

## March volume grows 8.4% YoY, utilisation at 93%...

In March 2010, all-India cement dispatches (including ACC and Ambuja) reported a growth of 8.4% YoY at 19.6 million tonnes (MT). During YTFY10, dispatches have grown by 10.2% YoY. The northern and southern regions have posted YoY growth of 12.9% and 11.5%, respectively, (adjusted for ACC and Ambuja). The western and central regions reported growth of 7.7% YoY and 6.4% YoY, respectively. The eastern region reported muted dispatch growth of 4.0% YoY.

On an MoM basis, all-India dispatches grew 16.9%. This was mainly due to impressive growth posted by southern, eastern and northern regions at 27.9%, 20.1% and 19.6%, respectively. Central and western regions reported 6.3% and 4.8% growth in dispatches, respectively.

The all-India capacity utilisation increased to 93% in March 2010 from 80% in February 2010. However, on a YoY basis, it was down by 800 bps as the utilisation rate was 101% in March 2009. Northern and central regions saw high utilisation rates of 102% and 115%, respectively, in March 2010 while eastern, western and southern regions reported utilisation rates of 94%, 87% and 83%, respectively.

JP Associates reported an impressive dispatch growth of 71% on account of capacity expansion. Southern region players, Orient Paper, India Cement and Madras Cement showed dispatch growth of 46%, 25% and 36%, respectively. Ambuja, UltraTech and Shree Cement shown dispatch growth of 11.2%, 7.4% and 11.4%, respectively while ACC reported negative YoY growth of 3.5%.

### Outlook

All-India average cement prices remained flat YoY in FY10 at Rs 240 per bag as the 14% YoY decline in prices in southern region has negated the price hikes in other regions. There was 13% YoY increase in prices in the eastern region in FY10. Northern and central region showed 3-6% YoY increase during the same period. Prices were firm despite the fact that industry added 48 million tonnes (MT) of new capacities in FY10. We expect cement prices to show weakness after Q1FY11 as capacities added in FY10 would get stabilised in FY11E. Moreover, capacity of 36 MT is expected by the end of FY12 across all regions. We believe it will pull down capacity utilisation rates to ~83% in FY11E from the FY10E rate of 90% as the industry is expected to face capacity surplus of 45 MT and 44 MT in FY11E and FY12E, respectively.

