CEMENT | Q2FY25 Preview | 09 October 2024

Demand slump in the wet season; greenshoots for 2H

- **Q2FY25 demand to be weak owing to monsoon seasonality (lull in new real estate projects) and limited infrastructure demand announcements**
- **Weak demand translates into soft pricing as reflected in our coverage companies, with realisations dropping on average by ~8%/2% YoY/QoQ**
- **EBITDA margin of our cement coverage estimated on average at ~15% vs ~16% YoY/MoM. We expect EBITDA/t at ~Rs 814, down 11% YoY**

Milind Raginwar
research@bobcaps.in

Lacklustre demand keeps volume growth muted: Cement demand was weak in Q2FY25 owing to monsoon seasonality that particularly hit the real estate segment. Infrastructure demand too was listless due to delayed budgetary allocations. The higher base (FY24 was below normal monsoon) additionally aided weak demand growth of 2% YoY for our coverage companies. QoQ growth fell sharply by 13% despite a lull in 1Q. Volume growth was particularly muted for companies with limited capacity expansion, including Orient Cement and JK Lakshmi Cement.

Pricing pressure across regions owing to supply glut, demand weakness: Supply excesses and limited demand kept pricing under pressure in addition to the traditional seasonality weakness. Pan-India cement prices weakened by ~+8% YoY and 3% QoQ (otherwise flat although driven by 8% fall in South India) in Q2FY25. Most of the impact was felt in the eastern and southern regions of India as prices fell by ~12% each YoY, followed by the western region with 8%. Central and North India fared better with 4-5% YoY fall in prices.

Effective realisations remain weak: Realisations of our coverage companies dropped on average by ~8%/2% YoY/QoQ. However, with no major negative cost headwinds the margins drop was limited or even better for more efficiently-driven companies. Manufacturers in southern and eastern India, including JK Lakshmi and Dalmia Bharat, were hit harder (~300bps YoY impact) compared to Shree Cement and UltraTech Cement which have a presence in remunerative regions.

EBITDA/t and margins flat YoY, slip QoQ: We estimate EBITDAM of our cement coverage on average at ~15% in Q2FY25 vs ~16% in Q2FY24/Q1FY25, aided by cost relief driven by lower energy and logistics expenses. We expect EBITDA/t at ~Rs 814/t a drop of ~11%/7% YoY/QoQ with SRCM and UTCEM the exceptions as they maintained the previous year's performance.

Supply flow from new M&A yet to impact industry: Adani Cement's/Ultratech Cement's acquisition of Penna Cement/India Cement respectively is yet to be reflected in the incremental cement supply but expected to add from H2FY24.

Fig 1 – BOBCAPS Cement universe: Q2FY25 preview – EBITDA growth impacted due to weak topline growth and maintenance shutdowns impacting other expenses; margins fall lower than realisation weakness

Y/E March	Net sales (Rs mn)			EBITDA (Rs mn)			EBITDA margin (%)			Adj. PAT (Rs mn)		
	Q2FY25E	YoY (%)	QoQ (%)	Q2FY25E	YoY (%)	QoQ (%)	Q2FY25E	YoY (bps)	QoQ (bps)	Q2FY25E	YoY (%)	QoQ (%)
ACC	41,605	(6.2)	(19.3)	4,630	(15.6)	(31.6)	11.1	(123.8)	(200.8)	2,000	(48.0)	(45.4)
ACEM	44,502	12.1	(1.5)	6,093	(21.2)	(5.7)	13.7	(579.2)	(61.4)	3,369	(31.8)	(42.3)
DALBHARA	30,631	(2.7)	(15.4)	4,731	(19.7)	(29.3)	15.4	(326.0)	(303.1)	1,220	2.5	(52.0)
JKCE	22,390	(12.9)	(15.3)	3,299	(26.1)	(31.1)	14.7	(264.1)	(338.8)	986	(44.9)	(51.4)
JKLC	12,020	(17.3)	(16.8)	1,791	0.3	(3.0)	14.9	260.9	212.4	857	3.3	12.4
ORCMNT	6,242	(13.4)	(10.3)	721	(16.7)	(24.9)	11.6	(45.5)	(223.3)	194	(21.0)	(47.0)
TRCL	20,277	(12.9)	(2.9)	3,194	(19.9)	(0.0)	15.7	(136.3)	45.5	421	(58.4)	18.7
SRCM	39,398	(14.1)	(18.5)	7,737	(11.1)	(15.6)	19.6	66.0	68.4	2,035	(58.6)	(35.9)
STRCEM	6,365	8.8	(15.2)	927	(5.9)	(20.1)	14.6	(226.9)	(89.1)	148	(63.5)	(52.1)
UTCEM	1,51,777	(2.2)	(13.4)	24,503	4.3	(18.7)	16.1	99.8	(104.0)	12,271	1.8	(28.1)
Total	**3,75,207**	**(4.6)**	**(13.3)**	**57,626**	**(9.1)**	**(19.0)**	**15.4**	**(76.8)**	**(108.3)**	**23,501**	**(24.7)**	**(34.9)**

