JK Lakshmi Cement

Slower growth, rising leverage in sight

We downgrade our rating on JK Lakshmi (JKLC) to ADD from BUY earlier, with a lower target price of INR 680/share (8x Sep'28E consolidated EBITDA). We have also introduced FY29E estimates in this report. We trim our target multiple to 8x from 9x earlier, factoring in expected slowdown in volume offtake (expansions are back-ended), subdued margin outlook (despite expected recovery in FY28E), and eminent balance sheet stress (ambitious expansion target to 32.6mn MT by FY30). While JKLC delivered robust volume growth in the past six quarters, we expect the momentum to slow down over FY27-28E, as clinker utilization reached 94% in FY26 and upcoming expansions in the east would start contributing in FY29E, in our view. The west Asia turmoil-led surge in fuel and packing costs will moderate margin in Q2FY27. Further, we do not see any major efficiency-led margin gain potential for next two years, as JKLC is already among the best in terms of its energy consumption rate, green power usage share and clinker utilization. JKLC's ambitious expansion plan (+15mn MT over next four years) is very large and will inflate net debt to EBITDA ratio to 3x and beyond in FY29E, even if the timeline is pushed by two years.

- **Near-term pressure on rising costs**: JKLC consistently delivered > 8% YoY volume growth in the past six quarters, thereby gaining market share. Its trade sales' share has also improved to ~60% in the past six months. The company noted its sales are focused in the markets of Gujarat, Rajasthan, Chhattisgarh, Haryana, and Western UP, which yield better profitability. Sales in the month of July/early August, however, have experienced slight weakness as monsoon is progressing. Cement realization is expected to remain flattish (best case) in Q2FY27. However, the west Asia turmoil has kept fuel and packaging costs elevated. As per JKLC, its fuel cost would further increase by ~INR 100/MT QoQ and packaging cost by ~INR 50-60/MT. Additionally, we estimate op-lev loss and planned maintenance expenses to suppress margin QoQ. Hence, we estimate Q2FY27 volume growth at ~5% YoY along with margin compression by ~INR 200/MT (both QoQ and YoY) to ~INR 520/MT.
- **Efficiency drive – thrust on digitization:** JKLC in its FY26 annual report has detailed its adoption of digitization across manufacturing, supply chain, logistics, and sales, to bolster operational efficiency. In plants, AI-driven process controls and predictive maintenance increased mill throughput by ~2-3% and equipment availability by ~10%. To optimize freight, the company expanded GPS fleet tracking from 85% to 91% and scaled automated reverse bidding. It has also deployed 100% paperless dealer onboarding and real-time profitability tracking dashboards.
- **Among the select few companies to launch of low-carbon LC3 cement:** In Feb-26, JKLC joined a handful of Indian cement companies to commercially launch low-carbon LC3 cement (Limestone Calcined Clay Cement). It started production of LC3 from its Sirohi plant and is selling it under the brand name "*Green PRO LC3*" and has plans to ramp up sales to both reduce its carbon footprint as well as improve overall realization. JKLC is also investing in revamping its legacy brand *Green+*.

ADD

CMP *(as on 27 Aug 2026)*	**INR 545**
Target Price	**INR 680**
NIFTY	**24,091**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	ADD
Price Target	INR 780	INR 680
EBITDA revision %	FY27E -	FY28E -

KEY STOCK DATA	
Bloomberg code	JKLC IN
No. of Shares (mn)	124
MCap (INR bn) / ($ mn)	68/712
6m avg traded value (INR mn)	132
52 Week high / low	INR 991/540

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(10.6)	(24.5)	(40.7)
Relative (%)	(12.5)	(18.7)	(36.6)

SHAREHOLDING PATTERN (%)	**Mar-26**	**Jun-26**
Promoters	45.12	45.12
FIs & Local MFs	23.00	26.57
FPIs	11.96	8.64
Public & Others	19.92	19.66
Pl edged Shares	0.00	0.00

Source: BSE

Pledged shares as % of total shares

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- **Limited room for further cost reduction through efficiency gains:** JKLC has one of the lowest unitary operating costs in the cement industry. Adjusted for the non-cement business, JKLC's cement opex has remained flattish YoY at ~INR 3,930/MT (among the lowest in the industry). Its fuel and electricity consumption rates averaged at ~715mn Cal/MT clinker and 60kWh/MT cement respectively over the past three years. Its TSR share stood at 9% in FY26 (Sirohi 12%, Durg 8%, Udaipur 4%). With expected improvement across three locations, JKLC is targeting to achieve 20% TSR by FY30E. Green power share is also high at ~47% in FY26. JKLC is augmenting its solar power capacity by 42MW through a JV structure, which will become operational by the end of FY27E and will help green power share to increase to 50%. In our view, efficiency-led cost savings potential for JKLC are limited.
- **Ambitious expansion plans until FY30**: JKLC cement capacity stood at 18mn MT at the end of FY26. It is targeting to increase the same to 24mn MT by the end of FY28, as per ongoing expansions in the eastern/central regions. Thereafter, it has an ambition of expanding to 32.5mn MT by FY30-end, adding greenfield capacities in Assam, Gujarat and brownfield expansion in Rajasthan. The ongoing eastern expansions (6mn MT) entail a total capex of INR 30bn and we expect full commissioning by FY29E. JKLC has earmarked INR 15bn for the Assam greenfield (1.5mn MT), which we estimate will become operational by FY30E. We factor in an additional capex of INR 60bn toward ~8.5mn MT expansions in Rajasthan/Gujarat, and their commissioning not before FY32E. Even these would entail an annual capex run rate of > INR 20bn FY28E onward until FY32E, which would imply net debt to EBITDA crossing 3x.
- **Non-cement revenue**: JKLC has a smart building solution (SBS) segment which comprises non-cement business of RMC, putty, POP, tiles adhesives etc. These account for ~5/2.5% of total revenues/EBITDA. SBS capacity comprises 23 RMC plants (vs 19 in FY25), five AAC block plants (0.55mn CBM capacity), three wall putty plants (0.1mn MT) and four POP plants (0.24mn MT) with others spread across India. Over the past 3/5 years, the SBS revenue has grown at a modest 9/3% CAGRs. Management reckons that its RMC (50% of SBS revenue) growth plan has been slower-than-anticipated as the company has recently aligned to adding RMC plants in core cement markets, to capitalize on its institutional sales network.
- **Outlook and valuations:** In this report, we introduce FY29E estimates for JKLC while we maintain our estimates for FY27-28E. In our assumptions, the growth momentum would slow down in FY27/28E (5% CAGR) as JKLC is running short of capacities and the eastern expansion will accelerate volume growth to 10% in FY29E, leading to 7% volume CAGR through FY26-29E. We estimate EBITDA margin will moderate to INR 711/MT in FY27E (vs INR 757 in FY26) and improve to ~INR 850/MT over the next two years, leading to 11% EBITDA CAGR. However, we expect leverage on books to accelerate as capex for the eastern and NE expansions pick up over FY27-29. We expect FY27E capex to nearly double to INR 12bn vs INR 6.8bn YoY and further soar to INR 21-22bn pa in FY28 and FY29E. Thus, net debt to EBITDA ratio will rise to 2.3/3x in FY28/29E from 1.2x in FY26. Factoring in slower growth in FY27/28E and eminent stretch in leverage ratio, we lower our target valuation multiple to 8x from 9x earlier. We thus value JKLC at 8x its Sep'28E EBITDA (vs 9x Mar'28E earlier), leading to a lower target price of INR 680/share.