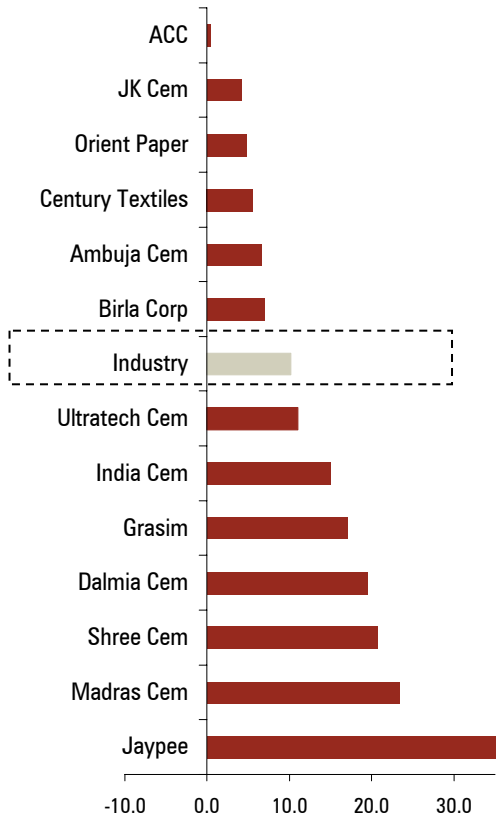
### Exhibit 1: Valuation Summary

	EPS			P/E			EV/EBITDA			EV/Tonne		
	FY09	FY10E	FY11E	FY09	FY10E	FY11E	FY09	FY10E	FY11E	FY09	FY10E	FY11E
<b>ACC</b>	62.5	85.5	58.0	14.7	10.8	15.9	9.3	6.3	9.7	155	131	115
<b>Ambuja</b>	7.4	8.0	7.4	15.7	14.6	15.8	9.9	8.8	8.8	167	156	144
<b>UltraTech</b>	77.4	83.1	66.1	14.2	13.2	16.6	8.7	7.4	9.4	146	134	134
<b>Shree Cem</b>	165.9	269.3	229.4	13.3	8.2	9.6	8.3	4.6	5.2	187	115	101
<b>India Cem</b>	17.2	11.6	7.1	7.7	11.3	18.5	5.2	6.5	8.7	98	91	91
<b>JK Cem</b>	21.1	32.0	29.1	9.0	5.9	6.5	6.9	5.1	5.0	100	62	54
<b>Orient Paper</b>	12.0	7.9	9.7	4.8	7.4	6.0	3.9	4.6	3.6	93	56	47
<b>Dalmia Cem</b>	19.6	24.3	21.2	13.1	10.5	12.1	7.6	7.5	6.9	100	71	70
<b>JK Lakshmi</b>	14.6	18.3	12.0	5.1	4.1	6.2	3.8	2.3	3.4	54	45	51
<b>Mangalam</b>	34.7	49.5	38.0	5.8	4.1	5.3	3.9	2.0	3.8	57	46	71

Source: Company, ICICIdirect.com Research

Note: For ACC and Ambuja, FY10 and FY11 refer to CY10 and CY11.

### YTFY10 cement dispatches growth (%)



### Price movement (%)

	1M	3M	6M	12M
<b>ACC</b>	-6	-4	16	50
<b>Ambuja</b>	-1	9	27	47
<b>UltraTech</b>	-2	10	31	95
<b>Shree Cem</b>	-2	0	38	171
<b>India Cem</b>	4	5	6	9
<b>JK Cem</b>	3	17	42	251
<b>Orient Paper</b>	17	18	9	96
<b>Dalmia Cem</b>	5	26	43	176
<b>JK Lakshmi</b>	0	-8	6	164

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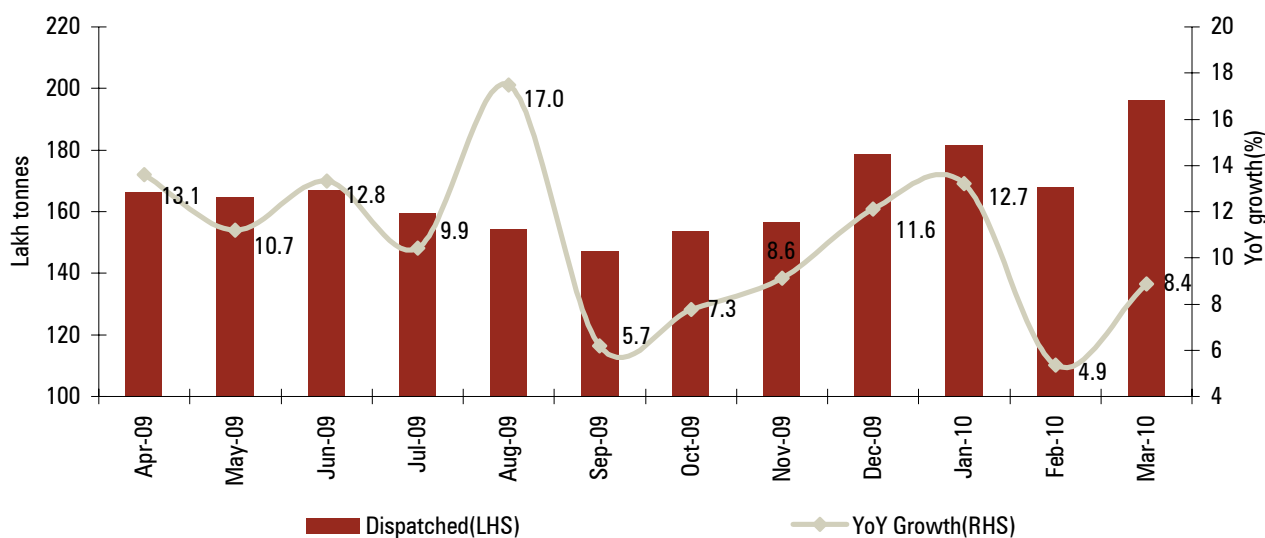
**Exhibit 2: Cement dispatches of major players**

