



Stock Info

Bloomberg	JKLC IN
Equity Shares (m)	118
M.Cap.(INRb)/(USD\$)	105 / 1.3
52-Week Range (INR)	1000 / 607
1, 6, 12 Rel. Per (%)	-6/16/2
12M Avg Val (INR M)	260
Free float (%)	53.7

Consol. Financials Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	69.9	79.1	89.9
EBITDA	10.4	12.2	14.4
Adj. PAT	4.9	5.9	7.3
EBITDA Margin (%)	14.9	15.4	16.0
Adj. EPS (INR)	37.2	45.4	54.2
EPS Gr. (%)	22.1	22.1	19.4
BV/Sh. (INR)	270	310	357

Ratios

Net D:E	0.4	0.4	0.5
RoE (%)	14.6	15.7	16.3
RoCE (%)	12.0	12.6	13.1
Payout (%)	13.7	13.7	13.6

Valuations

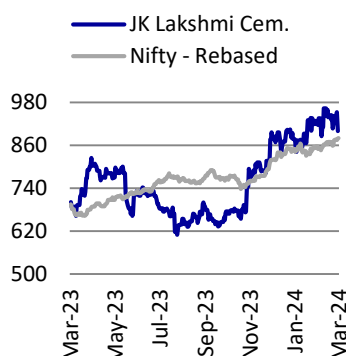
P/E (x)	24.0	19.7	16.5
P/BV (x)	3.3	2.9	2.5
EV/EBITDA(x)	9.5	8.2	6.7
EV/ton (USD)	86	67	57
Div. Yield (%)	0.6	0.7	0.8
FCF Yield (%)	-1.8	2.1	-3.5

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	46.3	46.3	46.3
DII	27.6	27.6	25.6
FII	10.8	10.5	13.8
Others	15.3	13.9	14.3

FII Includes depository receipts

Stock's performance (one-year)



JK Lakshmi Cement

CMP: INR892

TP: INR1,030 (+15%)

BUY

Accelerating the market footprint

Aims to increase grinding capacity to 30mtpa by FY30 from 14mtpa currently

- JK Lakshmi Cement (JKLC) is expanding its grinding capacity to ~24mtpa/30mtpa by FY27E/FY30E from the existing 14mtpa (including Udaipur Cement Work). Following the release of its 3QFY24 earnings, JKLC announced its next phase of expansion in the east and central regions (through a mix of brownfield and greenfield mode). Additionally, JKLC has announced an acquisition in the north-east region with an aim to broaden its market presence.
- The company announced an expansion of 4.6mtpa in phases, which includes – 1) brownfield clinker/cement expansion of 2.3mtpa/1.2mtpa at Durg, Chhattisgarh; and 2) greenfield split location grinding units with an aggregate capacity of 3.4mtpa at three different locations Prayagraj, Uttar Pradesh, Madhubani, Bihar, and Patratu, Jharkhand. Apart from that, it is setting up clinker/cement capacity of 1mtpa/1.5mtpa in Assam.
- The company has been awarded limestone blocks under auction at Nagaur (Central Rajasthan) and Kutch (Gujarat). In the long run, it has plans to set up grinding capacities at Nagaur, Kutch, and UCWL (line – III) of 3mtpa (each).
- The company is also setting up a Railway siding at its Durg, Chhattisgarh plant. Phase-I is expected to be commissioned by Sep'24 and Phase-II is estimated to be complete by Mar'26. However, the conveyor belt project is getting delayed.
- Over FY23-26, we estimate a 20% EBITDA CAGR (consolidated), driven by 9% volume growth and 11% growth in EBITDA/t. We estimate a cumulative OCF (consolidated) of INR32b and capex (consolidated) of INR35b over FY24-26. Its consolidated net debt is estimated to increase to INR20b by FY26 from INR10b in FY23 and net debt-to-EBITDA is expected to be at 1.4x in FY26 vs. 1.2x in FY23.
- The stock is currently trading at 8.2x/6.7x FY25E/FY26E EV/EBITDA and USD67/USD57/t (at a significant discount to the replacement cost). JKLC's robust expansion plans, improvement in profitability, and higher return ratios (ROE/ROCE of 16%/13% in FY26E) warrant a re-rating of the stock. We value JKLC at 9x FY26E EV/EBITDA and arrive at a TP of INR1,030 and reiterate our BUY rating on the stock.

