CEMENT | Q3FY25 Review | 21 February 2025

Green shoots at the fag end; Q4FY25 expected to be brighter

- **Volume a mixed bag, driven by companies with head room capacity; realisation fell 8% YoY, companies with eastern India exposure hit hard**
- **Softer fuel cost continues to provide some respite – EBITDA margins at 15.1% vs 14.1% QoQ (19.1% YoY), operating cost fell by ~2% YoY/QoQ**
- **Post results, we maintain our BUY ratings on UTCEM and STRCEM, and SELL on DALBHARA, JKLC and TRCL**

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Volume growth a mixed bag, realisations dented by 8% YoY (flat QoQ): Our coverage universe company volumes grew a healthy ~10% YoY/QoQ on average in Q3FY25, driven by companies with headroom capacity. Demand recovery was slower due to the festive season and only at the fag end of Q3. UTCEM's (capacity industry leader) volume grew ~11% YoY despite its high base, while DALBHARA/ SRCM's volumes fell by ~1.5% on average. Aggregate realisations fell ~8%/flat (YoY/QoQ) as cement prices were listless due to higher supply in key regions.

Cost savings offer limited respite: Our cement universe EBITDA margins were flat QoQ at ~14% on average, weakening by 470bps YoY. SRCM led the pack with ~22%, JKCE and UTCEM ~18%/17%. JKLC, ACC and ACEM saw below-average margins of ~10%/9%/8.5% respectively. Aggregate EBITDA/t fell by ~35% YoY but improved ~14% QoQ to Rs 691 (Rs 1,056 in Q3FY24/Rs 604 Q2FY25).

Fuel & logistics costs continued to fall: Fuel costs for our coverage stocks fell by ~20% YoY (9% QoQ) on average led by softer pet coke prices. Logistics costs fell by ~2% YoY/flat QoQ as lead distance was rationalised to guard margins. Operating costs for our coverage universe fell ~2% YoY/QoQ on average to Rs 4,124/t.

Demand slowed in Q3FY25: Cement demand recovery was slower YoY due to slower capex spend, extended festive season and election in key states and was only towards the fag end of Q3. Heavy supply pressure in the eastern and southern India regions put pressure on prices. We stay optimistic on demand pickup in Q4, aided by the government's capex push, improving rural mood and better private demand, but supply pressure due to capacity additions will continue, in our view.

UTCEM is our top pick: We maintain UTCEM's BUY rating (TP Rs 13,137) 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 maintain SELL ratings on TRCL (Rs 722), JKLC (Rs 694) and DALBHARA (Rs 1,689) due to their continued weak showing. We retain our HOLD ratings for JKCE (Rs 4,511) and SRCM (Rs 25,755). Maintain BUY on STRCEM due to its niche market presence.

Fig 1 – Revenue growth

(Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
ACC	52,592	49,183	6.9	46,080	14.1
ACEM	48,537	44,395	9.3	42,132	15.2
DALBHARA	31,810	36,000	(11.6)	30,870	3.0
JKCE	27,155	27,848	(2.5)	23,917	13.5
JKLC	13,733	15,861	(13.4)	11,413	20.3
SRCM	42,355	49,008	(13.6)	37,270	13.6
STRCEM	7,188	6,514	10.3	6,415	12.0
TRCL	19,766	21,061	(6.2)	20,382	(3.0)
UTCEM	1,63,284	1,61,735	1.0	1,49,052	9.5
Aggregate	**4,06,419**	**4,11,605**	**(1.3)**	**3,67,532**	**10.6**

Comment

- Aggregate revenue for our cement coverage fell by ~1% YoY in a delayed recovery quarter.
- Volume gains were driven by large companies with headroom capacity, while they stayed muted for eastern region companies. Realisations fell ~8% YoY as prices continued to fall sharply in the southern and eastern regions of India.

Source: Company, BOBCAPS Research |

Fig 2 – EBITDA growth

(Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
ACC	4,725	9,032	(47.7)	4,292	10.1
ACEM	4,111	8,511	(51.7)	7,048	(41.7)
DALBHARA	5,110	4,340	17.7	7,750	(34.1)
JKCE	4,896	6,084	(19.5)	2,728	79.5
JKLC	1,425	2,422	(41.1)	613	132.4
SRCM	9,466	12,337	(23.3)	5,925	59.8
STRCEM	1,042	1,488	(29.9)	956	9.1
TRCL	2,794	3,954	(29.3)	3,121	(10.5)
UTCEM	27,783	30,401	(8.6)	19,327	43.8
Aggregate	**61,354**	**78,567**	**(21.9)**	**51,760**	**18.5**

Comment

- Aggregate EBITDA for our coverage universe fell ~22% YoY. The decline would have been sharper but for some respite from energy cost savings.
- UTCEM posted relatively healthy operating performance with 9% decline in EBITDA.
- JKLC/ACC/ACEM saw the sharpest fall at 41%/48%/52% YoY, due to overall weak operating efficiencies.
- STRCEM's fall in EBITDA was due to non-recurring logistics and other expenses.

