

SELL**TP: Rs 716 | ▼ 6%****JK LAKSHMI CEMENT**

Cement

| 04 February 2026

No respite from weakness; concerns to continue; retain SELL

- Volume grew by 8% YoY, aided by UCWL and Surat GU. Revenue increased by 6% YoY, pressured by softening realisations
- Overall cost inflation was largely under check (-1% YoY) at Rs4,213/t, helped by 2% decline in fuel and logistics costs
- We value JKLC at 9x EV/EBITDA Dec'27 EBITDA with new TP of Rs 716 (Rs 770), as FY27E/FY28E EBITDA revised -3%/-4%. Retain SELL

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Performance pressured by tepid realization: JKLC (SA) reported a modest ~6%/4% YoY/MoM increase in revenue at ~Rs15.9bn in Q3FY26, following a full UCWL integration. Volumes grew 8%/15% YoY/QoQ to 3.28 mnt (ex-clinker), helped by seasonal demand pickup, Surat GU ramp-up, and steady UCWL contribution. Average prices fell 2%/10% YoY/QoQ to Rs4,841/t, owing to a drift towards non-trade sales (51% vs 43% YoY), combined with higher fall in non-trade prices. This was partially offset by premium mix stability (~26%) in trade sales.

Cost-discipline levers limited: Overall cost fell ~1%/10% YoY/QoQ to Rs4,213/t. Raw material cost (adj. for fuel) jumped ~2% YoY (-6% QoQ), despite RM inflation of ~9% YoY (adj. for trade purchases), aided by fuel cost decline and efficiency gains. Green power share added to ~48% (vs 46% QoQ), supporting energy cost optimisation. Logistics cost fell by ~2%/10% YoY/QoQ, as dispatches were focused on the core markets and flat lead distances at 380km YoY (395km QoQ). Other expenditure remained in check, up only ~4%/5% YoY/QoQ.

Margin decline on tepid realisations: EBITDA increased ~2% YoY (-1% QoQ) to ~Rs2.1bn, aided by lower costs offsetting the pricing pressure. EBITDA margin moderated marginally to ~13.0% (vs 13.5% YoY and 13.6% in Q2FY26), while EBITDA/tm declined to Rs628/tm from Rs666/tm YoY (-14% QoQ).

Capacity progression unchanged: Current installed capacity is 18mpta. The target of 22.6mpta remains intact by FY28. Railway siding phase 2 is likely to be completed by Mar'28, boosting future logistics efficiency.

Revise estimates; maintain SELL: We revise our FY27E/FY28E EBITDA downwards by 3%/4%. This is to capture the challenging scenario in its key region (of operations) of changing dynamics of intense supply pressure from large cement majors impacting pricing. Further, net debt addition due to Durg expansion and staying high, following the Nagaon and Assam expansion beyond FY28 are woes. We value JKLC at 9x EV/EBITDA Dec'27 revised earnings with a new TP of Rs 716 (Rs 770). Retain SELL. At our target price the stock trades at ~Rs7bn/mnt.

Key changes

	Target	Rating
▼	► ►	

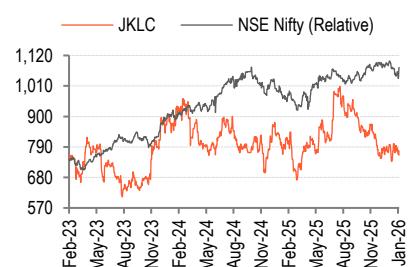
Ticker/Price	JKLC IN/Rs 761
Market cap	US\$ 989.8mn
Free float	54%
3M ADV	US\$ 1.2mn
52wk high/low	Rs 1,021/Rs 661
Promoter/FPI/DII	46%/14%/26%