Lakh Tonnes

Company Name	Mar-10	Mar-09	YoY (%)	Feb-10	MoM (%)	Apr-Mar' 10	Apr-Mar' 09	YoY (%)
ACC	19.4	20.1	-3.5	17.1	13.5	212.8	212.0	0.4
Ambuja Cements	19.2	17.2	11.2	16.9	13.4	191.9	180.1	6.6
Grasim	18.0	17.1	4.9	15.6	15.5	190.5	162.9	17.0
UltraTech Cement	17.5	16.3	7.4	15.5	12.8	175.8	158.3	11.0
Shree Cement	9.3	8.4	11.4	7.8	19.2	93.7	77.6	20.7
India Cement	10.3	8.3	24.9	9.3	11.2	104.8	91.1	15.0
JK Cement	3.8	3.7	2.5	3.1	21.3	39.6	38.0	4.2
Madras Cements	7.9	5.8	36.2	6.4	23.6	77.4	62.7	23.4
Birla Corporation	5.7	5.3	6.0	5.1	11.1	56.8	53.1	7.0
Century Textiles	6.9	7.3	-6.1	7.2	-4.4	76.5	72.4	5.6
Jaypee	13.4	7.8	71.1	10.8	23.8	107.0	76.5	40.0
Orient Paper	3.6	2.5	45.6	3.1	16.7	30.4	29.0	4.8
Dalmia Cement	3.7	3.5	5.5	3.6	2.7	40.4	33.8	19.5
<b>Industry (Ex ACC &amp; Ambuja)</b>	<b>157.8</b>	<b>144.4</b>	<b>9.3</b>	<b>136.9</b>	<b>15.3</b>	<b>1591.5</b>	<b>1420.4</b>	<b>12.0</b>
<b>Industry (Including ACC &amp; Ambuja)</b>	<b>196.4</b>	<b>181.2</b>	<b>8.4</b>	<b>168.0</b>	<b>16.9</b>	<b>1996.2</b>	<b>1812.0</b>	<b>10.2</b>

Source: Company, ICICIdirect.com Research

**Exhibit 3: All-India cement dispatches & YoY growth (%)**



Source: Company, ICICIdirect.com Research

**Exhibit 4: Region wise cement capacity, production & dispatches***Lakh Tonnes*

Regions	Mar-10	Mar-09	YoY (%)	Feb-10	MoM (%)
<b>North</b>					
Capacity	34.0	29.2	16.6	32.4	5.1
Production	34.7	30.5	13.6	29.0	19.7
Dispatched	34.3	30.4	12.9	28.7	19.6
Capacity Utilisation(%)	101.9	104.5		89.5	
<b>East</b>					
Capacity	22.6	18.4	22.9	22.6	0.0
Production	21.2	20.4	4.0	17.8	19.4
Dispatched	21.3	20.5	4.0	17.8	20.1
Capacity Utilisation(%)	94.0	111.1		78.7	
<b>South</b>					
Capacity	69.8	55.7	25.2	69.8	0.0
Production	57.8	52.7	9.8	46.4	24.7
Dispatched	59.0	52.9	11.5	46.1	27.9
Capacity Utilisation(%)	82.9	94.5		66.5	
<b>West</b>					
Capacity	23.0	19.6	17.6	23.0	0.0
Production	20.0	18.9	5.8	20.0	-0.1
Dispatched	20.2	18.7	7.7	19.3	4.8
Capacity Utilisation(%)	86.9	96.5		87.0	
<b>Central</b>					
Capacity	20.6	19.7	4.5	20.6	0.0
Production	23.6	21.5	10.2	22.2	6.7
Dispatched	23.0	21.6	6.4	21.7	6.3
Capacity Utilisation(%)	114.8	108.9		107.6	

