

Apr-Jun'22 Earnings Preview

July 8, 2022

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
ACC	BUY	2,168	2,425
Ambuja Cement	Hold	367	404
Dalmia Bharat	Accumulate	1,453	1,755
Heidelberg Cement India	Reduce	169	183
JK Lakshmi Cement	Accumulate	434	570
Shree Cement	Hold	20,015	23,150
The Ramco Cements	Hold	654	650
Ultratech Cement	Accumulate	5,839	7,180

Source: PL

Exhibit 2: Change in TP

Companies	Current	Previous	% Chng.
ACC	2,425	2,300	5.5%
Ambuja Cement	404	400	0.8%
Dalmia Bharat	1,755	1,755	0.0%
Heidelberg Cement India	183	195	-6.3%
JK Lakshmi Cement	570	570	0.0%
Shree Cement	23,150	23,150	0.0%
The Ramco Cements	650	650	0.0%
Ultratech Cement	7,180	7,180	0.0%

Source: PL

Top Picks

Ultratech Cement

Dalmia Bharat

JK Lakshmi

Kamlesh Bagmar

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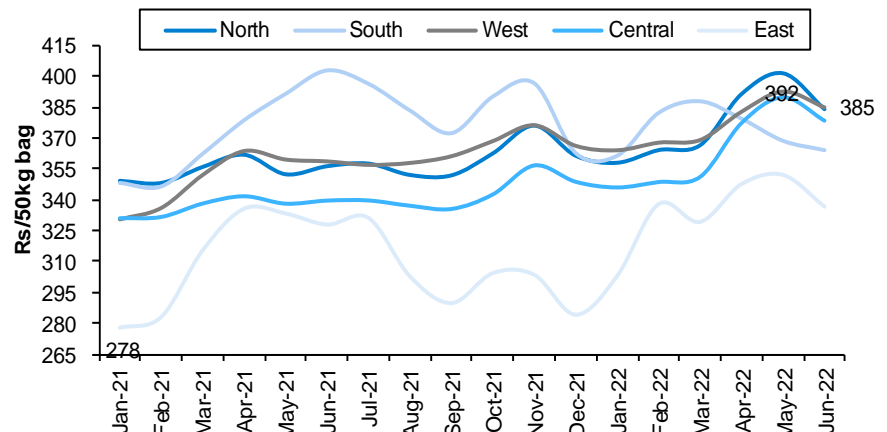
High energy costs continue to hurt earnings

EBITDA of our Cement coverage universe is expected to fall entirely by 12% YoY, due to contraction in margins. Volumes would increase by 16.5% YoY due to weak base, impacted by second wave of Covid-19. Realisations are expected to increase by 5.8% YoY/Rs310/t (+5.0%/Rs270/t QoQ). Impacted by steep increase in energy cost, overall cost is expected to increase by 17% YoY/Rs660 per ton. This would result in sharp contraction in EBITDA/t of our cement coverage universe by 25% YoY/Rs350 at Rs1,060.

In line with our expectation the sector underperformed meaningfully over last six-months, due to high street expectations and elevated valuations. With the entry of Adani, the competition would accentuate in the sector due to increase in intensity for market share, backed by restart of capacity addition cycle. Expensive valuations paid by Adani is being perceived as a silver lining. However, we believe that sharp fall in market share (ACC+Ambuja) over the years and low handing fruits in form of lower costs would make increase in competition inevitable coupled with sharp increase in pace of capacity addition. Incrementally, the existing players would operate at pre-covid margin range of Rs900-1,000/t to restrict capacity addition by competition. We continue to prefer Ultratech (UTCEM) and Dalmia Bharat (DALBHARA), given comfortable valuations and better growth profile.

Prices increased across regions, except South: All India cement prices increased by 5.5% QoQ/Rs20 (+5.4% YoY/Rs19), driven by continued input price pressure, seasonal pick-up and better demand. Price increase was seen across regions, except South which saw a fall of Rs7 per bag QoQ. Prices increased by Rs35/Rs30/Rs22/Rs20 per bag QoQ in Central/North/East/West regions.

