

India

February 03, 2025 - 7:40 AM

Overweight (no change)

Cement

Prices went up marginally in Jan 2025

- Our channel check indicates that in Jan 2025, cement prices were up by ~1% m-o-m. Govt capex is expected to better in the coming months.
- Dealers feel that cement prices are likely to increase further, with demand now being stable & government capex expected to be back to the normal level.
- We feel that cement prices at these levels, along with strong demand in 4QFY25F, should contribute to a further recovery in EBITDA/t going ahead.

Prices up marginally; demand hinting ~7% yoy growth in 4QFY25F

- As per our channel check, the average pan-India cement price was up by Rs2-3/bag m-o-m in Jan 2025 at Rs373/bag, up by ~1% m-o-m, after an around 3% rise witnessed in Dec 2024. Spot average pan-India price is up by ~1.5% vs. 3QFY25 average price, but still down ~3-4% on a y-o-y basis. As per experts, non-trade cement prices, after witnessing a steep hike across markets last month, remained unchanged in Jan 2025 with price hike attempts not sustaining. Industry is planning a price hike of Rs10-15/bag across regions in Feb 2025F as demand is seen better going ahead. However, absorption of the hike is a key thing to watch out for.
- Demand continued to show improvement, with a revival in all construction-related activities apart from the seasonality. Government capex, after being off track, may show a significant uptick in the last two months of the current fiscal, as per channel check. Northern, central & western regions witnessed better demand in 3QFY25. Channels expect the demand to be strong and 4QFY25F to be the best quarter of FY25F amid increased spending by government projects and also housing projects driving growth.

Region-wise channel check

- **East:** As per dealers, demand was relatively better due to seasonal demand making a comeback. The average price in the region rose by Rs2/bag. A price hike of ~Rs4-5/bag is expected in Feb 2025F.
- **South:** Demand has been better since the Pongal festival; however, prices were flat m-o-m as the region faces a demand crunch. Telangana, where the demand is yet to pick up since elections, was expected to lead revival of demand in the region.
- **North:** The region saw the highest price hike of Rs4-5/bag during the month amid strong demand and the regional players' focus on profitability. The average price is in the range of Rs400/bag and a price hike of Rs5-10/bag is expected in Feb 2025F.
- **West:** Demand is better as government projects have picked up steam post assembly elections in Maharashtra and strong real estate demand in the region. Gujarat demand was average as compared to last year. An avg. price hike of Rs2-3/bag was taken, with a further hike likely in Jan 2025F. The avg. price is now in the range of Rs383-403/bag.
- **Central:** The region's demand was relatively stable m-o-m and is expected to improve in the coming months with a revival due to the PMAY rural scheme. An average price hike of Rs2-3/bag was witnessed during the month. Channels expect a price hike of Rs5-10/bag in 4QFY25F. The average spot price is Rs353/bag.

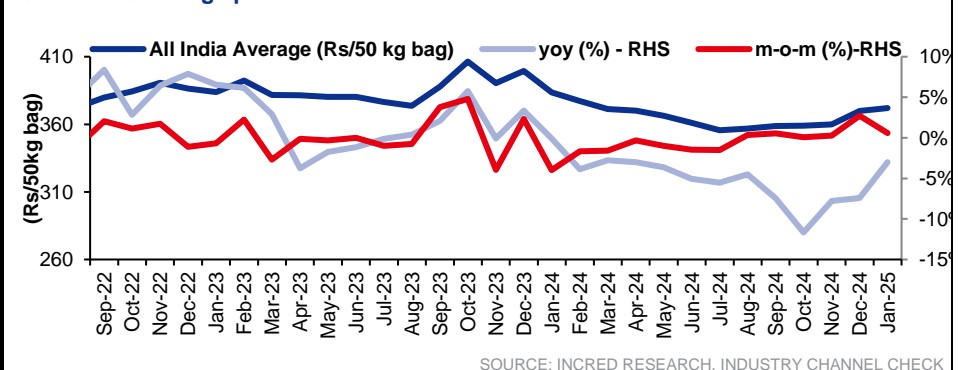
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Figure 1: All-India cement average price was up by ~1% m-o-m in Jan 2025 and ~2% QTD vs. 3Q average prices



