

CEMENT

Q3FY25 Preview

14 January 2025

Demand recovery though delayed to be stronger and prolonged

- Q3FY25 demand recovery was delayed due to multiple factors; green shoots visible only in later part of the quarter (December)
- Weak demand reflected in only 4% volume YoY growth keeping pricing under pressure (realisations weak with ~8% decline YoY)
- Average EBITDA margin (cement coverage) estimated at ~16%, vs ~20% YoY, recovers from the low QoQ; EBITDA/t at ~Rs 854, down 26% YoY

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Volume growth in single digits as recovery delayed due to multiple reasons:

Cement demand recovery was pushed towards the end of the quarter (December 2024) owing to extended festivities leading to labour shortages and state elections in key states like Maharashtra in early 3QFY25. Monsoon seasonality in a few states in South India and the wedding/crop seasons in North and Central India further delayed the demand recovery. Demand growth was ~4% YoY for our coverage companies, however above-normal monsoon and healthy reservoir levels should help sustain a prolonged recovery.

Price revival follows demand recovery; supply glut adds pressure: Supply excesses and listless demand kept pricing under pressure. Pan-India cement prices weakened by ~10% YoY, staying flat QoQ. Most of the impact was felt in the eastern and southern regions of India as prices fell by ~18%/15% each YoY, while Central and West remained the best regions with 4-5% YoY price declines.

Limited margin fall: Realisations of our coverage companies fell on average by ~8% YoY. However, it recovered by ~2% QoQ. With limited negative cost headwinds the margins drop was limited to an average of 375bps for the coverage companies at ~16%. Efficiently-driven companies like ACEM and UTCEM fared better than the industry decline, while the fall was sharper for SRCM, ACC and DALBHARA.

EBITDA/t recovers from lows of Q2, still lower than the higher base YoY: We estimate EBITDA/tonne at ~Rs 854 a strong recovery from the Q2FY25 weakness of ~Rs 690 owing to better cost efficiencies and partially due to late price recovery (for large size companies). However, the EBITDA/t remains lower than the YoY levels. UTCEM, ACEM, SRCM and STRCEM stayed above the industry average, while companies in oversupply region like JKLC, DALBHARA and TRCL stayed below the industry average.

Supply flow from new M&A yet to impact industry: Adani Cement's acquisition of Penna Cement and UTCEM's acquisition of India Cement are yet to be reflected in the incremental cement supply but expected to add from 4QFY25/FY26.



Fig 1 – BOBCAPS Cement universe: Q3FY25 preview – Weak topline growth drags EBITDA growth; margins fall lower than realisation weakness on account of limited cost impact

Y/E March	Net sales (Rs mn)			EBITDA (Rs mn)			EBITDA margin (%)			Adj. PAT (Rs mn)		
	Q3FY25E	YoY (%)	QoQ (%)	Q3FY25E	YoY (%)	QoQ (%)	Q3FY25E	YoY (bps)	QoQ (bps)	Q3FY25E	YoY (%)	QoQ (%)
ACC	47,559	(3.3)	3.2	6,617	(26.7)	54.2	13.9	(444.9)	459.9	3,640	(31.0)	55.6
ACEM	43,953	(1.0)	4.3	8,165	(4.1)	15.9	18.6	(59.3)	184.9	4,945	(3.7)	(5.8)
DALBHARA	32,811	(8.9)	6.3	4,987	(35.6)	14.9	15.2	(632.8)	114.1	1,264	(52.0)	174.7
JKCE	25,510	(8.4)	6.7	3,425	(43.7)	25.6	13.4	(842.5)	202.0	956	(67.0)	111.4
JKLC	14,337	(9.6)	25.6	1,669	(31.1)	172.1	11.6	(363.0)	626.5	777	(37.4)	930.3
TRCL	19,032	(9.6)	(6.6)	3,331	(15.8)	6.7	17.5	(127.1)	218.9	476	(49.0)	86.2
SRCM	44,341	(9.5)	19.0	9,088	(26.3)	53.4	20.5	(467.7)	459.8	2,814	(61.7)	202.1
STRCEM	7,231	11.0	12.7	1,102	(25.9)	15.3	15.2	(759.2)	34.7	160	(79.8)	182.2
UTCEM	158,363	(2.1)	6.2	24,925	(18.0)	29.0	15.7	(305.8)	277.2	12,001	(29.3)	50.6
Total	399,379	(4.6)	8.7	64,030	(22.7)	32.4	16.0	(374.8)	287.7	27,227	(37.3)	53.1

