

India

Overweight (no change)

Highlighted Companies

Ambuja Cements Ltd

ADD, TP Rs715, Rs686 close

Ambuja Cements is likely to record superior growth and EBITDA/t expansion in the medium-to-long term led by capacity expansion, efficiency improvement measures, benefits from synergies with the integrated Adani infrastructure platform and also supported by a strong balance sheet.

Birla Corporation Ltd

ADD, TP Rs1800, Rs1593 close

Aided by a healthy ramp-up of its Mukutban unit, the company achieved its FY24 guidance on the profitability front. Further, it expects an 8-10% volume growth in FY25F and aims at 2.7mt volume from the Mukutban unit, which seems doable to us.

UltraTech Cement Ltd

ADD, TP Rs11300, Rs11690 close

We see UltraTech Cement as a key beneficiary of the India infrastructure capex theme in the medium-to-long term, aided by timely significant addition of new capacity, potential recovery in profitability and the company's strong presence in all markets across India. We also view the company's financial leverage as manageable.

Summary Valuation Metrics

| P/E (x) | Mar24-A | Mar25-F | Mar26-F |
|-----------------------|---------|---------|---------|
| Ambuja Cements Ltd | 57.56 | 50.54 | 43.95 |
| Birla Corporation Ltd | 29.65 | 22.33 | 17.09 |
| UltraTech Cement Ltd | 47.21 | 38.98 | 30.64 |

| P/BV (x) | Mar24-A | Mar25-F | Mar26-F |
|-----------------------|---------|---------|---------|
| Ambuja Cements Ltd | 3.68 | 3.1 | 2.94 |
| Birla Corporation Ltd | 1.84 | 1.72 | 1.59 |
| UltraTech Cement Ltd | 5.6 | 5.09 | 4.56 |

| Dividend Yield | Mar24-A | Mar25-F | Mar26-F |
|-----------------------|---------|---------|---------|
| Ambuja Cements Ltd | 0.29% | 0.36% | 0.55% |
| Birla Corporation Ltd | 0.76% | 0.87% | 1.06% |
| UltraTech Cement Ltd | 0.72% | 0.64% | 0.82% |

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Cement

1Q – Moderate pricing to dent profitability

- We expect avg. EBITDA/t for our coverage universe to fall by ~Rs130 qoq & ~Rs20/t yoy in 1QFY25F due to weak pricing and negative operating leverage.
- Volume for our coverage universe is likely to slow down and grow in mid-single digit, given the high base last year and general elections during the quarter.
- We continue to remain selective in the cement space and prefer large-caps like UTCEM and ACEM, and small-caps like BCORP, in our coverage universe.

Steady volume despite elections; recovery expected post monsoon

We expect the cement industry's aggregate sales volume in 1QFY25F to grow by ~3-4% yoy vs. our coverage universe's ~5% yoy as the demand in last two months turned out to be better than expected on resumption of normal market operations, despite heatwave conditions & shortage of labour in some regions. We expect the large players to continue their rising market share trend. For FY25F, we expect the industry to grow by ~6-7% led by a decent recovery in 2H aided by the government's continued focus on infrastructure. For 1Q, we expect UTCEM/SRCM/DALBHARA/TRCL to grow 5%/6%/7%/8%, respectively, while Adani Cement (ACC+ACEM) to grow ~3% due to capacity constraints & smaller players like JKCE/JKLC/BCORP/ORCMNT/HEIM to grow in low single digit.

Prices continue to remain soft; realization likely to fall by ~3% qoq

Cement prices entered 1Q with a steep hike announcement in some regions, but with lower-than-historical average demand and a sudden ramp-up of M&As among large players in the sector making it difficult for sustenance of any price hike. As per our channel check, large players are reluctant to increase prices amid fierce competition for market share and a favourable fuel cost environment. Pan-India average prices have declined by ~3% qoq and ~5% yoy and are now in the range of Jun 2021 level (Covid-19 pandemic). The highest decline was seen in South India followed by North & West. We expect the realization to decline by ~3% qoq and ~6% yoy for our coverage universe. We expect any price recovery to happen post 1HFY25F and the current deflating pricing to hurt regional smaller players more than large players with a declining market share (favourable for consolidators).

Negative operating leverage to limit cost savings qoq for the quarter

We expect power & fuel costs for the sector in 1QFY25F to remain in favour due to slightly lower coal/pet-coke prices. In 1Q, international pet-coke prices declined by ~5% qoq & 12% yoy to US\$108/t while imported coal prices were flat qoq at US\$108/t. The decline in variable costs to cut costs/t for our coverage universe, but negative operating leverage and rising advertising expenses to maintain costs/t flat qoq for our coverage companies.

Average unit EBITDA to fall qoq due to lower realization and flat costs

We expect our coverage universe's average EBITDA/t to fall qoq and yoy by Rs130 qoq and Rs20 yoy, respectively, mainly due to a prolonged drop in cement prices coupled with negative operating leverage during the quarter. We believe that large players like UTCEM and SRCM will maintain EBITDA/t of >Rs1,000 whereas other players like ACEM, ACC, Dalmia Bharat, TRCL, BCORP, JKLC and ORCMNT could register Rs650-950/t.

Figure 1: 1QFY25F earnings estimates for our coverage universe

| Company | Revenue (Rs m) | % chg (yoy) | % chg (qoq) | EBITDA (Rs m) | % chg (yoy) | % chg (qoq) | PAT (Rs m) | % chg (yoy) | % chg (qoq) |
|-----------------|----------------|-------------|-------------|---------------|-------------|-------------|------------|-------------|-------------|
| UTCEM - Consol. | 1,78,990 | 1% | -12% | 31,388 | 3% | -24% | 16,352 | -3% | -28% |
| SRCM | 52,016 | 3% | -4% | 12,441 | 32% | -13% | 5,346 | -7% | -21% |
| ACC - Consol. | 48,652 | -6% | -10% | 6,871 | -11% | -18% | 3,794 | -18% | -60% |
| ACEM | 46,020 | -3% | -4% | 6,929 | -27% | -13% | 4,429 | -31% | -17% |
| TRCL | 21,963 | -2% | -18% | 3,153 | -8% | -24% | 362 | -54% | -70% |
| JKCE | 26,875 | -3% | -13% | 4,536 | 11% | -19% | 1,544 | 36% | -30% |
| BCORP | 24,386 | 1% | -8% | 3,615 | 21% | -23% | 1,041 | -74% | -46% |
| HEIM | 5,748 | -4% | -4% | 741 | -20% | -17% | 374 | -29% | -22% |
| DALBHARA | 35,950 | -1% | -17% | 5,358 | -12% | -18% | 1,103 | -23% | -66% |
| JKLC - Consol. | 16,706 | -3% | -6% | 2,582 | 32% | -23% | 1,094 | 37% | -33% |
| ORCMNT | 8,004 | -3% | -10% | 1,179 | 19% | -20% | 507 | 37% | -26% |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1Q – Moderate pricing to dent profitability

India cement sector - 1QFY25 results preview

Key assumptions for our coverage companies ►

We expect industry volume to grow by 3-4% yoy in 1QFY25F.

The general elections in Apr-May 2024, followed by intense heatwave across regions and shortage of labour to impact the industry's growth in 1QFY25F, the crucial quarter before the monsoon season.

Figure 1: We expect aggregate sales volume for our coverage universe to grow by ~5% yoy (decline by ~8% qoq) due to lower operational days during the quarter

| Volume | 1QFY25F | 4QFY24 | 1QFY24 | yoy (%) | qoq (%) |
|-----------------------|-------------|-------------|-------------|-------------|--------------|
| UTCEM - Consol. | 31.6 | 35.1 | 30.0 | 5% | -10% |
| SRCM | 9.5 | 9.5 | 8.9 | 6% | 0% |
| ACC - Consol. | 9.7 | 10.4 | 9.4 | 3% | -7% |
| ACEM | 9.4 | 9.5 | 9.1 | 3% | -1% |
| TRCL | 4.6 | 5.5 | 4.3 | 8% | -15% |
| JKCE | 4.8 | 5.2 | 4.6 | 4% | -8% |
| BCORP | 4.5 | 4.9 | 4.4 | 2% | -7% |
| HEIM | 1.2 | 1.2 | 1.2 | 1% | -2% |
| DALBHARA - Consol | 7.5 | 8.8 | 7.0 | 7% | -15% |
| JKLC - Consol. | 3.1 | 3.3 | 3.0 | 2% | -5% |
| ORCMNT | 1.6 | 1.73 | 1.6 | 1% | -7% |
| Coverage Total | 87.6 | 95.1 | 83.5 | 4.8% | -7.9% |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: We expect average blended realization to fall by ~6% qoq and ~3% yoy for our coverage universe

| Realization/t | 1QFY25F | 4QFY24 | 1QFY24 | yoy (%) | qoq (%) |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| UTCEM - Consol. | 5,577 | 5,721 | 5,847 | -4.6% | -2.5% |
| SRCM | 5,480 | 5,698 | 5,678 | -3.5% | -3.8% |
| ACC - Consol. | 4,788 | 4,919 | 5,189 | -7.7% | -2.7% |
| ACEM | 4,910 | 5,032 | 5,197 | -5.5% | -2.4% |
| TRCL | 4,727 | 4,869 | 5,212 | -9.3% | -2.9% |
| JKCE | 5,571 | 5,946 | 5,968 | -6.7% | -6.3% |
| BCORP | 5,085 | 5,218 | 5,229 | -2.8% | -2.5% |
| HEIM | 4,740 | 4,838 | 4,951 | -4.3% | -2.0% |
| DALBHARA - Consol | 4,781 | 4,883 | 5,177 | -7.7% | -2.1% |
| JKLC - Consol. | 5,374 | 5,459 | 5,699 | -5.7% | -1.6% |
| ORCMNT | 4,994 | 5,145 | 5,193 | -3.8% | -2.9% |
| Coverage Average | 5,093 | 5,248 | 5,395 | -5.6% | -2.9% |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: We expect average cost/t to decline ~0.6% qoq and 6% yoy for our coverage universe due to lower variable costs

