

India

Overweight (no change)

Highlighted Companies

Ambuja Cements Ltd

ADD, TP Rs775, Rs590 close

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

UltraTech Cement Ltd

ADD, TP Rs12560, Rs11230 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	49.54	46.37	38.67
UltraTech Cement Ltd	45.35	38.29	29.85

P/BV (x)	Mar24-A	Mar25-F	Mar26-F
Ambuja Cements Ltd	3.17	2.68	2.54
UltraTech Cement Ltd	5.38	4.9	4.4

Dividend Yield	Mar24-A	Mar25-F	Mar26-F
Ambuja Cements Ltd	0.34%	0.39%	0.62%
UltraTech Cement Ltd	0.75%	0.65%	0.84%

Cement

2Q unlikely to be ideal; recovery is vital now

- We expect avg. EBITDA/t for our coverage universe to fall by ~Rs187 q-o-q & ~Rs266/t y-o-y in 2QFY25F due to weak demand, prices & higher fixed costs.
- The volume for our coverage universe is likely to remain flat y-o-y, with government spending remaining lower across regions 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.

Higher rainfall and sluggish infra spending slows demand; 2H crucial

We expect the cement industry's aggregate sales volume in 2QFY25F to remain flat-to-negative y-o-y, similar to our coverage universe's, as the demand turned out to be worse than expected due to the higher-than-normal rainfall in the second-half of the season and lower spending on government infrastructure projects across regions, after the peak election-related spending didn't provide an opportunity for demand to change track after a subdued 1QFY25 performance. We expect the large players to continue their rising market share trend. For FY25F, we expect the industry to grow lower than expected, unless major recovery starts from mid-Oct 2024F. In 2QFY25F, we expect UTCEM/DALBHARA/Adani Cements to grow 2%/7%/4%, respectively, while SRCM to decline ~5% due to its higher eastern region exposure & smaller players like JKCE/JKLC/BCORP/ORCMNT/HEIM to register a fall in volume growth.

Prices continued to discourage in 2Q; realization to fall by ~2% qoq

Cement prices, after falling in 1QFY25, continued to decline across regions in 2Q as the demand failed to recover, making cement prices touch the 2021 levels. Price hikes were done earlier in the quarter but failed to sustain due to weak demand. However, the quarter ended with a price hike of Rs10-15/bag in most regions, but it was too late to make any contribution to improve the industry's realization. Pan-India average prices fell by ~2% q-o-q & ~8% y-o-y and have entered 3Q (the festive season) at the lowest level since the Covid. Prices in the southern & eastern regions posted the highest decline in 2Q. We expect the realization to fall by ~2% q-o-q & ~8% y-o-y for our coverage universe. We remain cautious on cement prices as soft demand and consolidation continue to weigh in.

Input costs savings to marginally offset negative operating leverage

We expect power & fuel costs for the sector in 2QFY25F to remain in favour due to declining coal/pet-coke prices. In 2Q, average fuel cost declined by 3-4%. The fall in variable costs will ease the cost/t for our coverage universe, but negative operating leverage and rising sales promotion expenses to increase cost/t by 2.1% q-o-q for our coverage companies.

Profitability to take a hit as both demand and prices turn negative

We expect our coverage universe's average EBITDA/t to fall steeply by Rs187 q-o-q and Rs266 y-o-y, with bottomed out cement prices, lower volume and negative operating leverage during the quarter. We expect our coverage universe to report EBITDA/t of below Rs700. We expect UTCEM/JKLC/ACEM to fare better while JKCE to report the highest decline q-o-q on the EBITDA/t front.

Research Analyst(s)



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2QFY25F earnings of 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.	1,50,756	-6%	-17%	21,171	-35%	-30%	9,140	-49%	-46%
SRCM	41,137	-14%	-20%	5,709	-36%	-38%	488	-89%	-82%
ACC - consol.	42,573	-4%	-17%	4,353	-21%	-36%	1,998	-48%	-45%
ACEM	37,356	-6%	-17%	3,978	-49%	-38%	3,611	-44%	-37%
TRCL	19,799	-15%	-5%	2,412	-39%	-24%	(113)	NA	NA
JKCE	24,010	-13%	-14%	3,116	-33%	-36%	607	-65%	-67%
BCORP	20,070	-12%	-8%	1,687	-42%	-35%	(285)	NA	NA
HEIM	4,736	-16%	-11%	531	-24%	-32%	246	-31%	-38%
DALBHARA	31,184	-1%	-14%	4,718	-20%	-29%	540	-56%	-79%
JKLC - consol.	13,656	-13%	-13%	1,595	-27%	-28%	321	-67%	-54%
ORCMNT	6,255	-13%	-10%	697	-19%	-27%	178	-28%	-52%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Cement peer comparison

Company	Rating	Closing Price (Rs)	Target Price (Rs)	% 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	11,214	12,560	12%	38,551	25.3	21.7	17.5	5.4	4.9	4.4	12%	13%	16%	45.3	38.2	29.8	144.9	161.1	172.9
ACC	ADD	2,338	2,960	27%	5,228	13.5	11.7	10.0	2.7	2.4	2.2	14%	12%	12%	18.8	21.3	18.8	132.5	123.2	112.1
Ambuja Cements	ADD	589	775	32%	17,267	32.1	27.7	24.0	3.2	2.7	2.5	7%	6%	7%	49.4	46.3	38.6	196.7	202.5	231.0
Shree Cement	HOLD	25,306	26,500	5%	10,873	19.3	20.9	17.1	4.4	4.2	3.9	12%	7%	9%	38.1	59.2	44.1	195.9	163.1	147.0
The Ramco Cements	HOLD	856	870	2%	2,408	16.1	15.1	12.8	2.8	2.7	2.5	6%	6%	8%	51.2	46.3	32.2	131.0	126.2	119.2
JK Cement	HOLD	4,368	4,600	5%	4,019	18.4	16.8	14.6	6.3	5.6	4.9	16%	16%	17%	42.4	36.4	29.8	187.7	174.5	152.6
Birla Corporation	ADD	1,201	1,700	42%	1,101	8.5	9.6	7.6	1.4	1.3	1.3	7%	5%	8%	22.4	28.0	16.6	73.6	74.9	66.9
HeidelbergCement	HOLD	232	166	-29%	627	15.2	12.4	10.6	3.6	3.5	3.4	11%	15%	17%	31.3	23.7	20.2	92.7	91.7	89.9
Dalmia Bharat	ADD	1,848	2,100	14%	4,127	13.3	12.4	10.7	2.1	2.0	1.9	5%	7%	7%	42.1	31.6	26.1	94.6	91.7	82.7
JK Lakshmi Cement	ADD	802	955	19%	1,124	10.5	9.8	8.6	3.0	2.6	2.2	15%	16%	17%	20.4	16.8	13.9	79.9	78.2	71.9
Orient Cement	REDUCE	289	320	11%	704	13.3	11.5	10.1	3.4	3.1	2.9	10%	12%	13%	33.9	27.1	22.4	83.8	81.4	84.6
Mean						16.9	15.4	13.1	3.5	3.2	2.9	11%	11%	12%	36	34	27	128	124	121
Median						15.2	12.4	10.7	3.2	2.7	2.5	11%	12%	12%	38	32	26	131	123	112
Minimum						8.5	9.6	7.6	1.4	1.3	1.3	5%	5%	7%	19	17	14	74	75	67
Maximum						32.1	27.7	24.0	6.3	5.6	4.9	16%	16%	17%	51	59	44	197	202	231

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG. PRICES AS ON 07TH OCT 2024

2Q unlikely to be ideal; recovery is vital now India cement sector - 2QFY25 results preview

Key assumptions for our coverage companies ➤

We expect industry volume to remain flat-to-negative y-o-y in 2QFY25F.