Source: Company, BOBCAPS Research

Fig 2 – Sales volume impacted by weak demand due to monsoon seasonality

Y/E March	Sales Volume (mn tonnes)			Realisation (Rs/tonne)			EBITDA (Rs/tonne)		
	Q2FY25E	YoY (%)	QoQ (%)	Q2FY25E	YoY (%)	QoQ (%)	Q2FY25E	YoY (%)	QoQ (%)
ACC	8.2	1.0	(19.8)	4,747	(7.4)	(0.2)	566	(16.4)	(14.8)
ACEM	9.3	22.2	(0.1)	4,790	(8.3)	(1.4)	656	(35.6)	(5.6)
DALBHARA	6.4	2.6	(14.0)	4,813	(5.2)	(1.6)	716	(22.4)	(18.3)
JKCE	4.2	(3.3)	(11.1)	5,331	(9.9)	(4.7)	785	(23.6)	(22.5)
JKLC	2.0	(5.7)	(12.0)	6,030	(9.9)	(2.9)	875	6.4	10.3
ORCMNT	1.2	(13.0)	(8.6)	5,035	(1.1)	(1.9)	582	(4.2)	(17.8)
TRCL	4.4	(5.0)	0.4	4,630	(8.4)	(3.3)	706	(16.2)	(0.5)
SRCM	7.5	(8.5)	(22.2)	5,068	(9.4)	1.1	1,032	0.6	8.5
STRCEM	1.0	9.2	(15.3)	6,508	(0.4)	0.0	948	(13.8)	(5.8)
UTCEM	26.2	4.0	(13.8)	4,961	(9.1)	(1.5)	933	0.3	(5.6)
Total	**70.4**	**2.4**	**(13.0)**	**4,967**	**(8.4)**	**(1.5)**	**814**	**(10.9)**	**(7.0)**

Source: Company, BOBCAPS Research

Fig 3 – ACC

Particulars	Q2FY25E	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	8.2	8.1	1.0	10.2	(19.8)	ACC dispatches include sales under a market supply agreement to ACEM. Volume impacted by weak demand in key operating regions including northern and southern India. Volume growth may be lower than industry growth despite Adani group companies newly tapping the non-trade segment. New capacities too add to growth.
Realisations (Rs/tonne)	4,747	5,125	(7.4)	4,757	(0.2)	
Sales (Rs mn)	**41,605**	**44,347**	**(6.2)**	**51,556**	**(19.3)**	
EBITDA (Rs mn)	**4,630**	**5,484**	**(15.6)**	**6,772**	**(31.6)**	
EBITDA margin (%)	11.1	12.4	(124bps)	13.1	(201bps)	
EBITDA (Rs/tonne)	566	677	(16.4)	664	(14.8)	
Adj PAT (Rs mn)	**2,000**	**3,843**	**(48.0)**	**3,662**	**(45.4)**	
Adj PAT margin (%)	4.8	8.7	(386bps)	7.1	(230bps)	

Source: Company, BOBCAPS Research

Fig 4 – ACEM

Particulars	Q2FY25E	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	9.3	7.6	22.2	9.3	(0.1)	A weak base and the recent acquisition of Penna Cement will likely aid volume growth. The fall in realisations is steeper due to change in stance by tapping the non-trade segment, effectively leading to weaker margins YoY.
Realisations (Rs/tonne)	4,790	5,223	(8.3)	4,856	(1.4)	
Sales (Rs mn)	**44,502**	**39,698**	**12.1**	**45,158**	**(1.5)**	
EBITDA (Rs mn)	**6,093**	**7,734**	**(21.2)**	**6,460**	**(5.7)**	
EBITDA margin (%)	13.7	19.5	(579bps)	14.3	(61bps)	
EBITDA (Rs/tonne)	656	1,018	(35.6)	695	(5.6)	
Adj PAT (Rs mn)	**3,369**	**4,938**	**(31.8)**	**5,835**	**(42.3)**	
Adj PAT margin (%)	7.6	12.4	(487bps)	12.9	(535bps)	

