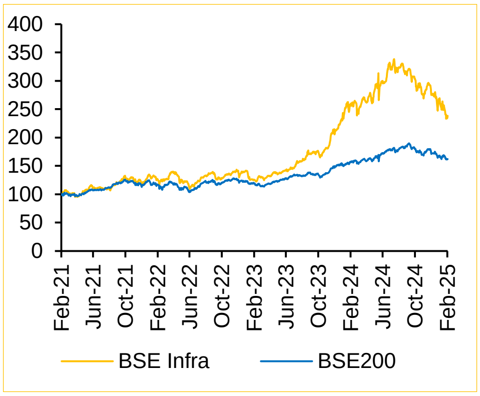
Q3FY25 Quarterly Results Review

Cement & Building Materials

Recommendation			
Company	CMP (INR)	TP (INR)	Rated
ACC	1,866	2,462	Buy
Ambuja	480	600	Buy
Birla Corp	974	1,296	Hold
Dalmia Bharat	1,771	1,709	Hold
J.K Cement	4,619	5,532	Buy
JK Lakshmi	710	900	Hold
Nuvoco Vistas	321	386	Hold
Ramco Cements	862	994	Hold
Shree Cement	28,650	29,762	Hold
Ultratech Cement	11,289	13,246	Buy
Grasim Industries	2,461	2,910	Buy

*CMP as on 19th Feb 2025

Rebased Price Chart



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Volume grew by 10.2% YoY and remained in line with market expectations — In Q3FY25, cement companies in our coverage delivered healthy volume growth, driven by the government's strong infrastructure push and sustained demand recovery. Sales volumes expanded by ~10.2% YoY and ~10.8% QoQ, reflecting improved execution of infra projects and steady traction in the housing sector. Companies expect this positive momentum to continue in 4QFY25 and extend into FY26, supported by higher government spending, a pickup in housing construction, and pent-up demand.

Among key players, Ambuja and ACC led the volume growth in our coverage, reporting a strong ~23.2% and ~20.5% increase on YoY, respectively, followed by Nuvoco at ~17.5% and Ultratech at ~11.4%. However, JK Lakshmi, Dalmia Bharat, and Shree Cement underperformed, posting YoY volume degrowth of ~4.3%, ~1.5%, and ~1.1%, respectively.

Realizations remained under pressure on a YoY basis, but price hikes are anticipated in the near term: In Q3FY25, cement prices exhibited positive momentum, with a recovery supported by strong demand. The price hikes of ~INR10-15 per bag in November and December were well absorbed by the market. Exit prices in December 2024 have largely sustained, with regions like the North, West, and Central witnessing a further ~INR5-10 per bag increase in January and February 2025.

For our coverage companies, realizations declined ~9.0% YoY but improved ~1.3% QoQ, aided by all-India price gains. While we expect further price hikes may be challenging until March 2025 due to the year-end volume push, we believe a reasonable price increase—especially in the South and East—will be crucial from April 2025 to protect margins.

Flattish revenue on YoY; EBITDA down by ~27% YoY but improved ~30% QoQ: Cement companies in our coverage reported flattish revenue growth YoY**,** as a 10.2% YoY volume increase was offset by a 9.0% drop in realizations**.** Despite better prices in Dec'24, expected 2-2.5% QoQ realization growth fell short, with some companies seeing a sequential decline. Operating costs declined ~3.8% YoY and ~2.7% QoQ**,** driven by lower freight and power & fuel expenses, aiding cost control.

Lower pricing impacted EBITDA/t, which declined by 29.4% on YoY, expecting cost reduction initiatives to improve profitability in coming quarters: In Q3FY25, EBITDA/t for our coverage companies declined 29.4% YoY but showed a strong 29.1% QoQ recovery. The average EBITDA/t stood at INR780/t in Q3FY25, down from INR1,104/t in Q3FY24, impacted by lower realizations and higher discounts aimed at driving volume growth. Looking ahead, cement companies are prioritizing cost reduction initiatives, which are expected to support profitability improvement in the coming quarters.

Outlook- Cement companies have guided for ~4% YoY industry volume growth in FY25 and a stronger 7-8% YoY growth in 4QFY25. Demand is expected to be driven by pent-up demand, rising construction activity, infrastructure projects, and steady demand from IHB and real estate segments. Improved cement demand has also supported price hikes in Q3FY25, with current prices up ~1-2% from the quarter's average. Companies are concentrating on refining pricing strategies, boosting the market share of premium products, and emphasizing cost-reduction initiatives. Companies like Ultratech and Ambuja aim to lower their total cost per ton by 200-300/t and 500-530/t, respectively, over the next 3-4 years.