- **North – Timely price hikes in April and May:** Region's average price increased 8% QoQ/Rs30 per bag on back of steep price hike in April and May, offset by 4% decline in June
- **Central – Prices recovered after a long gap:** Prices in Central region saw the highest rise of 9.5%/Rs35/bag QoQ, due to low base and margin pressure
- **South – The only region to see decline in prices:** Region witnessed reduction in prices by 1.7% QoQ Rs7/bag, which is in contrast to the other regions owing to intense competition for higher market share in wake of better demand
- **West – Prices rise by 5% QoQ:** Region's average rose by Rs20/bag QoQ for the quarter, led by steeper increase of Rs30/bag in Gujarat. While, Maharashtra witnessed marginal increase of Rs7/bag
- **East – Extended the increase of Q4FY22:** Led by better discipline and improved demand, region's average prices increased by 7%/Rs20/bag QoQ

Exhibit 3: Region-wise prices


Source: Company, PL

Exhibit 4: Change in Estimates of our coverage stocks

	Sales (Rs bn)						EBITDA (Rs bn)						PAT (Rs bn)					
	FY23E			FY24E			FY23E			FY24E			FY23E			FY24E		
	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
ACC	168.6	168.6	0.0%	185.0	185.0	0.0%	23.5	23.5	0.0%	31.3	29.4	6.3%	16.9	16.9	0.0%	21.3	20.0	7.0%
Ambuja Cement	328.1	328.1	0.0%	346.5	346.5	0.0%	56.7	56.7	0.0%	71.3	67.9	5.0%	25.2	25.2	0.0%	32.6	30.8	6.1%
Dalmia Bharat	139.4	139.4	0.0%	151.0	151.0	0.0%	28.1	28.1	0.0%	32.0	32.0	0.0%	10.3	10.3	0.0%	12.9	12.9	0.0%
Heidelberg Cement India	25.2	25.2	0.0%	26.4	26.4	0.0%	4.5	4.5	0.0%	5.2	5.2	0.0%	2.8	2.8	0.0%	3.1	3.1	0.0%
JK Lakshmi Cement	55.3	55.3	0.0%	55.8	55.8	0.0%	8.3	8.3	0.0%	8.8	8.8	0.0%	4.3	4.3	0.0%	4.8	4.8	0.0%
Shree Cement	172.8	172.8	0.0%	191.7	191.7	0.0%	41.8	41.8	0.0%	48.7	48.7	0.0%	23.7	23.7	0.0%	29.3	29.3	0.0%
The Ramco Cements	69.2	69.2	0.0%	74.0	74.0	0.0%	12.9	12.9	0.0%	17.0	17.0	0.0%	6.1	6.1	0.0%	8.2	8.2	0.0%
Ultratech Cement	551.1	551.1	0.0%	606.2	606.2	0.0%	112.1	112.1	0.0%	132.5	132.5	0.0%	61.1	61.1	0.0%	78.0	78.0	0.0%

Source: Company, PL C=Current / P=Previous

Exhibit 5: Aggregate volumes in Q1FY23e to grow by 16.5% YoY on back of weak base, impacted by 2nd wave of Covid-19

Volume Growth YoY (%)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23E
ACC	-34.2	0.8	-0.6	21.5	43.7	1.2	-2.9	-3.3	9.9
Ambuja Cement	-28.6	7.9	7.8	25.5	53.3	9.2	1.6	3.5	11.0
Dalmia Bharat	-19.6	7.4	13.7	24.2	33.6	6.3	-2.5	2.3	26.8
Heidelberg Cement	-31.9	-2.3	3.8	14.9	38.2	11.1	-11.1	-1.4	5.6
JK Lakshmi Cement	-18.2	15.8	15.8	17.8	39.5	-2.9	-8.8	8.3	9.1
Shree Cement	-18.6	14.2	14.7	19.0	38.8	-3.3	-8.6	-2.3	14.0
The Ramco Cements	-28.3	-18.8	-8.1	9.6	10.5	22.4	15.0	-0.7	40.0
UltraTech Cement	-31.9	8.1	14.1	29.6	47.3	6.9	-3.6	-0.2	18.0

