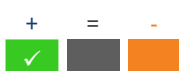




3R MATRIX

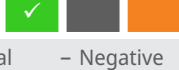
Right Sector (RS)



Right Quality (RQ)



Right Valuation (RV)



+ Positive

= Neutral

- Negative

What has changed in 3R MATRIX

| | Old | | New |
|----|-----|---|-----|
| RS | | ↔ | |
| RQ | | ↔ | |
| RV | | ↔ | |

Company details

| | |
|-------------------------------|---------------|
| Market cap: | Rs. 9,002 cr |
| 52-week high/low: | Rs. 1,021/661 |
| NSE volume: (No of shares) | 1.9 lakh |
| BSE code: | 500380 |
| NSE code: | JKLAKSHMI |
| Free float: (No of shares) | 6.5 cr |

Shareholding (%)

| | |
|-----------|------|
| Promoters | 45.1 |
| FII | 12.5 |
| DII | 22.9 |
| Others | 19.5 |

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

| (%) | 1m | 3m | 6m | 12m |
|--------------------|------|-------|------|-------|
| Absolute | -7.0 | -14.7 | -6.5 | -11.7 |
| Relative to Sensex | -6.8 | -16.6 | -9.1 | -16.5 |

Source: Mirae Asset Sharekhan Research, Bloomberg

JK Lakshmi Cement Ltd

On expansion spree; medium-term outlook bright

| Cement | Sharekhan code: JKLAKSHMI | | |
|----------------|---------------------------|--------------|-------------------------|
| Reco/View: Buy | ↔ | CMP: Rs. 765 | Price Target: Rs. 992 ↔ |

Summary

- JK Lakshmi Cement is entering a multi-year capacity expansion phase, eyeing a capacity of 30 mtpa by FY30, enhancing long-term growth visibility.
- Company's focus is on boosting profitability through premiumisation, higher share of blended cement, cost-efficiency initiatives, including renewable energy usage.
- Balance sheet discipline remains intact, with company aiming for net debt below 3-3.5x EBITDA despite high capex in the next few years.
- We retain a Buy rating with a PT of Rs. 992 on better earnings visibility and medium-term margin expansion potential.

JK Lakshmi Cement is well placed to benefit from the next leg of industry demand growth, led by capacity additions, better sales mix, and ongoing operational efficiency initiatives. The company's expansion strategy is largely brownfield, followed by selective greenfield projects thereafter, aligned with its long-term target of reaching 30 mtpa capacity by FY30. The company's focus on premiumisation, higher blended cement share, and cost optimisation—particularly through higher renewable energy usage—is expected to help profitability improve gradually in the medium term. The company has guided capex of Rs. ~1,200 crore for FY26, with Rs. ~1,500 crore planned for each of the subsequent two years, while reiterating its expectation to grow faster than the industry and maintain net debt to EBITDA within 3-3.5x.

Capacity expansion: JK Lakshmi Cement's capacity is expected to increase in phases from 18 mtpa to 22.6 mtpa by FY28, led by the Durg brownfield expansion, which includes 4.6 mtpa of grinding capacity and a 2.3 mtpa clinker expansion. Total capex for the Durg project is estimated at Rs. 3,000 crore, with ~70% funded through debt. In addition, the company is setting up three split-location grinding units (total 3.4 mtpa) at Prayagraj, Madhubani, and Patratu. Beyond FY28, JK Lakshmi plans greenfield projects at Nagaur (3 mtpa), Kutch (3 mtpa), and Assam (2-2.5 mtpa), with greenfield costs expected to be around \$100 per tonne by FY30, in line with its long-term target of 30 mtpa capacity by FY30.

Cost efficiency and volume growth: JK Lakshmi continues to eye higher margins, with a higher premium product share (26%), lower distribution costs, improved plant efficiency, and higher renewable energy penetration. Renewable energy currently accounts for ~46-49% of total power consumption and is expected to increase further over time. Management has reiterated its cost-reduction target of Rs. 100-120 per tonne over the next 18-24 months, supported by operational efficiencies and green energy initiatives. JK Lakshmi has outperformed industry volume growth in Q1 and Q2 and expects to maintain this momentum in the coming quarters, while retaining its ambition to reach EBITDA/tonne of Rs. 1,000 in the medium term.

Market share strength and industry demand: JK Lakshmi Cement holds a ~10-14% market share in core regions such as Rajasthan, Gujarat, and Chhattisgarh, and aims to sustain its leadership. Industry demand is expected to strengthen towards end-FY26, with JK Lakshmi likely to outperform industry growth. Further, the GST reduction from 28% to 18% is supporting medium-to-long-term demand by improving affordability, accelerating housing consumption, and aiding higher share of premium cement products.