Our high conviction picks of the quarter are- **Ultratech Cement** and **JK Cement.**

Please refer slide 3 for operating parameters

Company, CEBPL

Q3FY25 Quarterly Result Review

High Conviction Picks

Ultratech Cement Ltd.

Key Financials					
INR Bn	***FY23***	***FY24***	***FY25E***	***FY26E***	***FY27E***
Revenue	632.4	709.1	719.9	814.3	921.1
YoY (%)	20.2	12.1	1.5	13.1	13.1
EBITDA	106.2	129.7	122.5	169.5	219.2
EBITDAM %	16.8	18.3	17.0	20.8	23.8
Adj PAT	50.6	70.1	63.1	96.4	132.1
EPS	175.5	242.7	218.8	334.0	457.8
RoE %	9.3	11.6	9.8	13.4	15.8
ROCE %	12.4	14.5	11.5	15.9	19.2
PE(x)	65.0	47.0	52.1	34.1	24.9
EV/EBITDA	31.1	25.5	27.3	19.7	15.2

1. Ultratech Cement Ltd: Rating: BUY | Target Price: INR13,246

- **Outlook:** UTCEM is aggressively expanding in South India, increasing capacity from 26.2 MTPA to 49.9 MTPA through acquisitions like India Cements and Kesoram, targeting 60 MTPA. Nationally, it plans to grow from 140.8 MTPA in FY24 to 209.3 MTPA by FY27 (14.1% CAGR), with capex rising to INR 90,000Mn in FY25 and FY26. Cost efficiency initiatives include scaling WHRS to 511 MW and renewable energy to 2.1 GW (30% of energy needs), reducing costs by INR 292/t over three years. Investments in railway sidings further optimize logistics. Supported by infrastructure growth, UTCEM is set for strong volume expansion, cost leadership, and EBITDA/t improvement, solidifying its market dominance. We revise our FY26/27 EPS estimates by 6.1%/11.3% and upgrade the rating to 'BUY' with a revised TP of INR13,246, valuing it at 18x FY27 EV/EBITDA. The management is enthusiastic about cement demand & volume growth and expects a double-digit increase in FY26. Successful absorption of the Jan-25 price increase paves the way for additional price increases in the coming months.

JK Cement Ltd.

Key Financials					
INR Bn	***FY23***	***FY24***	***FY25E***	***FY26E***	***FY27E***
Revenue	97.2	115.6	114.7	123.9	135.1
YoY (%)	21.6	18.9	(0.7)	8.0	9.1
EBITDA	13.1	20.6	19.9	23.9	29.2
EBITDAM %	13.5	17.8	17.3	19.3	21.6
Adj PAT	6.9	4.2	8.0	7.3	10.1
EPS	54.8	103.8	94.5	130.9	174.0
RoE %	9.1	15.1	12.1	14.3	16.0
ROCE %	9.4	14.6	11.8	13.6	15.8
PE(x)	87.1	46.0	50.5	36.5	27.4
EV/EBITDA	30.8	20.0	21.0	17.5	14.2

2. JK Cements Ltd: Rating: BUY | Target Price: INR

- **Outlook:** JKCE's aggressive expansion in the central market, driven by strong regional demand and a growing premium product mix, positions it for sustained growth. The Panna plant's capacity doubling to 6.6 MTPA enhances its market reach in UP, MP, and Rajasthan, supporting a targeted volume of 21.6 MTPA by FY26. Cost-saving initiatives, including increasing green power usage to 60% and optimizing logistics, are expected to unlock INR 150-200/t in savings over two years, driving EBITDA/t to INR 1,283/t by FY27. With a 10% volume growth projection for FY26 and an upgraded capex plan of INR 1,750Mn for Saifco Cement expansion, JKCE is well-positioned for profitability and market leadership. We revise our FY26/27 EPS estimates by 0.6%/3.9% and upgrading our rating to 'BUY' with a revised TP of INR5,532, valuing it at 16x (revised because of improving cement outlook and management commentary on EBITDA/t improvement) on FY27 EV/EBITDA.

