

Stocks under coverage

Ambuja	
CMP	455
TP	523
Rating	Accumulate
ACC	
CMP	1852
TP	2111
Rating	Accumulate
Orient	
CMP	127
TP	190
Rating	Buy
Nuvoco Vista	
CMP	360
Price Objective	444
Rating	Buy
Digvijay	
CMP	83
TP	93
Rating	Accumulate
Ramco	
CMP	912
TP	1039
Rating	Accumulate
Ultratech	
CMP	8149
Price objective	9371
Rating	Positive

Region wise Cement prices

Region	April	May	MoM
North	402	417	+3%
South	395	410	+3%
East	375	380	+1%
West	310	330	+20
Central	350	365	+4%

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Source: Arihant Research

Q4FY23 performance: We witnessed 16% YoY growth in revenues mainly driven by increase in volumes (+13% YoY) as realisation remained flattish in Q4FY23. Though there was decline in EBITDA/t by 13% YoY in Q4FY23 due to inflated power and fuel cost which increased by 10% YoY per ton and increase in raw material prices which were up by ~20% YoY on per ton basis. This quarter Ambuja and Ramco cement performed well followed by decent performance from Ultratech and Digvijay. Birla corp reported positive EBITDA for Mukutban plant which can be a turnaround story for the company.

Cost and EBITDA/t: Cost continues to decline with imported coal price down by 50% from its peak and in May 2023 the prices were at ~\$122/t. Freight cost index is up 1% MoM (USD/t) in may 2023 and diesel prices at ~INR 98/litre in May 2023 which are flattish MoM basis. Overall, fuel and power cost played a dampener in profitability for the cement companies on YoY basis along with increase in raw material costs. On an average for our coverage companies Ebitda/t stood at ~INR 870 for Q4FY23 down by 13% YoY. But most of the companies performed well on QoQ basis as the power and fuel costs declined sequentially, but the benefit for many companies will flow in Q1 and Q2 of FY24 along with further decline in prices of petcoke (down 16%/24% for domestic/ imported) and coal (down 26% sequentially) have corrected during Q1FY2024 till date.

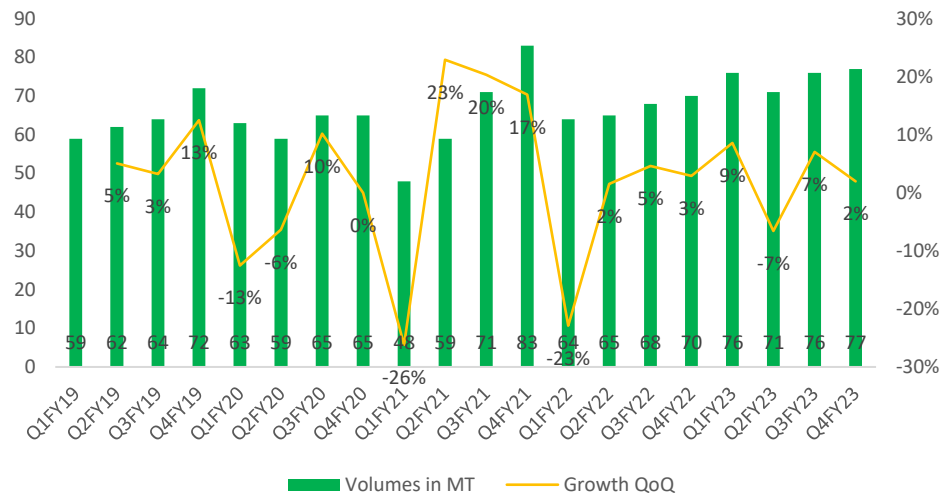
Realisation: The realisations were flattish on sequential basis with an increase by ~4% YoY, average realization at ~INR 5605 per ton.

