

Cement Sector

2QFY24 Result Preview

October 10, 2023

Cement performance – A mixed bag

Key Points

- Cement demand growth for the industry is expected at ~6%+ YoY in 2QFY24, supported by government as well as private capex.
- Prices remained flat QoQ in 2QFY24 but have witnessed significant increase of Rs50-75/bag, led by production discipline maintained by the industry. The impact of the price increase will be seen in 3QFY24 if prices sustain.
- Margins to improve in 2QFY24 and 3QFY24 in the backdrop of low-cost inventory.
- EBITDA/T for the companies under NBIE coverage to improve by ~80% YoY and ~4% QoQ.

Stable demand scenario: Our channel checks indicate demand growth for the overall industry at ~6% YoY while for the NBIE universe it is at ~11% YoY in the aftermath of monsoon, bolstered by capex – public as well as private - ahead of next year's Lok Sabha elections. We expect FY24 to end with a healthy demand growth of ~9%. Ultratech Cement has reported an impressive volume growth of 16% YoY for 2QFY24. Our analysis suggests that different regions in the country will experience varying growth rates with the Northern and Central regions growing at ~6% or more each. In the Eastern region, growth is expected to be ~5% while in the Western region, it will be ~4%. Finally, in the Southern region, we expect growth to be ~6% or more.

Prices were flat QoQ after witnessing muted pricing in 1QFY24. Prices saw a marginal decline across all regions, but the severity of the drop was more pronounced in the East region varying across key consumption centres by Rs40-50/bag. Players in the East region took price hikes in three rounds (Rs35/bag twice and Rs5/bag in the third round), totaling Rs75/bag. Of this, Rs40/bag has been fully absorbed in the region. Northern and Central regions have seen price hikes of Rs5-10/bag. NBIE expects the industry to take a proactive approach by implementing additional price hikes after the festive season.

Low-cost inventory is expected to improve profitability as both domestic as well as international petroleum coke prices have declined 35–60% in recent months but prices for imported coal have surged by 15% and pet coke prices have seen a significant 28% increase since reaching their lowest point in July'23. Additionally, during 1QFY24, the industry had seen an uptick in the cost of raw materials (RMs) such as fly ash and slag, leading to higher overall RM costs for many companies. NBIE's analysis suggests that this trend of rising energy as well as RM cost is likely to persist in the coming quarters of FY24. Considering these challenges, implementing price hikes for the industry would be regarded as a positive strategic move. Such price adjustments have the potential to offset the escalating energy costs, thereby helping companies maintain profitability despite the cost pressures. In 2QFY24, EBITDA/T is expected to be relatively stronger due to the low base.

We expect **EBITDA/T of the companies under our coverage** to increase to Rs974/tonne from Rs539/tonne reported in 2QFY23, as the previous year was affected by higher energy prices and the companies had reported quarterly losses. On a quarterly basis, EBITDA/T is expected to increase by 4% due to reduced energy costs.

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Rs mn	Revenue			EBITDA			EBITDA margin			PAT		
	2QFY24E	YoY %	QoQ %	2QFY24E	YoY %	QoQ %	2QFY23	1QFY24	2QFY24E	2QFY24E	YoY %	QoQ %
ACC	41,110	3.1	-21.0	6,484	4104.7	-15.7	0.4	14.8	15.8	3,890	NA	-16.2
Ambuja Cement	86,308	20.8	-0.9	16,987	407.9	1.9	4.7	19.1	19.7	10,526	1,951.8	-7.3
Birla Corp	20,339	1.7	-15.6	2,979	217.0	0.0	4.7	12.4	14.6	875	NA	46.6
Dalmia Bharat	32,814	10.4	-9.5	5,848	54.3	-4.1	12.8	16.8	17.8	1,169	133.9	-18.8
Heidelberg	5,357	5.9	-10.1	858	80.4	-7.6	9.4	15.6	16.0	338	382.7	-35.3
JK Cement	25,318	13.6	-8.4	4,135	35.5	1.4	13.7	14.8	16.3	1,483	33.6	30.7
JK Lakshmi	14,207	3.4	-17.9	1,696	3.4	-13.6	11.9	11.3	11.9	755	22.3	-5.3
Nuvoco Vistas	25,098	4.5	-10.5	3,520	83.3	-10.3	8.0	14.0	14.0	-209	NA	NA
Sagar Cement	5,069	6.8	-6.1	307	437.1	0.6	1.2	5.6	6.0	-587	NA	NA
Shree Cement	42,503	12.4	-15.0	8,571	63.9	-8.1	13.8	18.7	20.2	4,406	132.4	-24.2
Star Cement	6,035	1.6	-20.6	882	26.6	-31.8	11.7	17.0	14.6	603	94.0	-35.4
The Ramco Cement	20,978	17.6	-6.4	3,539	92.6	3.7	10.3	15.2	16.9	963	739.3	22.0
UltraTech Cement	1,60,815	15.8	-9.3	27,855	49.2	-8.6	13.4	17.2	17.3	14,861	95.9	-12.1

