MIRAE ASSET Sharekhan

# JK Lakshmi Cement Ltd

## Strategic expansion, favourable outlook

| Cement | Sharekhan code: JKLAKSHMI |
|---|---|
| Reco/View: Buy ↔ | CMP: Rs. 806 / Price Target: Rs. 915 ↑ |

↑ Upgrade ↔ Maintain ↓ Downgrade

| 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 | | ↔ | |

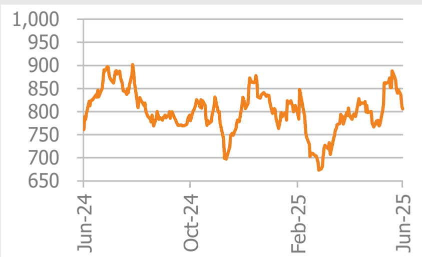
**Company details**

| | |
|---|---|
| Market cap: | Rs. 9,484 cr |
| 52-week high/low: | Rs. 935/661 |
| NSE volume: (No of shares) | 1.6 lakh |
| BSE code: | 500380 |
| NSE code: | JKLAKSHMI |
| Free float: (No of shares) | 6.3 cr |

**Shareholding (%)**

| | |
|---|---|
| Promoters | 46.3 |
| FII | 12.1 |
| DII | 25.3 |
| Others | 16.4 |

**Price chart**




*Source: NSE India, Mirae Asset Sharekhan Research*

**Price performance**

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 4.2 | 11.8 | -2.7 | 5.9 |
| Relative to Sensex | 3.8 | 2.8 | -2.7 | -6.5 |

*Source: Mirae Asset Sharekhan Research, Bloomberg*


### Summary

- We retain a Buy rating on JK Lakshmi Ltd with a revised PT of Rs. 915, factoring better profitability lead by expected cost efficiencies.
- In Q4FY25, standalone revenue stood at Rs. 1,738.8 crore, up 5.5% y-o-y. Operating profit declined 12% y-o-y due to higher operating expenses. Volume remained flat at 25.7 lakh tonnes, with blended realization per tonne at Rs. 6,766 (up 4.7% y-o-y)
- The company is adding a 1.3 y-o-y grinding unit capacity in Surat, with half expected to be commissioned by June and the remainder by September. Additionally, a 2.3 million tonnes clinker unit and a 4.6 million tonnes grinding units capacity in Durg are expected to be commissioned in phases over FY26 to FY28.
- On a consolidated basis, the company expects volume growth of 10%, compared to the industry growth forecast of 6-7% in FY26.


**Standalone revenue grew by 5.5% y-o-y to Rs. 1,738.8 crore in Q4FY25, driven by a 4.7% y-o-y rise in blended realisations. However, EBITDA declined 12% y-o-y as operating expenses rose 9.04% y-o-y. Volumes remained flat at 25.7 lakh tonnes. The company expects to cut costs by Rs. 100 to Rs. 120 per tonne in 12-18 months. Cost reduction will be driven by several factors, including an increased share of premium sales, a reduction in average lead distance by 10 km (393 km in Q4), an increase in the share of RE from 50% to 52-53%, and an improvement in the thermal substitution rate by 3-4% to 12-13%.JKL is doubling its cement grinding capacity at Surat by 1.35 million tonnes, with half commissioning expected by June and remaining by September. Additionally, the company is expanding its clinker unit capacity by 2.3 million tonnes and grinding unit capacity by 4.6 million tonnes at Durg, with a phased commissioning planned over FY26 to FY28. The company's goal to reach 30 million tonnes capacity by 2030 remains intact.**

### Key positives

- Realisation per tonne rose 4.7% y-o-y in Q4FY25, primarily driven by better market prices and optimized sales mix.

### Key negatives

- Operating expenses rose on a y-o-y basis during the quarter, leading to a decline in operating profit.

### Management Commentary

- Fuel cost stood at Rs. 1.53 per kilocalorie and JKL expects this to remain at a similar level in Q1 FY26.
- Company aims to increase sales through the trade channel, which has already shown significant improvement, with trade volumes now accounting for ~60% of total sales.
- Total capital expenditure is projected at Rs. 1,300 crore in FY26 and Rs. 1,800 crore in FY27.

