

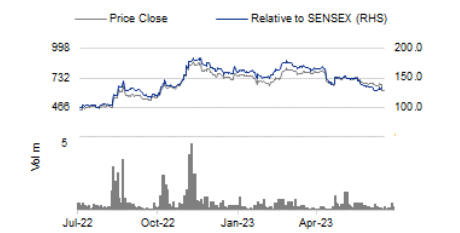
India

ADD (no change)

Consensus ratings*: Buy 15 Hold 4 Sell 2	
Current price:	Rs618
Target price:	Rs720
Previous target:	Rs821
Up/downside:	16.5%
InCred Research / Consensus:	-9.5%
Reuters:	JKLC.BO
Bloomberg:	JKLC IN
Market cap:	US\$884m
	Rs72,697m
Average daily turnover:	US\$2.6m
	Rs216.7m
Current shares o/s:	117.7m
Free float:	51.9%
*Source: Bloomberg	

Key changes in this note

- EBITDA cut by ~11% for FY24F-25F.
- Target price cut to Rs720 from Rs821 earlier.
- Introduce FY26F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(14.0)	(21.0)	39.6
Relative (%)	(15.9)	(27.0)	21.5

Major shareholders	% held
Promoter & Promoter Group	46.3
Axis Mutual Fund	4.4
HSBC MF	4.3

Analyst(s)

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JK Lakshmi Cement

1Q miss yet again; retain ADD on valuation

- 1Q standalone EBITDA at Rs1.67bn (Incred est: Rs2bn) was down 23% yoy due to lower volume and higher cost. Consol. EBITDA was at Rs2bn, down 24% yoy.
- We slash our FY24F-25F EBITDA estimates by ~11% to factor in the weak performance in 1Q. JKLC is significantly lagging in its Rs1,000/t EBITDA target.
- We retain our ADD rating on the stock with a lower target price of Rs720.

In-line 1QFY24 volume but below industry; retains outlook on volume

JK Lakshmi Cement's (JKLC) 1QFY24 standalone sales volume (incl. clinker) rose by 5% yoy to 2.93mt. Overall, consol. volume grew by 5.7% yoy to 3.21mt, with ~85% cement and 97% clinker utilization. Volume growth was partially affected by cyclones in core markets (West and North India), but still it maintained volume guidance of ~19% for FY24F led by clinker expansion at UCWL and long-term external supply arrangements at different locations. Blended realization fell by 1.1% qoq. JKLC continues to focus on improving the realization by optimizing the geo mix, product mix, and raising the share of trade sales & premium products. JKLC's arm Udaipur Cement Works' (UCWL) expansion project of 2.5mtpa in cement capacity to be commissioned by 2QFY25F with a 1.5mtpa clinker unit (trial runs have started), which may aid volume growth from 2HFY24F.

Opex cost/t up in 1Q; EBITDA/t of Rs1,000 looks difficult by FY25F

On a standalone basis, blended cost/t was at Rs5,011, flat qoq while up 5% yoy. Raw material +P&F cost/t was up 9% yoy while down 4% qoq (on Kcal basis, fuel cost was at Rs2.23 in 1Q vs. Rs2.42 qoq and likely to fall to Rs2.15 in 2QFY24F, & also current spot cost may reflect in four-to-six months. Freight cost/t was down by ~2% qoq (lead distance remained the same qoq at ~400km). All this led EBITDA/t to fall by Rs44 qoq to Rs573. Management continues to target EBITDA/t of Rs1,000 in the next 18 months through 1) Rs200/t (via top-line improvement), 2) Rs50/t via manufacturing efficiency, and 3) Rs75/t via supply chain efficiency (to cut lead distance to 375km from 400km), which looks difficult to us as the performance in the last few quarters failed to impress and lagged most peers.