| Cost/t | 1QFY25F | 4QFY24 | 1QFY24 | yoy (%) | qoq (%) |
|-------------------------|--------------|--------------|--------------|------------|--------------|
| UTCEM - Consol. | 4,673 | 4,648 | 4,903 | -5% | 0.5% |
| SRCM | 4,170 | 4,207 | 4,619 | -10% | -0.9% |
| ACC - Consol. | 4,305 | 4,396 | 4,713 | -9% | -2.1% |
| ACEM | 4,171 | 4,192 | 4,155 | 0% | -0.5% |
| TRCL | 4,048 | 4,109 | 4,418 | -8% | -1.5% |
| JKCE | 4,630 | 4,874 | 5,087 | -9% | -5.0% |
| BCORP | 4,607 | 4,503 | 4,786 | -4% | 2.3% |
| HEIM | 4,129 | 4,117 | 4,179 | -1% | 0.3% |
| DALBHARA - Consol. | 4,068 | 4,142 | 4,306 | -6% | -1.8% |
| JKLC - Consol. | 4,543 | 4,428 | 5,053 | -10% | 2.6% |
| ORCMNT | 4,258 | 4,287 | 4,569 | -7% | -0.7% |
| Coverage average | 4,327 | 4,355 | 4,617 | -6% | -0.6% |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 4: We expect average EBITDA/t to fall by Rs128/t qoq and by Rs13/t yoy for our coverage universe in 1QFY25F

| EBITDA/t | 1QFY25F | 4QFY24 | 1QFY24 | yoy (%) | qoq (%) |
|-------------------------|------------|------------|------------|------------|-------------|
| UTCEM - Consol. | 994 | 1,173 | 1,018 | -2% | -15% |
| SRCM | 1,311 | 1,491 | 1,059 | 24% | -12% |
| ACC - Consol. | 708 | 805 | 820 | -14% | -12% |
| ACEM | 739 | 840 | 1,042 | -29% | -12% |
| TRCL | 679 | 760 | 794 | -15% | -11% |
| JKCE - Consol. | 940 | 1,072 | 881 | 7% | -12% |
| BCORP | 802 | 974 | 675 | 19% | -18% |
| HEIM | 611 | 721 | 772 | -21% | -15% |
| DALBHARA - Consol. | 713 | 741 | 871 | -18% | -4% |
| JKLC - Consol. | 831 | 1,032 | 646 | 29% | -19% |
| ORCMNT | 736 | 858 | 624 | 18% | -14% |
| Coverage average | 824 | 951 | 837 | -2% | -13% |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Pet-coke & coal: Fuel prices continue to be the saviour of the industry in a declining price environment. We expect declining global consumption and new supplies to keep pet-coke prices in favour of the industry.

Spot pet-coke prices stood at ~US\$106/t (vs. US\$110/t yoy) and domestic pet-coke prices at Rs12,439/t (vs. Rs13,230/t yoy).

We expect cement companies to post a qoq decline in terms of both absolute EBITDA and EBITDA/t in 1QFY25F on the back of muted prices and negative operating leverage.

1QFY25F estimates for our coverage companies

Figure 5: UltraTech Cement (consolidated)

| | 1QFY25F | 4QFY24 | QoQ (%) | 1QFY24 | YoY (%) |
|-------------------|----------|----------|---------|----------|---------|
| Net Sales (Rs m) | 1,78,990 | 2,04,189 | -12.3% | 1,77,371 | 0.9% |
| EBITDA (Rs m) | 31,388 | 41,139 | -23.7% | 30,492 | 2.9% |
| EBIT (Rs m) | 23,148 | 32,990 | -29.8% | 23,001 | 0.6% |
| PAT (Rs m) | 16,352 | 22,581 | -27.6% | 16,885 | -3.2% |
| EPS (Rs) | 56.7 | 78.2 | -27.6% | 58.5 | -3.2% |
| EBITDA Margin (%) | 17.5% | 20.1% | -261bp | 17.2% | 35bp |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 6: Shree Cement

| | 1QFY25F | 4QFY24 | QoQ (%) | 1QFY24 | YoY (%) |
|-------------------|---------|--------|---------|--------|---------|
| Net Sales (Rs m) | 52,016 | 54,328 | -4.3% | 50,648 | 2.7% |
| EBITDA (Rs m) | 12,441 | 14,218 | -12.5% | 9,449 | 31.7% |
| EBIT (Rs m) | 6,399 | 7,195 | -11.1% | 6,055 | 5.7% |
| PAT (Rs m) | 5,346 | 6,758 | -20.9% | 5,719 | -6.5% |
| EPS (Rs) | 148.2 | 187.1 | -20.8% | 158.6 | -6.6% |
| EBITDA Margin (%) | 24% | 26% | -225bp | 19% | 526bp |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 7: ACC (consolidated)

| | 1QFY25F | 4QFY24 | QoQ (%) | 1QFY24 | YoY (%) |
|-------------------|---------|--------|---------|--------|---------|
| Net Sales (Rs m) | 48,652 | 54,087 | -10.0% | 52,011 | -6.5% |
| EBITDA (Rs m) | 6,871 | 8,368 | -17.9% | 7,709 | -10.9% |
| EBIT (Rs m) | 4,761 | 6,018 | -20.9% | 5,708 | -16.6% |
| PAT (Rs m) | 3,794 | 9,441 | -59.8% | 4,632 | -18.1% |
| EPS (Rs) | 20.2 | 50.3 | -59.8% | 24.8 | -18.7% |
| EBITDA Margin (%) | 14% | 15% | -135bp | 15% | -70bp |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 8: Ambuja Cements (standalone)

| | 1QFY25F | 4QFY24 | QoQ (%) | 1QFY24 | YoY (%) |
|-------------------|---------|--------|---------|--------|---------|
| Net Sales (Rs m) | 46,020 | 47,803 | -3.7% | 47,297 | -2.7% |
| EBITDA (Rs m) | 6,929 | 7,978 | -13.1% | 9,486 | -27.0% |
| EBIT (Rs m) | 4,436 | 5,538 | -19.9% | 7,167 | -38.1% |
| PAT (Rs m) | 4,429 | 5,323 | -16.8% | 6,449 | -31.3% |
| EPS (Rs) | 2.2 | 2.7 | -16.8% | 3.2 | -31.3% |
| EBITDA Margin (%) | 15% | 17% | -163bp | 20% | -500bp |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 9: Dalmia Bharat

| | 1QFY25F | 4QFY24 | QoQ (%) | 1QFY24 | YoY (%) |
|-------------------|---------|--------|---------|--------|---------|
| Net Sales (Rs m) | 35,950 | 43,070 | -16.5% | 36,240 | -0.8% |
| EBITDA (Rs m) | 5,358 | 6,540 | -18.1% | 6,100 | -12.2% |
| EBIT (Rs m) | 1,707 | 3,260 | -47.6% | 2,110 | -19.1% |
| PAT (Rs m) | 1,103 | 3,200 | -65.5% | 1,440 | -23.4% |
| EPS (Rs) | 5.9 | 16.9 | -65.0% | 7.0 | -15.1% |
| EBITDA Margin (%) | 15% | 15% | -28bp | 17% | -193bp |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: The Ramco Cements

| | 1QFY25F | 4QFY24 | QoQ (%) | 1QFY24 | YoY (%) |
|-------------------|---------|--------|---------|--------|---------|
| Net Sales (Rs m) | 21,963 | 26,733 | -17.8% | 22,411 | -2.0% |
| EBITDA (Rs m) | 3,153 | 4,171 | -24.4% | 3,415 | -7.7% |
| EBIT (Rs m) | 1,479 | 2,520 | -41.3% | 1,936 | -23.6% |
| PAT (Rs m) | 362 | 1,214 | -70.2% | 789 | -54.1% |
| EPS (Rs) | 1.5 | 5.1 | -70.2% | 3.3 | -54.1% |
| EBITDA Margin (%) | 14% | 16% | -125bp | 15% | -88bp |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 11: JK Cement

| | 1QFY25F | 4QFY24 | QoQ (%) | 1QFY24 | YoY (%) |
|-------------------|---------|--------|---------|--------|---------|
| Net Sales (Rs m) | 26,875 | 31,058 | -13.5% | 27,626 | -2.7% |
| EBITDA (Rs m) | 4,536 | 5,599 | -19.0% | 4,078 | 11.2% |
| EBIT (Rs m) | 3,054 | 4,069 | -25.0% | 2,730 | 11.9% |
| PAT (Rs m) | 1,544 | 2,197 | -29.7% | 1,135 | 36.0% |
| EPS (Rs) | 20.0 | 28.4 | -29.7% | 14.7 | 36.0% |
| EBITDA Margin (%) | 17% | 18% | -115bp | 15% | 212bp |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 12: Birla Corporation

| | 1QFY25F | 4QFY24 | QoQ (%) | 1QFY24 | YoY (%) |
|-------------------|---------|--------|---------|--------|---------|
| Net Sales (Rs m) | 24,386 | 26,564 | -8.2% | 24,085 | 1.3% |
| EBITDA (Rs m) | 3,615 | 4,724 | -23.5% | 2,978 | 21.4% |
| EBIT (Rs m) | 2,125 | 3,227 | -34.1% | 1,575 | 34.9% |
| PAT (Rs m) | 1,041 | 1,933 | -46.1% | 597 | -74.4% |
| EPS (Rs) | 13.5 | 25.1 | -46.1% | 7.8 | -74.4% |
| EBITDA Margin (%) | 15% | 18% | -296bp | 12% | 246bp |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 13: JK Lakshmi Cement (consolidated)

| | 1QFY25F | 4QFY24 | QoQ (%) | 1QFY24 | YoY (%) |
|-------------------|---------|--------|---------|--------|---------|
| Net Sales (Rs m) | 16,706 | 17,809 | -6.2% | 17,303 | -3.5% |
| EBITDA (Rs m) | 2,582 | 3,365 | -23.3% | 1,962 | 31.6% |
| EBIT (Rs m) | 1,886 | 2,687 | -29.8% | 1,405 | 34.2% |
| PAT (Rs m) | 1,094 | 1,624 | -32.6% | 798 | 37.2% |
| EPS (Rs) | 9.3 | 13.3 | -30.3% | 6.8 | 37.2% |
| EBITDA Margin (%) | 15% | 19% | -344bp | 11% | 412bp |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 14: Orient Cement

