

# Cement

Marginal weakness in Dec-23 prices but Q3FY24 remains up

## Summary

Our interaction with cement dealers suggests that the cement price at all India level has decreased marginally by 1% MoM in Dec'23. In the last 2 months, there has been weakness in the cement prices. But still, Q3FY24 avg cement price is still up 1.7% QoQ (i.e. Rs140/t) with South prices are up ~Rs280/t and East is up Rs400/t QoQ. Energy prices have remained volatile in Dec-23, imported coal after weakness in the last few months is up 12% in Dec-23 vs Nov-23 (NC index 6000 kcal). Cement stocks have outperformed Nifty-50 in the last 1 month, with large cap cement stocks are up by 17% over this period. This we understand is due to expectation of improvement in EBITDA/t in Q3 and overall better cement volume. Stock performance in large cap is better than Mid and Small cap cement category. After this uptick, stocks are trading closer to our base case TP and refer exh 13 for TP scenario. We prefer ACC at CMP.

## Monthly key variables

- Cement prices:** Average cement prices at an all-India level was -1% MoM in Dec-23. Prices have been cooled off a bit since the Sept-23 price hike; particularly in East & Central region the prices have decreased 3%, rest regions price have remained stagnant.
- Cement Cost:** Energy prices have increased, Avg imported coal prices stood at USD141/t (Newcastle 6000 kcal) in Dec'23 and is up by 11.5% MoM. After touching high of USD163/t in Sep-23, imported coal price has again started rising since Nov-23. Diesel prices tend to remain flat at Rs94.3/liter since July'22.
- Cement demand:** In Oct-23 cement industry off-take (as per Core sector data) is up 17% YoY and we expect Q3FY24 cement off-take to be strong at 8-10% YoY. Overall, due to election year and upcycle in infra, real estate, volume off-take YoY increase is expected to be nearing double digit in FY24E.

## Valuation snapshot

Companies	Reco	Mkt Cap Rs bn	CMP (Rs)	TP (Rs)	Upside (%)	EV/EBITDA FY24E	EV/EBITDA FY25E
Ultratech Cement	<b>HOLD</b>	2893	10021	8837	-12	21	17
Shree Cement	<b>HOLD</b>	1032	28614	24406	-15	20	16
ACC Ltd	<b>BUY</b>	397	2113	2148	2	13	10
Ambuja Cement*	<b>SELL</b>	1003	505	371	-26	27	23

Source: IDBI Capital Research, \* Standalone

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## A) PRICES / REALIZATION

Quarterly cement prices: Q3FY24 is up 1.7% QoQ

	3QFY23	2QFY24	3QFY24	Change in %	
				YoY	QoQ
North	405	399	407	0.6	2.1
South	403	395	409	1.6	3.5
East	361	365	385	6.6	5.7
West	405	399	394	-2.7	-1.1
Central	377	384	378	0.3	-1.6
All India avg. Rs/bag	390	388	395	1.2	1.7

Source: IDBI Capital Research

Exhibit 1: Region wise cement prices trend

INR/bag	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
South	395	388	395	400	390	396	413	408	408
West	392	393	393	396	401	401	401	393	392
Central	375	381	378	386	384	384	384	381	370
North	410	390	394	395	398	405	410	407	404
East	363	365	365	356	350	388	394	386	376
<b>All India average</b>	<b>387</b>	<b>383</b>	<b>385</b>	<b>386</b>	<b>384</b>	<b>395</b>	<b>400</b>	<b>395</b>	<b>390</b>

