

India

**ADD** (no change)

Consensus ratings\*: Buy 17 Hold 2 Sell 3

Current price:	Rs724
Target price:	Rs821
Previous target:	Rs855
Up/downside:	13.4%
InCred Research / Consensus:	5.1%
Reuters:	
Bloomberg:	JKLC IN
Market cap:	US\$1,173m Rs85,205m
Average daily turnover:	US\$4.9m Rs354.5m
Current shares o/s:	117.7m
Free float:	51.9%

\*Source: Bloomberg

**Key changes in this note**

- Net sales increased by 3-6% for FY24F-25F.
- While EBITDA cut by 3-4% for FY24F-25F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(6.2)	(3.0)	46.7
Relative (%)	(9.7)	(6.7)	28.5

Major shareholders	% held
Promoter & Promoter Group	46.3
Axis Mutual Fund	6.5
L&T MF	4.3

**Analyst(s)**



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# JK Lakshmi Cement

## 4Q – EBITDA miss, growth projects on track

- 4Q standalone EBITDA at Rs1.89bn (our estimate: Rs2.22bn) was down 32% yoy due to lower realization. Consol. EBITDA was at Rs2.3bn, down 28% yoy.
- We slash our FY24F-25F EBITDA estimates by ~3-4% to factor in the weak 4Q performance. JKLC maintained its guidance to improve EBITDA/t to Rs1,000.
- We retain our ADD rating on the stock with a lower target price of Rs821.

### Volume remains flat yoy; outlook on volume front is positive

JK Lakshmi Cement's (JKLC) 4QFY23 standalone sales volume (incl. clinker) rose by 0.6% yoy (up 18% qoq) to 3.06mt, implying ~89% capacity utilization. Overall, consol. volume grew by 3% yoy to 3.4mt. Blended realization fell by 1.3% qoq, and management highlighted that cement prices are flattish in the current quarter. JKLC gave guidance of ~19% volume growth for FY24F. JKLC's focus is on improving the realization by optimizing the geo mix, product mix, and raising the share of trade sales & premium products. Revenue of the non-cement division was at Rs1.28bn in 4Q and at Rs4.78bn in FY23 with a 5% margin. JKLC's arm Udaipur Cement Works' (UCWL) expansion project of 2.5mtpa in cement capacity with a 1.5mtpa clinker unit (by Nov 2023F) is progressing well but may spill over to 2QFY25F (vs. Mar 2024F earlier). This may aid volume growth from FY25F.

### Cost/t broadly in line with expectations; margins to recover gradually

On a standalone basis, blended cost/t stood at Rs5,027, down 1.5% qoq. P&F cost/t was down 20% qoq (on Kcal basis, fuel cost was at Rs2.42 in 4Q vs. Rs2.57 qoq and JKCL expects the cost to decline to Rs2.31 in 1QFY24F, with savings of Rs60-70/t). Also, it can come down further in 2QFY24F. Freight cost/t inched up by ~2% qoq (lead distance increased marginally by 3km qoq to ~400km). All this led to EBITDA/t being flat qoq at Rs617. Management continues to target EBITDA/t of Rs1,000 in the medium term through 1) Rs200/t (via top-line improvement), 2) Rs50/t through manufacturing efficiency, and 3) Rs75/t through supply chain efficiency (to reduce lead distance to 375km from 400km).

### Leverage to remain under control despite higher capex intensity

JKCL's consolidated gross and net debt stood at Rs18.4bn and Rs9.9bn, respectively. It expects to complete the UCWL project by 2QFY25F with an outlay of Rs16.5bn (Rs8.5bn incurred till now, Rs5bn in FY24F and the rest in FY25F). On a consol. basis, targeted capex for FY24F/25F is Rs7-8bn/Rs5bn, respectively. It also plans to set up a putty plant at Alwar in Rajasthan at a capex of Rs600m. UCWL proposes to go for a rights share issue of up to Rs4.5bn to part finance its ongoing expansion project in Jun/Jul 2023F. As regards its long-term vision, JKLC retained its guidance of ~30mtpa capacity by 2030F on the back of expansion at Durg in Chhattisgarh, Nagaur in Rajasthan, and Kutch in Gujarat.

### Maintain ADD rating with a lower target price of Rs821

JKLC trades at FY24F/25F EV/EBITDA of 8.4x/6.9x, respectively. We retain ADD rating on it. Our new target price of Rs821 (Rs855 earlier) is based on 8x (8.5x earlier) FY25F EV/EBITDA. Weak demand, pricing pressure, delay in expansion and a rise in input cost are key downside risks.