Along with the monsoon seasonal effect, the quarter turned worse due to the slowdown in government infrastructure projects across regions.

Figure 3: We expect aggregate sales volume for our coverage universe to remain flat y-o-y and decline by ~14% q-o-q due to demand being lower than expected

Volume	2QFY25F	1QFY25	2QFY24	yoy (%)	qoq (%)
UTCCEM - consol.	27.1	32.0	26.7	2%	-15%
SRCM	7.8	9.6	8.2	-5%	-19%
ACC - consol.	8.5	10.2	8.1	4%	-17%
ACEM	7.8	9.3	7.6	3%	-16%
TRCL	4.2	4.4	4.6	-8%	-3%
JKCE	4.3	4.8	4.5	-6%	-12%
BCORP	4.0	4.4	4.2	-3.4%	-8%
HEIM	1.1	1.1	1.2	-9%	-6%
DALBHARA - consol	6.6	7.4	6.2	7%	-11%
JKLC - consol.	2.7	3.0	2.7	-1%	-11%
ORCMNT	1.2	1.36	1.4	-13%	-8%
Coverage Total	75.3	87.6	75.4	0%	-14%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 4: We expect the average blended realization to fall by ~2% q-o-q and ~8% y-o-y for our coverage universe

Realization/t	2QFY25F	1QFY25	2QFY24	yoy (%)	qoq (%)
UTCCEM - consol.	5,412	5,596	6,035	-10.3%	-3.3%
SRCM	5,272	5,315	5,854	-9.9%	-0.8%
ACC - consol.	4,705	4,757	5,125	-8.2%	-1.1%
ACEM	4,763	4,856	5,223	-8.8%	-1.9%
TRCL	4,661	4,790	5,053	-7.8%	-2.7%
JKCE	5,630	5,793	6,068	-7.2%	-2.8%
BCORP	4,746	4,843	5,211	-8.9%	-2.0%
HEIM	4,614	4,705	4,871	-5.3%	-1.9%
DALBHARA - consol	4,750	4,893	5,113	-7.1%	-2.9%
JKLC - consol.	5,047	5,149	5,763	-12.4%	-2.0%
ORCMNT	5,019	5,135	5,057	-0.8%	-2.3%
Coverage Average	4,965	5,076	5,398	-8.0%	-2.2%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 5: We expect average cost/t to increase by 2.1% q-o-q and decline by 4% y-o-y for our coverage universe due to negative operating leverage

Cost/t	2QFY25F	1QFY25	2QFY24	yoy (%)	qoq (%)
UTCCEM - consol.	4,782	4,704	4,936	-3%	1.6%
SRCM	4,540	4,354	4,773	-5%	4.3%
ACC - consol.	4,517	4,388	4,797	-6%	2.9%
ACEM	4,256	4,161	4,206	1%	2.3%
TRCL	4,093	4,057	4,188	-2%	0.9%
JKCE	4,899	4,790	5,039	-3%	2.3%
BCORP	4,552	4,411	4,777	-5%	3.2%
HEIM	4,152	4,015	4,273	-3%	3.4%
DALBHARA - consol	4,031	3,989	4,157	-3%	1.0%
JKLC - consol.	4,458	4,417	4,968	-10%	0.9%
ORCMNT	4,459	4,427	4,449	0%	0.7%
Coverage Average	4,434	4,338	4,597	-4%	2.1%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 6: We expect average EBITDA/t to fall by Rs187/t q-o-q and by Rs266/t y-o-y for our coverage universe in 2QFY25F

EBITDA/t	2QFY25F	1QFY25	2QFY24	yoy (%)	qoq (%)
UTCCEM - consol.	781	951	1,191	-34%	-18%
SRCM	732	962	1,081	-32%	-24%
ACC - consol.	514	666	678	-24%	-23%
ACEM	507	695	1,018	-50%	-27%
TRCL	568	733	865	-34%	-23%
JKCE - consol	731	1,003	1,029	-29%	-27%
BCORP	418	590	691	-40%	-29%
HEIM	463	690	598	-23%	-33%
DALBHARA - consol	719	904	956	-25%	-21%
JKLC - consol.	590	732	795	-26%	-19%
ORCMNT	559	708	607	-8%	-21%
Coverage Average	598	785	864	-31%	-24%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Pet-coke & coal: Fuel prices have been the saviour of the industry in a declining price environment. However, with rising tensions in the Middle East region, any jump in fuel prices will have a negative impact on the industry's profitability. Spot pet-coke prices stood at ~US\$104/t (vs. US\$134/t y-o-y) and domestic pet-coke prices at Rs12,660/t (vs. Rs14,239/t y-o-y).

We expect cement companies to post a q-o-q decline in terms of both absolute EBITDA and EBITDA/t in 2QFY25F due to muted demand, subdued prices and negative operating leverage.

2QFY25F estimates for our coverage companies

Figure 7: UltraTech Cement (consolidated)

	2QFY25F	1QFY25	QoQ (%)	2QFY24	YoY (%)
Net Sales (Rs m)	1,50,756	1,80,696	-16.6%	1,60,121	-5.8%
EBITDA (Rs m)	21,171	30,393	-30.3%	32,546	-34.9%
EBIT (Rs m)	12,499	21,967	-43.1%	24,711	-49.4%
PAT (Rs m)	9,140	16,966	-46.1%	17,770	-48.6%
EPS (Rs)	31.7	58.8	-46.1%	61.6	-48.6%
EBITDA Margin (%)	14%	17%	-278bp	20%	-628bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 8: Shree Cement

	2QFY25F	1QFY25	QoQ (%)	2QFY24	YoY (%)
Net Sales (Rs m)	41,137	51,240	-19.7%	48,002	-14.3%
EBITDA (Rs m)	5,709	9,272	-38.4%	8,860	-35.6%
EBIT (Rs m)	68	2,229	-96.9%	4,743	-98.6%
PAT (Rs m)	488	2,785	-82.5%	4,466	-89.1%
EPS (Rs)	13.3	77.2	-82.8%	123.8	-89.3%
EBITDA Margin (%)	14%	18%	-422bp	18%	-458bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 9: ACC (consolidated)

	2QFY25F	1QFY25	QoQ (%)	2QFY24	YoY (%)
Net Sales (Rs m)	42,573	51,549	-17.4%	44,347	-4.0%
EBITDA (Rs m)	4,353	6,791	-35.9%	5,493	-20.8%
EBIT (Rs m)	2,124	4,468	-52.5%	3,365	-36.9%
PAT (Rs m)	1,998	3,605	-44.6%	3,862	-48.3%
EPS (Rs)	10.6	19.2	-44.7%	20.6	-48.5%
EBITDA Margin (%)	10%	13%	-295bp	12%	-216bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: Ambuja Cements (standalone)

