BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL
TP: Rs 728 | ∀ 14%

JK LAKSHMI CEMENT | Cement | 29 May 2025

No respite from challenges; maintain SELL

- **Modest revenue growth YoY at 6% dragged by tepid volume growth; flat YoY as JKLC chases higher realisations that gained ~5%**
- **Operating cost shot up ~8%/6% to Rs 5,823/t, aided by higher logistics cost that provides little respite to EBITDA margins at 13.9%**
- **We value JKLC at 9x EV/EBITDA 1YF earnings with a new TP of Rs 728 (vs Rs 694) as earnings revised. Maintain SELL**

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Realisations improve as volume growth gets hit: In Q4FY25, revenue inched up by ~6% YoY (+~27% QoQ) to ~Rs17.4bn. JKLC chased realisations that grew (ex-RMC sales) by 4.7% YoY to Rs6,766/tn. However, volumes came in flat YoY (+14.3% QoQ) at 2.57 mnt (excluding clinker sales), indicating heightened competitive intensity that offset demand recovery benefits.

Weak operating performance: Subsequently, overall cost was inflated by 8%6% YoY/QoQ at Rs5,823/tn. Adjusted for fuel cost, raw material cost rose by 5%/2% YoY/QoQ; despite green energy contribution increasing to 50% from 48% QoQ. Furthermore, logistics cost spiked by ~12%/11% YoY/QoQ and other expenditure also rose by ~11%/22% YoY/QoQ. Effectively, EBITDA fell by 12% YoY (+70% QoQ) to ~Rs2.42bn and EBITDA margin declined from 16.7% to 13.9% YoY (10.4% in Q3FY25). EBITDA/t fell to Rs973/t from Rs1,080/tn YoY(+~49%QoQ).

Capacity expansion on track: Grinding capacity expansion at Surat (first phase 0.7mnt) is in the trial phase and expected to be commissioned by June'25 remaining to be operational by Sept'25. Durg expansion (2.3mnt clinker, 1.2mnt cement) is on track for Q3FY27. Three split location CGU with 3.4mnt capacity at Prayagraj, Madhubani and Patratu are in process (environmental approvals awaited).

Merger with subsidiaries: Amalgamation with Udaipur Cement Works, Hansdeep Industries and Trading Company Ltd and d Hidrive Developers & Industries Limited is expected to be finalised by Dec'25 once the approval by NCLT comes in.

Estimates lowered; maintain SELL: We revise FY26e/FY27e estimates upwards to give cost-saving benefits. However, JKLC faces challenges from the changing dynamics of its operating areas, following intense pressure from major players. We pencil in a weak 3Y EBITDA/PAT CAGR of 8%10%, factoring in pricing weakness that may be partially offset by a better cost structure. We value JKLC at 9x EV/EBITDA 1YF earnings (unchanged) and revise TP to Rs 728 (from Rs 694). Maintain SELL.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	JKLC IN/Rs 849
Market cap	US$ 1.2bn
Free float	54%
3M ADV	US$ 1.7mn
52wk high/low	Rs 935/Rs 661
Promoter/FPI/DII	46%/14%/26%

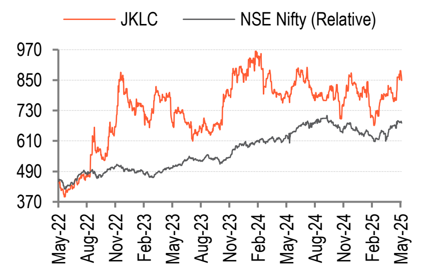
Source: NSE | Price as of 28 May 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	56,980	68,200	73,977
EBITDA (Rs mn)	6,308	8,901	10,961
Adj. net profit (Rs mn)	2,814	4,222	4,963
Adj. EPS (Rs)	23.9	35.9	42.2
Consensus EPS (Rs)	23.9	38.3	43.9
Adj. ROAE (%)	9.4	11.8	12.4
Adj. P/E (x)	35.5	23.7	20.1
EV/EBITDA (x)	16.7	10.9	8.4
Adj. EPS growth (%)	(33.7)	50.0	17.5

