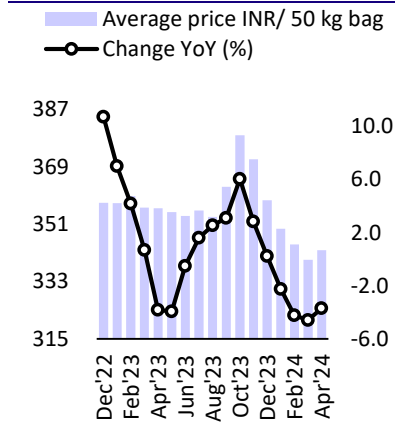
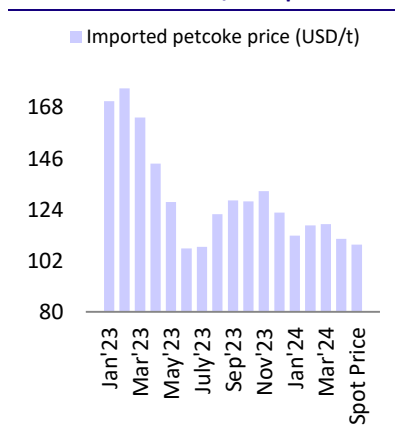


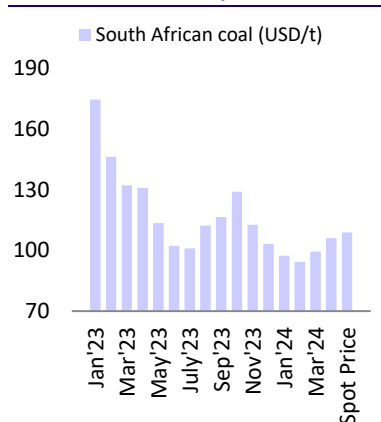
Average price of cement per 50kg bag down 3.7% YoY in Apr'24



Average imported petcoke price down 22.5% YoY to USD112/t in Apr'24



Average imported coal price down 19% YoY to USD106/t in Apr'24



Demand moderates; price remained weak

Average cement price in Apr'24 up marginally ~1% MoM

- Our channel checks suggest that the all-India average cement price (trade) improved marginally ~1% MoM (INR3 per 50kg bag) in Apr'24, primarily led by price hikes in South and West regions. However, price in North, Central, and East remained flat MoM in Apr'24. Cement volume offtake has also been weak during the month due to the general election, labor unavailability, excessive heat, and high stocking by dealers at reduced prices in Mar'24. We anticipate a volume decline of ~8-9% YoY in Apr'24.
- Cement prices continued to remain under pressure in Apr'24, as the price hike announced at the beginning of the month could not be sustained in most of the markets. South and West regions only witnessed a price hike of ~2% MoM (each) while, price remained flat in other regions. Though the cement players would continue to attempt price hikes, sustainability is unlikely in the near term, given subdued demand.
- Petcoke price remained range bound in the last few months, while imported coal (South African) price increased. Spot prices for imported petcoke (US) is down 1% MoM to USD111/t while coal (South African) is up ~4% MoM to USD109/t. At spot prices, consumption costs stood at INR1.32/Kcal for imported petcoke and INR1.62/Kcal for imported coal.

Cement price under pressure; hike announcements largely ineffective

- Cement price remained weak, largely affected by subdued demand. Despite attempts by industry players to increase prices, a significant portion of these hikes was rolled back within days due to the prevailing subdued demand.
- Regionally, the Southern region witnessed average price increase of INR6/bag MoM (up ~2%), led by price hikes of up to INR10/bag in Tamil Nadu and Kerala markets. However, it remained flat in other markets of the southern region. Similarly, the Western region saw a price increase of INR10/bag MoM (up ~2%), led by price increase in both Maharashtra and Gujarat. However, in the North, East, and Central regions price was flat MoM. The cement players would continue to attempt price hikes. Dealers highlighted that cement players indicated a price hike of INR10-20/bag, in May'24 in a few markets including Gujarat, Tamil Nadu, Kerala, Odisha, and Delhi-NCR. However, sustainability of these hikes unlikely in the near term, given the subdued demand.
- The All-India average cement price increased ~1% MoM in Apr'24, but decreased 0.5% from the 4QFY24 average price.

