

# Cement Sector

## 1QFY24 Result Preview

July 09, 2023

### Strong quarter

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#### Key Points

- Cement demand is expected to increase by +12% YoY in 1QFY24, driven by widespread government spending on infrastructure development. This will have a positive impact on the rural IHB category.
- Private capex is rising in both Commercial as well as Residential sectors because of government incentives.
- Prices are projected to remain static despite several attempts; some price improvement is likely after the festivities.
- EBITDA/T should rise by Rs150-250 owing to fuel mix optimisation and declining coal/pet coke costs.

Our channel checks confirm that the positive demand narrative is still valid and 1QFY24 cement consumption is expected to rise by +12% YoY, with the South region expected to experience the highest growth rate at +20% followed by East at +18%, West at +15%, North at +14% and Central at +12%. The strong growth is expected to be driven by persistent government spending on infrastructure development, early project completions, momentum in the Real Estate industry and rural-centric Affordable Housing projects. According to NBIE, UltraTech Cement (UTCL), Ambuja Cement, Dalmia Cement, JK Cement, Birla Corp. and The Ramco Cements should clock +15% YoY volume growth in 1QFY24. The overall pricing scenario remains grim for 1QFY24 as companies chase market dominance over price leadership. Prices have shown little resilience despite several attempts to hike prices. However, some price improvement can be expected post festivals. NBIE anticipates expansion in EBITDA/T to come from receding fuel prices, increase in the share of premium products and sale of OPC in trade/over the counter. With lower fuel costs and consistent demand growth, NBIE expects UltraTech, Dalmia, Shree Cement, Ambuja, Ramco and JK Cement to deliver Rs1,000+ EBITDA/T. Low-cost inventory should boost EBITDA by 6-8% YoY. Average EBITDA/T for the covered universe should improve from Rs891 in 4QFY23 to Rs1,037 in 1QFY24. We continue to be upbeat about the industry because of the benefits arising from falling operating costs and the fact that as of June 23, the price of South African coal was down by 24% YoY to US\$107.3/T. Coal prices (E-Auction) and Pet Coke prices both have seen a correction of 6% YoY and 39% YoY, respectively. However, the marginal 4.6% YoY rise in domestic coal FSA prices will be offset by better fuel mix. EBITDA margin is expected to improve by 98bps YoY to 18.1%. PAT to increase by 30% YoY. Aggregate volume is expected to increase by 16.8% YoY to 87.9Mn T in 1QFY24. Due to the supply glut, we expect Realization/T to either remain constant or decline by 0.7% YoY.

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Rs mn	Revenue			EBITDA			EBITDA margin			PAT		
	1QFY24E	YoY %	QoQ %	1QFY24E	YoY %	QoQ %	1QFY23	4QFY23	1QFY24E	1QFY24E	YoY %	QoQ %
ACC	49,312	10.4	2.9	6,383	50.1	36.9	9.5	9.7	12.9	3,638	63.7	53.8
Ambuja Cement	45,428	13.8	6.7	9,018	31.7	14.4	17.1	18.5	19.9	10,669	1.8	112.4
Birla Corp	23,500	6.6	(4.6)	3,742	44.3	36.4	11.8	11.1	15.9	1,479	73.5	74.1
Dalmia Bharat	37,372	13.2	(4.5)	7,617	29.3	7.7	17.8	18.1	20.4	2,958	57.3	(51.3)
Heidelberg	6,524	10.6	8.4	873	(8.2)	26.2	16.1	11.5	13.4	439	(14.9)	25.5
JK Cement	25,660	13.1	(7.6)	4,265	5.6	22.0	17.8	12.6	16.6	1,919	19.3	74.3
JK Lakshmi	17,548	13.1	1.5	2,886	33	52.6	14.0	10.9	16.4	1,701	68.5	74.8
Nuvoco	30,389	14.6	3.8	5,315	47.3	39.7	13.6	13.0	17.5	1,173	473.0	(41.7)
Sagar Cement	7,119	27.6	14.5	1,102	80.5	183.6	10.9	6.3	15.5	236	NA	(75.9)
Shree Cement	49,142	16.9	2.7	9,980	21.9	11.8	19.5	18.7	20.3	5,405	71.3	(1.0)
Star Cement	7,839	17.7	(5.0)	1,698	36.8	2.2	18.6	20.1	21.7	1,084	60.5	12.8
The Ramco Cement	22,918	29.3	(10.9)	4,409	46.6	7.1	17.0	16.0	19.2	2,101	87.1	39.3
UltraTech	1,80,570	19.1	(3.2)	33,877	9.5	2.0	20.4	17.8	18.8	18,587	17.5	11.3

