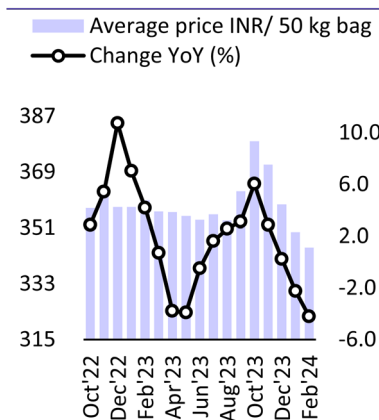
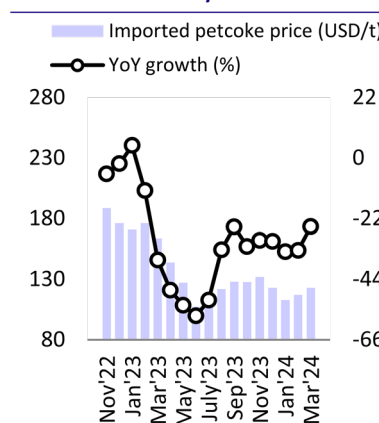


Cement

Average price of cement per 50kg bag down 4.2% YoY in Feb'24

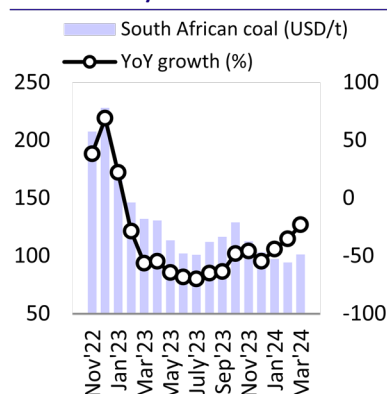


Average imported petcoke price down 34% YoY to USD117/t in Feb'24



Note: Mar'24 price (MTD)

Average imported coal price down 35% YoY to USD94/t in Feb'24



Note: Price Mar'24 (MTD)

Cement prices declined; however, demand was healthy

Average cement price in 4QTD down ~6% as compared to 3QFY24 average

- Our channel checks suggest that the all-India average cement price dropped 1.4% MoM (INR5 per 50kg bag) in Feb'24, primarily due to price reductions in the East, South, and North regions. Notably, this decline contributed to an overall decrease of ~6% in 4QTD compared to the average price in 3QFY24, reflecting a correction over four consecutive months. However, cement demand has seen recovery on a sequential basis, driven by government-led infrastructure projects and increased housing demand. We anticipate a mid-single digit YoY volume growth in 4QFY24 (up 10-11% QoQ).
- Regionally, the most significant price decline of ~3% MoM was observed in the South, with the North and East experiencing a decrease of ~2% each. However, prices remained stable in the West and Central regions. Additionally, the all-India average cement price in 4QTD was down 6.1% from the average price in 3QFY24 and down 3.7% from the average price in 9MFY24.
- Cement demand improved sequentially in 4QTD in most of the markets, barring a few regional headwinds (extreme winter, fog in the north region, Pongal festival in the south region, fiscal challenges in a few states of the east region, and farmer protests in Delhi-NCR and Punjab markets), which have adversely impacted sales. Industry volume is likely to be up in mid-single digits YoY (up 10-11% QoQ) in 4QFY24. We maintain our industry volume growth estimate of 8-9% YoY in FY24.
- Fuel prices (both petcoke and imported coal) have increased in the last week (Mar'24 beginning). Spot prices for imported petcoke (US) and coal (South African) are up ~8% (each) MoM to USD123/t and USD101/t, respectively. At spot prices, consumption costs stood at INR1.46/Kcal for imported Petcoke and INR1.50/Kcal for imported coal.

Cement price continues to fall in the fourth consecutive month

- Cement price corrected for the fourth consecutive month in Feb'24, given the price cut in the South, East, and North regions. However, price remained flat in the West and Central regions. The all-India average cement price declined 1.4% MoM in Feb'24.
- Regionally, the South region witnessed the highest decline of INR10/bag (down ~3% MoM) as price drops across its key markets. However, in the North and East regions, price was down INR7-8/bag (down ~2% MoM) each. In the West and Central regions, price remained stable MoM. Cement dealers and distributors do not expect any substantial price increases in Mar'24 due to the year-end volume pressure.
- All-India average cement price was down 6.1%/3.7%, compared to 3QFY24/9MFY24 average price.

