


**CEMENT**

Q1FY25 Review

20 August 2024

**Demand weakness impacts show; cost savings hold margins**

- Volumes listless due to state elections, extreme heat conditions, and heavy rainfall in the eastern region. Realisations fell ~5% YoY
- Softer fuel (pet coke) cost helped maintain EBITDA margins YoY on average for our cement coverage in Q1 at 15.7%
- Post results, we maintain BUY for UTCCEM, but downgrade DALBHARA to HOLD on full valuations and TRCL to SELL on a weak show

Milind Raginwar  
 research@bobcaps.in

**Volume growth steady but prices weaken:** Volumes for our cement universe grew a listless 5% YoY on average in Q1FY25 on account of the impact of general elections, heat wave in North and Central India and heavy rain in East. UTCCEM (capacity industry leader) clocked 7% YoY volume growth despite its high base, while SRCM was the top gainer at 8%, followed by Dalmia and JKCE at 5%/6%. Aggregate realisations fell ~5%/2% (YoY/QoQ) as cement demand was weak with cement prices falling further over Q1 average prices.

**Cost savings guard margins:** Our cement universe clocked flat average EBITDA margin of 15.7% in Q1FY25 but fell sharply QoQ (~18%). SRCM topped the pack at 19%, JKCE and DALBHARA were each at ~18% (also the steepest jump YoY), and UTCCEM at ~17%. JKLC, ACC and ORCMNT saw below-average margins of ~13%. Aggregate EBITDA/t fell by ~5%/16% YoY/QoQ to Rs 841 (Rs 884/Rs 996).

**Fuel & logistics costs dipped:** Fuel cost for our coverage declined by ~21% YoY on average led by softer pet coke prices. Logistics costs moderated by ~4% as lead distance savings and prudent travel costs saved the day. Effectively, operating expenses for our coverage fell ~4% YoY to Rs 4,536/t (flat QoQ).

**Demand slowed in Q2FY25 YTD:** We note that cement demand is slower YoY as monsoon activity has picked up sharply (weak in FY24). This has kept construction activity below par. We remain optimistic on demand pickup H2 aided by the government's infrastructure push, normal monsoons and improving rural mood. However, supply will keep pace with demand due to capacity additions.

**UTCCEM our top pick:** In our Q1 result notes, we maintained UTCCEM's BUY rating (TP Rs 12,974) as we believe it is best placed to cater to expected demand growth with its large capacity, operational efficiencies, pan-India presence and balance sheet health. We had downgraded DALBHARA to HOLD (TP Rs 2,062) from BUY and TRCL to SELL (earlier HOLD, with TP Rs 737) due to weak show. We retain our HOLD ratings for JKCE (Rs 4,431), STRCEM (Rs 205) and SRCM (Rs 25,403). Our SELL ratings on JKLC (Rs 687) and ORCMNT (Rs 177) are also maintained.



**Fig 1 – Revenue growth**

(Rs mn)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	Comment
ACC^	51,556	52,011	(0.9)	53,981	(4.5)	<ul style="list-style-type: none"> <li>Aggregate revenue for our cement coverage fell, albeit marginally, by ~1.5 YoY in a very challenging quarter.</li> <li>Volume gains were listless at mid-single digit, whereas realisations fell ~5% YoY as prices fell sharply in the southern and eastern regions of India.</li> </ul>
ACEM^	45,158	47,297	(4.5)	47,803	(5.5)	
DALBHARA	36,210	36,240	(0.1)	43,073	(15.9)	
JKCE	26,431	26,236	0.7	29,389	(10.1)	
JKLC	14,445	16,333	(11.6)	16,478	(12.3)	
ORCMNT	6,963	8,252	(15.6)	8,880	(21.6)	
SRCM	48,347	49,991	(3.3)	51,010	(5.2)	
STRCEM	7,510	7,605	(1.2)	9,135	(17.8)	
TRCL	20,884	22,411	(6.8)	26,733	(21.9)	
UTCEM	1,75,324	1,72,452	1.7	1,98,059	(11.5)	
<b>Aggregate</b>	<b>4,32,827</b>	<b>4,38,827</b>	<b>(1.4)</b>	<b>4,84,542</b>	<b>(10.7)</b>	

