

India

ADD (no change)

Consensus ratings*: Buy 15 Hold 2 Sell 3

Current price:	Rs800
Target price:	Rs910 ▲
Previous target:	Rs860
Up/downside:	13.8%
InCred Research / Consensus:	-6.6%
Reuters:	JKLC.BO
Bloomberg:	JKLC IN
Market cap:	US\$1,132m
	Rs94,107m
Average daily turnover:	US\$2.9m
	Rs239.4m
Current shares o/s:	117.7m
Free float:	48.9%

*Source: Bloomberg

Key changes in this note

- Raise EBITDA by ~3% for FY25F-26F.
- Retain our ADD rating and raise the target price to Rs910.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.7	(11.8)	17.1
Relative (%)	(1.5)	(15.4)	(2.9)

Major shareholders	% held
Promoter & Promoter Group	46.3
Franklin Build India Fund	4.4
HSBC MF	3.9

Research Analyst(s)



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JK Lakshmi Cement

Profitability improves further; in capex mode

- 4QFY24 consolidated EBITDA stood at ~Rs3.4bn (Incred estimate: ~Rs2.9bn), up 45% yoy and 11% qoq, mainly led by lower power & fuel costs.
- JKLC has achieved its Rs1,000/t+ EBITDA target for the second time. The recently announced large expansions to assuage growth concerns.
- We raise our FY25F-26F EBITDA estimates by ~3% to factor in a strong performance in 2HFY25F. Retain ADD rating with a higher TP of Rs910.

Muted volume growth in 4Q; aims ~10% volume growth in FY25F

JK Lakshmi Cement's (JKLC) 4QFY24 consol. sales volume (incl. clinker) rose by ~1% yoy only to ~3.3mt (~6% below Incred estimate). Volume growth was lower as the company is reducing its dependence on outsourced sales volume and aims to be self-dependent in clinker and grinding unit or GU. JKLC aims at a volume growth of 10%+ for FY25F led by expansion at UCWL and strong demand in 2HFY25F. Blended realization declined by ~5% qoq on lower prices across regions. Management highlighted that prices are ~1% lower vs. Mar 2024 in its markets and expect the prices to recover from 2H.

EBITDA/t came in at Rs1,030 & gap vs industry leaders narrowing

On a consol. basis, cost/t at Rs4,428, down 6% qoq and 12% yoy. RM+P&F costs/t were down 20% yoy and 6% qoq (on Kcal basis, fuel cost was at Rs1.68 in 4Q vs. Rs1.78 qoq and are likely to remain in this range for the next few quarters). Freight costs/t were down by ~5% qoq (lead distance reduced by 15km qoq to ~372km). All this led to EBITDA/t of Rs1,032, staying about its targeted range of Rs1,000/t for the second consecutive quarter. After three quarters of improvement in EBITDA/t, management highlighted that its target is to consolidate the unit EBITDA at the Rs1,000 level. Its Thermal Substitution Rate (TSR) improved to 11.3% in 4Q vs. 4.11% yoy. JKLC aims to maintain it above ~12% while increasing its renewable energy mix to ~50% by FY25F (current ~47%) to sustain margins.

Leverage position to firm up on expansion, but remains comfortable

JKCL's consol. gross and net debt stood at Rs20bn and Rs13.5bn, respectively, as of Mar 2024. Normal peak net debt/ EBITDA (consol.) was guided to be below at 2.5x. JKLC aims to incur capex to the tune of ~Rs40bn, of which ~Rs 25bn would be debt-funded (~Rs12bn for FY25F and ~Rs10bn for FY26F) over FY25F-FY27F; this includes new capex in the eastern region (Rs25bn), railway siding (Rs3.25bn), preliminary capex in the northeast (Rs10bn); Rs15bn of eastern operations' capex and the entire railway siding capex (Rs3.25bn) to be incurred by Mar 2026F. As regards its long-term vision, JKLC retained its guidance of ~30mtpa capacity by 2030F.

Maintain ADD rating with a higher target price of Rs910

JKLC trades at an EV/EBITDA of 8.4x & EV/t of US\$76 in FY26F. Retain ADD rating on it with a Mar 2025F target price of Rs910, set at one-year forward EV/EBITDA of 9x (8x earlier). Downside risks: Pressure on cement prices, project delay and a rise in costs.

Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	54,199	64,515	67,885	74,482	83,004
Operating EBITDA (Rsm)	9,507	8,387	10,522	12,295	14,299
Net Profit (Rsm)	4,906	3,586	4,635	6,211	7,299
Core EPS (Rs)	41.7	30.5	39.4	52.8	62.0
Core EPS Growth	10.7%	(26.9%)	29.2%	34.1%	17.5%
FD Core P/E (x)	19.19	26.25	20.31	15.16	12.90
DPS (Rs)	5.0	3.5	6.5	5.3	6.2
Dividend Yield	0.63%	0.44%	0.81%	0.66%	0.78%
EV/EBITDA (x)	10.61	12.45	10.42	9.55	8.38
P/FCFE (x)	44.82	33.85	37.02	61.62	13.04
Net Gearing	25.5%	35.1%	41.3%	55.2%	52.4%
P/BV (x)	3.76	3.36	2.95	2.51	2.14
ROE	21.3%	13.5%	15.5%	17.9%	17.9%
% Change In Core EPS Estimates				(0.31%)	(0.30%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Decent performance on profitability again

4QFY24 results review and earnings-call takeaways

Update on operational performance:

- **Volume:** JKLC consol: 3.26mt, up ~1% yoy only vs. Incred estimate of 3.48mt. Cement capacity utilization (standalone) stood at 89% vs. 79% qoq.
- **Blended average realization** came in at Rs5,459/t, down 5% qoq/yoy (~1% below our estimate).
- Management expects growth of more than 10% (excluding outsourced sales) for FY25F and it expects to grow at a faster rate than the industry. Expects demand to improve post general elections.
- The company has stopped outsourced sales volume at its plants (including Punjab GU and Amethi GU) due to lower margins, leading to lower volume during the quarter.
- **Pricing:** As per management, cement prices were down 5% qoq in 4Q, prices for FY24 are lower by 1.3% yoy, and current market prices are similar to 4Q exit prices in its markets. Cement prices are soft as players are taking advantage of lower fuel costs.
- Premium products contributed 25% to sales in the western and northern markets, while they had a lower share in the eastern market.
- In 4Q, the company sold the excess clinker from UCWL in its markets. UCWL capacity utilization (cement) was at 80% vs. 90% qoq.
- JKLC's consol. current capacity utilization stands at 70% and it aims to have 80% capacity utilization in FY25F.

Margins, pricing & costs:

- **Total operating costs/t** declined by ~12% yoy and 6% qoq to Rs4,428 where a) energy costs/t decreased by 15% qoq to Rs1,273, b) logistics costs/t fell by 5% qoq to Rs1,064, and c) fixed costs declined by 10% qoq but increased by 5% yoy to Rs950/t.
- Consol. EBITDA for the quarter came in at ~Rs3.36bn vs. our expectation of ~Rs2.9bn and was up 45% yoy and 11% qoq. **EBITDA/t** stood at Rs1,032 during the quarter vs. Rs1,021 in 3QFY24 and Rs719 in 4QFY23.
- Energy costs stood at Rs1.68/kcal vs. Rs1.78 qoq and should remain in the current range, as per company management.
- TSR and renewable will lead the savings on the cost front. TSR improved to ~11.3% in 4Q vs. 4% yoy, and we expect it to be >12% in FY25F. Renewable energy's share reached 47% in 4Q, and it is expected to touch 50% in FY25F. A solar power plant in Sirohi of 7MW is to be commissioned soon. The AFR facility at Udaipur to be commissioned by 2HFY25F.
- Railway siding to provide benefits on the logistics front once it gets commissioned in Sep 2024F.

Capacity expansion & utilization update:

- **Capacity update:** UCWL, a subsidiary of the company, commissioned its cement capacity by 2.5mtpa in Mar 2024 while it has commissioned Line-2 of 1.5mtpa clinkerization, whereby its clinker capacity doubled to 3mtpa in Oct 2023.
- The company is also enhancing its WHRS capacity by 3.5MW at Sirohi which will come on stream in 1QFY25F (4QFY24 earlier). The share of renewable power increased to 80% (36% earlier) from Oct 2023 due to sourcing of 40MW solar power under the captive route tie-up.

