

JK Lakshmi Cement

Subdued margin expected to expand during FY24-25E

We maintain our BUY rating on JK Lakshmi Cement (JKLC) with a lower target price of INR 815/share (8x Mar-25E consolidated EBITDA). In Q4FY23, JKLC reported a subdued 3% YoY volume growth and even the EBITDA margin recovered a modest INR 40 per MT QoQ to INR 687. However, JKLC is confident of ramping up the margin to INR 800 per MT in FY24E and towards INR 1000 per MT by H2FY25E, driven by improving geo-mix, increasing trade sales, increasing green energy share, and optimisation of the supply chain. Cooling off energy prices should also boost the margin rebound. The upcoming Udaipur expansions in FY24E should boost volume growth.

- Q4FY23 performance:** For Q4FY23, consolidated EBITDA missed ours/consensus estimates by 18/20%, owing to higher-than-estimated energy/input costs. Cement volume grew 3/18% YoY/QoQ (in-line). Blended NSR rose 1% QoQ (+13% YoY). Adjusted for non-cement revenue, NSR rose 2/13% QoQ/YoY. Cement opex grew 1% QoQ in Q4 owing to a spike in input costs. Therefore, unitary EBITDA just rose by INR 40 per MT QoQ to INR 687 per MT.
- Outlook:** It expects to deliver above 10% volume growth in FY24E, aided by clinker contribution from upcoming expansions in UCW in H2FY24. JKLC is also confident of ramping up the EBITDA margin to ~INR 800 per MT in FY24 and towards INR 1,000 by H2FY25, through its focus on geo-mix, enhancing trade sales, brand premiumisation and rising share of green energy. It expects its unit fuel cost to fall 5% QoQ in Q1FY24. Its UCW 1.5/ 2.5 mn MT clinker/cement expansion is expected to be commissioned by Q3FY24/Q2FY25 respectively for a Capex of INR 16.5bn. By FY24-end, it plans to increase its green power/AFR consumption share to 50/10% respectively. Factoring in weak Q4 performance, we cut our FY24/25 EBITDA estimates by 7/4%.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Sales (mn MT)	3.39	3.29	2.9	2.88	17.7	10.45	11.20	11.82	12.76	13.78
NSR (INR/MT)	5,496	4,861	13.1	5,426	1.3	4,524	4,840	5,460	5,515	5,625
EBITDA(INR/MT)	687	987	(30.4)	644	6.7	898	849	710	822	922
Net Sales	18.62	16.00	16.4	15.62	19.2	47.27	54.20	64.52	70.37	77.52
EBITDA	2.33	3.25	(28.3)	1.85	25.6	9.39	9.51	8.39	10.48	12.71
APAT	1.10	2.38	(53.7)	0.76	44.0	4.43	4.91	3.59	5.14	6.20
AEPS (INR)	9.3	17.9	(47.8)	6.5	44.0	37.7	41.7	30.5	43.7	52.7
EV/EBITDA (x)						9.8	9.6	10.9	8.9	7.2
EV/MT (INR bn)						6.93	6.54	6.57	6.72	5.60
P/E (x)						19.2	17.3	23.7	16.6	13.7
RoE (%)						23.4	21.1	13.3	16.7	17.2

Source: Company, HSIE Research

Estimates revision summary

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Net Sales	70.6	70.4	-0.4	77.6	77.5	-0.1
EBITDA	11.26	10.48	-6.9	13.18	12.71	-3.6
APAT	5.71	5.14	-9.9	6.61	6.20	-6.2

Source: Company, HSIE Research

BUY

CMP (as on 22 May 23) INR 724

Target Price INR 815

NIFTY 18,314

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 865	INR 815
EBITDA revision %	FY24E (6.9)	FY25E (3.6)

KEY STOCK DATA

Bloomberg code	JKLC IN
No. of Shares (mn)	118
MCap (INR bn) / (\$ mn)	85/1,042
6m avg traded value (INR mn)	355
52 Week high / low	INR 897/382

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(3.0)	14.9	46.7
Relative (%)	(6.7)	14.0	32.6

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	46.31	46.31
FIs & Local MFs	25.57	27.95
FPIs	13.81	11.68
Public & Others	14.31	14.05
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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