SYSTEMATIX INSTITUTIONAL EQUITIES

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Institutional Equities

Indian Cement Sector

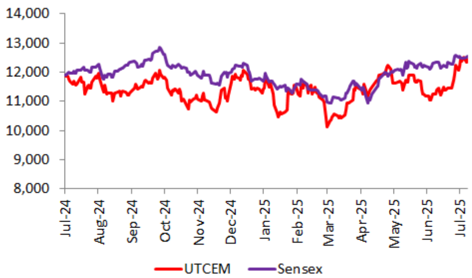
09 July 2024

Better realisations drive profitability

1QFY26 RESULT PREVIEW

Industry	Cement

Relative performance: UltraTech v/s Sensex



Source: BSE, Systematix Institutional Research

Sector recommendations

Company	Mkt Cap (Rs bn)	TP (Rs)	Rating
Ultratech Cement	3,631	12,660	BUY
Shree Cement	1,122	27,185	HOLD
Ambuja Cement	1,458	654	BUY
ACC	369	2,701	BUY
Dalmia Bharat	404	1,853	BUY
JK Cement	483	4,582	BUY
Ramco Cement	257	1,000	HOLD
Sagar Cements	33	221	BUY

Source: Systematix Institutional Research

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Cement companies in our coverage universe are expected to perform well in 1Q backed by better pricing. The upward price trajectory was driven by increased capex allocation in government's infrastructure spending and rural housing. Pan-India prices stood at Rs360/bag, up 2-2.5% vs Q4 average prices. Demand in Q1FY26 was better on a YoY basis, primarily due to a low base caused by elections last year. Demand has softened in June, due to onset of monsoon in most regions. Volume growth during the quarter for companies under our coverage is expected to be in the range of 6-7% YoY with strong performance expected from JK Cement and Ambuja at 11.5%/8.2% while Dalmia and Ultratech are likely to report slower growth at 5.4%/5.8%. We factor in volume/revenue/EBITDA /PAT growth of 6.3%/14.4%/43.5%/52.4% on YoY basis for 1QFY26.

EBITDA/tn expected to improve by Rs307 YoY and Rs150 QoQ

On the cost front, we expect improvement in Opex led by P&F costs. Australian Newcastle coal is down 20% on YoY basis and has remained stable. Power and Fuel costs for companies under our coverage are expected to see an improvement in the range of Rs20-50/tn. Freight and other costs may rise marginally owing to operating deleverage. Marginal improvement can be expected on the raw material front. However EBITDA/tn is expected to rise on the back of improved realisations and moderating power and fuel costs. EBITDA/tn for our coverage universe is expected to be Rs1176/tn in 1QFY26. Shree Cement and Ultratech are expected to report an EBITDA/tn of Rs1,318 and Rs1,413 respectively led by price discipline, established brand reputation and superior cost initiatives

Outlook: Demand to revive post monsoons

The industry is expected to grow by 6-7% in this fiscal, although the larger players, will account for nearly 60% of the total industry capacity. Near term outlook on the sector remains cautious due to monsoon led slowdown. Pricing will depend on rainfall intensity in Aug-Sep25 and post monsoon demand revival. We remain upbeat on long term growth prospects of the sector on the back of strong underlying demand with economic impetus, government's mammoth expansion plans and moderating input costs. Ultratech, Ambuja and JK Cement are our top picks within the coverage universe. However, with the recent surge in valuations, we will revise our top picks post Q1FY26 results.