Consolidated financial summary

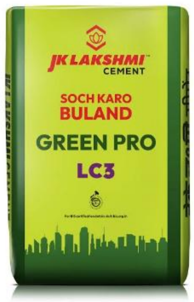
YE Mar (INR bn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Sales	67.88	61.93	67.63	72.04	76.05	84.49
EBITDA	10.52	8.65	10.11	10.07	12.50	13.86
APAT	4.82	3.05	4.47	3.99	5.66	5.58
AEPS (INR)	40.9	25.9	36.0	32.1	45.6	44.9
EV/EBITDA (x)	7.8	9.5	7.9	8.2	7.7	7.9
EV/MT (INR bn)	4.97	4.99	4.43	4.60	4.73	4.83
P/E (x)	14.0	22.2	15.1	17.0	12.0	12.1
RoE (%)	*15.7*	*8.9*	*12.0*	*9.9*	*12.7*	*11.3*

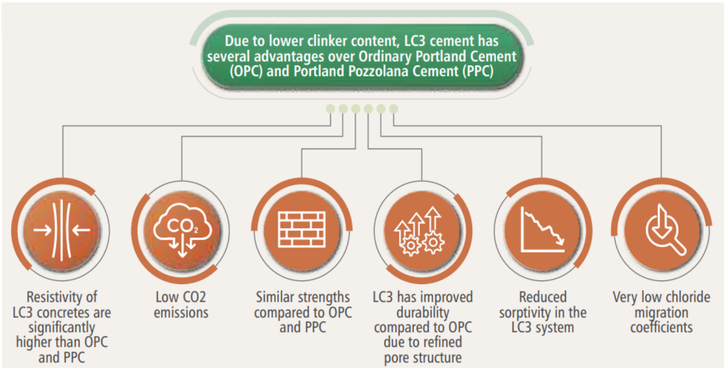
Source: Company, HSIE Research

Key operational assumptions

	FY24	FY25	FY26	FY27E	FY28E	FY29E
Cement Cap (mn MT)	**16.5**	**16.5**	**18.0**	**18.0**	**20.4**	**22.6**
Sales Volume (mn MT)	**12.0**	**12.1**	**13.3**	**14.1**	**14.7**	**16.2**
YoY change (%)	*4.4*	*1.2*	*10.0*	*6.0*	*4.0*	*10.0*
Utilisation (%)	*72.7*	*73.5*	*74.1*	*78.6*	*72.1*	*71.6*
(INR/ MT trend)						
NSR	**5,662**	**5,106**	**5,067**	**5,092**	**5,169**	**5,221**
YoY change (%)	*0.8*	*(9.8)*	*(0.8)*	*0.5*	*1.5*	*1.0*
Raw Materials	1,159	1,018	956	944	932	941
Power & Fuel	1,455	1,158	1,152	1,232	1,183	1,171
Frieght costs	1,147	1,155	1,163	1,163	1,163	1,163
Employee cost	348	362	361	357	357	374
Other expense	675	699	678	684	684	715
Total Opex	**4,785**	**4,393**	**4,310**	**4,381**	**4,319**	**4,364**
YoY change (%)	*(2.1)*	*(8.2)*	*(1.9)*	*1.7*	*(1.4)*	*1.0*
EBITDA per MT	**878**	**713**	**757**	**711**	**849**	**856**
YoY change (%)	*20.2*	*(18.8)*	*6.2*	*(6.1)*	*19.4*	*0.8*