Source: Company, BOBCAPS Research

Fig 5 – DALBHARA

Particulars	Q2FY25E	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	6.4	6.2	2.6	7.4	(14.0)	The eastern region alongside new capacities in South India will likely help contribute to volume growth. However, there is a strong dent in realisations pointing to poor demand support. EBITDA margin and EBITDA/t are hit as realisations will likely continue to drag performance in the quarter.
Realisations (Rs/tonne)	4,813	5,079	(5.2)	4,893	(1.6)	
Sales (Rs mn)	**30,631**	**31,490**	**(2.7)**	**36,210**	**(15.4)**	
EBITDA (Rs mn)	**4,731**	**5,890**	**(19.7)**	**6,690**	**(29.3)**	
EBITDA margin (%)	15.4	18.7	(326bps)	18.5	(303bps)	
EBITDA (Rs/tonne)	716	923	(22.4)	877	(18.3)	
Adj PAT (Rs mn)	**1,220**	**1,190**	**2.5**	**2,540**	**(52.0)**	
Adj PAT margin (%)	4.0	3.8	20bps	7.0	(303bps)	

Source: Company, BOBCAPS Research

Fig 6 – JKCE

Particulars	Q2FY25E	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	4.2	4.3	(3.3)	4.7	(11.1)	JKCE's volume growth is restricted due to excess supply in the key western and northern regions. This is offset by the company's increasing presence in Central India. Weaker putty realisations are likely to impact the white cement segment's performance. Effectively, aggregate EBITDA margin and EBTIDA/t indicate pressure.
Realisations (Rs/tonne)	5,331	5,919	(9.9)	5,595	(4.7)	
Sales (Rs mn)	**22,390**	**25,707**	**(12.9)**	**26,431**	**(15.3)**	
EBITDA (Rs mn)	**3,299**	**4,467**	**(26.1)**	**4,790**	**(31.1)**	
EBITDA margin (%)	14.7	17.4	(264bps)	18.1	(339bps)	
EBITDA (Rs/tonne)	785	1,028	(23.6)	1,014	(22.5)	
Adj PAT (Rs mn)	**986**	**1,789**	**(44.9)**	**2,027**	**(51.4)**	
Adj PAT margin (%)	4.4	7.0	(256bps)	7.7	(327bps)	

Source: Company, BOBCAPS Research

Fig 7 – JKLC

Particulars	Q2FY25E	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	2.0	2.2	(5.7)	2.3	(12.0)	JKLC's topline is likely to remain under stress despite volume growth as realisations take a deep hit due to weak demand in key operating areas of Rajasthan and Chhattisgarh. EBITDA margin stays at the sub-industry level but is likely to catch up from the lower base.
Realisations (Rs/tonne)	6,030	6,691	(9.9)	6,210	(2.9)	
Sales (Rs mn)	**12,020**	**14,526**	**(17.3)**	**14,445**	**(16.8)**	
EBITDA (Rs mn)	**1,791**	**1,785**	**0.3**	**1,846**	**(3.0)**	
EBITDA margin (%)	14.9	12.3	261bps	12.8	212bps	
EBITDA (Rs/tonne)	875	822	6.4	793	10.3	
Adj PAT (Rs mn)	**857**	**830**	**3.3**	**763**	**12.4**	
Adj PAT margin (%)	7.1	5.7	142bps	5.3	185bps	

Source: Company, BOBCAPS Research

Fig 8 – ORCMNT

Particulars	Q2FY25E	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comment
Sales volume (mn/tonnes)	1.2	1.4	(13.0)	1.4	(8.6)	ORCMNT's volume growth will be capped due to limited capacity and strong competition in its key regions. This is likely to impact topline growth in the medium term. Restoring EBITDA/t will be an uphill task for the company and be driven by demand growth. Its presence in oversupply regions and weak prices in the non-trade segment (~45% of total sales) will likely impact the performance, in our view.
Realisations (Rs/tonne)	5,035	5,093	(1.1)	5,135	(1.9)	
Sales (Rs mn)	**6,242**	**7,206**	**(13.4)**	**6,963**	**(10.3)**	
EBITDA (Rs mn)	**721**	**865**	**(16.7)**	**960**	**(24.9)**	
EBITDA margin (%)	11.6	12.0	(45bps)	13.8	(223bps)	
EBITDA (Rs/tonne)	582	607	(4.2)	708	(17.8)	
Adj PAT (Rs mn)	**194**	**246**	**(21.0)**	**367**	**(47.0)**	
Adj PAT margin (%)	3.1	3.4	(30bps)	5.3	(216bps)	

