,447
Net Debt					10,254	12,953	12,656
LT Provision					157	157	157
EQUITY VALUE					90,004	1,01,925	1,16,221
UCWL Stake @25% Discount					9,844	9,844	9,844
EQUITY VALUE incl UCWL stake					99,848	1,11,769	1,26,064
EQUITY VALUE PER SHARE					848	950	1,071
1 yr forward TP (INR/sh)							970
Implied Multiples							
EV/EBITDA					12.1	12.5	12.2
P/BV					2.3	2.4	2.4
P/E					20.1	21.7	21.7

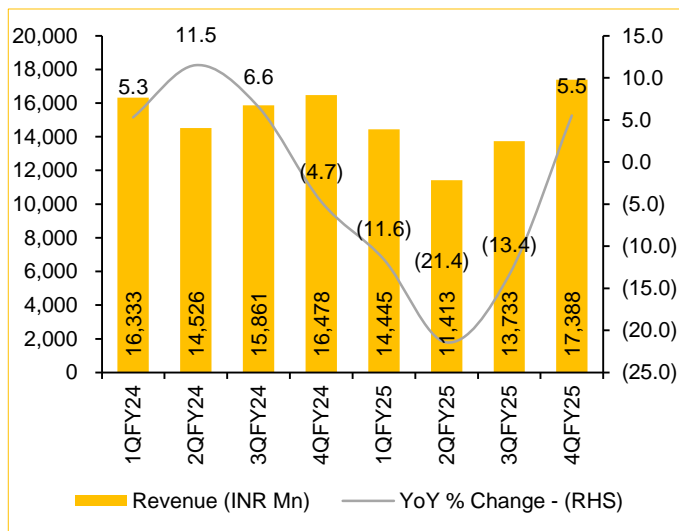
Source: Company, CEBPL

Q4FY25 sales volume in-line with expectations

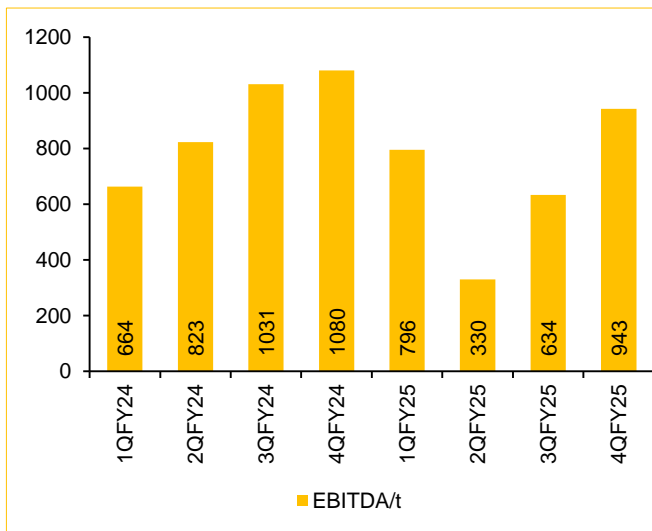
Source: Company, CEBPL

Realization/t growth should be looked through

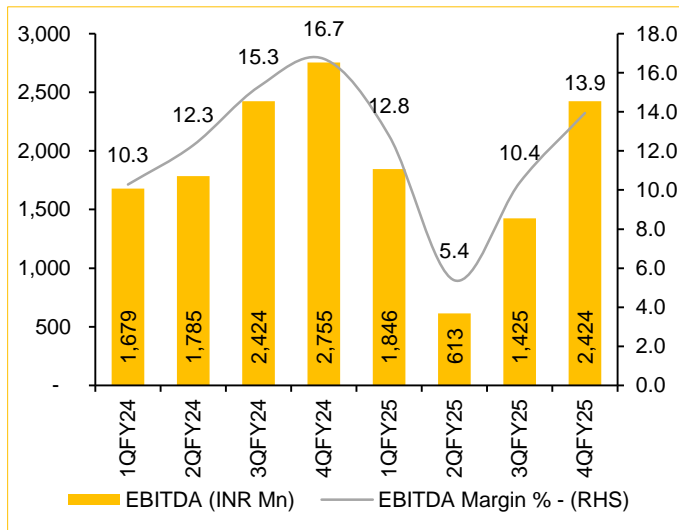
Source: Company, CEBPL

Revenue growth supported by higher realization/t in Q4