- **New expansion announced:** a) JKLC is expanding the clinker capacity at its integrated cement plant at Durg in Chhattisgarh by 2.3mtpa and four cement GUs of 4.6mtpa in the eastern region. The project is likely to cost Rs25bn and will be funded through debt (Rs17.5bn) and internal accruals. b) JKLC is in the process of expanding its Surat grinding unit from 1.35mtpa to 2.7mtpa. The project is likely to cost Rs2.25bn and will be funded through debt (Rs. 1.5bn) & the balance through internal accruals. c) The company is also putting up a railway siding at its Durg cement plant at a cost of Rs3.25bn to be funded through debt of Rs2.25bn and the balance from internal accruals.
- The company is also putting up a railway siding at its Durg cement plant at a cost of Rs3.25bn to be funded through debt of Rs2.25bn and the balance from internal accruals.
- During 4Q, JKLC acquired an 85% stake in Agrani Cement Private Limited for a total purchase consideration of Rs3.25bn. Agrani Cement, along with its subsidiaries, have been jointly granted mining rights having limestone reserves of 335mtpa.
- The company's management gave capex guidance of Rs12bn for FY25F (50% for Durg), and Rs10bn for FY26F.
- The capex for the northeast plant will be Rs18bn, which will be incurred over the next two-to-three years. Currently, the company is in the land acquisition stage.
- Conveyor belt projects at Durg are in the final stages of approval.
- **On Agrani:** Expansion would require at least two years' time frame from the date of receiving the necessary approvals.
- Durg phase-1 expansion to be commissioned by 4QFY26F, and the second phase by FY27F-end.
- The Surat GU 1.35mt expansion is progressing as per schedule, and phase-1 is expected to be completed by 4QFY25F and phase-2 by 4QFY26F.

Other updates

- **Consolidated net debt/EBITDA** stood at 1.23 as of Mar 2024-end vs. 1.14x as of Dec 2023-end and 1.07x as of Mar 2023-end.
- Contract manufacturing sales volume is not included in the reported volume.
- **Avg. AFR** cost was at Rs1.5/t in 4QFY24.
- **Current CC** ratio at 1.46x, with a target to improve it to 1.5x.
- During 4Q, **non-cement revenue** was Rs1.54bn and readymix concrete or RMC revenue was at Rs860m, with an EBITDA margin of 5%.
- The trade mix was at 56% while the blended ratio was at 66% in 4Q.
- **Lead distance** was 372km in 4Q, with a reduction of 25km yoy.
- Power cost was at Rs5.3/t, with consumption at 69unit/t of cement.
- The company is not capitalizing costs in relation to UCWL. All costs capitalized were prior to implementation.
- UCWL's 4Q total sales volume was at 7.56 lakh tonne (6.42 lakh tonne cement, 1.14 lakh tonne clinker) and for FY24 it was 2.49mt (including 2.097mt cement and 0.395mt clinker).
- JKLC's clinker production was at 69.96 lakh tonne in FY24.
- The debt-to-equity ratio be in the range of 2:1 for expansion projects, with the debt level set to increase due to expansion.

Figure 1: Consolidated quarterly performance

Particulars (Rs m)	4QFY24	4QFY24F	3QFY24	4QFY23	% Change		
					4QFY24F	3QFY24	4QFY23
Net Sales	17,809	19,119	17,028	18,621	-7%	5%	-4%
Raw Material Consumption	3,720	3,745	3,154	4,675	-1%	18%	-20%
Freight and Forwarding Expenses	3,472	3,869	3,307	3,678	-10%	5%	-6%
Power and Fuel Costs	4,153	5,038	4,418	5,026	-18%	-6%	-17%
Employee Costs	953	1,273	1,096	962	-25%	-13%	-1%
Other Expenses	2,147	2,284	2,032	1,953	-6%	6%	10%
Total Expenditure	14,443	16,209	14,007	16,294	-11%	3%	-11%
EBITDA	3,365	2,910	3,021	2,327	16%	11%	45%
Depreciation	679	665	657	588	2%	3%	15%
EBIT	2,687	2,245	2,364	1,739	20%	14%	55%
Interest	446	375	391	287	19%	14%	55%
Other Income	263	170	167	167	54%	57%	58%
PBT	2,503	2,040	2,229	1,618	23%	12%	55%
Tax	879	634	728	470	39%	21%	87%
PAT before MI & Associates	1,624	1,406	1,501	1,148	16%	8%	41%
Minority Interest	51	0	65	48			
Profit from Assoc.	-3	0	1	0			
Recurring PAT	1,570	1,406	1,437	1,100	12%	9%	43%
Extraordinary Items	0	0	-89	0			
Reported PAT	1,570	1,406	1,437	1,100	12%	9%	43%
EPS (Rs)	13.3	11.9	12.2	9.3	12%	9%	43%
Gross Margin	36%	34%	36%	28%	247 bp	18 bp	815 bp
EBITDA Margin	18.9%	15.2%	17.7%	12.5%	368 bp	115 bp	640 bp
EBIT Margin	15%	12%	14%	9%	334 bp	120 bp	575 bp
PBT Margin	14%	11%	13%	9%	339 bp	97 bp	537 bp
PAT Margin	9%	7%	8%	6%	147 bp	38 bp	291 bp
Tax Rate	35%	31%	33%	29%	403 bp	246 bp	610 bp
Cost Items as % of Sales							
Raw Material Costs	21%	20%	19%	25%	130 bp	236 bp	-422 bp
Freight Costs	19%	20%	19%	20%	-74 bp	7 bp	-26 bp
P&F Costs	23%	26%	26%	27%	-303 bp	-262 bp	-367 bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

