

SELL**TP: Rs 731 | ▼ 23%****JK LAKSHMI CEMENT**

Cement

05 August 2025

Consolidation benefits watched keenly; maintain SELL

- Revenue grew by 11.3% YoY to ~Rs17.4bn, helped by volume gains of 10% YoY driven by new markets of eastern and central India region
- Overall cost improved by 3% YoY (flat QoQ) at Rs4,299/tn, helping EBITDA margin improve from 14.3% to 17.9% YoY
- We value JKLC at 9x EV/EBITDA 1YF earnings with a new TP of Rs 731 (vs Rs 728), as earnings revised. Maintain SELL

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Healthy volume gains drive revenue: JKLC grew by 11.3% YoY (-8.3% QoQ) to ~Rs17.4bn, driven by volume gains of 10% YoY (-7.6% QoQ) aided by new markets of eastern and Central India in Q1FY26. Realisations were flat at 1.2% YoY (-0.8% QoQ) as the North and West regions pricing was listless, while South and East had hikes in the 6-9% range. Share of premium products fell to 23% from 27% YoY.

Operating performance improvement: Overall cost per ton improved by 3% YoY (flat QoQ) at Rs4,299/tn. Raw material cost adjusted for fuel cost fell by 5.4% YoY (+1.2% QoQ) as fuel costs were down to Rs1.5/kcal from Rs1.65/kcal YoY. Logistic cost spiked by 8.6% YoY (-2.3% QoQ) as lead distance increased to 399 km from 372 km YoY with new markets chased and is likely to stay elevated in the medium term. Effectively, EBITDA rose by 39% YoY (-11.3% QoQ) to ~Rs3.1bn and EBITDA margin improved from 14.3% to 17.9% YoY (18.5% in Q4FY25). EBITDA/t rose to Rs936/t from Rs740/tn YoY(-4%QoQ).

Capacity expansion on track: The Durg expansion equipment orders will be placed in Q2FY26 and the work at the three split location Cement Grinding Units with 3.4 mnt capacity at Prayagraj, Madhubani, and Patratu is as per schedule, with Madhubani will be commissioned earlier followed by Prayagraj in 1HFY28 and Patratu is slated for Q4FY28.

Merger with subsidiaries: During Q1FY26, the merger of Udaipur Cement Works with JKLC was completed.

Estimates revise; maintain SELL: We revise our FY26e/FY27e estimates upwards to give cost savings benefits to JKLC and the merger completion. However, besides challenges from the changing dynamics following intense supply pressure from large cement companies impacting pricing, net debt will also peak due to expansion. We introduce FY28 earnings with EBITDA margin of ~16% and earnings growth of 25% YoY. We value JKLC at 9x EV/EBITDA 1-year forward earnings (revised) with a new TP to Rs 731 (from Rs 728). Maintain SELL.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	JKLC IN/Rs 951
Market cap	US\$ 1.3bn
Free float	54%
3M ADV	US\$ 3.0mn
52wk high/low	Rs 1,021/Rs 661
Promoter/FPI/DII	46%/14%/26%