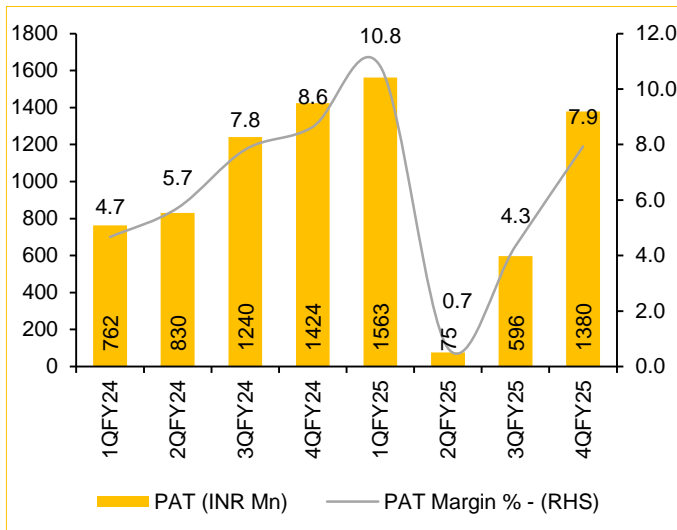
Source: Company, CEBPL

Higher input costs weigh on YoY EBITDA/t

Source: Company, CEBPL

EBITDA Margins declined by 278 bps on a YoY basis

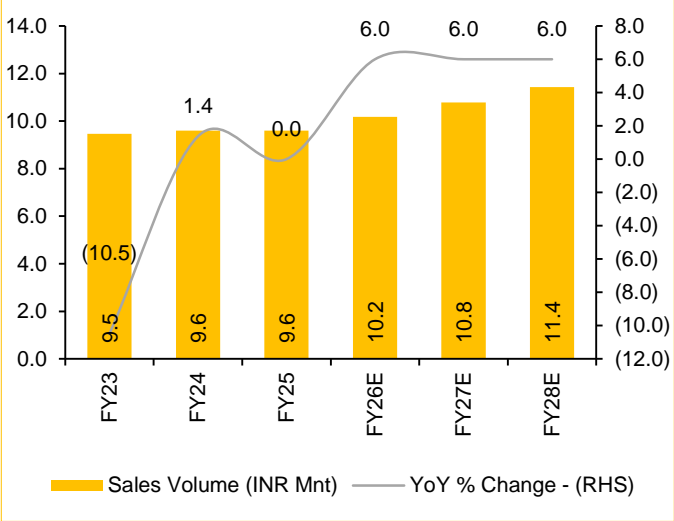
Source: Company, CEBPL

PAT declined by 3.1% on a YoY basis

Source: Company, CEBPL

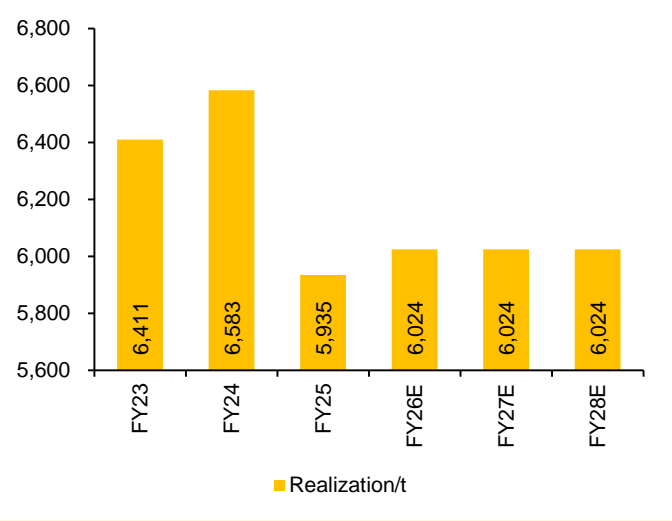
*All figures are in INR Million

Volume is expected to grow to 11.4 Mnt by FY28



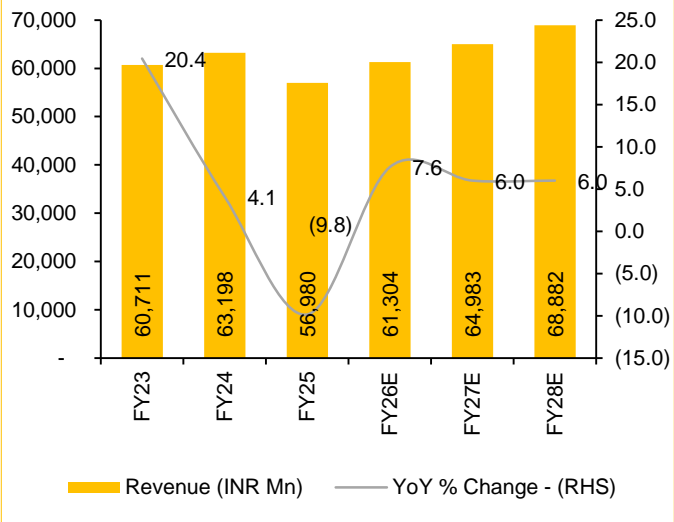
Source: Company, CEBPL

Realization/t is expected to remain flat



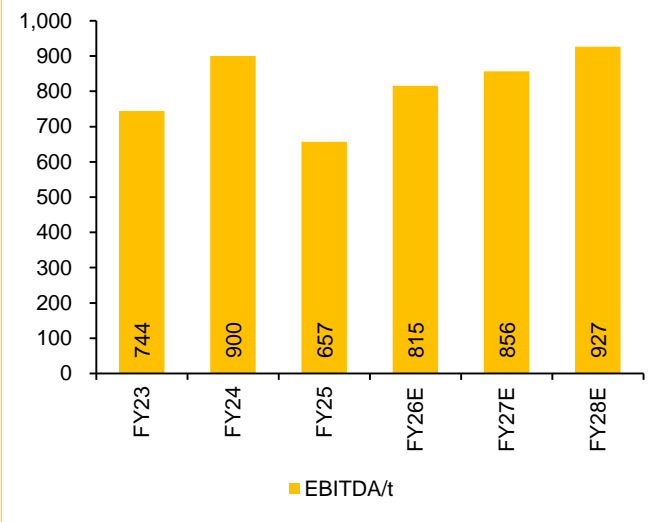
Source: Company, CEBPL

Modest revenue uptick driven by volume growth



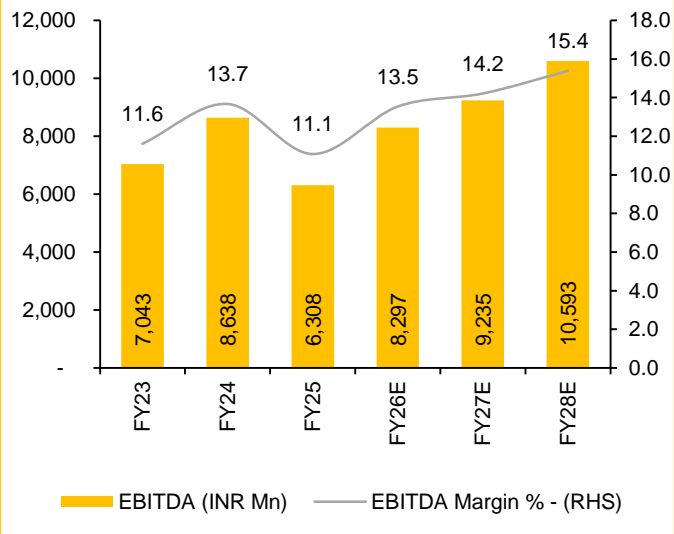
Source: Company, CEBPL

