

India

February 29, 2024 - 8:40 PM

**Overweight** (no change)

# Cement

## Channel check feedback across regions

- In Feb 2024, cement prices continued to remain in a downtrend, down by an average Rs6-7/bag across regions, because of soft demand.
- We are not constructive on pricing in the near term. Falling P&F costs and positive operating leverage to offset the impact of lower pricing in 4QFY24F.
- We continue to remain selective in the cement sector and prefer large-caps like UTCEM & ACEM, mid-caps like DALBHARA and small-caps like BCORP.

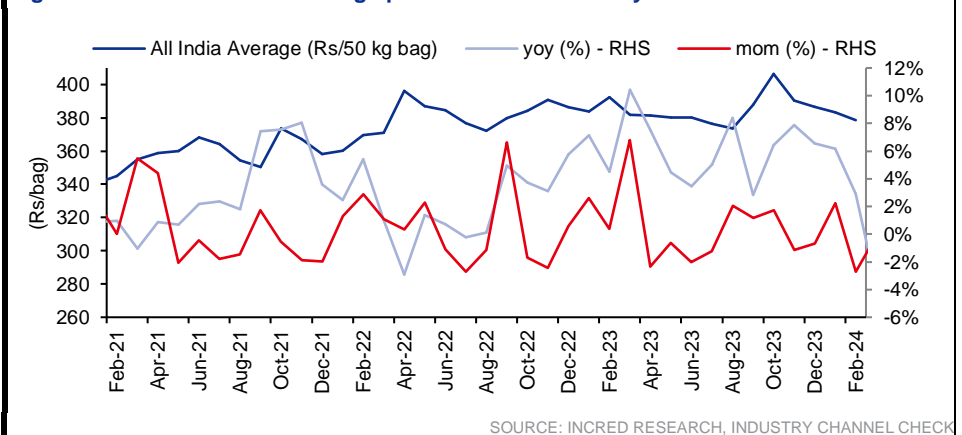
### Cement prices remain soft due to lower-than-expected demand

- As per our channel check and discussion with experts, it was observed that pan-India average cement prices declined by Rs6-7/bag MoM in Feb 2024 and by Rs15/bag qoq till date (vs. the typical price hike trend seen in 4Q), which can be attributed to the lower-than-expected demand, rising pricing competition and rising supply trend. The highest price decline was observed in South India where the prices fell by Rs13/bag, followed by the eastern region's Rs8/bag, northern region's Rs5/bag, western region's Rs4/bag, and the central region's Rs2/bag. It will be the fourth consecutive month where pan-India prices followed a downward trend. However, Feb 2024 saw some demand recovery as compared to Jan 2024, with regional factors that were affecting demand beginning to diminish, but it remained lower than expected. Experts expect favourable demand going ahead in Mar 2024F, but taking a price hike in Mar 2024F would be difficult because of more pressure to push up volume due to financial year-end targets and with general elections in India on the horizon.

### Region-wise channel check

- **South:** The demand recovered in Feb 2024 after the effect of a cyclone in Jan 2024, but cement prices continued to witness a declining trend, especially in Andhra Pradesh & Telangana, but there is very limited space for prices to correct from the current levels. South India saw a decline of Rs13/bag on a MoM basis. Some experts feel the depleting water level in a few states can affect cement demand in the coming months.
- **East:** Our channel check indicates that prices in the region declined by Rs8/bag in Feb 2024, with a decline of Rs10/bag in Kolkata and Rs9/bag in Bihar and Jharkhand. Dealers stated that there is hardly any room for prices to go down further.
- **North:** Our channel check indicates the region faced a decline of Rs4-5/bag MoM in Feb 2024 due to higher competition, with cement prices falling by Rs10/bag in Delhi and by Rs5/bag in Jaipur. While the lifting of pollution curbs led to improvement in demand, farmers' protest in the region impacted the movement of goods and construction activity.
- **West:** Prices have fallen by Rs4/bag in Feb 2024, after being flat in Jan 2024. In Mumbai, the prices fell by Rs5/bag while in Ahmedabad they declined by Rs4/bag on a MoM basis. The overall demand remained relatively stable.
- **Central:** The region saw a decline of Rs2/bag. While the reduction of winter fog levels helped in Feb 2024, the festival (Holi) in Mar 2024 and the upcoming general elections in India will keep cement demand and prices in check.

