JK Lakshmi sees future in ready-mix concrete

Five New Plants To Come Up By End Of Current Fiscal

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JK LAKSHMI Cement, part of JK Group, is adding five more ready-mix concrete (RMC) units as part of its expansion plans. At present, it has 10 RMCs, and the addition of another five will be completed by the end of current fiscal with an investment of Rs 100 core. The RMC units will come up around Delhi and the NCR region, including Noida and Greater Noida.

Its ongoing capex is expected to be completed by the end of December, which will take its clinker and grinding capacities to 4.75 million tonnes per annum (mtpa) and 3.63 mtpa, up from 3.65 mtpa and 2.97 mtpa, respectively.

Cement capacities will be added at the current location at Sirohi (South Rajasthan) while a new unit has come up at Kalol (East Gujarat) with a capacity of 0.55 mtpa. Clinker capacity expansion would be undertaken at Sirohi. Of the total capex of Rs 220 crore, Rs 7 crore was incurred in FY08 and the balance would be expended in FY09. Additionally, the company plans a 2.5-mtpa greenfield unit in Chhattisgarh with a capex of Rs 400-500 crore. The project is scheduled to be commissioned by 2011.

ON THE JOB

- **Co to** spend Rs 100 cr for new RMC units
- **All the** units will come up near Delhi & NCR
- **Its sales** turnover is seen to get a shot in the arm

When contacted by **ET**, whole-time director, JK Lakshmi Cement, Shailendra Chouksey said: "RMC is the business where the company will concentrate in the next few years as huge opportunity remains untapped." The new Chhattisgarh plant funding would be done through internal accruals, he added.

It sold cement mainly in the western (65%) and northern (35%) states with a dominant presence in Rajasthan and Gujarat. It has recently forayed into the Mumbai market. Its average lead distance was 450-500 kms, with 45% of its cement being transported by road resulting in its transportation cost rising 19% year-on-year (YoY).

Analyst Milind Raginwar of PINC Research said in a recent note to clients that JK's grinding and clinker capacity expansion would improve its sales from FY09 onwards. While a partial benefit of this will be visible in Q4 FY09, the full effect will be reflected in FY10. Its net sales at Rs 290 crore are higher by 10.7% YoY in Q4 FY08 despite capacity constraints at its grinding units.

Experts say JK Lakshmi Cement uses pet coke and imported coal as its major fuel sources. Pet coke prices have surged 25-30% in recent times and the consistent rise in fuel cost accompanied with an upswing in transportation costs will jack up the operating cost of the company.