

JK Lakshmi Cement

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR844 TP: INR970 (+15%) BUY

Cost savings drive margin; positive outlook ahead

Expects volume growth of ~8% in 4QFY25 in line with industry growth

Bloomberg	JKLC IN
Equity Shares (m)	118
M.Cap.(INRb)/(USDb)	99.3 / 1.1
52-Week Range (INR)	1000 / 685
1, 6, 12 Rel. Per (%)	6/5/-16
12M Avg Val (INR M)	190

Financial Snapshot (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	60.2	67.9	75.8
EBITDA	8.2	10.9	13.1
Adj. PAT	2.7	4.5	4.7
EBITDA Margin (%)	13.7	16.0	17.3
Adj. EPS (INR)	22.5	38.1	39.7
EPS Gr. (%)	-43.1	69.1	4.2
BV/Sh. (INR)	287	319	353

Ratios

Net D:E	0.6	0.6	0.8
RoE (%)	8.1	12.6	11.8
RoCE (%)	6.6	9.1	9.4
Payout (%)	22.7	17.7	17.7

Valuations

P/E (x)	37.3	22.1	21.2
P/BV (x)	2.9	2.6	2.4
EV/EBITDA(x)	13.8	11.4	9.7
EV/ton (USD)	77	74	74
Div. Yield (%)	0.7	0.7	0.7
FCF Yield (%)	-2.6	0.5	-9.4

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	46.3	46.3	46.3
DII	25.2	25.0	27.6
FII	11.9	11.5	10.8
Others	16.5	17.2	15.3

FII Includes depository receipts

- JKLC's 3QFY25 EBITDA was above our estimate, led by higher volumes (~4% beat) and lower opex/t vs. our estimates. Consol. EBITDA declined ~33% YoY to INR2.0b (~7% beat) and EBITDA/t declined ~35% YoY to INR666 (est. INR651, cost benefit partly offset by lower-than-estimated realization). OPM contracted 4.3pp YoY to ~13%. PAT declined ~57% YoY to INR594m (18% above estimates, led by lower ETR).

- Management indicated that the company is working on brand rejuvenation to improve its price positioning. JKLC expects these initiatives will help to improve its cement prices by INR80-100/t. Secondly, JKLC remained focused on increasing operational efficiency and cost reduction. It is also focusing on increasing renewable power share (at 48% in 3Q) and reducing lead distance (at 381km in 3Q). The merger of its subsidiaries, including UCWL, is pending for various approvals, which may take eight to nine months.

- We largely retain our earnings estimates for FY25-27. We estimate a CAGR at 12%/26%/33% in revenue/EBITDA/PAT over FY25-27. The stock is trading fairly at 11x FY26E/10x FY27E EV/EBITDA. We maintain BUY on the stock and value it at 11x Dec'26E EV/EBITDA to arrive at our TP of INR970.

Sales volume increases 2% YoY; realization/t declines 14% YoY

- Consolidated revenue/EBITDA/adj. PAT stood at INR15.0b/INR2.0b/INR594m (down 12%/33%/57% YoY and up 1%/7%/18% vs. our estimate). Sales volume increased 2% YoY to 3.0mt. Realization was down 14% YoY/1% QoQ at INR4,940/t (-3% vs. our estimate).

- Opex/t declined ~10% YoY, driven by an 18% YoY decline in variable cost/t. Freight costs/other expenses/t declined 1% YoY (each). OPM dipped 4.3pp YoY to ~13% and EBITDA/t declined 35% YoY to INR666 in 3QFY25.

- In 9MFY25 consol. revenue/EBITDA/PAT stood at INR43.0b/INR5.1b/INR1.2b (declined 14%/28%/63% YoY). Volume/realization declined 2%/12% YoY. EBITDA/t declined 27% YoY to INR601 and OPM dipped 2.3pp YoY to ~12%. We estimate revenue/EBITDA/PAT to decline 3%/8%/5% YoY in 4QFY25.

Highlights from the management commentary

- Demand started improving in Dec'24 and JKLC expects demand growth of ~4-5% in FY25 and ~6-7% in FY26. Demand improvement will support price increases in the coming months.

- Average fuel consumption costs stood at INR1.57/kcal vs. INR1.62/kcal in 2QFY25. AFR share stood at ~11% at company level (~14% at Sirohi plant).