Source: NSE | Price as of 4 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	61,926	69,441	77,245
EBITDA (Rs mn)	8,652	10,630	12,129
Adj. net profit (Rs mn)	3,182	4,652	5,041
Adj. EPS (Rs)	27.0	39.5	42.8
Consensus EPS (Rs)	27.0	38.0	46.5
Adj. ROAE (%)	9.3	13.2	12.8
Adj. P/E (x)	28.1	19.2	17.8
EV/EBITDA (x)	10.7	9.9	9.8
Adj. EPS growth (%)	(33.6)	46.2	8.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q3FY26	Q2FY26	Our view
Volume and realisations	Trade share fell to 49% (from 57% YoY) on higher Gujarat dependence (non-trade dominant) post-Surat ramp-up and post-GST rationalisation demand softness in trade. Non-trade prices dropped post-GST reduction but have recovered Dec onwards in the Rs 10-15 range. Clinker sales 1.51 lakh tonnes (vs 1.7 lakh in Q2). Clinker utilisation 90% in Q3FY26. Demand momentum has been strong in Dec-Jan; Q4FY26 is expected to grow by double-digit YoY, in-line with the industry. Premium mix was stable at 26% QoQ (22% YoY). Blended cement was 62% (65% YoY); management aims raising to ~67% level in turn increasing the CC ratio from 1.44 currently.	GU commissioning (1.35mnt added in Sept), boosting Gujarat sales. North proportion up to 69% (incl. Gujarat), East down marginally. Trade sales at 53%, blended cement at 62%, premium products share at 26% (up 3% QoQ from 23%). Price gap with competitors was narrowed through Green Plus brand launch and geo-mix shift. Trade prices intact across regions, except Gujarat (down marginally); non-trade prices declined post-Sept 22, due to lean demand. Nov onwards, demand and non-trade prices will likely recover.	Consolidation benefits will translate into limited volume gain; however, sustainability is the key to retaining market share. Pricing challenge will likely continue in the medium term as it key remunerative Gujarat market has had changed dynamics with two major cement companies trying to increase its dominance. This is a structural shift that will hit the company.
Margin	Fuel cost Rs1.56/kcal vs Rs 1.57/kcal YoY (up from Rs1.54 QoQ). Green power was stable at 48% YoY (up from 46% QoQ). Power cost per unit fell from 5.5 to 5.37. Management highlighted that employee cost reduction was through productivity gains (no salary cuts). JKLC aims at optimising employee costs through productivity and no salary cuts. The increase in depreciation and interest expense was on Surat GU commissioning in Sept.	Fuel cost at Rs 1.54/kcal (up QoQ due to kiln shutdown reducing WHRS, lower solar, petcoke price rise to ~\$116-120/tn; likely normalise in H2FY26). Green power at 46% (down QoQ; to improve with better WHRS/solar once production increases). Lead distance down to 395 km (from 399 km QoQ). Freight cost elevated on non-core/seeding markets targeted (Bihar, Jharkhand, Prayagraj). Cost savings measures intact with Premium push, AI/ML in supply chain, and TSR enhancement target to 16%. Rs100-120/tn cost savings target over 12-18 months maintained. Non-cement revenue Rs1.5bn (RMC Rs 720mn, AAC Rs 520mn, others Rs 290mn), EBITDA margin at 4%.	Pricing challenges will only be partially offset by the benefit of operating efficiencies (cost measures), but additional benefits may be limited. Logistics cost may be inflated due to the seeding of newer markets in the eastern region (Bihar/Jharkhand).
Capacity	Installed capacity stands at 18 mtpa, with Surat GU fully operational. Durg brownfield remains on track with kiln commissioning by Mar'27, 2.2 mnt by FY27-end, full project by Mar'28. No change in the plan to 22.6mtpa capacity by FY28. Phase 2 of railway siding is expected to be completed by Mar'28. Clinker factor (CC ratio) was 1.44 Blended cement target 62% to 67%.	Current capacity at 18mtpa (post Surat 1.35mnt GU + Sirohi de-bottlenecking). Durg brownfield (2.3mnt clinker + 4.6mnt cement) all major equipment orders are placed with kiln expected by Mar'27, 1.2mnt Durg + 1.2mnt Madhubani capacity addition in FY27, balance 2.2mnt to be commissioned by Mar'28. Path to increase capacity to 22.6mtpa by FY28 via brownfield. 3 greenfields (Nagaur/Kutch: 2mnt clinker + 3mnt cement each; Assam: 2-2.5mnt) should be commissioned by FY29-30 to reach 30mtpa by FY30. Prayagraj is targeted for Sep-Oct'27.	Capacity expansion will be effective post FY27. However, we note that the company's execution capabilities have remained below par in the past. Cost-saving initiatives need to be expedited as well.
Capex	9MFY26 capex incurred was ~Rs2.6bn. FY26 guidance was changed to ~Rs6.5bn (Q4FY26 spend to be ~Rs4bn mainly for Durg). Durg total remains unchanged at Rs30bn. FY27 guidance Rs16-17bn and the balance in FY28. Conveyor	FY26 capex guided at Rs10-12bn. Durg capex is planned at Rs 30bn total (Rs 500mn spent till Sept; Rs1000-1200mn FY26, Rs13-15bn p.a. FY27-28). Capex for next 2 years will be focused on Durg. Greenfield capex FY29 is	Aggressive expansion plans imply capex trajectory likely staying elevated.