Q3FY25 Quarterly Result Review

Company, CEBPL

Choice

Operating parameters of coverage companies

- **Sales volumes (in INR Mnt)**

Companies	Q3FY24	Q2FY25	Q3FY25	YoY %	QoQ %
	Volume (in INR Mnt)				
ACC	8.9	9.3	10.7	20.5	15.1
Ambuja	8.2	8.7	10.1	23.2	16.1
Birla Corp	4.2	4.0	4.5	7.1	12.5
Dalmia Bharat	6.8	6.7	6.7	(1.5)	0.0
J.K Cement	4.7	4.4	4.9	4.3	11.4
JK Lakshmi	2.4	1.9	2.3	(4.3)	21.0
Nuvovo Vis	4.0	4.2	4.7	17.5	11.9
Ramco	4.0	4.5	4.4	10.0	(2.2)
Shree	8.9	7.6	8.8	(1.1)	15.8
Ultra tech	27.3	27.8	30.4	11.4	9.2
Total	**79.3**	**79.1**	**87.5**	**10.3**	**10.6**

- **Realization/t**

Companies	Q3FY24	Q2FY25	Q3FY25	YoY %	QoQ %
	Realization/t				
ACC	5,539	4,955	5,510	(0.5)	11.2
Ambuja	5,414	4,843	4,993	(7.8)	3.1
Birla Corp	5,505	4,918	5,015	(8.9)	2.0
Dalmia Bharat	5,295	4,607	4,748	(1.5)	3.1
J.K Cement	6,244	5,858	5,956	(4.6)	1.7
JK Lakshmi	6,749	6,136	6,109	(9.5)	(0.4)
Nuvovo Vistas	6,022	5,401	5,126	(14.9)	(5.1)
Ramco Cement	5,265	4,539	4,523	(14.1)	(0.4)
Shree Cement	5,507	4,904	4,830	(12.3)	(1.5)
Ultra tech	6,127	5,616	5,661	(7.6)	0.8
Average Realization	**5,767**	**5,178**	**5,247**	**(9.0)**	**1.3**

- **EBITDA/t**

Companies	Q3FY24	Q2FY25	Q3FY25	YoY %	QoQ %
	EBITDA/t				
ACC	1,017	462	1,037	2.0	124.5
Ambuja	1,038	782	595	(42.7)	(23.9)
Birla Corp	901	446	551	(38.8)	23.5
Dalmia Bharat	1,140	648	763	(1.5)	17.7
J.K Cement	1,330	650	1,000	(24.8)	53.8
JK Lakshmi	1,031	330	634	(38.5)	92.1
Nuvovo Vistas	1,021	521	549	(46.2)	5.4
Ramco Cement	988	695	639	(35.3)	(8.1)
Shree Cement	1,386	780	1,079	(22.2)	38.3
Ultra tech	1,191	725	951	(20.2)	31.2
Average EBITDA/t	**1,104**	**604**	**780**	**(29.4)**	**29.1**

- **Total Cost/t**

Companies	Q3FY24	Q2FY25	Q3FY25	YoY %	QoQ %
	Total Cost/t				
ACC	4,522	4,493	4,474	(1.1)	(0.4)
Ambuja	4,376	4,061	4,399	0.5	8.3
Birla Corp	4,603	4,472	4,464	(3.0)	(0.2)
Dalmia Bharat	4154	3960	3985	(1.5)	0.6
J.K Cement	4914	5209	4956	0.8	(4.9)
JK Lakshmi	5,718	5,806	5,475	(4.2)	(5.7)
Nuvovo Vistas	5,002	4,881	4,577	(8.5)	(6.2)
Ramco Cement	4,277	3,844	3,884	(9.2)	1.0
Shree Cement	4,120	4,124	3,750	(9.0)	(9.1)
Ultra tech	4,936	4,891	4,711	(4.6)	(3.7)
Average Total Cost/t	**4,662**	**4,574**	**4,467**	**(4.2)**	**(2.3)**

