

JK Lakshmi Cement Ltd.

BUY

Choice

Capacity doubling by FY30; Robust Capex Plan

JK Lakshmi Cements Q4FY24 volumes came at INR2.6mnt (excluding outsourced sales), up 8.5% QoQ but down 4.1% YoY, leading to INR16,478mn in revenues, up 3.9% QoQ but down 4.7% YoY. For the full year FY24 volume came at INR9.6mnt, up 1.4% YoY. Management is targeting 10% of volume growth for FY25E. Company reported full year revenue at INR63,198mn, up 4.1% YoY. J.K. Lakshmi Cements Ltd had achieved 89% utilization for Q4FY24. EBITDA/t for the quarter came at INR1,080/t, up 4.7% QoQ and 51.9% YoY. The YoY spike in EBITDA/t was mainly led by lower power and fuel cost. PAT for FY24 stood at INR4,243mn, up 28.3% YoY. EPS for the full year was INR36.1. During FY24 Net Debt to EBITDA stood at 0.22x.

- **Future expansion plans:** JK Lakshmi is actively working to surpass its targeted capacity of 30mnt by FY30E. For the FY25E, the company plans to invest approximately INR12,000mn in capex and around INR10,000mn for FY26E. The company is expanding its Cement Grinding capacity at its Surat Grinding Unit from 1.35mnt to 2.7mnt. This project is expected to cost INR2,250mn, funded by INR 1,500mn in term loans from banks, with the remaining amount covered by internal accruals. The project is anticipated to be commissioned by the end of the last quarter of FY25. Additionally, the company is increasing the clinker capacity at its integrated cement plant in Durg, Chhattisgarh by adding an additional clinker line of 2.3mtpa, along with four cement grinding units totaling 4.6mtpa at the same location. Furthermore, three split-location cement grinding units with a combined capacity of 3.4mtpa will be established at Prayagraj in Uttar Pradesh, Madhubani in Bihar, and Patratu in Jharkhand. This project is estimated to cost INR25,000mn, with INR 17,500mn to be funded through bank term loans and the balance through internal accruals. Moreover, the company is constructing a railway siding at its Durg cement plant at a cost of INR 3,250mn, funded by INR 2,250mn in debt and the remaining amount from internal accruals.

- **Total cost came at INR5,382/t for the quarter:** In Q4FY24, power and fuel costs were INR1,255/t, reflecting a decrease of 9.9% QoQ and 18.6% YoY. This reduction is primarily attributed to lower fuel expenses. The Annual Freight Rate (AFR) is currently at 4%, with plans to increase it to 16% by the end of FY25E. The company is also boosting its Waste Heat Recovery (WHR) capacity by 3.5 MW at Sirohi, which will become operational in the Q1FY25E. However, the management does not anticipate any further reductions in power and fuel costs. Freight expenses for the quarter were INR1,258/t, compared to INR1,332/t in Q3FY24. The company aims to further reduce freight expenses by adding railway sidings, expected to be operational in Q3-Q4 FY25E.

- **Outlook and Valuation:** The outlook for the Cement Sector looks extremely promising in the upcoming year, buoyed by the Government's focus on Infrastructure Development and the augmented budgetary allocation towards this sector. The company's management remains steadfast in their guidance, aiming for approximately 10% volume growth for FY25E. Additionally, they anticipate EBITDA/t to reach INR1,000/t for FY25E. Management is also optimistic about securing a position among the top 5 companies in terms of EBITDA/t. We expect Revenue/EBITDA to grow at a CAGR of 7.8%/12.8% respectively over FY24-FY26E. Our target EV/EBITDA multiple is 9.0x (unchanged) on FY26E EBITDA, hence we ascribe a target price of INR872, with BUY rating.