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q4FY25	Q3FY25	Our view
Volume and realisations	JKLC expects 6.5-7% industry growth in FY26 but aims for 10% volume growth. Capacity utilisation was at 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.	Management has guided for 4-5% growth for FY25 and 6-7% for FY26. For Q3FY25, JKLC's capacity utilisation was ~78%. UCWL has a capacity utilisation of 57% in Q3FY25; likely to be 65% in FY26. JKLC has observed improved pricing starting from Dec'24-end.	Market share loss is evident as JKLC lags well behind the industry growth. It will be challenging to regain the lost ground.
Margin	Fuel cost was at Rs1.53/kcal (vs Rs1.57/kcal in Q3FY25), expected to remain stable in Q1FY26. 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. 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.	Fuel cost was at Rs 1.57/kcal vs 1.62/kcal in Q2FY25. JKLC is working on cost reduction and expects to achieve cost savings of Rs 80-100/t by optimizing supply chain and adoption of renewable energy (proportion stands at 48% in Q3FY25). Blended cement was at 65% and trade proportion at 58%. Lead distance of 381km in Q3FY25.	In our view, pricing challenges will only be partially offset by the benefit of operating efficiencies (cost measures).
Capacity	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. Northeast project is expected to be delayed by 7-8 months due to local/political issues. Management has reiterated its target of 30mnt by FY30 unchanged, with greenfield plants planned at Nagaur and Kutch.	Surat grinding unit likely to be commissioned in a phase-wise manner with 0.7mt capacity commissioned in Q4FY25 and the remaining in Q1FY26. Management has provided no deviation from the Q2FY25 guidance for capacity expansion.	Capacity expansion will be effective post FY26, though we note that the company's execution capabilities have remained below par in the past. Cost-saving initiatives need to be expedited as well.
Capex	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.	In 9MFY25 JKLC has incurred Rs 2.5bn of capex and expects to spend another Rs 1bn in Q4FY25. Management has given a guidance of Rs 10bn for FY26 and Rs 15bn for FY27.	Aggressive expansion plans imply that the capex trajectory is likely to remain elevated. 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
Other key points	Non-cement revenue was Rs1.51bn, RMC: Rs 0.75bn, EBITDA margin was 3%. Consolidated cash balance was at Rs 11.5bn, including Rs 3.5bn in fixed deposits (>1 year). Northeast project: Paid Rs1.3bn of Rs 3.25bn consideration, remaining amount is linked to milestones. 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.	Gross debt was Rs 6.5bn and cash Rs 3bn by Q3-end. At the consolidated level, debt was ~Rs 21.5bn and cash Rs 4bn. Non cement revenue was Rs 1.35bn and margin was at ~1%. RMC business segment contributed about ~Rs 0.64bn. The Durg conveyer belt project is delayed since regulatory approval is awaited and expects the approval to be granted in Q4FY25.	We feel JKLC may face challenges in the northeast market and that may delay the expansion in the region.

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

Fig 2 – Key metrics (standalone)

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Q4FY25E	Deviation (%)
Volumes (mn mt)	2.6	2.6	0.7	2.2	14.3	3.00	(14.4)
Cement realisations (Rs/t)	6,474	6,122	5.7	5,815	11.3	5,875	10.2
Operating costs (Rs/t)*	5,823	5,380	8.2	5,475	6.4	5,152	13.0
EBITDA/t (Rs)	943	1,080	(12.7)	634	48.7	826	14.1

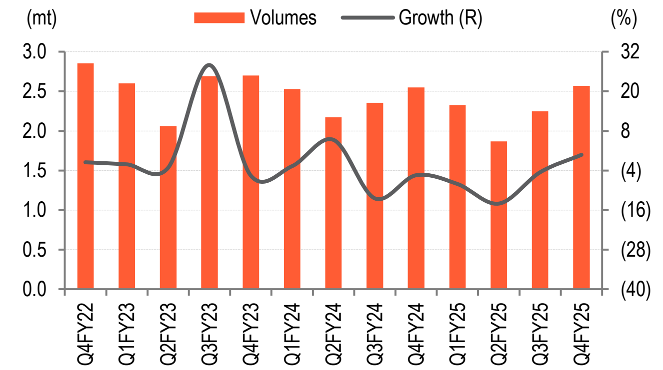
Source: Company, BOBCAPS Research | * Aggregate cost