	2QFY25F	1QFY25	QoQ (%)	2QFY24	YoY (%)
Net Sales (Rs m)	37,356	45,158	-17.3%	39,698	-5.9%
EBITDA (Rs m)	3,978	6,460	-38.4%	7,734	-48.6%
EBIT (Rs m)	1,612	4,010	-59.8%	5,449	-70.4%
PAT (Rs m)	3,611	5,707	-36.7%	6,438	-43.9%
EPS (Rs)	1.8	2.9	-36.7%	3.2	-43.9%
EBITDA Margin (%)	11%	14%	-366bp	19%	-883bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 11: Dalmia Bharat

	2QFY25F	1QFY25	QoQ (%)	2QFY24	YoY (%)
Net Sales (Rs m)	31,184	36,210	-13.9%	31,490	-1.0%
EBITDA (Rs m)	4,718	6,690	-29.5%	5,890	-19.9%
EBIT (Rs m)	1,149	3,520	-67.4%	1,880	-38.9%
PAT (Rs m)	540	2,580	-79.1%	1,240	-56.4%
EPS (Rs)	2.9	7.5	-61.7%	6.4	-54.6%
EBITDA Margin (%)	15%	18%	-335bp	19%	-357bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 12: The Ramco Cements

	2QFY25F	1QFY25	QoQ (%)	2QFY24	YoY (%)
Net Sales (Rs m)	19,799	20,884	-5.2%	23,293	-15.0%
EBITDA (Rs m)	2,412	3,194	-24.5%	3,986	-39.5%
EBIT (Rs m)	713	1,527	-53.3%	2,412	-70.4%
PAT (Rs m)	(113)	355	-131.8%	1,013	-111.1%
EPS (Rs)	(0.5)	1.5	-131.8%	4.3	-111.1%
EBITDA Margin (%)	12%	15%	-311bp	17%	-493bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 13: JK Cement

	2QFY25F	1QFY25	QoQ (%)	2QFY24	YoY (%)
Net Sales (Rs m)	24,010	28,076	-14.5%	27,528	-12.8%
EBITDA (Rs m)	3,116	4,862	-35.9%	4,670	-33.3%
EBIT (Rs m)	1,639	3,389	-51.7%	3,262	-49.8%
PAT (Rs m)	607	1,848	-67.2%	1,757	-65.5%
EPS (Rs)	7.9	23.9	-67.2%	22.7	-65.5%
EBITDA Margin (%)	13%	17%	-434bp	17%	-398bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 14: Birla Corporation

	2QFY25F	1QFY25	QoQ (%)	2QFY24	YoY (%)
Net Sales (Rs m)	20,070	21,904	-8.4%	22,858	-12.2%
EBITDA (Rs m)	1,687	2,583	-34.7%	2,889	-41.6%
EBIT (Rs m)	221	1,127	-80.4%	1,454	-84.8%
PAT (Rs m)	(285)	326	-187.4%	584	148.9%
EPS (Rs)	(3.7)	4.2	-187.4%	7.6	148.9%
EBITDA Margin (%)	8%	12%	-338bp	13%	-423bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 15: JK Lakshmi Cement (consolidated)

	2QFY25F	1QFY25	QoQ (%)	2QFY24	YoY (%)
Net Sales (Rs m)	13,656	15,639	-12.7%	15,745	-13.3%
EBITDA (Rs m)	1,595	2,224	-28.3%	2,173	-26.6%
EBIT (Rs m)	526	1,154	-54.4%	1,410	-62.7%
PAT (Rs m)	321	703	-54.4%	959	-66.5%
EPS (Rs)	2.7	6.0	-54.4%	8.1	-66.5%
EBITDA Margin (%)	12%	14%	-254bp	14%	-212bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 16: Orient Cement

	2QFY25F	1QFY25	QoQ (%)	2QFY24	YoY (%)
Net Sales (Rs m)	6,255	6,963	-10.2%	7,206	-13.2%
EBITDA (Rs m)	697	960	-27.4%	865	-19.5%
EBIT (Rs m)	306	574	-46.8%	494	-38.1%
PAT (Rs m)	178	367	-51.6%	246	-27.9%
EPS (Rs)	0.9	1.8	-51.6%	1.2	-27.9%
EBITDA Margin (%)	11%	14%	-265bp	12%	-87bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 17: HeidelbergCement India

	2QFY25F	1QFY25	QoQ (%)	2QFY24	YoY (%)
Net Sales (Rs m)	4,890	5,322	-8.1%	5,665	-13.7%
EBITDA (Rs m)	490	780	-37.2%	695	-29.5%
EBIT (Rs m)	218	499	-56.4%	426	-48.9%
PAT (Rs m)	215	399	-46.1%	358	-39.9%
EPS (Rs)	0.9	1.8	-46.1%	1.6	-39.9%
EBITDA Margin (%)	10%	15%	-464bp	12%	-224bp

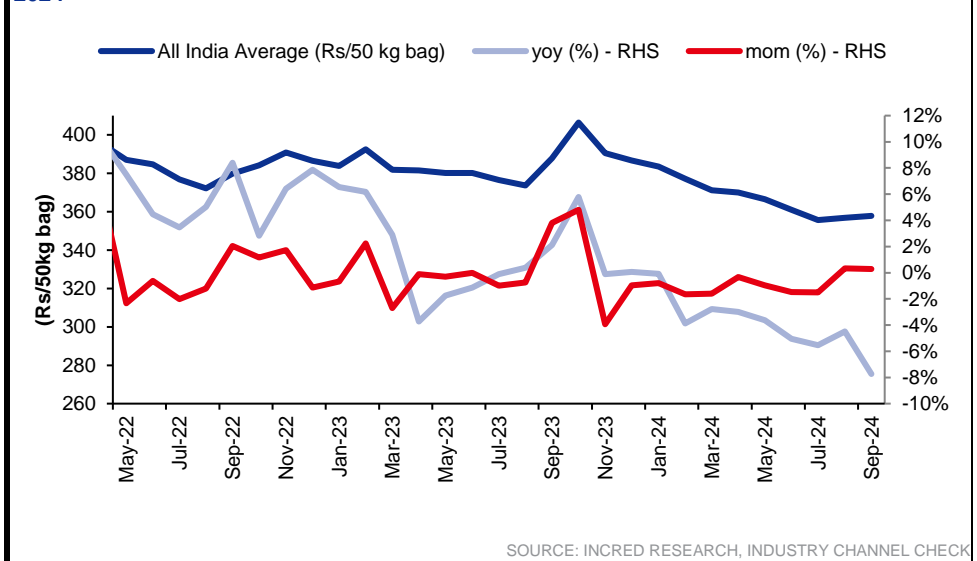
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Our interactions with cement dealers and an expert indicate that in Sep 2024, pan-India cement prices rose by ~0.3% m-o-m, a hike of Rs10-15/bag, making it a first successful hike post general election 2024.

Cement prices >

- Based on our recent channel check and discussions with an expert, pan-India cement prices rose by ~0.3% m-o-m in Sep 2024, and spot prices fell by ~2% vs. 1QFY25 average exit price and ~8% y-o-y. On Rs/bag basis, prices were up by Rs4-5 m-o-m in Sep 2024, while spot India prices entered the festive quarter at the lowest level since 2020. Prices were better in all regions, except the eastern region where the hike couldn't be sustained due to weak demand. A hike of Rs15-20/bag is possible across regions next week, as per our channel check.
- Our discussions with the expert highlighted that the aggressive discount strategy for promoting volume has eased. Cement demand improved in Sep vs. Aug 2024 but remains lower due to the government's infrastructure spending on a slower track. The stretched monsoon season also continues to hamper any recovery.