Source: Company, BOBCAPS Research

Fig 3 – Adj. PAT growth

(Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
ACC	(781)	5,275		2,339	
ACEM	2,266	5,137	(55.9)	5,249	(56.8)
DALBHARA	610	2,630	(76.8)	460	32.6
JKCE	2,048	2,895	(29.2)	452	352.9
JKLC	595	1,241	(52.0)	75	689.0
SRCM	2,294	7,342	(68.8)	931	146.3
STRCEM	91	790	(88.5)	57	59.7
TRCL	(37)	934	(103.9)	256	(114.4)
UTCEM	14,344	16,965	(15.5)	7,969	80.0
Aggregate	**21,429**	**43,209**	**(50.4)**	**17,788**	**20.5**

Comment

- Aggregate PAT for our coverage universe fell sharply by ~50% YoY higher than EBITDA on account of higher depreciation provisions and interest outgo following capacity expansion by most of our cement coverage companies.
- TRCL posted losses due to larger exposure in weaker regions.

Source: Company, BOBCAPS Research

Fig 4 – Volume growth

(mn tonnes)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
ACC	10.7	8.9	20.2	9.3	15.1
ACEM	10.1	8.2	23.2	8.7	16.1
DALBHARA	6.7	6.8	(1.5)	6.7	0.0
JKCE	4.7	4.6	2.9	4.2	12.1
JKLC	2.2	2.4	(4.5)	1.9	20.5
SRCM	8.8	8.9	(1.3)	7.6	15.4
STRCEM	1.1	1.0	10.0	1.0	9.1
TRCL	4.4	4.0	9.3	4.5	(2.7)
UTCEM	28.3	25.6	10.6	26.0	9.0
Aggregate	**77.0**	**70.3**	**9.5**	**69.8**	**10.3**

Comment

- UTCEM remains a steady volume driver even if the base stayed high.
- SRCM's volume fell and came as a negative surprise as it switches between its focus on branding/premium category sales and volume push as in H1FY25.
- Volume gains by JKCE was 3% aided by capacity additions YoY, while STRCEM remains the star performer with ~10% volume growth in very challenging conditions.

Source: Company, BOBCAPS Research

Fig 5 – Realisation per tonne

(Rs/t)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
ACC	4,652	5,225	(11.0)	4,680	(0.6)
ACEM	4,806	5,414	(11.2)	4,843	(0.8)
DALBHARA	4,748	5,294	(10.3)	4,607	3.0
JKCE	5,765	6,085	(5.3)	5,693	1.3
JKLC	6,109	6,735	(9.3)	6,117	(0.1)
SRCM	4,830	5,119	(5.7)	4,904	(1.5)
STRCEM	6,736	6,716	0.3	6,560	2.7
TRCL	4,523	5,265	(14.1)	4,539	(0.4)
UTCEM	4,984	5,517	(9.7)	4,960	0.5
Aggregate	**4,715**	**5,137**	**(8.2)**	**4,690**	**0.5**

Comment

- Aggregate realisation for our coverage fell by ~8% YoY indicating weak pricing in Q3 owing to strong supply pressure in eastern and southern India, while demand recovery was delayed affected by the overall weak infrastructure demand due to the delayed Union budget in FY24-25.
- Additionally, Q3 prices provide limited respite owing to the lack of construction activity due to the festive season.
- However, recovery in Q4 is healthy and may continue due to the busy season demand.

Source: Company, BOBCAPS Research

Fig 6 – Operating cost per tonne

(Rs/t)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
ACC	4,474	4,511	(0.8)	4,493	(0.4)
ACEM	4,399	4,376	0.5	4,033	9.1
DALBHARA	3,985	4,154	(4.1)	3,960	0.6
JKCE	4,726	4,756	(0.6)	5,044	(6.3)
JKLC	5,475	5,706	(4.1)	5,788	(5.4)
SRCM	3,750	4,125	(9.1)	4,124	(9.1)
STRCEM	5,759	5,182	11.1	5,583	3.2
TRCL	3,884	4,277	(9.2)	3,844	1.0
UTCEM	4,788	5,134	(6.7)	4,995	(4.1)
Aggregate	4,124	4,222	(2.3)	4,186	(1.5)

Comment

- Operating cost savings helped to guard against a sharper fall in EBITDA margin. Operating cost per tonne for our coverage companies fell by 2%, driven by energy and logistics cost savings.
- However, the cost savings are lower QoQ indicating the benefits of a higher cost base are waning steadily and available for those companies shifting aggressively to green energy sources.