Cement demand improved sequentially in Jan-Feb'24 after lull Nov-Dec'23

- Cement demand was weak in Nov-Dec'23 due to the festive season, labor unavailability, elections in a few states, a construction ban in Delhi-NCR, heavy rains and flood in Tamil Nadu.
- Cement demand has improved sequentially in Jan-Feb'24 in most of the markets, barring a few regional headwinds (extreme winter, fog in the north region, Pongal festival in the south region, fiscal challenges in a few states of the east region, and the farmer protests in Delhi-NCR and Punjab markets), which have adversely impacted sales.

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- We estimate industry volume to improve in 4QFY24, supported by strong demand from government-led infrastructure projects, a pick-up in commercial capex, and a peak construction period. Industry volume is likely to be up in mid-single digits YoY (up 10-11% QoQ) in 4QFY24. We continue to estimate industry volume growth of 8-9% YoY in FY24.

Favorable fuel prices; INR50-70/t decline likely in 4QFY24E

- Fuel consumption cost (in INR/Kcal) declined ~13% for SRCM, ~10% for BCORP, ~5-6% QoQ for DALBHARA/UTCEM/JKCE/TRCL, and ~2% for ICEM in 3QFY24; however, this has increased ~1-2% for ACC/ACEM. Among these players, SRCM, BCORP, and TRCL expect the fuel consumption cost in 4QFY24 to remain consistent with that of 3QFY24. Conversely, other players expect a decline in fuel cost ranging from 3-5% QoQ in 4Q.
- Both imported coal and petcoke prices have corrected in Dec'23-Jan'24 and was lower by ~9-17% as compared to Oct-Nov'23 average. However, fuel prices remained stable in Feb'24. We estimate favorable fuel prices to drive reduction in power and fuel cost by INR50-70/t in 4QFY24.
- Fuel prices (both petcoke and imported coal) have increased in the last week (Mar'24 beginning). Spot prices for imported petcoke (US) and coal (South African) are up ~8% (each) MoM to USD123/t and USD101/t, respectively. Domestic petcoke increased ~1% MoM to INR13,237/t in Mar'24. Based on spot prices, we believe consumption costs stood at INR1.46/Kcal for imported Petcoke and INR1.50/Kcal for imported coal.

Outlook: Demand should improve; OPM to be range-bound in near term

- Cement demand was weak in Nov-Dec'23 due to multiple headwinds; however, this has improved in Jan-Feb'24, backed by strong infrastructure projects and pick-up in housing demand. We believe OPM should be range-bound in 4QFY24. The positive impact of favorable operating leverage and softer fuel prices were offset by sequentially weaker cement prices.
- We believe industry volume to report ~7% CAGR in the long term, backed by strong demand from infrastructure projects, housing segment, and the likely pick-up in commercial and private capex.
- UTCEM is our preferred pick in the largecap space. We like DALBHARA and JKCE in the midcap space, given their growth plans as well as execution strategies.