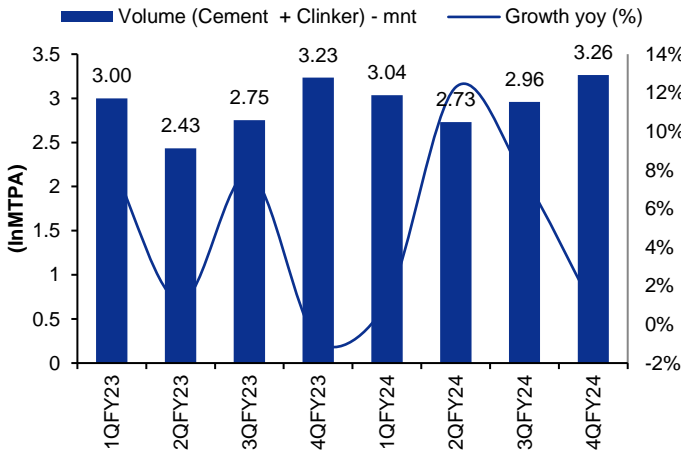
Figure 2: Consolidated 4QFY24 results as per tonne analysis

Per tonne analysis	4QFY24	4QFY24F	3QFY24	4QFY23	% Change		
					4QFY24F	3QFY24	4QFY23
Sales volume (Cement + Clinker)	3.26	3.48	3.03	3.23	-6%	8%	0.9%
Realization	5,459	5,494	5,753	5,758	-1%	-5%	-5%
EBITDA/t	1,032	836	1,021	719	23%	1%	43%
RM Costs/t	1,140	1,076	1,066	1,446	6%	7%	-21%
P&F Costs/t	1,273	1,448	1,492	1,554	-12%	-15%	-18%
Freight Costs/t	1,064	1,112	1,117	1,137	-4%	-5%	-6%
Employee Costs/t	292	366	370	297	-20%	-21%	-2%
Other Expenses/t	658	656	687	604	0%	-4%	9%
Cost/t	4,428	4,658	4,732	5,038	-5%	-6%	-12%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

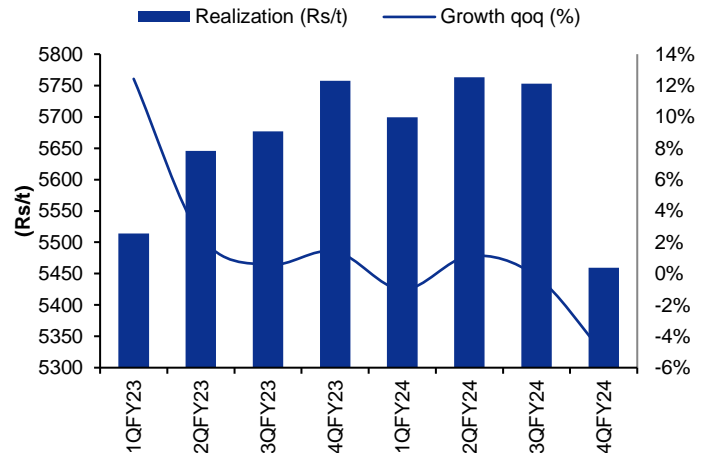
Key quarterly charts >

Figure 3: Consolidated cement sales volume (including clinker) increased by ~1% yoy to 3.26m in 4QFY24