Any major inorganic expansion will lead to near-term stress on B/S

JKCL's consolidated gross and net debt stood at Rs19.5bn and Rs9.5bn, respectively, as of end-Jun 2023. Normal peak net debt/ EBITDA (consolidated) was guided to be at 3x-3.5x. UCWL has completed its rights share issue of Rs4.5bn in Jul 2023. During 1Q, JKLC has approved Rs25bn of fund raising to part-finance the company's ongoing projects and funding its various growth opportunities, including inorganic. On its long-term vision, JKLC retained its guidance of ~30mtpa capacity by 2030F on the back of expansion at Durg unit in Chhattisgarh, Nagaur unit in Rajasthan, and Kutch unit in Gujarat.

Maintain ADD rating with a lower target price of Rs720

JKLC trades at FY24F/25F EV/EBITDA of 8.4x/7.3x, respectively. We retain ADD rating on attractive valuation with a Sep 2024F lower target price of Rs720, set at one-year forward EV/EBITDA of 7.5x (8x earlier). Any major inorganic expansion, delay in operational improvement, delay in expansion and a rise in input cost are key downside risks.

Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	54,199	64,515	71,254	79,163	88,255
Operating EBITDA (Rsm)	9,507	8,387	10,052	11,769	13,691
Net Profit (Rsm)	4,906	3,586	4,752	5,770	7,032
Core EPS (Rs)	41.7	30.5	40.4	49.0	59.7
Core EPS Growth	10.7%	(26.9%)	32.5%	21.4%	21.9%
FD Core P/E (x)	14.82	20.28	15.30	12.60	10.34
DPS (Rs)	5.0	3.5	4.0	4.9	6.0
Dividend Yield	0.81%	0.57%	0.65%	0.79%	0.97%
EV/EBITDA (x)	8.36	9.90	8.35	7.27	6.18
P/FCFE (x)	34.62	26.14	356.38	66.32	19.08
Net Gearing	25.5%	35.1%	33.3%	33.0%	26.1%
P/BV (x)	2.90	2.59	2.25	1.94	1.66
ROE	21.3%	13.5%	15.7%	16.5%	17.3%
% Change In Core EPS Estimates			(0.33%)	(0.32%)	(0.29%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1Q miss yet again; retain ADD on valuation

Figure 1: Standalone quarterly performance

Particulars (Rs m)	1QFY24	1QFY24F	4QFY23	1QFY23			% Change
					1QFY24F	4QFY23	1QFY23
Net Sales	16,333	16,498	17,289	15,510	-1%	-6%	5%
Raw Materials Consumed	4,851	4,485	5,137	3,826	8%	-6%	27%
Freight and Forwarding Expenses	3,305	3,422	3,530	3,120	-3%	-6%	6%
Power and Fuel Cost	3,708	3,846	4,103	3,660	-4%	-10%	1%
Employee Cost	976	917	860	922	6%	13%	6%
Other Expenses	1,818	1,825	1,768	1,813	0%	3%	0%
Total Expenditure	14,657	14,495	15,398	13,340	1%	-5%	10%
EBITDA	1,676	2,004	1,891	2,170	-16%	-11%	-23%
Depreciation	470	493	501	473	-5%	-6%	-1%
EBIT	1,206	1,510	1,390	1,696	-20%	-13%	-29%
Interest	229	199	195	247	15%	18%	-7%
Other Income	139	135	178	74	3%	-22%	87%
PBT	1,115	1,446	1,373	1,524	-23%	-19%	-27%
Tax	366	477	400	515	-23%	-8%	-29%
PAT before MI & Associates	749	969	973	1,009	-23%	-23%	-26%
Minority Interest	0	0	0	0			
Profit from Assoc.	0	0	0	0			
Recurring PAT	749	969	973	1,009	-23%	-23%	-26%
Extraordinary Items	0	0	0	0			
Reported PAT	749	969	973	1,009	-23%	-23%	-26%
EPS (Rs)	6.4	8.2	8.3	8.6	-23%	-23%	-26%
Gross Margin	27%	29%	26%	32%	-140 bp	123 bp	-426 bp
EBITDA Margin	10.3%	12.1%	10.9%	14.0%	-188 bp	-68 bp	-373 bp
EBIT Margin	7%	9%	8%	11%	-177 bp	-66 bp	-356 bp
PBT Margin	7%	9%	8%	10%	-194 bp	-111 bp	-300 bp
PAT Margin	5%	6%	6%	7%	-129 bp	-104 bp	-192 bp
Tax Rate	33%	33%	29%	34%	-15 bp	375 bp	-92 bp
Cost Items as % of Sales							
Raw Material Cost	30%	27%	30%	25%	251 bp	-2 bp	503 bp
Freight Cost	20%	21%	20%	20%	-50 bp	-18 bp	12 bp
P&F Cost	23%	23%	24%	24%	-61 bp	-103 bp	-89 bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

