

Shubh Nivesh



Strong focus on improving profitability...

About the stock: JK Lakshmi Cement (JKLC) mainly caters to the north, west & eastern markets of India with a total consolidated capacity of 14.0 million tonnes (MT). The company has integrated units at Sirohi, Udaipur (Rajasthan) and Durg (Chhattisgarh) while grinding units are located at Jhajjar (Haryana), Cuttack (Odisha), Kalol and Surat (Gujarat)

- Company also has a 171 MW captive power on consolidated basis (74 MW thermal, 43 MW waste heat recovery, 50 MW solar and 4 MW wind)
- Company intends to take its total cement capacity to 30 MT by 2030

Investment Rationale:

- **Capacity additions to provide healthy volume growth:** JKLC's cement volume growth is expected to pick-up post the commissioning of 1.5 MT clinker (with 2.5 MT cement) under its subsidiary (Udaipur Cement Works – UCW). The clinker/cement units are expected to be commissioned by 3QFY24/2QFY25 and we believe this expansion would help company in better volume growth during FY24-25E & onwards, as clinker utilisation levels likely to improve further. Post this expansion, consolidated capacity will increase to 18.0 MT. The next phase of capacity expansion to reach 30 MT by 2030 will be a mix of brownfield (3 MT each at Durg & Udaipur), greenfield (3 MT each at Nagaur & Kutch; recently allocated mines at both the locations). Moreover, the company is also exploring opportunities through inorganic route. We believe the strong focus on capacity additions provide longer term visibility on the company's volume growth
- **Margins to improve over FY24-25E led by operational efficiency measures and improvement in capacity utilisation:** Company targets to reach EBITDA of ₹ 1000/t in next 18 months (vs FY23 EBITDA of ₹711/t), mainly led by improving sales mix (towards premium products), market mix, operational cost efficiencies and other supply chain measures. Moreover, company is expected to benefit from positive operating leverage led by improvement in capacity utilisations. We expect EBITDA /ton of ₹ 773/ton in FY24E and ₹ 925/ton in FY25E, mainly on account of reduction in overall costs/ton

Rating and Target Price

- With healthy volume growth, improvement in capacity utilisation and operational efficiency measures, we believe company's operational and financial performance to improve significantly over FY23-25E. We estimate revenue CAGR of ~10% over FY23-25E while EBITDA and PAT CAGR at ~25% and ~40%. With improvement in asset turnover and operating margins, return ratios are set to improve over the next two years
- Valuation at 6.5x EV/EBITDA on FY25E basis looks attractive considering the healthy growth expected over FY24-25E. We value JKLC at ₹ 840 i.e. 8x FY25E EV/EBITDA



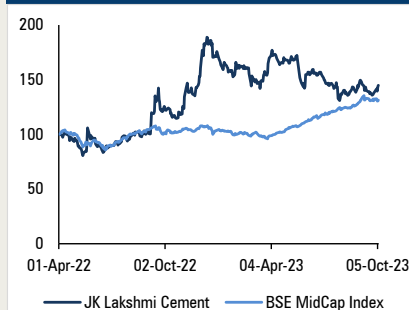
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	7,931
FY23 Gross Debt (₹ Crore)	1,846
FY23 Cash (₹ Crore)	850
EV (₹ Crore)	8,927
52 Week H/L (Rs)	897 / 528
Equity Capital	58.9
Face Value	5.0

Shareholding pattern

(in %)	Sep-22	Dec-22	Mar-23	Jun-23
Promoter	46.31	46.31	46.31	46.31
FII	12.84	13.81	11.68	11.50
DII	24.66	25.56	27.05	28.33
Others	16.19	14.32	14.96	13.86

Price Chart



Key risks

- slowdown in cement demand from housing & infra
- increase in commodity prices
- correction in cement prices

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Key Financial Summary

(₹ crore)	FY20	FY21	FY22	FY23	3 Year CAGR (FY20-23)	FY24E	FY25E	2 Year CAGR (FY23-25E)
Revenues	4,364	4,727	5,420	6,452	13.9	7,000	7,854	10.3
EBITDA	798	939	951	839	1.7	989	1,303	24.6
EBITDA margin (%)	18.3	19.9	17.5	13.0		14.1	16.6	
Net Profit	253	421	478	369	13.4	487	720	39.7
EPS (₹)	21.5	35.8	40.6	31.4		41.4	61.2	
P/E (x)	29.0	17.6	15.9	21.5		16.3	11.0	
EV/EBITDA (x)	11.2	8.9	9.0	10.6		9.2	6.5	
RoCE (%)	19.8	23.3	18.1	14.2		15.2	20.4	
RoE (%)	16.2	21.4	19.7	13.0		15.0	18.7	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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