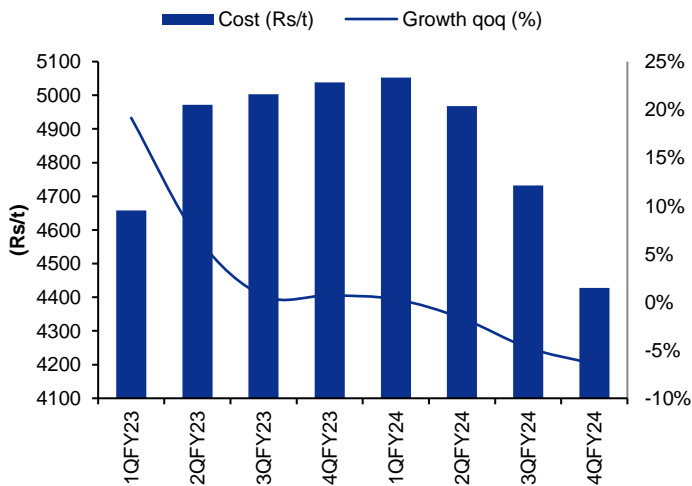
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Cement realization declined by 5% qoq and yoy in 4QFY24



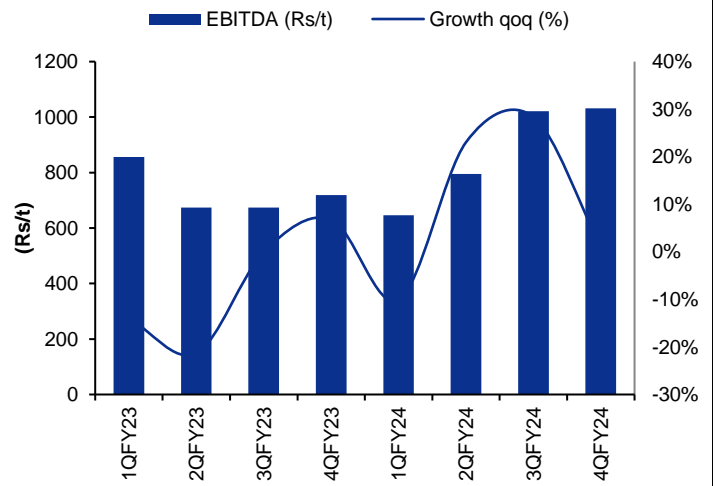
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Operating costs/t decreased by 12% qoq and 6% yoy in 4QFY24



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Consolidated unitary EBITDA stood at Rs1,032/t in 4QFY24 vs. Rs1,021/t in 3QFY24 and Rs719/t in 4QFY23



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key changes ➤

Figure 7: Our revised earnings estimates

Rs. m	New		Old		Change (%)	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Sales	74,482	83,004	77,322	86,432	-4%	-4%
EBITDA	12,295	14,299	11,928	13,869	3%	3%
PAT	6,211	7,299	5984	7017	4%	4%
EPS (Rs.)	52.8	62.0	50	59	5%	4%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

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

Rs. m	Incred		Consensus		Change (%)	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Sales	74,482	83,004	77,425	86,140	-4%	-4%
EBITDA	12,295	14,299	12,614	14,589	-3%	-2%
PAT	6,211	7,299	6,030	6,961	3%	5%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 9: Key assumptions

