JK Lakshmi Cement (JKLAKS)

CMP: ₹ 840 | Target: ₹ 1000 (19%) | Target Period: 12 months | **BUY**

May 29, 2025

Well poised for healthy growth ahead...

About the stock: JK Lakshmi Cement (JKLC) mainly caters to the north, west & eastern markets of India with a total consolidated capacity of 16.5 million tonnes (mtpa). Plants are located at Rajasthan (Sirohi & Udaipur), Chhattisgarh (Durg), Gujarat (Surat & Kalol), Haryana (Jhajjar) and Odisha (Cuttack)

Q4FY25 performance: Revenue increased by 6.6% YoY (+26.8% QoQ) to Rs 1897.6 crores led by growth in sales volume of 10.3% YoY (+18.7% QoQ) to 3.6 mtpa and decreased in realization by 3.4% YoY (+6.8% QoQ). Total cost/ton was down by 2.9% YoY, led by lower P&F and raw material costs. EBITDA/ton declined by 5.4% YoY (+46.6% QoQ) to Rs 976/ton on account of operational efficiency measures and positive operating leverage. On PAT level, the company reported a profit of Rs 183.5 crore

Investment Rationale

1. **Robust expansion strategy to drive volume growth**: Company's volume growth at consolidated level is expected to pick-up significantly in the coming period (~8% CAGR during FY25-27E vs 3.7% CAGR during FY21-25), primarily led by capacity expansions and pick-up in demand in company's core markets. Currently, company's total capacity is 16.5 mtpa and is operating at ~74% utilization levels. Going Further, with focus on improving capacity utilisation of Udaipur unit (2.5 mtpa), the company is in process of expanding its cement capacity to 20.25 mtpa by FY27E (through 1.35 mtpa expansion at Surat which is expected in FY26E and 1.2 mtpa each at Durg & Prayagraj which is expected in Q3FY27E), which gives volume growth visibility over the next 2 years. In the longer term, company strategically aims to reach 30 mtpa by FY30E (planned grinding units at Durg, Jharkhand & Bihar) from 20.25 mtpa in FY27E
2. **Focus on operational efficiencies to drive improvement in EBITDA/ton**: Company's EBITDA/ton improved sharply to ₹ 976/ton in Q4FY25 (vs ₹ 666/ ton in Q3FY25), led by improvement in realisation and lower costs. Though full year FY25 EBITDA/ton is lower YoY at Rs 712/ton (due to lower realisations), we believe that company's profitability to improve over FY26E-27E, led by pick-up in demand, prices and continuous focus on operational efficiencies. We estimate EBITDA/ton to improve to ₹ 986/ton by FY27E. Reduction in overall cost structure would be primarily driven by increasing usage of green power & alternative fuels (company targets share of overall renewable energy usage at 60% of total by 2030 from 38% at present). Moreover, focus on optimising product mix & geographical mix would further help company to improve operational competitiveness

Rating and Target Price

- We estimate revenue CAGR of 10.5% over FY25-27E with healthy volume growth of ~8% CAGR. However, EBITDA is expected at ~28% CAGR over the same period, led by continuous focus on cost efficiency measures
- Valuations at 9.2x EV/EBITDA & $73 EV/ton on FY27E, looks attractive, looking at company's strategic plan of achieving 30 mtpa by FY30E with favourable market mix. We recommend **BUY** on JKLC with TP of ₹1000 (based on 10.5x FY27E EV/EBITDA)

Result Update

ICICI Securities – Retail Equity Research

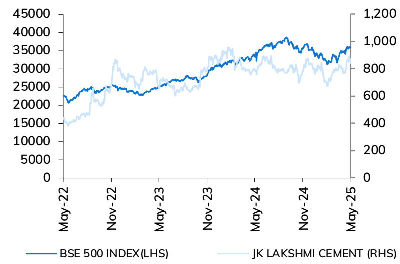
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	9,884
FY25 Gross Debt (Rs Crore)	2,527
FY25 Cash (Rs Crore)	796
EV (Rs Crore)	11,616
52 Week H/L	935 / 660
Equity Capital	58.9
Face Value	5.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	46.3	46.3	46.3	46.3
FII	11.3	11.5	11.9	12.1
DII	25.4	25.0	25.2	25.2
Others	17.0	17.2	16.5	16.4

