

Cement

Q3FY24 price remains up, consensus upgrading EBITDA

Summary

Our interaction with cement dealers suggests that the cement price at all India level has marginally decreased by 1% MoM in Nov'23. After factoring Nov-23 weakness, Q3FY24 avg cement price (i.e. Oct-23 and Nov-23) is still up 2.5% QoQ (i.e. Rs200/t) with South prices are up ~4% and East is up 7% so far. Energy prices have decreased in Nov-23 given weakness in crude, with imported coal (RB index 6000 kcal) is down 11% (~Rs250/t) vs Oct-23. Price uptick and costs weakness is positive for cement companies and we expect further upgrade in the cement stocks EBITDA. In the last 2 quarters we have seen consensus has upgraded cement EBITDA (top 14 cement players) for FY24E and FY25E by 1% and 2% respectively (exh 9-11). And importantly, this upgrade has come after weak 4 quarters of FY23 which was impacted from costs. We prefer ACC and Ultratech.

Monthly key variables

- Cement prices:** Average cement prices at an all-India level was -1% MoM in Nov-23. Prices have been cooled off a bit since the September price hike, in East Particularly in Kolkata the price hike have not sustained price have dropped from Rs430/bag to Rs400/bag. Rest all regions prices remain stagnant MoM.
- Cement Cost:** Energy prices have decreased, Avg imported coal prices stood at USD108/t (6000 kcal) in Nov'23 and is down -11% MoM. After touching high of USD138/t in Oct-23, imported coal price has again started falling since Nov-23. Diesel prices tend to remain flat at Rs94.27 from July'22.
- Cement demand:** In Sept-23 cement industry off-take (as per Core sector data, which comes with a lag) is up 5% 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
ACC	BUY	341	1819	2,148	18	11	9
Ambuja C *	SELL	825	416	371	-9	26	22
Shree C.	HOLD	935	25,921	26,008	0	22	18
Ultratech C.	HOLD	2,533	8,775	8,837	1	19	15

Source: IDBI Capital Research, * Standalone

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A) PRICES / REALIZATION

Exhibit 1: Region wise cement prices trend

INR/bag	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
South	384	395	388	395	400	390	396	413	408
West	383	392	393	393	396	401	401	401	401
Central	374	375	381	378	386	384	384	384	381
North	409	410	390	394	395	398	405	410	407
East	355	363	365	365	356	350	388	394	386
All India average	381	387	383	385	386	384	395	400	397

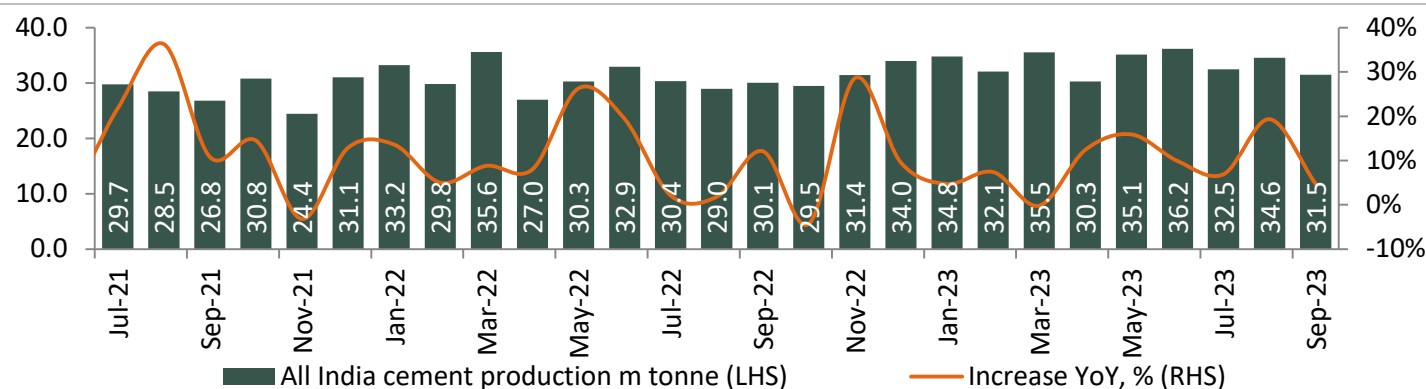
Change MoM %	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
South	-5%	3%	-2%	2%	1%	-3%	2%	4%	-1%
West	-7%	2%	0%	0%	1%	1%	0%	0%	0%
Central	0%	0%	2%	-1%	2%	-1%	0%	0%	-1%
North	-2%	0%	-5%	1%	0%	1%	2%	1%	-1%
East	-3%	2%	1%	0%	-2%	-2%	11%	2%	-2%
All India average	-3%	2%	-1%	0%	0%	-1%	3%	1%	-1%