Demand and supply outlook: Demand in trade segment is still moderate on MoM basis as the companies are trying to take price hikes. The demand in non-trade segment is robust and should pick up further on account of pre-election season and uptick in infrastructure activities. As per con call with the cos, the cos are running with more than 80% cement capacity utilisations and 85% clinker capacity utilisations. UltraTech expansion plans of phase I is nearing completion while phase 2 with 22.6 mtpa has commenced which will take its overall cement capacity to 160 mtpa during FY28. Shree cement is planning 9.5 mtpa cement capacity addition by Q2FY25 and plans to reach 80 mtpa by 2030. Dalmia Bharat plans to reach capacity of 110-130 mtpa by 2031. The Ramco Cement new brownfield grinding capacity of 0.9 mtpa at Odisha will be operational during H2FY24. Nuvoco is coming up with 1.2 mntpa capacity which will be operational in H1FY23 at Bhiwani plant. Orient is coming up with additional capacity of 3mtpa at Chittapur.

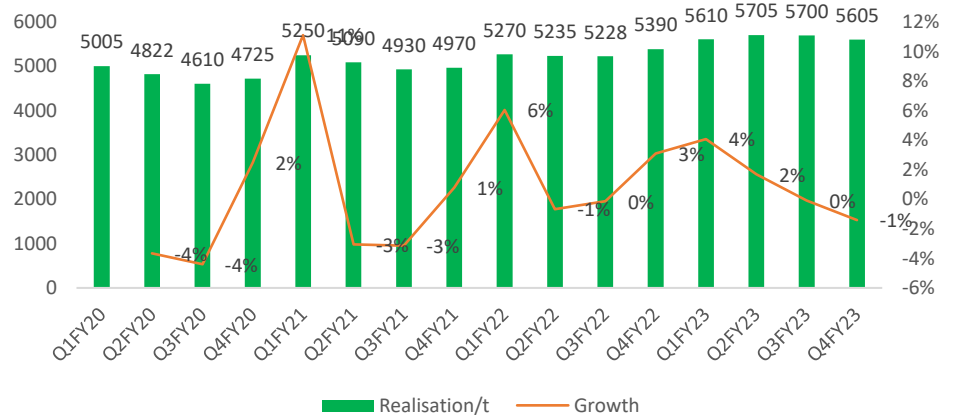
Top Picks: At CMP, we have accumulate rating for ACC, Ambuja and Digvijay, buy rating for Orient cement, and Birla Corp and have positive outlook for Nuvoco Vista and Dalmia Bharat, from a long term perspective.

Outlook: Overall, the sector has shown good recovery on sequential basis with low profitability on YoY basis due to increase in power, fuel and raw material costs. The realisations remained flattish QoQ with marginal increase by ~4% on YoY basis. Going forward, we expect the benefit of declining power and fuel cost to contribute to bottom line along with healthy volume growth. The sector is well poised with uptick in demand and majority of the companies are working on capacity addition. On demand side, we expect east region to benefit the most as government is pushing towards housing for all along with uptick in infrastructure activities.

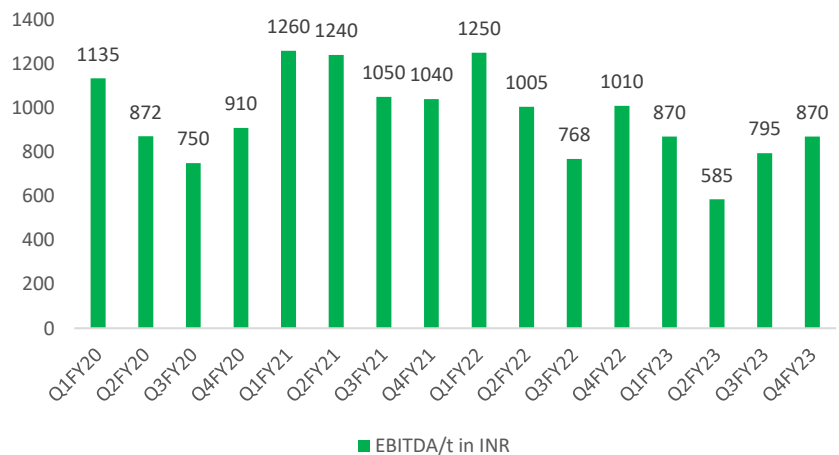
The volumes for cement industry have gone up by 16% YoY in Q4FY23