Parameter	Q3FY26	Q2FY26	Our view
	<p>belt status in final stage, as Ministry of Steel final approval (SAIL board cleared) still pending.</p> <p>Management reiterated that they are comfortable at Net Debt/EBITDA target of 3-3.5x.</p>	<p>estimated at~\$100/tn or Rs25-30bn each.</p> <p>Management aims to keep Net Debt/EBITDA at ~3-3.5x.</p> <p>Conveyor belt: SAIL Board has approved the leasing; final approval pending from Ministry of Steel (management working on alternatives).</p>	<p>The Durg conveyor belt project has been delayed longer than expected. Debt-EBITDA to stay elevated if capex gets executed as planned in the interim period</p>
Other key points	<p>Non-cement revenue was at ~Rs1.5bn (RMC Rs670mn, AAC Rs560mn), with EBITDA margin 4%. Management highlighted that non-cement businesses (RMC/AAC) operate at industry-aligned margins; focus on productivity and value-added concrete.</p>	<p>Non-cement revenue at Rs1.5bn (up from Rs1.4bn YoY; RMC Rs 720mn, AAC Rs 520mn). UCWL is eligible for capital incentive and has been applied for. Growth is expected to be marginally above industry; measures underway to close EBITDA/tn gap with peers in core markets. Non-trade prices in Gujarat are better vs North/West.</p>	<p>Non-cement revenue contribution steady and needs some more attention for improvement.</p>

Source: Company, BOBCAPS Research | RMC: Ready-mix concrete

Fig 2 – Key metrics (standalone)

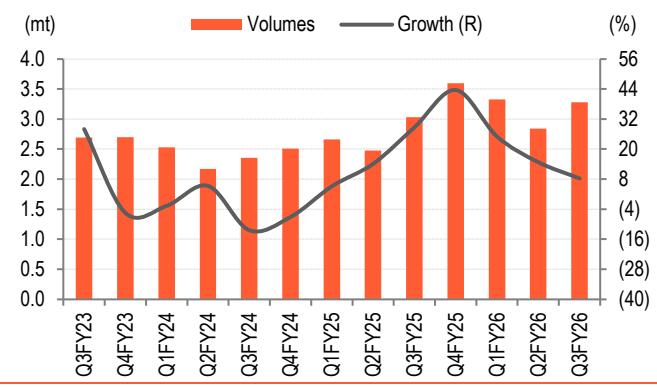
	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Deviation (%)
Volumes (mn mt)	3.3	3.0	8.2	2.8	15.4	3.1	4.3
Cement realisations (Rs/t)	4,622	4,721	(2.1)	5,136	(10.0)	4,905	(5.8)
Operating costs (Rs/t)*	4,213	4,272	(1.4)	4,657	(9.5)	4,472	(5.8)
EBITDA/t (Rs)	628	666	(5.7)	732	(14.3)	681	(7.8)

Source: Company, BOBCAPS Research | * Aggregate cost

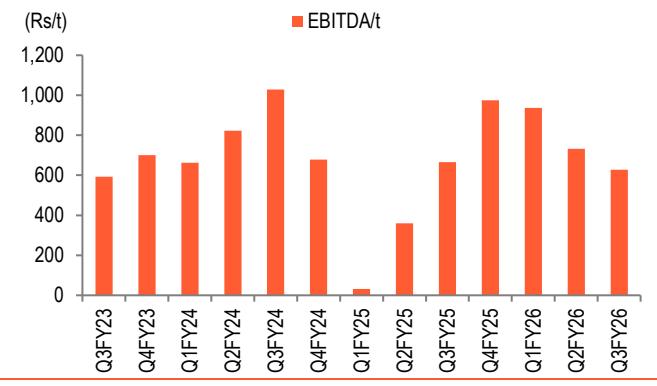
Fig 3 – Quarterly performance (standalone)