Figure 18: All-India cement average prices were down by ~2% q-o-q and 8% y-o-y in Sep 2024

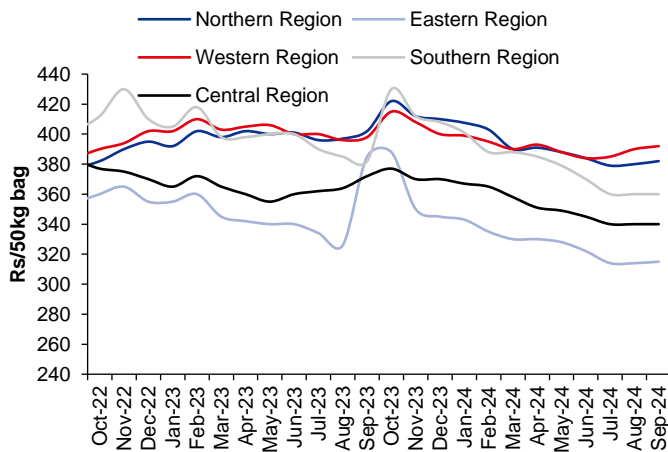


Region-wise pricing trend

- South:** Demand remained weak, restricting further price hike in the region. Cement prices remained largely flat m-o-m, and dealers expect a price hike of Rs15-20/bag prior to the Diwali festival. Spot prices in Bengaluru and Hyderabad stood at Rs370/bag and Rs340/bag, respectively.
- East:** Dealers highlighted that demand continued to remain weak. The price hike of Rs10-15/bag taken in the first week of Sep 2024 has been rolled back as it could not sustain due to soft demand in the region. Cement prices remained stable in Ranchi and Bihar. Any price hike is possible only post Diwali festival, as per dealers. Spot prices in West Bengal stood at Rs330/bag.
- North:** Dealers highlighted that the more-than-normal rainfall in the past few weeks hit demand, but they remain confident of a further price hike of Rs5-10/bag in the coming months as and when the demand momentum picks up. Spot prices in New Delhi and Varanasi were at Rs380/bag and Rs390/bag, respectively. Prices were stable m-o-m.
- West:** Cement prices were up by Rs5-10/bag in the region, with a hike of Rs10/bag taken in Mumbai, while prices in Gujarat remained balanced as construction activity picked up after the disruption caused by excess rainfall in the region. Cement prices in Mumbai are currently at Rs395/bag and at Rs400/bag in Ahmedabad.
- Central:** Prices remained stable m-o-m, and no price hike was announced as dealers believe aggressive price hikes could hamper demand recovery. A price hike of Rs5-10/bag is likely in the last week of Oct 2024F. The average spot price was Rs330/bag.

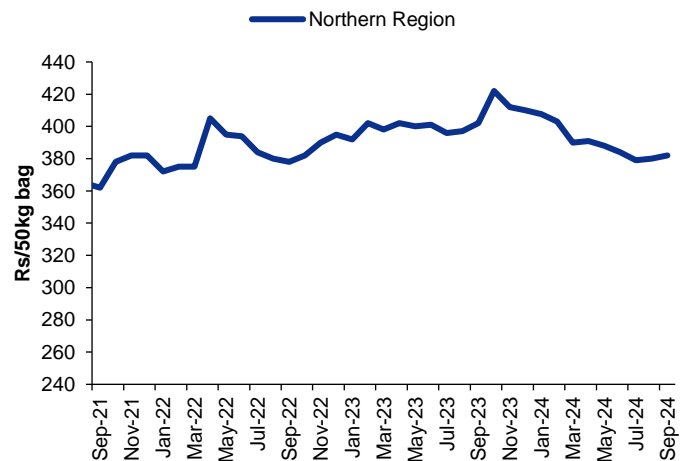
- Prices show some recovery but the road ahead remains difficult:** Cement prices, after being down from mid-Mar 2024, have finally started to pick up momentum, but on a pan-India basis they remain lower by Rs30-40/bag versus Oct 2023 levels. We don't see any steep price hike announcement in the next few months as the cement expert indicated that demand will be soft this year along with the news from some regions indicating political interference into price hikes, which may limit the easy pass-on of price hike to consumers in a stable fuel cost environment. Also, any price hike post 3QFY25F may be difficult because most companies are likely to chase their year-end volume target.

Figure 19: Region-wise, cement prices declined m-o-m across regions in Sep 2024



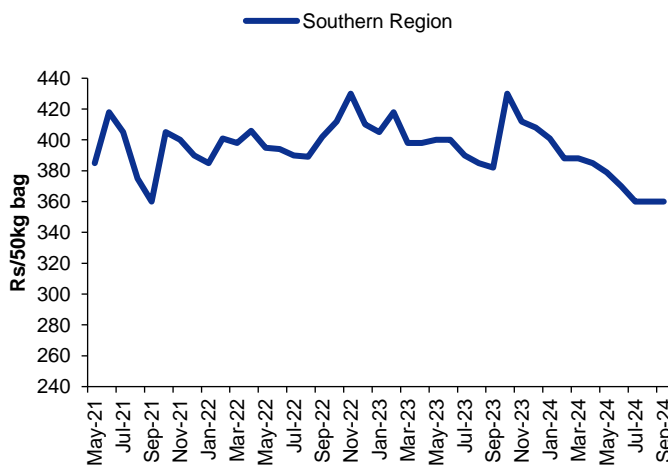
SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 20: North India cement price trend



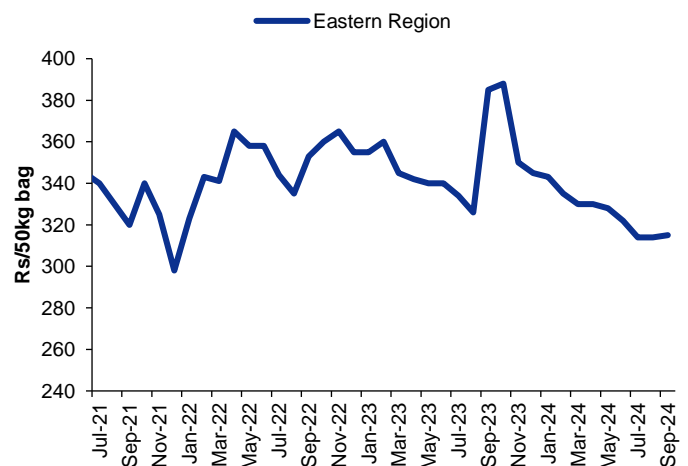
SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 21: Southern region's cement price trend



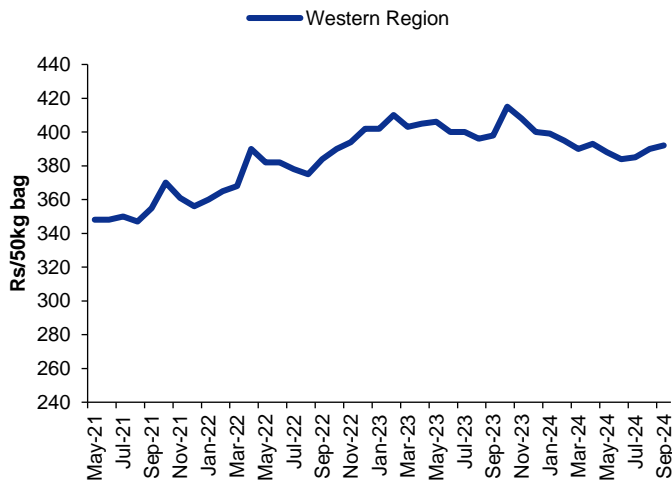
SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 22: Eastern region's cement price trend