Financial Snapshot

Quarter end: March	FY22	FY23	FY24	FY25E	FY26E
Revenue (INR Mn.)	50,408	60,711	63,198	71,011	79,276
EBITDA (INR Mn.)	8,013	7,043	8,638	10,420	12,399
EBITDA Margins (%)	15.9	11.6	13.7	14.7	15.6
RPAT	4,262	3,308	4,243	5,620	6,528
PAT Margins (%)	8.5	5.4	6.7	7.9	8.2
EPS	36.2	28.1	36.1	47.7	55.5

Source: Company, CEBPL

May 27, 2023	
CMP (Rs.)	801
Target Price (Rs.)	872
Potential Upside (%)	8.9

Company Info

BB Code	JKLC IN EQUITY
ISIN	INE786A01032
Face Value (Rs.)	5.0
52 Week High (Rs.)	998.4
52 Week Low (Rs.)	608.1
Mkt Cap (Rs bn)	94.6
Mkt Cap (\$ bn)	1.1
Shares o/s (Mn)/F.Float	117.7/53
FY24 EPS	36.1
FY26E EPS	55.5

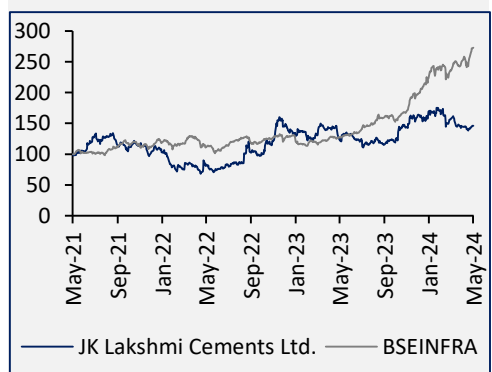
Shareholding Pattern (%)

	Mar-24	Dec-23	Sep-23
Promoters	46.34	46.31	46.31
FII's	11.29	10.83	10.53
DII's	25.83	27.57	27.63
Public	16.54	15.29	15.53

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE INFRA	172.8	144.9	114.4
JKLC	46.2	78.8	17.5

Rebased Price Performance



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Sequential Operating Performance

Operating Metrics Rs./t	3QFY23	4QFY23	1QFY23	2QFY24	3QFY24	4QFY24
Sales Volume	2.31	2.66	2.92*	2.53*	2.35	2.55
Blended Realisation	6,444	6,500	5,593	5,742	6,749	6,462
Raw Material Cost	1,066	884	825	868	1,114	1,043
Employee Cost	380	323	334	370	415	333
Power & Fuel Cost	1,881	1,542	1,270	1,374	1,392	1,255
Freight & Handling Expense	1,274	1,327	1,132	1,125	1,332	1,258
Other Expenses	780	665	622	626	718	749
Total Costs	5,753	5,789	5,018	5,036	5,718	5,382
EBITDA	691	711	575	706	1,031	1,080

* Sales volume including outsourced sales

CEBPL Estimates vs Actual for Q4FY24

JK Lakshmi Ltd. (INR Mn.)	Q4FY24	Q4FY23	YoY(%)	Q3FY24	QoQ(%)	CEBPL Est.	Dev. (%)
Volumes	2.6	2.66	(4.1)	2.35	8.5	2.7	(4.8)
Revenues	16,478	17,289	(4.7)	15,861	3.9	17,358	(5.1)
RM Cost	2,660	2,351	13.1	2,618	1.6		
Power and Fuel Cost	3,200	4,103	(22.0)	3,272	(2.2)		
Freight Exp	3,207	3,530	(9.1)	3,131	2.4		
EBITDA (INR Mn.)	2,755	1,891	45.7	2,424	13.6	2,555	7.8
EBITDA Margin (%)	16.7	10.9	578 bps	15.3	144 bps	14.7	200 bps
Depreciation	492	501	(1.9)	514	(4.3)		
EBIT (INR Mn.)	2,443	1,568	55.8	2,080	17.4	1,964	24.4
EBIT Margin (%)	14.8	9.1	576 bps	13.1	171 bps	11.3	351 bps
Other Income	180	178	1.1	171	5.5		
Interest	209	195	7.4	206	1.8		
PBT	2,233	1,373	62.7	1,875	19.1		
Tax	810	400	102.7	635	27.6		
PAT (INR Mn.)	1,424	973	46.3	1,240	14.8	1,296	9.9
Basic EPS (INR)	12.1	8.3	46.3	10.5	14.8	11.0	9.9