Source: Company, BOBCAPS Research

Fig 2 – Sales volume impacted by delayed demand recovery across regions

Y/E March	Sales Volume (mn tonnes)			Realisation (Rs/tonne)			EBITDA (Rs/tonne)		
	Q3FY25E	YoY (%)	QoQ (%)	Q3FY25E	YoY (%)	QoQ (%)	Q3FY25E	YoY (%)	QoQ (%)
ACC	9.35	5.0	0.5	4,797	(8.2)	2.5	708	(30.2)	53.4
ACEM	9.02	10.0	3.7	4,873	(10.0)	0.6	905	(12.8)	11.7
DALBHARA	6.97	2.5	4.0	4,707	(11.1)	2.2	689	(38.1)	10.9
JKCE	4.71	2.9	12.1	5,753	(5.5)	1.1	727	(45.3)	12.0
JKLC	2.43	3.0	30.0	6,137	(8.9)	0.3	688	(33.1)	109.3
TRCL	4.12	3.0	(8.2)	4,619	(12.3)	1.8	784	(18.6)	16.6
SRCM	8.70	(2.1)	14.5	4,929	(3.7)	0.5	1,045	(22.5)	34.0
STRCEM	1.09	12.0	11.0	6,658	(0.9)	1.5	1,015	(33.8)	3.9
UTCEM	27.01	5.6	4.0	5,020	(9.0)	1.2	923	(22.3)	24.0
Total	74.63	4.1	6.9	5,019	(8.2)	1.6	854	(25.5)	24.0

Source: Company, BOBCAPS Research

Fig 3 – ACC

Particulars	Q3FY25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	9.3	8.9	5.0	9.3	0.5	ACC dispatches include sales under a market supply agreement to ACEM. Adani group companies newly tapping the non-trade segment has aided volume growth. However, its presence in the eastern and southern regions keeps margins below the industry average, though it represents a healthy recovery from the abysmally low single digit margins in Q2FY25. New capacities too add to growth.
Realisations (Rs/tonne)	4,797	5,225	(8.2)	4,680	2.5	
Sales (Rs mn)	47,559	49,183	(3.3)	46,080	3.2	
EBITDA (Rs mn)	6,617	9,032	(26.7)	4,292	54.2	
EBITDA margin (%)	13.9	18.4	(445bps)	9.3	460bps	
EBITDA (Rs/tonne)	708	1,015	(30.2)	462	53.4	
Adj PAT (Rs mn)	3,640	5,275	(31.0)	2,339	55.6	
Adj PAT margin (%)	7.7	10.7	(307bps)	5.1	258bps	

Source: Company, BOBCAPS Research

Fig 4 – ACEM

Particulars	Q3FY25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	9.02	8.20	10.0	8.70	3.7	
Realisations (Rs/tonne)	4,873	5,414	(10.0)	4,843	0.6	
Sales (Rs mn)	43,953	44,395	(1.0)	42,132	4.3	The recent acquisition of Penna Cement and lower base aid volume growth. Presence in healthy markets like Gujarat helps recovery.
EBITDA (Rs mn)	8,165	8,511	(4.1)	7,048	15.9	
EBITDA margin (%)	18.6	19.2	(59bps)	16.7	185bps	
EBITDA (Rs/tonne)	905	1,038	(12.8)	810	11.7	The fall in realisations is steeper due to change in stance by tapping the non-trade segment and higher volume push in the eastern region.
Adj PAT (Rs mn)	4,945	5,137	(3.7)	5,249	(5.8)	
Adj PAT margin (%)	11.3	11.6	(32bps)	12.5	(121bps)	

Source: Company, BOBCAPS Research

Fig 5 – DALBHARA

Particulars	Q3FY25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	6.97	6.80	2.5	6.70	4.0	
Realisations (Rs/tonne)	4,707	5,294	(11.1)	4,607	2.2	
Sales (Rs mn)	32,811	36,000	(8.9)	30,870	6.3	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 in areas of activity. EBITDA margin and EBITDA/t are hit as realisations will likely continue to drag performance in the quarter. The recent setback for JPA assets has hit its presence in the remunerative Central India region.
EBITDA (Rs mn)	4,987	7,750	(35.6)	4,340	14.9	
EBITDA margin (%)	15.2	21.5	(633bps)	14.1	114bps	
EBITDA (Rs/tonne)	689	1,113	(38.1)	621	10.9	
Adj PAT (Rs mn)	1,264	2,630	(52.0)	460	174.7	
Adj PAT margin (%)	3.9	7.3	(345bps)	1.5	236bps	