Price Chart



Recent Event & Key risks

(1) Slowdown in demand (2) Delays in capacity expansion (3) Increase in commodity prices (4) High competition

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Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	5,420	6,452	6,788	6,193	4.5%	6,885	7,556	10.5%
EBITDA	951	839	1,052	865	-3.1%	1,146	1,405	27.5%
EBITDA margin (%)	17.5	13.0	15.5	14.0		16.6	18.6	
Net Profit	478	369	472	299	-14.4%	440	567	37.7%
EPS (Rs)	40.6	31.4	40.1	25.4		37.4	48.2	
P/E (x)	19.8	26.8	21.2	33.0		22.4	17.4	
EV/EBITDA (x)	11.1	13.0	10.7	13.4		10.5	9.2	
EV/ton ($)	87	90	79	81		78	73	
RoCE (%)	18.1	14.2	16.2	9.9		12.5	13.6	
RoE (%)	19.7	13.0	13.9	8.2		11.0	12.7	

Source: Company, ICICI Direct Research

Q4FY25 Result Highlights:

- Revenue increased by 6.6% on YoY basis to Rs 1897.6 crores, as volume growth of 10.3% YoY (to 3.60 mtpa) was partially offset by 3.4% YoY decline in realization. Sequentially, revenue was up 26.8%, led by 18.7% volume growth and improvement in realization by 6.8%.
- Total cost/ton was down by 2.9% YoY, led by lower P&F and raw material costs.
- EBITDA/ton declined by 5.4% YoY to Rs 976/ton, due to lower realisation. Sequentially, EBITDA/ton improved by 46.6% QoQ, on account of continued operational efficiencies and positive operating leverage. Subsequently, absolute EBITDA was up 4.4% YoY (+74.1% QoQ) to Rs 351.2 crores
- PAT increased by 16.9% YoY to Rs 183.5 crore vs 157 crores in Q4FY24
- For FY25, revenue is down by 8.8% YoY, on account of lower realization (-9.9% YoY) and flattish volumes (+1.3% YoY). FY25 EBITDA/ton stands at Rs 712/ton (vs Rs 877/ton in FY24)

Recent earnings call highlights:

- Cement Demand improved in Q3FY25 and further in Q4FY25, showing sequential momentum. Demand drivers include - Government capex push post-general elections, Housing (both rural and urban), industrial, and commercial segments
- For FY26, industry demand is expected to grow at 6.5%–7%, while company aims to grow above industry levels at around 10%. Expect strong ramp-up in Udaipur and other units to support growth
- According to management, price trends post-March have been flat, with no significant increase seen in early FY26. Expect pricing to remain stable through monsoon (till July)
- Capex for FY25 was ₹550 crore (JK Lakshmi - ₹300 crore, UCWL - ₹250 crore, NE India - ₹50 crore). Capex guidance for FY26E is ₹1300 crore (JK Lakshmi - ₹1,100 crore, NE project - ₹150 crore, UCWL balance - ₹40–50 crore). Estimated capex for FY27E is ₹1,800
- Rebranding received strong market feedback. Green Plus, a new eco-friendly product, is performing well across markets. Pro Plus remains the flagship premium offering
- Premium cement now comprises 25% of sales, with a goal to increase further. Non-trade segment continues to be a focus due to infrastructure growth
- In Q4FY25, Renewable energy usage reached 50% and target is 52–53% in FY26E. TSR averaged 9% in FY25, expected to increase to 12–13% in FY26
- Goal to reduce cost by ₹100–120/ton over 12–18 months through higher green power mix, improved TSR, reduction in lead distance (targeted from 393 km to ~380 km) and stronger supply chain/logistics optimization
- Lead distance rose to 393 km due to closure of UP East outsourcing; markets now served from in-house facilities
- Trade sales for the company was 60% of total volume. Fuel cost was ₹1.53/kcal. CC ratio was 1.44. Non-cement revenue was ₹151 crore and RMC revenue was ₹75 crore. Non-cement EBITDA margin was around 3%
- Sequential realization improved in Q4 FY25, attributed to Higher pricing in distant markets with better margins and Limited change in discount structures
- Surat Grinding Expansion (1.35 mtpa): To be commissioned in two phases – June & September FY26. Durg Integrated Plant (2.3 mtpa clinker + 1.2 mtpa grinding capacity) environmental clearance awaited; commissioning expected by Q3FY27. Prayagraj & Madhubani Grinding Units (1.2 mtpa each): Land acquired, public hearing/approvals in progress. Cement capacity to reach ~22.5 mtpa from current 16.5 by FY28E. Company targets to reach 30 mtpa by FY30
- North-east project is delayed by 7–8 months due to local/political issues on land acquisition and environmental clearance delayed