	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
NSR /t	6,462	6,500	(0.6)	6,749	(4.3)
Cement Cost /t	5,382	5,789	(7.0)	5,718	(5.9)
EBITDA/t	1,080	711	51.9	1,031	4.7

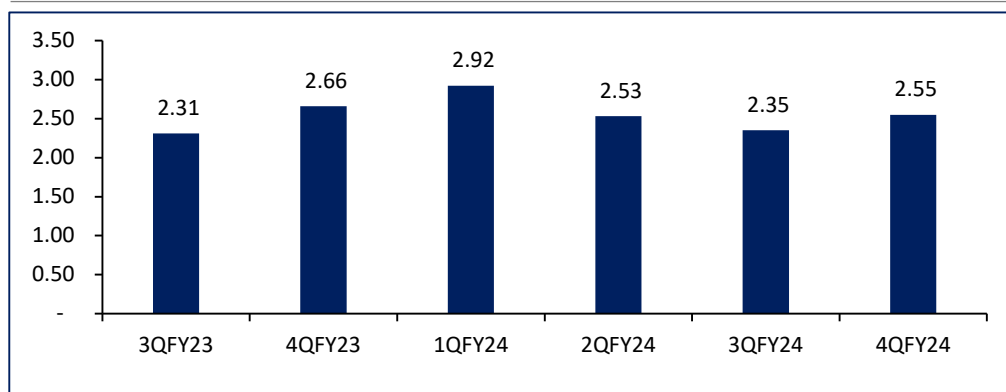
Source: Company, CEBPL

Change in estimates

Income Statement (INR Mn.)	FY25E			FY26E		
	Old	New	Dev. (%)	Old	New	Dev. (%)
Revenues	72,218	71,011	(1.7)	78,197	79,276	1.4
Gross Profit Margin (%)	71.7	70.3	(141)bps	74.3	72.2	(204)bps
EBIT	8,501	8,564	0.7	10,929	10,156	(7.1)
EBIT Margin (%)	11.8	12.1	29 bps	14.0	12.8	(117)bps
EPS	47.0	47.7	1.7	58.7	55.5	(5.5)