Realisation on an average for the industry up by 3-4% in Q4FY23 YoY

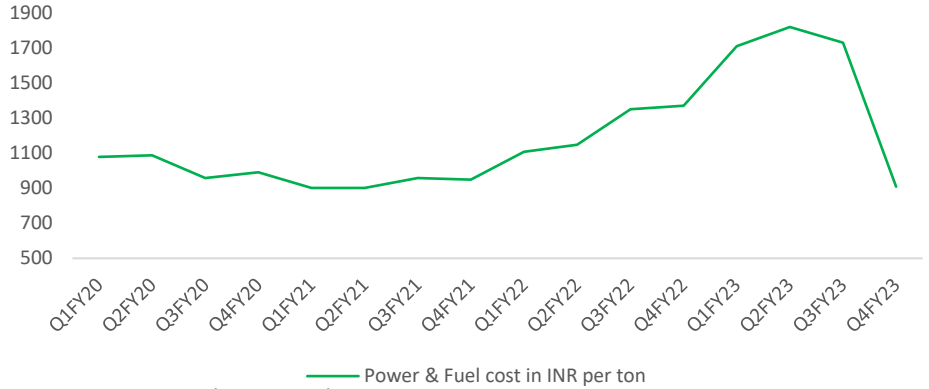


Industry EBITDA/t down by 14.5% YoY in Q4FY23 vs Q4FY22 and expected to increase further in Q1FY23 which was around INR 870 for Q4FY23



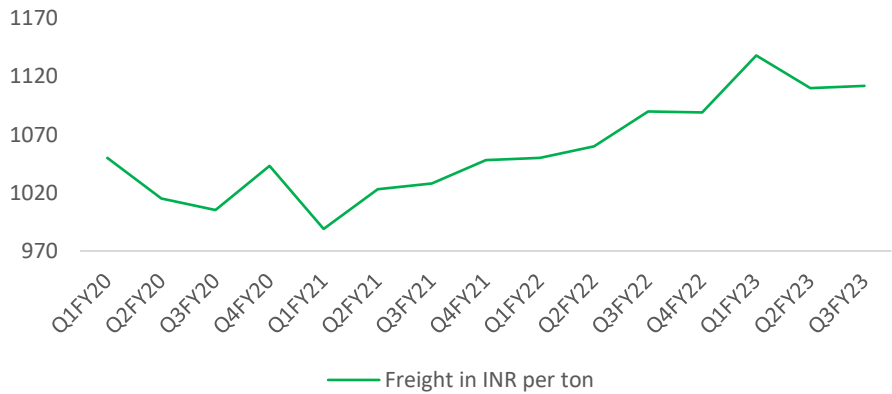
Source: Company, Aриhant Research

Power & Fuel costs cooling off, imported coal prices down by more than 50% from its peak at USD 125/t in May 2023