Source: Company, BOBCAPS Research

Fig 6 – JKCE

Particulars	Q3FY25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	4.7	4.6	2.9	4.2	12.1	
Realisations (Rs/tonne)	5,753	6,085	(5.5)	5,693	1.1	
Sales (Rs mn)	25,510	27,848	(8.4)	23,917	6.7	Volume growth YoY is restricted despite relatively higher presence in the Central India region and is a negative surprise. This indicates the company is facing growth concerns in the South and West regions. Weaker putty realisations are likely to impact the white cement segment's performance. Effectively, aggregate EBITDA margin and EBITDA/t indicate pressure partially also due to very high base.
EBITDA (Rs mn)	3,425	6,084	(43.7)	2,728	25.6	
EBITDA margin (%)	13.4	21.8	(842bps)	11.4	202bps	
EBITDA (Rs/tonne)	727	1,330	(45.3)	649	12.0	
Adj PAT (Rs mn)	956	2,895	(67.0)	452	111.4	
Adj PAT margin (%)	3.7	10.4	(665bps)	1.9	186bps	

Source: Company, BOBCAPS Research

Fig 7 – JKLC

Particulars	Q3FY25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	2.4	2.4	3.0	1.9	30.0	
Realisations (Rs/tonne)	6,137	6,735	(8.9)	6,117	0.3	
Sales (Rs mn)	14,337	15,861	(9.6)	11,413	25.6	JKLC's topline is likely to remain under stress due to the double-whammy of volume pressure and weak realisations as the eastern region is impacted by higher supply and pricing is weak in the northern region (for non-premium brands).
EBITDA (Rs mn)	1,669	2,422	(31.1)	613	172.1	
EBITDA margin (%)	11.6	15.3	(363bps)	5.4	627bps	
EBITDA (Rs/tonne)	688	1,028	(33.1)	329	109.3	The operating areas of Rajasthan and Chhattisgarh are cement clusters and, hence, EBITDA margin stays at the sub-industry level but is likely to catch up from the lower base.
Adj PAT (Rs mn)	777	1,241	(37.4)	75	930.3	
Adj PAT margin (%)	5.4	7.8	(240bps)	0.7	476bps	

Source: Company, BOBCAPS Research

Fig 8 – TRCL

Particulars	Q3FY25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	4.1	4.0	3.0	4.5	(8.2)	We expect TRCL's topline to take a hit due to the traditional monsoon in Tamil Nadu. Further, TRCL faces stiff competition in Kerala due to ACEM's supply from Gujarat. Collectively, these two states contribute ~55% of sales. Overall EBITDA slumps by ~16%, while margin slides by over 100bps. We expect EBITDA/t to hover at ~Rs 700-800 in the medium term as the relatively newer eastern region also faces a supply glut.
Realisations (Rs/tonne)	4,619	5,265	(12.3)	4,539	1.8	
Sales (Rs mn)	19,032	21,061	(9.6)	20,382	(6.6)	
EBITDA (Rs mn)	3,331	3,954	(15.8)	3,121	6.7	
EBITDA margin (%)	17.5	18.8	(127bps)	15.3	219bps	
EBITDA (Rs/tonne)	784	963	(18.6)	673	16.6	
Adj PAT (Rs mn)	476	934	(49.0)	256	86.2	
Adj PAT margin (%)	2.5	4.4	(193bps)	1.3	125bps	

Source: Company, BOBCAPS Research

Fig 9 – SRCM

Particulars	Q3FY25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	8.7	8.9	(2.1)	7.6	14.5	SRCM's volume and realisations fall YoY is relatively better than the industry as the company's shift back to volume and market share gains gradually. Further, it is partially impacted by weak demand recovery. We expect SRCM's EBITDA margin and EBITDA/t are likely to beat the industry average despite the YoY fall due to its operating efficiencies.
Realisations (Rs/tonne)	4,929	5,119	(3.7)	4,904	0.5	
Sales (Rs mn)	44,341	49,008	(9.5)	37,270	19.0	
EBITDA (Rs mn)	9,088	12,337	(26.3)	5,925	53.4	
EBITDA margin (%)	20.5	25.2	(468bps)	15.9	460bps	
EBITDA (Rs/tonne)	1,045	1,348	(22.5)	780	34.0	
Adj PAT (Rs mn)	2,814	7,342	(61.7)	931	202.1	
Adj PAT margin (%)	6.3	15.0	(864bps)	2.5	385bps	