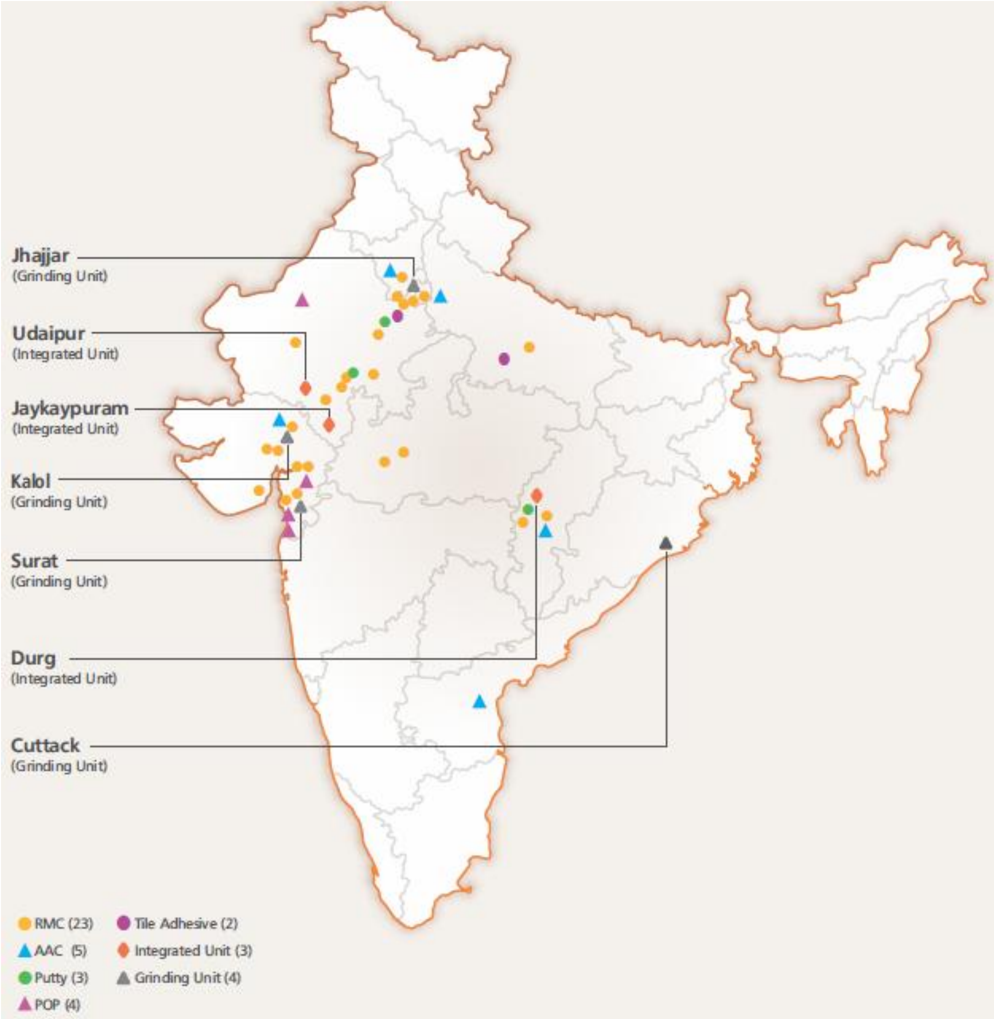
One of the handful Indian cement companies which commercially launched greener LC3





Source: Company, HSIE Research

JKLC's cement and SBS capacity spread



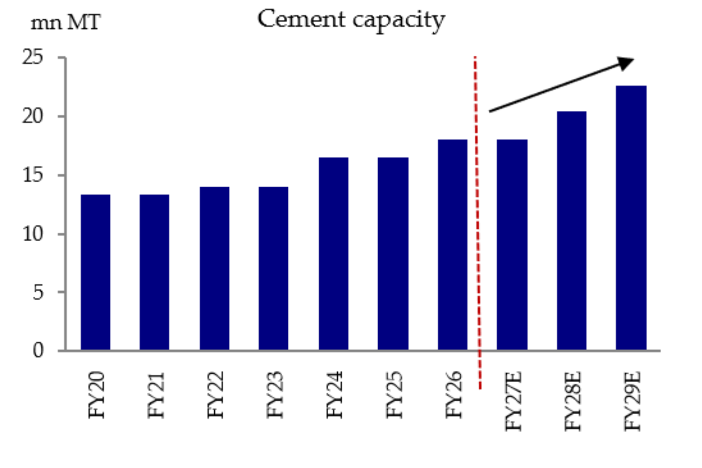
Source: Company, HSIE Research

Ambitious expansion target

Horizon	Capacity	Operational Efficiency	Sales & Market	ESG & Sustainability
FY2026 (Foundation)	18 MTPA Grey cement (Surat 1.35 Million Tonner Per Annum + Sirohi commissioned)	Clinker utilisation 94%; Cement 73%; Power 69 kWh/MT; LC3 launched	Volume 13.3 MMT; Blended 63%; Premium 25%; Trade 55%	TSR 9%; Renewable power 47%; GHG emission & intensity reduction
FY2026–28 (Scale)	24 MTPA - Durg Line 2 + Madhubani, Prayagraj and others	Clinker 100%; Cement 80%; further Penetration in LC3	Blended 70+%; Premium 30+%; Trade 60%	TSR 12%; Renewable 60+%; 100+ EVs; Rail corridors initiated
By FY2030 (Leadership)	32.5 MTPA - Various Greenfields in Rajasthan, Assam and Gujarat	Top 3 industry rank in EBIDTA/MT	Blended 75%; Premium 35%; Trade 65%	TSR 20%; Renewable 70+%

