

3QFY19 Results Preview

Sector: Cement /Mid & Small-Cap | Event update

Event Update

11 January 2019

Cement Sector Preview

In 3QFY19, we expect the volume growth (albeit moderate) to be led by government sponsored infrastructure projects and uptick in low-cost and affordable housing construction. Contrary to earlier expectations, there was not much improvement in cement prices post monsoon season throughout the country. Easing of power & fuel costs (~12% YoY lower petcoke prices) and reduction in freight costs due to lower crude prices coupled with recent change in axle load norms is expected to aid margins. However, this would be capped to some extent by high cost coal and petcoke inventory at the beginning of this quarter. High concentration of non-trade sales in the south compared to other regions reflects weak pricing environment.

Heidelberg	3QFY19E	3QFY18	2QFY19	YoY	QoQ	Comments
Revenue (INR mn)	5,082	4,912	4,859	3.5%	4.6%	We expect volume growth to be muted YoY due to lack of capacity addition (2QFY19 utilization at 90%). However, we expect increased cement prices in central region, to aid top line growth. With lower power and freight cost (led by sharp decline in Brent crude prices). The company is expected to post a healthy EBITDA margin of 22.5%.
EBITDA (INR mn)	1,146	828	1,166	38.3%	-1.7%	
PAT (INR mn)	542	318	501	70.7%	8.3%	
EBITDAM (%)	22.5	16.9	24.0	568bps	-145bps	
PATM (%)	10.7	6.5	10.3	420bps	36bps	

JK Cement	3QFY19E	3QFY18	2QFY19	YoY	QoQ	Comments
Revenue (INR mn)	12,455	11,261	11,006	10.6%	13.2%	Low retail demand in the northern region to hamper JK Cement's volume growth this quarter, although white cement demand continues to remain healthy. Realisation is expected to remain flat QoQ as prices in north have remained largely stable. Reduced cost pressures and white cement led top line growth will improve the blended EBITDA per tonne.
EBITDA (INR mn)	2,074	1,702	1,698	21.8%	22.2%	
PAT (INR mn)	921	729	647	26.2%	42.3%	
EBITDAM (%)	16.7	15.1	15.4	154bps	123bps	
PATM (%)	7.4	6.5	5.9	92bps	151bps	

JK Lakshmi	3QFY19E	3QFY18	2QFY19	YoY	QoQ	Comments
Revenue (INR mn)	9,035	8,374	8,514	7.9%	6.1%	We expect the company to report volume growth lower than that of the industry due to its reduced focus on non-trade segment barring Gujarat. This will however help boost the company's realizations due to the increased attention on trade segment. Benign cost inflation will further improve the company's profitability.
EBITDA (INR mn)	1,038	943	916	10.0%	13.3%	
PAT (INR mn)	185	86	78	115.8%	137.4%	
EBITDAM (%)	11.5	11.3	10.8	22bps	73bps	
PATM (%)	2.1	1.0	0.9	103bps	114bps	

Orient Cement	3QFY19E	3QFY18	2QFY19	YoY	QoQ	Comments
Revenue (INR mn)	5,769	5,115	5,608	12.8%	2.9%	We expect double digit volume growth led by higher infrastructure spending in Andhra Pradesh and Telangana coupled with stabilisation in Kerala post floods and better sand availability in Tamil Nadu. However high non-trade sales reflects weak pricing environment which will negatively impact realisations.
EBITDA (INR mn)	375	391	358	-4.0%	5.0%	
PAT (INR mn)	-144	-177	-167	18.6%	14.1%	
EBITDAM (%)	6.5	7.6	6.4	-114bps	13bps	
PATM (%)	-2.5	-3.5	-3.0	96bps	49bps	

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