Fig 3 – Quarterly performance (standalone)

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Q4FY25E	Deviation (%)
Net Sales	**17,388**	**16,478**	**5.5**	**13,733**	**26.6**	**17,943**	**(3.1)**
Expenditure							
Change in stock	128	(358)	(135.8)	221	(42.0)	85	50.8
Raw material	2,822	2,660	6.1	2,402	17.5	3,268	(13.6)
purchased products	2,415	2,256	7.1	1,728	39.8	2,338	3.3
Power & fuel	2,855	3,200	(10.8)	2,356	21.2	3,085	(7.5)
Freight	3,614	3,207	12.7	2,847	26.9	3,734	(3.2)
Employee costs	1,017	849	19.7	1,015	0.2	1,025	(0.8)
Other exp	2,113	1,909	10.7	1,739	21.5	1,928	9.6
Total Operating Expenses	14,964	13,723	9.0	12,308	21.6	15,464	(3.2)
EBITDA	**2,424**	**2,755**	**(12.0)**	**1,425**	**70.1**	**2,480**	**(2.3)**
EBITDA margin (%)	13.9	16.7	(278bps)	10.4	356bps	13.8	12bps
Other Income	152	180	(15.7)	105	43.8	95	59.6
Interest	164	209	(21.5)	172	(4.4)	189	(13.1)
Depreciation	512	492	4.1	508	0.8	518	(1.2)
PBT	1,899	2,233	(15.0)	851	123.2	1,868	1.7
Non-recurring items	0	0	0.0	0	0.0	0	0.0
PBT (after non recurring items)	1,899	2,233	(15.0)	851	123.2	1,868	1.7
Tax	520	810	(35.8)	256	103.0	560	(7.3)
Reported PAT	1,380	1,424	(3.1)	595	131.9	1,307	5.5
Adjusted PAT	**1,380**	**1,424**	**(3.1)**	**595**	**131.9**	**1,307**	**5.5**
NPM (%)	7.9	8.6	(70bps)	4.3	360bps	7.3	65bps
Adjusted EPS (Rs)	**11.7**	**12.1**	**(3.1)**	**5.1**	**131.9**	**11.1**	**5.5**

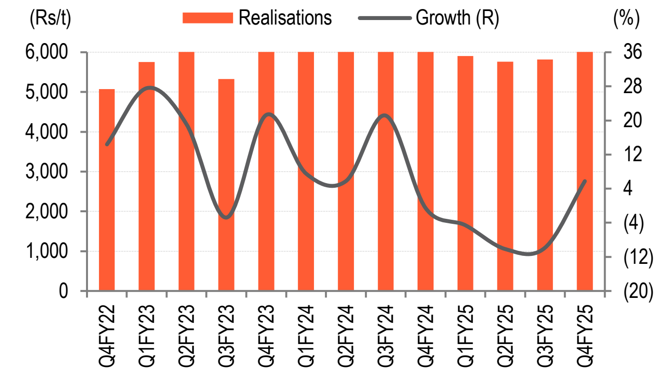
Source: Company, BOBCAPS Research

Fig 4 – Volume gains capped by competitive intensity



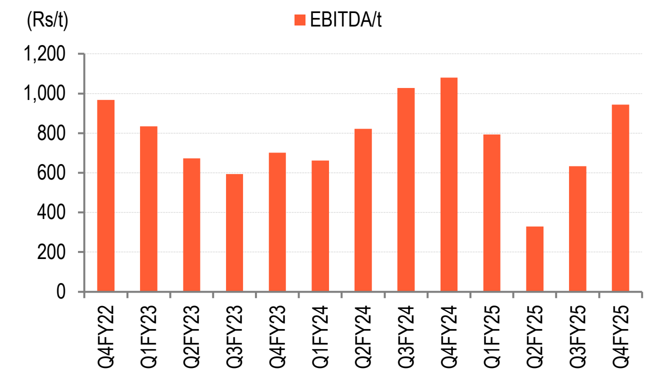
Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Fig 5 – Realisation spike at the cost of market share loss