Source: Company, BOBCAPS Research

Fig 7 – EBITDA per tonne

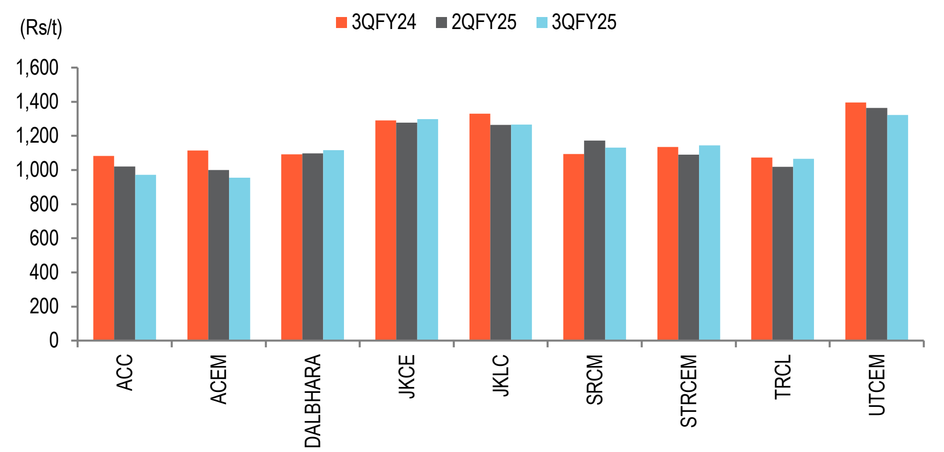
(Rs/t)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
ACC	442	1,015	(56.5)	462	(4.3)	▪ Aggregate earnings remained weak YoY due to the EBITDA/t loss from the dent in realisations. ▪ The EBITDA/t recovery QoQ is very encouraging.
ACEM	407	1,038	(60.8)	810	(49.8)	
DALBHARA	736	1,113	(33.9)	621	18.5	
JKCE	1,040	1,330	(21.8)	649	60.1	
JKLC	634	1,028	(38.3)	329	92.9	
SRCM	1,079	1,348	(20.0)	780	38.4	
STRCEM	977	1,534	(36.3)	977	(0.0)	
TRCL	617	963	(36.0)	673	(8.4)	
UTCEM	982	1,188	(17.4)	744	31.9	
Aggregate	**691**	**1,056**	**(34.5)**	**604**	**14.4**	

Source: Company, BOBCAPS Research

Logistics costs for our coverage dipped 2% YoY as the lead distance rationalisation helped. This was to cater to near-market demand to boost earnings.

DALBHARA, JKCE and STRCEM's costs rose, while ACC/ACEM were the biggest beneficiaries in Q2.

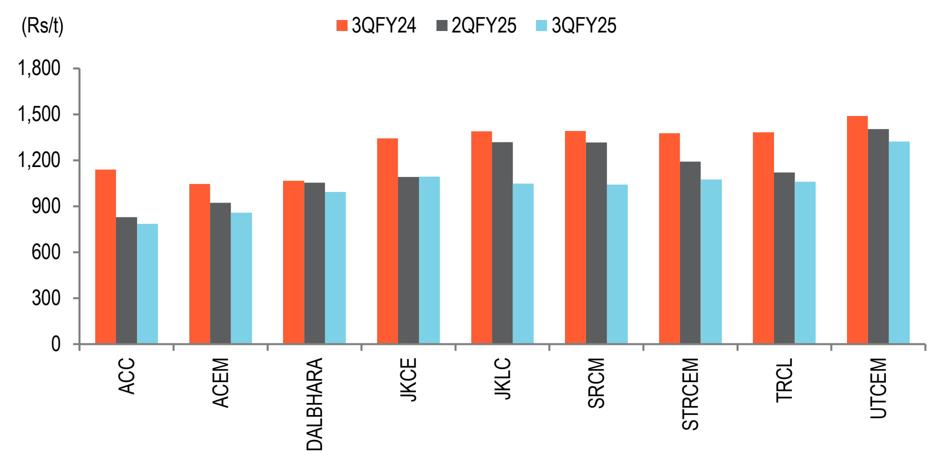
Fig 8 – Logistics cost per tonne



Source: Company, BOBCAPS Research

Fuel cost for our coverage companies dropped 20%/9% YoY/QoQ on softening pet coke prices. However, the benefits will wane steadily on a lower base in the next few quarters, in our view.