| | 1QFY25F | 4QFY24 | QoQ (%) | 1QFY24 | YoY (%) |
|-------------------|---------|--------|---------|--------|---------|
| Net Sales (Rs m) | 8,004 | 8,880 | -9.9% | 8,252 | -3.0% |
| EBITDA (Rs m) | 1,179 | 1,481 | -20.4% | 992 | 18.9% |
| EBIT (Rs m) | 801 | 1,105 | -27.5% | 624 | 28.3% |
| PAT (Rs m) | 507 | 682 | -25.7% | 370 | 36.9% |
| EPS (Rs) | 2.5 | 3.3 | -25.7% | 1.8 | 36.9% |
| EBITDA Margin (%) | 15% | 17% | -194bp | 12% | 271bp |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 15: HeidelbergCement India

| | 1QFY25F | 4QFY24 | QoQ (%) | 1QFY24 | YoY (%) |
|-------------------|---------|--------|---------|--------|---------|
| Net Sales (Rs m) | 5,748 | 5,966 | -3.6% | 5,956 | -3.5% |
| EBITDA (Rs m) | 741 | 889 | -16.7% | 929 | -20.2% |
| EBIT (Rs m) | 452 | 606 | -25.4% | 659 | -31.4% |
| PAT (Rs m) | 374 | 482 | -22.4% | 523 | -28.6% |
| EPS (Rs) | 1.6 | 2.1 | -22.4% | 2.3 | -28.6% |
| EBITDA Margin (%) | 13% | 15% | -201bp | 16% | -270bp |

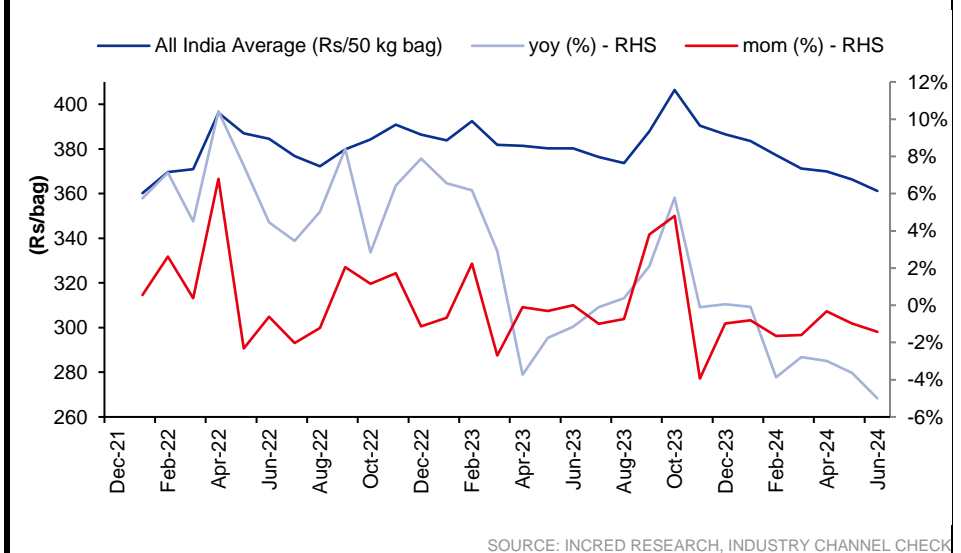
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Our interactions with cement dealers and an expert indicate that in Jun 2024, cement prices declined by an avg. Rs4-5/bag m-o-m and Rs8-9/bag q-o-q in 1QFY25F and are now close to Jun 2020 levels.

Cement prices >

- Our channel check and a discussion with experts highlighted that pan-India cement prices declined by ~1.4% in Jun 2024. However, demand improved marginally m-o-m with the general elections in India getting over, but factors like the heatwave and shortage of labour in some states remain a challenge for complete revival of demand. Pan-India avg. cement prices have fallen by Rs8-9/bag (~2.7%) vs. Mar 2024 exit prices and are now close to the Jun 2020 (Covid-19 pandemic) levels.
- Our channel check suggests that the price hike taken in Apr 2024 failed to sustain due to the demand being hit across markets during the quarter. Also, our channel check suggests that a price hike is possible only post monsoon or post Sep 2024.
- The channel check suggests any GST rate cut will be welcomed & sentimentally positive for the sector and expects the industry to pass on this benefit, at least initially, which would cut overall construction costs and aid demand at the margin. The overall improvement in demand could benefit pricing for the industry in the medium term.

Figure 16: All-India cement average price was down ~1.4% m-o-m and down -2.7% vs. Mar 2024 exit prices in Jun 2024



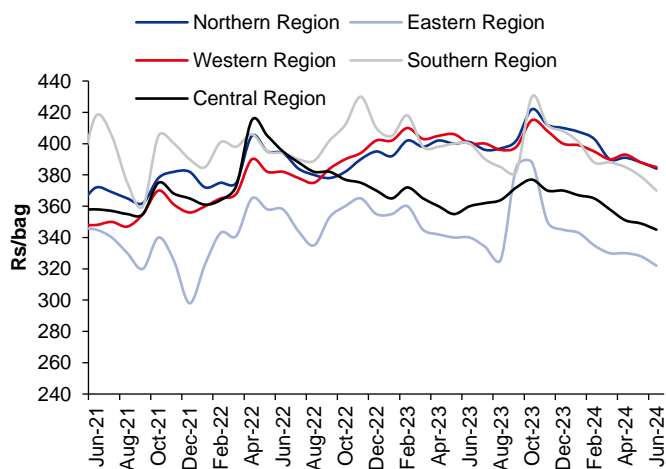
Region-wise pricing trend:

- **South:** Cement demand improved m-o-m with the resumption of market operations and is expected to remain the same yoy during the monsoon season. Dealers in Andhra Pradesh and Telangana believe the change in state governments at the political level will contribute positively to demand. However, cement prices declined by Rs8-9/bag m-o-m in Jun 2024. A price hike is possible only post monsoon, as per dealers, but to remain range-bound as large players enter the market.
- **East:** Cement prices have declined by Rs4-5/bag, with some large players continuing to remain aggressive in the region. Dealers believe that prices have bottomed out.
- **North:** Cement prices declined by 4-5/bag m-o-m in Jun 2024 and by Rs8-9/bag qoq in 1QFY25F. Demand remained impacted due to the heatwave, and shortage of water as well as labour. Spot cement prices in Delhi are in the range of Rs360-380/bag. No indications of a price hike yet.
- **West:** Cement prices in the region fell by Rs2-3/bag m-o-m in Jun 2024. Spot prices in Mumbai were in the range of Rs385-390/bag. The region saw better-than-expected demand in Jun 2024 due to lower than avg. rainfall in the first three weeks of the month.
- **Central:** Avg. cement price declined by Rs3/bag m-o-m in Jun 2024. Dealers highlighted a recovery in demand. However, they don't expect any price hike

for the next two-to-three months. Spot prices are at Rs330-340/bag in Bhopal & at Rs370-380/bag in Ayodhya.

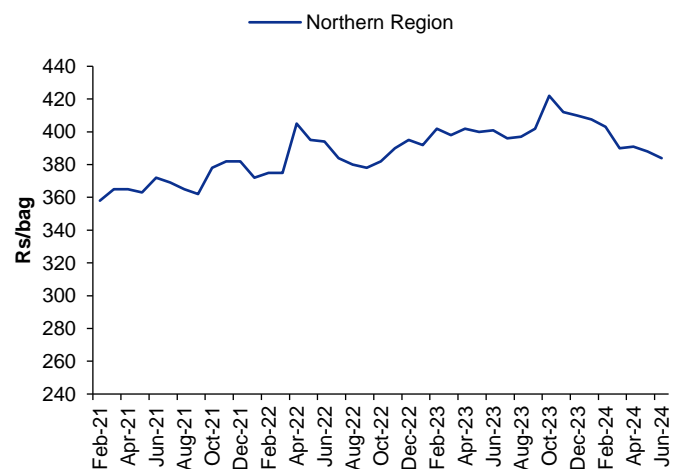
- Price hikes fail to sustain in Jun 2024 and any recovery likely post monsoon:** The steep price hike attempted at the beginning of Apr 2024 failed to make an impact, with prices rolled back by the end of Jun 2024 mainly due to the lack of normal market operations caused by general elections-related restrictions in the first two months of the quarter, scarcity of labour and a heatwave across some states. As a result, the industry average EBITDA/t in 1QFY25F is expected to decline (by ~Rs150/t) due to weak prices and negative operating leverage narrowing the spreads. However, cement players and market experts expect a recovery in cement prices in 2HFY25F. If this recovery does not materialize, we expect a further pressure on margins, potentially leading to a cut in our estimates.