Financial Summary	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue (Rsm)	47,274	54,199	64,515	72,328	78,895
Operating EBITDA (Rsm)	9,386	9,507	8,387	11,149	13,092
Net Profit (Rsm)	4,432	4,906	3,586	5,603	6,780
Core EPS (Rs)	37.7	41.7	30.5	47.6	57.6
Core EPS Growth	59.3%	10.7%	(26.9%)	56.2%	21.0%
FD Core P/E (x)	19.23	17.37	23.77	15.21	12.57
DPS (Rs)	3.8	5.0	3.5	4.8	5.8
Dividend Yield	0.52%	0.69%	0.48%	0.66%	0.80%
EV/EBITDA (x)	10.15	9.67	11.39	8.41	6.93
P/FCFE (x)	32.79	40.58	30.64	64.97	18.50
Net Gearing	47.1%	25.5%	35.1%	24.4%	13.0%
P/BV (x)	4.07	3.40	3.04	2.58	2.18
ROE	23.4%	21.3%	13.5%	18.3%	18.8%
% Change In Core EPS Estimates				(0.31%)	(0.29%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## 4Q – EBITDA miss, growth projects on track

Figure 1: Standalone quarterly performance

Particulars (Rs m)	4QFY23	4QFY23F	3QFY23	4QFY22	% Change		
					4QFY23F	3QFY23	4QFY22
<b>Net Sales</b>	<b>17,289</b>	<b>16,137</b>	<b>14,885</b>	<b>14,976</b>	<b>7%</b>	<b>16%</b>	<b>15%</b>
Raw Materials Consumed	5,137	3,642	3,323	3,994	41%	55%	29%
Freight and Forwarding Expenses	3,530	3,193	2,942	3,200	11%	20%	10%
Power and Fuel Cost	4,103	4,295	4,345	3,054	-4%	-6%	34%
Employee Cost	860	895	877	721	-4%	-2%	19%
Other Expenses	1,768	1,898	1,802	1,245	-7%	-2%	42%
<b>Total Expenditure</b>	<b>15,398</b>	<b>13,922</b>	<b>13,289</b>	<b>12,214</b>	<b>11%</b>	<b>16%</b>	<b>26%</b>
<b>EBITDA</b>	<b>1,891</b>	<b>2,215</b>	<b>1,596</b>	<b>2,762</b>	<b>-15%</b>	<b>18%</b>	<b>-32%</b>
Depreciation	501	495	480	507	1%	4%	-1%
<b>EBIT</b>	<b>1,390</b>	<b>1,720</b>	<b>1,116</b>	<b>2,255</b>	<b>-19%</b>	<b>25%</b>	<b>-38%</b>
Interest	195	242	247	219	-19%	-21%	-11%
Other Income	178	161	156	176	11%	14%	1%
<b>PBT</b>	<b>1,373</b>	<b>1,639</b>	<b>1,025</b>	<b>1,979</b>	<b>-16%</b>	<b>34%</b>	<b>-31%</b>
Tax	400	426	289	262	-6%	38%	52%
<b>PAT before MI &amp; Associates</b>	<b>973</b>	<b>1,213</b>	<b>736</b>	<b>1,717</b>	<b>-20%</b>	<b>32%</b>	<b>-43%</b>
Minority Interest	0	35	0	0			
Profit from Associates	0	0	0	0			
<b>Recurring PAT</b>	<b>973</b>	<b>1,178</b>	<b>736</b>	<b>1,717</b>	<b>-17%</b>	<b>32%</b>	<b>-43%</b>
Extraordinary Items	0	0	0	234			
<b>Reported PAT</b>	<b>973</b>	<b>1,178</b>	<b>736</b>	<b>1,717</b>	<b>-17%</b>	<b>32%</b>	<b>-43%</b>
EPS (Rs)	8.3	10.0	6.3	14.6	-17%	32%	-43%
Gross Margin	26%	31%	29%	32%	-490 bp	-259 bp	-544 bp
EBITDA Margin	10.9%	13.7%	10.7%	18.4%	-279 bp	22 bp	-751 bp
EBIT Margin	8%	11%	7%	15%	-262 bp	54 bp	-702 bp
PBT Margin	8%	10%	7%	13%	-222 bp	106 bp	-528 bp
PAT Margin	6%	7%	5%	11%	-167 bp	69 bp	-584 bp
Tax Rate	29%	26%	28%	13%	310 bp	92 bp	1,587 bp
Cost Items as % of Sales							
Raw Material Cost	30%	23%	22%	27%	715 bp	739 bp	304 bp
Freight Cost	20%	20%	20%	21%	63 bp	65 bp	-95 bp
Power & Fuel Cost	24%	27%	29%	20%	-288 bp	-546 bp	334 bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