Source: Company, PL

Exhibit 6: Q1FY23 Result Preview

Company Name		Q1FY23E	Q1FY22	YoY gr. (%)	Q4FY22	QoQ gr. (%)	Remark
ACC	Sales	43,943	38,104	15.3	43,219	1.7	
	EBITDA	5,747	7,948	-27.7	5,300	8.4	Volume is expected to rise by 9.9% YoY to 7.5m tonnes (t). Realisations would improve by 4.9% YoY/Rs273 (up 4.2% QoQ/Rs238) at Rs5,843/t. Due to sharp increase in costs by 15.2% YoY/Rs670/t partially offset by increase in realisations, EBITDA/t is expected to fall by 34.2%/Rs398 YoY at Rs764.
	Margin (%)	13.1	20.9		12.3		
	PBT	5,739	7,550	-24.0	5,286	8.6	
	Adj. PAT	4,349	5,694	-23.6	3,963	9.7	
	Volume (mn te)	7.5	6.8	9.9	7.7	-2.5	
	Net Realisations (Rs/te)	5,843	5,571	4.9	5,606	4.2	
	EBITDA (Rs/te)	764	1,162	-34.2	687	11.2	
Ambuja Cement	Sales	38,843	33,420	16.2	38,550	0.8	Volume is expected to rise by 11% YoY at 7.1m tonnes. Realisations are expected to expand by 4.7%/ Rs245/t YoY (up 5.9%/Rs301/t QoQ) at Rs5,448/t. Due to steep increase of 16% YoY/Rs600/t in costs partially offset by improvement in realisations, EBITDA/t is expected to fall sharply by 24.5%/Rs355 YoY to Rs1,094.
	EBITDA	7,798	9,305	-16.2	7,202	8.3	
	Margin (%)	20.1	27.8		18.7		
	PBT	12,358	9,665	27.9	6,543	88.9	
	Adj. PAT	9,269	7,231	28.2	4,952	87.2	
	Volume (mn te)	7.1	6.4	11.0	7.5	-4.8	
	Net Realisations (Rs/te)	5,448	5,203	4.7	5,147	5.9	
	EBITDA (Rs/te)	1,094	1,449	-24.5	962	13.7	
Dalima Bharat	Sales	32,737	25,870	26.5	33,800	-3.1	Volume is expected to grow sharply by 26.8% YoY at 6.2m tonnes. Realisations are expected to contract by 0.3%/Rs14/t YoY (+2.6%/Rs135/t QoQ) at Rs5,270/t. Due to increase in costs by 10% YoY/Rs384/t, EBITDA/t is expected to fall sharply by 27.3%/Rs397 YoY at Rs1,061.
	EBITDA	6,576	7,130	-7.8	6,830	-3.7	
	Margin (%)	20.1	27.6		20.2		
	PBT	3,476	3,860	-10.0	3,560	-2.4	
	Adj. PAT	1,381	2,770	-50.1	1,968	-29.8	
	Volume (mn te)	6.2	4.9	26.8	6.6	-5.6	
	Net Realisations (Rs/te)	5,270	5,284	-0.3	5,135	2.6	
	EBITDA (Rs/te)	1,061	1,458	-27.3	1,040	2.0	
Heidelberg Cement	Sales	6,396	5,504	16.2	5,867	9.0	Volume is expected to grow by 5.6% YoY at 1.3m tonnes. Realisations are expected to increase by 10.1%/Rs468/t YoY (up 7.6%/Rs362/t QoQ) at Rs5,117/t. Due to sharp increase in costs by 16.6% YoY/Rs597/t partially offset by increase in realisations, EBITDA/t is expected to contract by 12.1%/Rs129 YoY at Rs932.
	EBITDA	1,164	1,255	-7.2	852	36.6	
	Margin (%)	18.2	22.8		14.5		
	PBT	1,072	1,039	3.2	978	9.6	
	Adj. PAT	707	687	3.1	936	-24.4	
	Volume (mn te)	1.3	1.2	5.6	1.2	1.3	
	Net Realisations (Rs/te)	5,117	4,648	10.1	4,754	7.6	
	EBITDA (Rs/te)	932	1,060	-12.1	691	34.9	
JK Lakshmi Cement	Sales	14,643	12,315	18.9	14,976	-2.2	Volume is expected to improve by 9.1% YoY at 2.9m tonnes. Realisations are expected to increase by 9.0%/Rs416 YoY (+6.0%/Rs286 QoQ) at Rs5,049/t. Due to sharp increase in costs by 13.1% YoY/Rs500/t partially offset by higher realisations, EBITDA/t would fall by 10.3%/Rs84 YoY at Rs729.
	EBITDA	2,115	2,161	-2.1	2,762	-23.4	
	Margin (%)	14.4	17.5		18.4		
	PBT	1,565	1,613	-3.0	2,213	-29.3	
	Adj. PAT	1,064	1,187	-10.3	1,086	-2.0	
	Volume (mn te)	2.9	2.7	9.1	3.1	-7.8	
	Net Realisations (Rs/te)	5,049	4,633	9.0	4,763	6.0	
	EBITDA (Rs/te)	729	813	-10.3	879	-17.0	
Shree Cement	Sales	43,570	34,495	26.3	40,988	6.3	Cement volume is expected to grow by 14% YoY at 7.8m tonnes. Realisations are expected to improve by 4.7% YoY/Rs 237/t (up 6.8%/Rs335/t QoQ) at Rs5,278. Due to increase in costs partially offset by increase in realisations, cement EBITDA/t is expected to contract by 15.8% YoY/Rs237 to Rs1,256.
	EBITDA	10,799	10,135	6.5	9,106	18.6	
	Margin (%)	24.8	29.4		22.2		
	PBT	9,364	8,667	8.0	6,938	35.0	
	Adj. PAT	7,210	6,617	9.0	5,450	32.3	
	Volume (mn te) - Cement	7.8	6.8	14.0	8.0	-2.9	
	Net Realisations (Rs/te)	5,278	5,041	4.7	4,943	6.8	
	Cement EBITDA (Rs/te)	1,256	1,493	-15.8	1,072	17.2	