Source: Nirmal Bang Institutional Equities Research

## Exhibit 1: Company-wise 1QFY24 estimates

ACC	2QCY22	1QCY23	1QFY24E	YoY%	QoQ%
Volumes (mn mt)	7.6	8.5	8.4	11.0	(1.3)
Realizations (Rs/mt)	5,495	5,269	5,440	(1.0)	3.2
EBITDA/mt (Rs)	563	549	761	35.2	38.7
Net Sales	44,684	47,908	49,312	10.4	2.9
EBITDA	4,253	4,663	6,383	50.1	36.9
Adj. PAT	2,222	2,366	3,638	63.7	53.8
EPS (Rs)	11.8	12.6	19.4	63.7	53.8

ACEM	2QCY22	1QCY23	1QFY24E	YoY%	QoQ%
Volumes (mn mt)	7.4	8.1	8.5	14.9	4.8
Realizations (Rs/mt)	5,404	5,255	5,350	(1.0)	1.8
EBITDA/mt (Rs)	926	973	1,062	14.6	9.1
Net Sales	39,935	42,563	45,428	13.8	6.7
EBITDA	6,845	7,883	9,018	31.7	14.4
Adj. PAT	10,479	5,831	10,669	1.8	83.0
EPS (Rs)	5.3	2.9	5.4	1.8	83.0

BCORP	1QFY23	4QFY23	1QFY24E	YoY%	QoQ%
Volumes (mn mt)	3.9	4.4	4.4	11.0	(1.8)
Realizations (Rs/mt)	5,344	5,279	5,387	0.8	2.1
EBITDA/mt (Rs)	660	618	858	30.0	38.8
Net Sales	22,038	24,626	23,500	6.6	(4.6)
EBITDA	2,593	2,743	3,742	44.3	36.4
Adj. PAT	852	850	1,479	73.5	74.1
EPS (Rs)	11.1	11.0	19.2	73.5	74.1

HEIM	1QFY23	4QFY23	1QFY24E	YoY%	QoQ%
Volumes (mn mt)	1.1	1.2	1.2	9.8	2.9
Realizations (Rs/mt)	5,305	5,076	5,345	0.8	5.3
EBITDA/mt (Rs)	855	583	715	(16.4)	22.6
Net Sales	5,899	6,020	6,524	10.6	8.4
EBITDA	950	691	873	(8.2)	26.2
Adj. PAT	516	350	439	(14.9)	25.5
EPS (Rs)	2.3	1.5	1.9	(14.9)	25.5

JKCE	1QFY23	4QFY23	1QFY24E	YoY%	QoQ%
Volumes (mn mt)	3.6	4.7	4.1	15.4	(12.0)
Realizations (Rs/mt)	6,374	5,947	6,246	(2.0)	5.0
EBITDA/mt (Rs)	1,134	748	1,038	(8.4)	38.7
Net Sales	22,697	27,779	25,660	13.1	(7.6)
EBITDA	4,037	3,495	4,265	5.6	22.0
Adj. PAT	1,608	1,101	1,919	19.3	74.3
EPS (Rs)	20.8	14.2	24.8	19.3	74.3

JKLC	1QFY23	4QFY23	1QFY24E	YoY%	QoQ%
Volumes (mn mt)	2.8	3.1	3.2	14.3	3.9
Realizations (Rs/mt)	5,567	5,644	5,511	(1.0)	(2.4)
EBITDA/mt (Rs)	779	617	906	16.4	46.8
Net Sales	15,510	17,289	17,548	13.1	1.5
EBITDA	2,170	1,891	2,886	33.0	52.6
Adj. PAT	1,009	973	1,701	68.5	74.8
EPS (Rs)	8.6	8.3	14.5	68.5	74.8

NVCL	1QFY23	4QFY23	1QFY24E	YoY%	QoQ%
Volumes (mn mt)	4.7	5.2	5.4	14.0	3.0
Realizations (Rs/mt)	5,644	5,632	5,672	0.5	0.7
EBITDA/mt (Rs)	768	732	992	29.2	35.6
Net Sales	26,525	29,285	30,389	14.6	3.8
EBITDA	3,609	3,804	5,315	47.3	39.7
Adj. PAT	205	2,011	1,173	473.0	(41.7)
EPS (Rs)	0.6	5.6	3.3	473.0	(41.7)

SGC	1QFY23	4QFY23	1QFY24E	YoY%	QoQ%
Volumes (mn mt)	1.2	1.4	1.50	26.4	10.5
Realizations (Rs/mt)	4,702	4,581	4,749	1.0	3.7
EBITDA/mt (Rs)	514	286	735	42.8	156.5
Net Sales	5,577	6,215	7,119	27.6	14.5
EBITDA	610	389	1,102	80.5	183.5
Adj. PAT	-131	980	236	NA	(75.9)
EPS (Rs)	-1.0	7.5	1.8	NA	(75.9)