Change MoM INR /bag	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
South	(19)	11	(8)	8	5	(10)	6	16	(5)
West	(27)	9	1	-	3	5	-	-	-
Central	1	1	7	(4)	8	(2)	-	-	(3)
North	(8)	1	(20)	4	0	3	7	5	(3)
East	(12)	8	3	-	(9)	(6)	38	6	(8)
All India average	(13)	6	(3)	2	1	(2)	10	6	(4)

Source: IDBI Capital Research

B) VOLUME

Exhibit 2: All India cement production: Up +4.7% YoY in Sept -23, Q3FY24E vol gr. expected at +8-10% YoY



Source: PIB Release, IDBI Capital Research

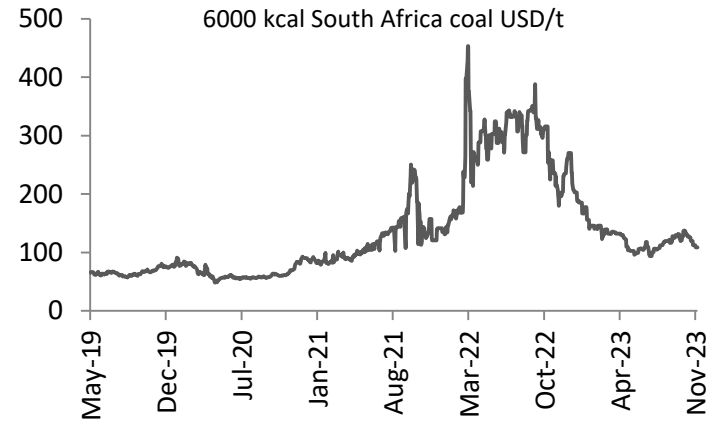
Exhibit 3: All India cement demand and supply matrix, utilization to be stable over FY24-25E

	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

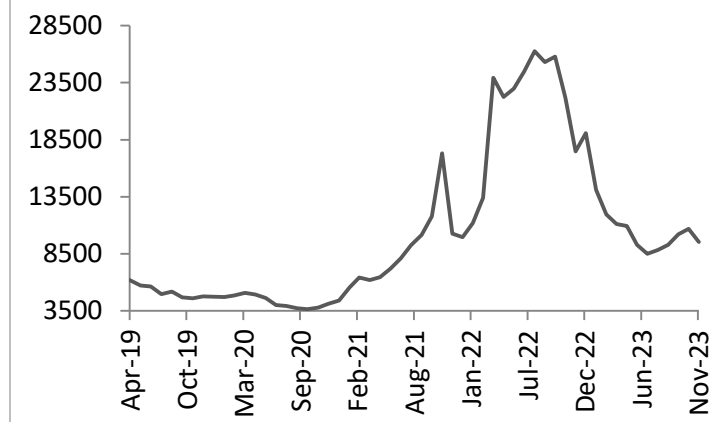
C) COSTS

Exhibit 4: Avg. imported coal price -11% MoM in Nov' 23



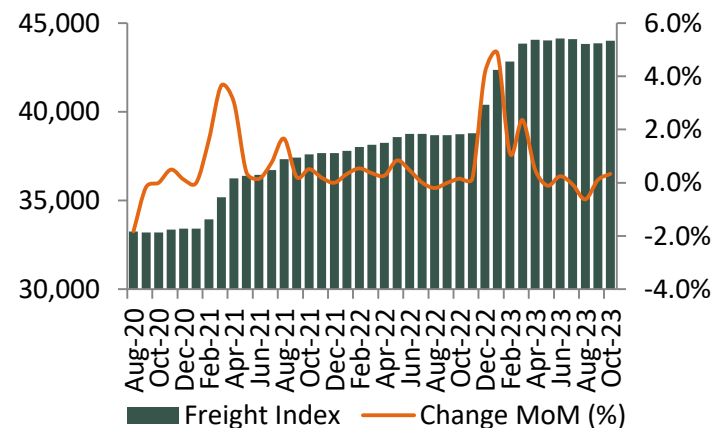
Source: Bloomberg, Kcal 6000 Richard Bay, IDBI Capital Research