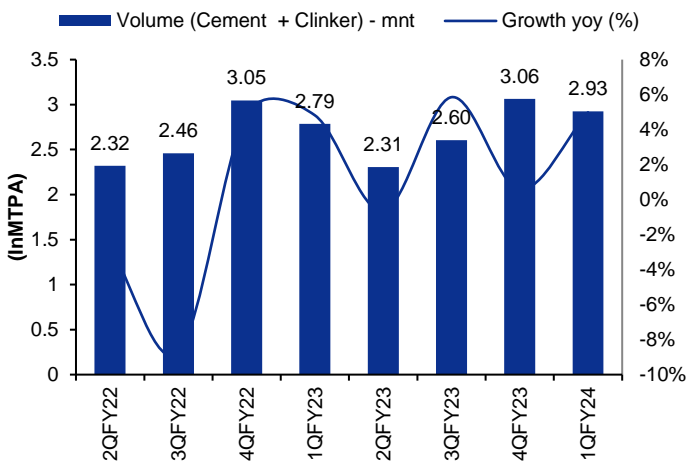
Figure 2: Standalone 1QFY24 results as per tonne analysis

Per tonne analysis	1QFY24	1QFY24F	4QFY23	1QFY23			% Change
					1QFY24F	4QFY23	1QFY23
Sales Volume (Cement + Clinker)	2.93	2.94	3.06	2.79	0%	-5%	5.0%
Realization	5,584	5,616	5,644	5,567	-0.6%	-1.1%	0.3%
EBITDA/t	573	682	617	779	-16%	-7%	-26%
Raw Material Cost/t	1,658	1,527	1,677	1,373	9%	-1%	21%
P&F Cost/t	1,268	1,309	1,340	1,314	-3%	-5%	-3%
Freight Cost/t	1,130	1,165	1,152	1,120	-3%	-2%	1%
Employee Cost/t	334	312	281	331	7%	19%	1%
Other Expenses/t	621	621	577	651	0%	8%	-5%
Cost/t	5,011	4,934	5,027	4,788	2%	0%	5%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

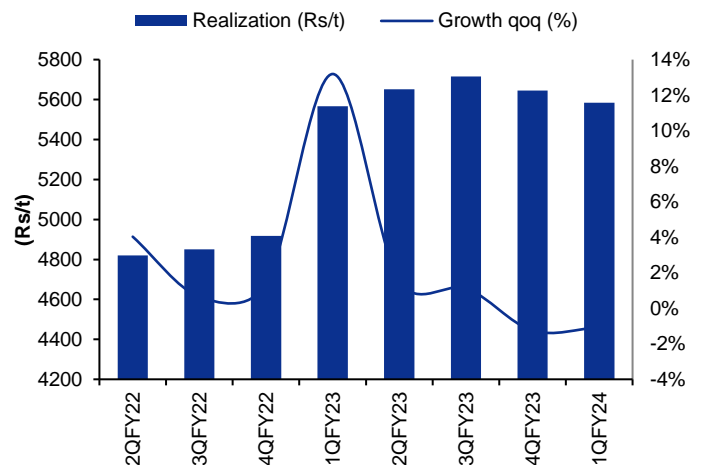
Key quarterly charts ➔

Figure 3: Standalone cement sales volume (including clinker) increased by ~5% yoy to 2.93m in 1QFY24