Source: Company, ICICIdirect.com Research

Since ACC & Ambuja has not reported region wise dispatches for comparison purpose we have adjusted last year number by excluding ACC & Ambuja

Dispatches in the northern region grew by 12.9% YoY and 19.6% MoM in March 2010 on the back of strong demand from infrastructure activities like Commonwealth Games projects, Delhi Metro rail projects. Capacity utilisation stood at 102% in March 2010 against 89% in February 2010.

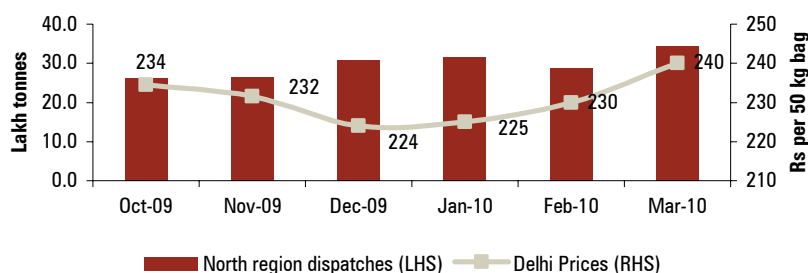
Dispatches in the southern region have increased by 11.5% YoY and 27.9% MoM on account of a pick-up in demand from the government led infrastructure projects in Andhra Pradesh and housing projects in Tamil Nadu and Kerala. Utilisation increased to 83% in March 2010 from 66% in February 2010.

Dispatches in the western region grew 7.7% YoY on the back of demand from housing projects in Maharashtra. On an MoM basis, dispatches have grown by 4.8% with capacity utilisation remaining almost flat at 87% in March 2010.

Dispatches in the eastern region grew by 4% YoY. However, it has increased by 20.1% MoM. The utilisation rate has jumped to 94% in March 2010 from 79% in February 2010.

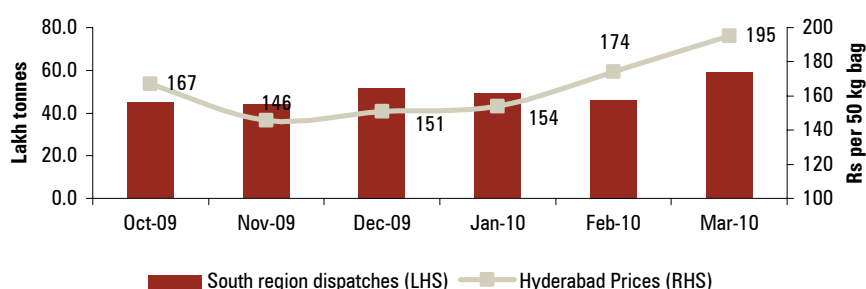
Dispatches in the central region grew by 6.4% YoY and 6.3% MoM on account of demand from infrastructure and housing projects in Uttar Pradesh and Madhya Pradesh. The utilisation rate stood at 115% in March 2010 against 108% in February 2010.