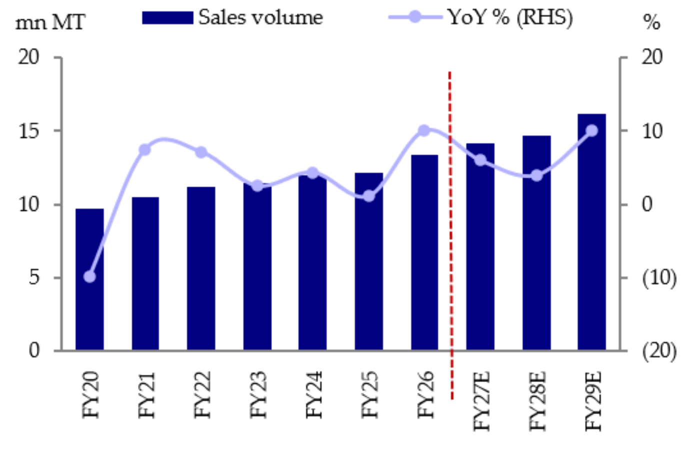
Source: Company, HSIE Research

Cement capacity to increase by 26% during FY26-29E



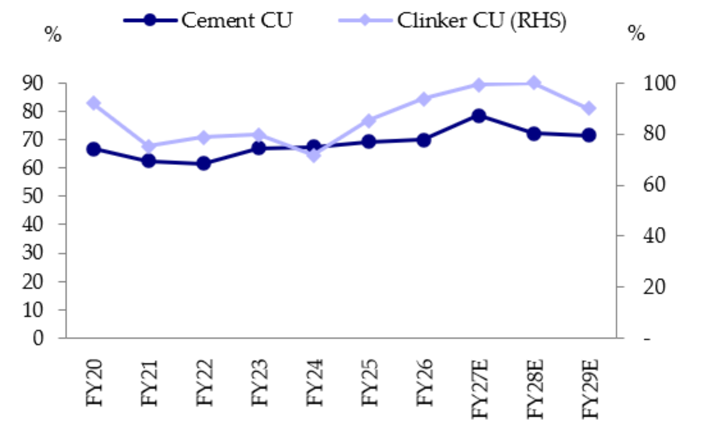
Source: Company, HSIE Research

This should support 7% sales volume CAGR



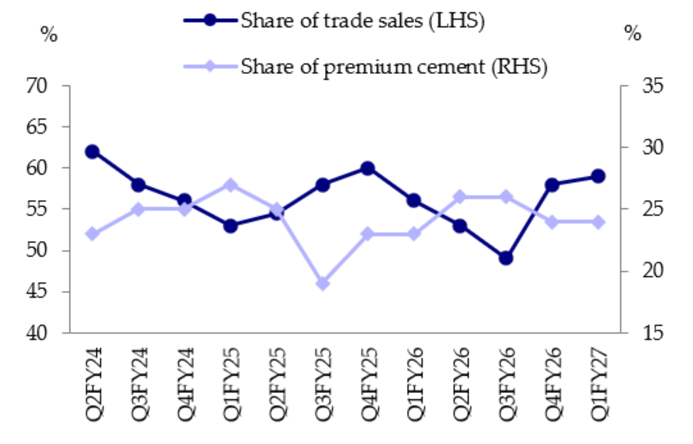
Source: Company, HSIE Research

Clinker utilization at 94% in FY26; to reach 100% in FY28E



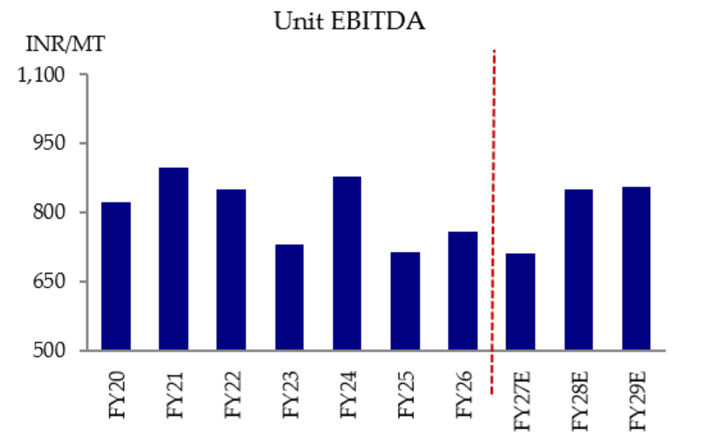
Source: Company, HSIE Research

Share of trade sales has stabilized at ~60% of total volumes



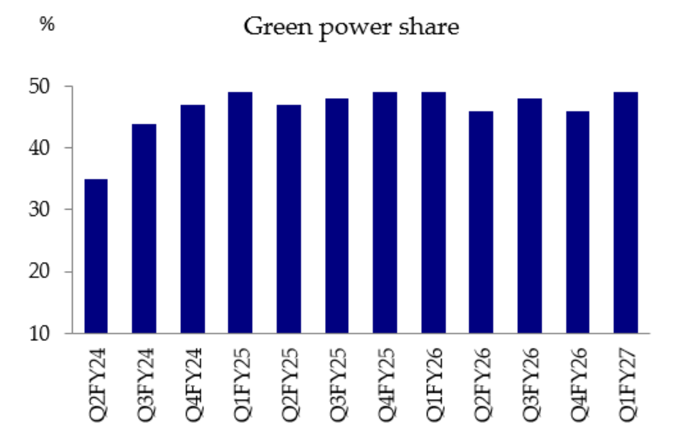
Source: Company, HSIE Research

Unitary EBITDA to moderate in FY27E and then recover to ~INR 850/MT in FY28-29E



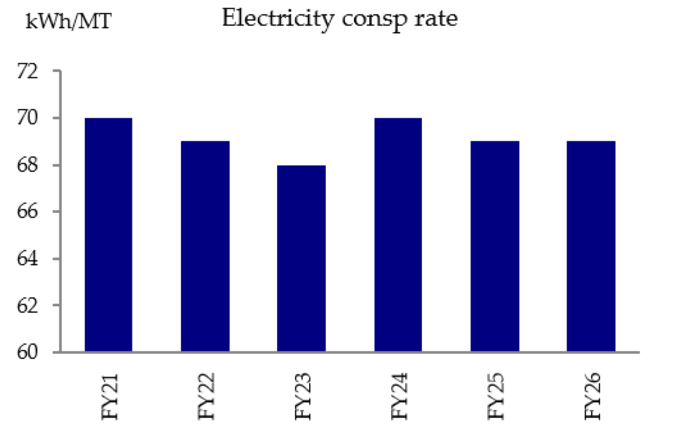
Source: Company, HSIE Research

JKLC's green power consumption share at ~50% is among the highest in the industry