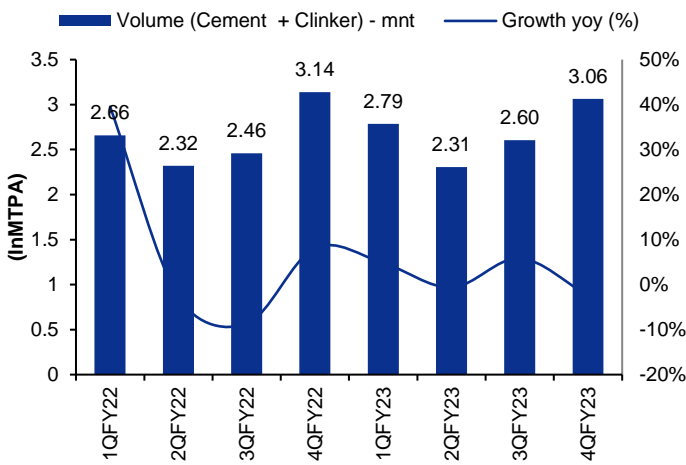
Figure 2: Standalone 4QFY23 results as per tonne analysis

Per tonne analysis	4QFY23	4QFY23F	3QFY23	4QFY22	% Change		
					4QFY23F	3QFY23	4QFY22
Sales volume (cement + clinker)	3.06	2.80	2.60	3.14	9%	18%	-2.5%
Realization	5,644	5,768	5,716	4,770	-2.1%	-1.3%	18.3%
EBITDA/t	617	792	613	880	-22%	1%	-30%
RM cost/t	1,677	1,302	1,276	1,272	29%	31%	32%
P&F cost/t	1,340	1,535	1,668	972	-13%	-20%	38%
Freight cost/t	1,152	1,141	1,130	1,019	1%	2%	13%
Employee cost/t	281	320	337	230	-12%	-17%	22%
Other expenses/t	577	678	692	396	-15%	-17%	46%
Cost/t	5,027	4,976	5,103	3,890	1%	-1%	29%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

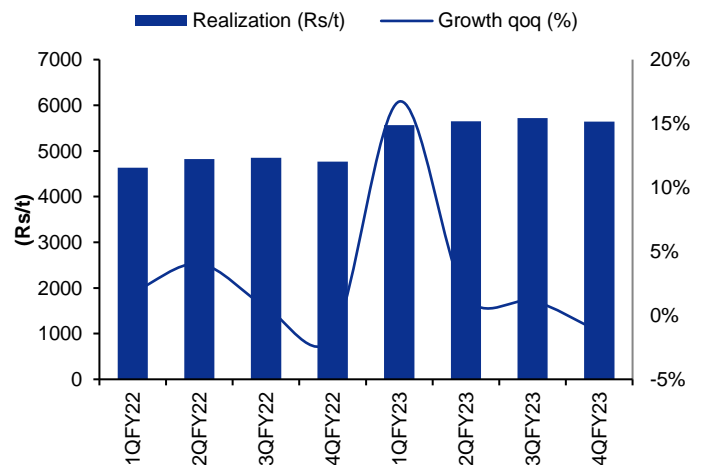
Key quarterly charts ➤

Figure 3: Cement sales volume (Including clinker) declined by 2.5% yoy while it increased by 18% qoq in 4QFY23



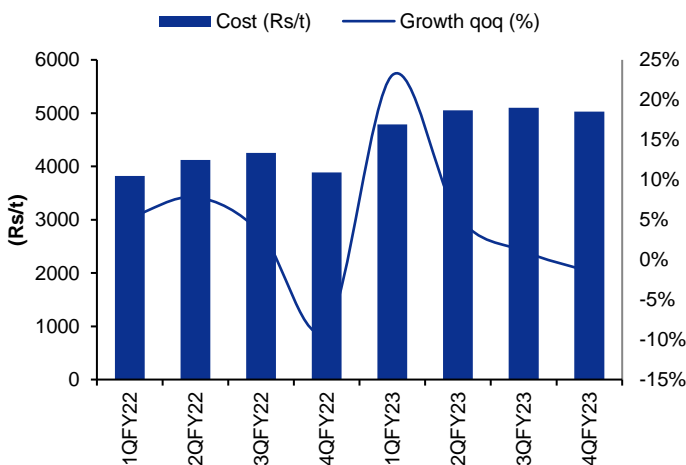
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Cement realization declined by 1.3% qoq while it was up by ~18% yoy in 4QFY23