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Deviation (%)
Net Sales	15,884	14,968	6.1	15,318	3.7	16,217	(2.1)
Expenditure							
Change in stock	212	(23)	(1,011.6)	(207)	(202.6)	(135)	(257.3)
Raw material	2,517	2,342	7.5	2,462	2.2	2,555	(1.5)
purchased products	394	429	(8.2)	424	(7.0)	481	(18.2)
Power & fuel	3,709	3,507	5.8	3,683	0.7	4,094	(9.4)
Freight	3,670	3,475	5.6	3,512	4.5	3,937	(6.8)
Employee costs	1,156	1,144	1.1	1,300	(11.1)	1,288	(10.2)
Other exp	2,165	2,077	4.2	2,062	5.0	1,852	16.9
Total Operating Expenses	13,824	12,950	6.8	13,236	4.4	14,073	(1.8)
EBITDA	2,060	2,019	2.1	2,081	(1.0)	2,144	(3.9)
EBITDA margin (%)	13.0	13.5	(52bps)	13.6	(62bps)	13.2	(25bps)
Other Income	291	109	166.2	247	17.8	237	22.9
Interest	550	453	21.4	505	8.8	498	10.4
Depreciation	851	762	11.7	774	10.0	784	8.5
PBT	951	913	4.1	1,050	(9.4)	1,099	(13.5)
Non-recurring items	(191)	0	0.0	0	0.0	0	0.0
PBT (after non recurring items)	760	913	(16.8)	1,050	(27.6)	1,099	(30.9)
Tax	179	130	37.2	226	(21.0)	275	(35.0)
Reported PAT	581	783	(25.8)	823	(29.4)	824	(29.5)
Adjusted PAT	772	783	(1.4)	823	(6.2)	824	(6.3)
NPM (%)	4.9	5.2	(37bps)	5.4	(52bps)	5.1	(22bps)
Adjusted EPS (Rs)	6.6	6.7	(1.4)	7.0	(6.2)	7.0	(6.3)

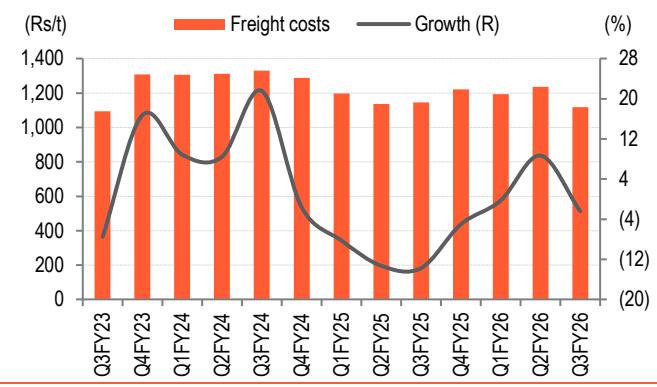
Source: Company, BOBCAPS Research

Fig 4 – Volume gains contributed by amalgamation benefits and capacity expansion


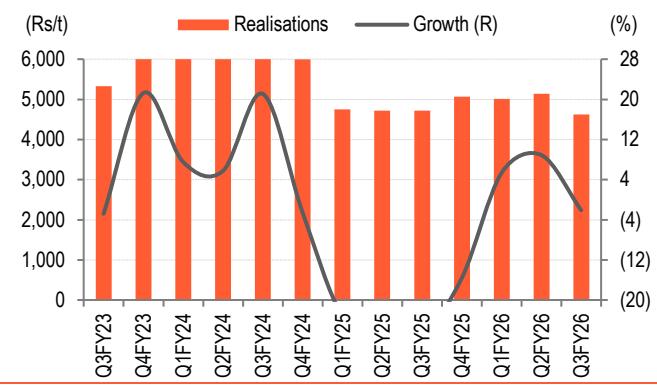
Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Fig 6 – EBITDA/t will continue being impacted and stay below industry average