Prices went up marginally in Jan 2025

Other highlights from our channel check >

- The non-trade segment witnesses a steeper hike:** As per experts, the non-trade segment's cement price discount has reduced in comparison to the trade segment. Most players are now avoiding selling at lower prices to gain market share and are chasing profitability in the rest of FY25F. The non-trade segment's price hike also supports the trade segment's prices, which partly collapsed during the year due to excess supply from the non-trade segment.
- Price hike may be attempted in 4QFY25F:** Channels expect a further price hike in 4QFY25F to cover up on the profitability front, from the low levels currently, despite being the best season. A price hike of Rs10-15/bag is likely across regions in 4QFY25F based on the improving demand scenario and increase in government spending. A positive for the cement industry is that large players are now focusing on profitability and as per experts, even if price hikes are not fully implemented, cement prices are likely to remain stable at current levels, avoiding the fall witnessed in Apr–Sep 2024.
- Profitability to improve in 4QFY25F:** Cement players have reported significant improvement in profitability on a q-o-q basis in 3QFY25, with a price hike being implemented only in the second half of the quarter. Demand is likely to make a comeback and prices maintaining their current levels will be decent enough to drive the profitability in 4QFY25F.

Figure 2: Region-wise, cement prices remained better in Jan 2025 Figure 3: North India cement price trend

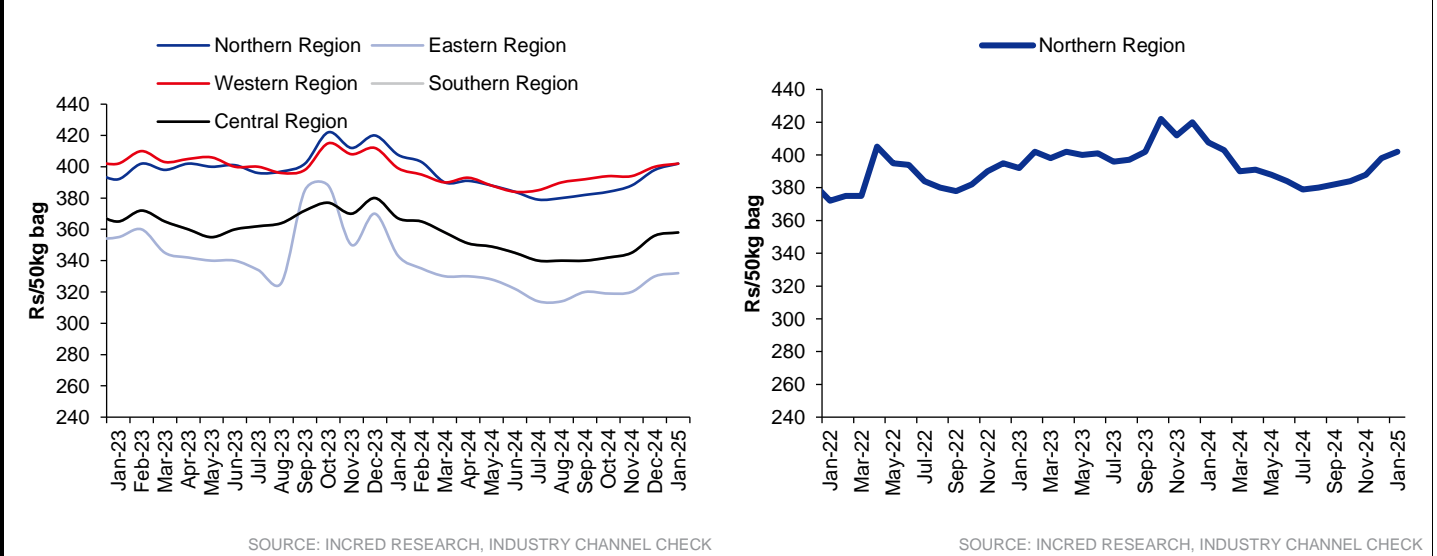
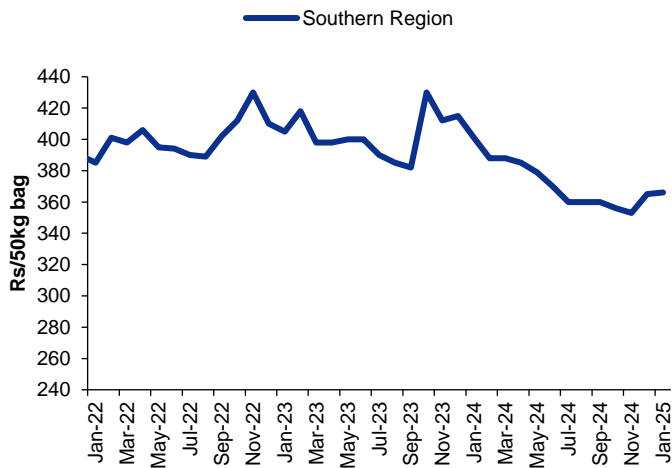
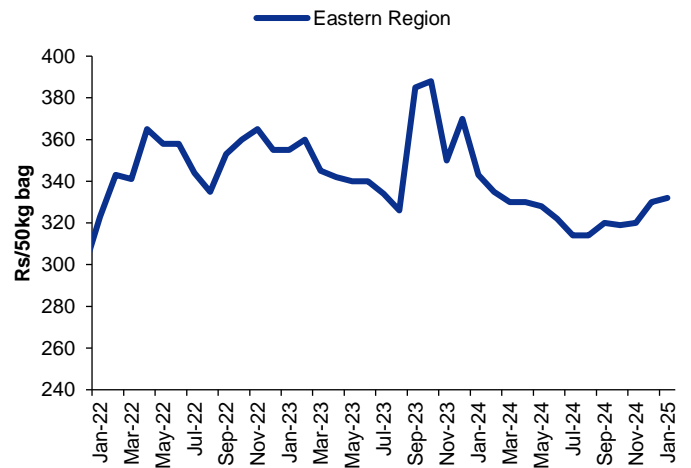