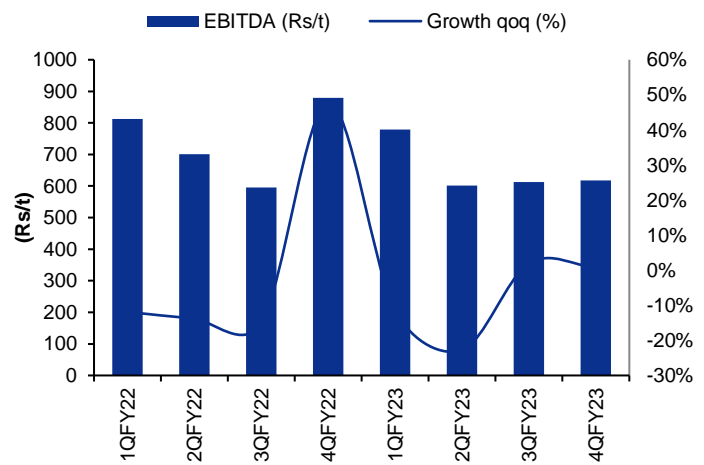
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Operating cost/t remained flattish sequentially while it was up by 29% yoy



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Unitary EBITDA stood at Rs617/t in 4QFY23 vs. Rs613/t in 3QFY23 and Rs880/t in 4QFY22



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Our revised earnings estimates

Rs. m	New		Old		Change (%)	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Sales	72,328	78,895	67,926	76,195	6%	3%
EBITDA	11,149	13,092	11,503	13,594	-3%	-4%
Recurring PAT	5,603	6,780	5,648	6,918	-1%	-2%
EPS (Rs.)	47.6	57.6	48	59	-1%	-2%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 8: Changes in our estimates vs. Bloomberg consensus estimates

Rs. m	Incred		Consensus		Change (%)	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Sales	72,328	78,895	70,629	77,969	2%	1%
EBITDA	11,149	13,092	11,443	13,358	-3%	-2%
PAT	5,603	6,780	5,399	6,583	4%	3%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

**Figure 9: Key assumptions**

	FY21A	FY22A	FY23A	FY24F	FY25F
<b>Volume (in mtpa)</b>	10	11	12	13	14
yoy	4%	7%	6%	11%	8%
<b>Realisation (per tonne)</b>	4523	4,840	5,460	5,515	5,570
yoy	4%	7%	13%	1%	1%
<b>Cost (per tonne)</b>	3625	3,991	4,751	4,665	4,646
yoy	2%	10%	19%	-2%	0%
<b>EBITDA (per tonne)</b>	898	849	710	850	924
yoy	13%	-5%	-16%	20%	9%
<b>EBITDA (Rs m)</b>	9,386	9,507	8,387	11,149	13,092
yoy	18%	1%	-12%	33%	17%

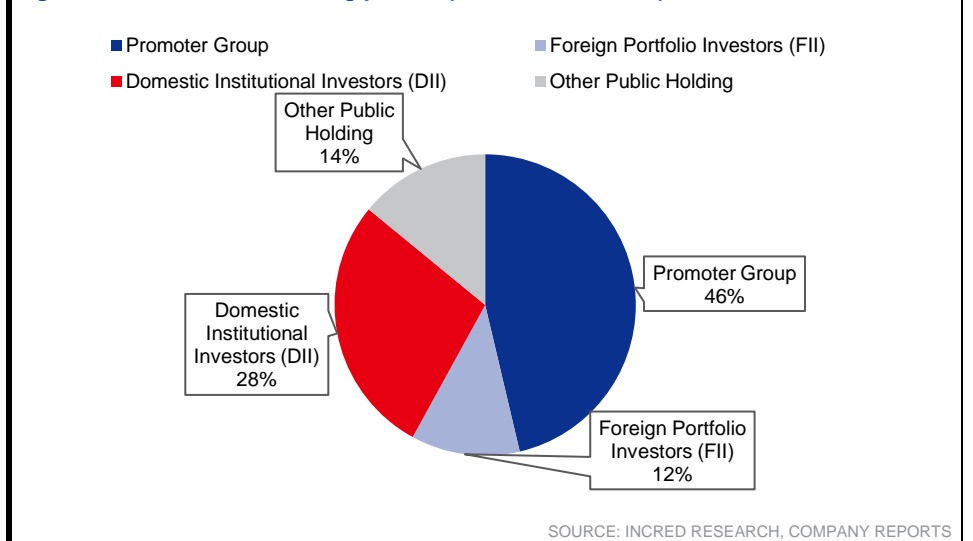
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 10: Our target price of Rs821 is based on 8x (8.5x earlier) FY25F EV/EBITDA**