Cement demand growth moderates across regions

- Cement demand remained weak across regions due to the general election, labor unavailability, excessive heat, and high stocking by dealers at reduced prices in Mar'24.
- Cement volumes witnessed a significant uptake in 4QFY24, driven by strong demand from infrastructure projects, increased pre-election spending, and favorable construction conditions. This led to double-digit industry volume growth during the quarter.
- We estimate volume decline of ~8-9% YoY in Apr'24. We estimate industry volume to moderate in 1HFY24 due to the general election, followed by the monsoons.

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Petcoke price remain range bound; expects benefits to emerge gradually

- Petcoke price remained range bound in the last few months, while imported coal (South African) price increased. Spot prices for imported petcoke (US) is down 1% MoM to USD111/t while coal (South African) is up ~4% MoM to USD109/t. Domestic petcoke price increased ~2% MoM to INR13,239/t in May'24.
- Based on the spot prices, consumption costs stood at INR1.32/Kcal for imported Petcoke and INR1.62/Kcal for imported coal. Notably, spot price comes into consumption almost four to five months later, given the time taken in shipment and transit (including loading and unloading) of coal.
- Fuel consumption cost (in INR/Kcal) declined 1-3% QoQ for UTCEM/DALBHARA/BCORP; however, this has increased by 1-3% for ACC/ACEM/SRCM. Fuel consumption cost stood at INR1.82-INR2.03/Kcal for ACC/ACEM/UTCEM/SRCM and at INR1.45-1.56/kcal for BCORP/DALBHARA. Industry players estimate gradual reduction in fuel cost in the next few quarters, given the availability of fuel inventory.

Outlook: weak sentiments due to pricing pressure and subdued demand

- Cement prices continued to be weak in Apr'24 due to the subdued demand and excess supply. Cement volume is estimated to decline ~8-9% YoY in Apr'24. Most of the management teams (so far announced earnings for 4QFY24) guided for moderation in demand in 1HFY25 due to the general elections, followed by monsoons. Cement prices have corrected sharply in 4QFY24, and is expected to remain stable with no significant improvements in the near term.
- 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 large cap space. We like DALBHARA and JKCE in the midcap space.