Figure 4: Southern region's cement price trend



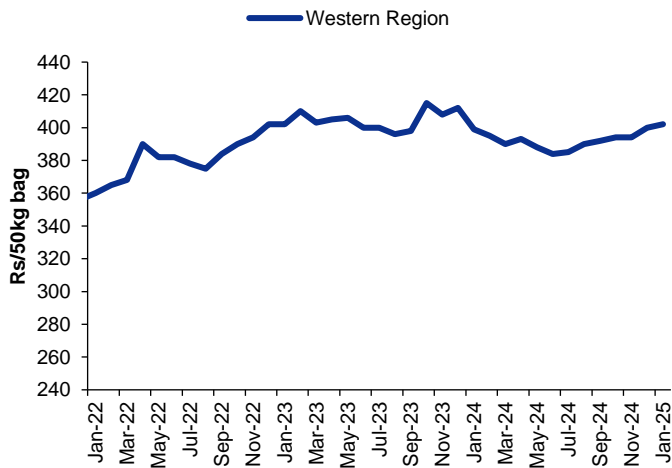
SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 5: Eastern region's cement price trend



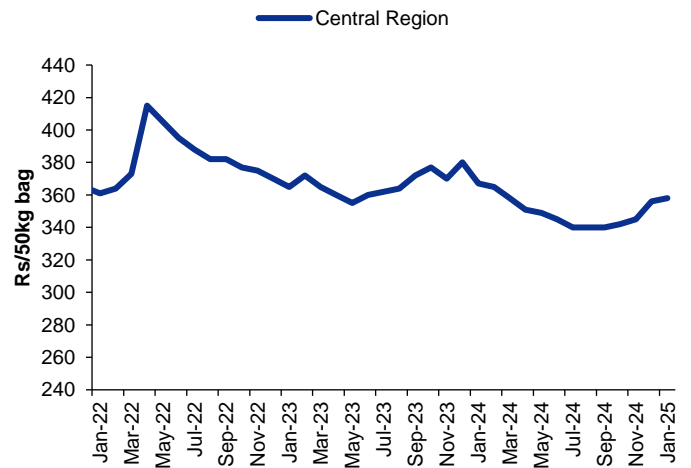
SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 6: Western region's cement price trend



SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 7: Central region's cement price trend



SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Major input cost trend ➤

- Fuel prices continue to remain beneficial:** After staying stable in CY24, fuel costs marginally increased vs. Dec 2024 exit levels but still remain favourable. In Jan 2025, Brent crude oil prices stood at US\$76/bbl.

Figure 8: International pet-coke prices are up 4% versus Dec 2024 exit prices **Figure 9: Domestic pet-coke prices rose by 5% versus Dec 2024 exit prices**

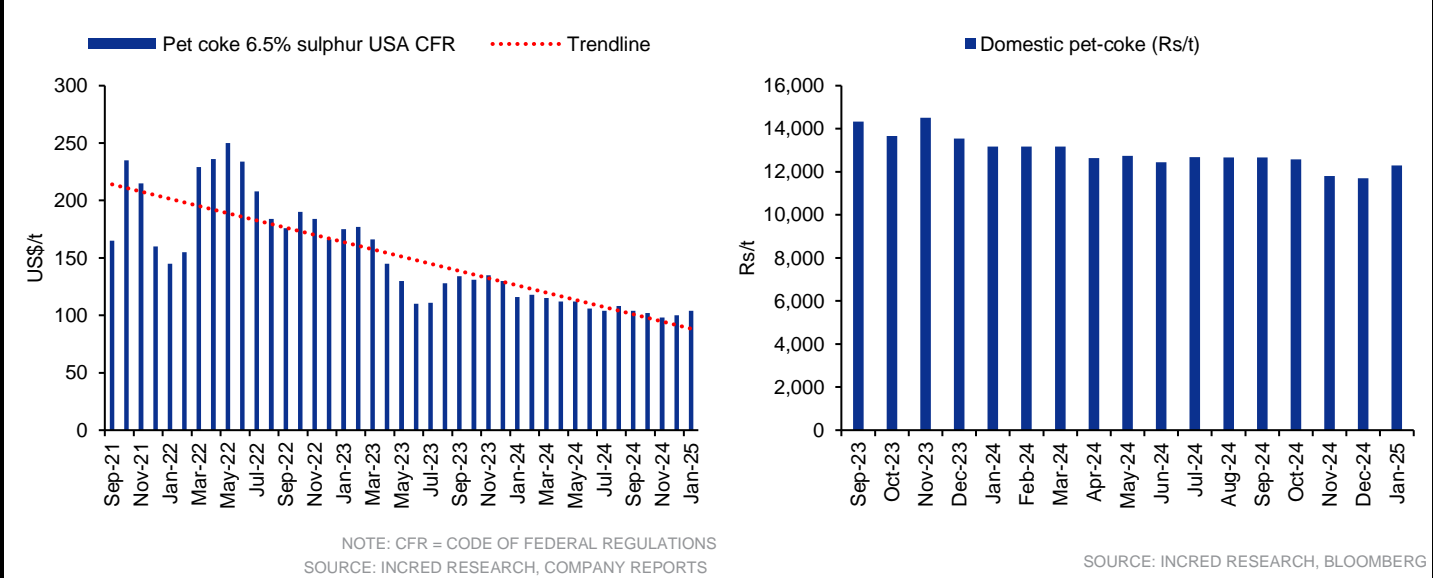


Figure 10: Imported coal price (South African 6k/kcal) trend **Figure 11: Average diesel price trend in top metro cities**