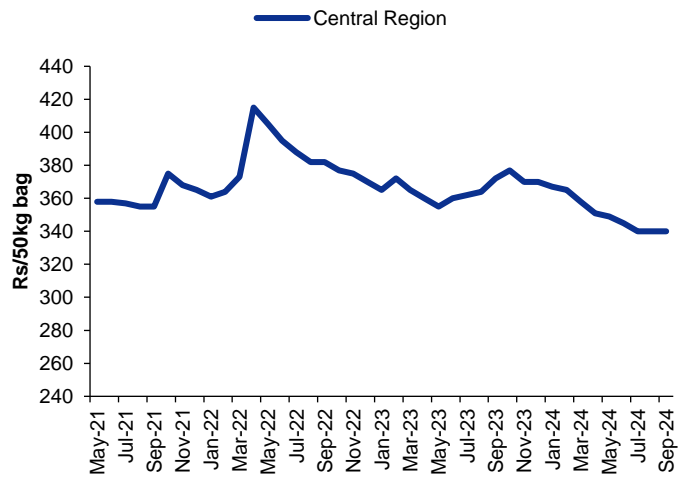
SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 23: Western region's cement price trend



SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 24: Central region's cement price trend



SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 25: Long-term capacity expansion plans of various cement majors

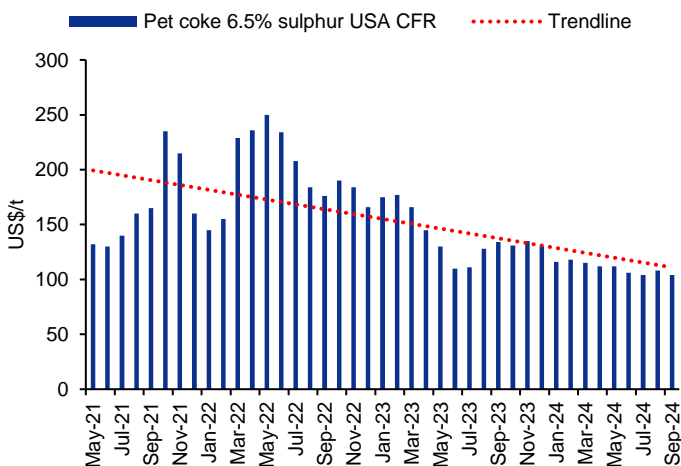
Company	FY24 Capacity	Targeted Capacity	Near-Term Target
ACC+Ambuja Cements	78.9mtpa	140mtpa by 2028F	110mtpa by FY27F
Ultratech Cement	148mtpa	200mtpa by FY30F	
Shree Cement	56mtpa	80mtpa by 2028F	
JK Cement	22mtpa	25mtpa by FY25F	29.6mtpa by FY27F
The Ramco Cements	23mtpa	26mtpa by FY26F	
JK Lakshmi 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 ➔

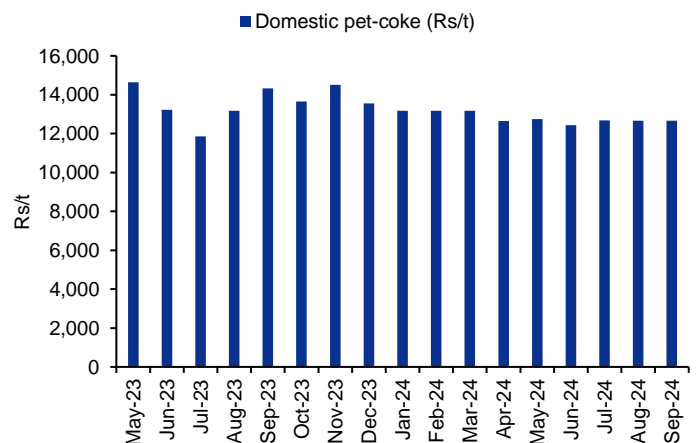
- **Overall fuel prices remain stable:** In Sep 2024, international pet-coke prices remained steady at US\$104/t (down ~10% YTD) while imported coal prices were down by 12% m-o-m. Overall fuel costs remain favourable for the industry, with Brent crude oil prices also declining.

Figure 26: International pet-coke prices remain stable



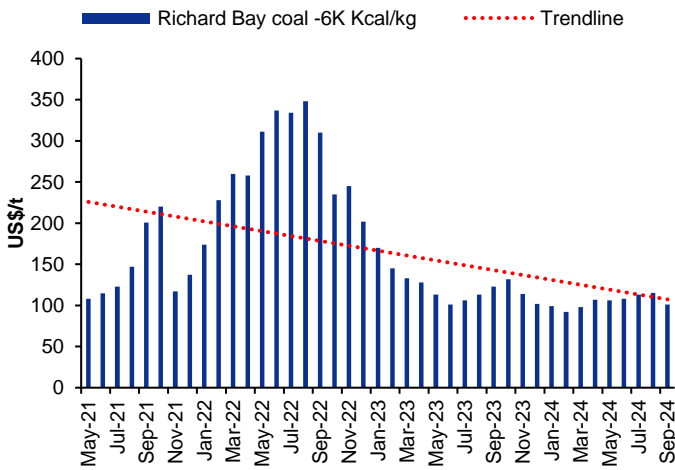
NOTE: CFR = CODE OF FEDERAL REGULATIONS
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 27: Domestic pet-coke prices



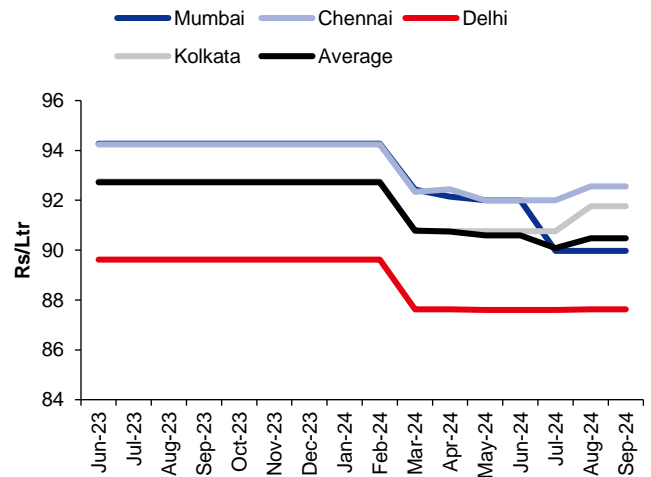
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 28: Imported coal price (South African 6k/kcal) trend