Our Call

Valuation – Retain Buy with PT of Rs. 992: JKL has been focusing on achieving healthy volume growth and significant improvements in operational profitability. Ongoing capacity expansion plans are expected to drive its next phase of growth. Furthermore, the consolidation of key subsidiaries, particularly UCWL, is likely to streamline operations and management while generating synergistic benefits. JKL is currently trading at an EV/EBITDA multiple of approximately 7.8x/7.1x/6.6x for FY2026E/FY2027E/FY2028E earnings. We retain our Buy rating with a price target of Rs. 992.

Key Risks

Slow demand in North, West and East India along with weak pricing affects profitability.

Valuation (Standalone)

| Particulars | FY25 | FY26E | FY27E | FY28E |
|--------------------|-------|-------|-------|-------|
| Revenue | 6,193 | 6,814 | 7,655 | 8,583 |
| OPM (%) | 14.0 | 16.6 | 17.4 | 17.9 |
| Adjusted PAT | 283 | 458 | 592 | 653 |
| y-o-y growth (%) | -33 | 62 | 29 | 10 |
| Adjusted EPS (Rs.) | 27.0 | 38.9 | 50.3 | 55.5 |
| P/E (x) | 28.3 | 19.6 | 15.2 | 13.8 |
| P/B (x) | 2.7 | 2.4 | 2.1 | 1.9 |
| EV/EBITDA (x) | 9.7 | 7.8 | 7.1 | 6.6 |
| RoNW (%) | 9.8 | 12.8 | 14.8 | 14.4 |
| RoCE (%) | 9.9 | 11.9 | 12.0 | 11.3 |

Source: Company; Mirae Asset Sharekhan estimates

Outlook and Valuation

■ Sector Outlook – Improving demand brightens outlook

The Indian cement has witnessed a lot of consolidation in the last few years with a slew of inorganic acquisitions happening. The consolidation and the weak demand have put a pressure on the pricing environment. However, with the return of government capex, the demand and pricing are expected to improve. The sector's margins are expected to improve from here-on and drive up profitability.

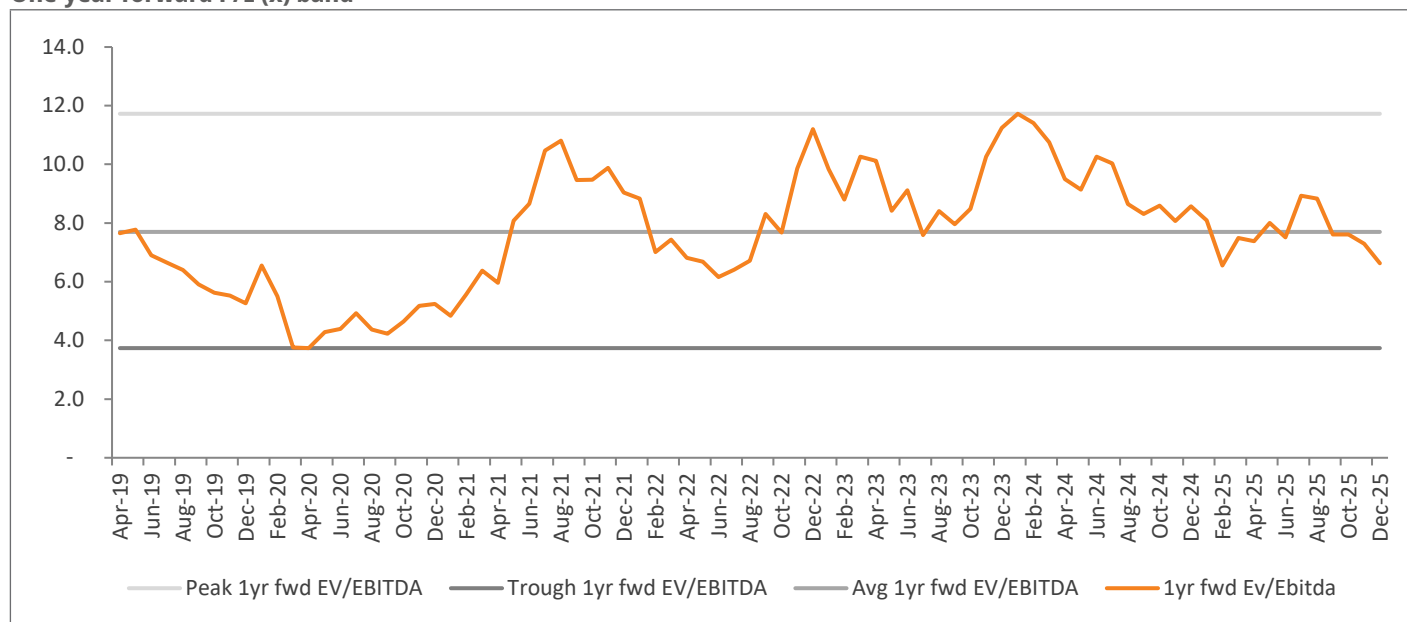
■ Company Outlook – Capacity expansion to power next leg of growth