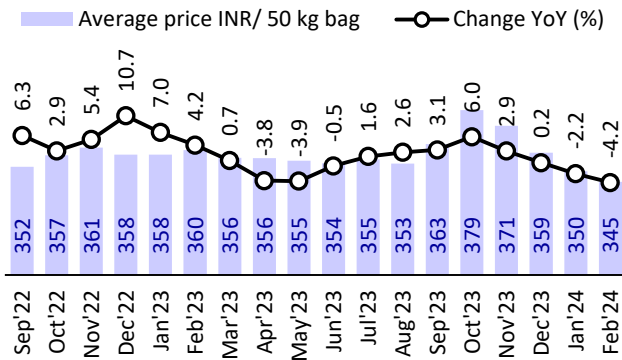
Exhibit 1: Valuation summary

	M-cap (USD b)	CMP (INR)	Rating	P/E (x)		EV/EBITDA (x)		EV/t (USD)		ROE (%)		Net debt/ EBITDA (x)	
				FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
UTCEM	37.3	9,644	Buy	31.6	26.3	17.8	14.9	241	226	13.8	14.7	0.0	(0.4)
SRCM	12.0	24,767	Neutral	41.2	33.5	16.5	14.6	197	162	10.4	11.7	(0.9)	(0.7)
ACEM	15.9	598	Neutral	41.9	36.5	21.9	19.2	319	289	10.8	9.2	(4.5)	(3.9)
ACC	6.7	2,643	Neutral	21.9	20.0	11.8	10.3	156	139	13.5	13.1	(1.6)	(2.0)
DALBHARA	4.9	1,944	Buy	30.0	21.8	10.1	8.3	101	96	7.3	9.3	0.3	0.1
TRCL	2.5	801	Neutral	26.1	21.5	11.3	10.2	136	130	9.7	10.8	2.6	2.2
JKCE	4.4	4,299	Buy	33.1	26.7	15.0	12.9	194	174	17.4	18.6	1.8	1.6
BCORP	1.6	1,524	Buy	20.6	17.3	8.6	7.3	97	84	8.7	9.6	1.9	1.4
ICEM	0.9	224	Sell	35.8	28.9	14.0	12.6	79	77	3.5	4.2	4.0	3.4
JKLC	1.4	900	Buy	19.8	16.6	8.3	6.7	67	57	15.7	16.3	1.1	1.4
GRASIM	20.4	2,236	Buy	110.2	92.3	10.4	7.9	N/A	N/A	3.0	3.9	2.4	1.7