Source: Company, BOBCAPS Research | ^ACC & ACEM have changed their accounting Y/E from Dec to Mar; hence, Q3FY23 was reported as Q4CY22

**Fig 2 – EBITDA growth**

(Rs mn)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	Comment
ACC	6,772	7,690	(11.9)	8,371	(19.1)	<ul style="list-style-type: none"> <li>Energy cost savings helped guard against any steep fall in aggregate EBITDA for our coverage that fell ~3% YoY.</li> <li>UTCEM posted healthy operating profit growth even on a strong base.</li> <li>JKCE saw the highest uptick at 19% YoY, aided by new capacities.</li> <li>ACEM/ACC EBITDA fell the highest</li> </ul>
ACEM	6,460	9,485	(31.9)	7,978	(19.0)	
DALBHARA	6,690	6,100	9.7	6,543	2.2	
JKCE	4,790	4,024	19.0	5,475	(12.5)	
JKLC	1,846	1,676	10.1	2,755	(33.0)	
ORCMNT	960	992	(3.2)	1,481	(35.2)	
SRCM	9,164	9,326	(1.7)	13,272	(31.0)	
STRCEM	1,161	1,293	(10.2)	1,797	(35.4)	
TRCL	3,194	3,415	(6.5)	4,171	(23.4)	
UTCEM	30,128	29,086	3.6	40,202	(25.1)	
<b>Aggregate</b>	<b>71,164</b>	<b>73,087</b>	<b>(2.6)</b>	<b>92,045</b>	<b>(22.7)</b>	

Source: Company, BOBCAPS Research

**Fig 3 – Adj. PAT growth**

(Rs mn)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	Comment
ACC	3,662	4,639	(21.1)	4,913	(25.5)	<ul style="list-style-type: none"> <li>Aggregate PAT fell sharper at ~10% YoY compared to EBITDA on account of higher depreciation provisions and interest outgo following capacity expansion.</li> </ul>
ACEM	5,835	6,449	(9.5)	5,481	6.5	
DALBHARA	1,450	1,440	0.7	3,203	(54.7)	
JKCE	2,027	1,412	43.5	2,265	(10.5)	
JKLC	1,563	749	108.7	1,424	9.8	
ORCMNT	367	370	(0.9)	682	(46.2)	
SRCM	3,177	5,811	(45.3)	6,618	(52.0)	
STRCEM	310	933	(66.8)	877	(64.7)	
TRCL	355	789	(55.0)	1,214	(70.8)	
UTCEM	17,075	17,055	0.1	23,240	(26.5)	
<b>Aggregate</b>	<b>35,822</b>	<b>39,647</b>	<b>(9.6)</b>	<b>49,915</b>	<b>(28.2)</b>	

Source: Company, BOBCAPS Research

**Fig 4 – Volume growth**

(mn tonnes)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	Comment
ACC	10.2	9.4	8.5	10.4	(1.9)	SRCM's volume growth resumed after its focus on branding and premium category sales in the recent past.
ACEM	9.3	9.1	2.2	9.5	(2.1)	
DALBHARA	7.4	7.0	5.7	8.8	(15.9)	
JKCE	4.7	4.5	4.8	5.1	(7.2)	JKCE's volume growth stayed above the average, driven by new capacity addition.
JKLC	2.3	2.5	(8.1)	2.6	(8.8)	
ORCMNT	1.4	1.6	(14.7)	1.7	(21.4)	UTCEM remains a steady volume driver even if the base stayed high.
SRCM	9.6	8.9	8.1	9.5	1.1	
STRCEM	1.2	1.2	(0.9)	1.4	(18.2)	
TRCL	4.4	4.2	3.1	5.4	(19.3)	
UTCEM	30.5	28.6	6.5	33.4	(8.7)	
<b>Aggregate</b>	<b>80.9</b>	<b>77.0</b>	<b>5.0</b>	<b>87.8</b>	<b>(7.8)</b>	