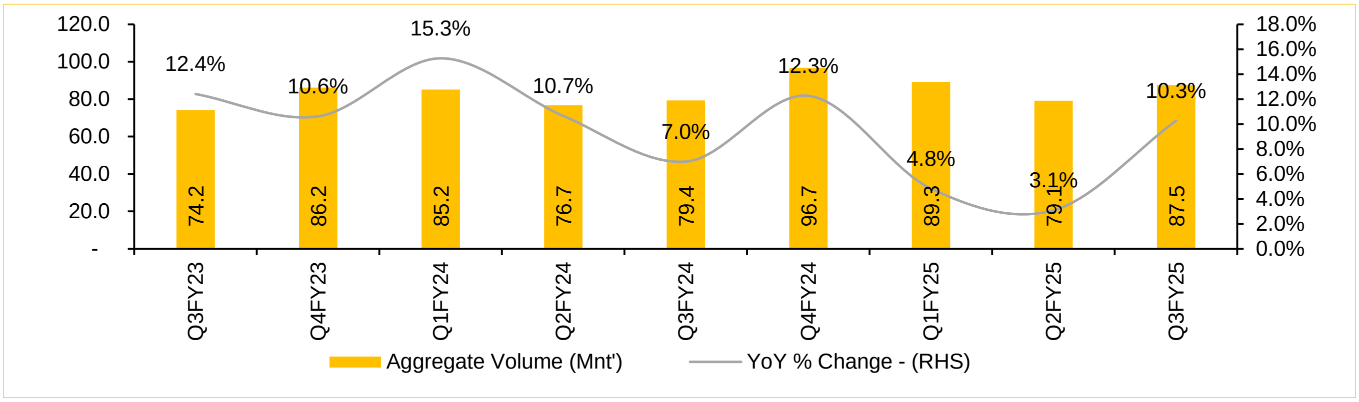
Company, CEBPL

Q3FY25 Quarterly Result Review

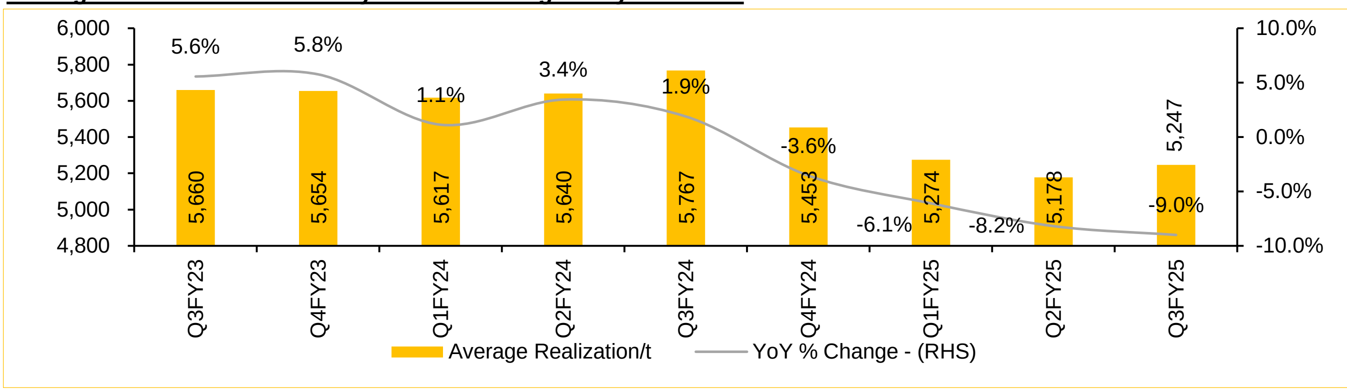
Operating metrics charts

Q3FY25 Quarterly Result Review

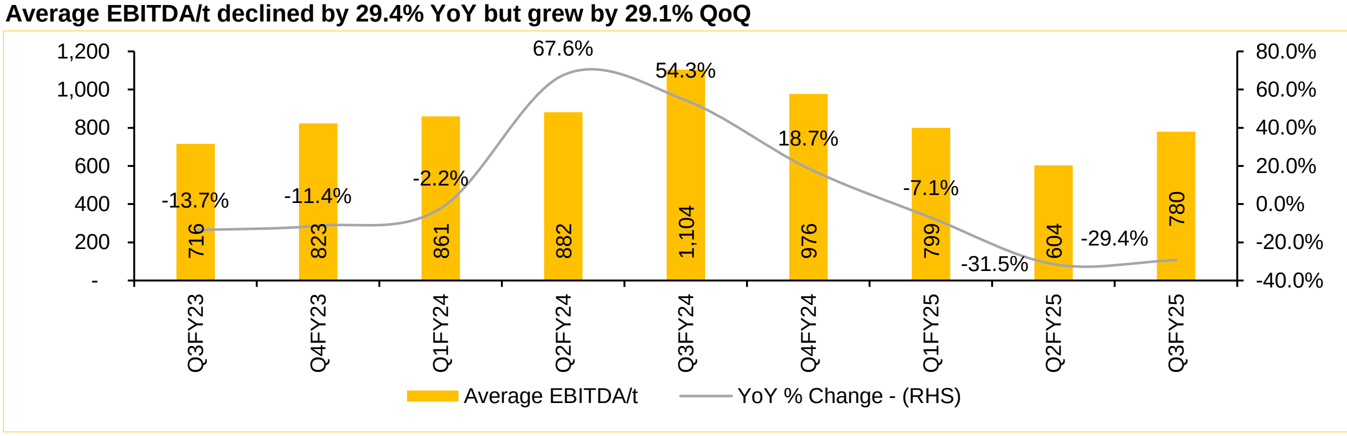
Aggregate volume grew by 10.3% YoY and 10.6% QoQ