Source: MOFSL, Company

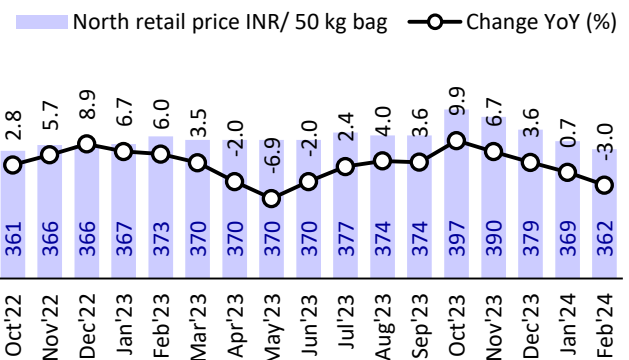
Story in charts

Exhibit 2: All-India average cement price down 4.2% YoY in Feb'24



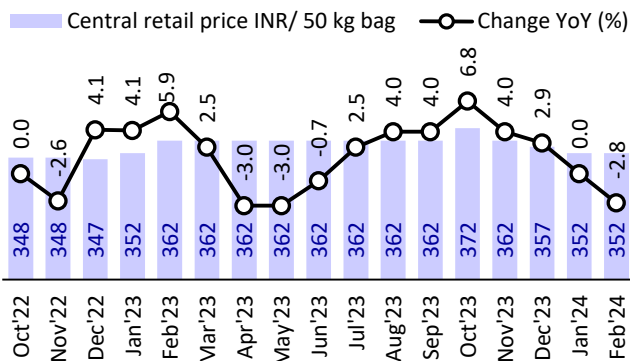
Source: MOFSL, Cement dealers

Exhibit 3: Average cement price down 3% YoY in North in Feb'24



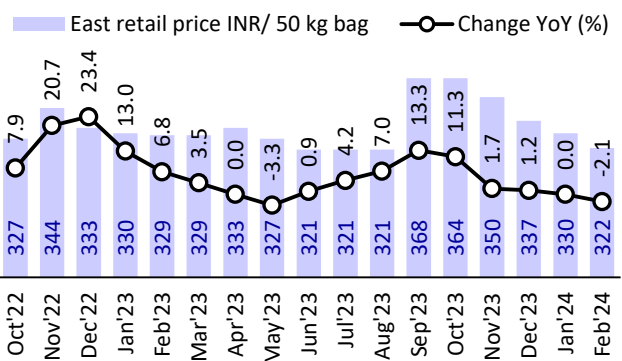
Source: MOFSL, Cement dealers

Exhibit 4: Average cement price down 3% YoY in Central in Feb'24



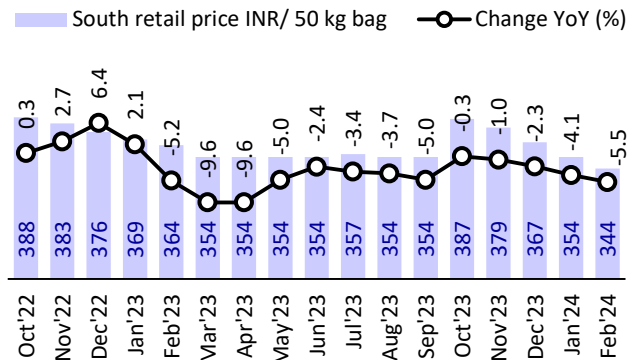
Source: MOFSL, Cement dealers

Exhibit 5: Average cement price down 2% YoY in East in Feb'24



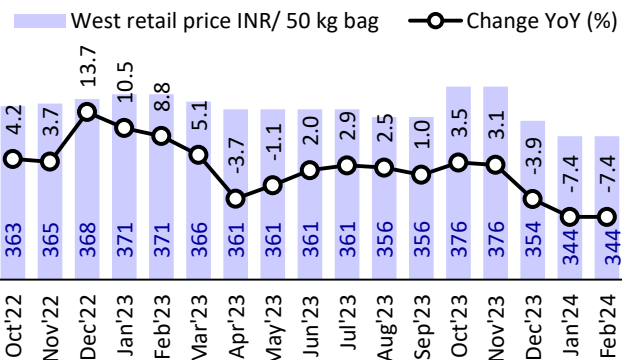
Source: MOFSL, Cement dealers

Exhibit 6: Average cement price down 5.5% YoY in South in Feb'24

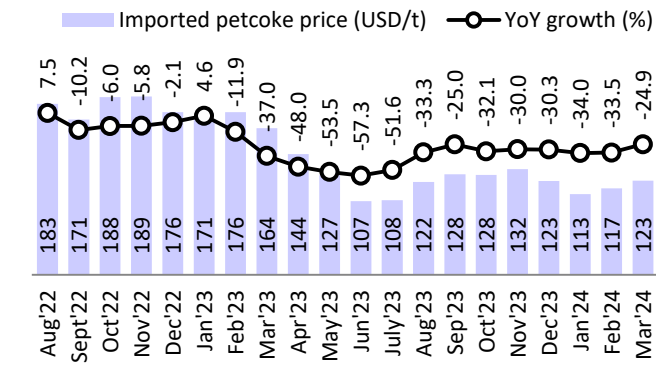


Source: MOFSL, Cement dealers

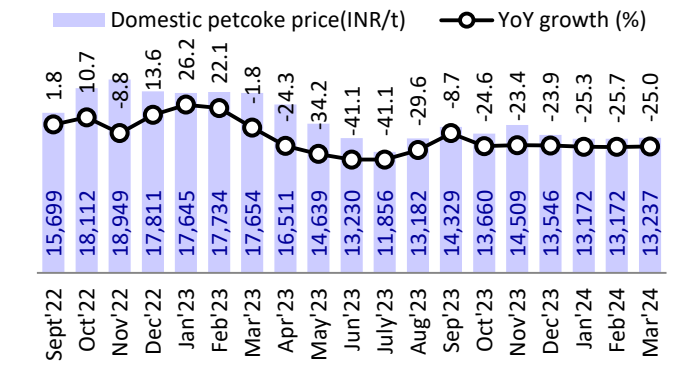
Exhibit 7: Average cement price down 7% YoY in West in Feb'24