Source: Nirmal Bang Institutional Equities Research

Exhibit 1: Company-wise 2QFY24 estimates

ACC	3QCY22	1QFY24	2QFY24E	YoY%	QoQ%
Volumes (mn mt)	6.8	9.4	7.3	6.5	(22.4)
Realizations (Rs/mt)	5,392	5,189	5,199	(3.6)	0.2
EBITDA/mt (Rs)	23	818	889	3848.0	8.7
Net Sales	39,873	52,011	41,110	3.1	(21.0)
EBITDA	154	7,690	6,484	4104.7	(15.7)
Adj. PAT	-911	4,639	3,890	NA	(16.2)
EPS (Rs)	-4.9	24.7	20.7	NA	(16.2)

BCORP	2QFY23	1QFY24	2QFY24E	YoY%	QoQ%
Volumes (mn mt)	3.6	4.4	3.9	7.4	(11.4)
Realizations (Rs/mt)	5,151	5,229	5,203	1.0	(0.5)
EBITDA/mt (Rs)	258	675	762	195.2	12.8
Net Sales	19,998	24,085	20,339	1.7	(15.6)
EBITDA	940	2,978	2,979	217.0	0.0
Adj. PAT	-565	597	875	NA	46.6
EPS (Rs)	-7.3	7.8	11.4	NA	46.6

JKCE	2QFY23	1QFY24	2QFY24E	YoY%	QoQ%
Volumes (mn mt)	3.6	4.5	4.1	13.6	(8.1)
Realizations (Rs/mt)	6,114	6,128	6,114	0.0	(0.2)
EBITDA/mt (Rs)	837	905	999	19.3	10.4
Net Sales	22,280	27,626	25,318	13.6	(8.4)
EBITDA	3,051	4,078	4,135	35.5	1.4
Adj. PAT	1,110	1,135	1,483	33.6	30.7
EPS (Rs)	14.4	14.7	19.2	33.6	30.7

NVCL	2QFY23	1QFY24	2QFY24E	YoY%	QoQ%
Volumes (mn mt)	4.4	5.0	4.5	1.7	(10.5)
Realizations (Rs/mt)	5,456	5,611	5,609	2.8	(0.0)
EBITDA/mt (Rs)	436	785	787	80.2	0.2
Net Sales	24,006	28,055	25,098	4.5	(10.5)
EBITDA	1,920	3,925	3,520	83.3	(10.3)
Adj. PAT	-1,304	145	-209	NA	NA
EPS (Rs)	-3.7	0.4	-0.6	NA	NA

SRCM	2QFY23	1QFY24	2QFY24E	YoY%	QoQ%
Volumes (mn mt)	7.5	8.9	8.2	10.2	(7.9)
Realizations (Rs/mt)	5,071	5,604	5,172	2.0	(7.7)
EBITDA/mt (Rs)	701	1,045	1,043	48.7	(0.2)
Net Sales	37,809	49,991	42,503	12.4	(15.0)
EBITDA	5,230	9,326	8,571	63.9	(8.1)
Adj. PAT	1,896	5,811	4,406	132.4	(24.2)
EPS (Rs)	52.5	161.1	122.1	132.4	(24.2)

TRCL	2QFY23	1QFY24	2QFY24E	YoY%	QoQ%
Volumes (mn mt)	3.3	4.3	4.0	20.0	(7.7)
Realizations (Rs/mt)	5,391	5,212	5,283	(2.0)	1.4
EBITDA/mt (Rs)	555	794	891	60.5	12.2
Net Sales	17,844	22,411	20,978	17.6	(6.4)
EBITDA	1,838	3,415	3,539	92.6	3.7
Adj. PAT	115	789	963	739.3	22.0
EPS (Rs)	0.5	3.3	4.1	739.3	22.0

ACEM	3QCY22	1QFY24	2QFY24E	YoY%	QoQ%
Volumes (mn mt)	13.9	15.4	15.2	9.0	(1.3)
Realizations (Rs/mt)	5,122	5,658	5,678	10.8	0.4
EBITDA/mt (Rs)	240	1,082	1,117	366.0	3.2
Net Sales	71,432	87,129	86,308	20.8	(0.9)
EBITDA	3,345	16,670	16,987	407.9	1.9
Adj. PAT	513	11,355	10,526	1951.8	(7.3)
EPS (Rs)	0.4	5.7	5.3	1256.2	(6.9)