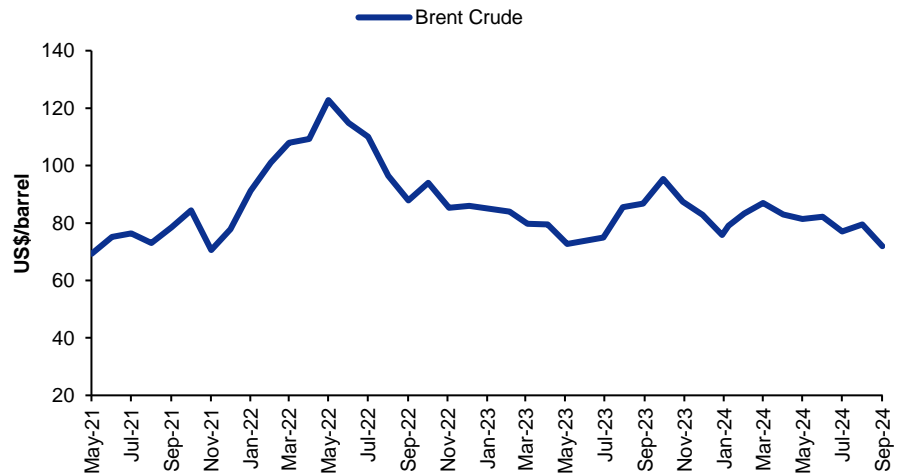
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 29: Average diesel price trend in top metro cities



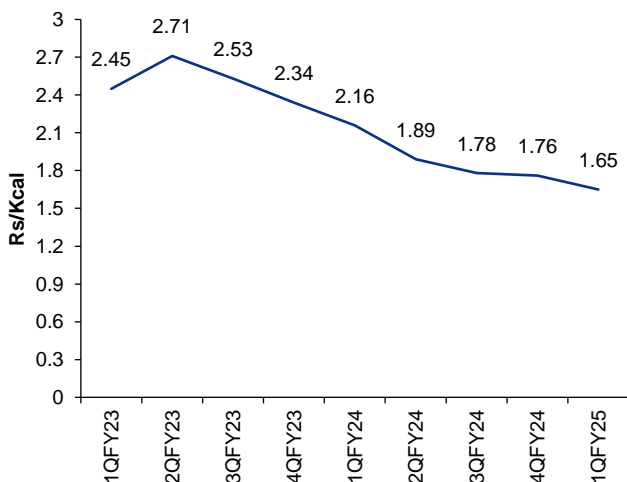
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 30: Crude oil price trend



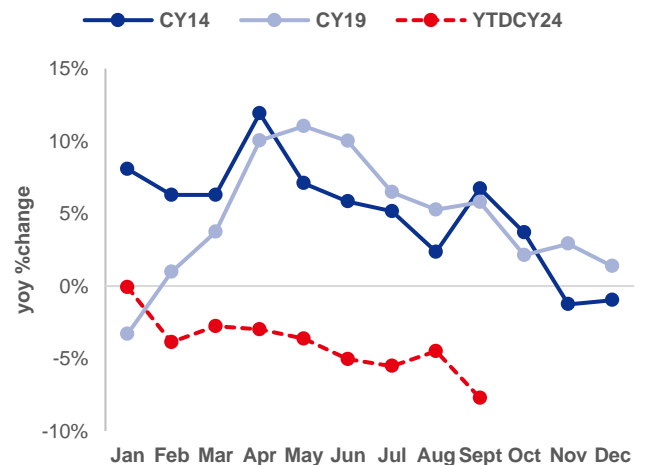
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 31: Average energy cost continues to decline



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 32: Pan-India cement price y-o-y change during the last three general election years



SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 33: Fuel costs booked by various companies on kcal basis

Rs Kcal	1QFY 23	2QFY 23	3QFY 23	4QFY 23	1QFY 24	2QFY 24	3QFY 24	4QFY 24	1QFY 25	FY25F	vs. spot prices
ACC	2.52	3.1	2.61	2.35	2.13	1.85	1.86	1.91	1.73		
ACEM	2.5	2.8	2.33	2.1	2.09	1.82	1.84	1.84	1.73	Rs400-500/t savings in the medium term.	
UTCCEM	2.2	2.5	2.6	2.5	2.34	2.12	2.05	2.03	2	Rs300/t savings in the next three-to-four years.	
SRCM	2.61	2.83	2.53	2.53	2.37	2.05	1.78	1.82	1.76	Stable or a marginal reduction.	
JKCE	2.3	2.4	2.6	2.41	2.2	1.9	1.82	1.79	1.62	Rs75/t savings in FY25F, Rs1.5-1.55/kcal in 2QFY25F.	
Nuvoco	2.28	2.64	2.74	2.31	1.94	1.77	1.67	1.63	1.57	To reach ~Rs1.57-1.5/kcal band over the next few quarters.	
TRCL	1.87		2.43	2.21	2.03	1.75	1.64	1.65	1.49		Pet-coke - US\$104/t
India Cements	2.69	3.26	2.95	2.7	2.25	2.04	1.99	1.95			Coal - US\$101/t
JKLC		2.3	2.57	2.42	2.23	2.04	1.78	1.68	1.63	To remain in this range for the next few quarters.	
DALBHAR A	2.47	2.52	2.42	2.06	1.98	1.58	1.5	1.45	1.38	R&F costs to decline by 1-2% in the next few quarters.	
Star Cement	2.09		2.09	2.1	2.35	1.9	1.75	1.7	1.5	To remain in a similar range for the next few quarters.	
BCORP					1.95	1.75	1.58	1.56	1.48	To further decline by Rs0.05/kcal in 2QFY25F, expect savings of Rs30-40/t in FY25F.	
ORCMNT						1.97	1.9	1.77	1.78		
Average	2.45	2.71	2.53	2.34	2.16	1.89	1.78	1.76	1.65		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key operational quarterly charts >

Figure 34: Volume growth trend – combined volume of major listed cement companies (top 17 players) rose by ~3% y-o-y and declined by 9% q-o-q in 1QFY25

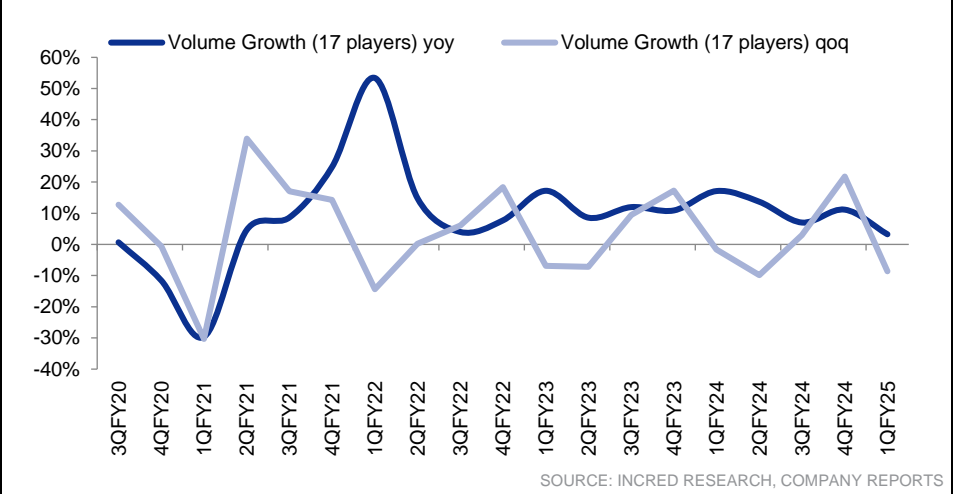


Figure 35: Realization growth trend - average realization declined by 3% q-o-q and 5% y-o-y in 1QFY25