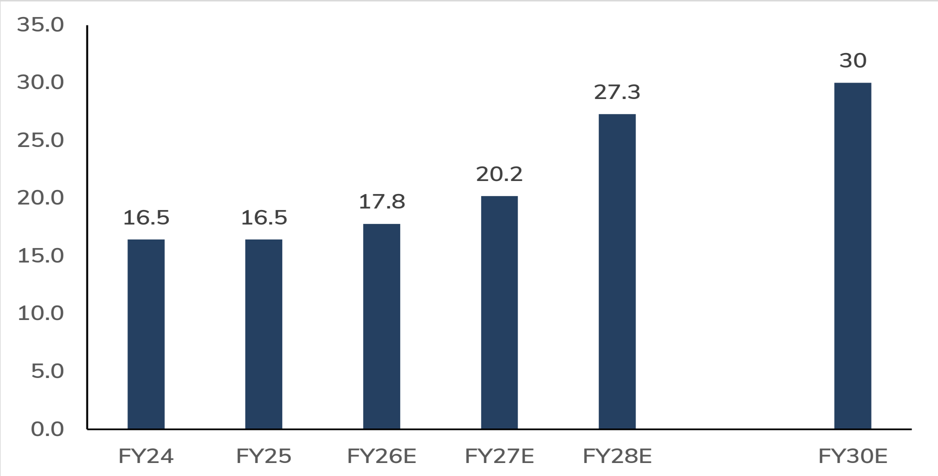
- Net Debt is ₹1,150 Cr (as of Mar FY25). Non-current financial assets contain ₹408 crore in form of FD's (mostly long-term fixed deposits)
- UCWL Merger status- Awaiting final approval from ministry/NCLT. Expect completion before December 2025. Additional 6.5 million JK Lakshmi shares to be issued to minority shareholder

Exhibit 1: Quarterly Analysis – Q4FY25

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments
Operating Income	1,897.6	1,780.9	6.6	1,496.8	26.8	Revenue increased significantly QoQ on strong volume growth and realisation
Other income	15.9	26.3	-39.4	9.0	76.2	
Total Revenue	1,913.6	1,807.2	5.9	1,505.9	27.1	
Raw materials costs	349.2	372.0	-6.1	274.8	27.1	
Employees Expenses	113.7	95.3	19.4	114.4	-0.6	
Other Expenses	253.0	214.7	17.8	207.8	21.7	
Total Expenditure	1,546.4	1,444.3	7.1	1,295.1	19.4	
EBITDA	351.2	336.5	4.4	201.8	74.1	
EBITDA margins (%)	18.5	18.9	-39 bps	13.5	503 bps	Margins improved significantly QoQ on cost efficiencies and positive operating leverage
Interest	44.4	44.6		45.3	-2.1	
Depreciation	76.7	67.9	13.0	76.2	0.6	
Tax	60.3	87.9	-31.4	26.6		
PAT	183.5	157.0	16.9	59.4		