Company Name		Q1FY23E	Q1FY22	YoY gr. (%)	Q4FY22	QoQ gr. (%)	Remark
The Ramco Cements	Sales	15,974	12,051	32.6	16,977	-5.9	
	EBITDA	2,535	3,404	-25.5	2,837	-10.6	Volume is expected to grow sharply by 40.0% YoY at 3.0m tonnes.
	Margin (%)	15.9	28.2		16.7		Realisations are expected to de-grow by 5.3%/Rs299 YoY (up 0.2%/Rs11/t
	PBT	1,471	2,501	-41.2	1,641	-10.3	QoQ) at Rs5,329. Due to increase of 10.8% YoY/Rs435/t in costs, EBITDA/t
	Adj. PAT	1,104	1,690	-34.7	1,232	-10.4	would fall sharply by 46.8%/Rs744 YoY
	Volume (mn te)	3.0	2.1	40.0	3.2	-6.1	at Rs846.
	Net Realisations (Rs/te)	5,329	5,629	-5.3	5,318	0.2	
	EBITDA (Rs/te)	846	1,590	-46.8	889	-4.8	
UltraTech Cement	Sales	1,42,605	1,12,990	26.2	1,49,190	-4.4	Blended realisations are expected to increase by 6.9%/Rs382 YoY (up 4.7%/Rs266 QoQ) to Rs5,885/t.
	EBITDA	27,894	31,140	-10.4	27,900	-0.0	Cement volumes are expected to grow sharply by 18% YoY at 24.2m tonnes.
	Margin (%)	19.6	27.6		18.7		Due to sharp increase in costs by 18.7% YoY/Rs747/t partially offset by increase in realisations, EBITDA/t
	PBT	23,035	25,160	-8.4	22,710	1.4	would fall by 24.1%/Rs366 YoY to Rs1,151.
	Adj. PAT	12,534	16,820	-25.5	14,705	-14.8	
	Volume (mn te)	24.2	20.5	18.0	26.6	-8.7	
	Net Realisations (Rs/te)	5,885	5,504	6.9	5,619	4.7	
	EBITDA (Rs/te)	1,151	1,517	-24.1	1,051	9.6	

Source: Company, PL

Exhibit 7: Valuation Summary

Company Names	S/C Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				EV/EBITDA (x)				PE (x)			
					FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
ACC	C BUY	2,168	2,425	407.6	134.9	158.1	168.6	185.0	21.8	26.6	23.5	31.3	16.2	19.0	16.9	21.3	86.3	101.0	89.7	113.6	15.5	12.2	14.1	10.2	25.1	21.5	24.2	19.1
Ambuja Cement	C Hold	367	404	728.6	245.2	289.7	328.1	346.5	50.1	62.1	56.7	71.3	24.6	28.3	25.2	32.6	12.4	14.3	12.7	16.4	19.1	14.5	16.1	12.4	29.6	25.7	28.9	22.3
Dalmia Bharat	C Acc	1,453	1,755	272.5	105.2	117.2	139.4	151.0	27.9	23.3	28.1	32.0	10.0	7.5	10.3	12.9	53.3	39.8	55.1	68.9	9.4	11.3	9.7	8.8	27.2	36.5	26.4	21.1
Heidelberg Cement	S Reduce	169	183	38.3	20.9	22.4	25.2	26.4	4.8	3.8	4.5	5.2	2.6	2.2	2.8	3.1	11.5	9.8	12.4	13.5	7.6	9.4	7.5	6.1	14.7	17.3	13.6	12.5
JK Lakshmi Cement	S Acc	434	570	51.1	43.8	50.4	55.3	55.8	7.9	8.0	8.3	8.8	3.9	3.9	4.3	4.8	32.8	32.7	36.5	41.0	6.8	6.3	5.5	4.5	13.2	13.3	11.9	10.6
Shree Cement	C Hold	20,015	23,150	722.1	134.6	150.1	172.8	191.7	40.4	37.1	41.8	48.7	22.8	23.3	23.7	29.3	630.7	646.3	657.9	811.4	16.1	17.4	15.4	13.1	31.7	31.0	30.4	24.7
The Ramco Cements	S Hold	654	650	154.1	51.9	59.0	69.2	74.0	14.7	12.0	12.9	17.0	7.8	5.9	6.1	8.2	33.1	25.0	25.7	34.6	11.8	15.1	14.1	10.4	19.8	26.2	25.5	18.9
Ultratech Cement	C Acc	5,839	7,180	1,685.4	442.4	510.8	551.1	606.2	110.8	107.4	112.1	132.5	53.2	56.0	61.1	78.0	184.2	194.2	211.8	270.1	14.6	14.9	13.8	11.1	31.7	30.1	27.6	21.6