Source: Company, BOBCAPS Research

Fig 9 – TRCL

Particulars	Q2FY25E	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	4.4	4.6	(5.0)	4.4	0.4	We expect TRCL's topline to take a hit due to weak realisations in the key operating regions of South India, and non-premium brand/non-trade sales in eastern India. Overall EBITDA slumps by 20%, while margin also slides by over 100bps. EBITDA/t to hover at ~Rs 700-800 range in the medium term.
Realisations (Rs/tonne)	4,630	5,053	(8.4)	4,790	(3.3)	
Sales (Rs mn)	**20,277**	**23,293**	**(12.9)**	**20,884**	**(2.9)**	
EBITDA (Rs mn)	**3,194**	**3,986**	**(19.9)**	**3,194**	**(0.0)**	
EBITDA margin (%)	15.7	17.1	(136bps)	15.3	45bps	
EBITDA (Rs/tonne)	706	843	(16.2)	710	(0.5)	
Adj PAT (Rs mn)	**421**	**1,013**	**(58.4)**	**355**	**18.7**	
Adj PAT margin (%)	2.1	4.3	(227bps)	1.7	38bps	

Source: Company, BOBCAPS Research

Fig 10 – SRCM

Particulars	Q2FY25E	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	7.5	8.2	(8.5)	9.6	(22.2)	We expect SRCM's EBITDA margin to improve YoY partially due to relatively better operating efficiencies. EBITDA/t is likely to beat the industry average due to better-than-industry operating efficiencies. However, realisations slackened YoY as the company gradually shifted its focus back to volume.
Realisations (Rs/tonne)	5,068	5,594	(9.4)	5,015	1.1	
Sales (Rs mn)	**39,398**	**45,846**	**(14.1)**	**48,347**	**(18.5)**	
EBITDA (Rs mn)	**7,737**	**8,701**	**(11.1)**	**9,164**	**(15.6)**	
EBITDA margin (%)	19.6	19.0	66bps	19.0	68bps	
EBITDA (Rs/tonne)	1,032	1,025	0.6	951	8.5	
Adj PAT (Rs mn)	**2,035**	**4,913**	**(58.6)**	**3,177**	**(35.9)**	
Adj PAT margin (%)	5.2	10.7	(555bps)	6.6	(141bps)	

Source: Company, BOBCAPS Research

Fig 11 – STRCEM

Particulars	Q2FY25E	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	0.98	0.90	9.15	1.15	(15.3)	Topline gains are driven by better volume growth, capacity expansion and limited hits on realisations due to its north-eastern India presence. Logistics costs are likely to stay high due to higher clinker movement. Additionally, maintenance shutdown expenses may hit EBTIDA margin and EBITDA/t despite better topline growth.
Realisations (Rs/tonne)	6,508	6,532	(0.4)	6,508	0.0	
Sales (Rs mn)	**6,365**	**5,853**	**8.8**	**7,510**	**(15.2)**	
EBITDA (Rs mn)	**927**	**986**	**(5.9)**	**1,161**	**(20.1)**	
EBITDA margin (%)	14.6	16.8	(227bps)	15.5	(89bps)	
EBITDA (Rs/tonne)	948	1,100	(13.8)	1,006	(5.8)	
Adj PAT (Rs mn)	**148**	**407**	**(63.5)**	**310**	**(52.1)**	
Adj PAT margin (%)	2.3	6.9	(462bps)	4.1	(180bps)	