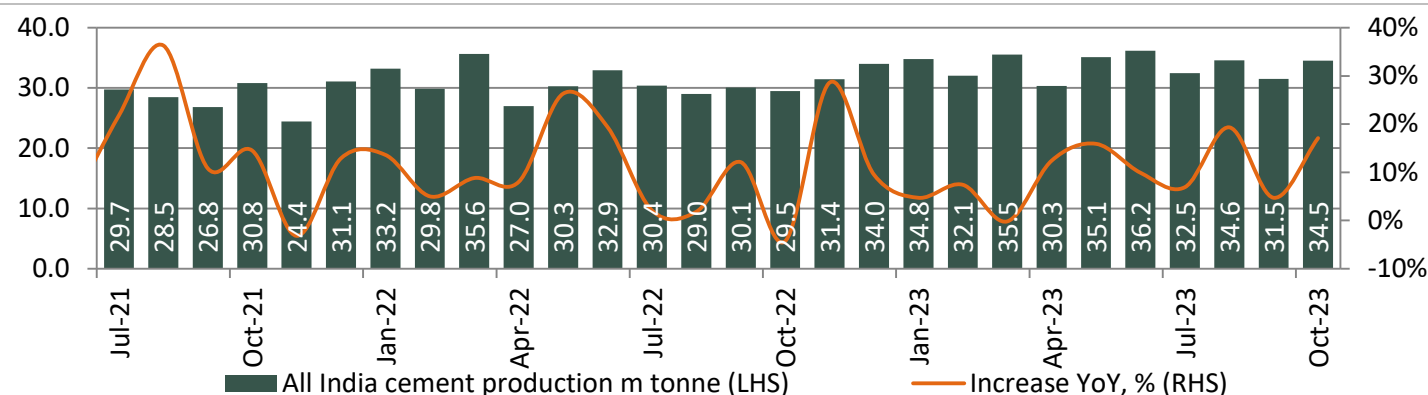
Change MoM %	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
South	3%	-2%	2%	1%	-3%	2%	4%	-1%	0%
West	2%	0%	0%	1%	1%	0%	0%	-2%	0%
Central	0%	2%	-1%	2%	-1%	0%	0%	-1%	-3%
North	0%	-5%	1%	0%	1%	2%	1%	-1%	-1%
East	2%	1%	0%	-2%	-2%	11%	2%	-2%	-3%
<b>All India average</b>	<b>2%</b>	<b>-1%</b>	<b>0%</b>	<b>0%</b>	<b>-1%</b>	<b>3%</b>	<b>1%</b>	<b>-1%</b>	<b>-1%</b>

Change MoM INR /bag	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
South	11	(8)	8	5	(10)	6	16	(5)	0
West	9	1	-	3	5	-	-	(8)	(1)
Central	1	7	(4)	8	(2)	-	-	(3)	(11)
North	1	(20)	4	0	3	7	5	(3)	(3)
East	8	3	-	(9)	(6)	38	6	(8)	(10)
<b>All India average</b>	<b>6</b>	<b>(3)</b>	<b>2</b>	<b>1</b>	<b>(2)</b>	<b>10</b>	<b>6</b>	<b>(5)</b>	<b>(5)</b>

Source: IDBI Capital Research

## B) VOLUME

**Exhibit 2: All India cement production: Up +17.1% YoY in Oct -23, Q3FY24E vol gr. expected at +8-10% YoY**



Source: PIB Release, IDBI Capital Research

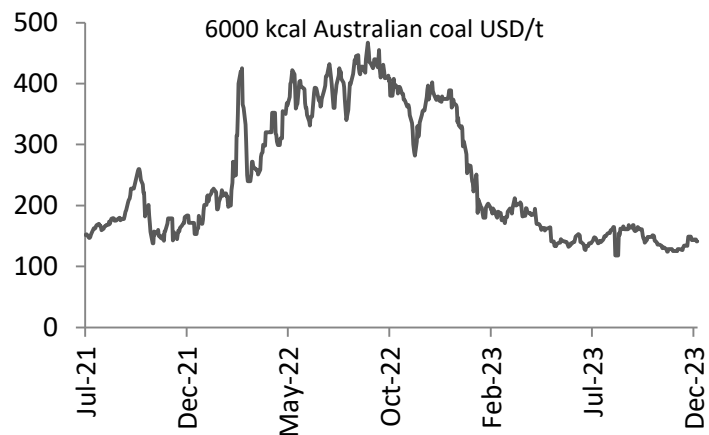
**Exhibit 3: All India cement demand and supply matrix, utilization to be stable over FY24-25E**

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Cement Capacity (m tonne)	417	428	475	497	520	536	555	575	620	655
Yearly Capacity addition (m tonne)	15	11	47	22	23	16	19	20	45	35
Capacity addition growth (yoy, %)	3.7%	2.6%	11.0%	4.6%	4.6%	3.1%	3.5%	3.6%	7.8%	5.6%
Cement Demand (m tonne)	269	276	297	334	332	320	350	395	433	457
Yearly demand (m tonne)	12	7	21	37	-2	-12	30	45	38	24
Demand growth (yoy, %)	4.7%	2.6%	7.6%	12.5%	-0.6%	-3.6%	9.4%	12.9%	9.6%	5.5%
All India Cement Utilization	64.5%	64.5%	62.5%	67.2%	63.8%	59.7%	63.1%	68.7%	69.8%	69.8%