Figure 1: All-India cement average price was down MoM by 1.6% in Feb 2024

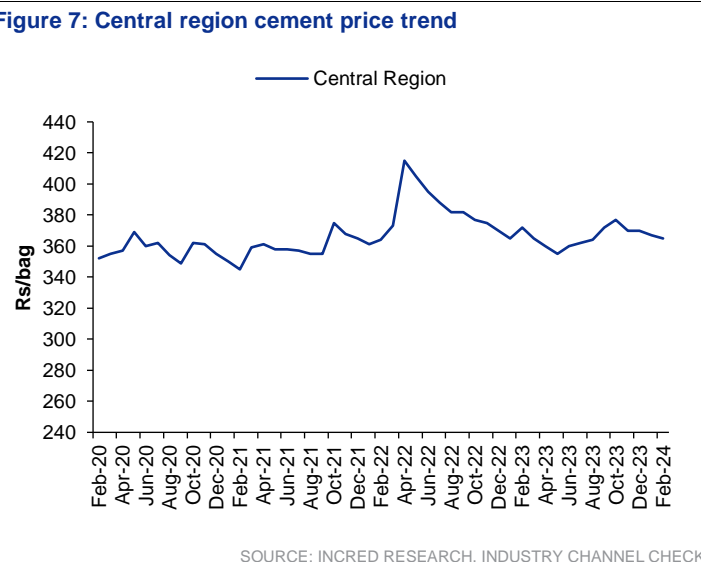
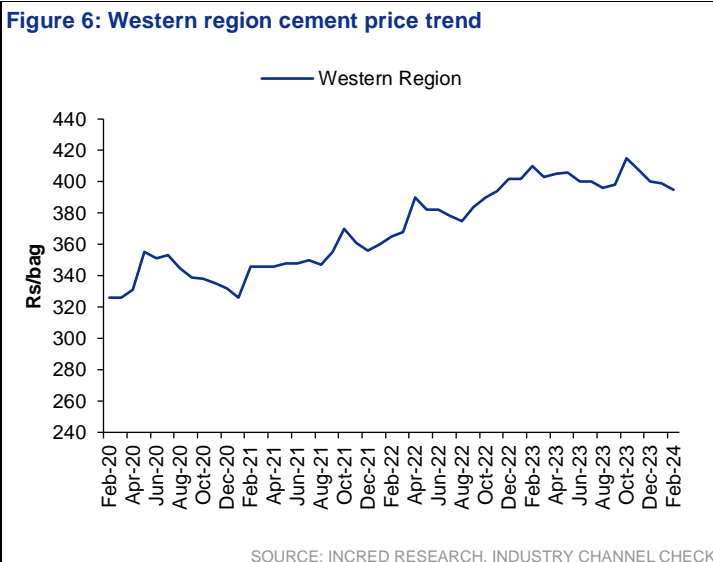
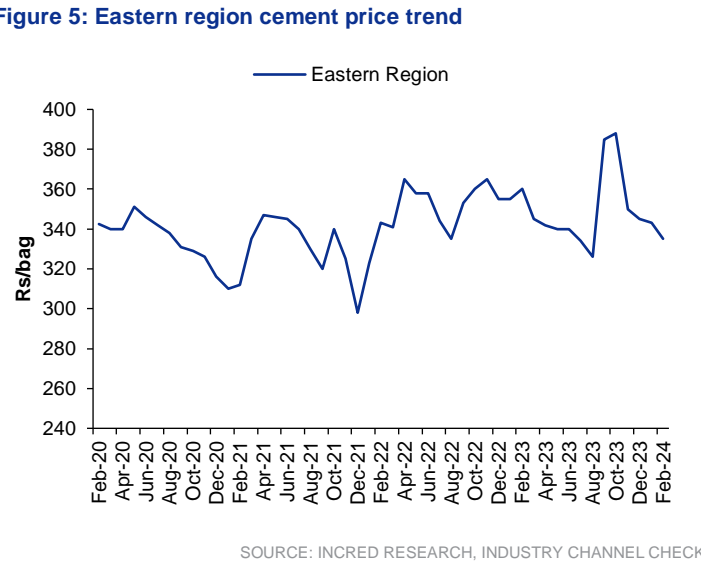
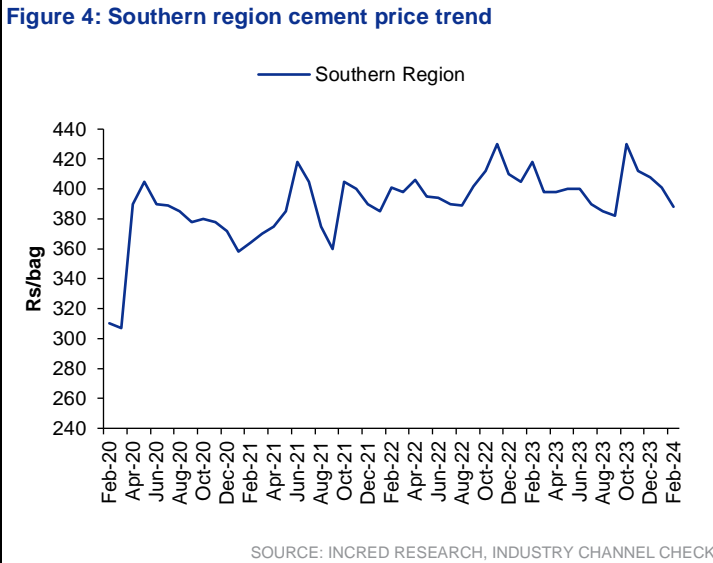
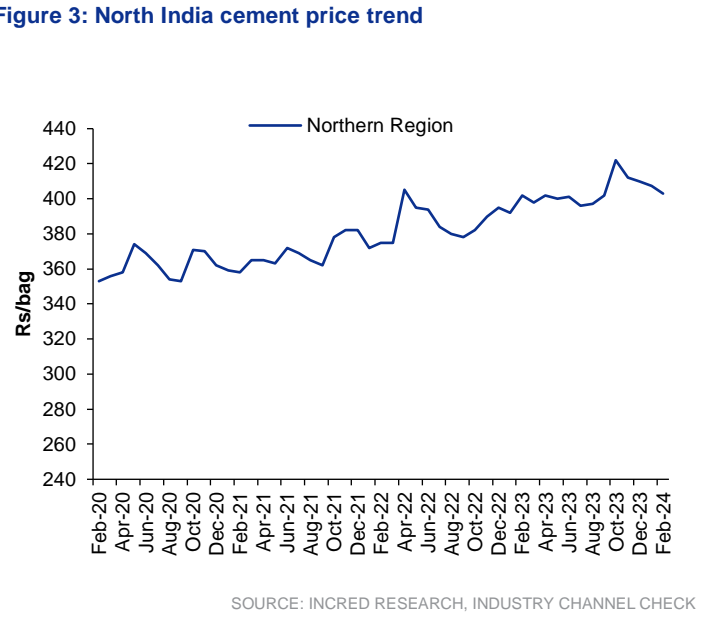
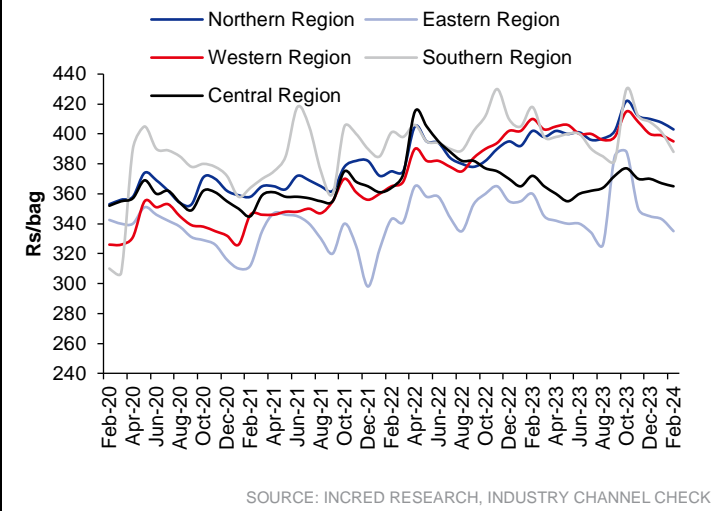