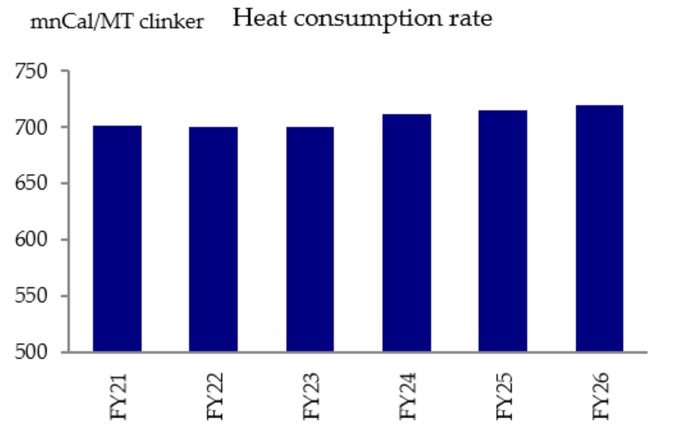
Source: Company, HSIE Research

JKLC's electricity consumption rate at ~70kWh/MT is already lower than benchmark 80kWh/MT



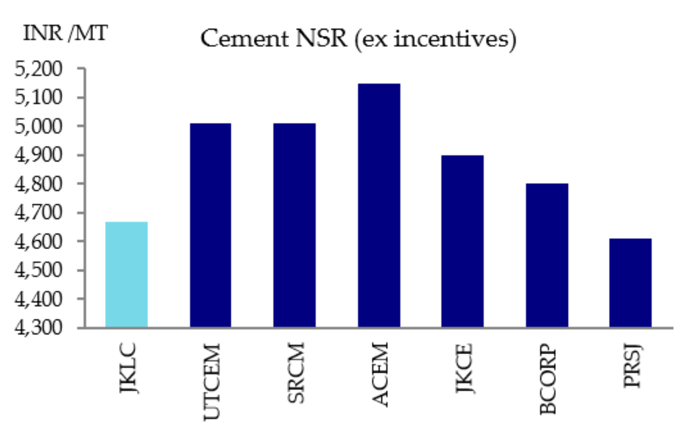
Source: Company, HSIE Research

Even its heat consumption rate at ~720mnCal/MT is better than benchmark ~750mn/MT



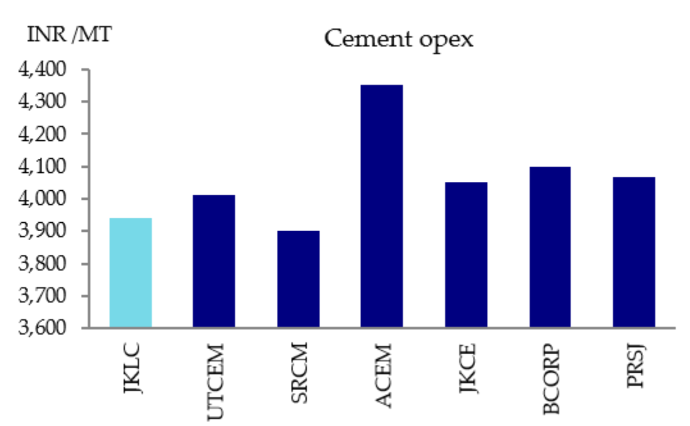
Source: Company, HSIE Research

While JKLC's cement NSR is lower vs cement majors and regional peers…



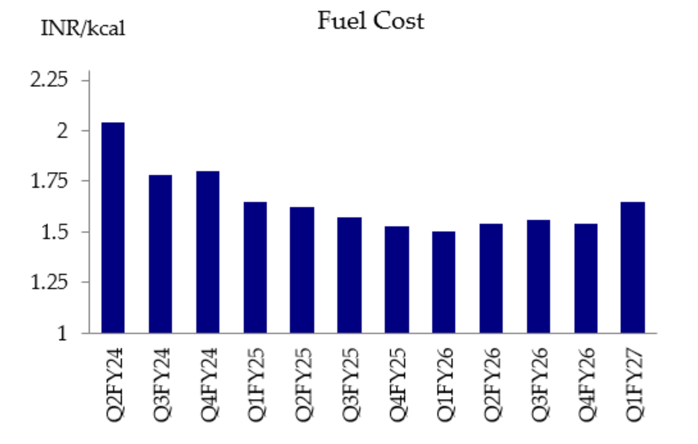
Source: Company, HSIE Research

… its cement opex is already among the best, thus limiting room for further reduction