Capacity expansion drives growth and relevance

- JKLC announced fresh capacity expansion plan of 3.3mtpa clinker and 6.1mtpa grinding capacity in the next two-three years. The company announced an expansion of 4.6mtpa, which includes – 1) brownfield clinker/cement expansion of 2.3mtpa/1.2mtpa at Durg, Chhattisgarh; and 2) greenfield split location grinding units at Prayagraj, Uttar Pradesh (1.2mtpa), Madhubani, Bihar (1.2mtpa) and Patratu, Jharkhand (1mtpa). The estimated cost of the project stands at INR25b, with completion expected in phases by FY26-27.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- The company is foraying into north-east markets by setting up 1mtpa/1.5mtpa clinker/grinding capacity (Phase-1) in Assam. The company is acquiring an 85% stake in Agrani Cement, which, along with its subsidiaries, holds mining rights in Assam, with limestone reserves of ~335mt. The project cost (Phase-1) is estimated at INR10b and the project is likely to be completed in the next two years.
- Apart from these, the current ongoing expansions include: 1) 1.35mtpa grinding capacity at its existing grinding unit in Surat, Gujarat. The project is likely to be commissioned in 2HFY25 at an estimated capex of INR2.25b; and 2) 2.5mtpa grinding capacity expansion at the company's subsidiary, Udaipur cement works (UCWL), which is likely to be commissioned by Mar'24 (1.5mtpa clinker capacity was commissioned in Oct'23).
- The company has been awarded limestone blocks under auction at Nagaur (Central Rajasthan) and Kutch (Gujarat). In the long run, it has plans to set up grinding capacities at Nagaur, Kutch, and UCWL (line – III) of 3mtpa (each).
- JKLC clinker/grinding capacity should increase to 13.3mtpa/24.1mtpa by FY27E vs. 10.0mtpa/14.0mtpa (including UCWL) currently. JKLC (consol.) grinding capacity CAGR is estimated at ~10% over FY24-27E. We believe, with these expansions, JKLC should maintain its capacity/market share in the industry.

Cost saving and better realization contribute to profitability

- The company continues to focus on - 1) geo-mix optimization, 2) increasing share of trade sales and premium products, 3) better brand visibility, 4) sustainable growth; and 5) digitization and automation to increase yield value per tonne. These initiatives helped it to achieve EBITDA/t (consol.) of INR1,021 in 3QFY24.
- JKLC renewable energy (RE) share stood at ~36% (consolidated). The company has started sourcing 40MW of solar power for its Durg, Chhattisgarh plant through the captive route. With this, the share of RE at the Durg plant increased to 80% in 3Q from 36% earlier. It is raising WHRS capacity by 3.5-4MW via debottlenecking and setting up 7MW of solar power plant at the Sirohi plant by Mar'24. The company targets to increase the total RE share to ~50% by FY25 and ~80% by FY30.
- The company commissioned AFR project at the Sirohi plant at a capex of INR700m, having a payback period of three years. The company achieved a thermal substitution rate of ~11% (initially), which further increased to ~13%. The company is setting up an AFR project at UCWL as well at a capex of INR750-800m, which is likely to be commissioned by Jun-Jul'24. At the Durg plant, AFR share stood at ~8%, a figure the company aims to maintain with the range of 8-10%. This is facilitated by the plant's access to linkage coal benefits. The company has set a long-term goal to increase TSR to ~20% by FY30.
- We estimate EBITDA/t (consolidated) of INR850/INR910/INR970 in FY24/FY25/FY26 vs. INR735 in FY23 (INR820/t in 9MFY24). Estimate EBITDA CAGR of ~20% over FY23-26, driven by 9% volume growth and 11% growth in EBITDA/t.