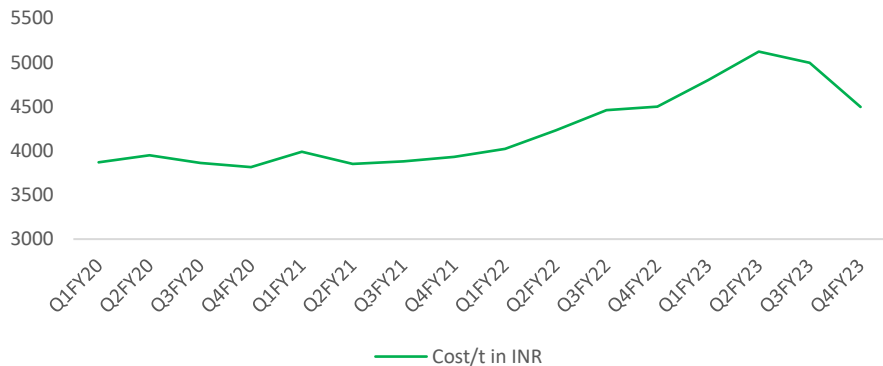
Source: Company, Arihant Research

Freight index increased by 1% MoM (USD/t) in Feb 2023



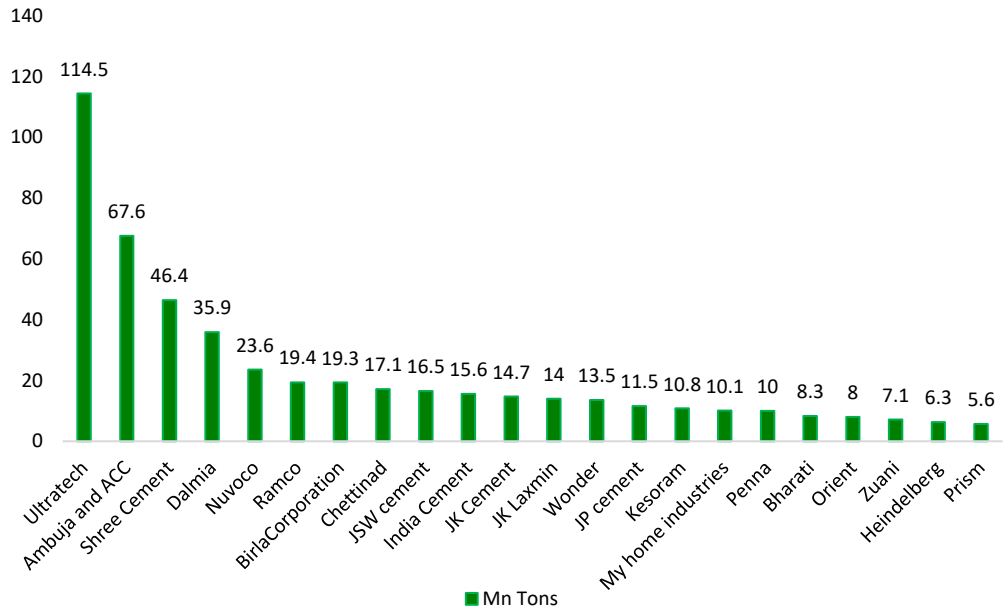
Source: Company, Arihant Research

Coal prices on downward trend, diesel prices are stable and freight index increased by 1%, so the overall cost showing some relief which will lead to better profitability.