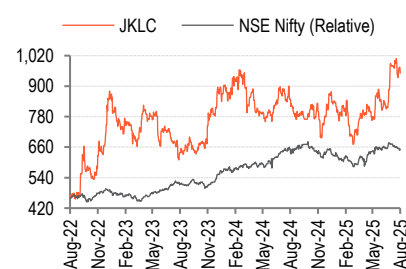
Source: NSE | Price as of 4 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	56,980	70,984	78,975
EBITDA (Rs mn)	6,308	9,900	11,858
Adj. net profit (Rs mn)	2,814	4,034	4,726
Adj. EPS (Rs)	23.9	34.3	40.2
Consensus EPS (Rs)	23.9	39.3	48.2
Adj. ROAE (%)	9.4	11.4	11.9
Adj. P/E (x)	39.8	27.7	23.7
EV/EBITDA (x)	18.7	11.0	8.1
Adj. EPS growth (%)	(33.7)	43.3	17.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q1FY26	Q4FY25	Our view
Volume and realisations	<p>Industry volume growth came in at 5-6% in Q1FY26, with regional disparities. JKLC aims for above-industry growth in FY26. Volume growth was driven by Central India and UP, with lead distance up to 399km (vs. 393km in Q4FY25). Realisations remained stable overall. South saw price hikes of 6% to 9%, and East experienced increases of 6% to 7%, while North and West did not witness significant price growth, with some decline noted, particularly in non-trade segments.</p>	<p>JKLC expects 6.5-7% industry growth in FY26 but aims for 10% volume growth. Capacity utilisation was 85% (vs. 78% in Q3). Realisation up 11% QoQ to Rs6,766/tn, driven by better geo-mix and price hikes. Lead distance increased to 393km (vs. 381km in Q3) due to supply in UP East after discontinuing outsourced grinding units.</p>	<p>Consolidation benefits help volume gain, above industry growth sustainability is the key to retaining market share.</p>
Margin	<p>Fuel cost was down to Rs 1.5/kcal from Rs1.53/kcal Q4FY25, with green power share at 49% (targeting 52% by FY26-end). TSR improved, targeting 12% in FY26. Cost reduction target of Rs100-120/t intact over 12-18 months. Blended cement share was at 65%, trade sale at 60%, premium products at 23% (down from 26% last quarter), with a target to raise premium products to 27% by FY26-end.</p>	<p>Fuel cost was at Rs1.53/kcal (vs. Rs1.57/kcal in Q3FY25), expected to remain stable. Green power was at 50%, targeting 52-53% by FY26-end. Blended cement share was at 65%, trade proportion was at 60%. Premium product share came in at 25%. CC ratio at 1.44.</p> <p>Cost savings of Rs100-120/t targeted in 12-18 months via green power, thermal substitution (TSR 9% in FY25, targeting 12% in FY26), and lead distance reduction to 380km.</p>	<p>Pricing challenges will only be partially offset by the benefit of operating efficiencies (cost measures), but additional benefits may be limited.</p>
Capacity	<p>Durg expansion (2.3mnt clinker, 4.6mnt cement) to place equipment orders this quarter, targeting completion by Q3FY27. Madhubani is ahead in timeline, with environmental clearance in process post completed public hearing, while Prayagraj is also in preparation, though lagging slightly behind Madhubani. Patratu is slated for commissioning in March 2028. The Northeast project is now under JKLC (100% ownership), land has been secured, and management plans to start placing orders soon, with further details on size and cost to be confirmed by next quarter.</p>	<p>Surat GU first phase (0.7mnt) is in trial, commissioning is expected in June 2025; remaining 0.65mnt by September 2025. Durg expansion (2.3mnt clinker, 4.6mnt cement) is on track for Q3FY27. Prayagraj and Madhubani land acquisition and public hearings are done; environmental clearance is awaited.</p> <p>Northeast project is expected to be delayed by 7-8 months on local/political issues. Management has reiterated target of 30mnt by FY30 unchanged, with greenfield plants planned at Nagaur and Kutch.</p>	<p>Capacity expansion will be effective post FY26, though we note that the company's execution capabilities have remained below par in past. Cost-saving initiatives need to be expedited as well.</p>
Capex	<p>FY26 capex guidance at Rs15bn, with Q1FY26 spend at Rs1bn. Durg and Northeast to dominate, with Rs700-800mn spent on East expansion. Overhead conveyor belt in final approval stages, commissioning expected this quarter. Management indicated a potential additional debt of Rs10bn this year to finance ongoing projects.</p> <p>Over the next 3 years, capex is estimated at Rs15-16bn annually, with Durg expansion at Rs30bn and Northeast at an additional amount, including Rs70-80mn yearly for other projects.</p>	<p>FY25 capex spent was Rs 5.5bn (JKLC: Rs 3bn, UCWL: Rs 2.5bn). FY26 guidance: Rs 13bn (JKLC: Rs11bn including Durg, Northeast: Rs1.5bn, UCWL: Rs 0.5bn). FY27 guidance: Rs 18bn (JKLC: Rs 10bn, Northeast: Rs 8bn). Conveyor belt project capex is planned at Rs 0.7-0.8bn and is expected to be commissioned by March 2026.</p>	<p>Aggressive expansion plans imply that the capex trajectory is likely to remain elevated.</p> <p>The Durg conveyor belt project has been delayed for longer than expected. Debt-EBITDA will remain elevated if capex is executed as planned in the interim period</p>