Figure 17: Region-wise, cement price declined m-o-m in all regions in Jun 2024



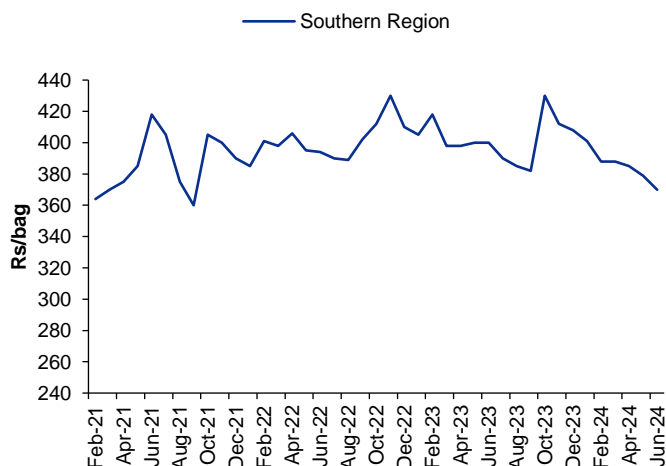
SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 18: North India cement price trend



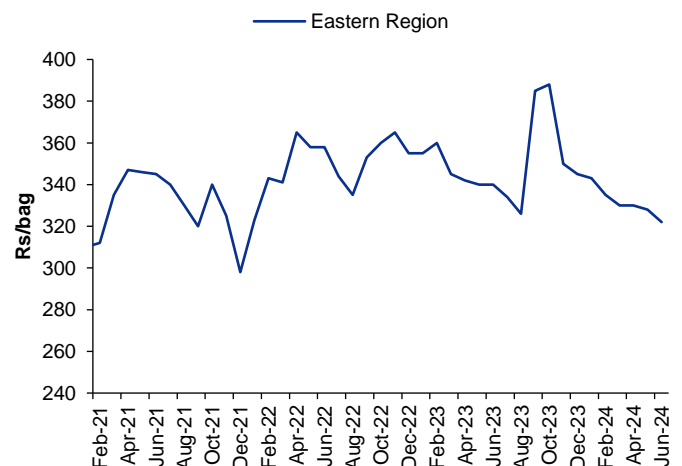
SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 19: Southern region's cement price trend



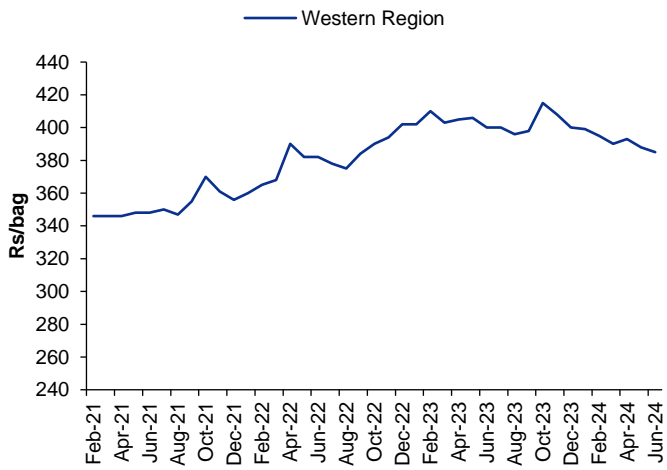
SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 20: Eastern region's cement price trend



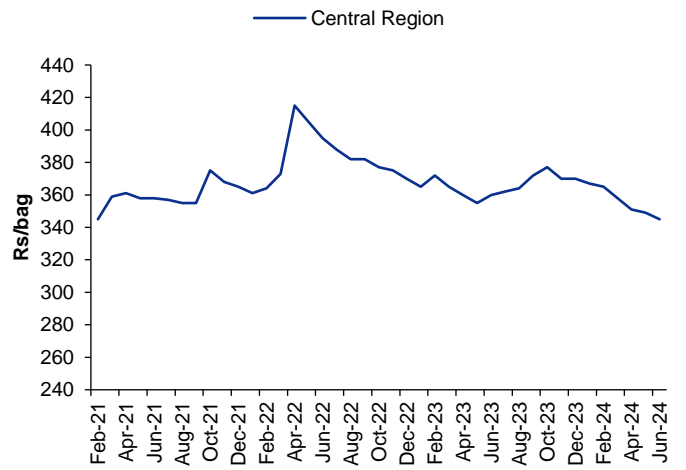
SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 21: Western region's cement price trend



SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 22: Central region's cement price trend

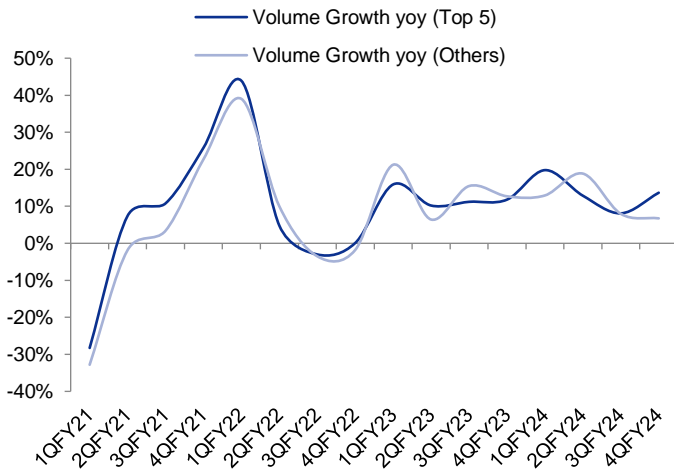


SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Key demand drivers & industry outlook ►

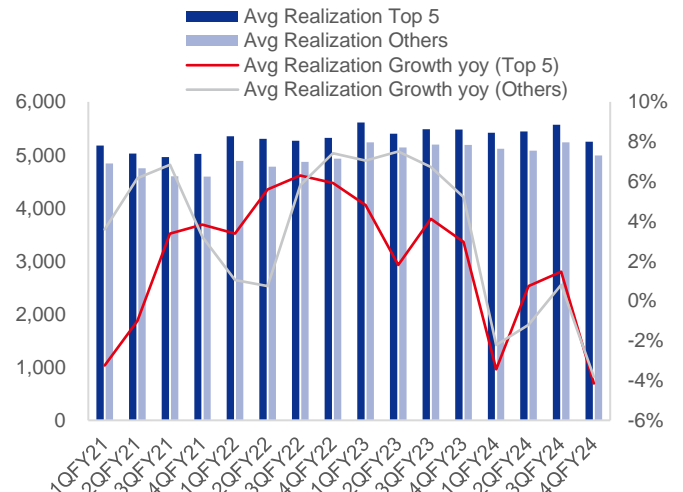
- **Demand revives marginally post general elections and 1QFY25F volume growth to be marginally lower:** As per our channel check across regions, we expect industry volume in 1QFY25F to remain impacted due to the slowdown in construction activity led by general elections. However, some experts highlighted that demand improved m-o-m in Jun 2024 due to the resumption of normal market operations. We believe there is hardly any room for significant demand recovery in the near term (1HFY25F) with the onset of monsoon season, which slows demand, as observed from the historical trend.
- **Urban housing to outgrow rural housing demand:** The housing sector is gaining momentum, bolstered by India's transition towards becoming a middle-income country amid a stable lending rate environment. Also, the impact of statutory regulations on the real estate sector is visible, as there is a rising preference among customers to veer towards newly launched projects (as per consultancy firm Anarock), providing more confidence for the developers to launch new projects. While the 30m houses to be built under the PMAY scheme are close to completion, 20m houses will be built over the next five years. Although the pace of construction may be slightly slower than expected, the trajectory remains promising.
- **Consolidation phase to continue:** The consolidation phase, which witnessed a pause for a few months due to the general elections, has returned with Ambuja Cements acquiring Penna Cements' 14mtpa assets and Ultratech Cement taking ~23% non-controlling stake in India Cements ([link to our note](#)). We believe that rising competition for market share among large players with significant cash balance will keep the consolidation theme in the limelight.
- **The industry divergence gap is widening:** Our check reveals a growing price disparity between top-category players and other industry players, with top-category players easily commanding a premium of Rs50-60/bag across regions. Additionally, some dealers believe that large players are able to offer better terms and conditions for dealers. We also believe that top players will continue to grow at a higher pace than the industry (refer Figs. 8 & 9). During 4QFY24, when large players entered into a price war to gain market share, they grew by ~14% yoy vs. the remaining 10 players growing by ~7% yoy. We believe the top-5 players, with rising geographical presence and a favourable fuel cost environment currently, are better placed than the industry to witness any pricing disruption.
- Our recent channel check also highlighted that increased focus by companies to boost brand presence and advertising during events like the India Premier League or IPL and ICC T-20 World Cup have positively contributed to brand identification.
- We believe that states like Odisha, Andhra Pradesh, Telangana and Bihar will contribute positively to cement demand in the regions with more infrastructure-centric push by respective state governments ([some supporting articles](#) <https://tinyurl.com/2ky5sueu>, <https://tinyurl.com/3ajze7tp>).
- **Premiumization theme:** There is a rising focus to increase the share of premium products in the portfolio mix. Companies with higher premium products (like ORCMNT, BCORP) saw a relatively better realization in 4QFY24. As indicated by company managements, this segment has its own customer base which is not influenced by pricing.

Figure 23: Top 5 players continue to grow at a higher pace than that of the industry



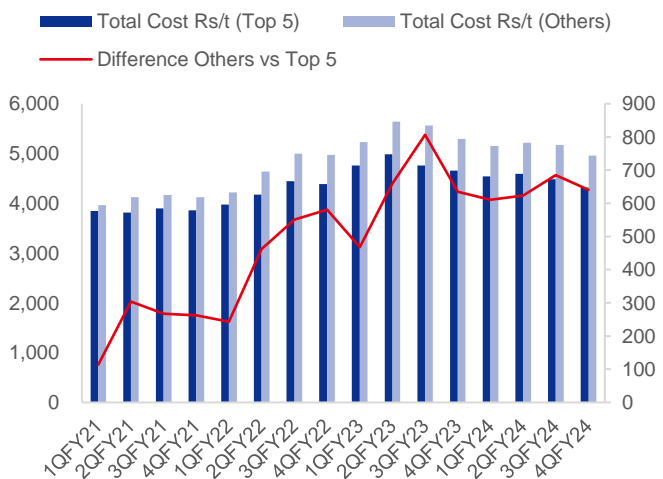
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 24: Top 5 players' realization remains better than their peers



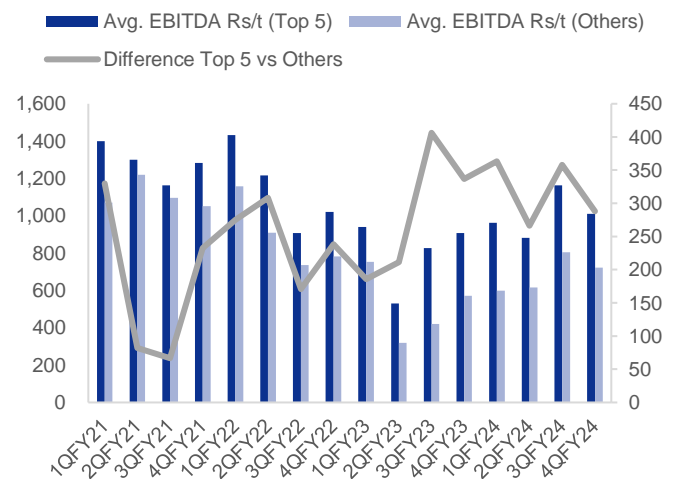
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 25: Top 5 players continue to be at a cost advantage vs. other players