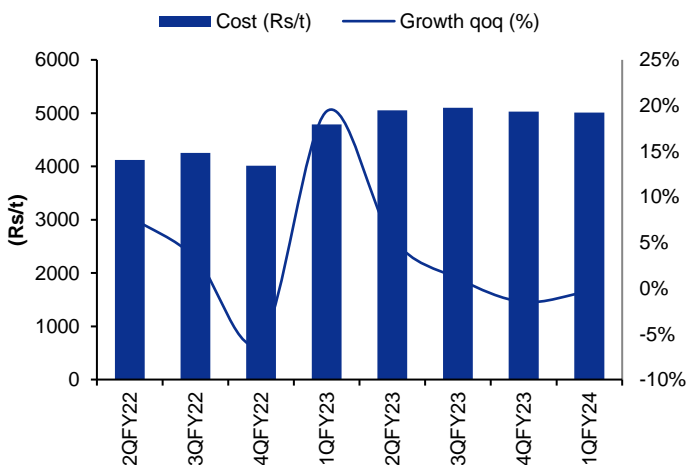
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Cement realization declined by 1.1% qoq while it was flat yoy in 1QFY24



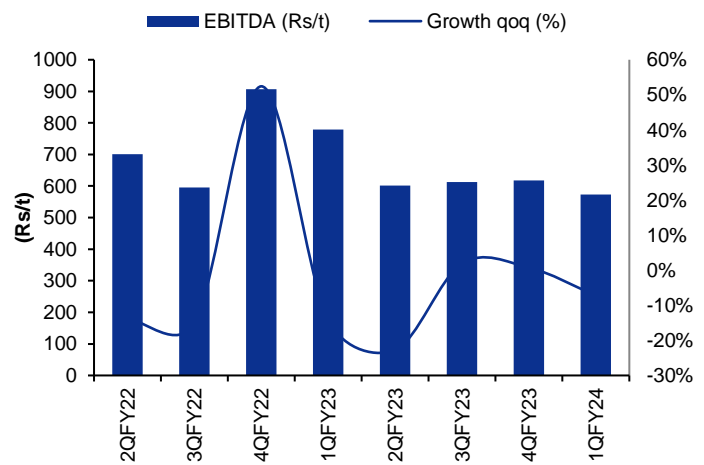
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Standalone unitary EBITDA stood at Rs573/t in 1QFY24 vs. Rs617/t in 4QFY24 and Rs779/t in 1QFY23



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Our revised earnings estimates

Rs. m	New		Old		Change (%)	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Sales	71,254	79,163	72,328	78,895	-2%	0%
EBITDA	10,052	11,769	11,149	13,092	-11%	-11%
Recurring PAT	4,752	5,770	5,603	6,780	-18%	-17%
EPS (Rs.)	40.4	49.0	48	58	-18%	-17%

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	71,254	79,163	70,630	77,843	1%	2%
EBITDA	10,052	11,769	10,586	12,809	-5%	-8%
PAT	4,752	5,770	4,940	6,324	-4%	-9%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 9: Key assumptions

	FY22A	FY23A	FY24F	FY25F	FY26F
Volume (in mtpa)	11	12	13	14	16
yoy	7%	6%	11%	10%	10%
Realisation (per tonne)	4,840	5,460	5,433	5,487	5,559
yoy	7%	13%	0%	1%	1%
Cost (per tonne)	3,991	4,751	4,667	4,672	4,699
yoy	10%	19%	-2%	0%	1%
EBITDA (per tonne)	849	710	766	816	860
yoy	-5%	-16%	8%	6%	5%
EBITDA (Rs m)	9,507	8,387	10,052	11,769	13,648
yoy	1%	-12%	20%	17%	16%