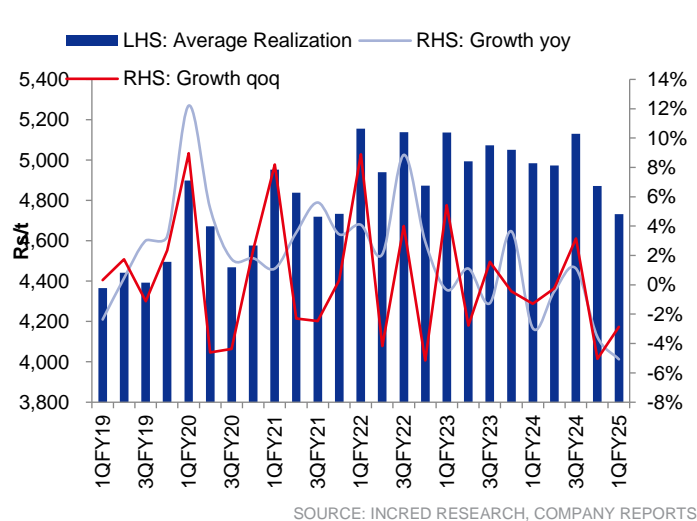


Figure 36: Trend in unit cost – average total cost/t decreased by ~0.5% q-o-q and 5% y-o-y

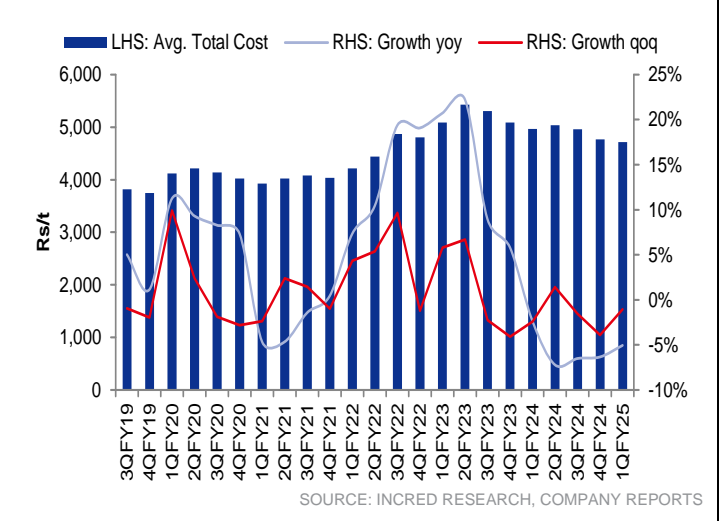
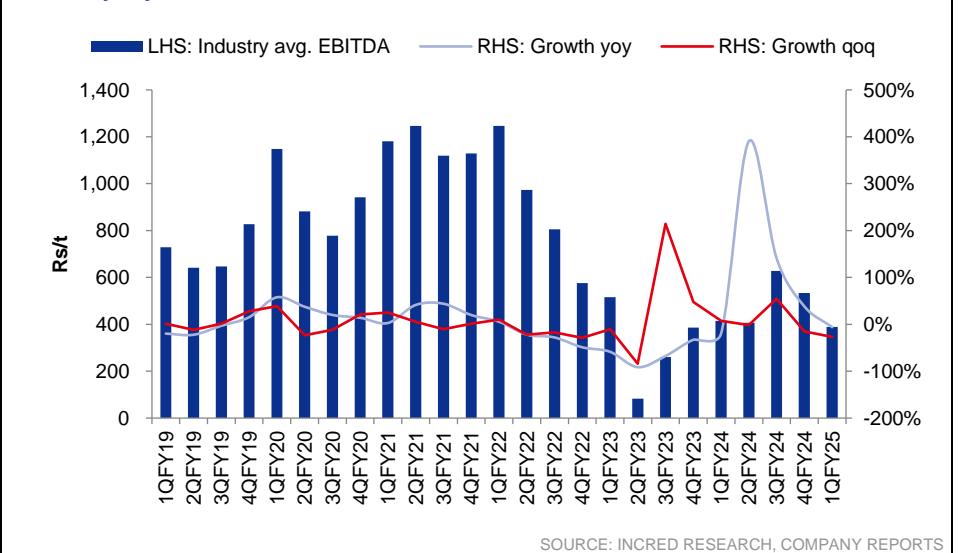


Figure 37: Sector unit EBITDA (17 players) declined in 1QFY25 by ~27% q-o-q and 6% y-o-y



Key assumptions for our coverage companies

Figure 38: We expect cement volume of coverage companies to grow by ~10% over FY24-27F

Volume (mt)	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F	CAGR FY19-24	CAGR FY24-27F
UTCCEM*	81	86	94	106	119	130	146	163	6.8%	11.0%
ACC*#	29	26	29	39	37	40	43	45	5.4%	7.1%
ACEM#	24	23	27	38	34	39	45	52	7.3%	14.7%
SRCM*	25	27	28	32	36	38	42	47	6.6%	10.0%
TRLC	11	10	11	15	18	20	21	23	10.6%	8.3%
JKCE*	8	10	12	14	17	19	21	23	14.4%	10.9%
BCORP*	14	13	14	16	18	18	19	21	5.0%	5.4%
HEIM	5	4	5	4	5	5	5	6	-0.4%	5.3%
DALBHARA*	19	21	22	26	29	32	35	38	9.0%	10.0%
JKLC*	10	10	11	11	12	13	14	16	1.5%	9.2%
ORCMNT	6	5	5	6	6	6	7	7	-0.9%	6.3%
Total	232	236	259	306	331	360	399	441	6.7%	10.1%

*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 39: We expect realization of coverage companies to decline by ~0.8% over FY24-27F

Realization (Rs/t)	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F	CAGR FY19-24	CAGR FY24-27F
UTCCEM*	4,072	3,839	4,371	4,981	4,867	4,808	4,801	4,781	4.0%	-0.6%
ACC#	4,585	4,477	4,553	5,257	4,579	4,485	4,492	4,467	0.4%	-0.8%
ACEM#	3,956	3,849	3,981	4,435	4,229	4,141	4,066	4,011	1.6%	-1.7%
SRCM*	3,655	3,532	4,075	4,681	4,470	4,349	4,322	4,364	3.4%	-0.8%
TRLC	3,777	3,729	4,251	4,629	4,238	4,145	4,180	4,242	2.7%	0.0%
JKCE*	4,478	4,223	4,641	5,178	4,974	4,858	4,842	4,827	2.8%	-1.0%
BCORP	4,091	4,069	4,466	5,029	4,656	4,516	4,492	4,510	2.8%	-1.1%
HEIM	3,489	3,589	3,899	4,529	4,263	4,184	4,189	4,194	4.8%	-0.5%
DALBHARA	3,923	3,550	3,991	4,367	4,188	4,082	4,069	4,089	0.7%	-0.8%
JKLC	3,548	3,625	3,991	4,916	4,785	4,586	4,579	4,629	6.7%	-1.1%
ORCMNT	3,517	3,513	3,896	4,467	4,461	4,380	4,409	4,447	5.3%	-0.1%
Average	3,917	3,818	4,192	4,770	4,519	4,412	4,404	4,415	3.1%	-0.8%