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 26: Top 5 players' average difference in EBITDA/t for the last eight quarters remains to be more than Rs300/t



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 27: Volume guidance provided by some listed cement companies

| Volume target | FY25F |
|---------------|------------------------|
| ACEM/ACC | 1.2x vs GDP growth |
| UTCEM | > 8-9% industry growth |
| SRCM | ~8-10% |
| JKCE | ~10% |
| Nuvoco | ~8% |
| TRCL | ~7-8% |
| JKLC | ~10% |
| DALBHARA | 1.25x Industry growth |
| BCORP | ~8-10% |
| ORCMNT | ~8% |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 28: Long-term capacity expansion plans of various cement majors

| Company | FY24F Capacity | Targeted Capacity | Near-Term Target |
|--------------------|----------------|----------------------|-------------------|
| ACC+Ambuja Cements | 78.9mtpa | 140mtpa by 2028F | 110mtpa by FY27F |
| Ultratech Cement | 148mtpa | 200mtpa by FY30F | |
| Shree Cement | 56mtpa | 80mtpa by 2028F | |
| JK Cement | 22mtpa | 25mtpa by FY25F | 29.6mtpa by FY27F |
| The Ramco Cements | 23mtpa | 26mtpa by FY26F | |
| JK Lakshmi Cement | 14mtpa | 30mtpa by 2030F | 19mtpa by FY27F |
| Dalmia Bharat | 44.6mtpa | 110-130mtpa by 2031F | 75mtpa by FY27F |
| Birla Corporation | 20mtpa | 30mtpa by 2030F | 25mtpa by FY27F |
| Orient Cement | 8.5mtpa | 11.5mtpa by FY26F | |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Major input costs trend ➤

- Coal and crude oil price decline led to a correction in pet-coke prices in recent months:** In Jun 2024, international pet-coke prices declined on a m-o-m basis to US\$106/t (down ~18% from Dec 2023) while imported coal prices, after bottoming out in 4QFY24, started to increase from Apr 2024 but remained ~18% below their recent peak in Oct 2023. As per Procurement Resource, the fall in global consumption of pet coke and new supplies from Oman entering the market at a competitive price (especially for Indian importers) will keep the pricing under check for the next few months. The average fuel cost stood at Rs1.75 on a kcal basis in 4QFY24 vs. Rs1.78 q-o-q. In the coming quarters, there is a likelihood of marginal benefits with stable input prices and the cost-saving initiatives taken by the players. Cement producers indicate that input costs for the industry are likely to remain stable in 1HFY25F.
- Cost savings to be the next front:** With cement prices under pressure and market share competition heating up, cement players are now focusing on various costs measures to secure their margins. Some of the cost-savings measures by the players are as follows: Adani Cements (ACC+Ambuja Cements) expects cost/t savings of Rs400-500 in the medium term, UTCEM Rs200-300/t over the next two-to-three years, and JKCE looks to save Rs150-200/t over the next two years. Our analysis of listed players in the industry indicates that Top-5 players are saving on an average in total cost/t of ~Rs600 vs. other players (refer Fig. 10). We believe this momentum will continue with players pushing cost-cutting initiatives more aggressively. We believe that once the pricing momentum returns, the EBITDA/t gap between top players and other players will widen, as observed in 3QFY23 and 3QFY24 (refer Fig. 11).

Figure 29: International pet-coke prices are down by ~8% in Jun 2024 from last five months' average price of US\$115/t **Figure 30: Domestic pet-coke prices have declined by ~6% YTD**

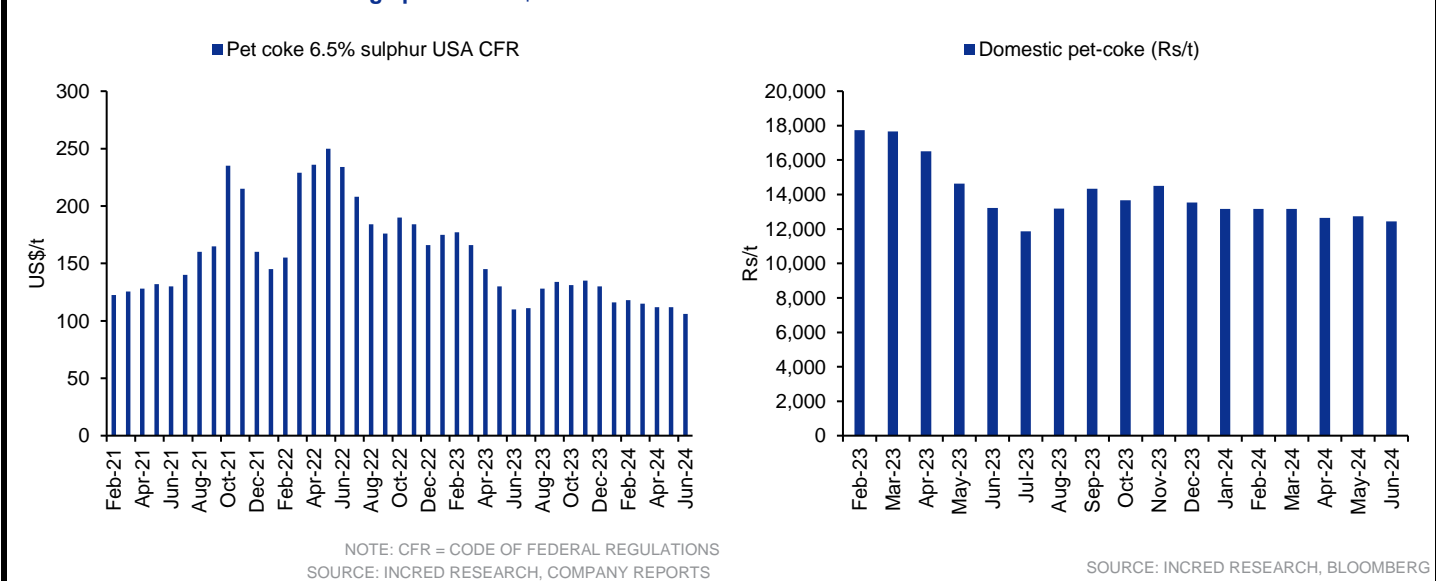
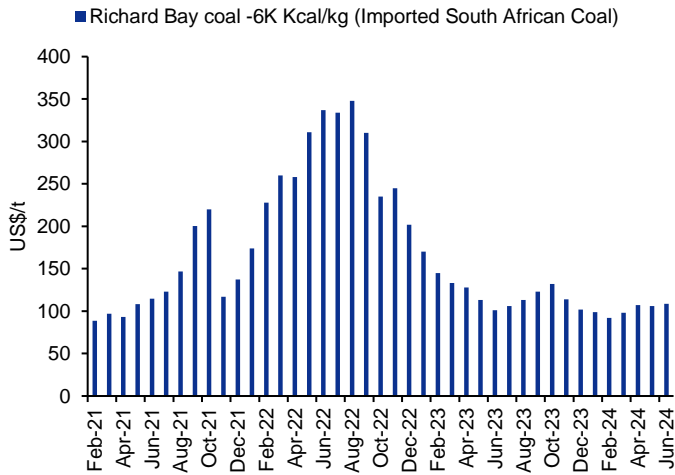
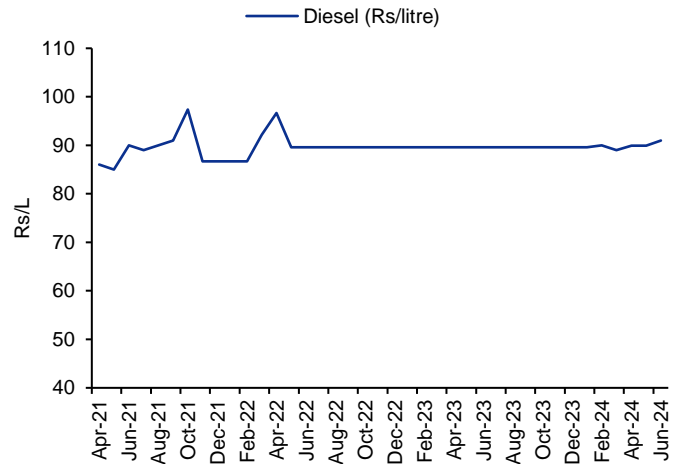


Figure 31: Imported coal prices (South African 6k/kcal) trend



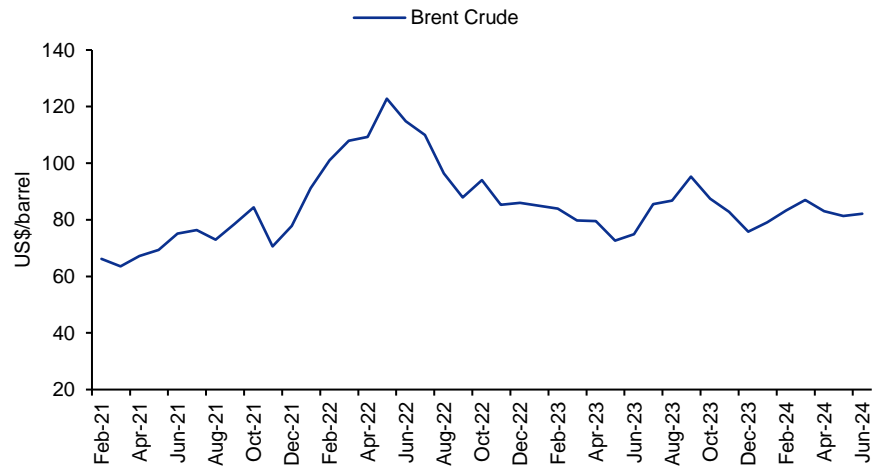
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 32: Average diesel price trend



SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 33: Crude oil price trend



SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 34: Average cost curve for listed cement companies

| Rs/t | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 |
|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| RM Cost | 783 | 656 | 800 | 752 | 855 | 771 | 838 | 882 | 975 | 917 | 953 | 987 | 1,028 |
| P & F Cost | 947 | 1,129 | 1,132 | 1,396 | 1,399 | 1,697 | 1,903 | 1,740 | 1,604 | 1,551 | 1,489 | 1,408 | 1,291 |
| Freight Cost | 1,116 | 1,118 | 1,104 | 1,127 | 1,140 | 1,164 | 1,159 | 1,169 | 1,160 | 1,157 | 1,112 | 1,142 | 1,140 |
| Other Cost | 654 | 685 | 749 | 767 | 693 | 762 | 785 | 747 | 703 | 695 | 768 | 767 | 709 |
| Employee Cost | 279 | 337 | 335 | 325 | 267 | 307 | 326 | 307 | 270 | 292 | 326 | 314 | 272 |
| Total Cost | 4,037 | 4,140 | 4,481 | 4,815 | 4,777 | 5,072 | 5,423 | 5,295 | 5,082 | 4,946 | 5,011 | 4,941 | 4,744 |
| EBITDA/t | 1,129 | 1,249 | 1,011 | 807 | 862 | 816 | 389 | 556 | 683 | 720 | 704 | 924 | 818 |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 35: Fuel costs booked by various companies on kcal basis

| Rs Kcal | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | FY25F | vs. spot prices |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---|-----------------------------|
| ACC | 2.25 | 2.52 | 3.10 | 2.61 | 2.35 | 2.13 | 1.85 | 1.86 | 1.91 | | |
| ACEM | 2.20 | 2.50 | 2.80 | 2.33 | 2.10 | 2.09 | 1.82 | 1.84 | 1.84 | Rs500/t savings in the medium term | |
| UTCEM | 1.95 | 2.20 | 2.50 | 2.60 | 2.50 | 2.34 | 2.12 | 2.05 | 2.03 | Rs200-300/t savings in the next 3-4 years | |
| SRCM | 2.13 | 2.61 | 2.83 | 2.53 | 2.53 | 2.37 | 2.05 | 1.78 | 1.82 | | |
| JKCE | 2.20 | 2.30 | 2.40 | 2.60 | 2.41 | 2.2 | 1.9 | 1.82 | 1.79 | Rs150-200/t savings in the next 2 years | |
| Nuvoco | | 2.28 | 2.64 | 2.74 | 2.31 | 1.94 | 1.77 | 1.67 | 1.63 | To remain in ~Rs1.63-1.64 /kcal till 2HFY25F | |
| TRCL | 1.88 | 1.87 | | 2.43 | 2.21 | 2.03 | 1.75 | 1.64 | 1.65 | | Pet-coke - US\$106/t |
| India Cem | 2.23 | 2.69 | 3.26 | 2.95 | 2.70 | 2.25 | 2.04 | 1.99 | 1.95 | | Coal - US\$108/t |
| JKLC | | | 2.30 | 2.57 | 2.42 | 2.23 | 2.04 | 1.78 | 1.68 | To remain in this range for next few quarters | |
| DALBHARA | 2.07 | 2.47 | 2.52 | 2.42 | 2.06 | 1.98 | 1.58 | 1.5 | 1.45 | P&F costs to decline by 1-2% in 1QFY25F | |
| Star Cement | | 2.09 | | 2.09 | 2.10 | 2.35 | 1.9 | 1.75 | 1.70 | To decline to Rs1.55/kcal in FY25F | |
| BCORP | | | | | | 1.95 | 1.75 | 1.58 | 1.56 | EBITDA/t to increase by 8-10% from FY24 level | |
| ORCMNT | | | | | | | 1.97 | 1.9 | | | |
| Average | 2.15 | 2.45 | 2.71 | 2.53 | 2.34 | 2.16 | 1.89 | 1.78 | 1.76 | | |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key operational quarterly charts >

Figure 36: Volume growth trend – combined volume of major listed cement companies (top 15 players) increased by ~12% yoy (+21% qoq) in 4QFY24

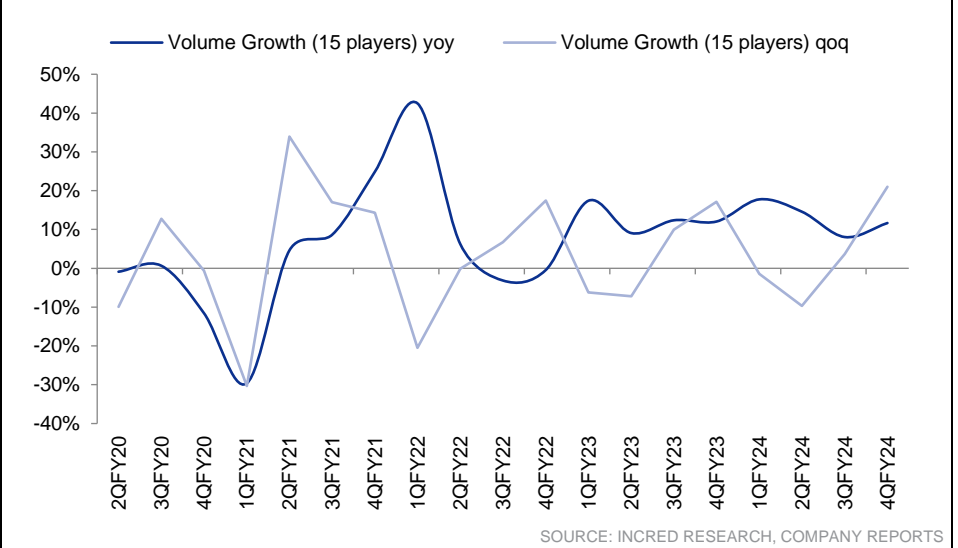


Figure 37: Realization growth trend - average realization declined by 5% qoq and 4% yoy during the quarter

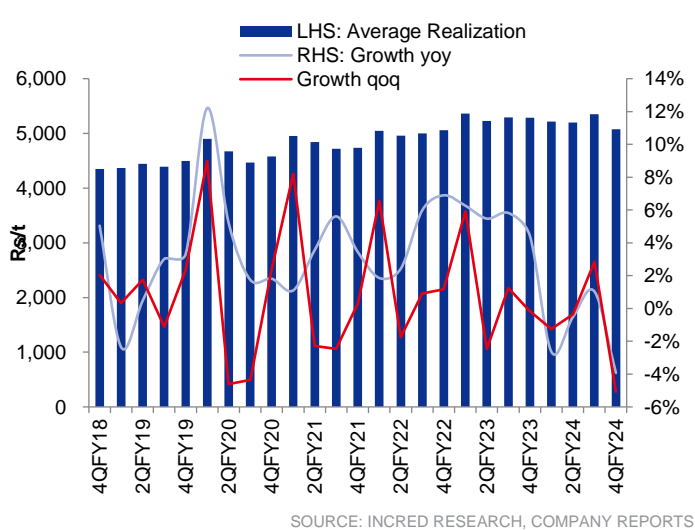


Figure 38: Trend in unit cost – average total cost/t decreased by ~4% qoq and 7% yoy

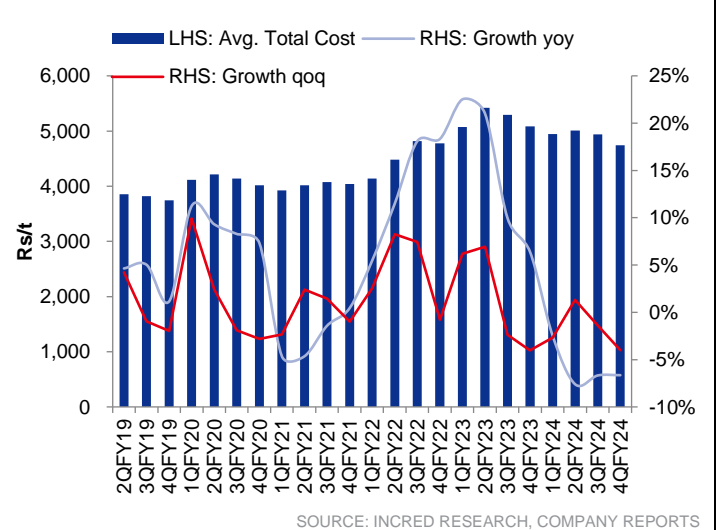
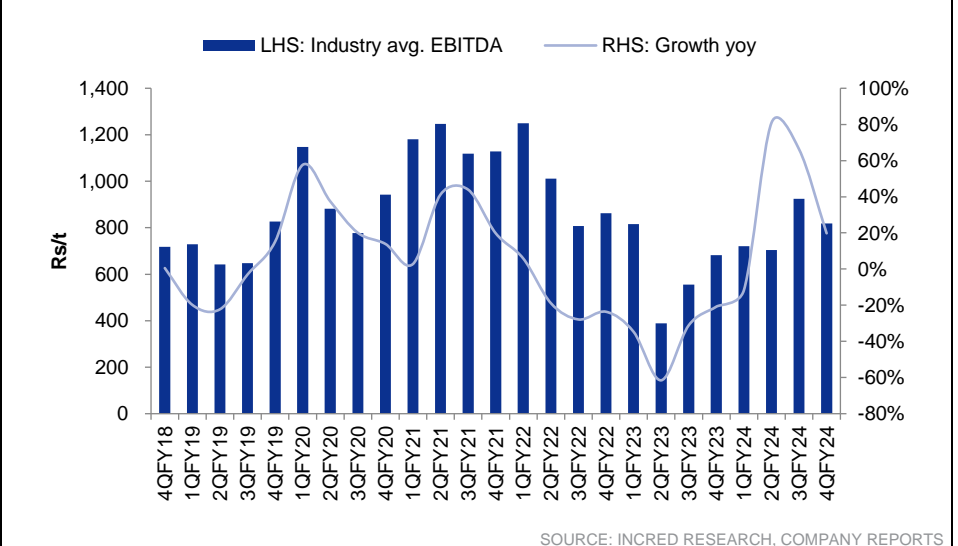


Figure 39: Sector unit EBITDA (15 players) declined in 4QFY24 by ~11% qoq (but still up 20% yoy)