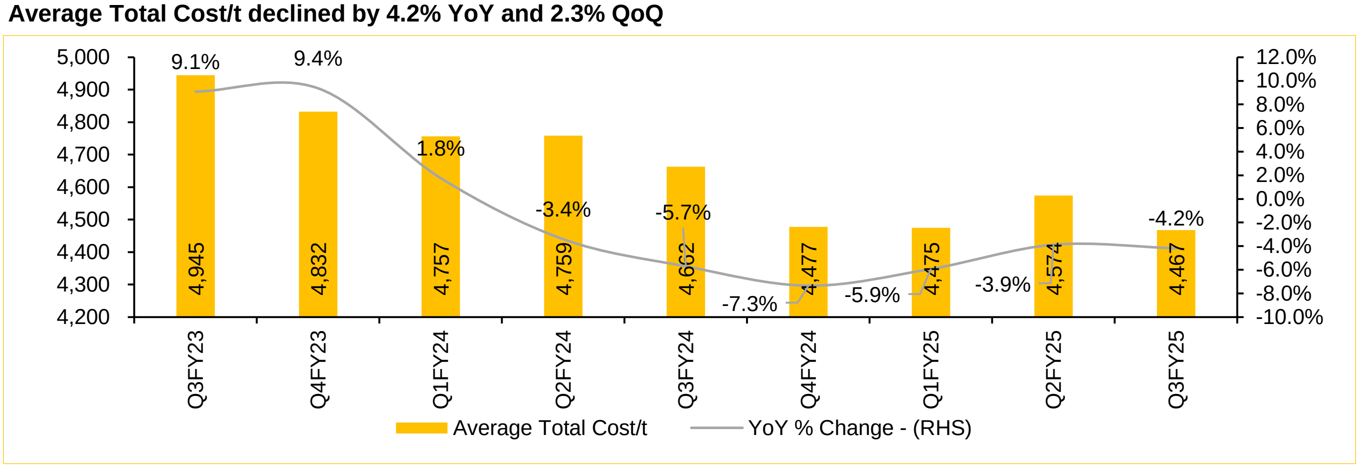
Average Realization declined by 9.0% YoY but grew by 1.3% YoY



Average EBITDA/t declined by 29.4% YoY but grew by 29.1% QoQ



Average Total Cost/t declined by 4.2% YoY and 2.3% QoQ



Company, CEBPL

Q3FY25 Quarterly Results Review

Building Materials

Recommendation			
Company	CMP (INR)	TP (INR)	Rated
Apollo Pipes	331	503	Buy
Hindware Home	202	253	Buy
Greenply Industries	287	382	Buy
Somany Ceramics	436	778	Buy

*CMP as on Feb 19, 2025

Piping Segment

Piping industry volume growth came in at 7%, falling short of street expectations. In Q3FY25, the plastic pipes industry recorded a 7% YoY volume growth, impacted by lower infrastructure spending, extended monsoons, and destocking amid a 9% drop in PVC prices to INR83/Kg. Truflo by Hindware and Apollo Pipes outperformed with 10% and 43% YoY volume growth, driven by market share gains and capacity expansion. In contrast, Finolex and Supreme reported modest growth of 5% and 4%, respectively, Astral saw flat volume growth, while Prince Pipes experienced a 3% decline.

Plastic pipe prices down, but PVC volatility eases: The average price for plastic pipe companies dropped by 2% to INR143/kg. Hindware and Apollo Pipes saw a 1% and 3% decline, with prices at INR168/kg and INR114/kg, respectively. PVC prices fell from a peak of INR98/kg to INR83/kg, down 9%. However, price fluctuations have stabilized since December, with PVC now at INR 86/kg compared to INR83/kg in Q3FY25.