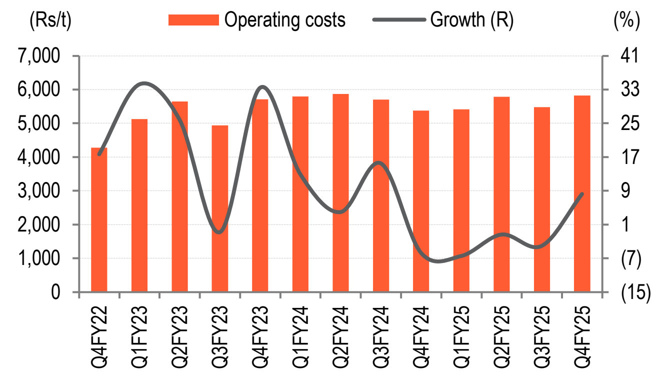
Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Fig 6 – EBITDA/t may continue to be under pressure YoY



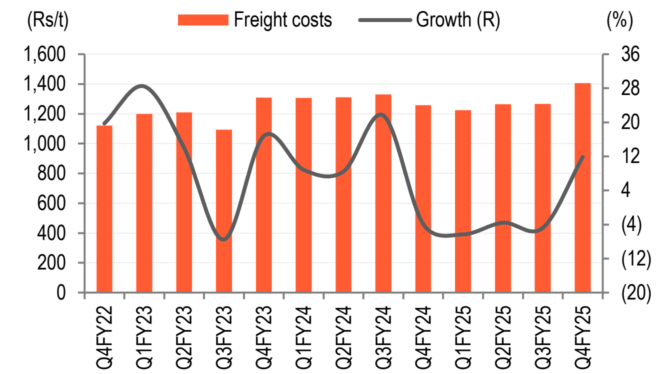
Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Fig 7 – Operating cost inflation a key negative surprise



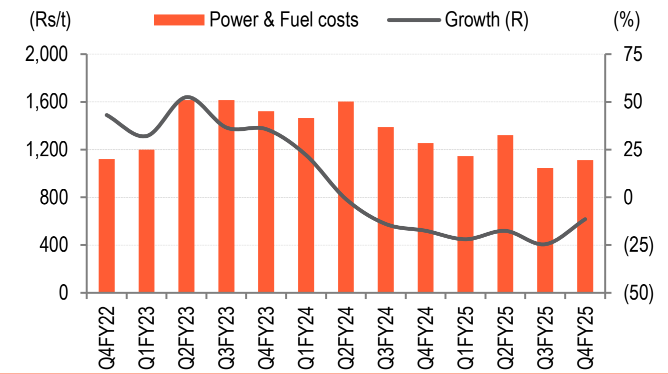
Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

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



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. However, JKLC faces challenges from the changing dynamics of its operating areas, following intense supply pressure from large cement companies. We pencil in a weak 3Y EBITDA/PAT CAGR of 8%10%, factoring in pricing weakness that may be partially offset by a better cost structure.

In our view, JKLC's performance will hinge on its ability to deliver volumes from the new capacity, as its capex is largely backed by debt. Regaining lost market share during the capacity constraint phase will be a key challenge in competitive conditions. The changed dynamics of the Cement sector with aggressive pricing for market penetration and the 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 remain key challenges.

We value JKLC at 9x EV/EBITDA 1YF earnings (unchanged) and revise TP to Rs 728 (from Rs 694). Maintain SELL.

Fig 10 – Revised Estimates

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	68,200	73,977	68,200	73,977	0.0	0.0
EBITDA	8,901	10,961	8,586	10,627	3.7	3.1
Adj PAT	4,222	4,963	4,075	5,184	3.6	(4.3)
Adj EPS (Rs)	35.9	42.2	34.6	44.1	3.7	(4.4)

Source: Company, BOBCAPS Research

Fig 11 – Key assumptions

Parameter	FY24	FY25E	FY26E	FY27E
Volumes (mt)	9.61	9.01	10.9	11.7
Realisations (Rs/t)	6,360	5,988	6,262	6,387
Operating costs (Rs/t)	5,559	5,626	5,467	5,430
EBITDA/t (Rs)	880	675	787	911