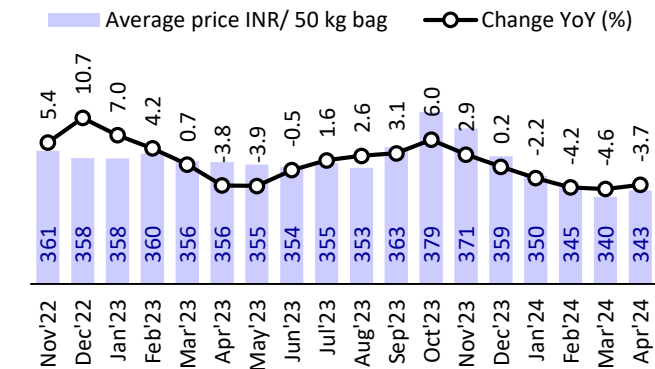
Exhibit 1: Valuation Summary

	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	37.1	9,610	Buy	33.3	27.8	18.1	15.1	219	201	13.1	14.0	(0.1)	(0.4)
SRCM	12.5	25,819	Neutral	40.7	38.3	17.1	15.9	202	175	10.7	10.5	(1.2)	(0.9)
ACEM	16.3	613	Neutral	44.8	38.9	19.2	16.5	159	147	10.1	9.6	(4.2)	(3.6)
ACC	6.3	2,489	Neutral	20.8	18.8	11.1	9.5	146	129	13.2	12.9	(1.4)	(1.8)
DALBHARA	4.4	1,762	Buy	33.7	24.8	10.9	9.1	91	91	5.8	7.6	0.4	0.3
TRCL	2.4	763	Neutral	29.4	22.2	11.7	10.2	126	117	8.4	10.2	2.8	2.5
JKCE	4.0	3,891	Buy	27.5	22.9	13.1	11.2	178	160	18.8	19.3	1.8	1.6
BCORP	1.5	1,450	Buy	20.2	16.3	8.3	7.0	89	79	8.0	9.2	1.7	1.2
ICEM	0.9	209	Sell	61.1	31.9	16.3	13.1	77	75	1.9	3.6	5.0	3.9
JKLC	1.2	776	Buy	17.7	14.7	7.3	5.9	58	49	15.1	16.0	1.2	1.5
GRASIM	21.6	2,368	Buy	117.2	97.6	12.1	9.2	N/A	N/A	3.0	3.9	2.4	1.7