Parameter	Q1FY26	Q4FY25	Our view
Other key points	<p>Non-cement revenue at Rs1.46bn, RMC at Rs0.7bn. Consolidated cash stands at Rs 11.5bn, including Rs 3.5bn in fixed deposits. Prices are expected to rise post-monsoon, particularly in North and West, where demand is anticipated to improve after the low-July-September season.</p> <p>Management stated that JKLC has a reasonable market share of 10% to 14% in operational markets like Chhattisgarh, Rajasthan, and Gujarat</p>	<p>Non-cement revenue was Rs1.51bn, RMC: Rs 0.75bn, EBITDA margin was 3%.</p> <p>Consolidated cash balance was at Rs 11.5bn, including Rs 3.5bn in fixed deposits (>1 year).</p> <p>Northeast project: Paid Rs1.3bn of Rs 3.25bn consideration, remaining amount is linked to milestones.</p> <p>UCWL amalgamation is expected before Dec'25. Prices have been flattish across geographies in April/May, expected to remain range-bound till June/July 2025.</p>	<p>Non-cement revenue contribution is steady and needs some more attention for improvement</p>

Source: Company, BOBCAPS Research | RMC: Ready-mix concrete

Fig 2 – Key metrics (standalone)

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Deviation (%)
Volumes (mn mt)	3.3	2.3	43.0	2.6	29.4	2.4	36.2
Cement realisations (Rs/t)	5,009	5,901	(15.1)	6,474	(22.6)	5,116	(2.1)
Operating costs (Rs/t)*	4,299	5,417	(20.6)	5,823	(26.2)	5,547	
EBITDA/t (Rs)	936	793	18.0	943	(0.8)	(1,120)	

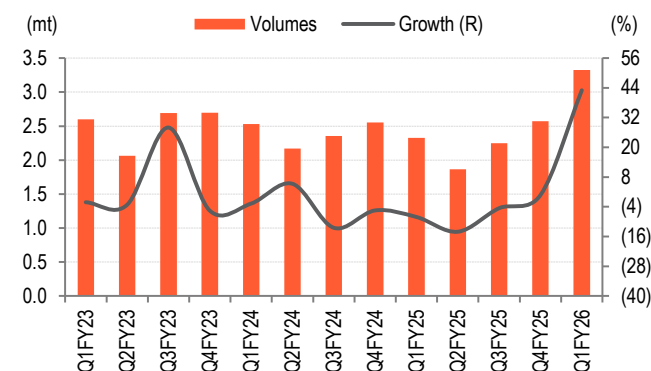
Source: Company, BOBCAPS Research | * Aggregate cost

Fig 3 – Quarterly performance (standalone)

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Deviation (%)
Net Sales	17,409	15,639	11.3	18,976	(8.3)	16,280	6.9
Expenditure							
Change in stock	135	673	(80.0)	294	(54.3)	(251)	(153.6)
Raw material	2,644	2,212	19.6	2,808	(5.8)	2,584	2.3
purchased products	287	777	(63.1)	390	(26.5)	2,198	(87.0)
Power & fuel	3,781	3,422	10.5	3,908	(3.3)	2,811	34.5
Freight	3,973	3,325	19.5	4,397	(9.7)	3,422	16.1
Employee costs	1,243	1,014	22.6	1,137	9.3	1,000	24.3
Other exp	2,236	1,980	12.9	2,535	(11.8)	1,781	25.6
Total Operating Expenses	14,297	13,402	6.7	15,469	(7.6)	13,545	5.6
EBITDA	3,112	2,237	39.1	3,507	(11.3)	2,735	13.8
EBITDA margin (%)	17.9	16.7	(278bps)	10.4	356bps	16.8	110bps
Other Income	243	130	86.8	176	38.2	139	74.7
Interest	522	469	11.3	444	17.7	171	205.4
Depreciation	770	716	7.4	761	1.1	529	45.5
PBT	2,063	1,181	74.7	2,478	(16.7)	2,174	(5.1)
Non-recurring items	0	(354)	0.0	0	0.0	0	0.0
PBT (after non recurring items)	2,063	826	149.6	2,478	(16.7)	2,174	(5.1)
Tax	546	263	108.0	780	(29.9)	652	(16.3)
Reported PAT	1,517	564	169.1	1,698	(10.7)	1,522	
Adjusted PAT	1,517	918	65.2	1,698	(10.7)	1,522	
NPM (%)	8.7	5.9	284bps	8.9	(24bps)	9.0	(30bps)
Adjusted EPS (Rs)	12.9	7.8	65.2	14.4	(10.7)	12.9	