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

Figure 40: We expect cost/t of coverage companies to decline by ~0.8% over FY24-27F

Cost (Rs/t)	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F	CAGR FY19-24	CAGR FY24-27F
UTCCEM*	4,072	3,839	4,371	4,981	4,867	4,808	4,801	4,781	4.0%	-0.6%
ACC	4,585	4,477	4,553	5,257	4,579	4,485	4,492	4,467	0.4%	-0.8%
ACEM	3,956	3,849	3,981	4,435	4,229	4,141	4,066	4,011	1.6%	-1.7%
SRCM*	3,655	3,532	4,075	4,681	4,470	4,349	4,322	4,364	3.4%	-0.8%
TRLC	3,777	3,729	4,251	4,629	4,238	4,145	4,180	4,242	2.7%	0.0%
JKCE*	4,478	4,223	4,641	5,178	4,974	4,858	4,842	4,827	2.8%	-1.0%
BCORP	4,091	4,069	4,466	5,029	4,656	4,516	4,492	4,510	2.8%	-1.1%
HEIM	3,489	3,589	3,899	4,529	4,263	4,184	4,189	4,194	4.8%	-0.5%
DALBHARA	3,923	3,550	3,991	4,367	4,188	4,082	4,069	4,089	0.7%	-0.8%
JKLC	3,548	3,625	3,991	4,916	4,785	4,586	4,579	4,629	6.7%	-1.1%
ORCMNT	3,517	3,513	3,896	4,467	4,461	4,380	4,409	4,447	5.3%	-0.1%
Average	3,917	3,818	4,192	4,770	4,519	4,412	4,404	4,415	3.1%	-0.8%

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

Figure 41: We expect EBITDA/t of coverage companies to increase by ~6% over FY24-27F

EBITDA (Rs/t)	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F	CAGR FY19-24	CAGR FY24-27F
UTCCEM*	1,055	1,339	1,225	1,005	1,089	1,163	1,277	1,421	7.0%	9.3%
ACC#	782	899	1,038	499	830	860	901	954	4.2%	4.8%
ACEM#	893	1,167	1,187	852	980	1,026	1,173	1,281	4.6%	9.3%
SRCM*	1,508	1,520	1,337	930	1,271	1,111	1,219	1,277	3.3%	0.2%
TRLC	1,015	1,552	1,162	787	844	855	920	981	-2.0%	5.1%
JKCE*	1,184	1,282	1,057	810	1,079	1,094	1,142	1,197	5.7%	3.5%
BCORP	979	999	781	491	815	721	853	925	3.5%	4.3%
HEIM	1,122	1,129	910	567	659	757	822	887	-7.8%	10.4%
DALBHARA	1,072	1,324	1,084	906	917	961	1,050	1,092	-1.7%	6.0%
JKLC	794	898	849	735	878	906	991	1,018	16.6%	5.1%
ORCMNT	660	1,091	1,079	633	732	818	893	962	8.5%	9.5%
Average	1,006	1,200	1,064	747	918	934	1,022	1,090	3.2%	5.9%

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

Figure 42: We expect total revenue of coverage companies to increase by ~11% over FY24-27F

Revenue (Rs bn)	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F	CAGR FY19-24	CAGR FY24-27F
UTCEM*	424	447	526	632	709	777	889	1,008	11.3%	12.5%
ACC*#	157	138	162	222	200	213	231	246	6.2%	7.2%
ACEM#	117	114	140	200	179	203	236	274	9.6%	15.3%
SRCM*	129	136	150	179	204	209	235	267	10.2%	9.4%
TRLC	54	53	60	81	93	98	109	122	12.6%	9.3%
JKCE*	58	66	80	97	116	124	138	153	17.1%	9.9%
BCORP*	69	68	75	87	97	95	103	112	8.1%	5.2%
HEIM	22	21	23	22	24	25	27	29	2.1%	6.5%
DALBHARA*	97	101	113	136	147	160	180	198	9.1%	10.5%
JKLC*	44	47	54	65	68	71	79	88	9.5%	9.1%
ORCMNT	24	23	27	29	32	32	35	40	4.8%	7.7%
Total	1,193	1,214	1,409	1,750	1,868	2,006	2,264	2,539	10.0%	10.8%

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

Figure 43: We expect EBITDA of coverage companies to grow by over ~18% over FY24-27F

EBITDA (Rs bn)	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F	CAGR FY19-24	CAGR FY24-27F
UTCEM*	92.5	115.7	115.1	106.2	129.7	151.3	186.9	231.0	12.0%	21.2%
ACC*#	24.1	23.6	30.0	19.2	30.6	34.3	38.6	43.3	8.4%	12.2%
ACEM#	21.5	26.5	32.1	32.2	33.7	40.2	52.9	66.4	12.3%	25.4%
SRCM*	37.6	40.8	37.1	29.6	45.2	42.6	51.8	60.4	10.1%	10.2%
TRLC	11.4	15.5	12.8	11.8	15.5	16.7	19.6	22.9	8.4%	13.9%
JKCE*	12.1	15.4	14.8	13.1	20.6	22.8	26.4	30.5	19.8%	14.0%
BCORP*	13.4	13.4	11.1	7.7	14.4	13.0	16.5	19.1	8.7%	10.0%
HEIM	5.3	5.1	4.3	2.5	3.2	3.9	4.4	5.0	-8.1%	16.3%
DALBHARA*	21.1	27.6	24.3	23.3	26.4	30.4	36.9	41.8	6.3%	16.6%
JKLC*	8.0	9.4	9.5	8.4	10.5	11.8	14.0	15.9	18.3%	14.7%
ORCMNT	3.8	5.5	5.9	3.6	4.5	5.1	6.0	7.1	7.6%	16.3%
Total	251	298	297	258	334	372	454	543	10.7%	17.6%

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

Figure 44: We expect PAT of coverage companies to increase by ~20% over FY24-27F

PAT (Rs bn)	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F	CAGR FY19-24	CAGR FY24-27F
UTCEM*	57.6	53.2	71.8	50.6	70.0	84.7	108.6	137.9	23.9%	25.3%
ACC*#	13.7	14.3	18.6	8.9	23.4	20.7	23.3	26.3	9.0%	4.0%
ACEM#	15.3	17.9	20.8	25.5	23.3	28.3	37.6	47.5	9.4%	26.7%
SRCM*	15.4	22.9	23.3	12.7	24.0	15.4	20.7	25.7	18.9%	2.4%
TRLC	6.0	7.6	8.9	3.4	3.9	4.4	6.3	8.4	-4.8%	28.7%
JKCE*	4.9	7.1	6.9	4.2	7.9	9.3	11.3	13.6	23.9%	19.9%
BCORP*	5.1	6.3	4.0	0.4	4.2	3.3	5.6	7.4	10.5%	20.9%
HEIM	2.7	3.1	2.5	1.0	1.7	2.2	2.6	3.0	-5.3%	21.6%
DALBHARA*	2.2	11.7	8.2	10.4	8.3	11.1	13.4	15.3	21.8%	22.7%
JKLC*	2.5	4.1	4.6	3.6	4.7	5.6	6.8	7.6	55.8%	17.4%
ORCMNT	0.9	2.1	2.6	1.2	1.7	2.2	2.6	3.1	29.7%	21.7%
Total	126	150	172	122	173	187	239	296	16.5%	19.5%

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

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.