Exhibit 1: 1QFY26E Financial Summary

Company	1QFY26E			Change in Revenue		Change in EBITDA		Change in PAT	
	Revenue	EBITDA	PAT	YoY	QoQ	YoY	QoQ	YoY	QoQ
	(Rs bn)	(Rs bn)	(Rs bn)	%	%	%	%	%	%
UltraTech Cement	218.5	44.6	22.2	20.9	27.6	46.8	51.9	31.1	46.4
Shree Cements	54.9	14.3	5.9	13.6	8.5	55.3	50.1	84.4	73.7
Ambuja Cements	92.5	19.4	13.1	11.3	19.0	51.4	45.9	67.8	46.5
ACC	55.7	9.2	5.5	7.9	16.4	34.9	17.7	48.1	62.3
Dalmia Bharat	39.6	9.3	4.1	9.3	13.0	38.8	18.4	172.7	192.7
JK Cement	29.1	5.5	2.5	10.2	(13.0)	15.4	(24.8)	25.0	(31.1)
Ramco Cements	22.2	3.9	0.7	6.2	(7.2)	20.3	20.0	82.5	262.1
Sagar Cements	5.5	0.6	-0.3	(1.8)	(16.4)	20.0	63.0	-	(34.6)
Coverage Universe (Total)	**517.9**	**106.8**	**53.7**	**14.4**	**(5.3)**	**43.5**	**1.1**	**52.4**	**(3.4)**

Source: Company, Systematix Institutional Research

Exhibit 2: 1QFY26E Key Performance Indicators

Company	1QFY26E			Change in Volume		Change in Realization		Change in EBITDA/tn	
	Volume	Realization	EBITDA/tn	YoY	QoQ	YoY	QoQ	YoY	QoQ
	(mt)	(Rs/tn)	(Rs/tn)	%	%	%	%	%	%
UltraTech Cement	33.9	6,452	1,318	5.8	(17.4)	14.3	14.7	38.7	17.0
Shree Cements	10.1	5,429	1,413	5.3	2.7	7.9	2.0	47.5	0.7
Ambuja Cements	17.1	5,409	1,133	8.2	(8.6)	2.8	2.3	39.9	13.5
ACC	10.7	5,201	856	5.0	(10.0)	2.8	3.0	28.4	27.3
Dalmia Bharat	7.8	5,071	1,192	5.4	(9.3)	3.7	6.6	31.7	29.3
JK Cement	5.2	5,551	1,057	11.5	(10.0)	(1.2)	(3.4)	3.5	(16.4)
Ramco Cements	4.6	4,804	833	5.0	(12.5)	1.1	6.0	14.6	37.1
Sagar Cements	1.4	4,074	444	3.8	(20.1)	(5.4)	4.6	15.6	104.0
Coverage Universe (Total)	**90.8**								
Coverage Universe (Average)		**5,249**	**1,031**	**6.3**	**(10.6)**	**7.6**	**7.3**	**35.0**	**14.6**

Source: Company, Systematix Institutional Research

Exhibit 3: 1QFY26E result estimates and key highlights

Ultratech (Consolidated)	Q1FY26E	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Volumes (mt)	33.9	41.0	32.0	5.8	-17.4
Net Sales (Rs bn)	218.5	230.6	180.7	20.9	27.6
EBITDA (Rs bn)	44.6	46.2	30.4	46.8	51.9
EBITDA Margin (%)	20%	20%	17%	*360bps*	*40bps*
Adj. PAT (Rs bn)	22.2	24.7	16.9	31.1	46.4
EPS (Rs/share)	83.7	93.5	58.5	43.0	59.7
Shree Cement (Standalone)	**Q1FY26E**	**Q4FY25**	**Q1FY25**	**YoY (%)**	**QoQ (%)**
Volumes (mt)	10.1	9.8	9.6	5.3	2.7
Net Sales (Rs bn)	54.9	52.4	48.3	13.6	8.5
EBITDA (Rs bn)	14.3	13.8	9.2	55.3	50.1
EBITDA Margin (%)	26.0%	26.4%	19.0%	*699bps*	*(33)bps*
Adj. PAT (Rs bn)	5.9	5.6	3.2	84.4	73.7
EPS (Rs/share)	163.5	154.1	88.7	84.4	73.7