- Capacity utilization at UCWL stood at ~57% on expanded capacity in 3QFY25. It targets to ramp up capacity utilization at UCWL to ~65% in FY26.

Valuation and view

- Demand improvement in the company's core market (North and Gujarat) and cost control drove sequential recovery in margin. We estimate margin to further improve in the coming quarters, led by better volume growth and improvement in realization (cement prices are up by ~INR75-100/t as compared to 3QFY25 average).

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- We estimate a CAGR of ~12%/26%/33% in revenue/EBITDA/PAT over FY25-27 and OPM to improve to ~16%/17% in FY26/27 vs. ~14% in FY25. However, given the company's accelerated capex plans, we estimate its net debt to mount to INR34b from INR17.5b as of Dec'24. The net debt-to-EBITDA ratio is estimated at 2.6x vs. 1.3x/2.3x in FY24/FY25E. The stock trades fairly at 11x FY26E/10x FY27E EV/EBITDA. We value JKLC at 11x Dec'26E EV/EBITDA to arrive at our TP of INR970. **Reiterate BUY.**

Quarterly performance (consolidated)

	(INR b)											
Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Sales Volumes (mt)	3.04	2.73	2.96	3.26	3.04	2.48	3.03	3.50	11.99	12.05	2.91	4
YoY Change (%)	1.2	12.3	7.6	0.9	0.0	(9.3)	2.4	7.4	5.0	0.5	(1.7)	
Net Sales	17.3	15.7	17.0	17.8	15.6	12.3	15.0	17.3	67.9	60.2	14.8	1
YoY Change (%)	4.6	14.6	9.0	(4.4)	(9.6)	(21.6)	(12.1)	(2.9)	5.2	(11.2)	(13.1)	
EBITDA	2.0	2.2	3.0	3.4	2.2	0.9	2.0	3.1	10.5	8.2	1.9	7
YoY Change (%)	(23.6)	32.5	63.1	44.6	13.3	(58.9)	(33.2)	(8.0)	25.4	(21.8)		
Margin (%)	11.3	13.8	17.7	18.9	14.2	7.2	13.5	17.9	15.5	13.7	12.8	68
Depreciation	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.8	2.5	3.0	0.7	2
Interest	0.3	0.3	0.4	0.4	0.5	0.4	0.5	0.5	1.5	1.9	0.4	2
Other Income	0.1	0.1	0.2	0.3	0.1	0.1	0.1	0.1	0.7	0.4	0.1	(35)
PBT before EO expense	1.2	1.4	2.1	2.5	1.2	(0.2)	0.9	2.0	7.2	3.8	0.8	6
Extra-Ord. expense	-	-	(0.1)	-	-	-	-	-	(0.1)	-	-	
PBT	1.2	1.4	2.2	2.5	1.2	(0.2)	0.9	2.0	7.3	3.8	0.8	6
Tax	0.4	0.5	0.7	0.9	0.5	(0.1)	0.3	0.6	2.4	1.3	0.4	
Prior period tax adj.	-	-	-	-	-	-	-	-	-	-	-	
Rate (%)	32.7	32.0	32.7	35.1	43.6	46.2	29.7	30.8	33.4	33.6	46.2	
Reported PAT	0.8	1.0	1.5	1.6	0.7	(0.1)	0.6	1.4	4.9	2.5	0.5	39
Minority Interest	0.0	0.0	0.1	0.1	(0.1)	0.0	0.0	(0.1)	0.2	(0.1)	(0.1)	
Adj. PAT	0.8	0.9	1.4	1.6	0.7	(0.1)	0.6	1.5	4.7	2.7	0.5	18
YoY Change (%)	(29.4)	51.9	80.1	42.7	(10.4)	(115.1)	NA	(4.9)	29.9	(43.1)	NA	
Per ton analysis (INR)												
Net realization	5,699	5,763	5,753	5,459	5,149	4,983	4,940	4,936	5,662	5,000	5,083	(3)
RM Cost	1,385	1,255	1,018	1,140	1,269	987	907	938	1,198	1,024	1,020	(11)
Employee Expenses	357	382	370	292	334	444	377	312	348	361	386	(2)
Power, Oil, and Fuel	1,508	1,574	1,492	1,273	1,127	1,295	1,157	1,121	1,455	1,167	1,280	(10)
Freight and Handling Outward	1,131	1,094	1,160	1,064	1,038	1,137	1,147	1,022	1,112	1,081	1,096	5
Other Expenses	672	663	692	658	650	760	686	659	671	684	651	5
Total Expenses	5,053	4,968	4,732	4,428	4,417	4,623	4,274	4,052	4,784	4,317	4,432	(4)
EBITDA	646	795	1,021	1,032	732	360	666	883	878	683	651	2