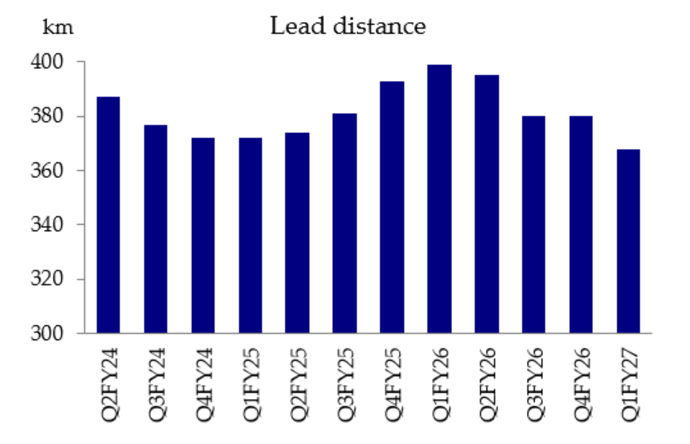
Source: Company, HSIE Research

Fuel cost has spiked recently owing to West Asia conflict



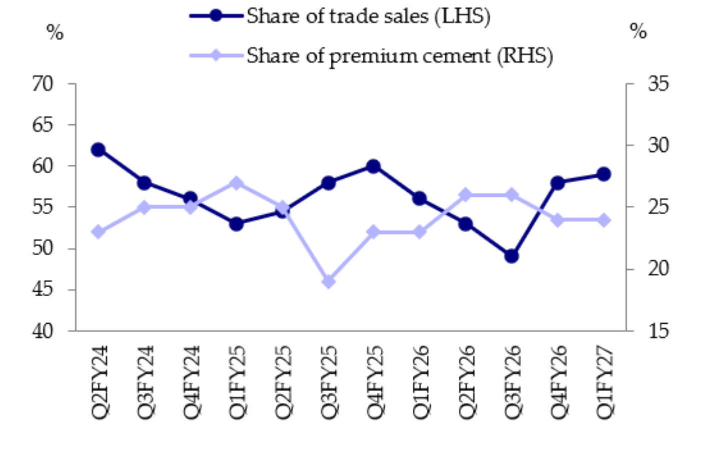
Source: Company, HSIE Research

Its lead distance has reduced by 30km YoY in 1QFY27



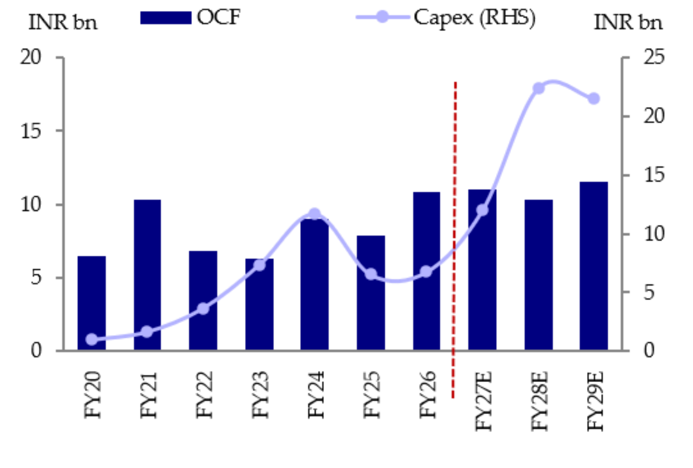
Source: Company, HSIE Research

JKLC's trade and premium cement sales share trend



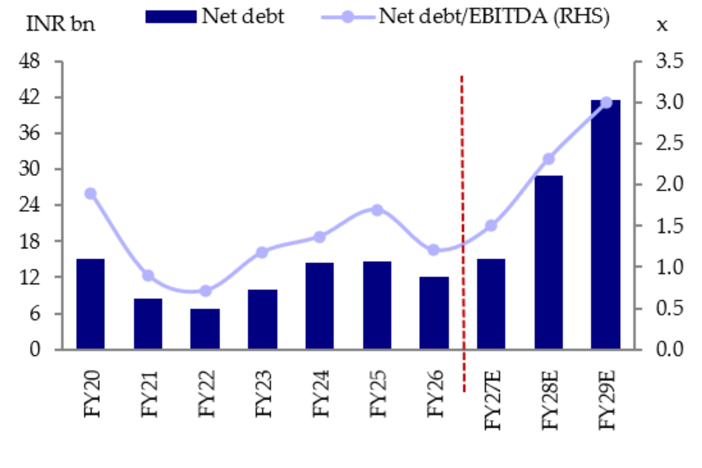
Source: Company, HSIE Research

Strong OCF should partially support capex plans



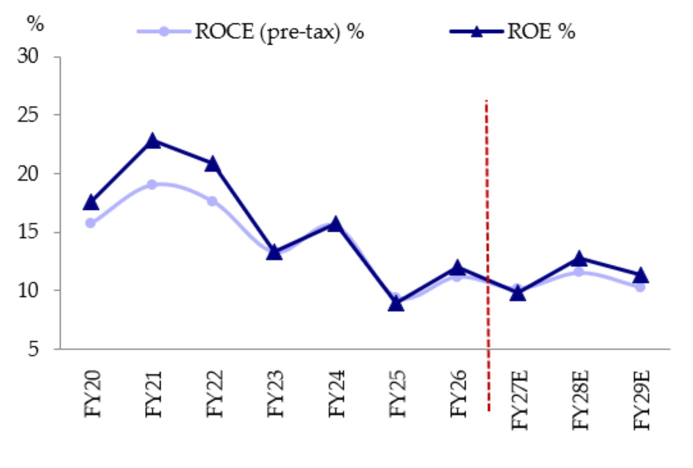
Source: Company, HSIE Research

Owing to major capex plan Net debt/EBITDA is expected to reach ~3x by FY29E



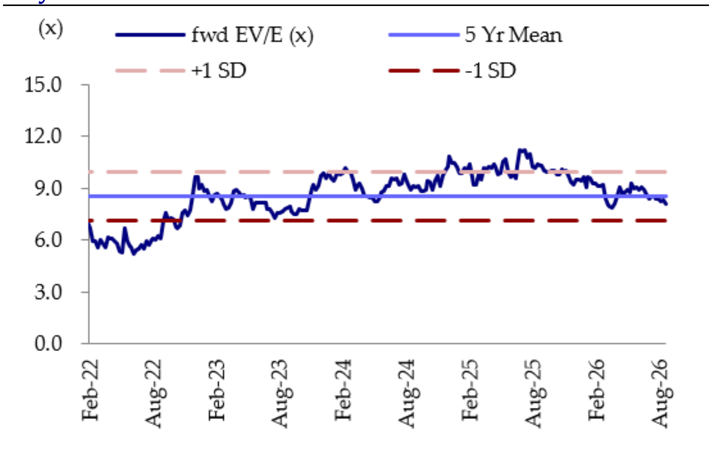
Source: Company, HSIE Research

Return ratios are expected to remain subdued owing to heightened capex



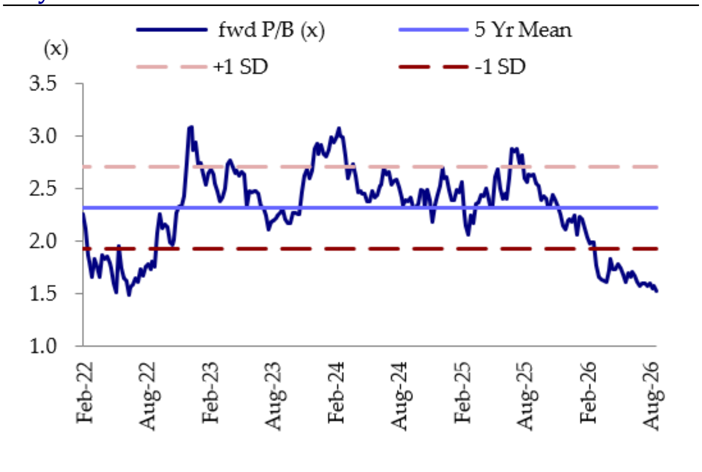
Source: Company, HSIE Research

1 year forward EV/EBITDA trend



Source: Company, HSIE Research

1 year forward P/B trend



Source: Company, HSIE Research

Consolidated Income Statement

Year end march (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenues	**67,885**	**61,926**	**67,626**	**72,042**	**76,048**	**84,489**
Growth %	***5.2***	***(8.8)***	***9.2***	***6.5***	***5.6***	***11.1***
Raw Material	13,893	12,347	12,764	13,354	13,707	15,229
Power & Fuel	17,448	14,044	15,369	17,432	17,404	18,953
Freight Expense	13,757	14,013	15,524	16,456	17,114	18,825
Employee cost	4,176	4,395	4,815	5,056	5,258	6,047
Other Expenses	8,090	8,482	9,047	9,680	10,067	11,577
EBITDA	**10,522**	**8,646**	**10,107**	**10,065**	**12,498**	**13,858**
EBIDTA Margin (%)	***15.5***	***14.0***	***14.9***	***14.0***	***16.4***	***16.4***
EBITDA Growth %	***25.4***	***(17.8)***	***16.9***	***(0.4)***	***24.2***	***10.9***
Depreciation	2,460	2,994	3,238	3,234	3,463	4,093
EBIT	8,062	5,652	6,870	6,832	9,034	9,766
Other Income	681	464	1,123	959	966	623
Interest	1,504	1,812	2,109	2,096	1,922	2,422
PBT	7,239	4,304	5,883	5,695	8,079	7,967
Tax	2,424	1,273	1,508	1,709	2,424	2,390
Minority Int	(3)	(15)	(100)	-	-	-
RPAT	**4,885**	**2,781**	**4,332**	**3,987**	**5,655**	**5,577**