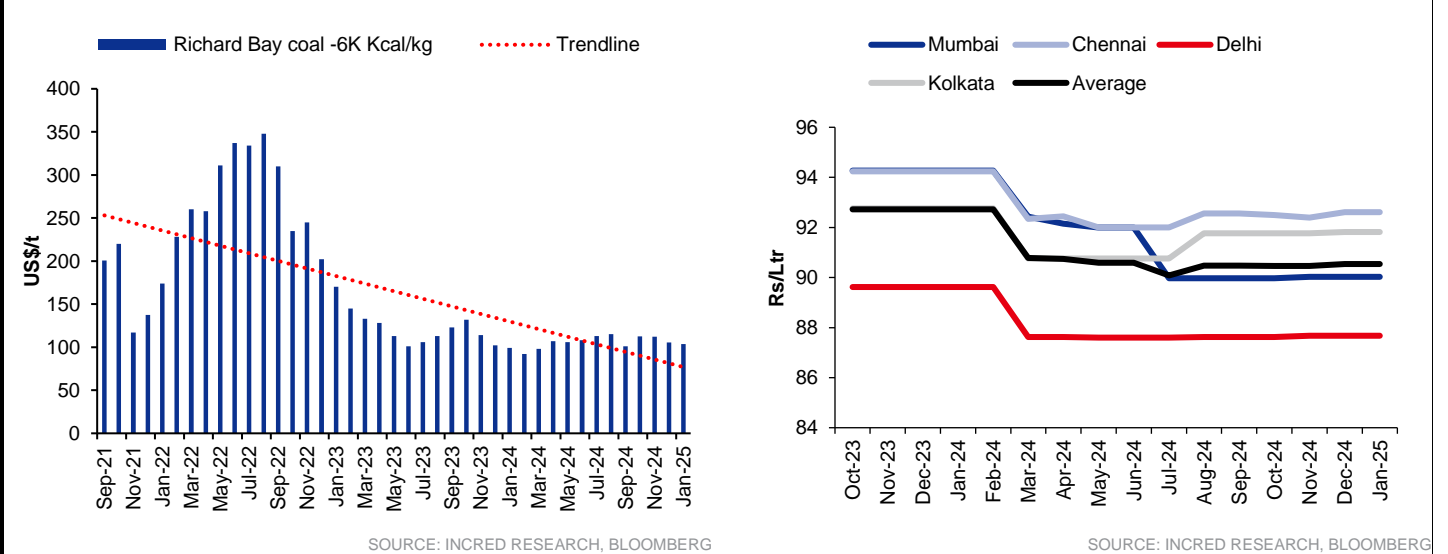


Figure 12: Crude oil price trend

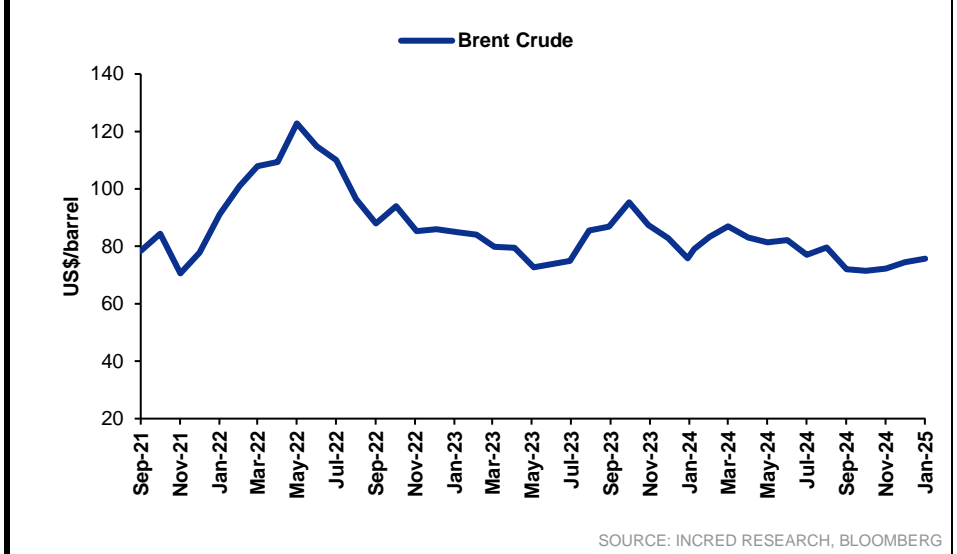


Figure 13: Cement production was flattish yoy in 1HFY25

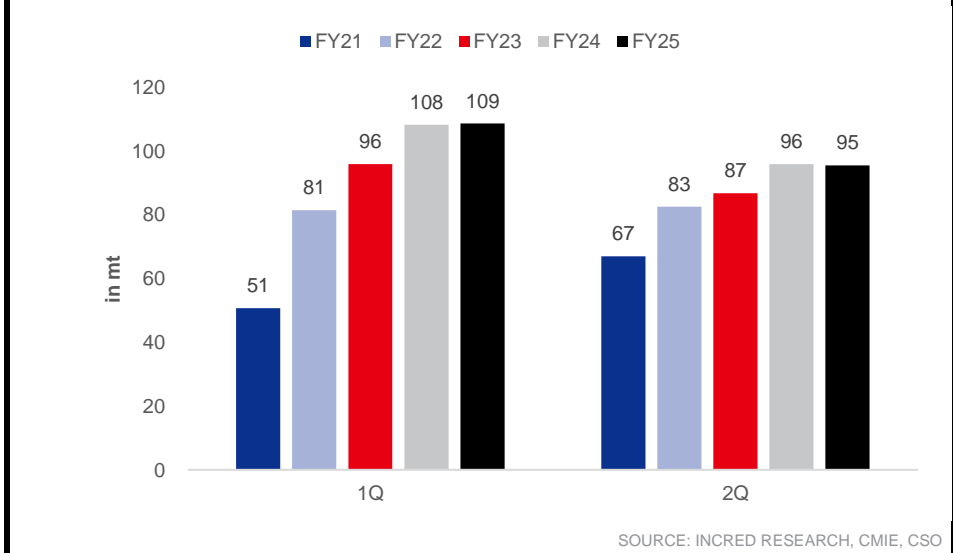


Figure 14: Average energy costs continue to decline

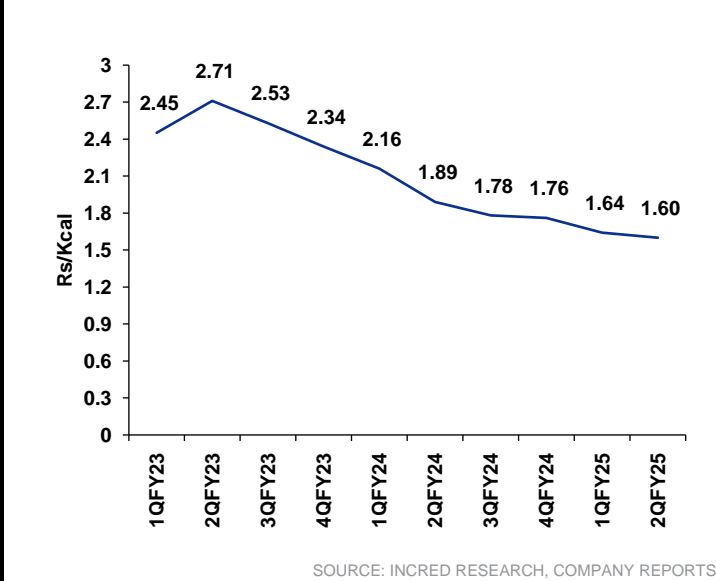


Figure 15: Pan-India cement price yoy change post general election years

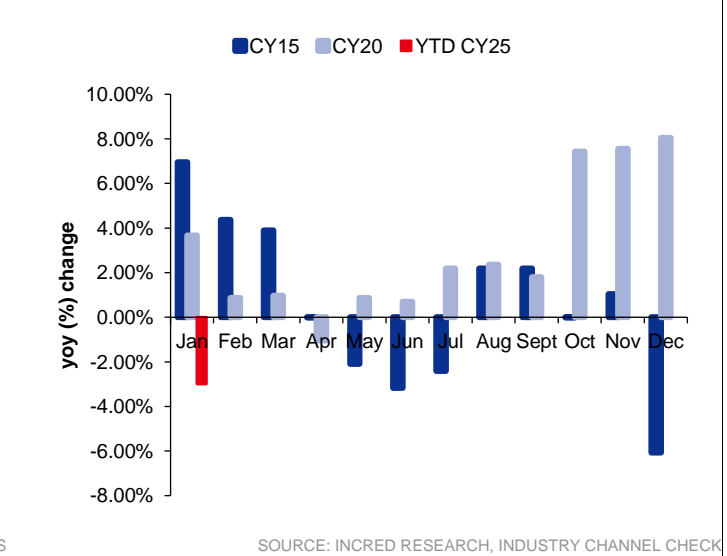


Figure 16: Incred cement coverage peer comparison

Company	Bloomberg Ticker	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	UTCEN IN	ADD	11,259	12,900	15%	37,566	25.7	27.1	21.0	5.5	5.1	4.7	12.4%	9.9%	12.5%	46.0	53.3	39.0	146.2	177.6	189.4
ACC	ACC IN	ADD	2,001	2,400	20%	4,343	11.4	14.9	10.8	2.3	2.1	2.0	14.1%	7.6%	10.1%	16.1	29.1	20.4	110.0	104.2	96.8
Ambuja Cements	ACEM IN	ADD	502	630	26%	14,276	28.1	33.5	26.3	2.8	2.4	2.3	7.2%	5.6%	6.4%	43.8	45.2	36.5	172.5	175.6	201.6