Ambuja Cement (Standalone)	Q1FY26E	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Volumes (mt)	17.1	18.7	15.8	8.2	-8.6
Net Sales (Rs bn)	92.5	98.9	83.1	11.3	19.0
EBITDA (Rs bn)	19.4	18.7	12.8	51.4	45.9
EBITDA Margin (%)	21.0%	18.9%	15.4%	*556bps*	*207bps*
Adj. PAT (Rs bn)	13.1	11.5	7.8	67.8	46.5
EPS (Rs/share)	49.9	5.2	29.8	67.8	-82.5

ACC (Standalone)	Q1FY26E	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Volumes (mt)	10.7	11.9	10.2	5.0	-10.0
Net Sales (Rs bn)	55.7	60.1	51.6	7.9	16.4
EBITDA (Rs bn)	9.2	8.0	6.8	34.9	17.7
EBITDA Margin (%)	16.5%	13.3%	13.2%	*328bps*	*314bps*
Adj. PAT (Rs bn)	5.5	6.0	3.7	48.1	62.3
EPS (Rs/share)	29.2	32.0	19.7	48.1	62.3

Dalmia Bharat (Consolidated)	Q1FY26E	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Volumes (mt)	7.8	8.6	7.4	5.4	-9.3
Net Sales (Rs bn)	39.6	40.9	36.2	9.3	13.0
EBITDA (Rs bn)	9.3	7.9	6.7	38.8	18.4
EBITDA Margin (%)	23.5%	19.4%	18.5%	*501bps*	*413bps*
Adj. PAT (Rs bn)	4.1	4.4	1.5	172.7	192.7
EPS (Rs/share)	21.8	23.4	8.0	172.7	192.7

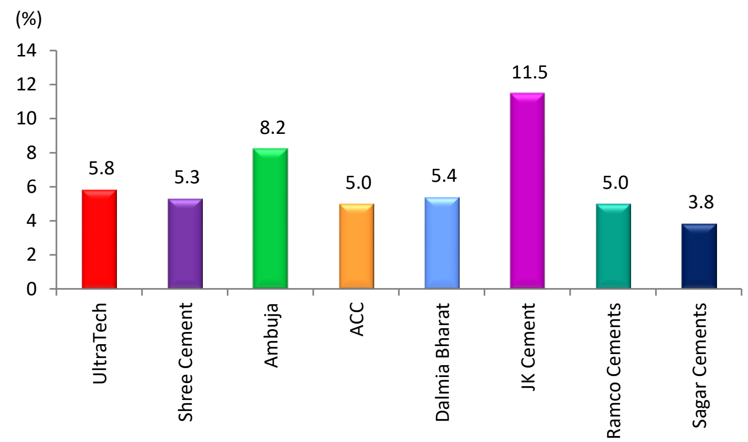
	Q1FY26E	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Volumes (mt)	5.2	5.8	4.7	11.5	-10.0
Net Sales (Rs bn)	29.1	33.4	26.4	10.2	-13.0
EBITDA (Rs bn)	5.5	7.4	4.8	15.4	-24.8
EBITDA Margin (%)	19.0%	22.0%	18.2%	*86bps*	*(298) bps*
Adj. PAT (Rs bn)	2.5	3.6	2.0	25.0	-31.1
EPS (Rs/share)	32.4	47.0	25.9	25.0	-31.1

Ramco Cements (Standalone)	Q1FY26E	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Volumes (mt)	4.6	5.3	4.4	5.0	-12.5
Net Sales (Rs bn)	22.2	23.9	20.9	6.2	-7.2
EBITDA (Rs bn)	3.9	3.2	3.2	20.3	20.0
EBITDA Margin (%)	17.3%	13.4%	15.3%	*204bps*	*393bps*
Adj. PAT (Rs bn)	0.7	0.2	0.4	82.5	262.1
EPS (Rs/share)	3.1	0.9	1.7	82.5	262.1