Source: Company, CEBPL

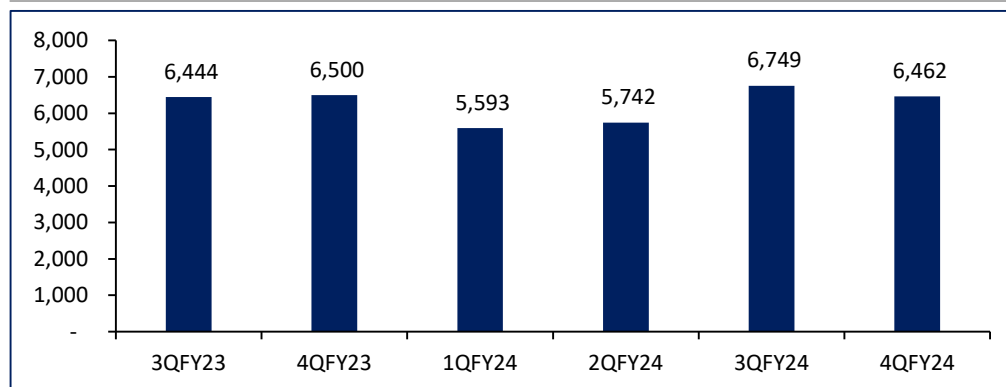
Sales Volume (MT)*



Source: Company, CEBPL

* Q1FY24 and Q2FY24 volumes includes outsourced sales

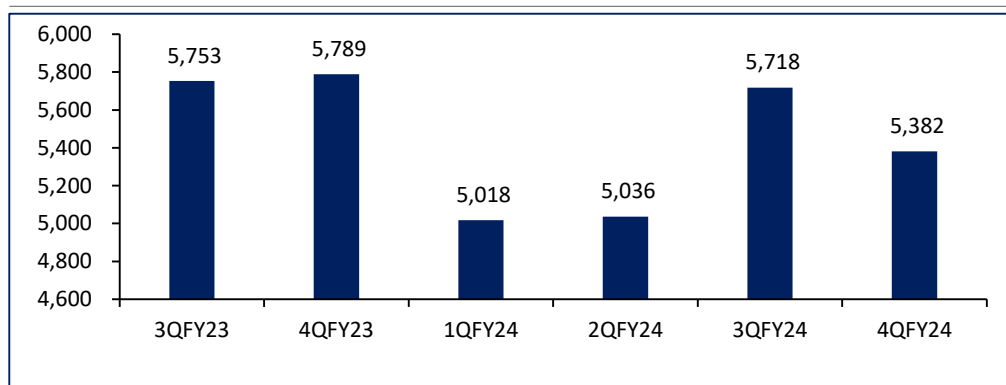
Sales Realisation per Tonne*



Source: Company, CEBPL

* Q1FY24 and Q2FY24 volumes includes outsourced sales

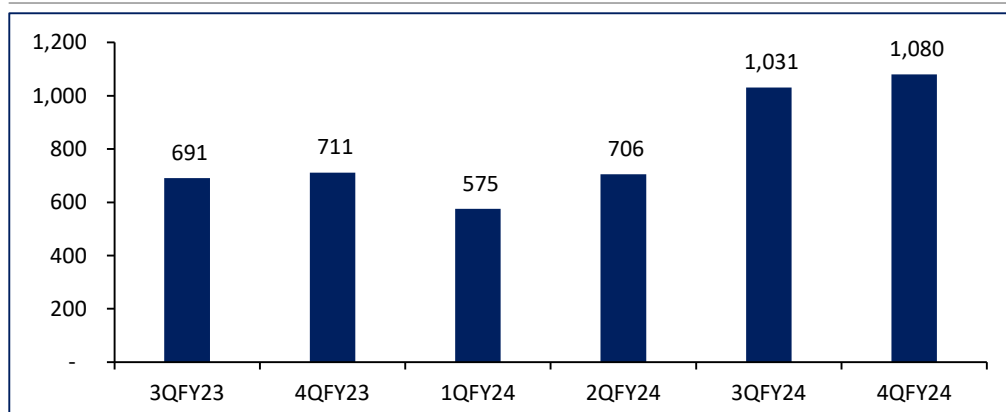
Total Cost per Tonne*



Source: Company, CEBPL

* Q1FY24 and Q2FY24 volumes includes outsourced sales

EBITDA per Tonne*



Source: Company, CEBPL

* Q1FY24 and Q2FY24 volumes includes outsourced sales

Management Call Highlights

- The company has secured a tie-up under the Captive Route for sourcing 40 MW of solar power for its Integrated Cement Plant located at Durg in Chhattisgarh. This sourcing has significantly boosted the share of renewable power at the Durg Cement Plant, soaring from 36% to 80% since October 2023.
- In Q4FY24, the company achieved a capacity utilization of 89%, marking a notable increase from 79% in Q3FY24.
- During the Quarter, the Company acquired 85% stake in M/s. Agrani Cement Private Limited at a total Purchase Consideration of INR3,251mn.
- Net Debt to EBITDA stood at 0.22x in FY24 vs (0.10)x for FY23.
- The share of premium products exceeded 25% in both the West and North markets. Additionally, the company's supply chain has made strides in reducing its lead distance, currently standing at 372km.
- The Board recommended a dividend of INR10 per share for FY24 subject to the approval of the shareholders.