Source: Company, BOBCAPS Research

**Fig 5 – Realisation per tonne**

(Rs/t)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	Comment
ACC	4,757	5,189	(8.3)	4,908	(3.1)	Aggregate realisation for our coverage fell by ~5% YoY indicating surprise weak pricing in the busy Q4 owing to general elections and extreme climatic conditions.
ACEM	4,856	5,197	(6.6)	5,032	(3.5)	
DALBHARA	4,893	5,177	(5.5)	4,895	0.0	
JKCE	5,595	5,820	(3.9)	5,773	(3.1)	Q2 prices stayed further subdued due to normal monsoon season across the country.
JKLC	6,210	6,453	(3.8)	6,459	(3.9)	
ORCMNT	5,134.7	5,193.1	(1.1)	5,145.0	(0.2)	
SRCM	5,015	5,607	(10.6)	4,930	1.7	
STRCEM	6,508	6,533	(0.4)	6,474	0.5	
TRCL	4,790	5,298	(9.6)	4,945	(3.1)	
UTCEM	5,036	5,352	(5.9)	5,193	(3.0)	
<b>Aggregate</b>	<b>5,279</b>	<b>5,582</b>	<b>(5.4)</b>	<b>5,375</b>	<b>(1.8)</b>	

Source: Company, BOBCAPS Research

**Fig 6 – Operating cost per tonne**

(Rs/t)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	Comment
ACC	4,391	4,142	6.0	4,386	0.1	Operating cost savings helped to guard against EBITDA margin fall from a sharp decline, operating cost per tonne for our coverage companies fell by 4% driven by energy and logistics cost savings.
ACEM	4,161	4,155	0.1	4,192	(0.7)	
DALBHARA	3,989	4,306	(7.4)	4,151	(3.9)	
JKCE	4,581	4,927	(7.0)	4,697	(2.5)	ACC is the only outlier in our coverage with a higher operating cost both YoY and QoQ.
JKLC	5,417	5,791	(6.5)	5,380	0.7	
ORCMNT	4,427	4,569	(3.1)	4,287	3.3	
SRCM	4,065	4,561	(10.9)	3,958	2.7	
STRCEM	5,502	5,423	1.5	5,201	5.8	
TRCL	4,057	4,491	(9.7)	4,174	(2.8)	
UTCEM	4,767	5,013	(4.9)	4,729	0.8	
<b>Aggregate</b>	<b>4,536</b>	<b>4,738</b>	<b>(4.3)</b>	<b>4,515</b>	<b>0.4</b>	