Growth plans drive re-rating; reiterate BUY

- We estimate a cumulative OCF (consolidated) of INR32b and capex (consolidated) of INR35b over FY24-26. Its consolidated net debt is estimated to increase to INR20b by FY26 from INR10b in FY23 and net debt-to-EBITDA is expected at 1.4x in FY26 vs. 1.2x in FY23.
- We believe timely capacity addition by JKLC will help it to maintain its capacity/market share. The stock is currently trading at 8.2x/6.7x FY25/FY26E EV/EBITDA and USD67/USD57/t (at a significant discount to the replacement cost). JKLC's robust expansion plans, improvement in profitability, and higher return ratios (ROE/ROCE of 16%/13% in FY26E) warrant a re-rating of the stock. We value JKLC at 9x FY26E EV/EBITDA and arrive at a TP of INR1,030 and reiterate our BUY rating on the stock.

Story in charts

Exhibit 1: Expansion plans of JKLC and UCWL (subsidiary)

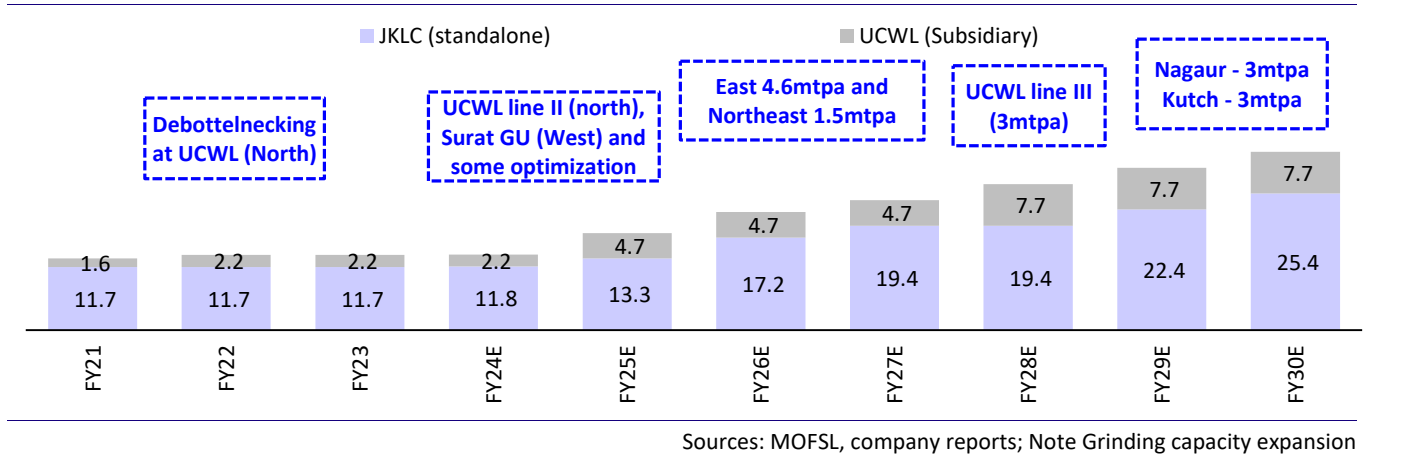


Exhibit 2: JKLC regional capacity mix as of Feb'24-end

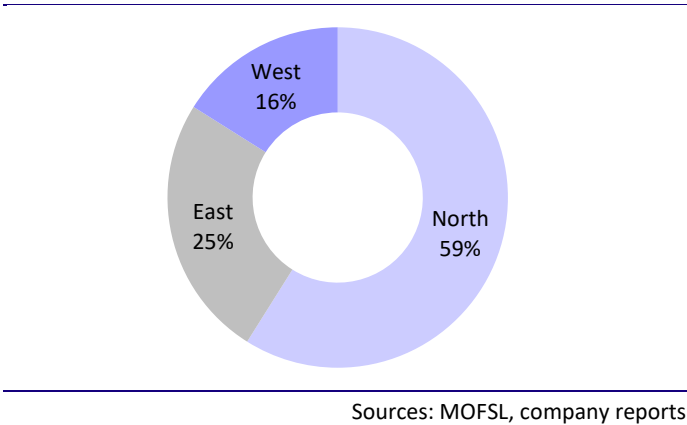


Exhibit 3: JKLC regional capacity mix by FY26-27E

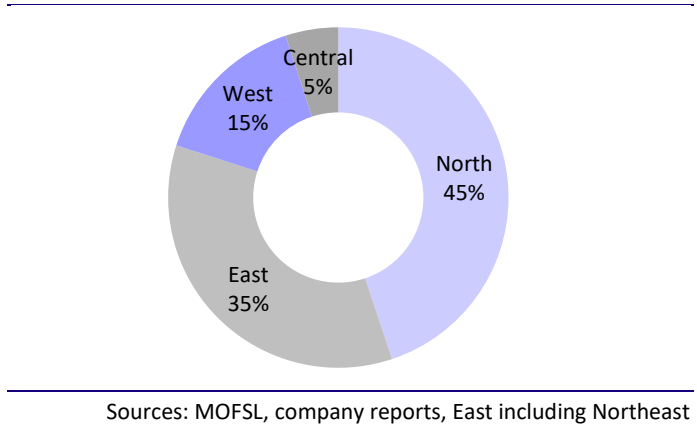


Exhibit 4: JKLC's regional volume mix in FY23

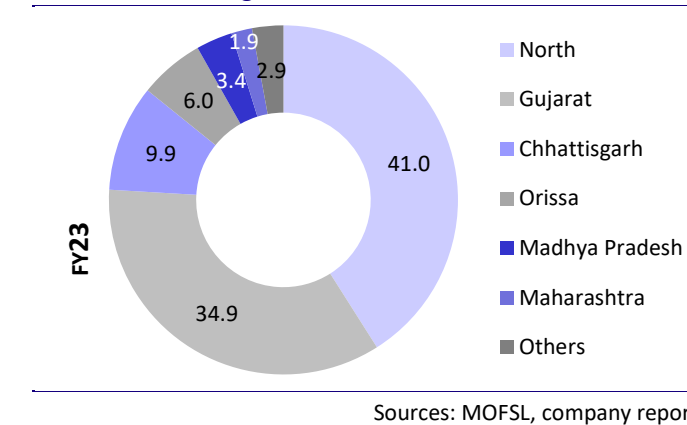


Exhibit 5: JKLC's regional volume mix in 9MFY24

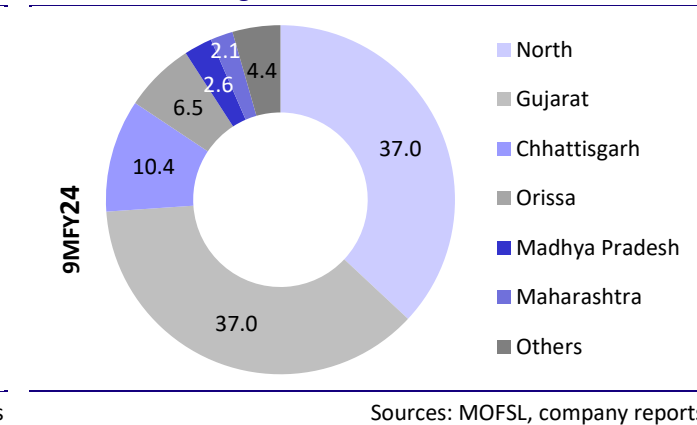
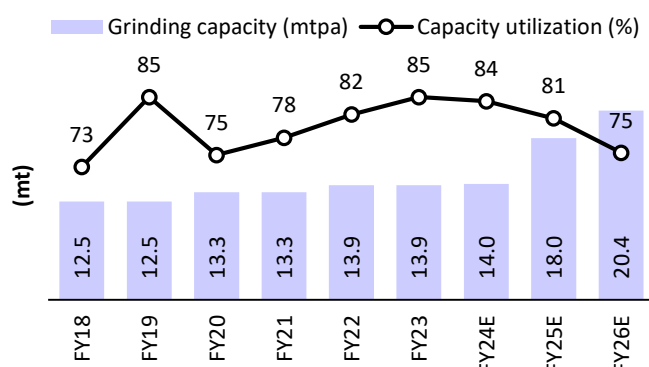
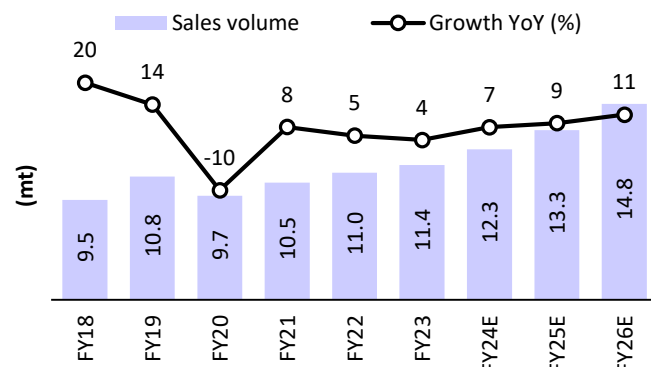
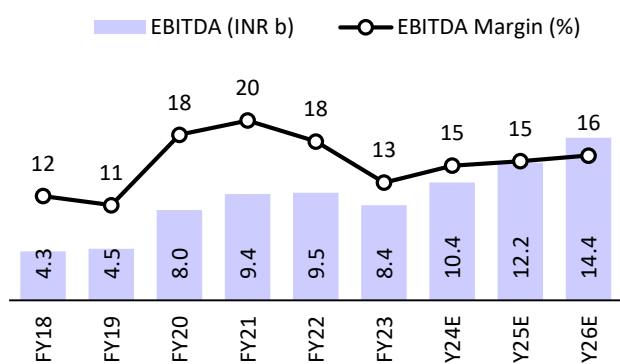