Source: Company, BOBCAPS Research

Fig 10 – STRCEM

Particulars	Q3FY25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	1.09	0.97	11.96	0.98	11.0	Topline gains are driven by better volume growth and limited hits on realisations due to its north-eastern India presence. Logistics costs are likely to stay high due to higher clinker movement. EBITDA margin and EBITDA/t is impacted despite better topline growth due to increasing competition that keeps realisation gains under pressure.
Realisations (Rs/tonne)	6,658	6,716	(0.9)	6,560	1.5	
Sales (Rs mn)	7,231	6,514	11.0	6,415	12.7	
EBITDA (Rs mn)	1,102	1,488	(25.9)	956	15.3	
EBITDA margin (%)	15.2	22.8	(759bps)	14.9	35bps	
EBITDA (Rs/tonne)	1,015	1,534	(33.8)	977	3.9	
Adj PAT (Rs mn)	160	790	(79.8)	57	182.2	
Adj PAT margin (%)	2.2	12.1	(992bps)	0.9	133bps	

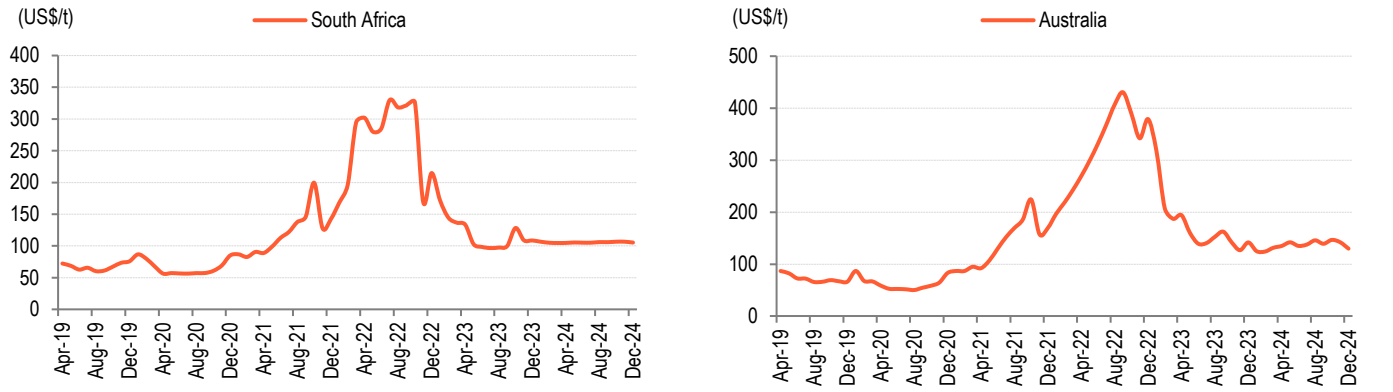
Source: Company, BOBCAPS Research

Fig 11 – UTCEM

Particulars	Q3FY25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume (mn tonnes)	27.0	25.6	5.6	26.0	4.0	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 and EBITDA/t ahead of the industry (despite weakness on a higher YoY base).
Realisations (Rs/tonne)	5,020	5,517	(9.0)	4,960	1.2	
Sales (Rs mn)	1,58,363	1,61,735	(2.1)	1,49,052	6.2	
EBITDA (Rs mn)	24,925	30,401	(18.0)	19,327	29.0	
EBITDA margin (%)	15.7	18.8	(306bps)	13.0	277bps	
EBITDA (Rs/tonne)	923	1,188	(22.3)	744	24.0	
Adj PAT (Rs mn)	12,001	16,965	(29.3)	7,969	50.6	
Adj PAT margin (%)	7.6	10.5	(291bps)	5.3	223bps	

Source: Company, BOBCAPS Research

Fig 12 – International Coal prices overall remained listless in the recent past



Source: Company, BOBCAPS Research, Bloomberg

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