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Cement prices >

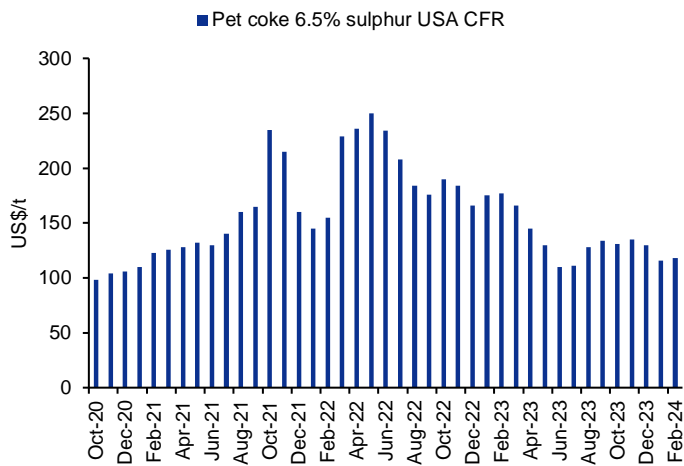
**Figure 2: Region-wise, cement price decline was seen in all regions in Feb 2024, with a sharp rollback witnessed in the southern region followed by the eastern region**



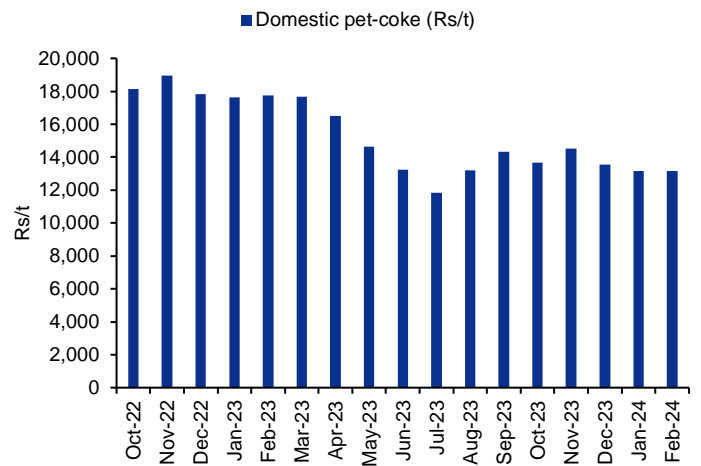
**Major input costs trend**

**Coal and crude oil price decline led to a correction in pet-coke prices in recent months:** In Feb 2024, international pet-coke prices remained flat on a MoM basis at US\$118/t (down 9% in the last three months) while imported coal prices witnessed a decline of ~30% from their recent peak in Oct 2023. The average fuel cost stood at Rs1.77 on a Kcal basis in 3QFY24 vs. Rs1.88 qoq. In the coming quarters, there is a likelihood of marginal benefits with stable input prices and the advantage of positive operating leverage. Cement producers indicate that input costs for the industry are likely to be largely flat-to-marginally down qoq in 4QFY24F while the freight costs to remain stable qoq.