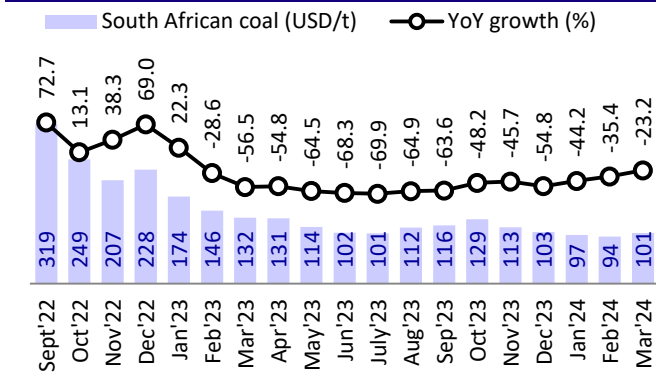
Source: MOFSL, Cement dealers

Exhibit 8: Average US petcoke price down 34% YoY in Feb'24

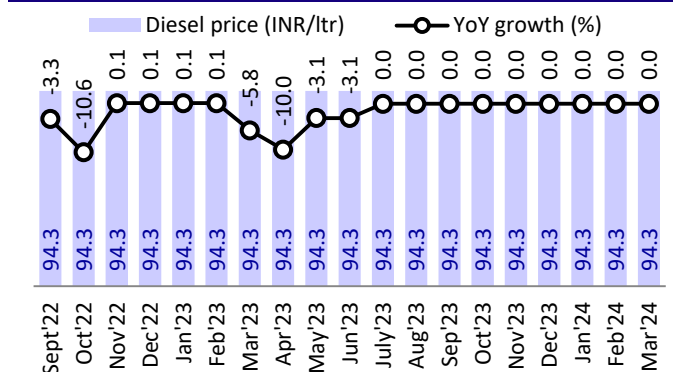
Source: MOFSL, Bloomberg, Industry, Note - Mar'24 MTD price

Exhibit 9: Domestic petcoke price down 25% YoY in Mar'24

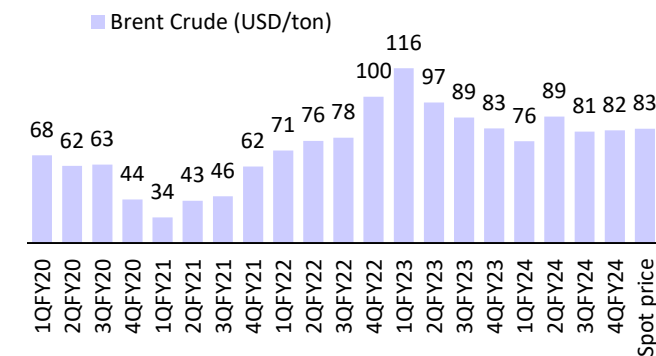
Source: MOFSL, Industry, Note - Mar'24 MTD price

Exhibit 10: South African coal price down 35% YoY in Feb'24

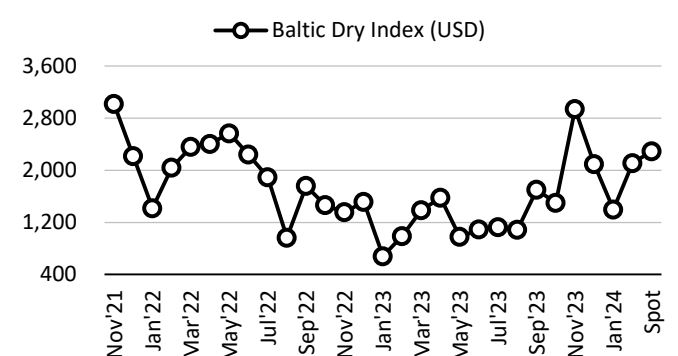
Source: MOFSL, Industry, Note - Mar'24 MTD price

Exhibit 11: Diesel price remained flat YoY

Source: MOFSL, Industry, Bloomberg, Note - Mar'24 MTD price

Exhibit 12: Crude oil price trend

Source: Bloomberg, MOFSL, Note: 4QFY24 price is MTD

Exhibit 13: Baltic Dry Index up 113% YoY in Feb'24

Source: Bloomberg, MOFSL; Note: Baltic dry index as on month-end

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