Fig 9 – Power & fuel cost per tonne



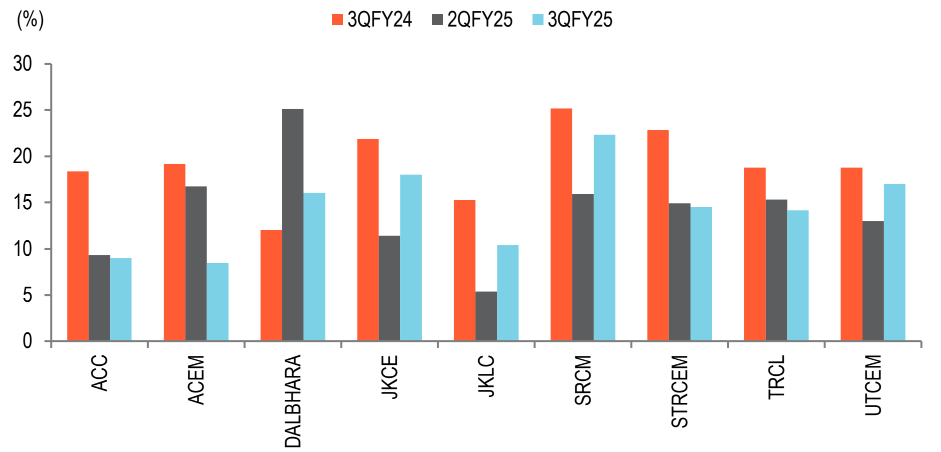
Source: Company, BOBCAPS Research

Average margin weakened 390bps YoY to 13% in Q2FY25. The fall was ~300bps QoQ, driven largely by weak pricing.

UTCEM, SRCM and ACEM continued to have above-average gains.

ORCMNT, JKLC and JKCE's margins stayed below par.

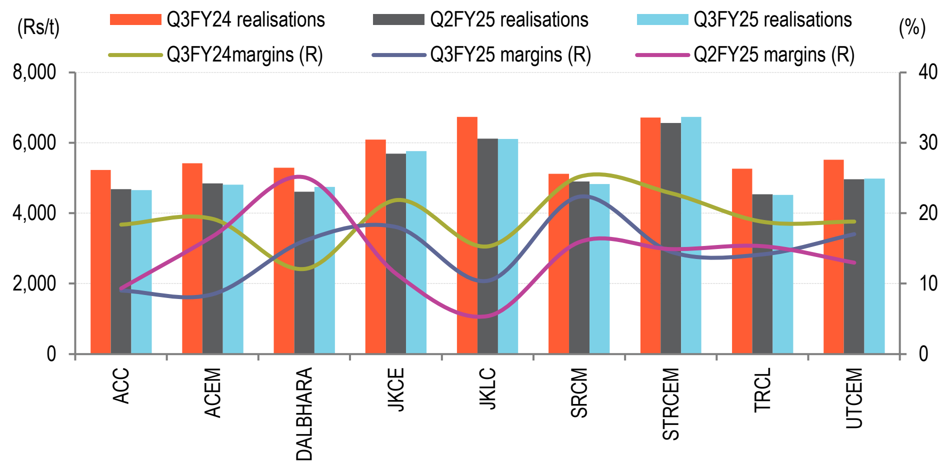
Fig 10 – EBITDA margin



Source: Company, BOBCAPS Research

Margins fell as cost savings offered only marginal respite in offsetting the dent in realisations in Q3FY25.