Source: MOFSL, Company

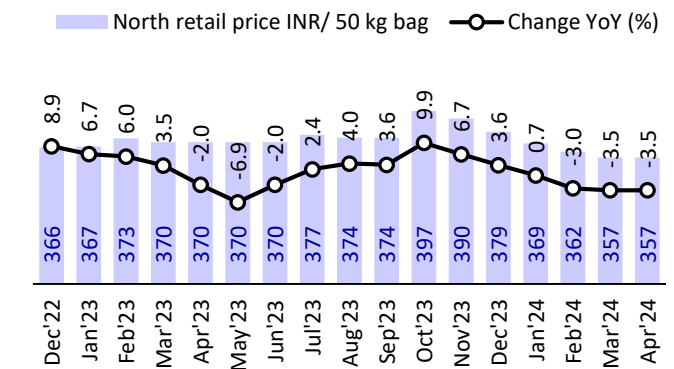
Story in charts

Exhibit 2: All-India average cement price down 3.7% YoY in Apr'24



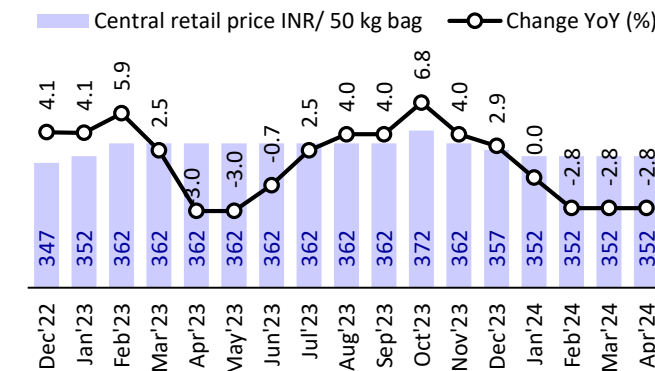
Source: MOFSL, Cement dealers

Exhibit 3: Average cement price down 3.5% YoY in North in Apr'24



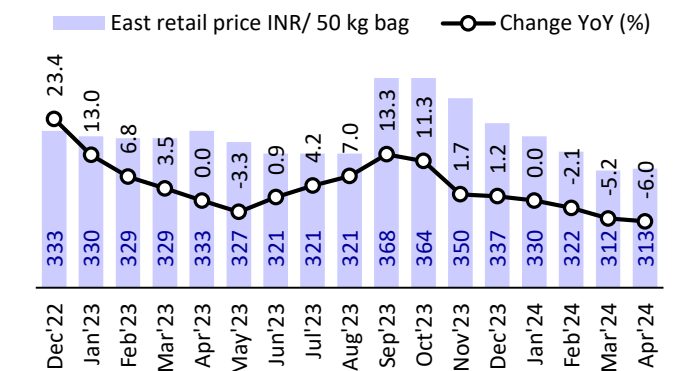
Source: MOFSL, Cement dealers

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



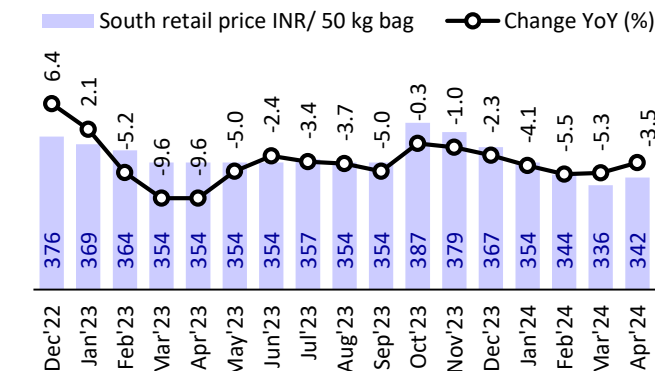
Source: MOFSL, Cement dealers

Exhibit 5: Average cement price down ~6% YoY in East in Apr'24



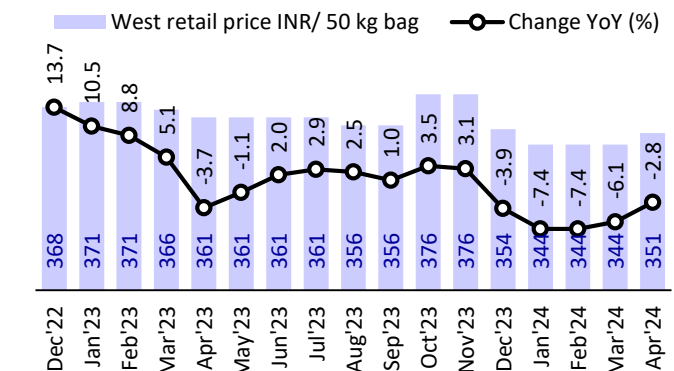
Source: MOFSL, Cement dealers

Exhibit 6: Average cement price down 3.5% YoY in South in Apr'24



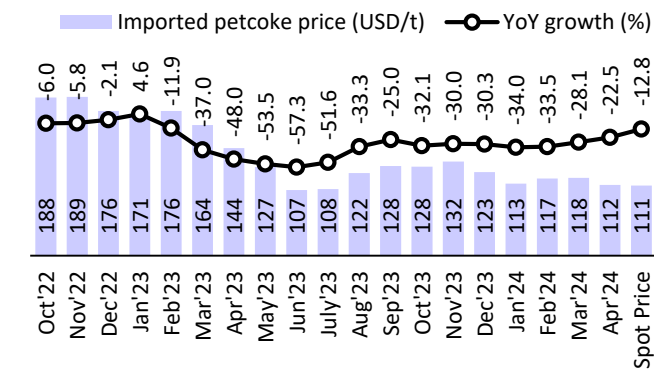
Source: MOFSL, Cement dealers

Exhibit 7: Average cement price down 2.8% YoY in West in Apr'24



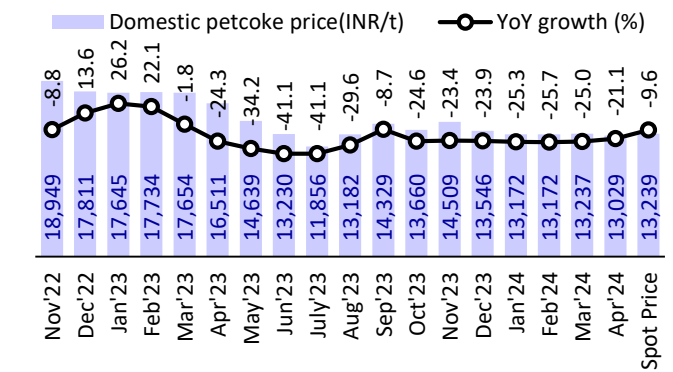