Source: Company, MOFSL



Highlights from the management commentary

Demand and pricing

- Demand showed recovery with better traction in its operating markets. JKLC expects strong demand in FY26, supported by pent-up demand related to delayed capex.
- It anticipates ~8% volume growth in 4QFY25, aligning with industry growth expectations of ~6-8% in 4QFY25.
- Prices are also improving, backed by improvement in cement demand. Cement price is currently up by around INR75-100/t compared to the 3QFY25 average.

Operational efficiency

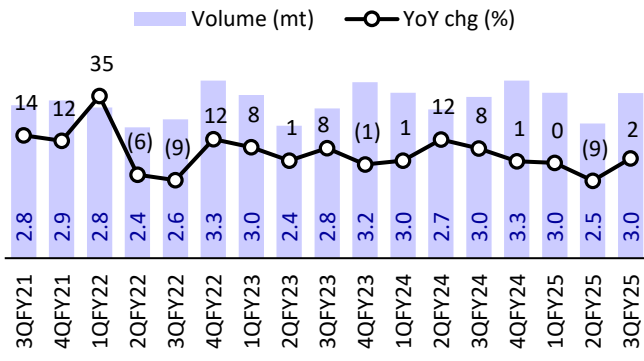
- JKLC standalone cement capacity utilization was 78%, UCWL utilization was ~57%, and overall company capacity utilization was 68% during the quarter.
- TSR stood at ~11% vs. 13% in 2QFY25. Further, lead distance was 381km vs. 387km in 2QFY25. Blended cement share was ~65% and its C:C ratio stood at 1.45x.
- Premium product share was at ~19% of trade volume vs. 25% to 30% in 2QFY25. In east regions, the company's premium product share is not good. JKLC is streamlining its brand and changing price positioning, which also hurt premium product share during this quarter. But it expects the share to increase back to previous levels, given the brand restructuring (including in east markets).
- Non-cement revenue stood at INR1.35b, including RMC revenue of INR640m. Margin remained subdued at ~1%.
- Average fuel cost stood at INR1.57/kcal vs. INR1.62/Kcal in 2QFY25.
- The company has been undertaking various cost efficiency initiatives, which include the increase in utilization of railway siding and wagon loading at Durg and Udaipur units. The company is also planning to ramp up TSR at Udaipur and Sirohi.
- The company is focusing on adopting clean energy to reduce its carbon footprint and energy expenses. This includes boosting investments in solar and wind power while optimizing energy usage at major plants. Currently renewable energy accounts for 48% of the company's total energy needs, with plans to further increase it going forward.

Capacity expansion and capex

- Surat GU Phase-I of 0.75mtpa is likely to be commissioned in Feb-Mar'25 and Phase II of 0.6mtpa by Jun'25. Its brownfield clinker/cement capacity expansion of 2.3mtpa/1.2mtpa at Durg, Chhattisgarh, and greenfield GU at Prayagraj are expected to be commissioned in 1HFY27. The Phase II expansion of 2.2mtpa grinding unit in Bihar and Odisha should be commissioned in FY28. Also, the greenfield capacity expansion of 1.5mtpa in the Northeast is expected in FY28.
- Consolidated capex, which was earlier pegged at INR9.0b in FY25, has been lowered to INR8.0b (INR5.0b for JKLC standalone and INR3.0b for UCWL). It guided for capex of INR10.0b/INR15.0b for FY26/FY27 for capacity expansion and efficacy improvement plans as announced by it.
- Consolidated gross debt stood at INR21.5b and net debt stood at INR17.5b as of Dec'24.

