



Duration: 6-9 Months

CMP (Rs)	Target (Rs)	Potential Upside (%)
830	915	10%

MARKET DATA

No. of Shares	11.8 Cr
Market Cap	9794 Cr
52-week High / Low	1000/607
BSE Code	500380
NSE Code	JKLAKSHMI

Why JK Lakshmi Cement Ltd

- ✓ **Capacity expansion to drive revenue growth.**
- ✓ **Cost optimization to drive EBITDA margin.**
- ✓ **Robust Cement demand**
- ✓ **Attractive valuation**

About the Company

JK Lakshmi Cement (JKLC) is a dominant player in the cement industry, particularly in its key markets of North and West India, from which it derives 75% of its revenue. The company also has a significant market presence in Eastern India. On a consolidated basis, JKLC's total cement capacity stands at over 16 million tonnes per annum (mtpa).

Investment Rationale

- A. Capacity expansion to drive higher revenue growth:** The setting up of a grinding unit in Surat with a capacity of 1.35 mtpa at a capital cost of Rs 220 Cr, funded through a mix of internal accruals and debt, is progressing well. The facility is expected to commence operations in phases between FY25 and FY26. Additionally, the company's capacity expansion plan of 4.6 mtpa Cement Grinding and 2.3 mtpa Clinker, at a capital cost of Rs 2,500 Cr (USD 65/tonne), will be commissioned in phases over FY26-27. These expansions are anticipated to boost JK Lakshmi Cement's market share and revenue growth moving forward. We expect the company to grow its revenue at a CAGR of 9% over FY24-26E.
- B. Higher EBITDA/tonne:** During Q4FY24, the company reported an EBITDA/tonne of Rs 1,080, the highest in recent times, due to various initiatives undertaken. The company expects to build on these initiatives, which include optimizing geo-mix, achieving higher production and sale of blended cement, increasing the proportion of trade sales, premium and value-added products, enhancing logistic efficiency, and utilizing more renewable power. We anticipate the company to grow EBITDA/tonne at a CAGR of 18% over FY23-26E, reaching Rs 1,100/tonne. This growth will be driven by stable realization, higher volume, and cost-saving initiatives.
- C. Cement demand to sustain:** Cement demand in the country is expected to remain robust, driven by higher capital spending by the central government on roads, railways, and housing, as well as strong real estate demand. Increasing investment in developing the country's infrastructure will act as a catalyst for higher cement demand. The industry is expected to grow at a CAGR of 8-9% during FY23-FY26E.
- D. Outlook & Valuation:** The company's topline and margins are expected to enhance on account of its superior positioning in the key markets of North, West, and East India along with its various initiatives such as its focus on increasing sales of premium and value-added products, higher blending ratio and trade sales, more use of green energy and direct dispatches. We expect JKLC to report Revenue/EBITDA/APAT CAGR of 9%/22%/23% respectively over FY23-FY26E. The stock is currently trading at 10x and 8x FY25E/FY26E EV/EBITDA, which we believe is attractive.
- E. Recommendation:** We recommend a **BUY** the stock for a target price of Rs 915/ implying an upside of 10% from CMP

Financial Summary (Standalone)

Y/E March	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	P/BV (x)	RoE (%)
FY24	6,320	864	433	37	23	12	3.0	15
FY25E	6,695	1,048	532	45	29	10	2.8	16
FY26E	7,487	1,291	658	56	15	8	2.4	17

 Source: Axis Securities. CMP as on 21st June, 2024

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