Sagar Cements (Consolidated)	Q1FY26E	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Volumes (mt)	1.4	1.7	1.3	3.8	-20.1
Net Sales (Rs bn)	5.5	6.6	5.6	-1.8	-16.4
EBITDA (Rs bn)	0.6	0.4	0.5	20.0	63.0
EBITDA Margin (%)	10.9%	5.6%	8.9%	*198bps*	*531bps*
Adj. PAT (Rs bn)	-0.3	-0.5	-0.3	-	-34.6
EPS (Rs/share)	-2.3	-3.5	-2.3	-	-34.6

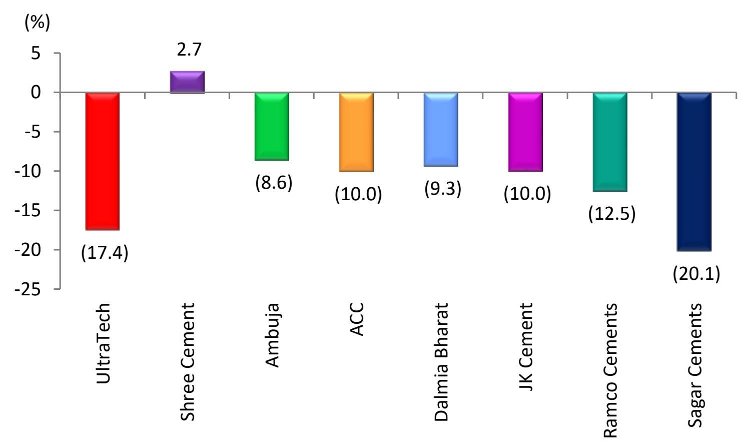
Source: Company, Systematix Institutional Research

Exhibit 4: ~6.3% YoY avg. volume growth for our cement coverage



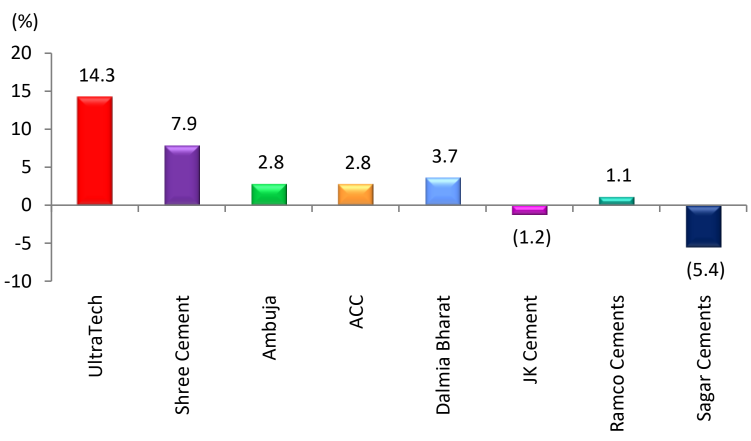
Source: Company, Systematix Institutional Research

Exhibit 5: Avg. volume degrowth of ~10.6% QoQ



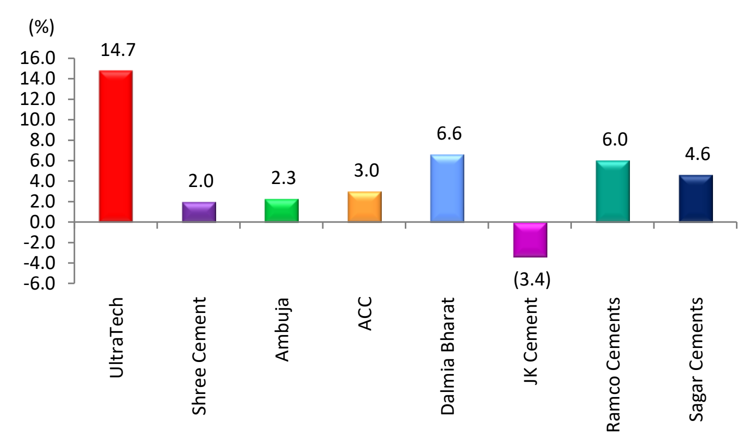
Source: Company, Systematix Institutional Research