Shree Cement	SRCM IN	HOLD	27,364	27,600	1%	11,410	20.6	25.2	20.2	4.7	4.5	4.3	12.2%	4.4%	6.9%	40.5	105.5	64.0	199.3	183.5	162.0
The Ramco Cements	TRCL IN	HOLD	897	870	-3%	2,449	17.4	16.3	13.9	3.1	3.0	2.8	5.7%	6.0%	8.1%	56.4	51.0	35.5	141.7	136.4	128.8
JK Cement	JKCE IN	HOLD	4,725	4,900	4%	4,219	20.1	21.7	18.0	6.9	6.3	5.6	15.8%	12.6%	15.1%	46.6	52.4	39.2	204.2	190.4	155.2
Birla Corporation	BCORP IN	ADD	1,168	1,490	28%	1,039	8.8	11.8	9.1	1.4	1.4	1.4	6.5%	2.4%	5.6%	23.2	59.5	24.8	75.8	76.4	71.6
HeidelbergCement	HEIM IN	HOLD	221	166	-25%	579	13.9	11.3	9.7	3.3	3.2	3.1	11.4%	14.9%	16.9%	28.8	21.8	18.6	84.6	83.7	81.8
Dalmia Bharat	DALBHARA IN	ADD	1,827	2,000	9%	3,961	13.3	15.1	12.2	2.1	2.1	2.0	5.2%	4.0%	5.7%	42.2	52.4	35.7	94.8	90.6	78.9
JK Lakshmi Cement	JKLC IN	ADD	812	955	18%	1,104	10.5	9.9	8.7	3.0	2.6	2.2	15.5%	16.3%	17.0%	20.5	17.0	14.0	80.5	78.8	72.4
Orient Cement	ORCMNT IN	REDUCE	340	320	-6%	805	15.9	13.8	12.0	4.1	3.8	3.5	10.4%	12.0%	13.5%	40.5	32.5	26.8	100.2	97.8	100.9
Mean							17.0	18.7	15.0	3.5	3.3	3.0	10.6%	8.4%	10.4%	36.4	48.7	32.8	131.0	129.7	123.8
Median							15.7	15.7	13.0	3.1	2.8	2.5	11.8%	6.8%	9.1%	41.4	51.7	35.6	125.8	120.3	112.8
Minimum							8.8	9.9	8.7	1.4	1.4	1.4	5.2%	2.4%	5.6%	16.1	17.0	14.0	75.8	76.4	71.6
Maximum							28.1	33.5	26.3	6.9	6.3	5.6	15.8%	16.3%	17.0%	56.4	105.5	64.0	204.2	190.4	201.6

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG. PRICES AS ON 02ND FEB 2025

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- 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.

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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.

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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.