Exhibit 6: JKLC grinding capacity and utilization trend

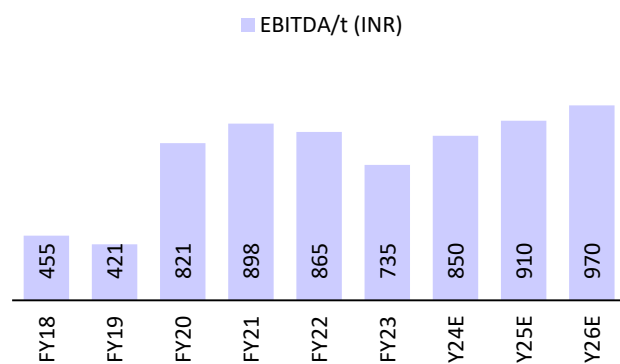
Sources: Company reports, MOFSL; Note: estimate new capacities will have low utilization in initial

Exhibit 7: Estimate volume CAGR of ~9% over FY23-26

Sources: Company reports, MOFSL

Exhibit 8: Estimate EBITDA CAGR of ~20% over FY23-26

Sources: Company reports, MOFSL

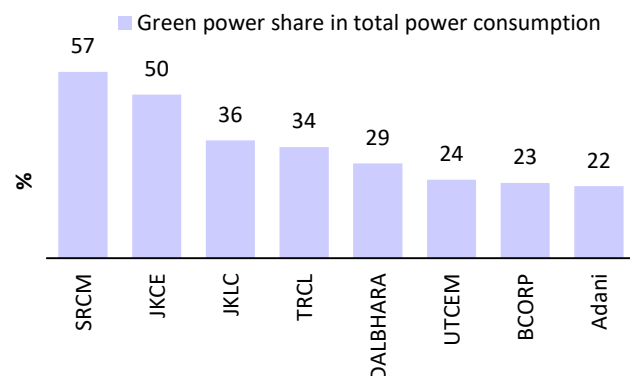
Exhibit 9: EBITDA/t will also increase (consolidated)

Sources: Company reports, MOFSL

Exhibit 10: Captive power plants capacity of JKLC and UCWL (in MW)