Exhibit 6: Coverage NSR to improve by ~3.2% YoY



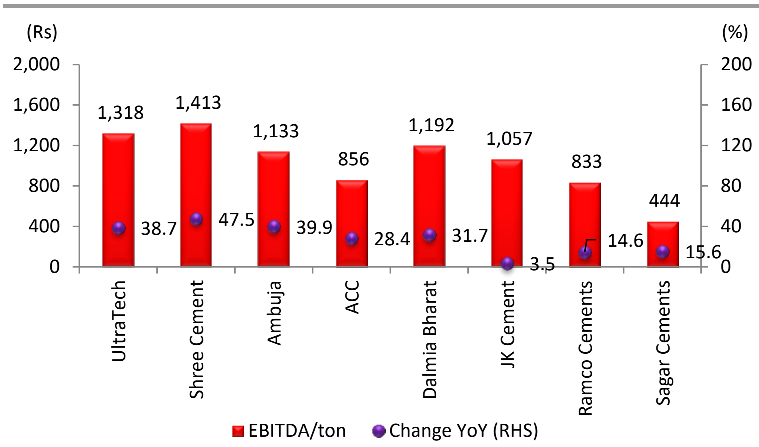
Source: Company, Systematix Institutional Research

Exhibit 7: Coverage NSR expected to improve 4.5% QoQ



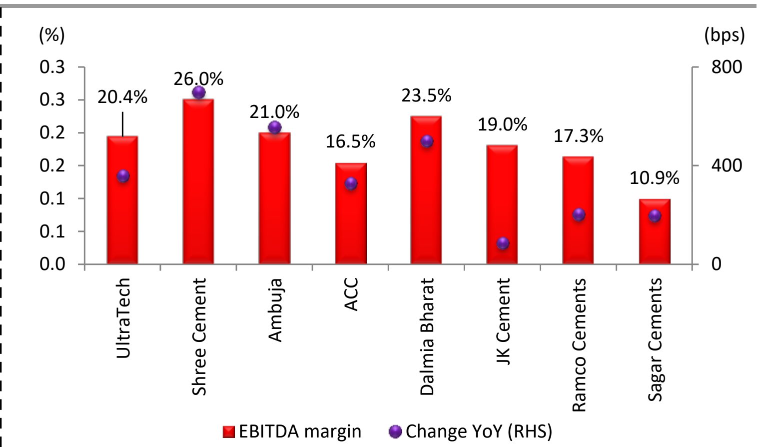
Source: Company, Systematix Institutional Research

Exhibit 8: Avg. EBITDA/tn estimated at Rs1,176 in 1QFY26E



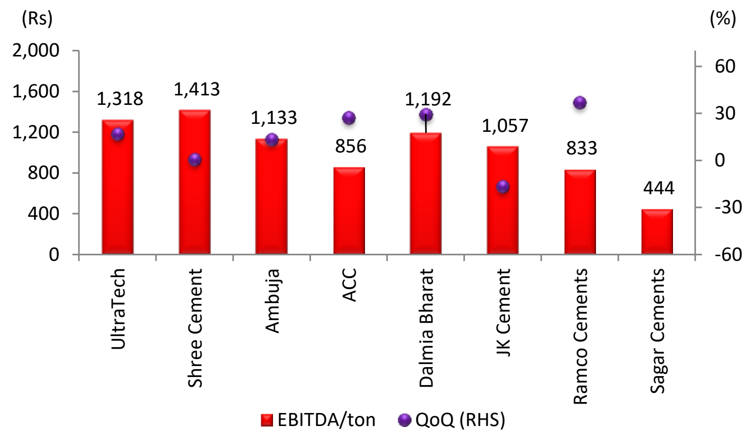
Source: Company, Systematix Institutional Research