EBITDA/MT impacted due to higher expanses: Hindware/Apollo's EBITDA/MT decreased by 11/19% YoY to INR11,634/8,634 due to higher employee and other expenses.

Capex Plans on track: Hindware's capex at Roorkee (Uttarakhand) is on track, it will increase the capacity by 12,500MT. post this the total capacity will be 66,500MT P.A.

Apollo plans to expand its pipe capacity from 216 KTPA to 360 KTPA by FY28E with a INR4,000Mn investment. Key additions include a 30 KTPA greenfield Varanasi plant and an 11.5 KTPA OPVC/window plant, both set to commence by Q4FY25. Additionally, a 28.5 KTPA brownfield CPVC/UPVC expansion will begin by June 2025, along with a 50 KTPA capacity addition in the South.

Bathware Segment

Bathware Revenue: Hindware's Bathware revenue down by 16% YoY to INR3,377Mn. Whereas Cera's reported a revenue growth of 2% on YoY basis to INR3,908Mn, despite subdued demand. The Tiles players like Somany and Kajaria reported sales of INR710Mn and INR945Mn respectively for 3QFY25.

Margins: Hindware's EBITDA margins for the Bathware business down by 337bps YoY basis 10.2%. For Cera, EBITDA margins declined by 41bps to 13.2%.

Outlook: We maintain a positive outlook on Hindware Home Innovation, driven by new product launches in the Bathware segment, capacity additions in the piping segment, strong brand recognition, and aggressive branding expenditures.

Our high conviction pick of the quarter are- **Hindware Home Innovation**.

High Conviction Pick:

Hindware Home Innovation: Rating: Buy | Target Price – INR.253

View and Valuation: We have revised our FY25/26/27 EPS estimates significantly downwards by 109%/53%/38% due to poor performance till 9MFY25. However, we anticipate the Bathware segment to rebound, driven by management changes, product launches, engagement with influencers, new hiring's in project business. While the Piping segment is set for 14% volume growth, supported by capacity expansion and market share gains and new product launches. We maintain our 'BUY' rating with revised target price of INR 253, valuing the company at 23x (Unchanged) FY27 EPS.

Key Financials

INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	28.7	28.0	25.6	27.3	29.9
YoY (%)	25.2	(2.5)	(8.5)	6.7	9.3
EBITDA	2.5	2.4	1.9	2.5	3.1
EBITDAM %	8.5	8.5	7.6	9.3	10.4
Adj PAT	0.6	0.3	-0.1	0.4	0.9
EPS	8.0	3.8	(0.7)	5.2	11.0
ROE %	10.4	4.7	(0.8)	5.0	9.9
ROCE %	14.7	8.4	4.6	7.7	10.6
PE(x)	24.5	51.0	NA	37.8	17.7
EV/EBITDA	8.2	8.9	10.4	8.1	6.4

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Greenply Industries	287	382	Buy
Somany Ceramics	436	778	Buy

*CMP as on Feb 19, 2025

Plywood Segment

Plywood sector benefits from price hikes and margin expansion: The plywood industry recorded a 9% YoY volume growth in Q3, led by Century Ply at 15% and Greenply at 2%. Realizations improved for Greenply and Century Ply, rising 3% and 2% YoY to INR263/sqm and INR 230/sqm, respectively, while Greenpanel's realizations declined 2% YoY to INR248/sqm.

Pricing actions varied, with Greenply implementing a price hike in 2QFY25, while CPBI took no hike in Q3 but raised prices by 4% YTD'25. Another 1.5% hike is expected for Greenply in the coming quarters.

Margins improved due to multiple price hikes, with Greenply's margin expanding 250bps to 12.2% and Century Ply's increasing 40bps to 8.4%. Meanwhile, timber prices rose 3% QoQ to INR6.7/kg.On the capex front, Greenply and Century Ply are planning to establish new plywood plants to support future growth.

MDF Segment

MDF imports surge as BIS implementation nears: The MDF industry reported 14% YoY volume growth in Q3, led by Century Ply's 77% growth, driven by capacity expansion. Greenply saw limited growth at 1% due to plant shutdowns, while Rushil and Greenpanel faced a 2% volume decline amid rising competition.