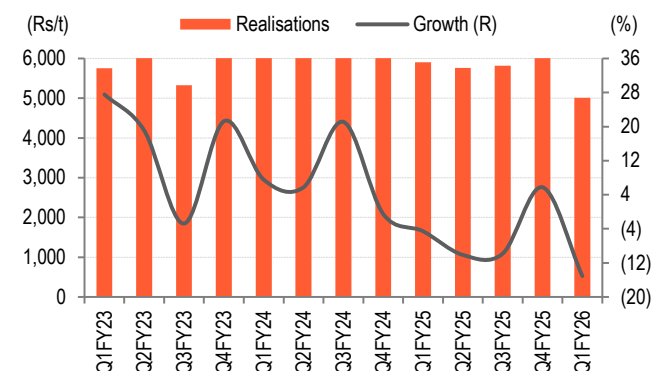
Source: Company, BOBCAPS Research

Fig 4 – Volume gains contributed by UCWL



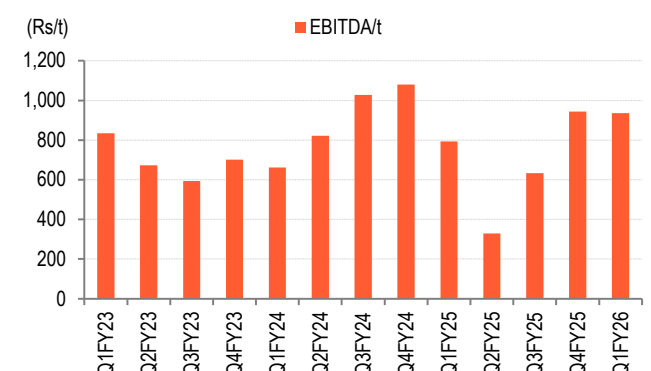
Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Fig 5 – Realisation dent due to listless pricing in northern region



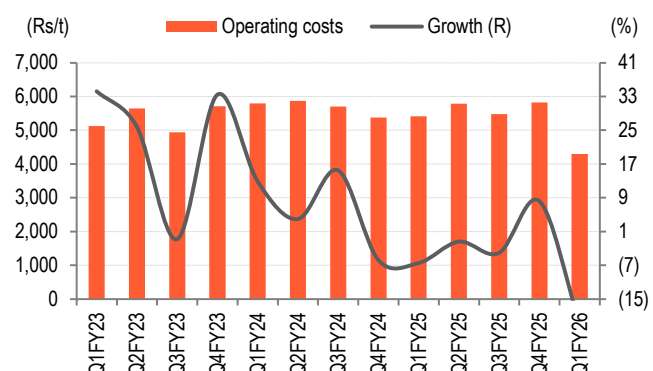
Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Fig 6 – EBITDA/t may stay rangebound



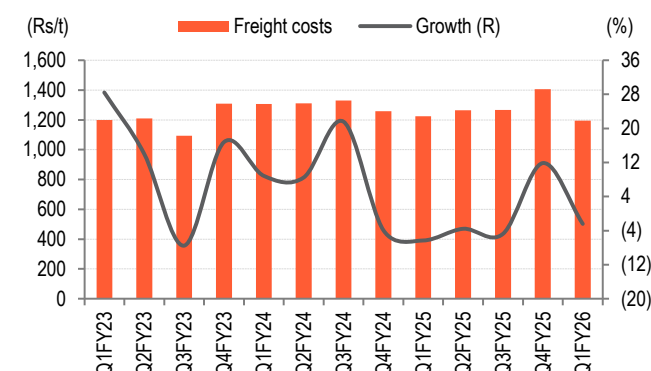
Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Fig 7 – Operating cost savings from consolidation



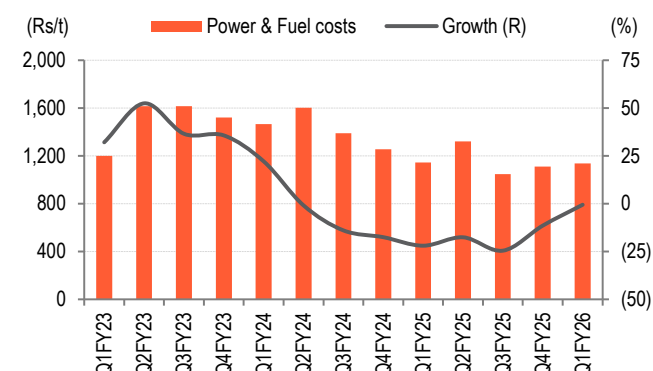
Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Fig 8 – Freight cost inflation as JKLC chased farther areas though volume growth is stunted



Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Fig 9 – Fuel cost savings commendable and likely to continue



Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Valuation Methodology

We revise our FY26e/FY27e estimates upwards to give cost saving benefits to JKLC and the merger completion. However, besides facing challenges from the changing dynamics following intense supply pressure from large cement companies impacting the pricing, net debt will also peak due to expansion.