**Exhibit 5: Northern region dispatches, wholesale cement prices in Delhi**



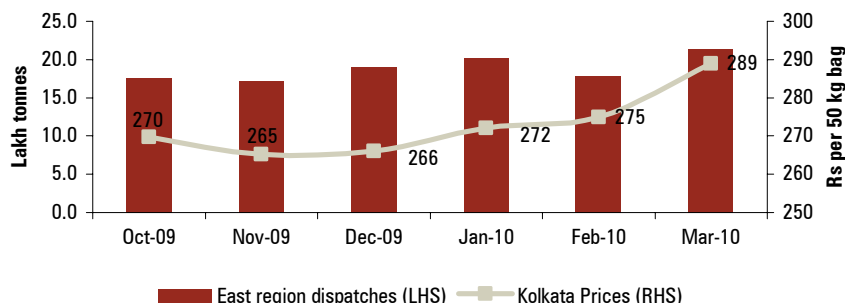
Source: Company, ICICIdirect.com Research

**Exhibit 6: Southern region dispatches, retail cement prices in Hyderabad**



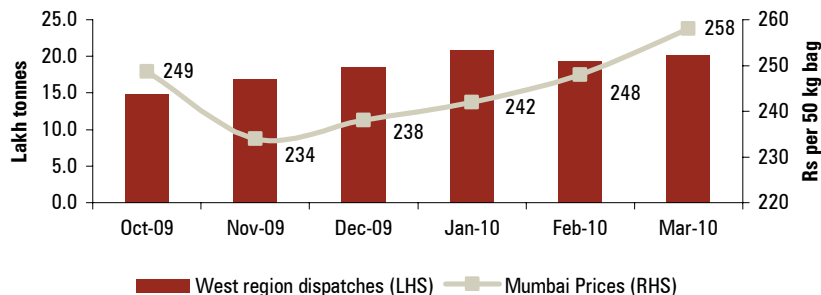
Source: Company, ICICIdirect.com Research

**Exhibit 7: Eastern region dispatches, wholesale cement prices in Kolkata**



Source: Company, ICICIdirect.com Research

**Exhibit 8: Western region dispatches and wholesale cement prices in Mumbai**



Source: Company, ICICIdirect.com Research

Wholesale prices in Delhi have increased by Rs 10 per 50 kg bag to Rs 240 in March 2010 from Rs 230 in February 2010. Prices are up by Rs 16 per bag from December 2009 levels. The main factors that caused the prices hikes in February and March 2010 were passing on of the impact of certain factors like increase in excise duty and increase in freight and fuel costs

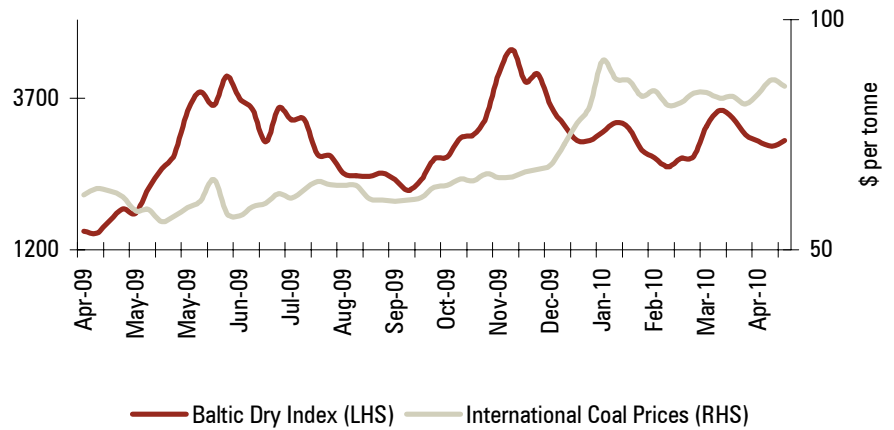
For every 50 kg bag, retail prices in Hyderabad have increased by Rs 11 per bag to Rs 195 in March 2010 from Rs 174 in February 2010. Prices are up by Rs 44 per bag from December 2009 levels

For every 50 kg bag, wholesale prices in Kolkata have increased by Rs 14 to Rs 289 in March 2010 from Rs 275 in February 2010. Prices are up by Rs 23 per bag from December 2009 levels

For every 50 kg bag, wholesale prices in Mumbai increased by Rs 10 to Rs 258 in March 2010 from Rs 248 in February 2010. Prices are up by Rs 20 per bag from December 2009 levels