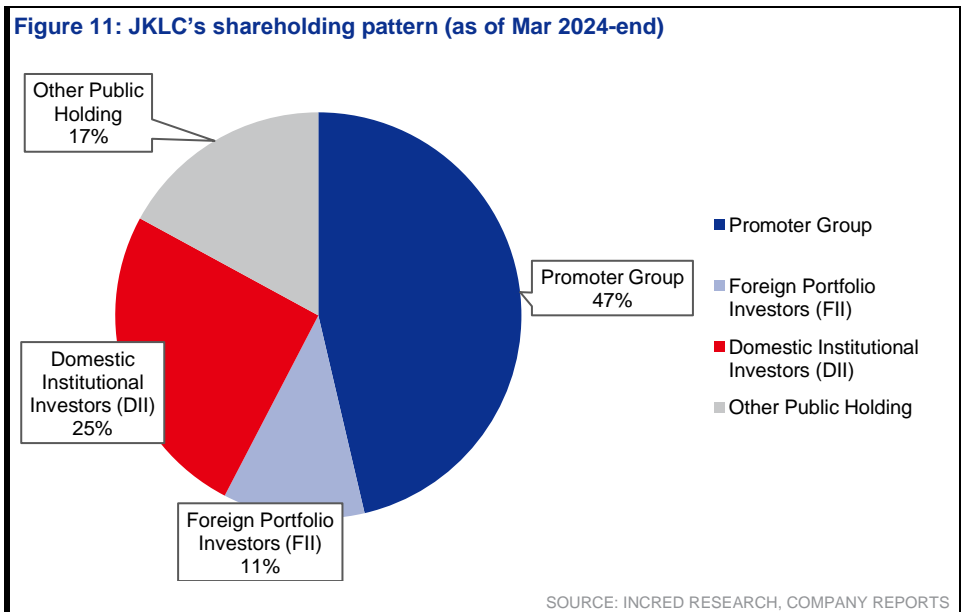
	FY22A	FY23A	FY24F	FY25F	FY26F
Volume (in mtpa)	11	11	12	13	14
yoy	7%	2%	5%	10%	10%
Realisation (per tonne)	4,840	5,650	5,662	5,674	5,748
yoy	7%	17%	0%	0%	1%
Cost (per tonne)	3,991	4,916	4,785	4,737	4,758
yoy	10%	23%	-3%	-1%	0%
EBITDA (per tonne)	849	735	878	937	990
yoy	-5%	-13%	19%	7%	6%
EBITDA (Rs m)	9,507	8,387	10,522	12,295	14,299
yoy	1%	-12%	25%	17%	16%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

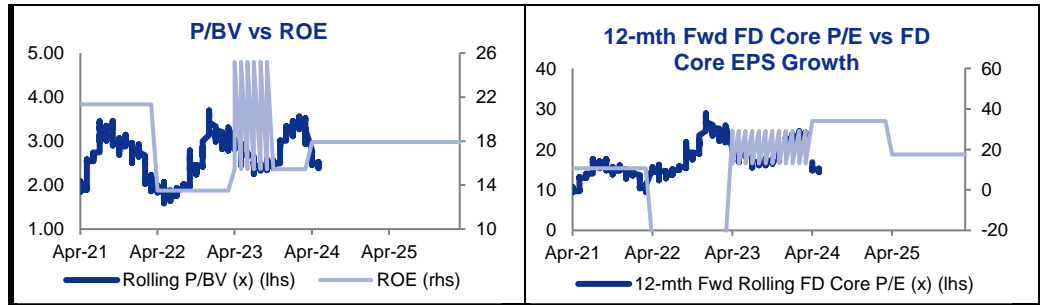
Figure 10: Maintain ADD rating with a Mar 2025F target price of Rs910, set at a one-year forward EV/EBITDA of 9x (8x earlier)

Valuation	TP
Target EV/EBITDA (x)	9.0
Target EV (Rs m)	1,28,691
Net debt / (cash) (Rs m)	21,575
No. of shares (m)	118
Fair value per share (Rs)	910

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	54,199	64,515	67,885	74,482	83,004
Gross Profit	54,199	64,515	67,885	74,482	83,004
Operating EBITDA	9,507	8,387	10,522	12,295	14,299
Depreciation And Amortisation	(2,235)	(2,283)	(2,460)	(2,755)	(3,140)
Operating EBIT	7,272	6,104	8,062	9,540	11,159
Financial Income/(Expense)	(1,422)	(1,334)	(1,504)	(1,625)	(1,787)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	683	575	681	695	709
Profit Before Tax (pre-EI)	6,534	5,345	7,239	8,610	10,080
Exceptional Items			3		
Pre-tax Profit	6,533	5,345	7,242	8,610	10,080
Taxation	(1,488)	(1,654)	(2,446)	(2,239)	(2,621)
Exceptional Income - post-tax					
Profit After Tax	5,046	3,691	4,795	6,371	7,459
Minority Interests	(140)	(105)	(161)	(161)	(161)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	4,906	3,586	4,635	6,211	7,299
Recurring Net Profit	4,906	3,586	4,633	6,211	7,299
Fully Diluted Recurring Net Profit	4,906	3,586	4,633	6,211	7,299