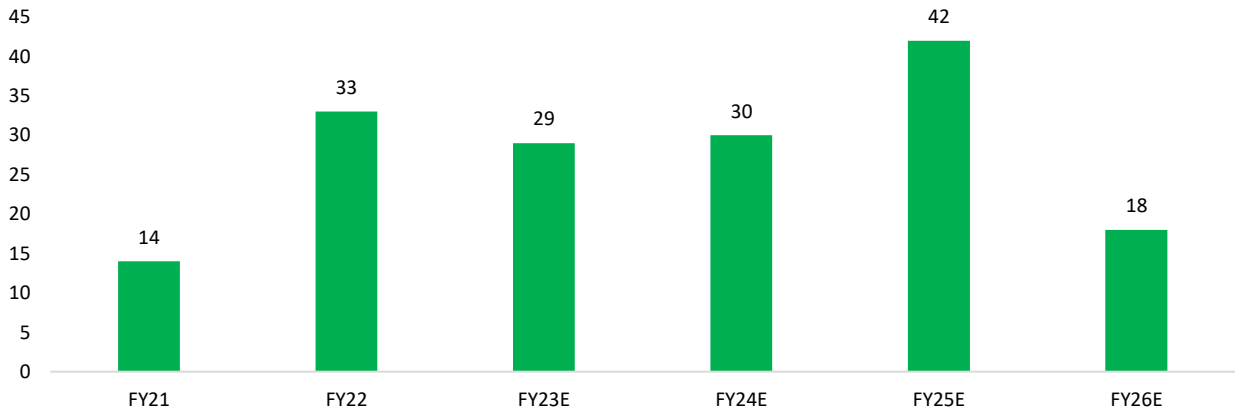


Source: Company, Arihant Research

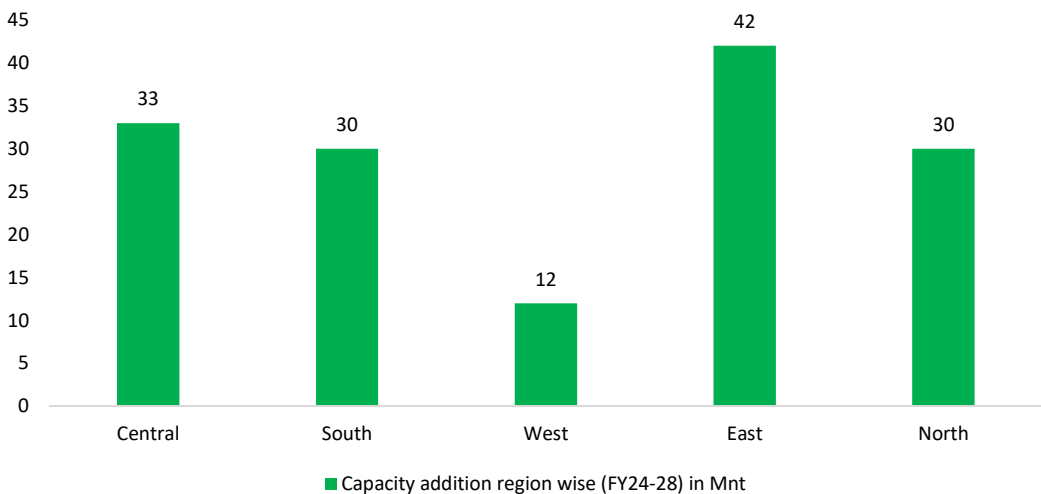
Production capacity of all major cement players in Mn Tons FY22



Capacity addition in Mnt



Capacity addition region wise expected (FY24-28) in Mnt



Financial & other matrix for cement companies

In cr	Sales			EBIDTA			PAT			EPS			ROCE%			EV/EBIT DA x
Companies	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23	TTM
Ultratech	44726	52599	62340	11568	11514	10419	5462	7334	5073	189	254	175	15	14	13	22.3
Orient	2324	2725	2938	551	591	365	214	263	123	10.45	12.85	6	19	23	12	8.4
Nuvoco	7489	9318	10586	1460	1499	1210	-26	32	16	-0.82	0.9	0.44	6	4	2	14.2
Digvijay	503	629	725	106	117	101	54	55	58	3.79	3.84	3.97	29	29	23	10.3
Ramco	5268	5980	8135	1548	1285	1182	761	893	344	32.26	37.78	14.54	15	10	7	21.4
Birla corp	6785	7431	8682	1352	1110	772	630	399	40	81.83	51.76	5.26	12	8	8	15.3

In cr	Sales			EBIDTA			PAT			EPS			ROCE%			EV/EBIT DA x
Companies	CY20	CY21	FY23	CY20	CY21	FY23	CY20	CY21	FY23	CY20	CY21	FY23	CY20	CY21	FY23	TTM
ACC	13786	16152	22210	2355	2998	2267	1430	1863	885	76.16	99.21	26.04	16	19	7	17.5
Ambuja	11372	13965	19985	2647	3207	4173	1790	2081	2553	9.02	10.48	12.86	9	12	14	26.6

Cement industry demand and supply matrix

Cement Demand and Supply matrix	FY20	FY21	FY22	FY23E	FY24E	FY25E
Cement Capacity MT	515	529	550	575	615	650
Yearly Capacity addition MT		14	21	25	40	35
Cement Demand MT	330	323	342	380	415	443
All India Cement Utilization	66%	61%	62%	67%	67%	68%

Market Share of major cement players

Market Share	In %
Ultratech Cement	20%
Ambuja Cement and ACC	12%
Ramco	4%
Shree Cement	8%
Dalmia Bharat	6%
Nuvoco	4%
Ramco	3%
Birla Corp	3%
Others	40%

Source: Company, Aриhant 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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