**Figure 8: International pet-coke prices are down >10% from their recent peak in Oct 2023**

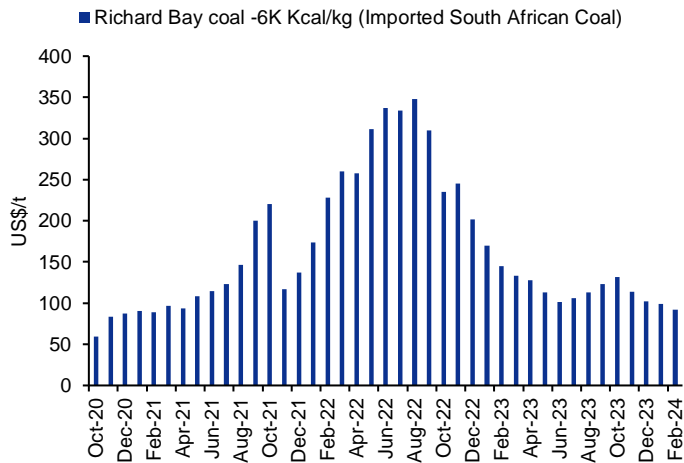


NOTE: CFR = CODE OF FEDERAL REGULATIONS  
SOURCE: INCRED RESEARCH, COMPANY REPORTS



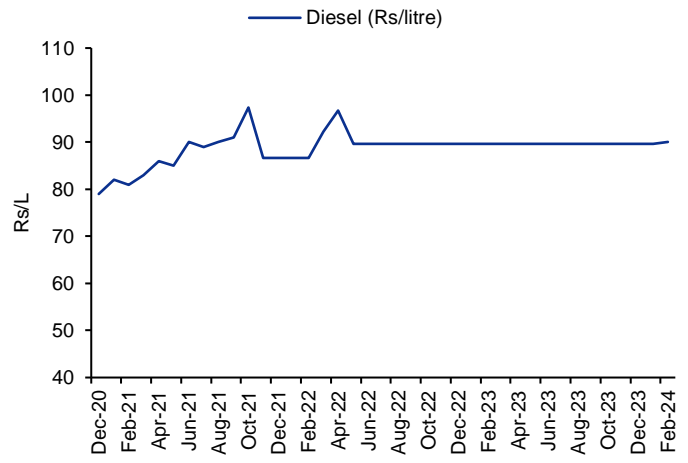
SOURCE: INCRED RESEARCH, BLOOMBERG

**Figure 10: Imported coal price (South African 6K/Kcal) trend**



SOURCE: INCRED RESEARCH, BLOOMBERG

**Figure 11: Average diesel price trend**



SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 12: Crude oil price trend

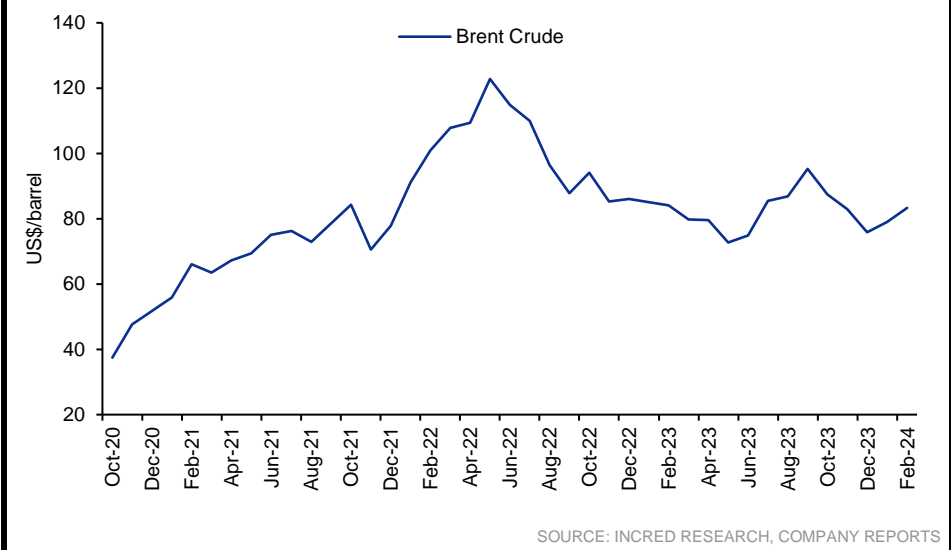


Figure 13: Average cost curve for listed cement companies

Rs/t	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
RM Costs	728	783	656	800	752	874	796	867	917	991	937	974	1,044
P& F Costs	965	947	1,129	1,132	1,396	1,390	1,683	1,883	1,740	1,588	1,534	1,475	1,397
Freight Costs	1,073	1,116	1,118	1,104	1,127	1,141	1,166	1,161	1,181	1,161	1,157	1,115	1,157
Other Costs	686	654	685	749	767	690	759	780	751	701	692	765	773
Employee Costs	298	279	337	335	325	266	306	325	309	269	291	325	317
<b>Total Cost</b>	<b>4,077</b>	<b>4,037</b>	<b>4,140</b>	<b>4,481</b>	<b>4,815</b>	<b>4,784</b>	<b>5,080</b>	<b>5,428</b>	<b>5,344</b>	<b>5,081</b>	<b>4,944</b>	<b>5,015</b>	<b>5,007</b>
EBITDA/t	1,119	1,129	1,249	1,011	807	856	810	384	557	676	715	717	924