Source: Company, BOBCAPS Research

**Fig 7 – EBITDA per tonne**

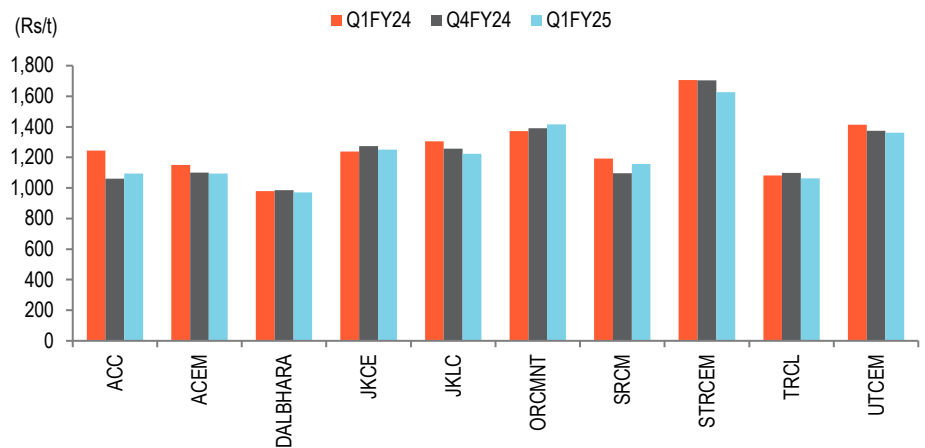
(Rs/t)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	Comment
ACC	664	818	(18.8)	805	(17.5)	<ul style="list-style-type: none"> <li>EBITDA/t loss on account of the dent in realisations kept aggregate earnings weak on the back of modest volume growth.</li> </ul>
ACEM	695	1,042	(33.4)	840	(17.3)	
DALBHARA	877	844	3.9	717	22.4	
JKCE	1,014	893	13.6	1,075	(5.7)	
JKLC	793	662	19.8	1,080	(26.5)	
ORCMNT	708	624	13.4	858	(17.5)	
SRCM	951	1,046	(9.1)	1,350	(29.6)	
STRCEM	1,006	1,111	(9.4)	1,274	(21.0)	
TRCL	710	784	(9.4)	753	(5.8)	
UTCEM	989	1,017	(2.7)	1,204	(17.9)	
<b>Aggregate</b>	<b>841</b>	<b>884</b>	<b>(4.9)</b>	<b>996</b>	<b>(15.6)</b>	

Source: Company, BOBCAPS Research

Logistics cost for our coverage dipped 4% YoY as savings due to lead distance optimisation offset the busy-season rail surcharge

ACC/ACEM benefited from their master supply agreements, while SRCM rationalised its transportation cost despite a lower lead benefit

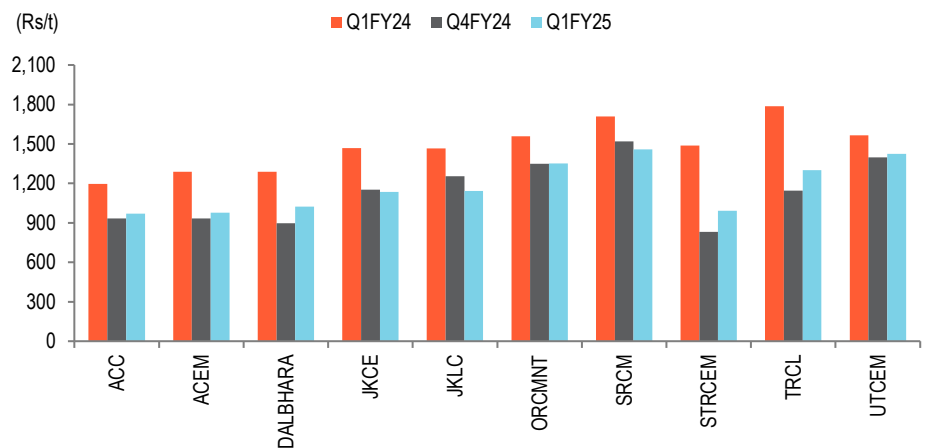
**Fig 8 – Logistics cost per tonne**



Source: Company, BOBCAPS Research

Fuel cost for our coverage companies dropped 21% YoY on softening of pet coke prices. The benefits, however, will wane steadily on a lower base in the next few quarters