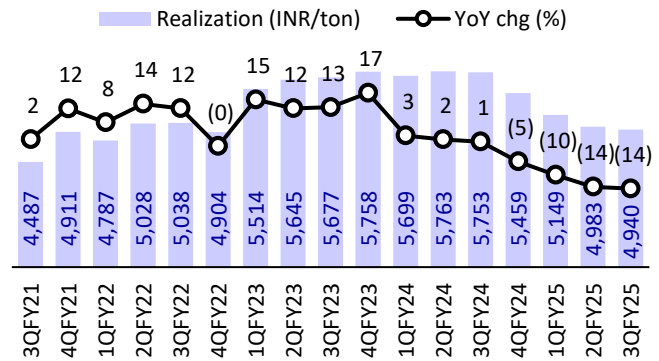
Story in charts

Exhibit 1: Sales volume (consolidated) increased 2% YoY



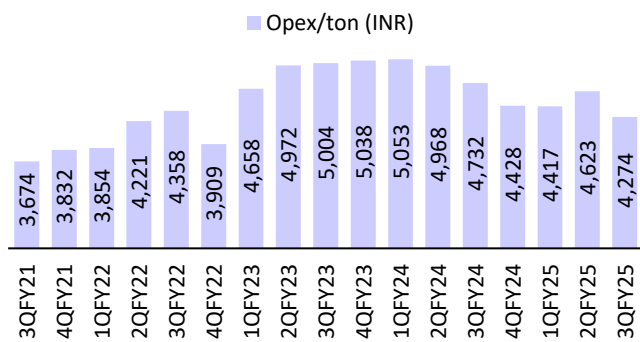
Source: Company, MOFSL

Exhibit 2: Blended realization was down 14%/1% YoY/QoQ



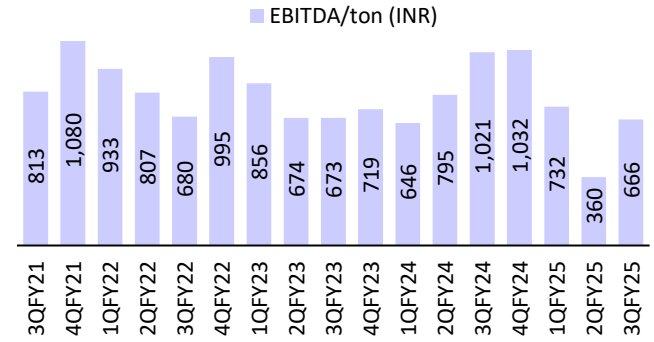
Source: Company, MOFSL

Exhibit 3: Opex/t declined 10% YoY



Source: Company, MOFSL

Exhibit 4: EBITDA/t was down 35% YoY



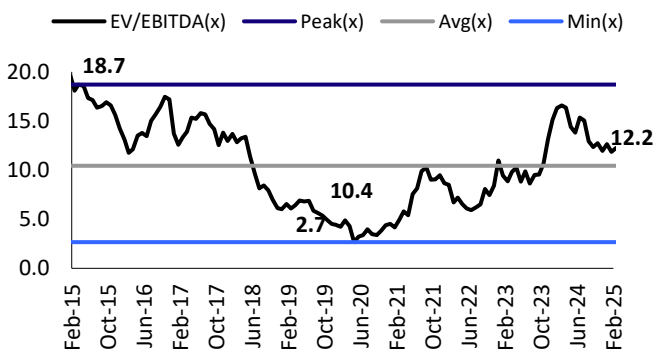
Source: Company, MOFSL

Exhibit 5: Key performance indicators – per ton analysis

INR/t	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)
Net realization	4,940	5,753	(14.1)	4,983	-0.9
RM Cost	907	1,018	(10.9)	987	(8.1)
Employee Expenses	377	370	1.9	444	(15.0)
Power, Oil, and Fuel	1,157	1,492	(22.4)	1,295	(10.6)
Freight and Handling Outward	1,147	1,160	(1.1)	1,137	0.9
Other Expenses	686	692	(0.9)	760	(9.7)
Total Expenses	4,274	4,732	(9.7)	4,623	-7.5
EBITDA	666	1,021	(34.8)	360	84.8