**Exhibit 9: Baltic Dry Index & international coal prices**

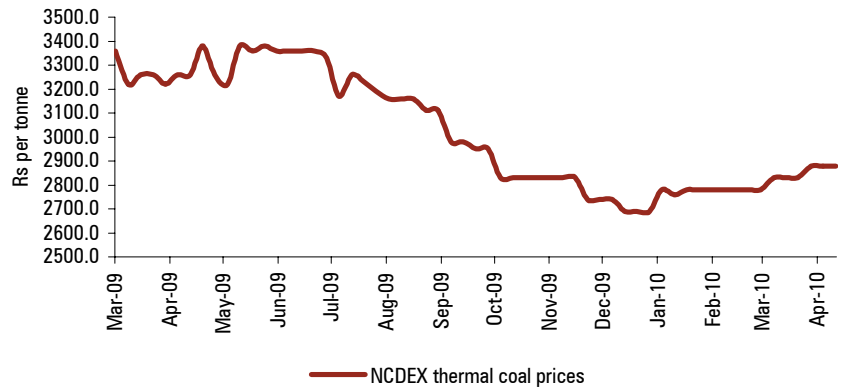
International coal prices of Richard's bay coal spot has increased by 36% YoY to \$86 per tonne for the week ended April 16 2010. On an MoM basis, it has increased by 3%  
 The Baltic Dry Index has increased by 79% YoY to 3009 for the week ended April 16 2010. On an MoM basis, it has declined by 11%



Source: Company, ICICIdirect.com Research

**Exhibit 10: Thermal coal prices, spot prices, NCDEX**

Thermal coal prices have declined by 12% YoY to Rs 2,880 per tonne for the week ended April 17 2010. However, it has increased by 2% on an MoM basis