**Fig 9 – Power & fuel cost per tonne**



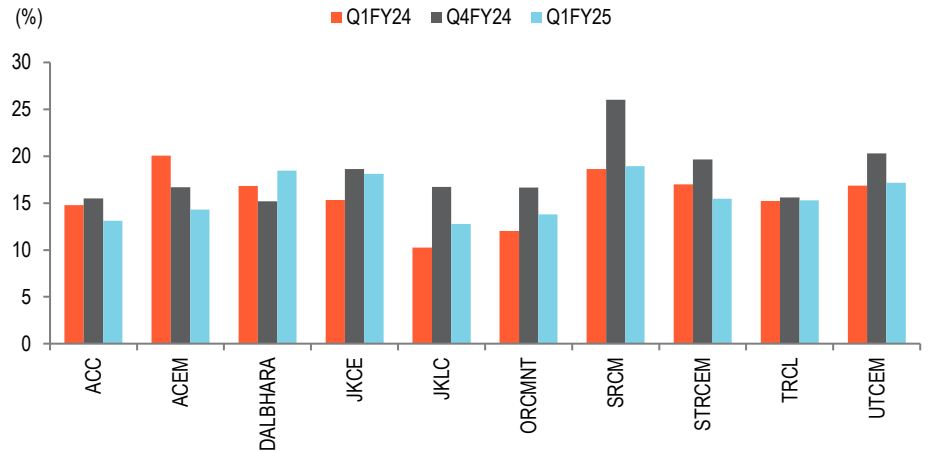
Source: Company, BOBCAPS Research

Average margin stayed flat YoY at 15.7% in Q1FY25, but fell by over 250bps QoQ

UTCCEM, SRCM and DALBHARA stayed above the average gains

ORCMNT and JKLC's margins stayed below par

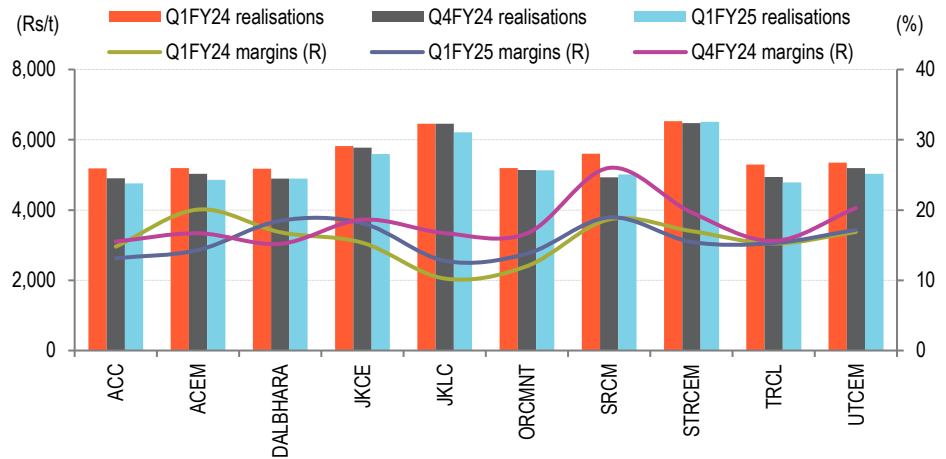
**Fig 10 – EBITDA margin**



Source: Company, BOBCAPS Research

Margins driven primarily by cost savings offset the dent in realisations in Q1FY25

