

# JK Lakshmi Cement

## Strong volume offtake; margin flat QoQ

We maintain our BUY rating on JK Lakshmi Cement (JKLC) with an unchanged target price of INR 855/share (8x Mar-25E consolidated EBITDA). We remain positive about the company for its focus on improving geo-mix, increasing trade sales, increasing green energy share, and optimisation of the supply chain. These should boost margin and profitability. Its ongoing brownfield expansion in Udaipur is broadly on track, to be commissioned by Q1FY25E (18% capacity increase), and is not stretching the balance sheet. In Q3FY23, JKLC reported strong 10/14% YoY/QoQ cement volume growth. Unitary EBITDA, however, came in flat QoQ (INR 644/MT) as higher fuel and freight costs QoQ negated op-lev gains. JKLC expects a flattish fuel cost QoQ in Q4FY23E but it is expected to fall Q1FY24E, as its high-cost inventory gets over.

- Q3FY23 performance:** Cement sales volume rose 10/14% YoY/QoQ to 2.9mn MT. Consolidated utilisation (sales basis) stood at 83% vs 75/73% YoY/QoQ. Cement NSR remained flat QoQ (+10% YoY). Cement opex remained flat QoQ. Input cost remained flat QoQ. Op-lev gains offset the 5% QoQ rise in transport cost. Unit EBITDA fell 1% QoQ to INR 644/MT (down 3% YoY).
- Outlook:** JKLC reported a ~12% QoQ rise in the fuel cost in Q3FY23 to INR 2.57/mn-cal; it expects it to be flattish QoQ in Q4 (carrying high-cost inventory). However, it expects some moderation in fuel cost in Q1FY24. JKLC's brownfield expansion at UCW (1.5/ 2.5 mn MT clinker/ cement, Capex INR 16.5bn) is expected by Q1FY25E. In our view, JKLC's consolidated net debt/EBITDA should remain comfortable below 1x, despite this expansion. JKLC is working to improve the geo-mix and trade sales share (to 60%+ from 55% currently over the next 2-3 quarters) to boost its realisation. By the end of FY24E, it is also targeting AFR/green power share to expand to 12/50% vs 4/33% currently. It is also looking to improve supply chain efficiency. Cumulatively, JKLC expects these to expand its unitary EBITDA by ~INR 300 EBITDA/MT in the next 18-24 months. These should boost margins and could drive valuation rerating for the stock. While we cut our FY23 EBITDA estimates by 5% (factoring in flattish margin QoQ in Q3), we maintain our EBITDA estimates for FY24/25E.

### Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Sales (mn MT)	2.88	2.61	10.1	2.53	13.8	10.45	11.20	11.98	12.82	13.85
NSR (INR/MT)	5,426	4,918	10.3	5,431	(0.1)	4,524	4,840	5,454	5,509	5,602
EBITDA(INR/MT)	644	664	(3.1)	648	(0.7)	898	849	748	876	949
Net Sales	15.62	12.86	21.5	13.74	13.7	47.27	54.20	65.36	70.63	77.58
EBITDA	1.85	1.74	6.7	1.64	13.0	9.39	9.51	8.96	11.23	13.14
APAT	0.77	0.64	20.1	0.61	26.2	4.43	4.91	3.90	5.44	6.26
AEPS (INR)	6.5	5.4	20.1	5.2	26.2	37.7	41.7	33.1	46.2	53.2
EV/EBITDA (x)						10.3	10.1	10.8	8.6	7.4
EV/MT (INR bn)						7.30	6.88	6.93	6.92	5.92
P/E (x)						20.0	18.1	22.7	16.3	14.2
RoE (%)						23.4	21.1	14.0	16.7	16.6

Source: Company, HSIE Research

## BUY

CMP (as on 13 Feb 2023)	INR 753
Target Price	INR 855
NIFTY	17,771

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 855	INR 855
EBITDA revision %	FY23E (4.8)	FY24E 0.0

### KEY STOCK DATA

Bloomberg code	JKLC IN
No. of Shares (mn)	118
MCap (INR bn) / (\$ mn)	89/1,071
6m avg traded value (INR mn)	422
52 Week high / low	INR 897/366

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	16.9	59.1	45.1
Relative (%)	19.1	57.5	41.1

### SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	46.31	46.31
FIs & Local MFs	24.66	25.57
FPIs	12.84	13.81
Public & Others	16.19	14.31
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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