Source: Company, BOBCAPS Research

Fig 12 – Valuation summary

(Rs mn)	FY26E
Target EV/EBITDA (x)	9
EBITDA	10,961
Target EV	98,649
Total EV	98,649
Net debt	13,007
Target market capitalisation	85,642
Target price (Rs/sh)	**694**
Weighted average shares (mn)	728

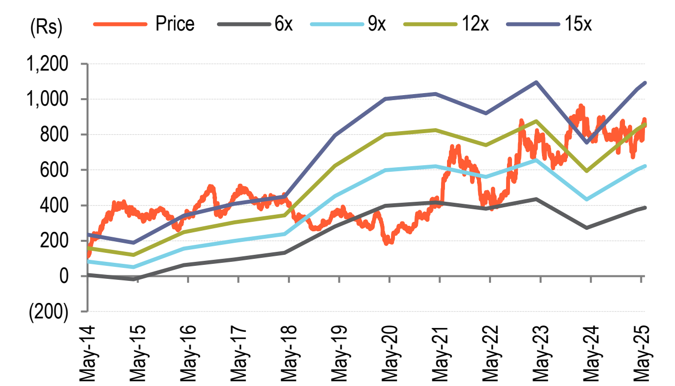
Source: BOBCAPS Research

Fig 13 – Peer comparison

Ticker	Rating	Target Price (Rs)	EV/EBITDA (x)			EV/tonne (US$)			ROE (%)			ROCE (%)		
			FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
JKLC IN	SELL	728	17.1	12.5	10.5	105	109	112	9.4	11.8	12.4	12.8	14.5	15.7
TRCL IN	SELL	699	23.1	17.2	13.6	145	129	130	1.5	4.3	7.5	4.4	6.7	9.2
JKCE IN	HOLD	5,208	22.7	15.0	12.3	282	219	176	15.9	18.7	17.8	13.2	16.2	17.4