Exhibit 5: In Rupee terms, coal prices has same similar weakness MoM in Nov'23



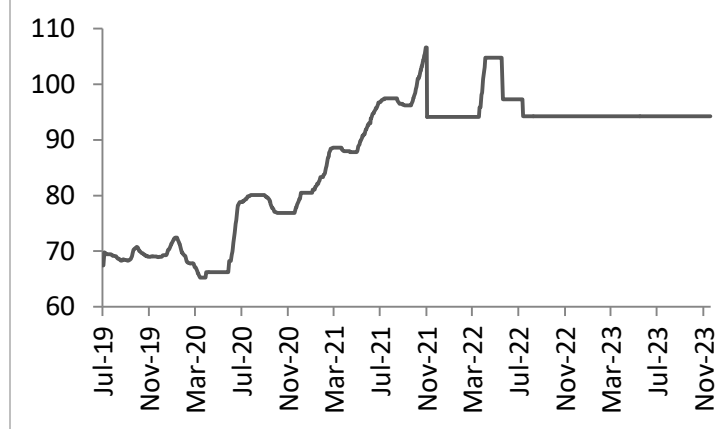
Source: Bloomberg, IDBI Capital Research

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

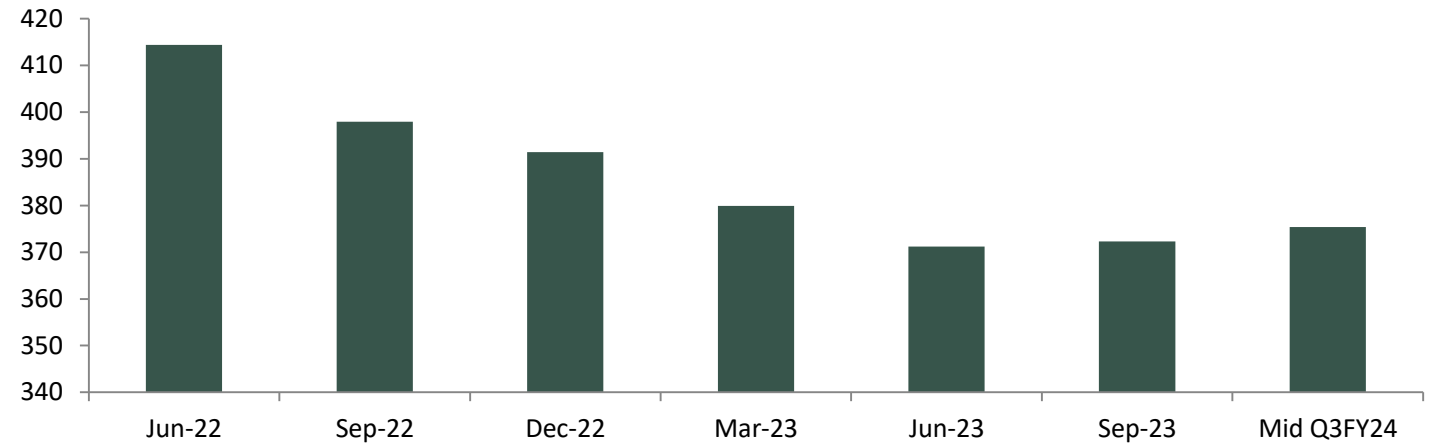
Exhibit 8: Cement player wise EBITDA/t