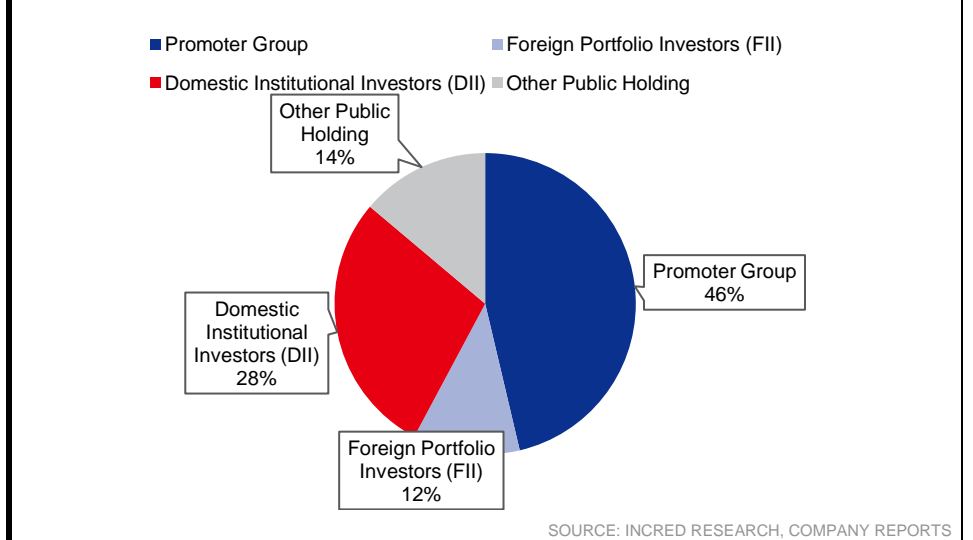
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: Maintain ADD rating on attractive valuation with a Sep 2024F target price of Rs720, set at a one-year forward EV/EBITDA of 7.5x. (8x earlier)

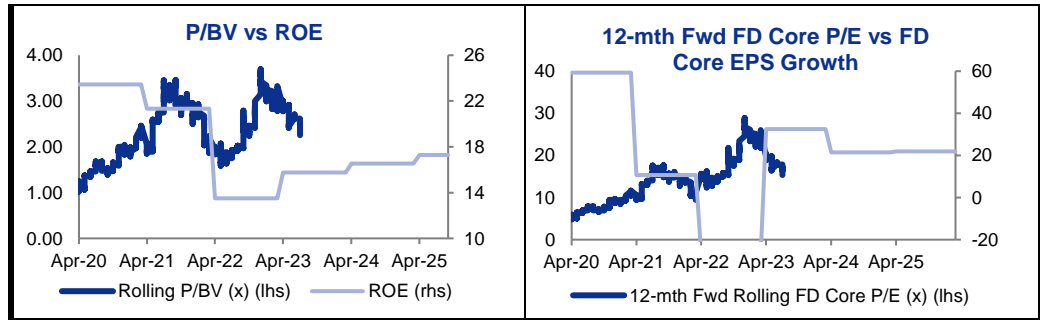
Valuation	TP
Target EV/EBITDA (x)	7.5
Target EV (Rs m)	1,02,685
Net debt / (cash) (Rs m)	12,494
No. of shares (m)	118
Fair value per share (Rs)	720

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

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



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	54,199	64,515	71,254	79,163	88,255
Gross Profit	54,199	64,515	71,254	79,163	88,255
Operating EBITDA	9,507	8,387	10,052	11,769	13,691
Depreciation And Amortisation	(2,235)	(2,283)	(2,386)	(2,672)	(2,833)
Operating EBIT	7,272	6,104	7,666	9,096	10,859
Financial Income/(Expense)	(1,422)	(1,334)	(1,654)	(1,720)	(1,789)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	683	575	552	563	575
Profit Before Tax (pre-EI)	6,534	5,345	6,564	7,939	9,644
Exceptional Items					
Pre-tax Profit	6,533	5,345	6,564	7,939	9,644
Taxation	(1,488)	(1,654)	(1,707)	(2,064)	(2,507)
Exceptional Income - post-tax					
Profit After Tax	5,046	3,691	4,857	5,875	7,137
Minority Interests	(140)	(105)	(105)	(105)	(105)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	4,906	3,586	4,752	5,770	7,032
Recurring Net Profit	4,906	3,586	4,752	5,770	7,032
Fully Diluted Recurring Net Profit	4,906	3,586	4,752	5,770	7,032