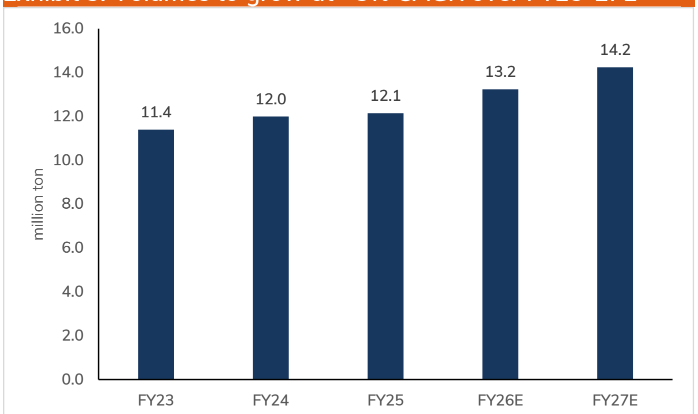
Source: Company, ICICI Direct Research

Exhibit 2: Capacity expansion plan over FY24-FY30E



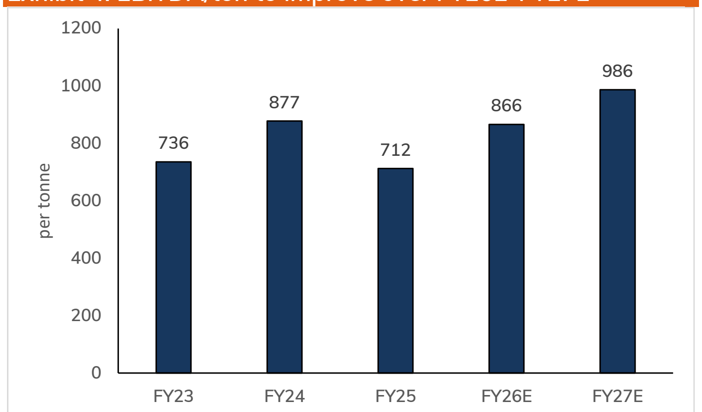
Source: Company, ICICI Direct Research

Exhibit 3: Volumes to grow at ~8% CAGR over FY25-27E



Source: Company, ICICI Direct Research

Exhibit 4: EBITDA/ton to improve over FY26E-FY27E



Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(Rs Crore)	FY24	FY25	FY26E	FY27E
Revenue	6,788.5	6,192.6	6,885.0	7,556.0
% Growth	*5.2*	*(8.8)*	*11.2*	*9.7*
Other income	68.1	46.4	32.5	35.8
Total Revenue	6,788.5	6,192.6	6,885.0	7,556.0
% Growth	*5.2*	*(8.8)*	*11.2*	*9.7*
Total Raw Material Costs	1,450.6	1,268.8	1,363.2	1,448.2
Employee Expenses	417.6	439.5	474.6	522.1
other expenses	803.2	844.2	928.6	1,053.9
Total Operating Expenditure	5,736.3	5,328.0	5,738.9	6,151.3
Operating Profit (EBITDA)	1,052.2	864.6	1,146.0	1,404.7
% Growth	*25.4*	*(17.8)*	*32.6*	*22.6*
Interest	150.4	181.2	189.2	221.8
PBDT	969.8	729.8	989.4	1,218.7
Depreciation	246.0	299.4	337.4	385.4
PBT before Exceptional Items	723.9	430.4	652.0	833.3
Total Tax	244.6	127.8	195.6	250.0
PAT before MI	487.9	302.6	456.4	583.3
PAT	471.8	299.3	440.4	567.3
% Growth	*27.8*	*(36.6)*	*47.2*	*28.8*
EPS	40.1	25.4	37.4	48.2