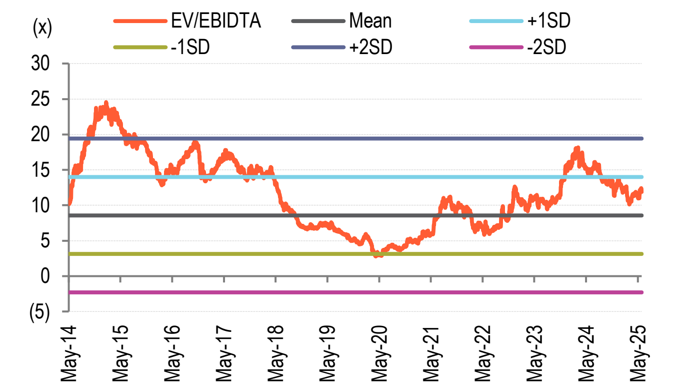
Source: BOBCAPS Research

Fig 14 – EV/EBITDA band: Valuations premium unjustified following weak earnings



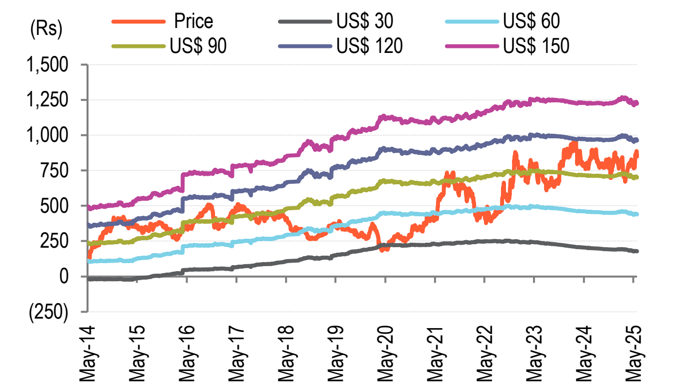
Source: Bloomberg, BOBCAPS Research

Fig 15 – EV/EBITDA 1Y fwd: Valuations reverting to mean



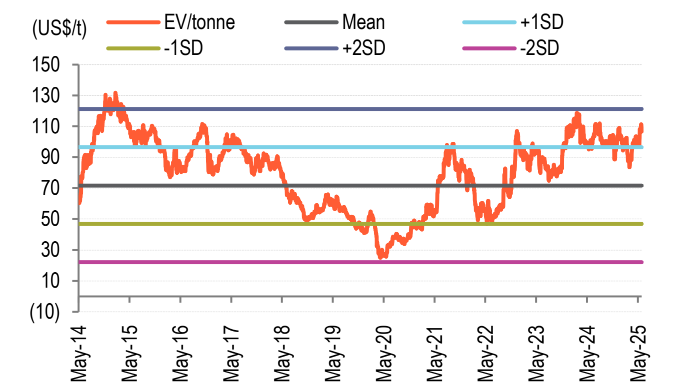
Source: Bloomberg, BOBCAPS Research

Fig 16 – EV/tonne band: Replacement cost at reasonable levels



Source: Bloomberg, BOBCAPS Research

Fig 17 – EV/tonne 1Y fwd: Expect reversion to mean



Source: Bloomberg, BOBCAPS Research

Key Risks

Key upside risks to our estimates:

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

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Total revenue	**60,711**	**63,198**	**56,980**	**68,200**	**73,977**
EBITDA	7,043	8,637	6,308	8,901	10,961
Depreciation	(1,935)	(1,950)	(1,987)	(2,251)	(2,610)
EBIT	5,730	7,328	5,619	7,325	9,044
Net interest inc./(exp.)	(915)	(872)	(703)	(1,012)	(1,307)
Other inc./(exp.)	622	640	1,298	674	693
Exceptional items	0	0	800	0	0
EBT	4,815	6,456	5,716	6,313	7,737
Income taxes	(1,507)	(2,212)	(2,102)	(2,091)	(2,775)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**3,308**	**4,243**	**3,614**	**4,222**	**4,963**
Adjustments	0	0	(800)	0	0
Adjusted net profit	**3,308**	**4,243**	**2,814**	**4,222**	**4,963**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Accounts payables	7,841	2,888	12,356	14,622	15,538
Other current liabilities	8,724	14,954	4,481	15,904	16,380
Provisions	156	181	386	995	1,012
Debt funds	5,846	5,632	10,103	16,888	17,976
Other liabilities	1,596	2,683	2,890	198	198
Equity capital	588	588	588	588	588
Reserves & surplus	25,960	30,226	33,084	36,999	41,668
Shareholders' fund	27,949	32,743	33,673	37,587	42,256
Total liab. and equities	**52,112**	**59,081**	**63,888**	**86,194**	**93,361**
Cash and cash eq.	8,450	4,985	4,357	7,597	4,969
Accounts receivables	605	402	924	1,868	2,027
Inventories	7,004	7,622	6,704	7,661	8,107
Other current assets	4,190	4,159	8,714	4,694	4,866
Investments	4,141	11,807	11,951	12,098	12,247
Net fixed assets	26,943	26,224	30,583	48,608	57,464
CWIP	649	3,739	500	3,500	3,500
Intangible assets	129	144	155	168	181
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**52,112**	**59,081**	**63,888**	**86,194**	**93,361**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Cash flow from operations	**2,861**	**8,121**	**960**	**20,197**	**8,206**
Capital expenditures	(1,049)	(4,257)	(3,229)	(23,288)	(11,479)
Change in investments	136	(5,258)	(197)	(399)	851
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(913)**	**(9,516)**	**(3,426)**	**(23,688)**	**(10,628)**
Equities issued/Others	884	529	(1,929)	0	0
Debt raised/repaid	(2,107)	(214)	4,471	6,785	1,088
Interest expenses	0	0	0	0	0
Dividends paid	(588)	(677)	(765)	(824)	(824)
Other financing cash flows	(177)	699	9	517	531
Cash flow from financing	**(1,989)**	**338**	**1,785**	**6,478**	**795**
Chg in cash & cash eq.	**(41)**	**(1,057)**	**(681)**	**2,987**	**(1,628)**
Closing cash & cash eq.	**8,450**	**4,985**	**4,357**	**7,597**	**4,969**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25P	FY26E	FY27E
Reported EPS	28.1	36.1	30.7	35.9	42.2
Adjusted EPS	28.1	36.1	23.9	35.9	42.2
Dividend per share	5.0	5.7	6.5	7.0	7.0
Book value per share	237.5	278.2	286.1	319.4	359.1