Financial Summary (Standalone in INR Mn)

Income Statement (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	50,408	60,711	63,198	71,011	79,276
Gross profit	38,025	44,893	45,523	49,891	57,252
EBITDA	8,013	7,043	8,638	10,420	12,399
Depreciation	1,905	1,935	1,950	2,566	3,036
EBIT	6,780	5,730	7,328	8,564	10,156
Other income	673	622	640	710	793
Interest expense	963	915	872	1,071	1,073
PAT	4,262	3,308	4,243	5,620	6,528
EPS (INR)	36.2	28.1	36.1	47.7	55.5

Balance Sheet (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E
Tangible fixed assets	27,242	27,020	26,319	35,752	42,716
Capital Work in Progress	1,121	649	3,739	3,839	3,839
Investments	9,379	9,242	14,501	12,286	12,465
Cash & Cash equivalents	3,388	3,347	2,291	1,353	1,744
Loans & Advances and Other Assets	2,003	4,244	4,208	6,294	7,814
Net Working Capital	2,273	2,489	3,346	3,961	4,187
Total assets	45,407	46,992	54,403	63,485	72,765
Shareholder's funds	24,524	27,238	30,815	36,435	42,963
Borrowings	7,795	8,112	7,086	9,231	10,702
Deffered Tax	943	1,596	2,683	3,195	3,171
Other Liabilities & Provisions	12,145	10,046	13,819	14,623	15,929
Total equity & liabilities	45,407	46,992	54,403	63,485	72,765
Capital Employed	30,452	33,993	36,113	42,856	50,401
Invested Capital	25,942	29,997	30,084	37,664	44,818

Cash Flows (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E
Cash flows from Operations	5,399	4,539	8,156	8,859	13,614
Cash flows from Investing	(2,073)	(482)	(5,870)	(10,445)	(9,901)
Cash flows from financing	(3,112)	(3,340)	(2,788)	1,074	398

Ratio Analysis	FY22	FY23	FY24	FY25E	FY26E
Growth Ratios (%)					
Revenues	15.0	20.4	4.1	12.4	11.6
Gross Profit	15.2	18.1	1.4	9.6	14.8
EBITDA	1.5	(12.1)	22.6	20.6	19.0
EBIT	1.2	(15.5)	27.9	16.9	18.6
Margin Ratios (%)					
Gross Profit Margin	75.4	73.9	72.0	70.3	72.2
EBITDA Margin	15.9	11.6	13.7	14.7	15.6
EBIT Margin	13.5	9.4	11.6	12.1	12.8
Profitability (%)					
Return on equity	17.4	12.1	13.8	15.4	15.2
Return on invested capital	21.0	14.1	17.0	17.8	17.0
Return on capital employed	22.3	16.9	20.3	20.0	20.2
Valuation					
OCF / IC (%)	20.8	15.1	27.1	23.5	30.4
EV / EBITDA (x)	4.3	11.4	9.8	8.6	7.3
EV/IC (x)	1.3	2.7	2.8	2.4	2.0

Source: Company, CEBPL

Historical recommendations and target price: JKLC



JK Lakshmi Cements Ltd

1.	30-07-2021	NEUTRAL,	Target Price 717
2.	02-11-2021	OUTPERFORM,	Target Price, 712
3.	04-02-2022	OUTPERFORM,	Target Price, 648
4.	13-02-2023	OUTPERFORM,	Target Price, 878
5.	22-05-2023	OUTPERFORM,	Target Price, 921
6.	29-07-2023	OUTPERFORM,	Target Price, 725
7.	07-11-2023	ADD,	Target Price, 895
8.	14-02-2024	ADD,	Target Price, 955
9.	27-05-2024	BUY,	Target Price, 872

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BUY	The security is expected to generate greater than 5% to less than 25% returns over the next 12 months
REDUCE	The security expected to show downside or upside returns by 0% to 5% over the next 12 months
SELL	The security expected to show Below 0% next 12 months

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