**Fig 11 – Realisations vs. margins**



Source: Company, BOBCAPS Research

**Fig 12 – Ongoing expansion projects**

Company	Projects
ACC	<ul style="list-style-type: none"> <li>1.6mnt GU expansion at Sindri, Jharkhand, by Q4FY25</li> <li>2.4mnt GU expansion at Salai Banwa, Uttar Pradesh, by Q1FY26</li> </ul>
ACEM	<p><b>Cement capacity</b> 1.3mnt expansion at Bathinda, Punjab, by Q3FY25 (debottlenecking)</p> <ul style="list-style-type: none"> <li>2.4mnt GU at Sankrail, West Bengal, by Q3FY25</li> <li>2.4mnt GU at Marwar, Rajasthan, by Q2FY26</li> <li>4.8mnt GU at Farakka, West Bengal – Phase I of 2.4mt by Q3FY25</li> <li>1.6mnt GU at Sindri, Jharkhand, by Q2FY25</li> <li>4.8mnt GU at Mundra, Gujarat – Line I by Q3FY26 and Line II by Q1FY27</li> <li>GU of 2.4mnt in Warishaliganj, 1.2mnt in Dahej Line-2 and 1mnt in Kalamboli expected in Q3FY26 greenfield</li> </ul> <p><b>Clinker capacity</b></p> <ul style="list-style-type: none"> <li>4mnt clinker unit at Bhatapara, Chhattisgarh, Line 3 by Q4FY25</li> <li>4mnt clinker unit at Maratha, Maharashtra, Line 2 by Q2FY26</li> </ul>
DALBHARA	<p><b>Cement capacity (Brownfield)</b></p> <ul style="list-style-type: none"> <li>0.5mnt addition in Kalyanpur, Bihar, in FY25</li> <li>2.4mnt plant at Lanka, Assam, in FY25</li> </ul> <p><b>Clinker capacity</b></p> <ul style="list-style-type: none"> <li>Aims to reach 23.5mnt by FY25 and 27.1mnt by FY26</li> </ul>
JKCE	<p><b>Cement capacity</b></p> <ul style="list-style-type: none"> <li>2mnt greenfield GU expansion at Prayagraj, Uttar Pradesh, commissioned in Q1FY25, with effective capacity addition from Q2FY25</li> <li>3mnt additional GU in Bihar in Q3FY26</li> <li>1mnt GU each at Panna, Madhya Pradesh, Hamirpur, Himachal Pradesh, and Prayagraj, Uttar Pradesh, in Q3FY26</li> </ul> <p><b>Clinker capacity</b></p> <ul style="list-style-type: none"> <li>3.3mnt clinker Line-II at Panna in Q3FY26</li> </ul>
JKLC	<p><b>Cement capacity</b></p> <ul style="list-style-type: none"> <li>1.35mnt addition to Surat GU by Q1FY26</li> <li>4.6mnt GU expansion at Durg, Chhattisgarh (1.2mnt), Uttar Pradesh (1.2mnt), Bihar (1.2mnt) and Jharkhand (1mnt); Phase-I to be completed by FY26-end</li> </ul> <p><b>Clinker capacity</b></p> <ul style="list-style-type: none"> <li>2.3mnt clinker expansion at Durg by FY27</li> </ul>
ORCMT	<ul style="list-style-type: none"> <li>At Devapur (Telangana), the company needs to pay ~Rs 1.5bn to get the Stage 1 clearance converted into Stage 2 and expects to complete the same in FY25</li> <li>Capex for Chittapur and Madhya Pradesh GU is ~Rs 20bn, i.e., ~Rs 15bn for Chittapur and Rs 5bn for Sarni</li> <li>3.2mt greenfield cement capacity expansion at Rajasthan – management does not expect any construction activity for at least three year</li> </ul>
SRCM	<p><b>Cement capacity</b></p> <ul style="list-style-type: none"> <li>6.0mnt in Jaitaran, Rajasthan, expected in Q4FY25</li> <li>3.0mnt in Kodla, Karnataka, expected in Q4FY25</li> <li>3.4mnt in Baloda Bazar, Chhattisgarh, expected in Q2FY26</li> <li>3.0mnt in Etah, Uttar Pradesh, expected in Q4FY25</li> </ul> <p><b>Clinker capacity</b></p> <ul style="list-style-type: none"> <li>3.65mnt in Jaitaran, Rajasthan, expected in Q4FY25</li> <li>3.65mnt in Kodla, Karnataka, expected in Q4FY25</li> </ul>