JKLC's performance will be determined by its ability to deliver volumes from the new capacity as its capex is largely backed by debt. The changed dynamics of the cement sector with aggressive pricing for market penetration and capability of large size companies to sustain pricing pressure will be the key pressure points for regional companies. Growing competition in JKLC's operating regions including Gujarat and the eastern region, balance sheet pressure in the capex phase and weak execution capabilities in the past - all remain key challenges.

We introduce FY28 earnings with EBITDA margin of ~16% and earnings growth of 25% YoY. We value JKLC at 9x EV/EBITDA 1YF earnings (revised) with a new TP to Rs 731 (from Rs 728). Maintain SELL.

Fig 10 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	70,984	78,975	89,206	68,200	73,977		4.1	6.8	0.0
EBITDA	9,900	11,858	14,395	8,901	10,961		11.2	8.2	0.0
Adj PAT	4,034	4,726	5,925	4,222	4,963		(4.5)	(4.8)	0.0
Adj EPS (Rs)	34.3	40.2	50.3	35.9	42.2		(4.5)	(4.8)	0.0

Source: BOBCAPS Research | Note: Revision post the new consolidated numbers hence not comparable with old numbers

Fig 11 – Key assumptions

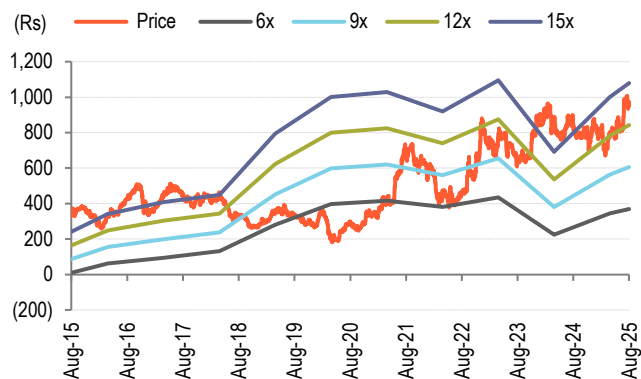
Parameter	FY25	FY26E	FY27E	FY28E
Volumes (mt)	10.7	11.4	12.5	14.0
Realisations (Rs/t)	6,170	6,262	6,387	6,515
Operating costs (Rs/t)	5,112	5,358	5,352	5,327
EBITDA/t (Rs)	636	868	946	1025

Source: Company, BOBCAPS Research

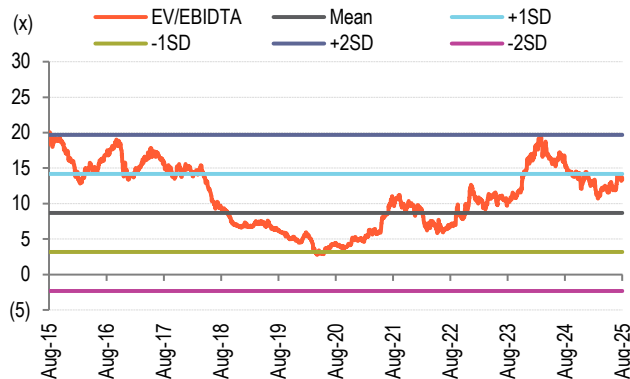
Fig 12 – Valuation summary

(Rs mn)	FY27E
Target EV/EBITDA (x)	9.0
EBITDA	12,491.9
Target EV	1,17,924.1
Total EV	1,17,924.1
Net debt	31,921.1
Target market capitalisation	86,003.1
Target price (Rs/sh)	731
Weighted average shares (mn)	117.7