Source: IDBI Capital Research

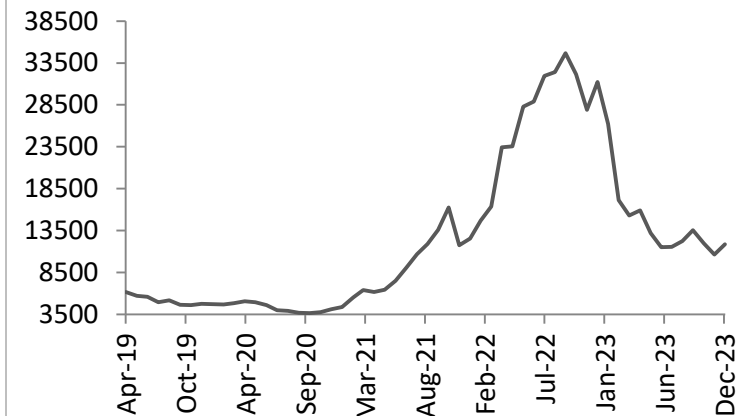
### C) COSTS

**Exhibit 4: Avg. imported coal price +12% MoM in Dec' 23**



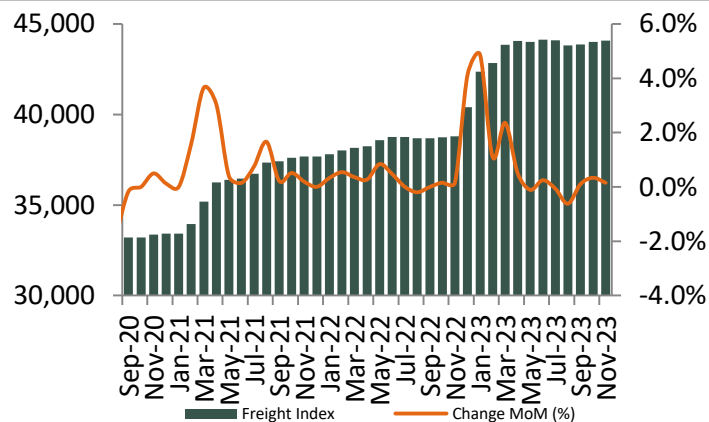
Source: Bloomberg, Kcal 6000 Newcastle, IDBI Capital Research

**Exhibit 5: In Rupee terms, coal prices had increased MoM in Dec'23**



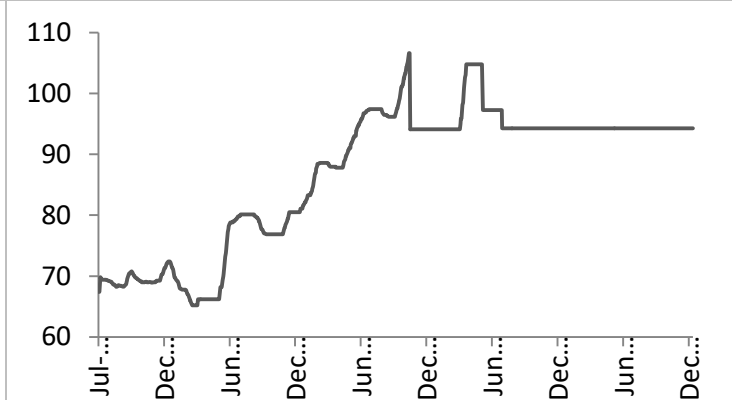
Source: Bloomberg, IDBI Capital Research

**Exhibit 6: Freight index flat**



Source: Bloomberg, IDBI Capital Research

**Exhibit 7: Diesel price flat QoQ in Q3FY24 (Rs/t)**



Source: Bloomberg, IDBI Capital Research

## D) PROFITABILITY

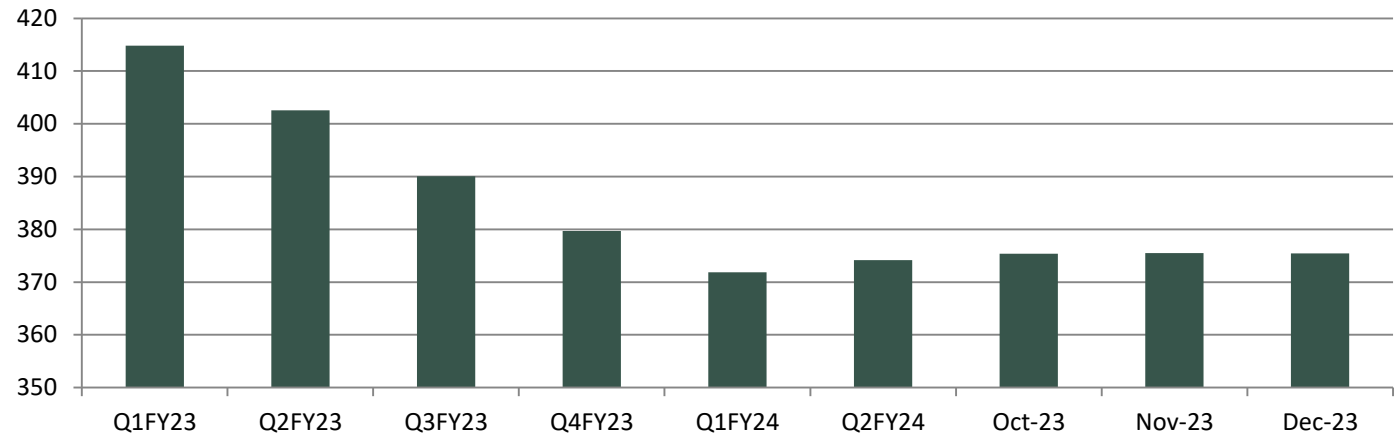
**Exhibit 8: Cement player wise EBITDA/t**