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25P	FY26E	FY27E
EV/Sales	1.6	1.6	1.9	1.4	1.2
EV/EBITDA	13.8	11.6	16.7	10.9	8.4
Adjusted P/E	30.2	23.5	35.5	23.7	20.1
P/BV	3.6	3.0	3.0	2.7	2.4

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25P	FY26E	FY27E
Tax burden (Net profit/PBT)	68.7	65.7	63.2	66.9	64.1
Interest burden (PBT/EBIT)	84.0	88.1	87.5	86.2	85.5
EBIT margin (EBIT/Revenue)	9.4	11.6	9.9	10.7	12.2
Asset turnover (Rev./Avg TA)	120.8	113.7	92.7	90.9	82.4
Leverage (Avg TA/Avg Equity)	1.9	1.8	1.9	2.1	2.2
Adjusted ROAE	12.6	14.0	9.4	11.8	12.4

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25P	FY26E	FY27E
YoY growth (%)					
Revenue	20.4	4.1	(9.8)	19.7	8.5
EBITDA	(12.1)	22.6	(27.0)	41.1	23.1
Adjusted EPS	(26.4)	28.3	(33.7)	50.0	17.5
Profitability & Return ratios (%)					
EBITDA margin	11.6	13.7	11.1	13.1	14.8
EBIT margin	9.4	11.6	9.9	10.7	12.2
Adjusted profit margin	5.4	6.7	4.9	6.2	6.7
Adjusted ROAE	12.6	14.0	9.4	11.8	12.4
ROCE	16.7	19.2	12.8	14.5	15.7
Working capital days (days)					
Receivables	4	2	6	10	10
Inventory	42	44	43	41	40
Payables	53	19	89	90	90
Ratios (x)					
Gross asset turnover	1.5	1.5	1.2	1.0	0.9
Current ratio	1.2	1.0	1.2	0.7	0.6
Net interest coverage ratio	6.3	8.4	8.0	7.2	6.9
Adjusted debt/equity	0.2	0.2	0.3	0.4	0.4

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

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

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Note: Recommendation structure changed with effect from 21 June 2021

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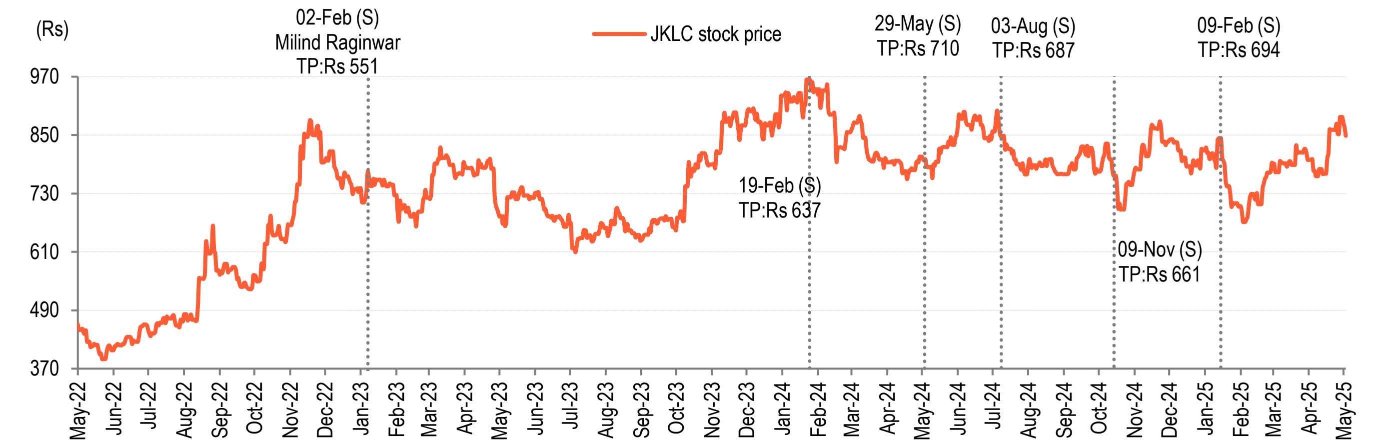
Ratings and Target Price (3-year history): JK LAKSHMI CEMENT (JKLC IN)



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

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