Source: Company, PL

S=Standalone / C=Consolidated / Acc=Accumulate

Exhibit 8: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
	C	P	C	P	% Chng.	FY23E			FY24E			FY23E			FY24E			FY23E			FY24E		
						C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
ACC	BUY	BUY	2,425	2,300	5.5%	1,68,635	1,68,635	0.0%	1,84,972	1,84,972	0.0%	16,865	16,865	0.0%	21,349	19,955	7.0%	89.7	89.7	0.0%	113.6	106.1	7.0%
Ambuja Cement	Hold	Hold	404	400	0.8%	3,28,125	3,28,125	0.0%	3,46,515	3,46,515	0.0%	25,241	25,241	0.0%	32,622	30,753	6.1%	12.7	12.7	0.0%	16.4	15.5	6.1%
Dalmia Bharat	Acc	Acc	1,755	1,755	0.0%	1,39,447	1,39,447	0.0%	1,50,994	1,50,994	0.0%	10,333	10,333	0.0%	12,924	12,924	0.0%	55.1	55.1	0.0%	68.9	68.9	0.0%
Heidelberg Cement	Reduce	Reduce	183	195	-6.3%	25,194	25,194	0.0%	26,416	26,416	0.0%	2,809	2,809	0.0%	3,068	3,068	0.0%	12.4	12.4	0.0%	13.5	13.5	0.0%
JK Lakshmi Cement	Acc	Ac	570	570	0.0%	55,267	55,267	0.0%	55,779	55,779	0.0%	4,297	4,297	0.0%	4,826	4,826	0.0%	36.5	36.5	0.0%	41.0	41.0	0.0%
Shree Cement	Hold	Hold	23,150	23,150	0.0%	1,72,775	1,72,775	0.0%	1,91,659	1,91,659	0.0%	23,738	23,738	0.0%	29,277	29,277	0.0%	657.9	657.9	0.0%	811.4	811.4	0.0%
The Ramco Cements	Hold	Hold	650	650	0.0%	69,221	69,221	0.0%	74,008	74,008	0.0%	6,055	6,055	0.0%	8,162	8,162	0.0%	25.7	25.7	0.0%	34.6	34.6	0.0%
Ultratech Cement	Acc	Acc	7,180	7,180	0.0%	5,51,129	5,51,129	0.0%	6,06,236	6,06,236	0.0%	61,133	61,133	0.0%	77,954	77,954	0.0%	211.8	211.8	0.0%	270.1	270.1	0.0%

Source: Company, PL

C=Current / P=Previous / Acc=Accumulate

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,300	2,057
2	Ambuja Cement	Hold	400	383
3	Coal India	Accumulate	220	186
4	Dalmia Bharat	Accumulate	1,755	1,422
5	Heidelberg Cement India	Reduce	195	189
6	Hindalco Industries	Accumulate	545	408
7	Hindustan Zinc	Reduce	322	294
8	Jindal Steel & Power	Reduce	405	378
9	JK Lakshmi Cement	Accumulate	570	422
10	JSW Steel	Reduce	560	548
11	NMDC	Reduce	155	147
12	Shree Cement	Hold	23,150	22,001
13	Steel Authority of India	Reduce	57	83
14	Tata Steel	Reduce	1,230	1,171
15	The Ramco Cements	Hold	650	679
16	Ultratech Cement	Accumulate	7,180	6,630

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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