JKL is expected to benefit from sustained rural sector demand and infrastructure demand improvement. Pricing in key regions remains healthy. However, the company is facing constraints with clinker capacity utilisation at a peak level over the trailing peak quarters. The company is doubling its Surat grinding units to 2.7 million tonnes and undertaking 2.3 mtpa clinker capacity and 4.6 mtpa cement grinding capacity at Durg and three split cement grinding units aggregating 3.4 mtpa in UP, Bihar, and Jharkhand, which would provide the next leg of growth.

■ Valuation – Retain Buy with a PT of Rs. 992

JKL has been focusing on achieving healthy volume growth and significant improvements in operational profitability. Ongoing capacity expansion plans are expected to drive its next phase of growth. Furthermore, the consolidation of key subsidiaries, particularly UCWL, is likely to streamline operations and management while generating synergistic benefits. JKL is currently trading at an EV/EBITDA multiple of approximately 7.8x/7.1x/6.6x for FY2026E/FY2027E/FY2028E earnings. We retain our Buy rating with a price target of Rs. 992.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

JKL was set up in 1982 in Sirohi, Rajasthan. The company is part of JK Group, which operates in India and abroad and is present in the tyre, cement, paper, power transmission and sealing solutions, dairy products, and textile industries. The company has a wide network of over 7,000 dealers across Rajasthan, Gujarat, Haryana, Delhi, Uttar Pradesh, Punjab, Jammu and Kashmir, Madhya Pradesh, Chhattisgarh, Odisha, South Bengal, Vidharbha, Mumbai, and Pune.

Investment theme

JKL is expected to benefit from sustained demand in the rural sector, along with improvements in infrastructure demand. The pricing environment in key regions remains healthy. The company added a 1.3 million tonne grinding unit capacity in Surat. Additionally, a 2.3 million tonne clinker unit and a 4.6 million tonne grinding unit capacity in Durg are expected to be commissioned in phases between FY27 and FY28. JKL is also implementing various measures to reduce costs and improve operational efficiency. The company's goal to reach a total capacity of 30 million tonnes by 2030 remains on track.

Key Risks

- ♦ Pressure on cement demand and cement prices in the Northwest and Eastern regions of India can affect financial performance.
- ♦ Macroeconomic challenges leading to lower government spending on infrastructure and housing sectors can negatively affect the company's performance.

Additional Data

Key management personnel

| Name | Designation |
|------------------------|-------------------------|
| Vinita Singhania | Chairman & MD |
| Shri Arun Kumar Shukla | President and Director |
| S. A. Bidkar | Chief Financial Officer |

Source: Company Website

Top 10 shareholders

| Sr. No. | Holder Name | Holding (%) |
|---------|------------------------------------|-------------|
| 1 | HDFC Asset Management Co Ltd | 4.59 |
| 2 | Axis Asset Management Co Ltd/India | 3.46 |
| 3 | Goldman Sachs Group Inc/The | 2.76 |
| 4 | Goldman Sachs India Pvt Ltd | 2.7 |
| 5 | Invesco Asset Management India Pvt | 2.34 |
| 6 | Vanguard Group Inc/The | 1.95 |
| 7 | Franklin Resources Inc | 1.92 |
| 8 | ICICI Prudential Asset Management | 1.80 |
| 9 | Canara Robeco Asset Management Co | 1.55 |
| 10 | Tata AIA Life Insurance Co Ltd | 1.16 |

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

| Right Sector | |
|-----------------|--|
| Positive | Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies |
| Neutral | Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies |
| Negative | Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability. |
| Right Quality | |
| Positive | Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance. |
| Neutral | Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable |
| Negative | Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet |
| Right Valuation | |
| Positive | Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment. |
| Neutral | Trading at par to historical valuations and having limited scope of expansion in valuation multiples. |
| Negative | Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple. |

Source: Mirae Asset Sharekhan Research

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