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Rs Crore)	FY24	FY25	FY26E	FY27E
Profit after Tax	471.8	299.3	440.4	567.3
Depreciation	246.0	299.4	337.4	385.4
Interest	150.4	181.2	189.2	221.8
Cash Flow before WC changes	868.2	779.8	966.9	1,174.5
Changes in inventory	(149.6)	126.4	(97.2)	(93.8)
Changes in debtors	21.1	(62.5)	(6.4)	(11.0)
Changes in loans & Advances	0.4	3.0	-	-
Changes in other current assets	8.8	(14.5)	(2.2)	(13.5)
Net Increase in Current Assets	(126.7)	75.4	(105.7)	(118.3)
Changes in creditors	(30.1)	(101.2)	73.4	92.9
Changes in provisions	(1.4)	1.0	(0.2)	0.9
Net Inc in Current Liabilities	252.9	(31.5)	101.6	120.8
Net CF from Operating activities	994.3	823.7	962.8	1,176.9
Changes in deferred tax assets	-	-	-	-
(Purchase)/Sale of Fixed Assets	(1,360.3)	(669.5)	(1,300.0)	(1,800.0)
Net CF from Investing activities	(1,138.5)	(1,214.2)	(951.5)	(1,375.7)
Dividend and Dividend Tax	(76.5)	(76.5)	(88.3)	(105.9)
Net CF from Financing Activities	72.5	320.1	(77.4)	212.3
Net Cash flow	(71.7)	(70.4)	(66.1)	13.5
Opening Cash/Cash Equivalent	339.0	267.3	196.9	130.8
Closing Cash/ Cash Equivalent	267.3	196.9	130.8	144.3

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Rs Crore)	FY24	FY25	FY26E	FY27E
Equity Capital	58.9	58.9	58.9	58.9
Reserve and Surplus	3,298.2	3,596.5	3,948.6	4,410.1
Total Shareholders funds	3,357.1	3,655.3	4,007.5	4,468.9
Total Debt	2,024.9	2,527.2	2,727.2	3,267.2
Total Liabilities	6,074.0	6,934.6	7,486.7	8,488.2
Gross Block	6,470.4	7,245.9	8,323.6	9,823.6
Acc: Depreciation	1,840.0	2,139.4	2,476.7	2,862.1
Net Block	4,630.4	5,106.5	5,846.8	6,961.5
Capital WIP	383.2	277.7	500.0	800.0
Total Fixed Assets	5,416.1	5,786.1	6,748.8	8,163.5
Non Current Assets	392.8	771.0	622.5	498.2
Inventory	991.2	864.8	962.0	1,055.8
Debtors	44.3	106.8	113.2	124.2
Other Current Assets	126.6	141.1	143.2	156.8
Cash	267.3	196.9	177.2	190.7
Total Current Assets	1,468.8	1,323.1	1,409.1	1,540.9
Current Liabilities	556.0	454.8	528.2	621.0
Provisions	16.5	90.0	91.0	92.0
Total Current Liabilities	1,576.0	1,544.6	1,646.2	1,766.9
Net Current Assets	(107.2)	(221.5)	(237.1)	(226.0)
Total Assets	6,074.1	6,934.6	7,533.2	8,534.6

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
EPS	40.1	25.4	37.4	48.2
Cash per Share	54.4	67.6	49.0	24.6
BV	285.3	310.6	340.6	379.8
EBITDA Margin	15.5	14.0	16.6	18.6
PAT Margin	7.0	4.8	6.4	7.5
RoE	13.9	8.2	11.0	12.7
RoCE	16.2	9.9	12.5	13.6
RoIC	15.8	9.4	12.3	13.5
EV / EBITDA	10.7	13.4	10.5	9.2
P/E	21.2	33.0	22.4	17.4
EV / Net Sales	1.7	1.9	1.7	1.7
Sales / Equity	2.0	1.7	1.7	1.7
Market Cap / Sales	1.5	1.6	1.4	1.3
Price to Book Value	2.9	2.7	2.5	2.2
Asset turnover	1.3	1.0	1.0	1.0
Debtors Turnover Ratio	123.7	82.0	62.6	63.7
Creditors Turnover Ratio	11.9	12.3	14.0	13.2
Debt / Equity	0.6	0.7	0.7	0.7
Current Ratio	0.9	0.9	0.9	0.9
Quick Ratio	0.1	0.2	0.2	0.2

Source: Company, ICICI Direct Research

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