**Revision in earnings estimates –** We have increased our net earnings estimates for FY2026-FY2027E, factoring better profitability and enhanced cost efficiency.

### Our Call

**Valuation – Retain BUY with a revised PT of Rs. 915:** JKL has been focusing on achieving healthy volume growth and a significant improvement in operational profitability. The company's ongoing capacity expansion plans are poised to drive its next leg of growth. Further, consolidation of key subsidiaries especially UCWL, would help streamline operations and the management besides bringing synergistic benefits. JKL is currently trading at an EV/EBITDA of ~8.9x/7.3x its FY2026E/FY2027E earnings, we retain a Buy rating with a revised PT of Rs. 915, factoring improved profitability outlook supported by anticipated cost efficiencies.

### Key Risks

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

**Valuation (Standalone)** Rs cr

| Particulars | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Revenue | 6,320 | 5,698 | 6,641 | 7,316 |
| OPM (%) | 13.7 | 11.1 | 14.6 | 16.4 |
| Adjusted PAT | 424 | 361 | 487 | 619 |
| y-o-y growth (%) | 28 | -15 | 35 | 27 |
| Adjusted EPS (Rs.) | 36.1 | 30.7 | 41.4 | 52.6 |
| P/E (x) | 22.5 | 26.4 | 19.6 | 15.4 |
| P/B (x) | 3.1 | 2.8 | 2.5 | 2.2 |
| EV/EBITDA (x) | 9.9 | 14.1 | 8.9 | 7.3 |
| RoNW (%) | 14.6 | 11.2 | 13.6 | 15.3 |
| RoCE (%) | 12.4 | 9.5 | 11.4 | 12.6 |

*Source: Company; Mirae Asset Sharekhan estimates*

**Results (Standalone)** Rs cr

| Particulars | Q4FY2025 | Q4FY2024 | y-o-y (%) | Q3FY2025 | q-o-q (%) |
|---|---|---|---|---|---|
| **Net Sales** | **1738.8** | **1647.8** | **5.5** | **1373.3** | **26.6** |
| Total Expenditure | 1496.4 | 1372.3 | 9.0 | 1230.7 | 21.6 |
| **Operating profit** | **242.4** | **275.5** | **-12.0** | **142.6** | **69.9** |
| Other Income | 15.6 | 18.0 | -13.2 | 10.6 | 46.7 |
| EBIDTA | 258.0 | 293.4 | -12.1 | 153.3 | 68.3 |
| Interest | 16.4 | 20.9 | -21.5 | 17.2 | -4.4 |
| PBDT | 241.6 | 272.5 | -11.4 | 136.1 | 77.5 |
| Depreciation | 51.2 | 49.2 | 4.1 | 50.8 | 0.8 |
| **PBT** | **190.4** | **223.3** | **-14.8** | **85.3** | **123.2** |
| Tax | 52.0 | 81.0 | -35.8 | 25.5 | 103.4 |
| Extraordinary items | 189.9 | 0.0 | NA | 85.2 | 123.0 |
| Reported Profit After Tax | 328.3 | 142.4 | 130.6 | 144.9 | 126.6 |
| **Adjusted PAT** | **138.4** | **142.4** | **-2.8** | **59.7** | **131.7** |
| EPS (Rs.) | 11.8 | 12.1 | -2.8 | 5.1 | 131.7 |
| **Margins (%)** | | | **BPS** | | **BPS** |
| OPM | 13.9 | 16.7 | (278) | 10.4 | 355 |
| PAT | 8.0 | 8.6 | (68) | 4.4 | 361 |
| Tax rate | 27.3 | 36.3 | (897) | 29.9 | (266) |