	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

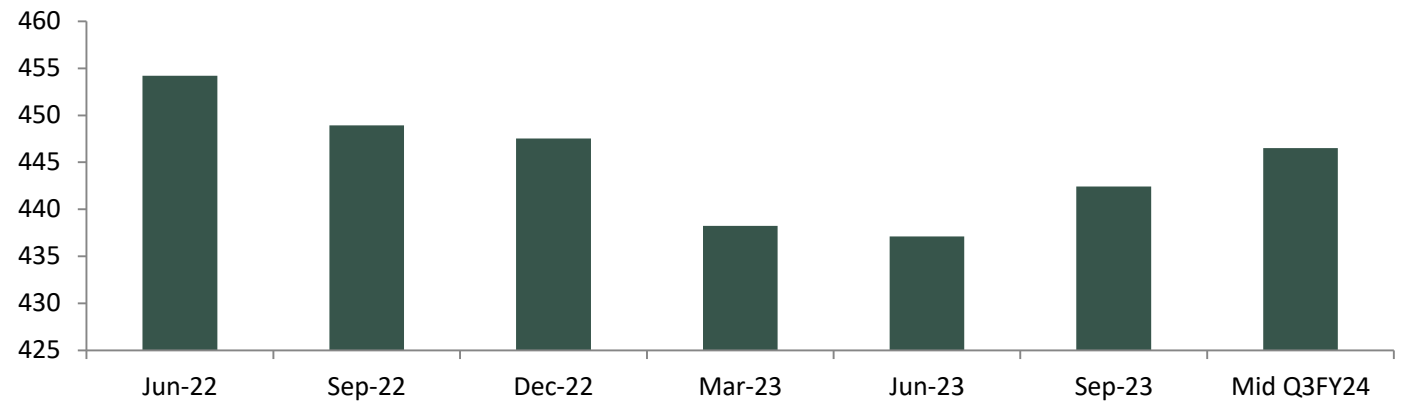
E) Consensus on cement sector and stocks

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



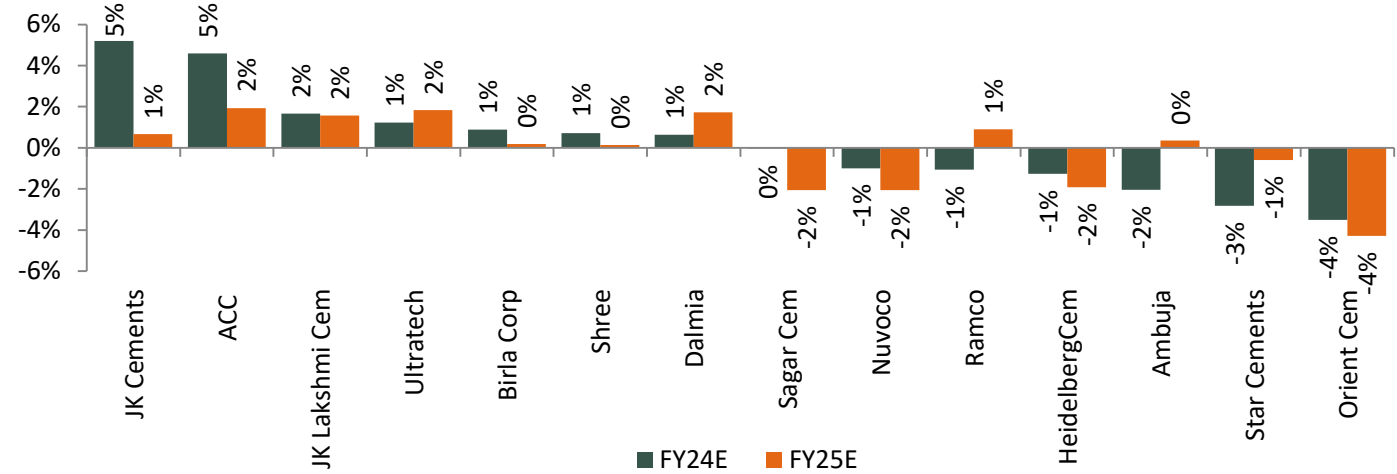
Source: Bloomberg, IDBI Capital Research, EBITDA of top 14 cement companies by volume