Key assumptions for our coverage companies

Figure 40: We expect cement volume of coverage companies to grow by ~11% over FY24-26F

| Volume (mt) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25F | FY26F | CAGR FY18-23 | CAGR FY24-26F |
|--------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|---------------|
| UTCCEM* | 86 | 81 | 86 | 94 | 106 | 119 | 130 | 148 | 10.7% | 11.3% |
| ACC*# | 28 | 29 | 26 | 29 | 39 | 37 | 40 | 43 | 7.8% | 7.7% |
| ACEM# | 24 | 24 | 23 | 27 | 38 | 34 | 39 | 45 | 10.4% | 14.5% |
| SRCM* | 26 | 25 | 27 | 28 | 32 | 36 | 39 | 44 | 7.1% | 10.7% |
| TRLC | 11 | 11 | 10 | 11 | 15 | 18 | 20 | 22 | 10.0% | 8.2% |
| JKCE* | 9 | 8 | 10 | 12 | 14 | 17 | 19 | 21 | 11.5% | 10.9% |
| BCORP* | 14 | 14 | 13 | 14 | 16 | 18 | 19 | 20 | 4.9% | 7.5% |
| HEIM | 5 | 5 | 4 | 5 | 4 | 5 | 5 | 5 | -1.1% | 5.5% |
| DALBHARA* | 19 | 19 | 21 | 22 | 26 | 29 | 32 | 36 | 8.7% | 11.5% |
| JKLC* | 11 | 10 | 10 | 11 | 11 | 12 | 13 | 14 | 3.5% | 9.7% |
| ORCMNT | 6 | 6 | 5 | 5 | 6 | 6 | 7 | 7 | 0.0% | 9.0% |
| Total | 239 | 232 | 236 | 259 | 306 | 330 | 362 | 404 | 8.6% | 10.6% |

*CONSOLIDATED, # FOR ACC-ACEM, FY23 COMPRISES 15 MONTHS, SO ADJUSTED FOR 12M; YEAR-END CHANGES FROM DEC-MAR
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 41: We expect realization of coverage companies to grow by ~0.9% over FY24-26F

| Realization (Rs/t) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25F | FY26F | CAGR FY18-23 | CAGR FY24-26F |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| UTCCEM* | 4,775 | 5,127 | 5,122 | 5,501 | 5,900 | 5,864 | 5,908 | 6,009 | 3.9% | 1.2% |
| ACC# | 4,643 | 4,801 | 4,909 | 5,044 | 5,276 | 5,059 | 5,049 | 5,090 | 3.5% | 0.3% |
| ACEM# | 4,540 | 4,719 | 4,929 | 5,105 | 5,287 | 5,209 | 5,233 | 5,306 | 3.5% | 0.9% |
| SRCM* | 4,545 | 5,163 | 5,052 | 5,411 | 5,611 | 5,774 | 5,780 | 5,849 | 6.1% | 0.6% |
| TRLC | 4,549 | 4,792 | 5,281 | 5,413 | 5,416 | 5,081 | 5,031 | 5,131 | 3.2% | 0.5% |
| JKCE* | 3,991 | 4,527 | 4,494 | 4,774 | 4,971 | 5,009 | 5,044 | 5,130 | 4.1% | 1.2% |
| BCORP | 4,358 | 4,826 | 4,853 | 4,961 | 5,242 | 5,239 | 5,266 | 5,342 | 3.7% | 1.0% |
| HEIM | 4,298 | 4,575 | 4,652 | 4,681 | 5,096 | 5,014 | 5,090 | 5,140 | 5.0% | 1.2% |
| DALBHARA | 4,749 | 4,691 | 4,874 | 5,073 | 5,141 | 5,105 | 5,125 | 5,238 | 0.9% | 1.3% |
| JKLC | 3,875 | 4,342 | 4,523 | 4,840 | 5,650 | 5,662 | 5,674 | 5,748 | 7.7% | 0.8% |
| ORCMNT | 3,933 | 4,178 | 4,604 | 4,975 | 5,100 | 5,193 | 5,209 | 5,292 | 5.7% | 0.9% |
| Average | 4,387 | 4,704 | 4,845 | 5,071 | 5,335 | 5,292 | 5,310 | 5,389 | 4.2% | 0.9% |

*BLENDED, # FOR ACC-ACEM, FY23 COMPRISES 15 MONTHS; YEAR-END CHANGES FROM DEC-MAR
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 42: We expect cost/t of coverage companies to decline by ~0.4% over FY24-26F

| Cost (Rs/t) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25F | FY26F | CAGR FY18-23 | CAGR FY24-26F |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| UTCCEM* | 3,999 | 4,072 | 3,839 | 4,371 | 4,981 | 4,867 | 4,818 | 4,816 | 4.6% | -0.5% |
| ACC | 4,496 | 4,585 | 4,477 | 4,553 | 5,257 | 4,579 | 4,525 | 4,528 | 4.1% | -0.6% |
| ACEM | 3,915 | 3,956 | 3,849 | 3,981 | 4,435 | 4,229 | 4,143 | 4,107 | 3.6% | -1.4% |
| SRCM* | 3,774 | 3,655 | 3,532 | 4,075 | 4,681 | 4,503 | 4,483 | 4,531 | 7.5% | 0.3% |
| TRLC | 3,704 | 3,777 | 3,729 | 4,251 | 4,629 | 4,238 | 4,155 | 4,206 | 5.4% | -0.4% |
| JKCE* | 4,337 | 4,478 | 4,223 | 4,641 | 5,178 | 4,974 | 4,885 | 4,868 | 4.4% | -1.1% |
| BCORP | 4,047 | 4,091 | 4,069 | 4,466 | 5,029 | 4,660 | 4,633 | 4,645 | 4.8% | -0.2% |
| HEIM | 3,369 | 3,489 | 3,589 | 3,899 | 4,529 | 4,208 | 4,158 | 4,178 | 6.7% | -0.3% |
| DALBHARA | 4,037 | 3,923 | 3,550 | 3,991 | 4,367 | 4,188 | 4,165 | 4,173 | 2.5% | -0.2% |
| JKLC | 3,468 | 3,548 | 3,625 | 3,991 | 4,916 | 4,785 | 4,737 | 4,758 | 7.3% | -0.3% |
| ORCMNT | 3,446 | 3,517 | 3,513 | 3,896 | 4,467 | 4,461 | 4,394 | 4,440 | 6.0% | -0.2% |
| Average | 3,872 | 3,917 | 3,818 | 4,192 | 4,770 | 4,517 | 4,463 | 4,477 | 5.1% | -0.4% |

*BLENDED, # FOR ACC-ACEM, FY23 COMPRISES 15 MONTHS; YEAR-END CHANGES FROM DEC-MAR
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 43: We expect EBITDA/t of coverage companies to increase by 6.3% over FY24-26F

| EBITDA (Rs/t) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25F | FY26F | CAGR FY18-23 | CAGR FY24-26F |
|----------------|------------|--------------|--------------|--------------|------------|------------|------------|--------------|--------------|---------------|
| UTCCEM* | 775 | 1,055 | 1,339 | 1,225 | 1,005 | 1,089 | 1,184 | 1,280 | 2.2% | 8.4% |
| ACC# | 675 | 782 | 899 | 1,038 | 499 | 830 | 872 | 911 | -5.9% | 4.8% |
| ACEM# | 782 | 893 | 1,167 | 1,187 | 852 | 980 | 1,090 | 1,198 | 0.7% | 10.6% |
| SRCM* | 1,080 | 1,508 | 1,520 | 1,337 | 930 | 1,271 | 1,296 | 1,318 | -0.8% | 1.8% |
| TRLC | 932 | 1,015 | 1,552 | 1,162 | 787 | 844 | 876 | 925 | -7.8% | 4.7% |
| JKCE* | 818 | 1,184 | 1,282 | 1,057 | 810 | 1,079 | 1,096 | 1,146 | 0.0% | 3.0% |
| BCORP | 685 | 979 | 999 | 781 | 491 | 815 | 867 | 930 | -5.5% | 6.9% |
| HEIM | 987 | 1,122 | 1,129 | 910 | 567 | 806 | 931 | 962 | -6.2% | 9.2% |
| DALBHARA | 999 | 1,072 | 1,324 | 1,084 | 906 | 917 | 960 | 1,065 | -5.6% | 7.8% |
| JKLC | 407 | 794 | 898 | 849 | 735 | 878 | 937 | 990 | 10.3% | 6.2% |
| ORCMNT | 487 | 660 | 1,091 | 1,079 | 633 | 732 | 815 | 852 | 3.6% | 7.8% |
| Average | 784 | 1,006 | 1,200 | 1,064 | 747 | 931 | 993 | 1,052 | -1.8% | 6.3% |

*BLENDED, # FOR ACC-ACEM, FY23 COMPRISES 15 MONTHS; YEAR-END CHANGES FROM DEC-MAR
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 44: We expect total revenue of coverage companies to increase by ~12% over FY24-26F

| Revenue (Rs bn) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25F | FY26F | CAGR FY18-23 | CAGR FY24-26F |
|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| UTCEM* | 416 | 424 | 447 | 526 | 632 | 709 | 781 | 900 | 15.0% | 12.6% |
| ACC*# | 148 | 157 | 138 | 162 | 222 | 200 | 215 | 233 | 10.8% | 8.0% |
| ACEM# | 114 | 117 | 114 | 140 | 200 | 179 | 205 | 239 | 13.8% | 15.6% |
| SRCM* | 126 | 129 | 136 | 150 | 179 | 205 | 224 | 255 | 13.4% | 11.4% |
| TRLC | 52 | 54 | 53 | 60 | 81 | 93 | 99 | 111 | 13.0% | 8.8% |
| JKCE* | 53 | 58 | 66 | 80 | 97 | 116 | 125 | 139 | 14.9% | 9.8% |
| BCORP* | 65 | 69 | 68 | 75 | 87 | 97 | 105 | 114 | 8.7% | 8.5% |
| HEIM | 21 | 22 | 21 | 23 | 22 | 24 | 25 | 27 | 3.4% | 6.8% |
| DALBHARA* | 95 | 97 | 101 | 113 | 136 | 147 | 164 | 187 | 9.6% | 12.9% |
| JKLC* | 43 | 44 | 47 | 54 | 65 | 68 | 74 | 83 | 11.5% | 10.6% |
| ORCMNT | 25 | 24 | 23 | 27 | 29 | 32 | 35 | 39 | 5.7% | 10.0% |
| Total | 1,157 | 1,193 | 1,214 | 1,409 | 1,750 | 1,869 | 2,052 | 2,326 | 12.7% | 11.6% |