Fig 11 – Realisations vs. margins



Source: Company, BOBCAPS Research

Fig 12 – Ongoing expansion projects

Company	Projects
ACC	**Cement**
ACEM	Jodhpur Penna IU – 2mnt by Q3FY26 – Major equipment received at site, substantial civil work completed. Sankrail – 2.4mnt by Q4FY25 – In advanced stages of completion and commissioning. Farakka – 2.4mnt by Q4FY25 (Phase 1) – In advanced stages of completion and commissioning. Sindri – 1.6mnt by Q4FY25 – In advanced stages of completion and commissioning. Salai Banwa – 2.4mnt by Q1FY26 – Major equipment received at site, civil work in progress. Bathinda – 1.2mnt by Q2FY26 – Ongoing civil work, major equipment expected to be received at the site soon. Marwar – 2.4mnt by Q2FY26 – Ongoing civil work, major equipment expected to be received at the site soon. Warishaliganj – 2.4mnt by Q4FY26. Substantial civil work completed; major equipment ordered. Dahej Line 2 – 1.2mnt by Q3FY26. Ongoing civil work, major equipment expected to be received at the site soon. Kalamboli – 1.0mnt by Q3FY26 – Civil work commenced, major equipment supplies tied up. Krishnapatnam Penna – 2.0mnt by Q3FY26. Major equipment received at site, substantial civil work completed. **Clinker** Bhatapara Line 3 – 4mnt by Q4FY25 - In advanced stages of completion and commissioning. Maratha Line 2 – 4mnt by Q3FY26 - Ongoing civil work, major equipment expected to be received at the site soon. Jodhpur Penna IU – 3mnt by Q3FY26 - Major equipment received at site, substantial civil work Completed. ACEM spent Rs 35bn on capex in H1FY25 and expects to end FY25 with a capex of Rs 70bn-80bn.
DALBHARA	**Cement** Kalyanpur, Bihar, 0.5mnt by Q4FY25 Lanka, Assam – 2.4mnt by Q4FY25 **Clinker** Umranghsu – 3.6mnt by FY26
Heidelberg Cement	-
India Cement	-
JKCE	**Cement** 3mnt cement capacity at Panna, Hamirpur and Prayagraj (1mtpa at each location) – Scheduled commissioning slated for Dec'25. 3mnt split grinding unit in Bihar - with the scheduled commissioning slated for Dec'25. **Clinker** 3.3mnt grey clinker capacity at Panna – with the scheduled commissioning slated for Dec'25. Capex guidance of Rs 19bn for FY25.
JKLC	**Cement** The Surat grinding unit is expected to be commissioned in phases, with 0.7mnt capacity commissioned in Q4FY25 and the remaining in Q1FY26. Durg, Chhattisgarh – 4.6mnt (FY27) Prayagraj (FY27), Madhubani (FY27), Patratu (FY28) – 3.4mnt. **Clinker** Durg, Chhattisgarh – 2.3mnt (FY27) The Durg expansion projects to cost Rs 25bn. The Railway sliding project at Durg - Q1FY26 (Rs 3.25bn). In 9MFY25, JKLC incurred Rs 2.50bn worth of capex and expects to spend another Rs 1bn in Q4FY25. Management has guided for capex of Rs 10bn in FY26 and Rs 15bn in FY27.

Company	Projects
ORCMNT	-
SRCM	**Cement** The company's ongoing expansion projects in Jaitaran, Rajasthan (6.0mtpa), Kodla, Karnataka (3.00mtpa), Baloda Bazar, Chhattisgarh (3.40mtpa), and Etah, Uttar Pradesh (3.00mtpa) are nearing completion. The company expects to commission all these projects in Q1FY26. Rs 18.60bn was spent in H1FY25, and roughly Rs 40bn will be spent every year for the next four years.
STRCEM	**Cement** Silchar GU, Assam – 2mnt (FY26) Jorhat GU, Assam – 2mnt (FY27) The two projects above require capex of Rs 13bn. The 800CBM AAC block plant in Assam will be commissioned in Q4FY25. Total capex planned over Q4FY25 is Rs 2.2bn.
TRCL	The company is on track to achieve cement capacity of 30mtpa by Mar'26 with the commissioning of the 2nd clinker line in Kolimigundla. In Kolimigundla, the Railway siding will be commissioned in Mar'25. Expansion of Construction Chemicals capacity: Unit in Odisha will be commissioned before Mar'25. The capex estimated for FY26 remains at Rs 12bn.
UTCEM	**Cement** Patratu, Jharkhand – 2.5mnt by FY26 Shahjahanpur, Uttar Pradesh – 1.8mnt by FY26 Nathdwara, Rajasthan – 1.2mnt by FY26 Dhule, Maharashtra – 1.8mnt by FY26 Visakhapatnam, Andhra Pradesh - 3.3mnt by FY26 Parli, Maharashtra – 1.2mnt by FY26 Aligarh, Uttar Pradesh – 2.7mnt by FY27 Bihar – 3.3mnt by FY27 West Bengal – 3.3mnt by FY27 APCW, Andhra Pradesh – 2.7mnt by FY27 Andhra Pradesh – 2.7mnt by FY27 Gujarat – 1.2mnt by FY27 Karnataka – 1.2mnt by FY27 Assam – 1.2mnt by FY27 Tamil Nadu – 1.8mnt by FY27
Sanghi Industries	-

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

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