SRCM	1QFY23	4QFY23	1QFY24E	YoY%	QoQ%
Volumes (mn mt)	7.5	8.8	8.9	18.1	0.3
Realizations (Rs/mt)	5,602	5,419	5,546	(1.0)	2.3
EBITDA/mt (Rs)	1,091	1,011	1,126	3.2	11.4
Net Sales	42,027	47,851	49,142	16.9	2.7
EBITDA	8,188	8,925	9,980	21.9	11.8
Adj. PAT	3,156	5,462	5,405	71.3	(1.0)
EPS (Rs)	87.5	151.4	149.8	71.3	(1.0)

Star Cement	1QFY23	4QFY23	1QFY24E	YoY%	QoQ%
Volumes (mn mt)	1.0	1.2	1.2	19.2	(5.4)
Realizations (Rs/mt)	6,776	6,665	6,709	(1.0)	0.7
EBITDA/mt (Rs)	1,267	1,346	1,454	14.8	8.0
Net Sales	6,661	8,250	7,839	17.7	(5.0)
EBITDA	1,241	1,662	1,698	36.8	2.2
Adj. PAT	676	961	1,084	60.5	12.8
EPS (Rs)	1.7	2.4	2.7	60.5	12.8

TRCL	1QFY23	4QFY23	1QFY24E	YoY%	QoQ%
Volumes (mn mt)	3.3	4.7	4.3	29.3	(8.9)
Realizations (Rs/mt)	5,355	5,473	5,355	0.0	(2.2)
EBITDA/mt (Rs)	908	876	1,030	13.4	17.6
Net Sales	17,725	25,725	22,918	29.3	(10.9)
EBITDA	3,007	4,117	4,409	46.6	7.1
Adj. PAT	1,123	1,509	2,101	87.1	39.3
EPS (Rs)	4.8	6.4	8.9	87.1	39.3

UTCEM	1QFY23	4QFY23	1QFY24E	YoY%	QoQ%
Volumes (mn mt)	25.0	31.7	29.9	19.4	(5.7)
Realizations (Rs/mt)	6,056	5,887	6,039	(0.3)	2.6
EBITDA/mt (Rs)	1,236	1,048	1,133	(8.3)	8.1
Net Sales	1,51,640	1,86,624	1,80,570	19.1	(3.2)
EBITDA	30,949	33,225	33,877	9.5	2.0
Adj. PAT	15,820	16,701	18,587	17.5	11.3
EPS (Rs)	54.8	57.8	64.4	17.5	11.4

Dalmia Bharat	1QFY23	4QFY23	1QFY24E	YoY%	QoQ%
Volumes (mn mt)	6.2	7.4	7.1	14.4	(4.2)
Realizations (Rs/mt)	5,326	5,286	5,273	(1.0)	(0.3)
EBITDA/mt (Rs)	950.0	955	1,075	13.1	12.5
Net Sales	33,020	39,120	37,372	13.2	(4.5)
EBITDA	5,890	7,070	7,617	29.3	7.7
Adj. PAT	1,880	6080	2,958	57.4	(51.3)
EPS (Rs)	10.0	11.9	15.8	57.4	32.7

Source: Companies, Nirmal Bang Institutional Equities Research

Note: Ambuja and ACC approved at its Board meeting held on 16th September, 2022 Change in the financial year from 1st January - 31st December every year to 1st April - 31st March every year along with extension of financial year from 1st January, 2022 to 31st March 2023 for a period of 15 months.

Ambuja 1QCY23 Adj.PAT and Dalmia Bharat 4QFY23 Adj.PAT Is higher due to adjustment for Exceptional items.

## Exhibit 2: Cement sector aggregate 1QFY24 estimates

Rs mn	1QFY23	4QFY23	1QFY24E	YoY%	QoQ%
Volume (mn mt)	75.3	90.4	87.9	16.8	(2.7)
Realization (Rs/mt)	5,766	5,634	5,725	(0.7)	1.6
EBITDA/mt (Rs)	988	891	1,037	5.0	16.3
Net sales	4,33,936	5,09,255	5,03,322	16.0	(1.2)
EBITDA	74,343	80,557	91,164	22.6	13.2
EBITDA margin	17.1%	15.8%	18.1%	98bps	229bps
Adj. PAT	39,414	44,366	51,389	30.4	15.8

Source: Company, Nirmal Bang Institutional Equities Research

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