*CONSOLIDATED, # FOR ACC-ACEM, FY23 COMPRISES 15 MONTHS; YEAR-END CHANGES FROM DEC-MAR
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 45: We expect EBITDA of coverage companies to grow by ~18% over FY24-26F

| EBITDA (Rs bn) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25F | FY26F | CAGR FY18-23 | CAGR FY24-26F |
|----------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|---------------|
| UTCEM* | 73.5 | 92.5 | 115.7 | 115.1 | 106.2 | 129.7 | 154.0 | 189.0 | 11.6% | 20.7% |
| ACC*# | 20.5 | 24.1 | 23.6 | 30.0 | 19.2 | 30.6 | 34.7 | 39.0 | 0.5% | 12.8% |
| ACEM# | 18.9 | 21.5 | 26.5 | 32.1 | 32.2 | 33.7 | 42.7 | 54.0 | 11.2% | 26.6% |
| SRCM* | 27.9 | 37.6 | 40.8 | 37.1 | 29.6 | 45.2 | 50.3 | 57.4 | 6.3% | 12.7% |
| TRLC | 10.4 | 11.4 | 15.5 | 12.8 | 11.8 | 15.5 | 17.2 | 19.9 | 1.5% | 13.3% |
| JKCE* | 8.3 | 12.1 | 15.4 | 14.8 | 13.1 | 20.6 | 22.8 | 26.5 | 10.8% | 13.5% |
| BCORP* | 9.5 | 13.4 | 13.4 | 11.1 | 7.7 | 14.4 | 16.5 | 19.0 | -0.9% | 14.9% |
| HEIM | 4.8 | 5.3 | 5.1 | 4.3 | 2.5 | 3.8 | 4.6 | 5.0 | -7.3% | 15.2% |
| DALBHARA* | 19.4 | 21.1 | 27.6 | 24.3 | 23.3 | 26.4 | 30.7 | 38.1 | 2.7% | 20.2% |
| JKLC* | 4.5 | 8.0 | 9.4 | 9.5 | 8.4 | 10.5 | 12.3 | 14.3 | 14.2% | 16.6% |
| ORCMNT | 3.1 | 3.8 | 5.5 | 5.9 | 3.6 | 4.5 | 5.4 | 6.2 | 3.6% | 17.5% |
| Total | 201 | 251 | 298 | 297 | 258 | 335 | 391 | 468 | 7.5% | 18.3% |

*CONSOLIDATED, # FOR ACC-ACEM, FY23 COMPRISES 15 MONTHS; YEAR-END CHANGES FROM DEC-MAR
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 46: We expect PAT of coverage companies to increase by ~20% over FY24-26F

| PAT (Rs bn) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25F | FY26F | CAGR FY18-23 | CAGR FY24-26F |
|--------------|-----------|------------|------------|------------|------------|------------|------------|------------|--------------|---------------|
| UTCEM* | 24.0 | 57.6 | 53.2 | 71.8 | 50.6 | 70.0 | 86.6 | 110.1 | 17.9% | 25.4% |
| ACC*# | 15.2 | 13.7 | 14.3 | 18.6 | 8.9 | 23.4 | 21.2 | 23.8 | -0.9% | 0.9% |
| ACEM# | 14.9 | 15.3 | 17.9 | 20.8 | 25.5 | 23.3 | 30.2 | 38.4 | 14.9% | 28.3% |
| SRCM* | 10.1 | 15.4 | 22.9 | 23.3 | 12.7 | 24.0 | 24.0 | 27.7 | -1.7% | 7.5% |
| TRLC | 5.1 | 6.0 | 7.6 | 8.9 | 3.4 | 3.9 | 5.1 | 6.8 | -9.2% | 31.5% |
| JKCE* | 2.7 | 4.9 | 7.1 | 6.9 | 4.2 | 7.9 | 9.3 | 11.4 | 8.2% | 20.1% |
| BCORP* | 2.6 | 5.1 | 6.3 | 4.0 | 0.4 | 4.2 | 5.5 | 7.2 | -23.4% | 30.7% |
| HEIM | 2.2 | 2.7 | 3.1 | 2.5 | 1.0 | 2.0 | 2.7 | 3.0 | -5.7% | 21.7% |
| DALBHARA* | 3.1 | 2.2 | 11.7 | 8.2 | 10.4 | 8.3 | 10.6 | 13.0 | 28.8% | 25.4% |
| JKLC* | 0.5 | 2.5 | 4.1 | 4.6 | 3.6 | 4.7 | 6.2 | 7.3 | 45.3% | 24.4% |
| ORCMNT | 0.5 | 0.9 | 2.1 | 2.6 | 1.2 | 1.7 | 2.3 | 2.5 | 22.7% | 20.4% |
| Total | 81 | 126 | 150 | 172 | 122 | 174 | 204 | 251 | 10.7% | 20.3% |

*CONSOLIDATED, # FOR ACC-ACEM, FY23 COMPRISES 15 MONTHS; YEAR-END CHANGES FROM DEC-MAR
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 47: Cement peer comparison

| Company | Rating | Closing Price (LC) | Target Price (LC) | % Upside | Market cap (US\$ m) | EV/EBITDA (x) | | | P/BV (x) | | | RoE (%) | | | P/E (x) | | | EV/t (US\$) | | |
|-------------------|--------|--------------------|-------------------|----------|---------------------|---------------|-------|-------|----------|-------|-------|---------|-------|-------|---------|-------|-------|-------------|-------|-------|
| | | | | | | FY24 | FY25F | FY26F | FY24 | FY25F | FY26F | FY24 | FY25F | FY26F | FY24 | FY25F | FY26F | FY24 | FY25F | FY26F |
| UltraTech Cement | ADD | 11,690 | 11,300 | -3% | 40,449 | 25.3 | 21.3 | 17.3 | 5.4 | 4.9 | 4.4 | 12% | 14% | 16% | 45.3 | 37.4 | 29.4 | 144.9 | 161.9 | 180.0 |
| ACC | ADD | 2,670 | 2,940 | 10% | 6,008 | 15.4 | 13.0 | 11.1 | 3.1 | 2.7 | 2.4 | 14% | 12% | 12% | 21.3 | 23.5 | 21.0 | 151.3 | 137.6 | 131.8 |
| Ambuja Cements | ADD | 686 | 715 | 4% | 20,251 | 36.5 | 29.5 | 26.3 | 3.6 | 3.0 | 2.8 | 7% | 7% | 7% | 55.7 | 48.9 | 42.5 | 223.8 | 229.0 | 258.8 |
| Shree Cement | HOLD | 27,529 | 27,639 | 0% | 11,904 | 21.1 | 19.3 | 16.8 | 4.8 | 4.4 | 4.0 | 12% | 11% | 12% | 41.6 | 41.5 | 36.0 | 214.5 | 177.8 | 159.5 |
| The Ramco Cements | HOLD | 808 | 800 | -1% | 2,289 | 16.3 | 14.8 | 12.9 | 2.9 | 2.7 | 2.5 | 6% | 7% | 9% | 51.9 | 40.1 | 30.0 | 133.1 | 129.0 | 121.6 |
| JK Cement | HOLD | 4,218 | 4,100 | -3% | 3,906 | 18.9 | 17.1 | 14.8 | 6.5 | 5.7 | 5.0 | 16% | 16% | 18% | 43.5 | 37.2 | 30.4 | 192.1 | 178.6 | 155.5 |
| Birla Corp. | ADD | 1,593 | 1,800 | 13% | 1,470 | 10.7 | 9.3 | 8.1 | 1.9 | 1.7 | 1.6 | 7% | 8% | 10% | 29.9 | 22.5 | 17.2 | 92.4 | 92.2 | 85.7 |
| Heidelberg | HOLD | 233 | 176 | -24% | 633 | 14.4 | 11.7 | 10.0 | 3.4 | 3.3 | 3.2 | 11% | 15% | 17% | 29.7 | 22.4 | 19.2 | 87.5 | 86.5 | 84.6 |
| Dalmia Bharat | ADD | 1,858 | 2,250 | 21% | 4,177 | 13.2 | 11.9 | 10.3 | 2.1 | 2.0 | 1.9 | 5% | 6% | 7% | 41.7 | 32.8 | 26.8 | 93.7 | 88.5 | 82.5 |
| JK Lakshmi | ADD | 871 | 910 | 5% | 1,228 | 11.4 | 10.4 | 9.1 | 3.3 | 2.8 | 2.4 | 15% | 18% | 18% | 22.5 | 16.8 | 14.3 | 87.1 | 79.7 | 70.7 |
| Orient Cement | ADD | 297 | 250 | -16% | 729 | 11.7 | 10.5 | 10.0 | 3.0 | 2.8 | 2.5 | 10% | 13% | 13% | 29.9 | 23.0 | 20.6 | 74.3 | 79.8 | 64.4 |
| Mean | | | | | | 17.7 | 15.3 | 13.3 | 3.6 | 3.3 | 3.0 | 11% | 11% | 12% | 38 | 31 | 26 | 136 | 131 | 127 |
| Median | | | | | | 15.4 | 13.0 | 11.1 | 3.3 | 2.8 | 2.5 | 11% | 12% | 12% | 42 | 33 | 27 | 133 | 129 | 122 |
| Minimum | | | | | | 10.7 | 9.3 | 8.1 | 1.9 | 1.7 | 1.6 | 5% | 6% | 7% | 21 | 17 | 14 | 74 | 80 | 64 |
| Maximum | | | | | | 36.5 | 29.5 | 26.3 | 6.5 | 5.7 | 5.0 | 16% | 18% | 18% | 56 | 49 | 43 | 224 | 229 | 259 |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG. PRICED AS AT 05TH JUL 2024

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