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	9,507	8,387	10,522	12,295	14,299
Cash Flow from Invt. & Assoc.					
Change In Working Capital	562	1,331	(1,261)	1,844	(84)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	683	575	681	695	709
Other Operating Cashflow	(1,043)	(963)	3,001	4,001	4,001
Net Interest (Paid)/Received	(1,422)	(1,334)	(1,504)	(1,625)	(1,787)
Tax Paid	(1,488)	(1,654)	(2,446)	(2,239)	(2,621)
Cashflow From Operations	6,800	6,342	8,992	14,971	14,517
Capex	(3,661)	(7,320)	(10,060)	(11,500)	(12,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(2,990)	4,325	1,261	(6,443)	
Cash Flow From Investing	(6,651)	(2,995)	(8,800)	(17,943)	(12,000)
Debt Raised/(repaid)	1,952	(566)	2,351	4,500	4,700
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(589)	(412)	(765)	(621)	(730)
Preferred Dividends					
Other Financing Cashflow	(1,255)	(1,680)	(1,942)	(4,161)	(4,161)
Cash Flow From Financing	108	(2,658)	(356)	(283)	(191)
Total Cash Generated	257	689	(164)	(3,255)	2,326
Free Cashflow To Equity	2,100	2,781	2,543	1,528	7,217
Free Cashflow To Firm	1,571	4,681	1,696	(1,348)	4,304

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	12,099	8,504	6,397	3,142	5,468
Total Debtors	352	654	443	612	682
Inventories	5,810	8,416	9,912	9,999	10,461
Total Other Current Assets	1,220	1,677	1,660	1,713	1,992
Total Current Assets	19,481	19,252	18,412	15,466	18,603
Fixed Assets	34,634	34,547	50,757	59,002	66,862
Total Investments	151	151	345	345	345
Intangible Assets	3,149	9,625	4,557	11,000	11,000
Total Other Non-Current Assets	1,847	1,833	2,430	2,930	3,930
Total Non-current Assets	39,781	46,157	58,088	73,277	82,137
Short-term Debt	5,914	3,174	4,610	6,110	7,310
Current Portion of Long-Term Debt					
Total Creditors	3,660	5,860	5,560	5,996	6,605
Other Current Liabilities	7,537	7,371	10,201	11,917	12,036
Total Current Liabilities	17,112	16,406	20,370	24,024	25,951
Total Long-term Debt	12,651	15,289	15,639	18,639	22,139
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4,180	5,305	6,921	6,921	6,921
Total Non-current Liabilities	16,831	20,594	22,560	25,560	29,060
Total Provisions					
Total Liabilities	33,943	37,000	42,930	49,583	55,010
Shareholders Equity	25,052	28,039	31,867	37,456	44,025
Minority Interests	267	370	1,704	1,704	1,704
Total Equity	25,319	28,409	33,570	39,160	45,729

Key Ratios

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	14.6%	19.0%	5.2%	9.7%	11.4%
Operating EBITDA Growth	1.3%	(11.8%)	25.4%	16.9%	16.3%
Operating EBITDA Margin	17.5%	13.0%	15.5%	16.5%	17.2%
Net Cash Per Share (Rs)	(54.94)	(84.62)	(117.69)	(183.58)	(203.75)
BVPS (Rs)	212.84	238.22	270.74	318.24	374.05
Gross Interest Cover	5.11	4.58	5.36	5.87	6.24
Effective Tax Rate	22.8%	30.9%	33.8%	26.0%	26.0%
Net Dividend Payout Ratio	12.0%	11.5%	16.5%	10.0%	10.0%
Accounts Receivables Days	3.02	2.85	2.95	2.59	2.85
Inventory Days	31.89	40.24	49.27	48.79	44.98
Accounts Payables Days	32.78	30.95	36.33	33.91	33.47
ROIC (%)	20.3%	14.0%	14.9%	14.2%	14.6%
ROCE (%)	17.5%	13.5%	16.0%	16.2%	16.0%
Return On Average Assets	11.5%	8.1%	8.9%	9.7%	9.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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