	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Star Cement	1249	1220	1156	783	984	1017	1265	1111	1100
Shree Cement	1422	1260	1134	1091	701	882	1011	1045	1061
Jk Cement	988	1124	974	1124	802	669	889	982	1031
Ambuja Cement	1172	792	1058	926	431	813	973	1042	1018
Ultratech Cement	1251	1041	1101	1236	808	904	1042	1018	956
Dalmia Bharat	1218	718	1035	944	653	1022	955	871	950
Ramco	1336	756	919	854	475	734	855	794	865
Jk lakshmi	742	595	947	779	601	614	559	612	755
Nuvoco Vistas	870	537	773	786	436	596	732	785	747
ACC	1083	721	802	563	23	491	549	827	676
Birla Corp.	766	640	623	645	235	376	615	664	673
Orient Cement	1048	965	947	743	263	632	820	624	609
Heidelberg Cement	946	607	961	855	476	340	586	772	598
Sagar Cements	715	629	542	514	55	384	286	258	460

Source: Company, IDBI Capital Research

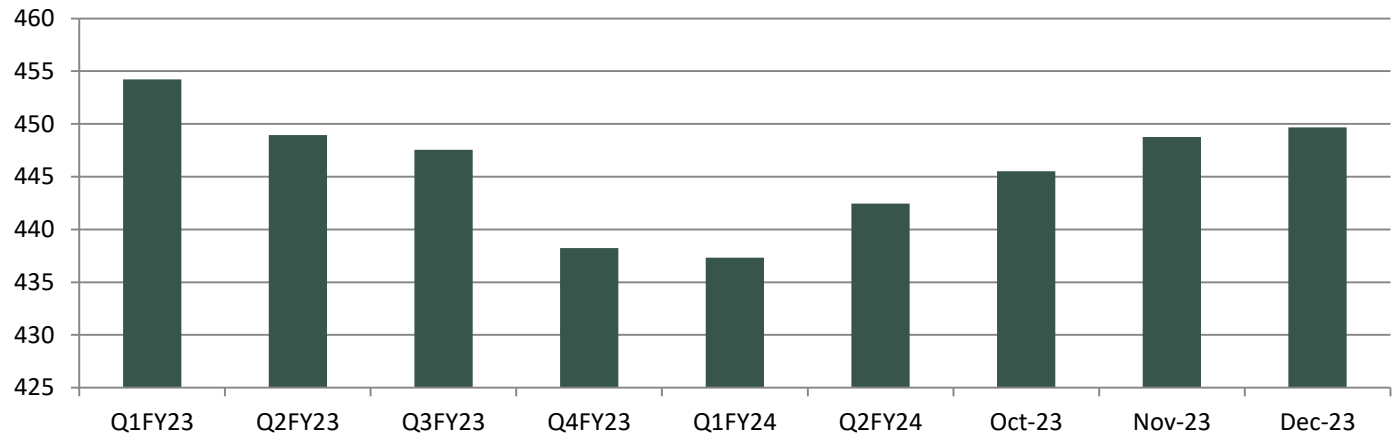
## E) Consensus on cement sector and stocks