Source: Company, BOBCAPS Research

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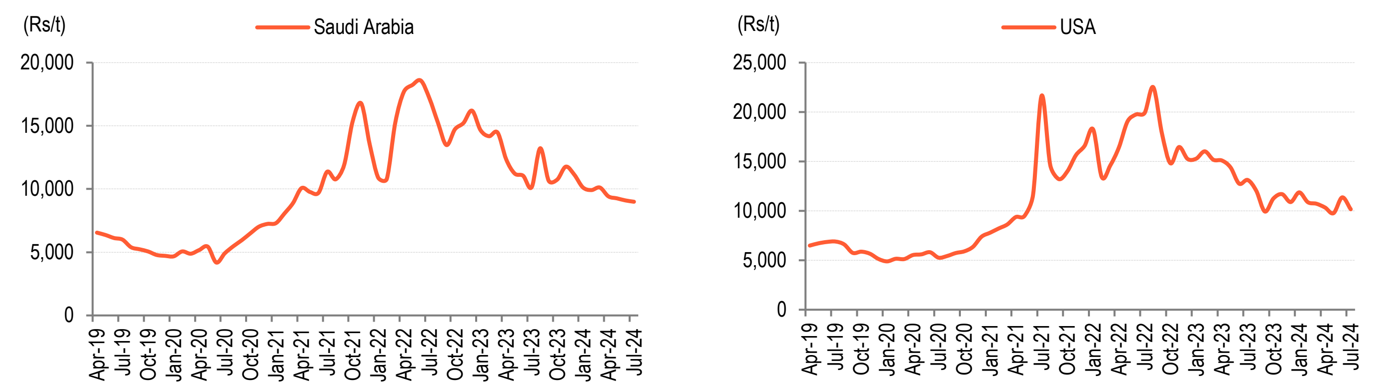
Fig 12 – UTCEM

Particulars	Q2FY25E	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	26.2	25.2	4.0	30.5	(13.8)	UTCEM's volume growth stayed at a lower single digit but ahead of industry (coverage universe) growth due to its pan-India presence and new capacities. We believe this will help offset the realisation weakness partially. Operating efficiencies with cost savings in energy and logistic expenses are likely to move margins into positive territory.
Realisations (Rs/tonne)	4,961	5,455	(9.1)	5,036	(1.5)	
Sales (Rs mn)	**1,51,777**	**1,55,170**	**(2.2)**	**1,75,324**	**(13.4)**	
EBITDA (Rs mn)	**24,503**	**23,502**	**4.3**	**30,128**	**(18.7)**	
EBITDA margin (%)	16.1	15.1	100bps	17.2	(104bps)	
EBITDA (Rs/tonne)	933	931	0.3	989	(5.6)	
Adj PAT (Rs mn)	**12,271**	**12,057**	**1.8**	**17,075**	**(28.1)**	
Adj PAT margin (%)	8.1	7.8	31bps	9.7	(165bps)	

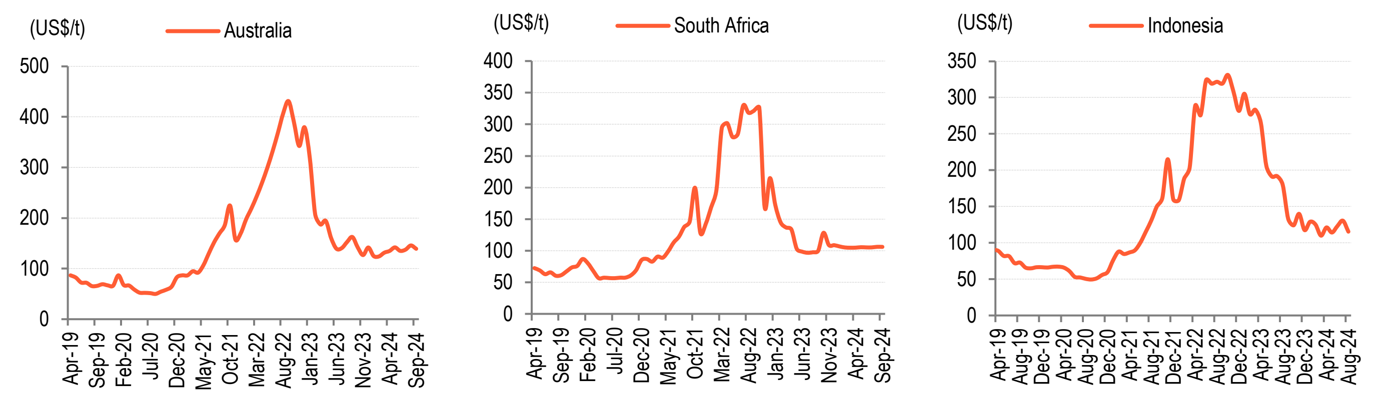
Source: Company, BOBCAPS Research

Fig 13 – Softening pet coke prices to yield cost benefit for cement companies



Source: Company, BOBCAPS Research, CMIE

Fig 14 – Coal prices overall remained listless in the recent past



Source: Company, BOBCAPS Research, CMIE

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Name of the Research Entity: **BOB Capital Markets Limited**
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**
Brand Name: **BOBCAPS**
Trade Name: **www.barodaetrade.com**
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