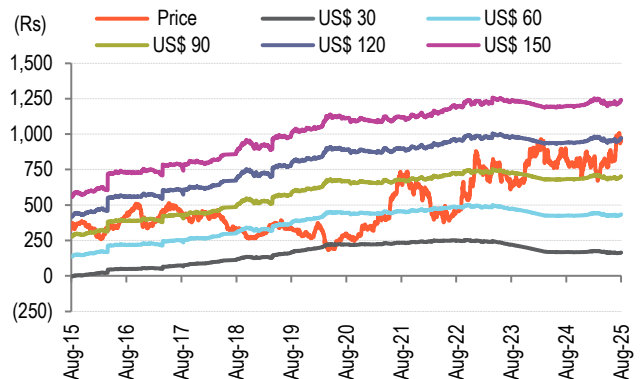
Source: BOBCAPS Research, Valuations based on Jun 2027

Fig 13 – EV/EBITDA band: Valuations premium unjustified following earnings profile


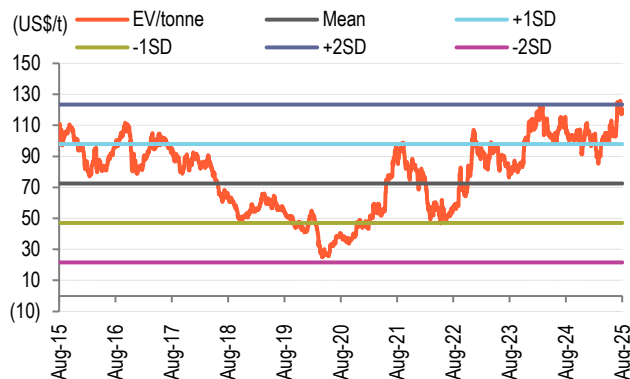
Source: Bloomberg, BOBCAPS Research

Fig 14 – EV/EBITDA 1Y fwd: Valuations will revert to mean over the medium term


Source: Bloomberg, BOBCAPS Research

Fig 15 – EV/tonne band: Replacement cost at premium valuations too


Source: Bloomberg, BOBCAPS Research

Fig 16 – EV/tonne 1Y fwd: Peak too high too early


Source: Bloomberg, BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- strong pricing gains in key operating regions,
- further softening of energy cost lending a boost to margins, and
- aggressive capex execution, leading to an above-expected performance.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	63,198	56,980	70,984	78,975	89,206
EBITDA	8,637	6,308	9,900	11,858	14,395
Depreciation	(1,950)	(1,987)	(2,251)	(2,610)	(2,996)
EBIT	7,328	5,619	8,324	9,941	12,112
Net interest inc./(exp.)	(872)	(703)	(2,279)	(2,557)	(2,931)
Other inc./(exp.)	640	1,298	674	693	713
Exceptional items	0	800	0	0	0
EBT	6,456	5,716	6,044	7,384	9,181
Income taxes	(2,212)	(2,102)	(2,010)	(2,658)	(3,256)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	4,243	3,614	4,034	4,726	5,925
Adjustments	0	(800)	0	0	0
Adjusted net profit	4,243	2,814	4,034	4,726	5,925

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,888	12,356	15,062	16,550	18,447
Other current liabilities	14,954	4,481	4,944	5,419	5,910
Provisions	181	386	995	1,012	1,031
Debt funds	5,632	10,103	27,888	32,278	36,683
Other liabilities	2,683	2,890	198	198	198
Equity capital	588	588	588	588	588
Reserves & surplus	30,226	33,084	36,811	41,243	46,890
Shareholders' fund	32,743	33,673	37,399	41,832	47,478
Total liab. and equities	59,081	63,888	86,485	97,289	1,09,746
Cash and cash eq.	4,985	4,357	2,622	1,287	1,973
Accounts receivables	402	924	1,945	2,164	2,444
Inventories	7,622	6,704	7,974	8,655	9,776
Other current assets	4,159	8,714	9,571	9,792	10,027
Investments	11,807	11,951	12,098	12,247	12,398
Net fixed assets	26,224	30,583	48,608	57,464	65,934
CWIP	3,739	500	3,500	5,500	7,000
Intangible assets	144	155	168	181	194
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	59,081	63,888	86,485	97,289	1,09,746

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	8,121	960	4,222	8,196	9,690
Capital expenditures	(4,257)	(3,229)	(23,288)	(13,479)	(12,979)
Change in investments	(5,258)	(197)	2,601	(149)	(151)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(9,516)	(3,426)	(20,688)	(13,628)	(13,130)
Equities issued/Others	529	(1,929)	0	0	0
Debt raised/repaid	(214)	4,471	17,785	4,390	4,404
Interest expenses	0	0	0	0	0
Dividends paid	(677)	(765)	(824)	(824)	(824)
Other financing cash flows	699	9	517	531	546
Cash flow from financing	338	1,785	17,478	4,097	4,126
Chg in cash & cash eq.	(1,057)	(681)	1,013	(1,335)	687
Closing cash & cash eq.	4,985	4,357	2,622	1,287	1,973

