

Date: 08/04/2022

Recommended Price: 445-455 • Target: 520-560 • Stoploss: 398

Time Frame: 6 months

JKLAKSHMI-WEEKLY CHART



Technical Outlook

- The stock on weekly scale has taken a support of 200 weeks exponential moving average (WEMA) as highlighted in the above chart. Moreover, the stock has formed multiple bullish candlestick formation near demand zone, indicating buying interest near demand zone.
- The 200 WEMA is placed close to 422, which is acting as strong support for the stock.
- The RSI on the weekly scale has reverse from oversold zone and it is making higher top higher bottom formation. Moreover, the stochastic oscillator has formed bullish crossover, suggesting strength.
- Based on the above technical setup, we recommend buying JKLAKSHMI in the band of 445-455 with a stop loss of 398 on a closing basis for a medium-term target of 520-560.

Fundamental Rationale

- JK Lakshmi is one of the leading cement players in the northern, western and eastern regions with total capacity of 13.3 MT. It has integrated units at Sirohi, Udaipur (Rajasthan) and Durg (Chhattisgarh) while grinding units are located at Jhajjar (Haryana), Cuttack (Odisha), Kalol and Surat (Gujarat).
- JK Lakshmi is one of the efficient producers of cement in India and aims to gain a competitive edge in the market by employing all possible efficiency measures to further optimize its cost structure. It also has 105 MW power plant (that fulfils its 75% of total power requirements. Moreover, Waste Heat Recovery system(WHRS) of 10 MW to get commissioned soon that should help contain the power cost from FY23E onwards.
- Cement demand in India is likely to be robust in the coming years owing to rising per-capita cement consumption in India which is at extremely low levels against the global average and significant investments taking place in the country's infrastructure and housing sector.
- The company has announced a brownfield capacity expansion, for setting up a 1.5 million tonne per annum clinker capacity, 2.5 mtpa of grinding capacity, along with WHRS plant and railway sidings.
- Over the years, JK Lakshmi has a successful track record of delivering consistent growth in sales and operating profits. In the last five years FY16-FY21, JKLC operating revenues and profitability have grown by a CAGR of 13% and 28% respectively. At the current market price of Rs.450, the stock is trading at a 6.7x its TTM EV/EBITDA (Last10YAvg 10x TTM EV/EBITDA). **Hence we recommend to "ACCUMULATE" the stock.**

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