Cost reduction would lead to an increase in EBITDA/t



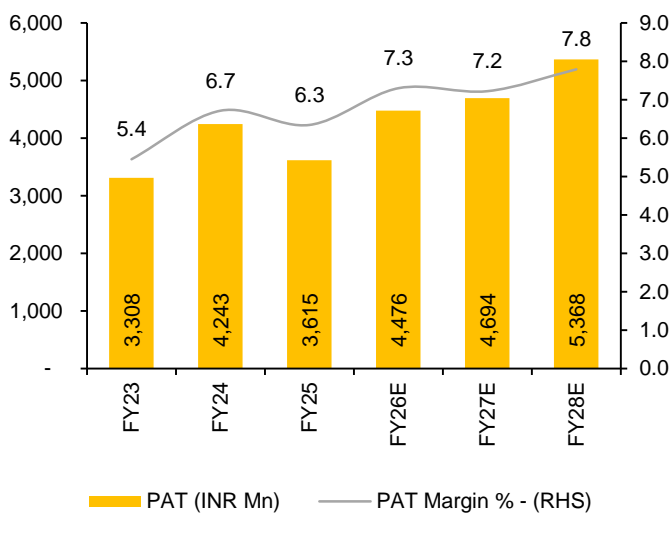
Source: Company, CEBPL

EBITDA expected to grow at a CAGR of 18.9% over FY25-28



Source: Company, CEBPL

Gradual PAT growth ahead



Source: Company, CEBPL

Income statement (Standalone in INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Revenue	63,198	56,980	61,304	64,983	68,882
Gross Profit	45,523	39,339	42,325	44,838	47,528
EBITDA	8,638	6,308	8,297	9,235	10,593
Depreciation	1,950	1,987	2,428	2,848	3,184
EBIT	6,688	4,321	5,868	6,386	7,409
Other Income	640	1,298	1,226	1,300	1,378
Interest Expense	872	703	1,110	1,410	1,610
PBT	6,456	4,916	5,984	6,276	7,176
Reported PAT	4,243	3,615	4,476	4,694	5,368
EPS	36.1	30.7	38.0	39.9	45.6