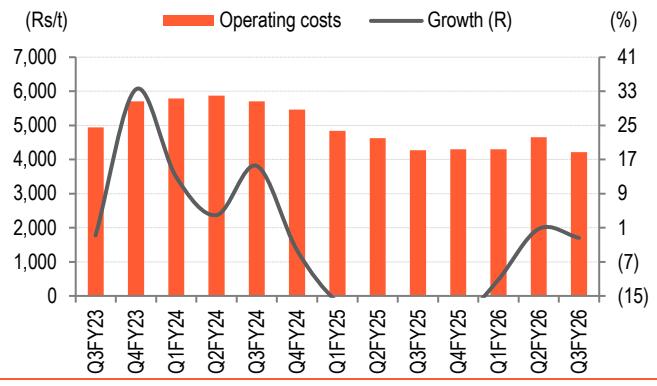
Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Fig 8 – Freight cost savings as focus stays on core regions; though with new markets, this may reverse


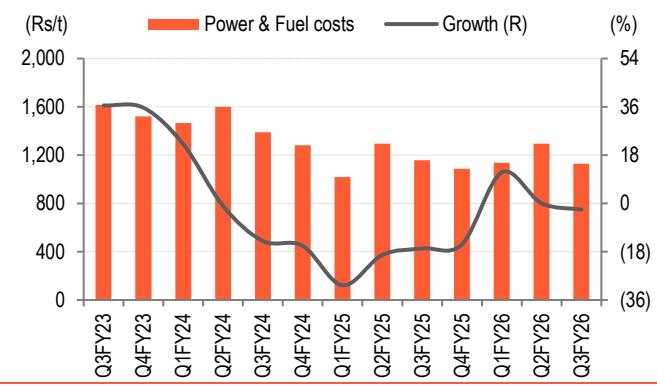
Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Fig 5 – Realisation pressure to continue with higher presence in supply glut regions


Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Fig 7 – Operating cost savings from consolidation


Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Fig 9 – Fuel cost savings commendable and likely to continue


Source: Company, BOBCAPS Research | Management has restated volume numbers from Q1FY22

Valuation Methodology

We revise our FY27E/FY28E EBITDA downwards by 3%/4%. This is to capture the challenging scenario in its key region of operations of changing dynamics of intense supply pressure from large cement majors impacting pricing. Further, net debt reversing upwards due to Durg expansion and staying high, following the Nagaur and Assam expansion beyond FY28 — are concerns.

The changed dynamics of the Cement sector with aggressive pricing for market penetration and capability of large size companies to sustain pricing pressure — will be key pressure points for regional companies. Additionally, Gujarat has changed dynamics with two major cement companies trying to dominate leading to pricing pressure. This is a structural shift that will hit the company. Additionally, JKLC's performance will be determined by its ability to deliver volumes from the new capacity, as its capex is largely backed by debt. Effectively, the growing competition in JKLC's operating regions including Gujarat and the eastern region, balance sheet pressure in the capex phase and weak execution capabilities in the past - all remain key challenges.

We value JKLC at 9x EV/EBITDA Dec-2027 revised earnings with a new TP of Rs 716 (Rs 770). Retain SELL. At our TP, the stock trades at ~Rs7bn/mnt.