Valuation	TP
Target EV/EBITDA (x)	8.0
Target EV (Rs m)	1,04,736
Net debt / (cash) (Rs m)	8,149
No. of shares (m)	118
<b>Fair value per share (Rs)</b>	<b>821</b>

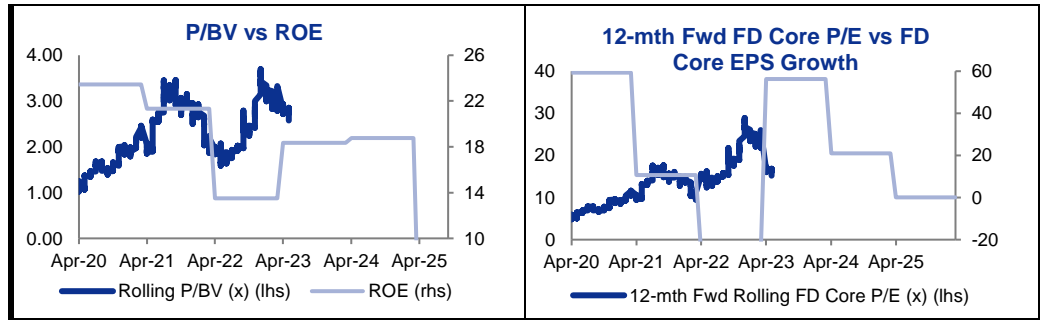
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 11: JKLC's shareholding pattern (as of end-Mar 2023)**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
<b>Total Net Revenues</b>	<b>47,274</b>	<b>54,199</b>	<b>64,515</b>	<b>72,328</b>	<b>78,895</b>
<b>Gross Profit</b>	<b>47,274</b>	<b>54,199</b>	<b>64,515</b>	<b>72,328</b>	<b>78,895</b>
<b>Operating EBITDA</b>	<b>9,386</b>	<b>9,507</b>	<b>8,387</b>	<b>11,149</b>	<b>13,092</b>
Depreciation And Amortisation	(2,253)	(2,235)	(2,283)	(2,466)	(2,713)
<b>Operating EBIT</b>	<b>7,133</b>	<b>7,272</b>	<b>6,104</b>	<b>8,684</b>	<b>10,379</b>
Financial Income/(Expense)	(1,920)	(1,422)	(1,334)	(1,534)	(1,657)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	726	683	575	564	581
<b>Profit Before Tax (pre-EI)</b>	<b>5,939</b>	<b>6,534</b>	<b>5,345</b>	<b>7,713</b>	<b>9,303</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>5,939</b>	<b>6,533</b>	<b>5,345</b>	<b>7,713</b>	<b>9,303</b>
Taxation	(1,349)	(1,488)	(1,654)	(2,005)	(2,419)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>4,590</b>	<b>5,046</b>	<b>3,691</b>	<b>5,708</b>	<b>6,884</b>
Minority Interests	(157)	(140)	(105)	(105)	(105)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>4,432</b>	<b>4,906</b>	<b>3,586</b>	<b>5,603</b>	<b>6,780</b>
Recurring Net Profit	4,432	4,906	3,586	5,603	6,780
<b>Fully Diluted Recurring Net Profit</b>	<b>4,432</b>	<b>4,906</b>	<b>3,586</b>	<b>5,603</b>	<b>6,780</b>