EO (Loss) / Profit (Net Of Tax)	67	(266)	(143)	-	-	-
APAT	**4,818**	**3,046**	**4,475**	**3,987**	**5,655**	**5,577**
APAT Growth (%)	***34.4***	***(36.8)***	***46.9***	***(10.9)***	***41.9***	***(1.4)***
AEPS	40.9	25.9	36.0	32.1	45.6	*44.9*
AEPS Growth %	*34.4*	*(36.8)*	*39.2*	*(10.9)*	*41.9*	*(1.4)*

Source: Company, HSIE Research

Consolidated Balance Sheet

Year end march (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS						
Share Capital - Equity	589	589	621	621	621	621
Other Equity	32,260	34,947	38,235	41,415	46,263	51,033
Total Shareholders' Funds	**32,848**	**35,536**	**38,856**	**42,036**	**46,884**	**51,654**
Minority interest	**(1)**	**(9)**	**(25)**	**(25)**	**(25)**	**(25)**
Long Term Debt	18,715	23,198	21,913	24,970	33,892	43,892
Short Term Debt	2,126	2,942	3,945	3,945	3,945	3,945
Total Debt	**20,840**	**26,139**	**25,858**	**28,915**	**37,837**	**47,837**
Net Deferred Taxes	2,651	4,023	4,893	4,893	4,893	4,893
Long term liab + provision	3,790	3,802	3,832	3,984	4,146	4,316
TOTAL SOURCES OF FUNDS	**60,129**	**69,491**	**73,414**	**79,803**	**93,735**	**108,675**
APPLICATION OF FUNDS						
Net Block	50,759	55,544	53,606	52,372	58,109	75,516
Capital WIP	3,832	2,777	2,772	12,772	25,972	25,972
Other Non-current Assets	2,404	2,659	5,470	3,097	3,097	3,097
Total Non-current Investments	345	343	303	303	303	303
Total Non-current Assets	**57,340**	**61,322**	**62,151**	**68,544**	**87,481**	**1,04,888**
Inventories	9,912	8,648	6,449	7,564	7,985	8,871
Debtors	443	1,068	1,108	1,225	1,293	1,436
Cash and Cash Equivalents	6,423	11,485	13,700	13,807	8,900	6,372
Other Current Assets (& Loans/adv)	1,659	1,922	2,073	2,073	2,073	2,073
Total Current Assets	**18,438**	**23,123**	**23,330**	**24,669**	**20,252**	**18,753**
Creditors	5,560	4,548	4,663	5,763	6,084	6,759
Other Current Liabilities & Provns	10,089	10,407	7,405	7,647	7,914	8,207
Total Current Liabilities	**15,649**	**14,955**	**12,067**	**13,411**	**13,998**	**14,966**
Net Current Assets	**2,789**	**8,168**	**11,263**	**11,259**	**6,254**	**3,787**
TOTAL APPLICATION OF FUNDS	**60,129**	**69,491**	**73,414**	**79,803**	**93,735**	**108,675**