Company	Projects
STRCEM	<b>Cement capacity</b> <ul style="list-style-type: none"> <li>1.2mnt p.a. of GU at Silchar, Assam, is expected in Q3FY26</li> <li>2.2mnt p.a. of GU in Jorhat is expected in Q2FY26</li> </ul>
	<b>Clinker</b> <ul style="list-style-type: none"> <li>3mnt clinker plant at Lumshnong, Meghalaya, commissioned in Q1FY25, but technical glitch restricted operations</li> </ul>
TRCL	<ul style="list-style-type: none"> <li>3.15mnt p.a. of clinker capacity and 1.5mtpa of cement capacity of Line-2 in Kolimigundla is expected to be commissioned in Q4FY26</li> <li>10MW of WHRS plant in Ramaswamy Raja Nagar is expected to be commissioned by Q4FY25</li> <li>Unit in Andhra Pradesh was commissioned in Q1FY25, and Odisha will be commissioned in Q2FY25 to build products</li> <li>Railway siding will be commissioned in Q2FY25</li> </ul>
	<ul style="list-style-type: none"> <li>1mnt brownfield GU expansion at Roorkee, Uttar Pradesh, in Q4FY24</li> <li>1.8mnt brownfield IU expansion at Kotputli, Rajasthan, by Q1FY25</li> <li>2.6mnt greenfield GU expansion at Rajpura, Punjab, by Q1FY25</li> <li>2.7mnt greenfield GU expansion at Karur, Tamil Nadu is commissioned</li> <li>2.7mnt greenfield IU expansion at Kukurdih, Chhattisgarh is commissioned earlier than expected in Q1FY25</li> <li>1.8mnt brownfield IU expansion at Andhra Pradesh Cement Works (Andhra Pradesh) is commissioned earlier than expected in Q1FY25</li> <li>1.2mnt brownfield GU expansion at Arakkonam, Tamil Nadu, by Q3FY25</li> <li>0.6mnt of GU in Karur, Tamil Nadu, expected in Q3 FY25</li> <li>0.6mnt brownfield GU expansion at Sonar Bangla, West Bengal, by Q3FY25</li> <li>0.6mnt brownfield GU expansion at Durgapur, West Bengal, by Q3FY25</li> <li>1.8mnt bulk terminal expansion at Lucknow, Uttar Pradesh, by Q4FY25</li> <li>4.5mnt brownfield IU expansion at Maihar, Madhya Pradesh, by Q4FY25</li> <li>1mnt BT in Panvel, Maharashtra in Q4FY25</li> </ul>
UTCEM	<ul style="list-style-type: none"> <li> <b>To be commissioned in FY26</b> <ul style="list-style-type: none"> <li>2.5mnt of GU in Patratu, Jharkhand</li> <li>1.8mnt of GU in Shahjahanpur, UP</li> <li>1.2mnt of IU in Nathdwara, Rajasthan</li> <li>1.8mnt of GU in Dhule, Maharashtra</li> <li>3.3mnt of GU in Visakhapatnam, Andhra Pradesh</li> <li>1.2mnt of GU Parli, Maharashtra</li> </ul> </li> <li> <b>To be commissioned in FY27</b> <ul style="list-style-type: none"> <li>2.7mnt of GU in Aligarh, Uttar Pradesh</li> <li>3.3mnt of GU in Bihar</li> <li>3.3mnt of GU in West Bengal</li> <li>2.7mnt of IU in APCW, Andhra Pradesh</li> <li>2.7mnt of IU in Andhra Pradesh</li> <li>1.2mnt of BT in Gujarat</li> <li>1.2mnt of BT in Karnataka</li> <li>1.2mnt of BT in Assam</li> <li>1.8mnt of BT in Tamil Nadu</li> </ul> </li> </ul>
India Cements	<ul style="list-style-type: none"> <li>No new capacity expansion plans announced</li> </ul>
JSW Cement	<ul style="list-style-type: none"> <li>Current capacity as on Feb'24 is 19mt and expected to reach 21mt by Q4FY24</li> </ul>
	<ul style="list-style-type: none"> <li>2.5mnt pa integrated unit in Nagaur, Rajasthan, is expected to be completed by Q2FY27</li> </ul>

Source: Company, BOBCAPS Research | GU: Grinding Unit; IU: Integrated Unit; WHRS: Waste heat recovery systems

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

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**Note:** Recommendation structure changed with effect from 21 June 2021

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