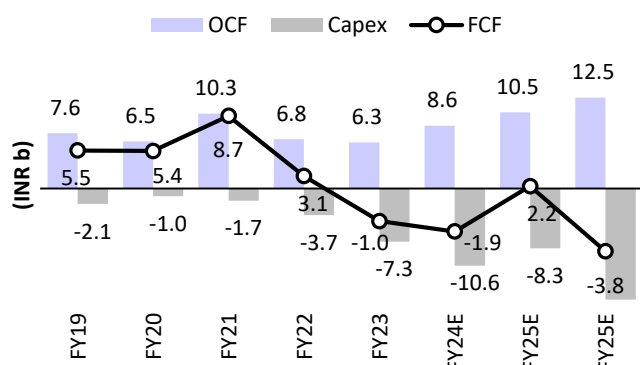
	JKLC	UCWL	Consolidated
TPP	74	-	74
WHRS	33	12	45
Solar	87	16	103
Wind	4	-	4
Total	198	28	226
Renewable power share	35%	39%	37%

Sources: Company reports, MOFSL

Exhibit 11: Green power % of leading cement players

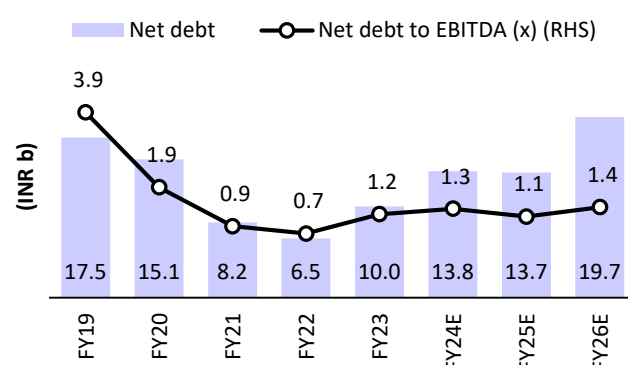
Sources: Company reports, MOFSL; Adani – Ambuja and ACC

Exhibit 12: Robust expansion plans; FCF remains low...



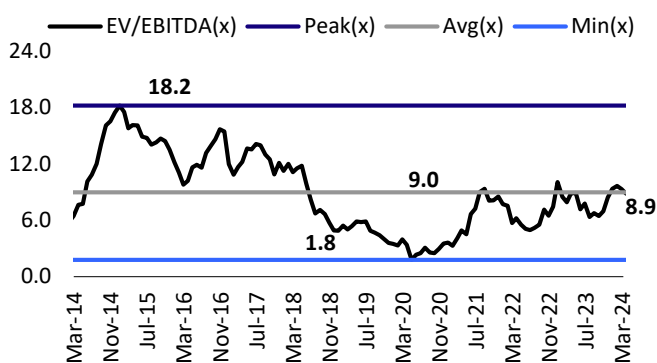
Sources: MOFSL, Company reports; Note: OCF, Capex and FCF on consolidated

Exhibit 13: ...will lead to increase in consolidated debt



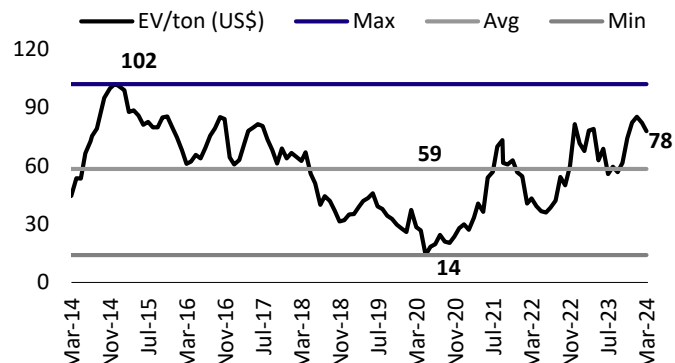
Sources: MOFSL, Company reports

Exhibit 14: One-year forward EV/EBITDA (x) trend



Sources: MOFSL, company reports

Exhibit 15: One-year forward EV/t (USD) trend



Sources: MOFSL, company reports

Financials and valuations (Consolidated)

Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	43,163	43,641	47,274	54,199	64,515	69,930	79,095	89,866
Change (%)	15.2	1.1	8.3	14.6	19.0	8.4	13.1	13.6
EBITDA	4,536	7,981	9,386	9,507	8,387	10,398	12,155	14,375
Margin (%)	10.5	18.3	19.9	17.5	13.0	14.9	15.4	16.0
Depreciation	2,110	2,198	2,253	2,235	2,283	2,389	2,709	2,827
EBIT	2,426	5,782	7,133	7,272	6,104	8,009	9,446	11,548
Int. and Finance Charges	2,528	2,250	1,920	1,422	1,334	1,431	1,422	1,541
Other Income – Rec.	554	460	726	683	575	607	664	726
PBT bef. EO Exp.	452	3,993	5,939	6,534	5,345	7,184	8,687	10,734
EO Expense/(Income)	-37	302	379	270	0	-89	0	0
PBT after EO Exp.	489	3,690	5,561	6,264	5,345	7,273	8,687	10,734
Total Tax	82	1,161	1,349	1,488	1,654	2,334	2,792	3,419
Tax Rate (%)	16.8	31.4	24.3	23.7	30.9	32.1	32.1	31.9
Reported PAT	407	2,530	4,211	4,776	3,691	4,940	5,895	7,314
Less: Minority Interest	-106	49	157	140	105	472	548	929
PAT Adj. for EO items and MI	476	2,686	4,311	4,229	3,586	4,379	5,347	6,385
Change (%)	-9.5	464.9	60.5	-1.9	-15.2	22.1	22.1	19.4
Margin (%)	1.1	6.2	9.1	7.8	5.6	6.3	6.8	7.1

Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	589	589	589	589	589	589	589	589
Total Reserves	14,257	16,281	20,357	24,463	27,450	31,240	35,881	41,442
Net Worth	14,846	16,869	20,946	25,052	28,039	31,829	36,470	42,031
Minority Interest	(76)	(29)	128	267	370	842	1,390	2,319
Deferred Liabilities	(931)	(390)	68	531	1,327	1,327	1,327	1,327
Total Loans	21,348	19,871	16,531	18,565	18,463	19,415	20,915	27,815
Capital Employed	35,187	36,322	37,672	44,415	48,199	53,412	60,101	73,491
Gross Block	41,337	44,722	44,138	47,469	49,667	60,066	69,316	75,566
Less: Accum. Deprn.	7,557	9,598	11,748	13,992	16,275	18,686	21,417	24,266
Net Fixed Assets	33,780	35,124	32,390	33,477	33,392	41,380	47,898	51,300
Capital WIP	4,166	1,662	2,738	2,425	8,902	9,089	8,089	18,089
Total Investments	3,780	4,583	5,922	7,677	6,421	6,421	6,421	6,421
Goodwill	723	723	723	723	723	723	723	723
Curr. Assets, Loans, and Adv.	7,277	9,146	11,090	14,959	15,971	13,341	16,291	18,496
Inventory	3,522	4,806	3,662	5,810	8,416	8,377	9,381	10,561
Account Receivables	1,098	959	545	352	654	742	830	792
Cash and Bank Balance	194	328	3,719	5,729	3,390	474	2,087	2,893
Loans and Advances	2,462	3,054	3,164	3,068	3,511	3,748	3,994	4,250
Curr. Liability and Prov.	14,539	14,917	15,190	14,847	17,210	17,541	19,321	21,537
Account Payables	5,448	5,102	4,368	3,660	5,860	6,191	7,972	10,187
Other Liabilities	8,901	9,610	10,609	10,894	11,098	11,098	11,098	11,098
Provisions	190	205	212	293	252	252	252	252
Net Current Assets	(7,262)	(5,770)	(4,100)	112	(1,239)	(4,200)	(3,030)	(3,041)
Appl. of Funds	35,187	36,322	37,672	44,415	48,199	53,412	60,101	73,491

Source: Company, MOFSL estimates

Financials and valuations (Consolidated)