HEIM	2QFY23	1QFY24	2QFY24E	YoY%	QoQ%
Volumes (mn mt)	1.0	1.2	1.1	5.1	(12.6)
Realizations (Rs/mt)	5,061	4,951	5,096	0.7	2.9
EBITDA/mt (Rs)	476	772	816	71.6	5.7
Net Sales	5,061	5,956	5,357	5.9	(10.1)
EBITDA	476	929	858	80.4	(7.6)
Adj. PAT	70	523	338	382.7	(35.3)
EPS (Rs)	0.3	2.3	1.5	382.7	(35.3)

JKLC	2QFY23	1QFY24	2QFY24E	YoY%	QoQ%
Volumes (mn mt)	2.5	3.2	2.7	5.5	(16.7)
Realizations (Rs/mt)	5,431	5,399	5,323	(2.0)	(1.4)
EBITDA/mt (Rs)	648	612	635	(2.0)	3.8
Net Sales	13,736	17,303	14,207	3.4	(17.9)
EBITDA	1,639	1,962	1,696	3.4	(13.6)
Adj. PAT	618	798	755	22.3	(5.3)
EPS (Rs)	5.3	6.8	6.4	22.3	(5.3)

SGC	2QFY23	1QFY24	2QFY24E	YoY%	QoQ%
Volumes (mn mt)	1.0	1.2	1.10	6.3	(6.7)
Realizations (Rs/mt)	4,585	4,575	4,608.00	0.5	0.7
EBITDA/mt (Rs)	55	258	279	405.3	7.9
Net Sales	4,746	5,397	5,069	6.8	(6.1)
EBITDA	57	305	307	437.1	0.6
Adj. PAT	-492	-422	-587	NA	NA
EPS (Rs)	-3.8	-3.2	-4.5	NA	NA

Star Cement	2QFY23	1QFY24	2QFY24E	YoY%	QoQ%
Volumes (mn mt)	0.9	1.1	0.9	1.0	(19.3)
Realizations (Rs/mt)	6,660	6,820	6,707	0.7	(1.7)
EBITDA/mt (Rs)	782	1,159	980	25.4	(15.5)
Net Sales	5,942	7,605	6,035	1.6	(20.6)
EBITDA	697	1,293	882	26.6	(31.8)
Adj. PAT	311	933	603	94.0	(35.4)
EPS (Rs)	0.8	2.3	1.5	94.0	(35.4)

UTCEM	2QFY23	1QFY24	2QFY24E	YoY%	QoQ%
Volumes (mn mt)	23.1	30.0	26.7	15.5	(10.9)
Realizations (Rs/mt)	6,013	5,920	6,025	0.2	1.8
EBITDA/mt (Rs)	808	1,018	1,044	29.2	2.5
Net Sales	1,38,927	1,77,371	1,60,815	15.8	(9.3)
EBITDA	18,667	30,492	27,855	49.2	(8.6)
Adj. PAT	7,587	16,902	14,861	95.9	(12.1)
EPS (Rs)	26.3	58.6	51.5	95.9	(12.1)

Dalmia Bharat	2QFY23	1QFY24	2QFY24E	YoY%	QoQ%
Volumes (mn mt)	5.8	7.0	6.3	8.7	(9.9)
Realizations (Rs/mt)	5,122	5,177	5,206	1.6	0.6
EBITDA/mt (Rs)	653	871	928	42.0	6.5
Net Sales	29,710	36,240	32,814	10.4	(9.5)
EBITDA	3,790	6,100	5,848	54.3	(4.1)
Adj. PAT	500	1,440	1,169	133.9	(18.8)
EPS (Rs)	2.7	7.7	6.2	133.9	(18.8)

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.

Exhibit 2: Cement sector aggregate 2QFY24 estimates

Rs mn	2QFY23	1QFY24	2QFY24E	YoY%	QoQ%
Volume (mn mt)	77.6	95.6	85.9	10.7	(10.1)
Realization (Rs/mt)	5,559	5,661	5,656	1.7	(0.1)
EBITDA/mt (Rs)	539	933	974	80.7	4.4
Net sales	4,31,362	5,41,179	4,85,952	12.7	(10.2)
EBITDA	41,804	89,162	83,660	100.1	(6.2)
EBITDA margin	9.69%	16.48%	17.2%	752bps	74bps
Adj. PAT	9,449	44,644	39,075	313.5	(12.5)

Source: Company, Nirmal Bang Institutional Equities Research

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