Source: MOFSL, Cement dealers

Exhibit 8: Average US petcoke price down 22.5% YoY in Apr'24



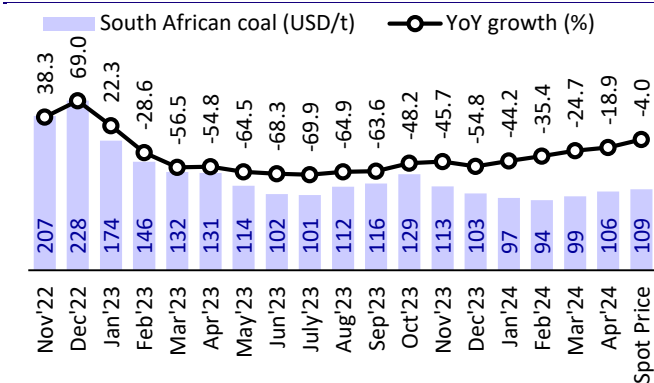
Source: MOFSL, Bloomberg, Industry, Note - Mar'24 MTD price

Exhibit 9: Domestic petcoke price down 21% YoY in Apr'24



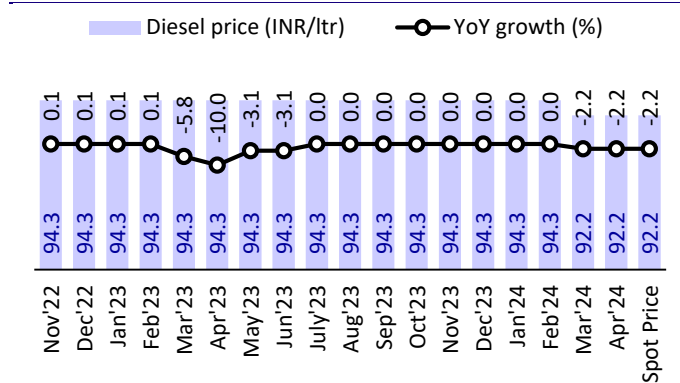
Source: MOFSL, Industry, Note - Mar'24 MTD price

Exhibit 10: South African coal price down 19% YoY in Apr'24



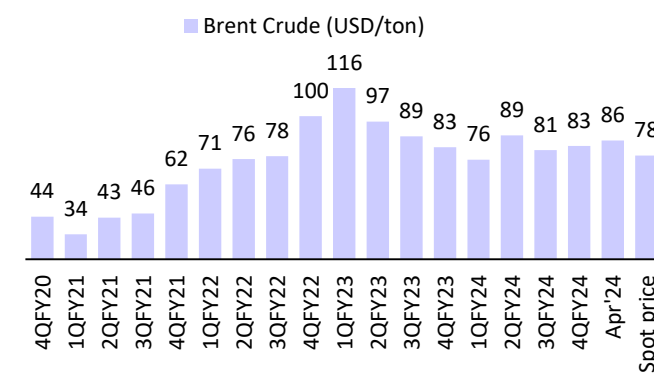
Source: MOFSL, Industry, Note - Mar'24 MTD price

Exhibit 11: Diesel price lower by ~2% YoY



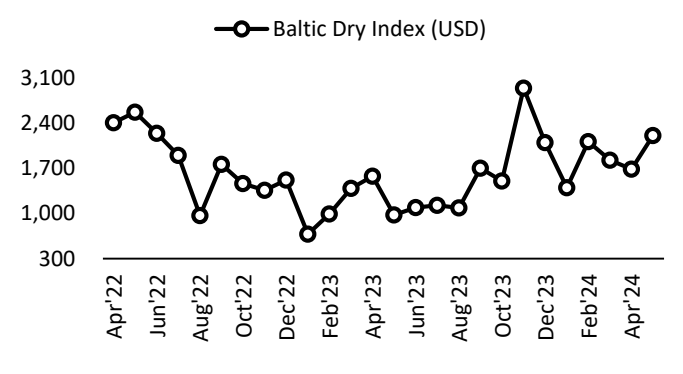
Source: MOFSL, Industry, Bloomberg, Note - Mar'24 MTD price

Exhibit 12: Crude oil price trend



Source: Bloomberg, MOFSL,

Exhibit 13: Baltic Dry Index up 7% YoY in Apr'24



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

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