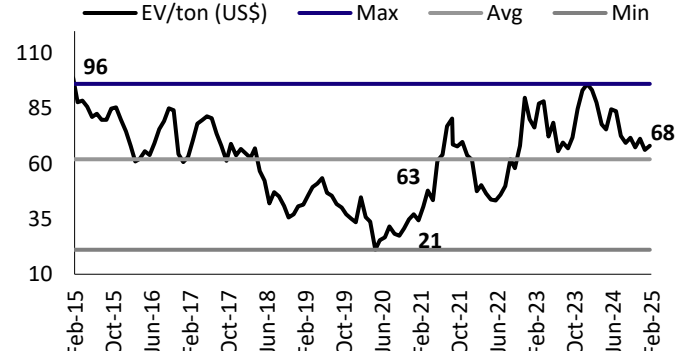
Source: Company, MOFSL

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	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	43,641	47,274	54,199	64,515	67,885	60,249	67,928	75,847
Change (%)	1.1	8.3	14.6	19.0	5.2	-11.2	12.7	11.7
EBITDA	7,981	9,386	9,507	8,387	10,522	8,230	10,889	13,146
Margin (%)	18.3	19.9	17.5	13.0	15.5	13.7	16.0	17.3
Depreciation	2,198	2,253	2,235	2,283	2,460	3,015	3,470	4,362
EBIT	5,782	7,133	7,272	6,104	8,062	5,215	7,420	8,784
Int. and Finance Charges	2,250	1,920	1,422	1,334	1,504	1,854	1,781	2,727
Other Income – Rec.	460	726	683	575	681	434	775	976
PBT bef. EO Exp.	3,993	5,939	6,534	5,345	7,239	3,794	6,414	7,033
EO Expense/(Income)	302	379	270	0	-89	0	0	0
PBT after EO Exp.	3,690	5,561	6,264	5,345	7,328	3,794	6,414	7,033
Total Tax	1,161	1,349	1,488	1,654	2,446	1,276	1,780	1,915
Tax Rate (%)	31.4	24.3	23.7	30.9	33.4	33.6	27.8	27.2
Reported PAT	2,530	4,211	4,776	3,691	4,882	2,519	4,634	5,119
Minority Interest	49	157	140	105	163	-132	152	448
PAT Adj. for EO items and MI	2,686	4,311	4,073	3,586	4,658	2,650	4,482	4,670
Change (%)	464.9	60.5	-5.5	-12.0	29.9	-43.1	69.1	4.2
Margin (%)	6.2	9.1	7.5	5.6	6.9	4.4	6.6	6.2

Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	589	589	589	589	589	589	589	589
Total Reserves	16,281	20,357	24,463	27,450	31,278	33,222	36,998	40,962
Net Worth	16,869	20,946	25,052	28,039	31,867	33,811	37,586	41,550
Minority Interest	(29)	128	267	370	1,704	1,572	1,724	2,172
Deferred Liabilities	(390)	68	531	1,327	2,651	2,651	2,651	2,651
Total Loans	19,871	16,531	18,565	18,463	20,249	27,006	32,406	39,306
Capital Employed	36,322	37,672	44,415	48,199	56,470	65,040	74,367	85,679
Gross Block	44,722	44,138	47,469	49,667	68,338	74,878	82,028	1,07,928
Less: Accum. Deprn.	9,598	11,748	13,992	16,275	18,734	21,770	25,260	29,643
Net Fixed Assets	35,124	32,390	33,477	33,392	49,604	53,108	56,768	78,285
Capital WIP	1,662	2,738	2,425	8,902	3,832	8,592	12,142	9,122
Total Investments	4,583	5,922	7,677	6,421	5,222	4,472	3,722	3,722
Goodwill	723	723	723	723	725	725	725	725
Curr. Assets, Loans, and Adv.	9,146	11,090	14,959	15,971	17,118	17,094	21,820	16,973
Inventory	4,806	3,662	5,810	8,416	9,912	7,266	7,665	8,505
Account Receivables	959	545	352	654	443	545	559	620
Cash and Bank Balance	328	3,719	5,729	3,390	2,673	5,043	9,237	3,369
Loans and Advances	3,054	3,164	3,068	3,511	4,090	4,240	4,359	4,479
Curr. Liability and Prov.	14,917	15,190	14,847	17,210	20,030	18,952	20,810	23,148
Account Payables	5,102	4,368	3,660	5,860	5,560	4,481	6,339	8,677
Other Liabilities	9,610	10,609	10,894	11,098	14,261	14,261	14,261	14,261
Provisions	205	212	293	252	209	209	209	209
Net Current Assets	(5,770)	(4,100)	112	(1,239)	(2,913)	(1,858)	1,010	(6,175)
Appl. of Funds	36,322	37,672	44,415	48,199	56,470	65,040	74,367	85,679

Source: Company, MOFSL estimates

Financials and valuations (consolidated)