Exhibit 9: Avg EBITDA margin to be at 20.6% in Q1FY26E



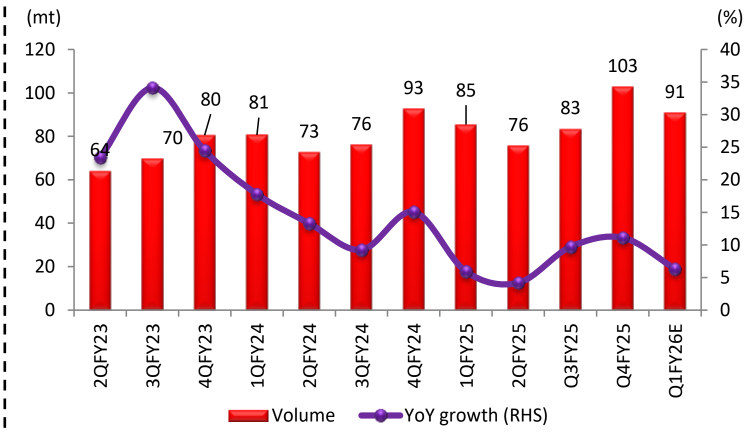
Source: Company, Systematix Institutional Research

Exhibit 10: EBITDA/tn to increase by 14.6% QoQ



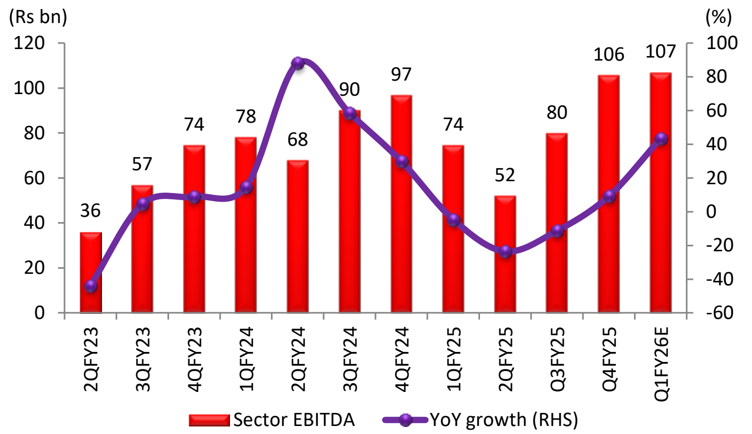
Source: Company, Systematix Institutional Research

Exhibit 11: Volumes to be driven by infrastructure and rural demand



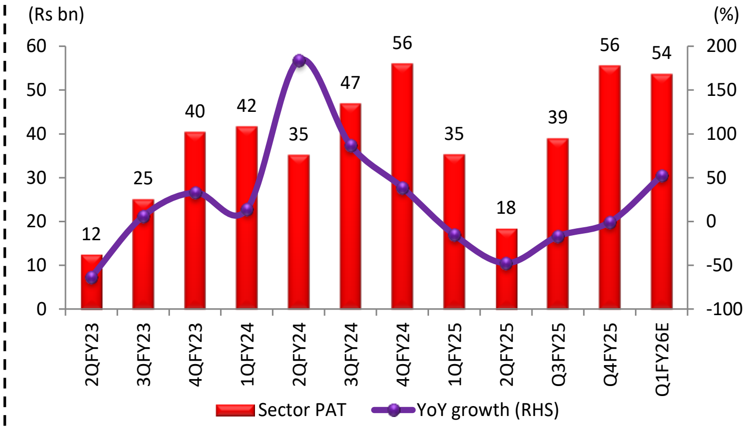
Source: Company, Systematix Institutional Research

Exhibit 12: EBITDA to rise due to lower opex and better realisations



Source: Company, Systematix Institutional Research

Exhibit 13: Coverage PAT to improve on YoY basis



Source: Company, Systematix Institutional Research

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