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
<b>EBITDA</b>	<b>9,386</b>	<b>9,507</b>	<b>8,387</b>	<b>11,149</b>	<b>13,092</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,380)	562	1,331	176	174
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	726	683	575	564	581
Other Operating Cashflow	4,855	(1,043)	(963)	(1,663)	(163)
Net Interest (Paid)/Received	(1,920)	(1,422)	(1,334)	(1,534)	(1,657)
Tax Paid	(1,349)	(1,488)	(1,654)	(2,005)	(2,419)
<b>Cashflow From Operations</b>	<b>10,319</b>	<b>6,800</b>	<b>6,342</b>	<b>6,686</b>	<b>9,607</b>
Capex	(1,677)	(3,661)	(7,320)	(8,000)	(7,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(2,678)	(2,990)	4,325	2,125	1,000
<b>Cash Flow From Investing</b>	<b>(4,356)</b>	<b>(6,651)</b>	<b>(2,995)</b>	<b>(5,875)</b>	<b>(6,000)</b>
Debt Raised/(repaid)	(3,364)	1,952	(566)	500	1,000
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(441)	(589)	(412)	(560)	(678)
Preferred Dividends					
Other Financing Cashflow	(1,704)	(1,255)	(1,680)	1,558	58
<b>Cash Flow From Financing</b>	<b>(5,510)</b>	<b>108</b>	<b>(2,658)</b>	<b>1,498</b>	<b>381</b>
Total Cash Generated	453	257	689	2,310	3,988
<b>Free Cashflow To Equity</b>	<b>2,599</b>	<b>2,100</b>	<b>2,781</b>	<b>1,312</b>	<b>4,607</b>
<b>Free Cashflow To Firm</b>	<b>7,883</b>	<b>1,571</b>	<b>4,681</b>	<b>2,346</b>	<b>5,264</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

**Balance Sheet**

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Total Cash And Equivalents	8,331	12,099	8,504	10,814	14,802
Total Debtors	545	352	654	594	648
Inventories	3,662	5,810	8,416	9,115	9,727
Total Other Current Assets	2,282	1,220	1,677	1,881	2,288
<b>Total Current Assets</b>	<b>14,820</b>	<b>19,481</b>	<b>19,252</b>	<b>22,404</b>	<b>27,465</b>
Fixed Assets	33,548	34,634	34,547	39,581	43,368
Total Investments	152	151	151	151	151
Intangible Assets	3,461	3,149	9,625	7,500	6,500
Total Other Non-Current Assets	883	1,847	1,833	2,333	2,833
<b>Total Non-current Assets</b>	<b>38,043</b>	<b>39,781</b>	<b>46,157</b>	<b>49,565</b>	<b>52,853</b>
Short-term Debt	5,690	5,914	3,174	3,174	3,174
Current Portion of Long-Term Debt					
Total Creditors	4,368	3,660	5,860	5,933	6,345
Other Current Liabilities	6,497	7,537	7,371	8,318	9,152
<b>Total Current Liabilities</b>	<b>16,555</b>	<b>17,112</b>	<b>16,406</b>	<b>17,424</b>	<b>18,671</b>
Total Long-term Debt	12,560	12,651	15,289	15,789	16,789
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2,674	4,180	5,305	5,305	5,305
<b>Total Non-current Liabilities</b>	<b>15,234</b>	<b>16,831</b>	<b>20,594</b>	<b>21,094</b>	<b>22,094</b>
Total Provisions					
<b>Total Liabilities</b>	<b>31,789</b>	<b>33,943</b>	<b>37,000</b>	<b>38,518</b>	<b>40,765</b>
Shareholders Equity	20,946	25,052	28,039	33,081	39,183
Minority Interests	128	267	370	370	370
<b>Total Equity</b>	<b>21,074</b>	<b>25,319</b>	<b>28,409</b>	<b>33,451</b>	<b>39,553</b>

**Key Ratios**

	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue Growth	8.3%	14.6%	19.0%	12.1%	9.1%
Operating EBITDA Growth	17.6%	1.3%	(11.8%)	32.9%	17.4%
Operating EBITDA Margin	19.9%	17.5%	13.0%	15.4%	16.6%
Net Cash Per Share (Rs)	(84.27)	(54.94)	(84.62)	(69.24)	(43.85)
BVPS (Rs)	177.96	212.84	238.22	281.06	332.90
Gross Interest Cover	3.72	5.11	4.58	5.66	6.26
Effective Tax Rate	22.7%	22.8%	30.9%	26.0%	26.0%
Net Dividend Payout Ratio	10.0%	12.0%	11.5%	10.0%	10.0%
Accounts Receivables Days	5.81	3.02	2.85	3.15	2.88
Inventory Days	32.69	31.89	40.24	44.24	43.59
Accounts Payables Days	45.62	32.78	30.95	35.18	34.05
ROIC (%)	21.3%	20.3%	14.0%	18.6%	20.8%
ROCE (%)	18.4%	17.5%	13.5%	17.5%	18.5%
Return On Average Assets	12.5%	11.5%	8.1%	10.5%	11.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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