**Exhibit 9: Cement industry FY24E EBITDA upgraded post Q2FY24 results (Rs bn)**



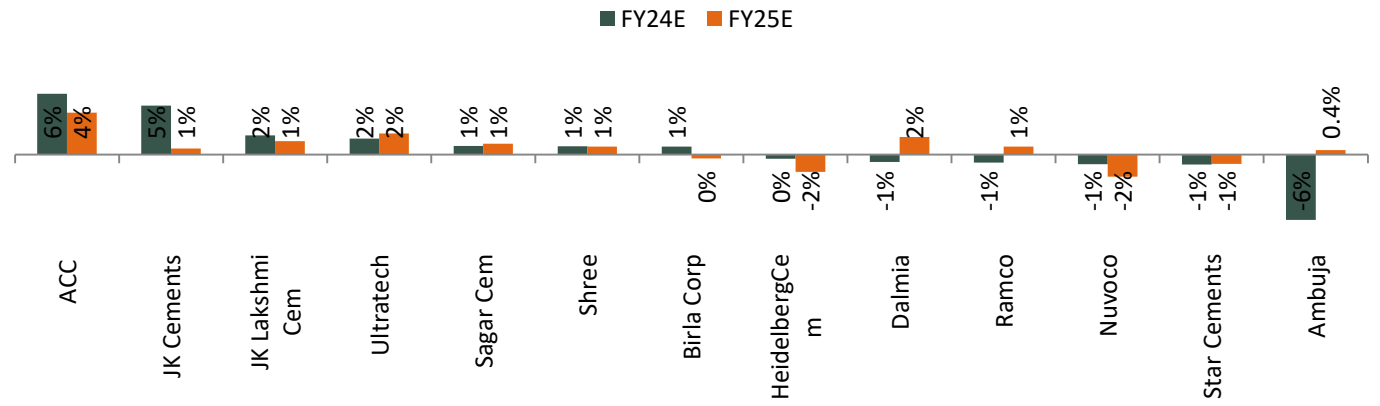
Source: Bloomberg, IDBI Capital Research, EBITDA of top 14 cement companies by volume

**Exhibit 10: And so is the case for FY25E EBITDA (Rs bn)**



Source: Bloomberg, IDBI Capital Research, EBITDA of top 14 cement companies by volume

Exhibit 11: Cement stocks EBITDA change post Q2FY24 result



Source: Bloomberg, IDBI Capital Research

## F) STOCK PERFORMANCE

Exhibit 12: Stock performance in cement sector

	Performance (%)					Relative to Index (%)				
	1M	6M	12M	3 Year	5 Year	1M	6M	12M	3 Year	5 Year
ULTRATECH CEMENT	20	24	45	95	157	11	12	26	41	58
ACC Ltd	18	19	-13	32	45	9	6	-32	-22	-53
AMBUJA CEMENT	25	21	-1	106	134	16	9	-20	52	35
SHREE CEMENT	11	19	18	19	65	2	7	-1	-35	-33
DALMIA BHARAT LT	5	8	26	114		-4	-4	7	60	-99
RAMCO CEMENT	6	10	44	28	60	-3	-2	25	-26	-39
NUVOCO VISTAS	7	10	8			-2	-2	-11	-54	-99
HEIDELBERGCEMENT	25	38	28	5	57	15	26	9	-49	-41
BIRLA CORP	8	15	45	95	138	-1	2	26	41	39
STAR CEMENT LTD	6	25	53	71	0	-3	13	34	17	-99
JK CEMENTS LTD	8	12	26	97	436	-1	0	7	44	338
JK LAKSHMI CEMEN	12	24	11	159	208	3	11	-8	105	109
SAGAR CEMENTS	4	24	18	102	94	-5	11	-1	48	-5
PRISM JOHNSON LT	12	42	78	106	108	3	29	59	52	9
MANGALAM CEMENT	57	124	134	187	218	48	112	115	133	119
DECCAN CEMENTS	17	17	17	55	42	8	4	-2	2	-56
ORIENT CEMENT LT	11	91	107	191	212	2	79	88	137	114
INDIA CEMENTS	20	24	22	46	177	11	12	3	-8	78
SANGHI INDUS LTD	12	77	88	260	113	3	65	69	206	14
<b>CEMENT SECTOR</b>										
- Large Cap, Mkt cap > Rs200bn	17	20	24	65	116	8	8	5	11	17
- Mid Cap, Mkt cap Rs50bn to Rs200bn	14	26	34	78	135	5	14	15	24	36
- Small Cap, Mkt Cap less than Rs50b	11	49	64	127	281	2	37	45	73	183
Nifty 50	9	12	19	54	99	0	0	0	0	0

Source: Bloomberg



## F) BULL CASE TP

Exhibit 13: Scenario

	Current		Bull Case		Upside %	
	TP Rs/sh	FY25E EV/EBITDA Multiple	TP Rs/sh	FY25E EV/EBITDA Multiple	Current TP	Bull Case TP
ACC	2148	10	2544	12	2	20
Ambuja C	371	15	435	17	-26	-13
Ultratech C	8837	15	10639	18	-12	6
Shree Cement	24406	15	27523	17	-15	-4

Source: Bloomberg, IDBI Capital Research



# Notes

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