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	4.0	22.8	36.6	35.9	30.5	37.2	45.4	54.2
Cash EPS	22.0	41.5	55.8	54.9	49.9	57.5	68.4	78.3
BV/Share	126.1	143.3	178.0	212.8	238.2	270.4	309.9	357.1
DPS	0.7	3.1	3.8	5.0	3.8	5.0	6.0	7.0
Payout (%)	13.4	19.6	12.1	13.8	13.3	13.7	13.7	13.6
Valuation (x)								
P/E		39.1	24.4	24.9	29.3	24.0	19.7	16.5
Cash P/E		21.5	16.0	16.3	17.9	15.5	13.0	11.4
P/BV		6.2	5.0	4.2	3.7	3.3	2.9	2.5
EV/Sales		2.7	2.3	2.0	1.6	1.6	1.4	1.2
EV/EBITDA		13.5	10.6	10.3	11.3	9.5	8.2	6.7
EV/t (USD)		98	90	86	83	86	67	57
Dividend Yield (%)		0.3	0.4	0.6	0.4	0.6	0.7	0.8
Return Ratios (%)								
RoE	3.2	16.9	22.8	18.4	13.5	14.6	15.7	16.3
RoCE	6.5	11.7	16.0	15.0	10.2	12.0	12.6	13.1
RoIC	5.9	12.2	17.2	17.4	11.6	13.2	14.1	14.7
Working Capital Ratios								
Asset Turnover (x)	1.2	1.2	1.3	1.2	1.3	1.3	1.3	1.2
Inventory (Days)	29.8	40.2	28.3	39.1	47.6	43.7	43.3	42.9
Debtor (Days)	10	9	5	3	4	4	4	4
Creditor (Days)	46	43	34	25	33	32	37	41
Leverage Ratio (x)								
Current Ratio	0.5	0.6	0.7	1.0	0.9	0.8	0.8	0.9
Interest Coverage Ratio	1.0	2.6	3.7	5.1	4.6	5.6	7	7
Debt/Equity ratio	1.4	1.2	0.8	0.7	0.7	0.6	0.6	0.7

Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	452	3,993	5,939	6,534	5,345	7,095	8,687	10,733
Depreciation	2,110	2,198	2,253	2,235	2,283	2,411	2,732	2,849
Interest and Finance Charges	2,528	2,250	1,920	1,422	1,334	1,431	1,422	1,541
Direct Taxes Paid	(185)	(761)	(871)	(888)	(909)	(2,334)	(2,792)	(3,419)
(Inc.)/Dec. in WC	3,029	(483)	2,060	(1,526)	(1,135)	46	442	817
CF from Operations	7,934	7,196	11,301	7,776	6,918	8,650	10,491	12,521
Others	(332)	(701)	(983)	(976)	(576)	-	-	-
CF from Operations incl. EO	7,602	6,495	10,318	6,800	6,342	8,650	10,491	12,521
(Inc.)/Dec. in FA	(2,109)	(1,047)	(1,661)	(3,661)	(7,320)	(10,586)	(8,250)	(16,250)
Free Cash Flow	5,493	5,449	8,658	3,138	(978)	(1,936)	2,241	(3,729)
(Pur.)/Sale of Investments	1,337	(951)	(2,678)	(3,264)	4,070	-	-	-
Others	-	-	-	274	255	-	-	-
CF from Investments	(771)	(1,997)	(4,339)	(6,651)	(2,995)	(10,586)	(8,250)	(16,250)
Issue of Shares	-	-	-	-	-	-	-	-
Inc./(Dec.) in Debt	(3,976)	(1,552)	(3,392)	2,042	(431)	952	1,500	6,900
Interest Paid	(2,674)	(2,489)	(2,130)	(1,401)	(1,505)	(1,431)	(1,422)	(1,541)
Dividend Paid	(111)	(455)	(5)	(443)	(587)	(589)	(706)	(824)
Others	-	-	-	(90)	(136)	89	-	-
CF from Fin. Activity	(6,761)	(4,496)	(5,526)	108	(2,658)	(979)	(628)	4,535
Inc./Dec. in Cash	70	2	453	257	689	(2,915)	1,612	806
Opening Balance	125	29	30	484	2,701	3,390	474	2,087
Closing Balance	194	30	484	740	3,390	474	2,087	2,893

Source: Company, MOFSL estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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