*Source: Company; Mirae Asset Sharekhan Research*

## 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.

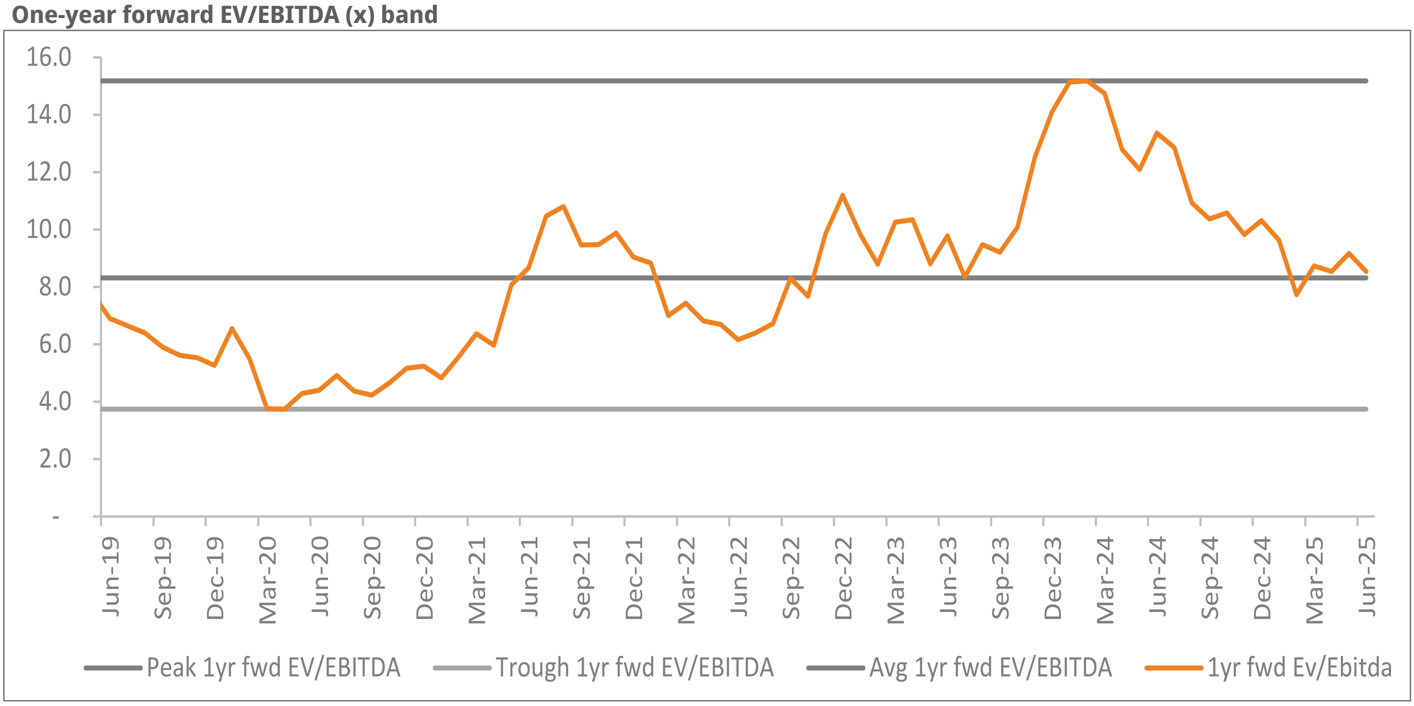
### Company Outlook – Capacity expansion to power next leg of growth

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 revised PT of Rs. 915

JKL has been focusing on achieving healthy volume growth and a significant improvement in operational profitability. The company's ongoing capacity expansion plans are poised to drive its next leg of growth. Further, consolidation of key subsidiaries especially UCWL, would help streamline operations and the management besides bringing synergistic benefits. JKL is currently trading at an EV/EBITDA of ~8.9x/7.3x its FY2026E/FY2027E earnings, we retain a Buy rating with a revised PT of Rs. 915, factoring improved profitability outlook supported by anticipated cost efficiencies.

**One-year forward EV/EBITDA (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 Organisation, 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 is adding 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 FY26 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 | 3.99 |
| 2 | Axis Asset Management Co Ltd/India | 3.66 |
| 3 | Franklin Resources Inc | 3.30 |
| 4 | Goldman Sachs Group Inc/The | 2.85 |
| 5 | GOLDMAN SACHS INDIA PVT LTD | 2.85 |
| 6 | ICICI Prudential Asset Management | 2.56 |
| 7 | Vanguard Group Inc/The | 2.03 |
| 8 | Nippon Life India Asset Management | 1.40 |
| 9 | Canara Robeco Asset Management Co | 1.39 |
| 10 | Tata AIA Life Insurance Co Ltd | 1.23 |

*Source: Bloomberg*

## 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 detoriating 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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