Realizations were mixed, with Greenply improving by 4% YoY to INR31,851 CBM due to a better product mix, whereas Century Ply's realizations declined 18% YoY to INR27,889 CBM.

Margins were impacted by market oversupply, with Greenply's margins falling 310bps YoY to 10.4%, while Century Ply saw a 590bps decline to 13.3%.Additionally, timber costs rose 3% QoQ to INR6.7/kg, up from INR6.5/kg in Q2.

Meanwhile, MDF imports surged to 80K CBM in Q3, up from 35K CBM QoQ, supported by lower freight rates and dealer stocking ahead of BIS implementation.

Outlook: We maintain positive stance on Greenply backed by 1) Strong position in plywood segment 2) expanding its MDF product range to capture more market share3) Strong brand call 4) strong distribution reach and better product offerings.

Our high conviction pick of the quarter are- **Greenply Industries**

High Conviction Pick:

Greenply Industries: Rating: Buy | Target Price – INR.382

Key Financials

INR Bn	*FY23*	*FY24*	*FY25E*	*FY26E*	*FY27E*
Revenue	16.6	21.8	25.1	28.9	34.1
YoY (%)	6%	31%	15%	15%	18%
EBITDA	1.5	1.9	2.4	3.0	3.8
EBITDAM %	9%	9%	10%	10%	11%
Adj PAT	1.1	0.9	1.2	1.6	2.2
EPS	8.6	6.9	9.8	13.0	17.4
ROE %	19.7	12.2	14.9	16.7	18.3
ROCE %	11.1	11.8	14.3	16.4	18.7
PE(x)	35	43	31	23	17
EV/EBITDA	28.1	22.3	17.3	13.9	10.8

View and Valuation: We have revised our FY25/26/27 EPS estimates downward by 14.8%/20.4%/11.6 due to lower volume guidance for plywood segment and lower margin guidance (from 16% to 14%) for MDF segment for FY25. We maintain our 'BUY' rating with revised target price of INR382, valuing the company at 22x (unchanged) FY27 EPS. We expect volume growth to exceed industry growth, driven by market share gains from unorganized players. Additionally, the revenue contribution from the new JV, BV Samet, is expected to further drive the company's growth.

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EBITDAM %	9%	9%	10%	10%	11%
Adj PAT	1.1	0.9	1.2	1.6	2.2
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PE(x)	35	43	31	23	17
EV/EBITDA	28.1	22.3	17.3	13.9	10.8

Tiles industry sees moderate growth amid weak retail demand:

The tiles industry saw moderate volume growth, with Kajaria reporting a 7% YoY increase to 28.9 MSM and Somany growing 4% YoY to 17.1 MSM, though impacted by weak retail demand and rising competition from Morbi players.

Despite a higher premium product mix, realizations declined, with Kajaria down 4% YoY to INR360/sqm and Somany down 1% YoY to INR320/sqm.

Gas prices remained stable, with average power and fuel costs at INR37/46 SCM for Kajaria and Somany, while regional prices stood at INR51 in the South, INR49 in the West, and INR43 in the North.

Margins declined due to subdued demand, with Kajaria's margins contracting by 270bps to 12.8% and Somany's by 135bps to 8.3%.

Meanwhile, Morbi exports declined ~14% YoY in YTD'25 to INR140bn, impacted by higher ocean freight rates due to Red Sea disruptions and weak global demand.

Outlook: We maintain positive stance on Somany Ceramics led by 1) focusing on Product mix and Utilization to capture more market share and increase profitability, 2) Gaining market share from Unorganized Tiles and bathware players 3) increasing its market size by expanding into new business segments.

Our high conviction pick of the quarter are- **Somany Ceramics**

High Conviction Pick:

Somany Ceramics: Rating: Buy | Target Price – INR.778

View and Valuation: We have revised our FY25/26/27 EPS estimates downward by -32.3%/-28.8%/-19.3% due to lower retail share. We maintain our 'BUY' rating with a revised target price of INR 778, valuing the company at 22x (Unchanged) FY27 EPS. We expect volume growth to exceed industry growth, driven by an aggressive sales strategy addition of store count and market share gains. Additionally, we anticipate higher revenue contributions from Max plant and Bathware segment.

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CHOICE RATING DISTRIBUTION & METHODOLOGY

BUY	The security is expected to generate upside of 15% or more over the next 24 months
HOLD	The security is expected to show upside or downside returns by 14% to -5% over the next 24 months
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