Source: Company, HSIE Research

Consolidated Cash Flow

Year end march (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	7,325	3,944	5,587	5,695	8,079	7,967
Non-operating & EO Items	(741)	(439)	(995)	(959)	(966)	(623)
Interest Expenses	1,504	1,812	2,109	2,096	1,922	2,422
Depreciation	2,460	2,994	3,238	3,234	3,463	4,093
Working Capital Change	(415)	(136)	1,402	2,637	260	109
Tax Paid	(1,126)	(338)	(516)	(1,709)	(2,424)	(2,390)
OPERATING CASH FLOW (a)	**9,007**	**7,837**	**10,824**	**10,994**	**10,334**	**11,578**
Capex	(11,690)	(6,521)	(6,753)	(12,000)	(22,400)	(21,500)
Free Cash Flow (FCF)	(2,682)	1,316	4,070	(1,006)	(12,066)	(9,922)
Investments	2,449	(5,458)	(828)	-	-	-
Non-operating Income	427	457	200	959	966	623
Others						
INVESTING CASH FLOW (b)	**(8,814)**	**(11,522)**	**(7,382)**	**(11,041)**	**(21,434)**	**(20,877)**
Debt Issuance/(Repaid)	1,474	4,864	(556)	3,057	8,922	10,000
Interest Expenses	(2,089)	(2,034)	(2,222)	(2,096)	(1,922)	(2,422)
FCFE	(3,297)	4,146	1,293	(45)	(5,066)	(2,344)
Share Capital Issuance						-
Dividend	(674)	(532)	(765)	(807)	(807)	(807)
FINANCING CASH FLOW (c)	**(1,289)**	**2,299**	**(3,543)**	**154**	**6,194**	**6,771**
NET CASH FLOW (a+b+c)	**(1,096)**	**(1,387)**	**(101)**	**107**	**(4,906)**	**(2,528)**
EO Items, Others						
Closing Cash & Equivalents	**7,816**	**5,036**	**11,384**	**13,807**	**8,900**	**6,372**

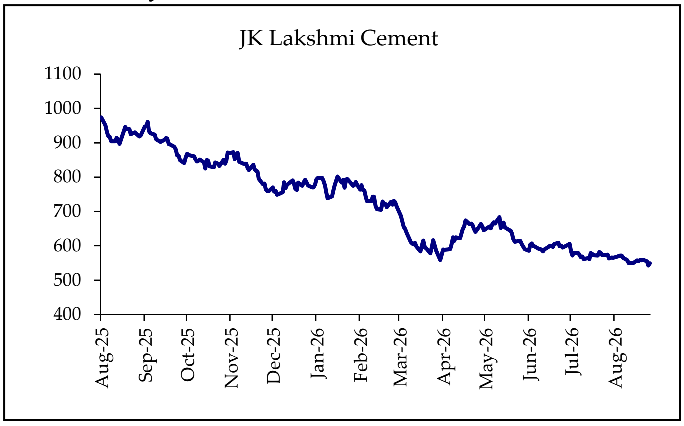
Source: Company, HSIE Research

Key Ratios

Year end march	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY %						
EBITDA Margin	15.5	14.0	14.9	14.0	16.4	16.4
EBIT Margin	11.9	9.1	10.2	9.5	11.9	11.6
APAT Margin	7.1	4.9	6.6	5.5	7.4	6.6
RoE	*15.7*	*8.9*	*12.0*	*9.9*	*12.7*	11.3
RoIC (pre tax)	*19.1*	*10.8*	*12.2*	*12.4*	*16.1*	14.4
RoCE (pre tax)	*15.6*	*9.4*	*11.2*	*10.2*	*11.5*	10.3
EFFICIENCY						
Tax Rate %	33.5	29.6	25.6	30.0	30.0	30.0
Fixed Asset Turnover (x)	1.1	0.8	0.9	0.9	0.9	0.8
Inventory (days)	53	51	35	38	38	38
Debtors (days)	2	6	6	6	6	6
Other Current Assets (days)	22	27	41	26	25	22
Payables (days)	30	27	25	29	29	29
Other Current Liab & Provns (days)	75	84	61	59	58	54
Cash Conversion Cycle (days)	(27)	(26)	(4)	(17)	(18)	(16)
Net Debt/EBITDA (x)	1.4	1.7	1.2	1.5	2.3	3.0
Net D/E	0.4	0.4	0.3	0.4	0.6	0.8
Interest Coverage	5.4	3.1	3.3	3.3	4.7	4.0
PER SHARE DATA (Rs)						
EPS	40.9	25.9	36.0	32.1	45.6	44.9
CEPS	61.8	51.3	62.1	58.2	73.5	77.9
Dividend	6.5	6.5	6.5	6.5	6.5	6.5
Book Value	279.1	301.9	312.8	338.4	377.5	415.9
VALUATION						
P/E (x)	14.0	22.2	15.1	17.0	12.0	12.1
P/Cash EPS (x)	9.2	11.7	8.9	9.4	7.4	7.0
P/BV (x)	2.1	1.9	1.7	1.6	1.4	1.3
EV/EBITDA (x)	7.8	9.5	7.9	8.2	7.7	7.9
EV/MT (Rs bn)	4.97	4.99	4.43	4.60	4.73	4.83
Dividend Yield (%)	1.2	1.2	1.2	1.2	1.2	1.2
OCF/EV (%)	11.0	9.5	13.6	13.3	10.7	10.6
FCFF/EV (%)	(3.3)	1.6	5.1	(1.2)	(12.5)	(9.1)
FCFE/M Cap (%)	(4.0)	1.9	6.0	(1.5)	(17.8)	(14.7)

Source: Company, HSIE Research

Price History



Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	>10% Downside return potential

Disclosure:

We, **Rajesh Ravi, MBA, Keshav Lahoti, CA, CFA, Mahesh Nagda, CA & Kartikey, CA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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