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios (%)					
Revenues	4.1	(9.8)	7.6	6.0	6.0
EBITDA	22.6	(27.0)	31.5	11.3	14.7
PAT	28.3	(14.8)	23.8	4.9	14.4
Margins (%)					
Gross Profit Margin	72.0	69.0	69.0	69.0	69.0
EBITDA Margin	13.7	11.1	13.5	14.2	15.4
Tax Rate	34.3	26.5	25.2	25.2	25.2
PAT Margin	6.7	6.3	7.3	7.2	7.8
Profitability (%)					
Return On Equity (ROE)	13.8	10.7	11.7	10.9	11.1
Return On Invested Capital (ROIC)	14.9	7.9	10.0	9.4	10.0
Return On Capital Employed (ROCE)	15.9	9.1	11.1	10.5	10.9
Leverage Ratio (x)					
Debt to Equity	0.2	0.3	0.3	0.3	0.3
Net debt to EBITDA	0.6	1.3	1.2	1.4	1.2
Interest Coverage	7.7	6.1	5.3	4.5	4.6
Cash Flow Metrics (x)					
OCF/EBITDA (x)	0.9	0.8	1.0	0.9	0.9
OCF/IC (%)	27.1	12.9	18.7	17.1	17.8
Working Capital (x)					
Inventory Days	44	43	40	40	40
Receivable Days	2	6	6	6	6
Creditor Days	27	22	22	22	22
Working Capital Days	19	27	24	24	24
Valuation Metrics (x)					
EV/EBITDA	12.5	17.5	12.1	12.5	12.2
EV/IC	3.6	2.9	2.3	2.3	2.3
PE	24.3	28.2	20.1	21.7	21.7
P/BV	3.3	3.0	2.3	2.4	2.4

Source: Company, CEBPL

Balance sheet (Standalone in INR Mn)

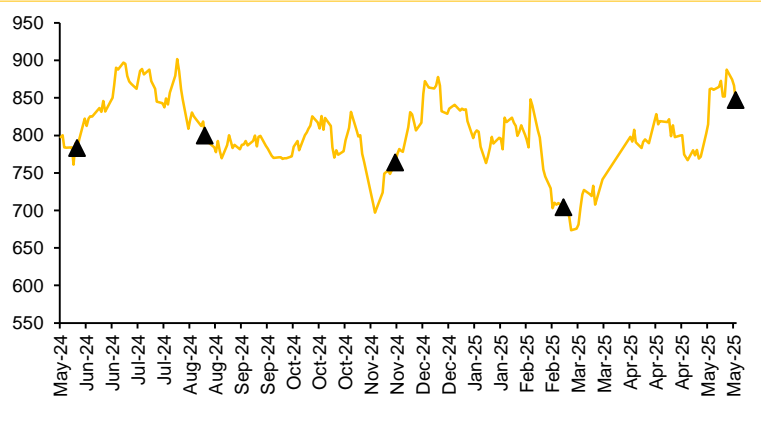
Particular	FY24	FY25	FY26E	FY27E	FY28E
Net Worth	30,815	33,879	38,355	43,049	48,417
Borrowings	7,086	10,103	11,103	14,103	16,103
Deferred Tax	2,683	2,890	2,890	2,890	2,890
Other Liabilities & Provisions	13,819	13,581	13,581	13,581	13,581
Total Net Worth & Liabilities	54,403	60,453	65,929	73,623	80,991
Net Block	26,319	28,550	37,121	44,273	49,089
Capital WIP	3,739	2,648	2,648	2,648	2,648
Goodwill & Intangible Assets					
Investments	14,501	14,699	12,540	12,540	12,540
Cash & Cash Equivalents	2,291	1,640	849	1,150	3,447
Loans & Other Assets	4,208	8,754	8,754	8,754	8,754
Net Working Capital	3,346	4,162	4,017	4,258	4,513
Total Assets	54,403	60,453	65,929	73,623	80,991

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows From Operations	8,156	4,934	8,160	8,712	9,907
Cash Flows From Investing	(5,870)	(7,829)	(8,841)	(10,000)	(8,000)
Cash Flows From Financing	(2,788)	2,440	(110)	1,590	390

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Tax Burden	65.7%	73.5%	74.8%	74.8%	74.8%
Interest Burden	96.5%	113.8%	102.0%	98.3%	96.9%
EBIT Margin	10.6%	7.6%	9.6%	9.8%	10.8%
Asset Turnover	1.2	0.9	0.9	0.9	0.9
Equity Multiplier	1.8	1.8	1.7	1.7	1.7
ROE	13.8%	10.7%	11.7%	10.9%	11.1%

Source: Company, CEBPL

Historical share price chart: JK Lakshmi Cement Limited



Date	Rating	Target Price
May 27, 2024	BUY	872
August 02, 2024	BUY	913
November 10, 2024	SELL	703
February 10,2025	HOLD	900
May 29,2025	ADD	970

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CHOICE RATING DISTRIBUTION & METHODOLOGY

Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be stable over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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