Fig 10 – Revised estimates

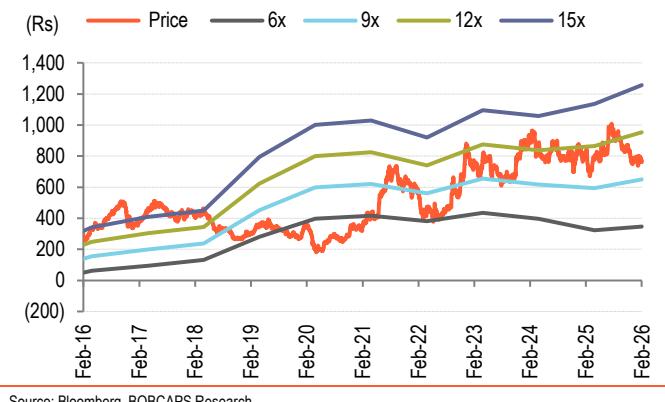
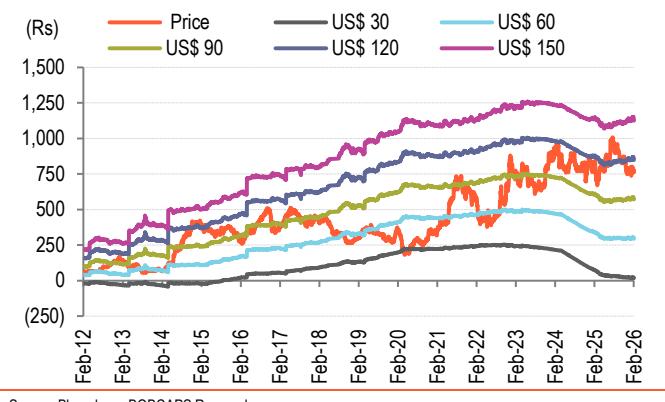
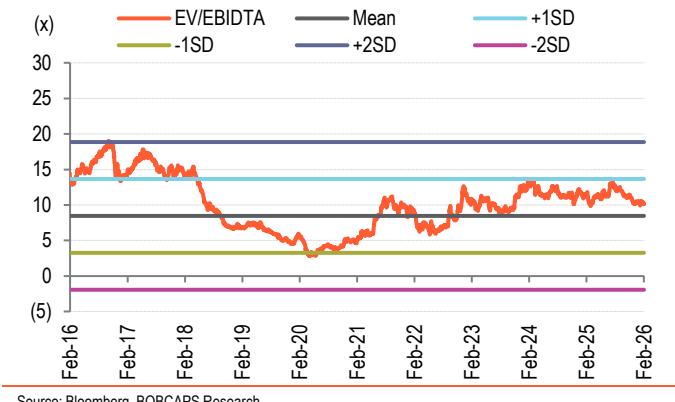
(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	69,441	77,245	88,883	71,615	79,683	89,202	(3.0)	(3.1)	(0.4)
EBITDA	10,630	12,129	13,904	10,531	12,565	14,391	0.9	(3.5)	(3.4)
Adj PAT	4,652	5,041	5,733	4,476	5,200	5,922	3.9	(3.0)	(3.2)
Adj EPS (Rs)	39.5	42.8	48.7	38.0	44.2	50.3	4.0	(3.1)	(3.1)

Source: BOBCAPS Research

Fig 11 – Key assumptions

Parameter	FY25	FY26E	FY27E	FY28E
Volumes (mt)	11.5	13.0	14.3	15.1
Realisations (Rs/t)	4,649	4,699	4,859	4,998
Operating costs (Rs/t)	4,392	4,531	4,561	4,954
EBITDA/t (Rs)	713	819	850	919

Source: Company, BOBCAPS Research

Fig 12 – EV/EBITDA band: Valuations moderating to mirror financial show

Fig 14 – EV/tonne band: Replacement cost premium moderating to reflect performance

Fig 13 – EV/EBITDA 1YF: Valuations will revert to mean over the medium term

Fig 15 – EV/tonne 1YF: Scaling down from peak


Key Risks

Key upside risks to our estimates:

- strong pricing gains in key operating regions
- further softening of energy cost lending a boost to margins
- aggressive capex execution, leading to an above-expected performance

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	67,885	61,926	69,441	77,245	88,883
EBITDA	10,519	8,652	10,630	12,129	13,904
Depreciation	(2,458)	(2,988)	(2,251)	(2,610)	(2,996)
EBIT	8,745	6,195	8,925	10,080	11,485
Net interest inc./exp.)	(1,504)	(1,812)	(2,279)	(2,557)	(2,931)
Other inc./exp.)	684	531	546	561	577
Exceptional items	89	(354)	0	0	0
EBT	7,329	4,029	6,645	7,523	8,554
Income taxes	(2,446)	(1,202)	(1,993)	(2,481)	(2,821)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	4,883	2,827	4,652	5,041	5,733
Adjustments	(89)	354	0	0	0
Adjusted net profit	4,794	3,182	4,652	5,041	5,733