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	9,507	8,387	10,052	11,769	13,691
Cash Flow from Invt. & Assoc.					
Change In Working Capital	562	1,331	299	513	305
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	683	575	552	563	575
Other Operating Cashflow	(1,043)	(963)	37	1,037	1,037
Net Interest (Paid)/Received	(1,422)	(1,334)	(1,654)	(1,720)	(1,789)
Tax Paid	(1,488)	(1,654)	(1,707)	(2,064)	(2,507)
Cashflow From Operations	6,800	6,342	7,579	10,096	11,311
Capex	(3,661)	(7,320)	(9,000)	(9,500)	(9,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(2,990)	4,325	1,125	(500)	500
Cash Flow From Investing	(6,651)	(2,995)	(7,875)	(10,000)	(8,500)
Debt Raised/(repaid)	1,952	(566)	500	1,000	1,000
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(589)	(412)	(475)	(577)	(703)
Preferred Dividends					
Other Financing Cashflow	(1,255)	(1,680)	(142)	(1,142)	(1,142)
Cash Flow From Financing	108	(2,658)	(117)	(719)	(845)
Total Cash Generated	257	689	(413)	(622)	1,966
Free Cashflow To Equity	2,100	2,781	204	1,096	3,811
Free Cashflow To Firm	1,571	4,681	1,358	1,817	4,600

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	12,099	8,504	8,091	7,469	9,436
Total Debtors	352	654	586	651	725
Inventories	5,810	8,416	8,980	9,760	10,881
Total Other Current Assets	1,220	1,677	1,924	2,296	2,559
Total Current Assets	19,481	19,252	19,581	20,175	23,601
Fixed Assets	34,634	34,547	40,661	46,989	52,656
Total Investments	151	151	151	151	151
Intangible Assets	3,149	9,625	8,500	9,000	8,500
Total Other Non-Current Assets	1,847	1,833	2,333	2,833	3,333
Total Non-current Assets	39,781	46,157	51,645	58,973	64,640
Short-term Debt	5,914	3,174	3,174	3,174	3,174
Current Portion of Long-Term Debt					
Total Creditors	3,660	5,860	5,936	6,502	7,175
Other Current Liabilities	7,537	7,371	8,337	9,500	10,591
Total Current Liabilities	17,112	16,406	17,446	19,175	20,940
Total Long-term Debt	12,651	15,289	15,789	16,789	17,789
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4,180	5,305	5,305	5,305	5,305
Total Non-current Liabilities	16,831	20,594	21,094	22,094	23,094
Total Provisions					
Total Liabilities	33,943	37,000	38,540	41,269	44,034
Shareholders Equity	25,052	28,039	32,316	37,509	43,837
Minority Interests	267	370	370	370	370
Total Equity	25,319	28,409	32,686	37,879	44,207

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	14.6%	19.0%	10.4%	11.1%	11.5%
Operating EBITDA Growth	1.3%	(11.8%)	19.8%	17.1%	16.3%
Operating EBITDA Margin	17.5%	13.0%	14.1%	14.9%	15.5%
Net Cash Per Share (Rs)	(54.94)	(84.62)	(92.37)	(106.15)	(97.94)
BVPS (Rs)	212.84	238.22	274.56	318.68	372.45
Gross Interest Cover	5.11	4.58	4.63	5.29	6.07
Effective Tax Rate	22.8%	30.9%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	12.0%	11.5%	10.0%	10.0%	10.0%
Accounts Receivables Days	3.02	2.85	3.18	2.85	2.85
Inventory Days	31.89	40.24	44.56	43.20	42.68
Accounts Payables Days	32.78	30.95	35.17	33.68	33.48
ROIC (%)	20.3%	14.0%	15.7%	16.4%	17.8%
ROCE (%)	17.5%	13.5%	15.6%	16.6%	17.7%
Return On Average Assets	11.5%	8.1%	9.5%	10.1%	10.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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