SOURCE: INCRED RESEARCH, COMPANY REPORTS

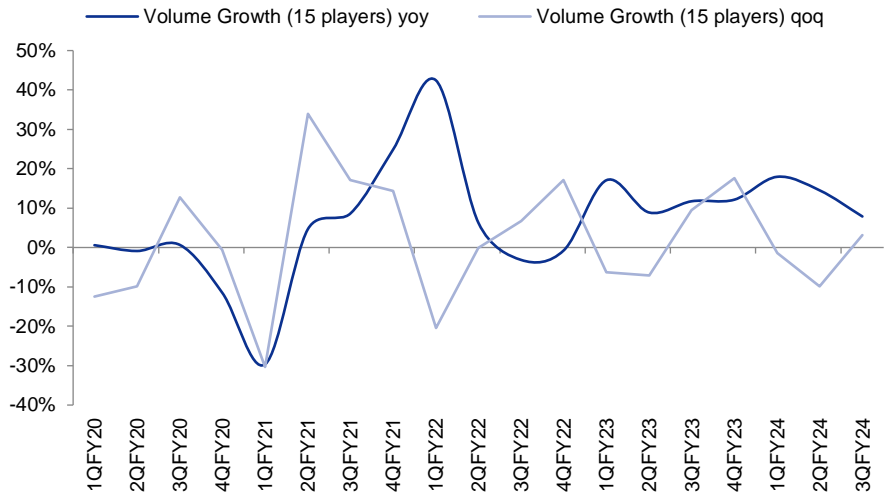
Figure 14: Fuel costs booked by various companies on a Kcal basis

Rs Kcal	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24F & onwards	vs. spot prices
ACC	2.25	2.52	3.10	2.61	2.35	2.13	1.85	1.86		
Ambuja Cements	2.20	2.50	2.80	2.33	2.10	2.09	1.82	1.84		
Ultratech Cement	1.95	2.20	2.50	2.60	2.50	2.34	2.12	2.05		A fall of 6-8%
Shree Cement	2.13	2.61	2.83	2.53	2.53	2.37	2.05	1.78		Stable qoq at 1.76
JK Cement	2.20	2.30	2.40	2.60	2.40	2.2	1.9	1.8		
Nuvoco		2.28	2.64	2.74	2.31	1.94	1.77	1.67		1.62-1.63
The Ramco Cements	1.88	1.87		2.43	2.21	2.03	1.75	1.64	Will moderately come down	Pet-coke - US\$115/t now
India Cement	2.23	2.69	3.26	2.95	2.70	2.25	2.04	1.99		Coal - US\$92/t now
JK Lakshmi Cement			2.30	2.57	2.42	2.23	2.04	1.78		
Dalmia Bharat	2.07	2.47	2.52	2.42	2.06	1.98	1.58	1.5		
Star Cement		2.09		2.09	2.10	2.35	1.9	1.75		1.7
Birla Corporation						1.95	1.75	1.58		
Orient Cement							1.8&2.1	1.8&2		
<b>Average</b>	<b>2.15</b>	<b>2.45</b>	<b>2.71</b>	<b>2.53</b>	<b>2.33</b>	<b>2.16</b>	<b>1.88</b>	<b>1.77</b>		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