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,888	12,990	14,501	16,056	18,488
Other current liabilities	14,954	4,481	4,944	5,419	5,910
Provisions	181	386	995	1,012	1,031
Debt funds	5,632	10,103	27,888	32,278	36,683
Other liabilities	2,683	2,890	198	198	198
Equity capital	588	588	588	588	588
Reserves & surplus	30,866	32,937	36,623	40,697	45,461
Shareholders' fund	32,743	33,525	37,212	41,286	46,049
Total liab. and equities	59,081	64,375	85,738	96,249	1,08,358
Cash and cash eq.	4,985	4,844	2,090	553	779
Accounts receivables	402	924	1,903	2,116	2,435
Inventories	7,622	6,704	7,800	8,465	9,741
Other current assets	4,159	8,714	9,571	9,723	9,878
Investments	11,807	11,951	12,098	12,247	12,398
Net fixed assets	26,224	30,583	48,608	57,464	65,934
CWIP	3,739	500	3,500	5,500	7,000
Intangible assets	144	155	168	181	194
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	59,081	64,375	85,738	96,249	1,08,358

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	8,761	807	3,861	8,669	9,920
Capital expenditures	(4,257)	(3,229)	(23,288)	(13,479)	(12,979)
Change in investments	(5,258)	(197)	2,601	(149)	(151)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(9,516)	(3,426)	(20,688)	(13,628)	(13,130)
Equities issued/Others	(111)	(1,289)	0	0	0
Debt raised/repaid	(214)	4,471	17,785	4,390	4,404
Interest expenses	0	0	0	0	0
Dividends paid	(677)	(765)	(824)	(824)	(824)
Other financing cash flows	699	9	(141)	(143)	(145)
Cash flow from financing	(302)	2,425	16,820	3,423	3,435
Chg in cash & cash eq.	(1,057)	(194)	(6)	(1,536)	226
Closing cash & cash eq.	4,985	4,844	2,090	554	779

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	41.5	24.0	39.5	42.8	48.7
Adjusted EPS	40.7	27.0	39.5	42.8	48.7
Dividend per share	5.7	6.5	7.0	7.0	7.0
Book value per share	278.2	284.9	316.2	350.8	391.3

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.2	1.5	1.5	1.5	1.4
EV/EBITDA	8.0	10.7	9.9	9.8	8.9
Adjusted P/E	18.7	28.1	19.2	17.8	15.6
P/BV	2.7	2.7	2.4	2.2	1.9

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	66.6	70.2	70.0	67.0	67.0
Interest burden (PBT/EBIT)	82.8	70.8	74.5	74.6	74.5
EBIT margin (EBIT/Revenue)	12.9	10.0	12.9	13.0	12.9
Asset turnover (Rev./Avg TA)	122.1	100.3	92.5	84.9	86.9
Leverage (Avg TA/Avg Equity)	1.8	1.9	2.1	2.3	2.3
Adjusted ROAE	15.9	9.3	13.2	12.8	13.1

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	11.8	(8.8)	12.1	11.2	15.1
EBITDA	49.4	(17.7)	22.9	14.1	14.6
Adjusted EPS	44.9	(33.6)	46.2	8.4	13.7
Profitability & Return ratios (%)					
EBITDA margin	15.5	14.0	15.3	15.7	15.6
EBIT margin	12.9	10.0	12.9	13.0	12.9
Adjusted profit margin	7.1	5.1	6.7	6.5	6.5
Adjusted ROAE	15.9	9.3	13.2	12.8	13.1
ROCE	22.9	14.1	16.0	14.5	14.7
Working capital days (days)					
Receivables	2	5	10	10	10
Inventory	41	40	41	40	40
Payables	18	89	90	90	90
Ratios (x)					
Gross asset turnover	1.6	1.3	1.0	1.0	1.0
Current ratio	1.0	1.2	1.0	0.9	0.9
Net interest coverage ratio	5.8	3.4	3.9	3.9	3.9
Adjusted debt/equity	0.2	0.3	0.7	0.8	0.8

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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HOLD – Expected return from -6% to +15%

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Note: Recommendation structure changed with effect from 21 June 2021

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Ratings and Target Price (3-year history): JK LAKSHMI CEMENT (JKLC IN)



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