Source: Company, ICICIdirect.com Research

## ICICIdirect.com coverage universe

			Sales (Rs Crore)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
<b>ACC</b>								
<b>Idirect Code</b>	<b>ACC CMP</b>	<b>920 CY08</b>	7,308.6	62.5	14.7	9.3	25.9	32.8
<b>MCap</b>	<b>17290 Target</b>	<b>861 CY09</b>	8,027.2	85.5	10.8	6.3	29.4	37.5
	<b>% Upside</b>	<b>-6% CY10E</b>	8,366.9	58.0	15.9	9.7	17.3	22.3
		<b>CY11E</b>	9,247.0	53.2	17.3	9.8	14.7	19.7
<b>Ambuja Cements</b>								
<b>Idirect Code</b>	<b>GUJAMB CMP</b>	<b>117 CY08</b>	6,234.7	7.4	15.7	9.9	21.9	27.7
<b>MCap</b>	<b>17827 Target</b>	<b>95 CY09</b>	7,076.9	8.0	14.6	8.8	20.1	27.1
	<b>% Upside</b>	<b>-19% CY10E</b>	7,921.8	7.4	15.8	8.8	16.4	21.5
		<b>CY11E</b>	8,005.9	6.5	18.1	9.1	12.9	17.5
<b>UltraTech Cements</b>								
<b>Idirect Code</b>	<b>ULTCEM CMP</b>	<b>1100 FY09</b>	6,383.1	77.4	14.2	8.7	31.0	29.2
<b>MCap</b>	<b>30162 Target</b>	<b>949 FY10E</b>	7,096.7	83.1	13.2	7.4	25.7	27.8
	<b>% Upside</b>	<b>-14% FY11E</b>	15,251.9	66.1	16.6	9.4	22.8	27.2
		<b>FY12E</b>	17,585.5	77.1	14.3	7.2	17.1	21.6
<b>Shree Cement</b>								
<b>Idirect Code</b>	<b>SHRCEM CMP</b>	<b>2200 FY09</b>	2,715.0	165.9	13.3	8.3	61.4	33.9
<b>MCap</b>	<b>7665 Target</b>	<b>2450 FY10E</b>	3,623.9	269.3	8.2	4.6	57.1	37.5
	<b>% Upside</b>	<b>11% FY11E</b>	4,063.5	229.4	9.6	5.2	32.7	26.3
		<b>FY12E</b>	4,691.7	291.9	7.5	4.7	31.1	27.0
<b>India Cements</b>								
<b>Idirect Code</b>	<b>INDCEM CMP</b>	<b>132 FY09</b>	3,426.5	17.2	7.7	5.2	17.4	17.0
<b>MCap</b>	<b>4055 Target</b>	<b>111 FY10E</b>	3,777.5	11.6	11.3	6.5	10.5	11.4
	<b>% Upside</b>	<b>-16% FY11E</b>	4,015.1	7.1	18.5	8.7	6.5	7.3
		<b>FY12E</b>	4,313.0	9.9	13.4	6.7	8.4	9.6
<b>JK Cement</b>								
<b>Idirect Code</b>	<b>JKCEME CMP</b>	<b>189 FY09</b>	1,496.8	21.1	9.0	6.9	17.7	17.2
<b>MCap</b>	<b>1322 Target</b>	<b>236 FY10E</b>	1,822.9	32.0	5.9	5.1	22.2	18.0
	<b>% Upside</b>	<b>25% FY11E</b>	2,348.8	29.1	6.5	5.0	16.9	13.3
		<b>FY12E</b>	2,573.4	34.5	5.5	4.1	17.2	15.0
<b>JK Lakshmi</b>								
<b>Idirect Code</b>	<b>JKCORP CMP</b>	<b>74 FY09</b>	1,224.7	14.6	5.1	3.8	24.2	16.8
<b>MCap</b>	<b>906 Target</b>	<b>87 FY10E</b>	1,436.7	18.3	4.1	2.3	23.3	21.6
	<b>% Upside</b>	<b>18% FY11E</b>	1,437.3	12.0	6.2	3.4	12.6	12.9
		<b>FY12E</b>	1,641.6	11.3	6.5	3.6	10.6	10.5
<b>Dalmia Cements</b>								
<b>Idirect Code</b>	<b>DALCEM CMP</b>	<b>256 FY09</b>	1,753.0	19.6	13.1	7.6	13.1	12.0
<b>MCap</b>	<b>2070 Target</b>	<b>237 FY10E</b>	2,121.9	24.3	10.5	7.5	14.6	9.5
	<b>% Upside</b>	<b>-7% FY11E</b>	2,554.0	21.2	12.1	6.9	11.5	8.8
		<b>FY12E</b>	3,080.4	36.1	7.1	5.3	17.6	11.3
<b>Orient Paper &amp; Industries</b>								
<b>Idirect Code</b>	<b>ORIPAP CMP</b>	<b>58 FY09</b>	1,503.2	12.0	4.8	3.9	41.3	43.1
<b>MCap</b>	<b>1118 Target</b>	<b>64 FY10E</b>	1,597.5	7.9	7.4	4.6	21.5	23.2
	<b>% Upside</b>	<b>10% FY11E</b>	1,848.5	9.7	6.0	3.6	22.0	25.5
		<b>FY12E</b>	2,050.1	11.9	4.9	2.5	22.4	27.5
<b>Mangalam Cement</b>								
<b>Idirect Code</b>	<b>MANCEM CMP</b>	<b>202 FY09</b>	564.1	34.7	5.8	3.9	37.6	37.1
<b>MCap</b>	<b>535 Target</b>	<b>213 FY10E</b>	641.7	49.5	4.1	2.0	37.6	51.2
	<b>% Upside</b>	<b>6% FY11E</b>	666.8	38.0	5.3	3.8	22.7	27.2
		<b>FY12E</b>	707.7	28.5	7.1	5.9	14.6	14.3

## RATING RATIONALE

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