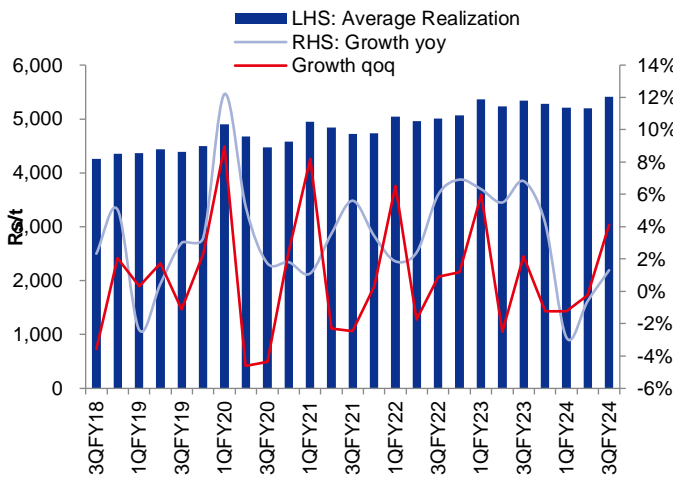
Key operational quarterly charts >

Figure 15: Quarterly volume growth trend for cement industry



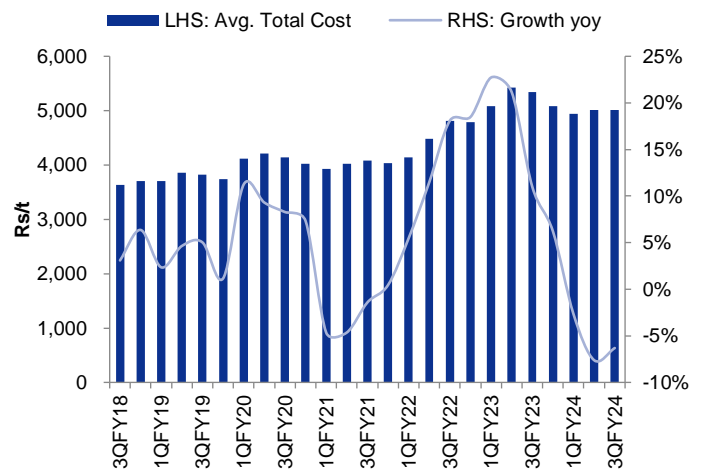
SOURCE: INCRED RESEARCH, COMPANY REPORT

Figure 16: Realization growth trend



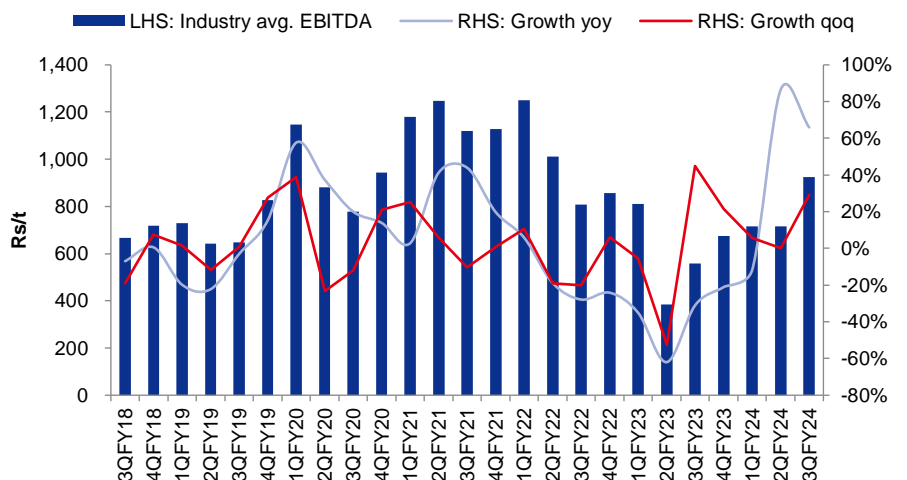
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 17: Trend in unit cost



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 18: Sector unit EBITDA (15 players)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 19: Unit EBITDA of top five players

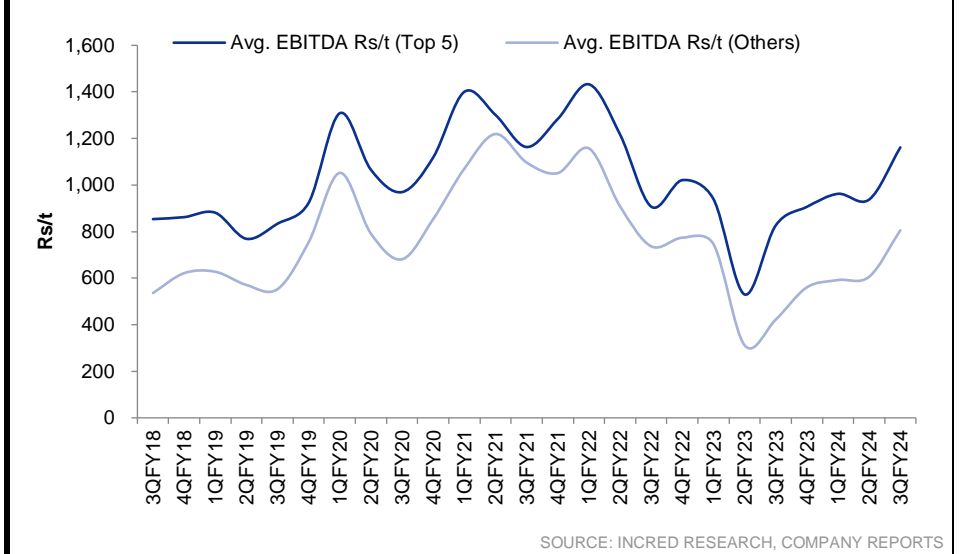


Figure 20: Long-term capacity expansion plans of various cement majors

Company	FY24F Capacity	Targeted Capacity	Near-Term Target
ACC+Ambuja Cements	77.4mtpa	140mtpa by 2028F	110mtpa by FY27F
Ultratech Cement	133mtpa	200mtpa by FY30F	
Shree Cement	46mtpa	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

Figure 21: Volume guidance for listed companies

Volume target	FY24F	FY25F
ACC		>8%
Ambuja Cements		40mt
Shree Cement	34+mt or 12%	19-20mt
The Ramco Cements	17.5mt	
Birla Corporation	13%	
Orient Cement	6.2mt	
Sagar Cement	5.6mt	7mt
Star Cement		18-20% revenue growth

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Key assumptions for our coverage companies

Figure 22: We expect cement volume of coverage companies to grow by ~11% over FY23-26F

Volume (mt)	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F	CAGR FY18-23	CAGR FY23-26F
UTCEM*	86	81	86	94	106	119	128	141	10.7%	10.0%
ACC*#	28	29	26	29	31	36	38	40	2.9%	9.3%
ACEM#	24	24	23	27	30	34	37	41	5.6%	10.7%
SRCM*	26	25	27	28	32	36	39	43	7.1%	10.6%
TRLC	11	11	10	11	15	18	20	21	9.7%	12.1%
JKCE*	9	8	10	12	14	17	18	20	11.5%	12.4%
BCORP*	14	14	13	14	16	18	19	21	4.9%	9.3%
HEIM	5	5	4	5	4	5	5	5	-1.1%	6.0%
DALBHARA*	19	19	21	22	26	28	33	38	8.7%	14.2%
JKLC*	11	10	10	11	12	13	14	16	4.2%	10.5%
ORCMNT	6	6	5	5	6	6	7	9	0.0%	15.6%
<b>Total</b>	<b>239</b>	<b>232</b>	<b>236</b>	<b>259</b>	<b>291</b>	<b>329</b>	<b>359</b>	<b>395</b>	<b>7.5%</b>	<b>10.7%</b>