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	36.1	30.7	34.3	40.2	50.3
Adjusted EPS	36.1	23.9	34.3	40.2	50.3
Dividend per share	5.7	6.5	7.0	7.0	7.0
Book value per share	278.2	286.1	317.8	355.5	403.5

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.8	2.1	1.5	1.2	0.9
EV/EBITDA	13.0	18.7	11.0	8.1	5.8
Adjusted P/E	26.4	39.8	27.7	23.7	18.9
P/BV	3.4	3.3	3.0	2.7	2.4

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	65.7	63.2	66.7	64.0	64.5
Interest burden (PBT/EBIT)	88.1	87.5	72.6	74.3	75.8
EBIT margin (EBIT/Revenue)	11.6	9.9	11.7	12.6	13.6
Asset turnover (Rev./Avg TA)	113.7	92.7	94.4	85.9	86.2
Leverage (Avg TA/Avg Equity)	1.8	1.9	2.1	2.3	2.3
Adjusted ROAE	14.0	9.4	11.4	11.9	13.3

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	4.1	(9.8)	24.6	11.3	13.0
EBITDA	22.6	(27.0)	56.9	19.8	21.4
Adjusted EPS	28.3	(33.7)	43.3	17.2	25.4

Profitability & Return ratios (%)

EBITDA margin	13.7	11.1	13.9	15.0	16.1
EBIT margin	11.6	9.9	11.7	12.6	13.6
Adjusted profit margin	6.7	4.9	5.7	6.0	6.6
Adjusted ROAE	14.0	9.4	11.4	11.9	13.3
ROCE	19.2	12.8	14.8	14.2	15.3

Working capital days (days)

Receivables	2	6	10	10	10
Inventory	44	43	41	40	40
Payables	19	89	90	90	90

Ratios (x)

Gross asset turnover	1.5	1.2	1.0	1.0	1.0
Current ratio	1.0	1.2	1.1	1.0	1.0
Net interest coverage ratio	8.4	8.0	3.7	3.9	4.1
Adjusted debt/equity	0.2	0.3	0.7	0.8	0.8

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

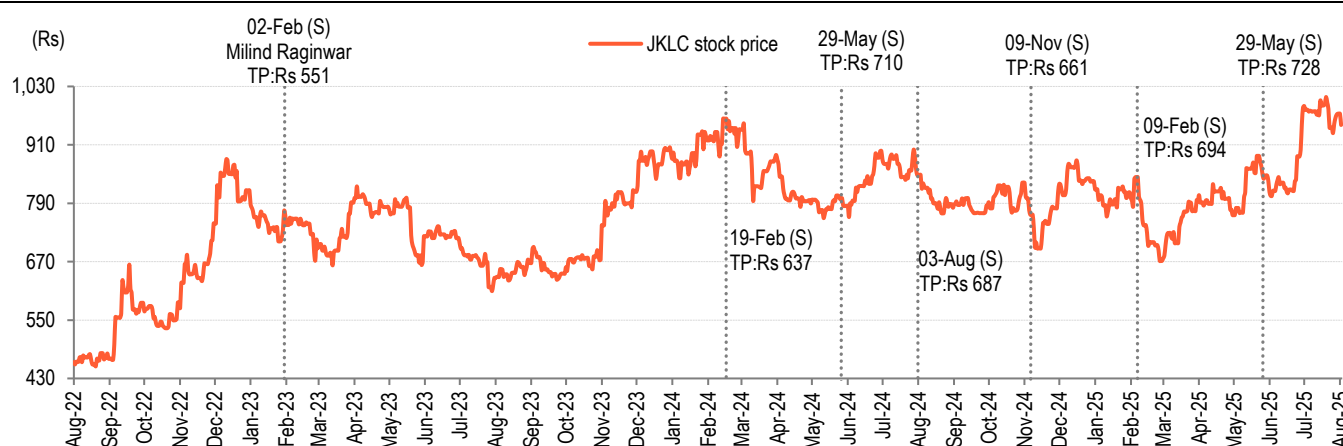
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): JK LAKSHMI CEMENT (JKLC IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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