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	22.8	36.6	34.6	30.5	39.6	22.5	38.1	39.7
Cash EPS	41.5	55.8	53.6	49.9	60.5	48.1	67.6	76.7
BV/Share	143.3	178.0	212.8	238.2	270.7	287.3	319.3	353.0
DPS	3.1	3.8	5.0	3.8	6.5	6.0	6.0	6.0
Payout (%)	19.6	12.1	13.8	13.3	18.0	22.7	17.7	17.7
Valuation (x)								
P/E	36.8	22.9	24.3	27.6	21.2	37.3	22.1	21.2
Cash P/E	20.2	15.1	15.7	16.8	13.9	17.5	12.4	10.9
P/BV	5.9	4.7	3.9	3.5	3.1	2.9	2.6	2.4
EV/Sales	2.7	2.3	2.0	1.6	1.7	1.9	1.6	1.7
EV/EBITDA	14.6	11.6	11.3	12.4	10.7	13.8	11.4	9.7
EV/t (USD)	102	95	91	87	81	77	74	74
Dividend Yield (%)	0.4	0.4	0.6	0.4	0.8	0.7	0.7	0.7
Return Ratios (%)								
RoE	16.9	22.8	17.7	13.5	15.6	8.1	12.6	11.8
RoCE	11.7	16.0	15.0	10.2	11.8	6.6	9.1	9.4
RoIC	12.2	17.2	17.4	11.6	14.0	8.4	11.3	11.0
Working Capital Ratios								
Asset Turnover (x)	1.2	1.3	1.2	1.3	1.2	0.9	0.9	0.9
Inventory (Days)	40	28	39	48	53	44	41	41
Debtor (Days)	9	5	3	4	3	4	3	3
Creditor (Days)	43	34	25	33	30	27	34	42
Leverage Ratio (x)								
Current Ratio	0.6	0.7	1.0	0.9	0.9	0.9	1.0	0.7
Interest Coverage Ratio	2.6	3.7	5.1	4.6	5.4	2.8	4.2	3.2
Debt/Equity ratio	1.2	0.8	0.7	0.7	0.6	0.8	0.9	0.9

Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	3,993	5,939	6,534	5,345	7,325	3,794	6,413	7,033
Depreciation	2,198	2,253	2,235	2,283	2,460	3,036	3,490	4,383
Interest and Finance Charges	2,250	1,920	1,422	1,334	1,504	1,854	1,781	2,727
Direct Taxes Paid	(761)	(871)	(888)	(909)	(1,126)	(1,276)	(1,780)	(1,915)
(Inc.)/Dec. in WC	(483)	2,060	(1,526)	(1,135)	(430)	1,316	1,326	1,317
CF from Operations	7,196	11,301	7,776	6,918	9,733	8,724	11,231	13,545
Others	(701)	(983)	(976)	(576)	(741)	-	-	-
CF from Operations incl. EO	6,495	10,318	6,800	6,342	8,992	8,724	11,231	13,545
(Inc.)/Dec. in FA	(1,047)	(1,661)	(3,661)	(7,320)	(10,060)	(11,300)	(10,700)	(22,880)
Free Cash Flow	5,449	8,658	3,138	(978)	(1,069)	(2,576)	531	(9,335)
(Pur.)/Sale of Investments	(951)	(2,678)	(3,264)	4,070	818	750	750	-
Others	-	-	274	255	442	-	-	-
CF from Investments	(1,997)	(4,339)	(6,651)	(2,995)	(8,800)	(10,550)	(9,950)	(22,880)
Issue of Shares	-	-	-	-	931	-	-	-
Inc./(Dec.) in Debt	(1,552)	(3,392)	2,042	(431)	1,601	6,757	5,400	6,900
Interest Paid	(2,489)	(2,130)	(1,401)	(1,505)	(2,033)	(1,854)	(1,781)	(2,727)
Dividend Paid	(455)	(5)	(443)	(587)	(674)	(706)	(706)	(706)
Others	-	-	(90)	(136)	(181)	-	-	-
CF from Fin. Activity	(4,496)	(5,526)	108	(2,658)	(356)	4,196	2,913	3,467
Inc./Dec. in Cash	2	453	257	689	(164)	2,371	4,194	(5,868)
Opening Balance	29	30	484	2,701	2,837	2,673	5,043	9,237
Closing Balance	30	484	740	3,390	2,673	5,043	9,237	3,369

Source: Company, MOFSL estimates

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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