\*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 23: We expect realization of coverage companies to grow by ~0.7% over FY23-26F

Realization (Rs/t)	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F	CAGR FY18-23	CAGR FY23-26F
UTCEM*	4,775	5,127	5,122	5,501	5,900	5,883	5,956	6,037	3.9%	0.8%
ACC#	4,643	4,801	4,909	5,044	5,276	5,149	5,221	5,294	3.5%	0.1%
ACEM#	4,540	4,719	4,929	5,105	5,287	5,298	5,372	5,426	3.5%	0.9%
SRCM*	4,545	5,163	5,052	5,411	5,611	5,779	5,803	5,872	6.1%	1.5%
TRLC	4,549	4,792	5,281	5,413	5,488	5,230	5,303	5,377	3.4%	-0.7%
JKCE*	3,991	4,527	4,494	4,774	4,971	5,061	5,117	5,188	4.1%	1.4%
BCORP	4,358	4,826	4,853	4,961	5,242	5,242	5,315	5,389	3.7%	0.9%
HEIM	4,298	4,575	4,652	4,681	5,096	5,014	5,090	5,140	5.0%	0.3%
DALBHARA	4,749	4,691	4,874	5,073	5,141	5,110	5,161	5,235	0.9%	0.6%
JKLC	3,875	4,342	4,523	4,840	5,460	5,444	5,498	5,573	6.9%	0.7%
ORCMNT	3,933	4,178	4,604	4,975	5,100	5,171	5,244	5,317	5.7%	1.4%
<b>Average</b>	<b>4,387</b>	<b>4,704</b>	<b>4,845</b>	<b>5,071</b>	<b>5,325</b>	<b>5,307</b>	<b>5,371</b>	<b>5,441</b>	<b>4.2%</b>	<b>0.7%</b>

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

Figure 24: We expect cost/t of coverage companies to decline by ~1.5% over FY23-26F

Cost (Rs/t)	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F	CAGR FY18-23	CAGR FY23-26F
UTCEM*	3,999	4,072	3,839	4,371	4,981	4,806	4,803	4,834	4.6%	-1.0%
ACC	4,496	4,585	4,477	4,553	5,257	4,774	4,761	4,798	4.1%	-3.0%
ACEM	3,915	3,956	3,849	3,981	4,435	4,192	4,143	4,153	3.6%	-2.2%
SRCM*	3,774	3,655	3,532	4,075	4,681	4,621	4,589	4,636	7.5%	-0.3%
TRLC	3,704	3,777	3,729	4,251	4,690	4,311	4,337	4,370	5.7%	-2.3%
JKCE*	4,481	4,694	4,353	4,780	5,194	4,993	4,972	4,980	4.5%	-1.4%
BCORP	4,047	4,091	4,069	4,466	5,029	4,743	4,728	4,723	4.8%	-2.1%
HEIM	3,369	3,489	3,589	3,899	4,529	4,208	4,158	4,178	6.7%	-2.7%
DALBHARA	4,037	3,923	3,550	3,991	4,367	4,189	4,218	4,236	2.5%	-1.0%
JKLC	3,468	3,548	3,625	3,991	4,751	4,667	4,672	4,699	6.6%	-0.4%
ORCMNT	3,446	3,517	3,513	3,896	4,467	4,355	4,361	4,408	6.0%	-0.4%
<b>Average</b>	<b>3,885</b>	<b>3,937</b>	<b>3,830</b>	<b>4,205</b>	<b>4,762</b>	<b>4,533</b>	<b>4,522</b>	<b>4,547</b>	<b>5.1%</b>	<b>-1.5%</b>

\*BLENDED  
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 25: We expect EBITDA/t of coverage companies to remain broadly flat in FY26F vs. FY22

EBITDA (Rs/t)	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F	CAGR FY18-23	CAGR FY23-26F
UTCEM*	775	1,055	1,339	1,225	1,005	1,132	1,218	1,275	2.2%	8.3%
ACC#	675	782	899	1,038	499	789	899	928	-5.9%	23.0%
ACEM#	782	893	1,167	1,187	852	1,141	1,291	1,374	0.7%	17.3%
SRCM*	1,080	1,508	1,520	1,337	930	1,125	1,177	1,203	-0.8%	9.0%
TRLC	932	1,015	1,552	1,162	797	932	977	1,016	-7.6%	8.4%
JKCE*	845	1,241	1,322	1,089	832	1,022	1,058	1,070	-0.2%	8.8%
BCORP	685	979	999	781	491	751	821	915	-5.5%	23.1%
HEIM	987	1,122	1,129	910	567	806	931	962	-6.2%	19.3%
DALBHARA	999	1,072	1,324	1,084	901	1,024	1,080	1,096	-5.7%	6.7%
JKLC	407	794	898	849	710	766	816	863	9.6%	6.7%
ORCMNT	487	660	1,091	1,079	633	808	882	918	3.6%	13.2%
<b>Average</b>	<b>787</b>	<b>1,011</b>	<b>1,204</b>	<b>1,067</b>	<b>747</b>	<b>936</b>	<b>1,014</b>	<b>1,057</b>	<b>-1.8%</b>	<b>12.3%</b>