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



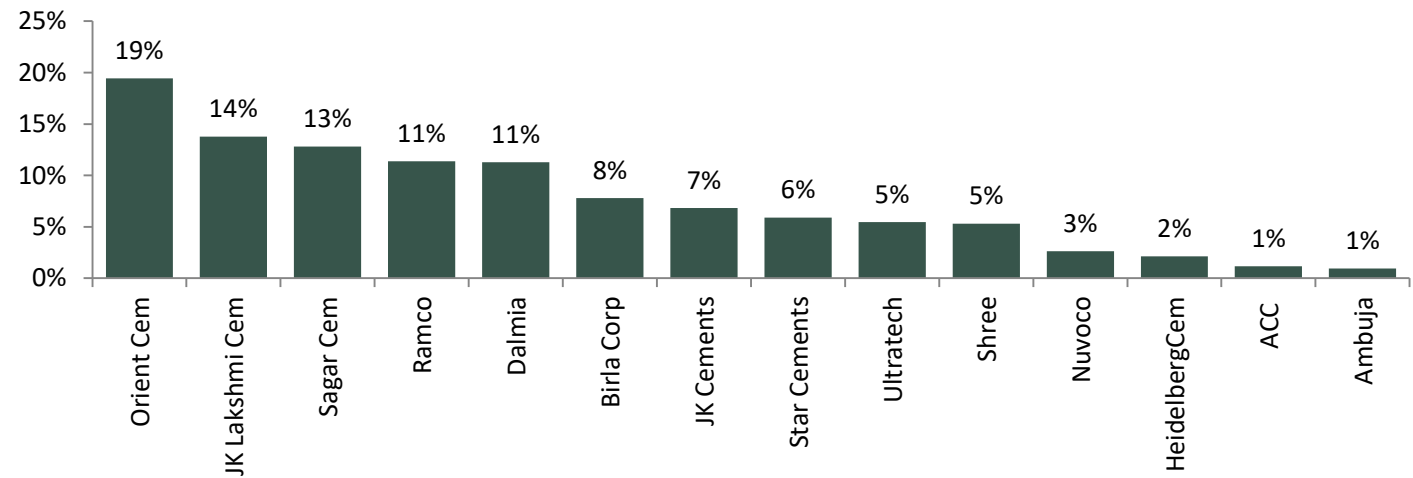
Source: Bloomberg, IDBI Capital Research, EBITDA of top 14 cement companies by volume

Exhibit 11: Cement stocks EBITDA change post Q2FY24 result



Source: Bloomberg, IDBI Capital Research

Exhibit 12: Cement stocks TP change post Q2FY24 result



Source: Bloomberg, IDBI Capital Research

F) STOCK PERFORMANCE

Exhibit 13: 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	4	12	27	80	119	1	5	18	27	31
ACC Ltd	-4	2	-26	7	25	-7	-5	-34	-46	-63
AMBUJA CEMENT	-1	-3	-27	58	92	-3	-10	-35	5	4
SHREE CEMENT	1	4	12	7	65	-2	-3	3	-46	-23
DALMIA BHARAT LT	5	5	26	98		2	-2	17	45	-88
RAMCO CEMENT	-1	11	44	9	56	-3	4	36	-44	-32
NUVOCO VISTAS	0	7	-5			-3	0	-14	-53	-88
HEIDELBERGCEMENT	2	12	-3	-8	33	0	5	-11	-60	-55
BIRLA CORP	9	30	37	85	109	6	23	29	33	21
STAR CEMENT LTD	11	27	62	87	0	8	20	54	34	-88
JK CEMENTS LTD	10	16	19	72	382	8	9	10	20	294
JK LAKSHMI CEMEN	19	16	22	139	192	17	9	14	86	104
SAGAR CEMENTS	3	28	24	75	80	0	21	15	22	-8
PRISM JOHNSON LT	36	41	41	104	97	33	34	32	51	9
MANGALAM CEMENT	18	44	25	95	85	15	37	17	42	-4
DECCAN CEMENTS	-5	6	0	43	31	-8	-1	-8	-10	-58
ORIENT CEMENT LT	19	84	86	222	176	16	77	78	170	88
INDIA CEMENTS	4	16	-7	38	138	1	9	-15	-15	50
SANGHI INDUS LTD	-1	64	72	226	82	-3	57	63	173	-6
CEMENT SECTOR	0	0	0	0	0	-3	-7	-8	-53	-88
- Large Cap, Mkt cap > Rs200bn	2	7	8	45	93	0	0	-1	-8	5
- Mid Cap, Mkt cap Rs50bn to Rs200bn	14	24	19	68	112	12	17	11	16	23
- Small Cap, Mkt Cap less than Rs50b	9	43	55	123	235	6	36	46	70	147
Nifty 50	3	7	8	53	88	0	0	0	0	0

Source: Bloomberg



Notes

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