

Cement demand growth expected to continue.

**Stocks under coverage**

<b>ACC</b>	
Target Price	2,042
CY22E EV/EBIDTA	9.0x
<b>Ambuja Cement</b>	
Target Price	353
CY22E EV/EBIDTA	13x
<b>The Ramco Cement</b>	
Target Price	910
FY22E EV/EBIDTA	14x
<b>Ultratech Cement</b>	
Target Price	4660
FY22E EV/EBIDTA	16x
<b>Shree Digvijay Cement</b>	
Target Price	76
FY22E EV/EBIDTA	7.0x

NOTE : Target Prices given are based on Q3 FY21 results & Target Price will be revised post Q4 results.

Source: Arihant Research

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Robust demand momentum seen in past 2 quarters, continued to gain further traction in Q4FY21, mainly driven by rural and infrastructure segment. Volume growth for Q4FY21 is expected to be led by North, Central and East regions led by construction revival and low base of last year owing to lockdown).

On a sequential basis, the volumes are expected to report strong growth. The strong volume traction will drive the cumulative revenue growth. Cement prices began their gradual rise since the trough seen in Dec'20 and witnessed a strong and sustained uptick in Mar'21. East and West witnessed a strong pricing trend during Q4, which is expected to drive realisation uptick for players with exposure to these regions.

However, cement prices in other regions witnessed stable trend. On the cost front, we are expecting an increase of in variable costs on a sequential basis in Q4 as the companies realise the full impact of higher petcoke /coal/diesel prices.

Cumulative EBITDA is expected to report QoQ growth, largely led by volumes. However, we expect a marginal decline in EBITDA/t for various players due to rising input cost. On a sequential basis, higher variable costs and normalisation in other expenses (increased spending on advertisement and marketing) will be partially offset by the marginal improvement in realisations and favourable operating leverage. We expect, Ultratech, and Ambuja to outperform peers led by ramp up in utilisation and low base.

**Outlook** : We maintain our positive stance on the sector. We like Ultratech, ACC & Ambuja Cement among our coverage companies as our top picks.

## Q4FY21 Earnings Estimates:

in mn.	Q4FY21E	Q4FY20A	Q3FY21A	YoY	QoQ	Remarks
<b>ACC Limited</b>						
Revenue	42960	35017	40660	23%	6%	Net Revenue is expected to grow backed by volume growth. Volumes are expected to grow by 18% YoY and 1.3% to 7.8 mnmt and Realization/mt is expected to grow by 4%YoY and QoQ to INR 5508. Better operational efficiency backed by healthy topline growth will help operating profit & bottom line to grow. With growing urbanisation and rural empowerment, the demand from these sectors is expected to accelerate. The MSA agreement with Ambuja will help the pickup in volumes. EBIDTA/Mt expected to decline by 2% to INR 871 led by increase in cost and normalization in other expenses.
EBIDTA	6790	5864	5718	16%	19%	
PAT	4130	3230	4724	28%	-13%	
<b>Ambuja Cement Limited</b>						
Revenue	36760	28275	35151	30%	5%	Volume growth expected of 26%YoY and 4% QoQ to 7.3 mnmt and realization /tonne expected to grow of 3% YoY and to remain flat QoQ to INR 5036/mt. Volume growth will lead to healthy topline growth despite muted realization growth YoY. The long awaited expansion of Marwar Mudawah is likely to be commissioned by Q2CY22 which will aid volume growth. Lower operating cost led by cost initiatives program of I CAN and improved product mix will support operating profit growth .EBIDTA/mt is expected to be INR 1068/mt in Q1CY21E reflecting a growth of 2.7% YoY. However it is expected to decline by 2.6% QoQ amid rising input cost. Healthy topline growth and better margins will lead to bottom line growth. Superior margins, strong growth visibility and negligible debt status of the company augers well for the company.
EBIDTA	7800	6032	7678	29%	2%	
PAT	5250	3991	4971	32%	6%	
<b>Ultratech Cement Limited</b>						
Revenue	131991	107456	122541	23%	8%	Volumes are expected to report a growth driven by improved demand momentum sequentially. Prices have improved marginally on a sequential basis. Inching up of variable costs and normalisation of other expenses to be partially offset by realisation and operating leverage.
EBIDTA	31951	24427	30943	31%	3%	
PAT	18624	32427	15843	-43%	18%	
<b>The Ramco Cement Limited</b>						
Revenue	16380	13940	13439	18%	22%	Revenue is expected to grow 18% YoY due to volume growth and better realization. Volume growth is expected to grow by 10.3% YoY & 23% QoQ to 3.2 mnmt .Realization/mt is also likely to grow by 6% YoY however decline by 1% to INR 5119. better operational efficiency and topline growth will lead to better operating profit which in turn will lead to growth in bottom line.Cement prices have inched up in H2 of the quarter and is expected to drive marginal realisation improvement sequentially. Company is planning to expand its production capacity to 20 million tonnes per annum (MTPA) by FY22 which will help in volume growth.
EBIDTA	4690	2804	3981	67%	18%	
PAT	2530	1431	2067	77%	22%	
<b>Shree Digvijay Cement Co Limited</b>						
Revenue	1830	1280	1430	43%	28%	Robust expectation of revenue growth on YoY & QoQ basis is backed by healthy volume and realization growth. Realization/tonne is expected to grow by 21% YoY to INR 5941/mt. Sales Volume is expected to grow by 18.5%YoY to 3.08 mnmt. Better operational efficiency will lead to better operating profit in coming Quarter .EBIDTA /tonne is likely to decline by 7% YoY to INR1103 due to rise in input cost .We are positive on the company considering its reasonable valuations and monopoly in oil well cement.
EBIDTA	340	310	270	10%	26%	
PAT	260	230	140	13%	86%	

Note :ACC & Ambuja cement follow calendar year  
Source: Aриhant Research

## Q4FY21 Earnings Estimates:

Realization/MT (INR)					
Particulars	Q4FY21E	Q4FY20	Q3FY21	YoY	QoQ
ACC	5508	5306	5291	4%	4%
AMBUJA	5036	4875	5022	3%	0
Ultratech	5280	5319	5471	-1%	-3%
Ramco	5119	4807	5169	6%	-1%
Shree Digvijay Cement	5941	4923	4776	21%	25%

Volume Expectation ( Mn/tonne)					
Particulars	Q4FY21E	Q4FY20	Q3FY21	YoY	QoQ
ACC	7.8	6.6	7.7	18%	1%
AMBUJA	7.3	5.8	7	26%	4%
Ultratech	25	20.2	22.4	24%	12%
Ramco	3.2	2.9	2.6	10%	23%
Shree Digvijay Cement	0.3	0.2	0.3	18%	2%

EBIDTA/tonne (INR)					
Particulars	Q4FY21E	Q4FY20	Q3FY21	YoY	QoQ
ACC	871	888	743	-2%	17%
AMBUJA	1068	1040	1097	2.7%	-2.6%
Ultratech	1278	1209	1381	5.7%	-7.5%
Ramco	1466	967	1531	52%	-4%
Shree Digvijay Cement	1103	1192	897	-7%	23%

Note :ACC & Ambuja cement follow calendar year

Source: Arian Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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