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

**Figure 26: We expect total revenue of coverage companies to increase by ~9.5% over FY23-26F**

Revenue (Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F	CAGR FY18-23	CAGR FY23-26F
UTCCEM*	416	424	447	526	632	708	775	861	15.0%	10.8%
ACC*#	148	157	138	162	222	199	216	230	10.8%	1.2%
ACEM#	114	117	114	140	200	180	199	223	13.8%	3.7%
SRCM*	126	129	136	150	179	206	226	253	13.4%	12.3%
TRLC	52	54	53	60	81	95	104	113	13.0%	11.7%
JKCE*	53	58	66	80	97	113	123	135	14.9%	11.6%
BCORP*	65	69	68	75	87	98	107	116	8.7%	10.1%
HEIM	21	22	21	23	22	24	25	27	3.4%	6.3%
DALBHARA*	95	97	101	113	135	148	177	205	9.6%	14.8%
JKLC*	43	44	47	54	65	72	80	89	11.5%	11.3%
ORCMNT	25	24	23	27	29	33	36	47	5.7%	17.2%
<b>Total</b>	<b>1,157</b>	<b>1,193</b>	<b>1,214</b>	<b>1,409</b>	<b>1,750</b>	<b>1,876</b>	<b>2,067</b>	<b>2,299</b>	<b>12.7%</b>	<b>9.5%</b>

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

**Figure 27: We expect EBITDA of coverage companies to grow by over ~20% over FY23-26F**

EBITDA (Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F	CAGR FY18-23	CAGR FY23-26F
UTCCEM*	73.5	92.5	115.7	115.1	106.2	133.6	155.6	177.0	11.6%	18.6%
ACC*#	20.5	24.1	23.6	30.0	19.2	28.8	35.1	38.0	0.5%	25.5%
ACEM#	18.9	21.5	26.5	32.1	32.2	39.7	49.4	56.5	11.2%	20.6%
SRCM*	27.9	37.6	40.8	37.1	29.6	40.4	45.9	50.3	6.3%	19.3%
TRLC	10.4	11.4	15.5	12.8	11.8	16.4	18.6	20.8	1.5%	20.8%
JKCE*	8.3	12.1	15.4	14.8	13.1	18.7	21.0	22.7	10.8%	20.1%
BCORP*	9.5	13.4	13.4	11.1	7.7	13.2	15.5	18.5	-0.9%	33.7%
HEIM	4.8	5.3	5.1	4.3	2.5	3.8	4.6	5.0	-7.3%	26.4%
DALBHARA*	19.4	21.1	27.6	24.3	23.2	29.8	34.6	37.9	2.6%	17.9%
JKLC*	4.5	8.0	9.4	9.5	8.4	10.1	11.8	13.7	14.2%	17.7%
ORCMNT	3.1	3.8	5.5	5.9	3.6	5.1	6.0	8.1	3.6%	30.6%
<b>Total</b>	<b>201</b>	<b>251</b>	<b>298</b>	<b>297</b>	<b>258</b>	<b>340</b>	<b>398</b>	<b>449</b>	<b>7.5%</b>	<b>20.3%</b>

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

**Figure 28: We expect PAT of coverage companies to increase by ~25% over FY23-26F**

PAT (Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F	FY26F	CAGR FY18-23	CAGR FY23-26F
UTCCEM*	24.0	57.6	53.2	71.8	50.6	74.1	88.1	101.5	17.9%	26.1%
ACC*#	15.2	13.7	14.3	18.6	8.9	16.9	21.2	23.0	-0.9%	37.6%
ACEM#	14.9	15.3	17.9	20.8	25.5	27.3	34.0	38.4	14.9%	14.5%
SRCM*	10.1	15.4	22.9	23.3	12.7	18.0	20.5	22.7	-1.7%	21.3%
TRLC	5.1	6.0	7.6	8.9	3.4	5.4	6.9	8.3	-9.2%	34.2%
JKCE*	2.7	4.9	7.1	6.9	4.3	7.4	9.1	10.5	8.3%	35.0%
BCORP*	2.6	5.1	6.3	4.0	0.4	3.8	5.2	7.3	-23.4%	162.5%
HEIM	2.2	2.7	3.1	2.5	1.0	2.0	2.7	3.0	-5.7%	44.4%
DALBHARA*	3.1	2.2	11.7	8.2	10.4	9.9	12.1	13.2	28.8%	8.3%
JKLC*	0.5	2.5	4.1	4.6	3.6	4.8	5.8	7.0	45.3%	25.2%
ORCMNT	0.5	0.9	2.1	2.6	1.2	2.1	2.5	3.5	22.7%	42.0%
<b>Total</b>	<b>81</b>	<b>126</b>	<b>150</b>	<b>172</b>	<b>122</b>	<b>172</b>	<b>208</b>	<b>238</b>	<b>10.7%</b>	<b>25.0%</b>

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



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