

Cement Sector

The Cement sector is expected to see slowed down YoY growth, due to sluggish growth in despatches, surge in input cost, and lesser price hikes.

Sector Update:

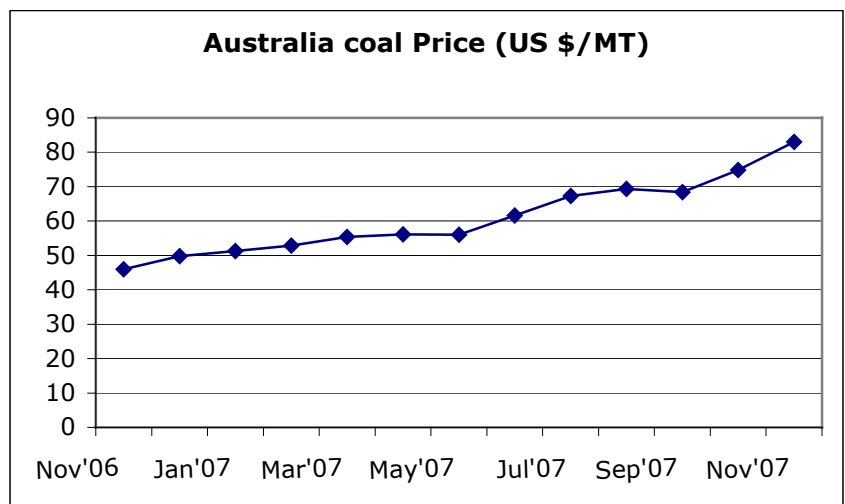
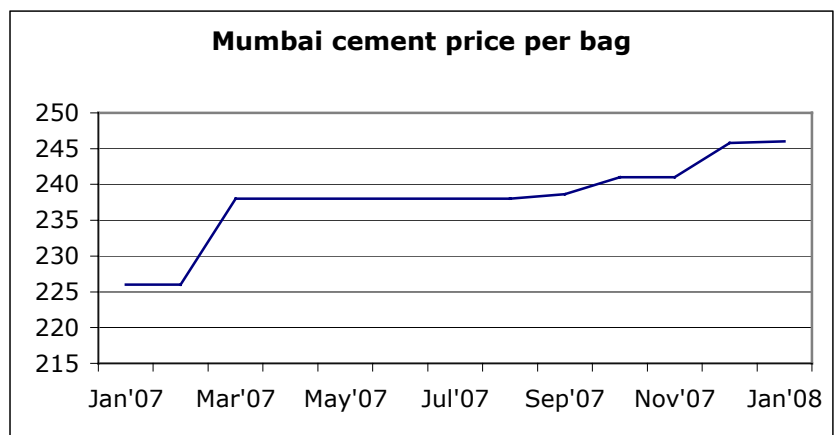
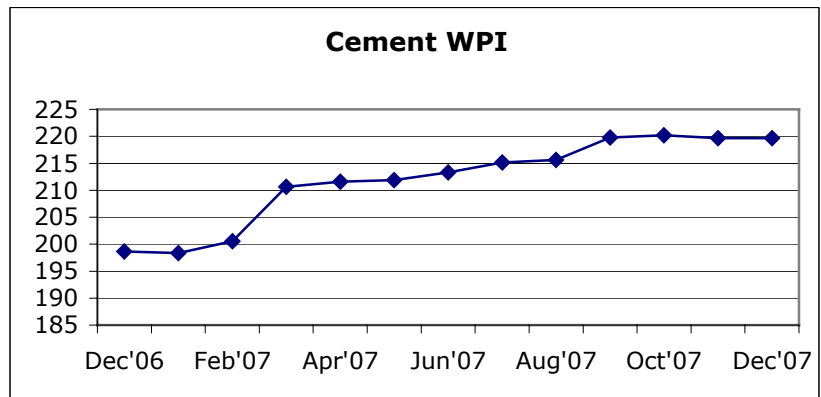
- Cement Industry has reported YoY growth of 5% in despatches during the quarter ended Dec'07.
- On the pricing front, the movement of cement WPI prices indicates that average cement prices in India are up by 11% YoY. The cement prices in Mumbai during the quarter were up 8% YoY on the average to Rs 243 per bag. This is partly on account of increase in excise tax.
- On the cost front, domestic coal price has gone up by 10-15%. Coal constitutes around 15% the production cost of cement sector. The increase in prices of imported coal has been much sharper. As of Nov '07, the prices of Australia coal in November were up 80% YoY. Apart from this, there has been a sharp increase in freight rates. Thus coal-landing prices for the cement companies is likely to be high.
- With crude hovering above USD 90 per barrel, there is upward bias in prices of pet coke, thereby impacting cement players having pet coke based captive power plant.

Quarterly Performance:

Rs Cr	Net Sales					Adjusted PAT				
	Q3FY08E	Q3FY07	YoY %	Q2FY08	QoQ %	Q3FY08E	Q3FY07	YoY %	Q2FY08	QoQ %
ACC*	1741.0	1592.3	9.3	1636.9	6.4	316.8	336.0	-5.7	289.7	9.4
Ambuja Cement*	1498.8	1329.1	12.8	1299.9	15.3	361.1	337.8	6.9	313.3	15.2
UltraTech	1412.6	1260.45	12.1	1173.41	20.4	255.3	212.5	20.2	185.9	37.4

* December-ending Company

- **Outlook:** The cement sector is likely to have two more quarters of favourable demand-supply scenario. After two quarters, the pace of capacity additions is likely to surpass the pace of consumption growth of cement.
- Historically, Q4 has been the best quarter for cement industry due to the peak season in its user industry, viz. construction & housing industry. Thus in Q4, Cement companies are likely to hike prices. However the hike is likely to be compensatory in nature, as the industry has witnessed sharp surge in input costs, viz. coal, pet coke, gypsum etc.
- In December-07, the Monopolies & Restrictive Trade Practices Commission (MRTPC), in an order, indicted the cement industry and Cement Manufacturers Association (CMA) for indulging in cartel arrangements during Feb-Apr 1990 and fixing retail cement prices. The commission has ordered the industry not to indulge in fixing cement prices and file an affidavit of compliance with this order.
- Also, after the Tamil Nadu government's threat of nationalization, cement manufacturers have offered to make available 20 lakh bags of cement every month in Tamil Nadu at a subsidized price of Rs 200 per 50 kg bag.
- These developments could cap the magnitude of the price hike in near terms, as cement industry would like to avoid any negative announcement for itself in the upcoming Union Budget.
- In the long run, as capacities start coming onstream, cement prices may come under pressure.



ACC
CMP: Rs 860
Key Data:

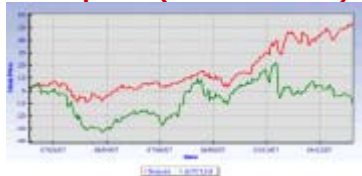
BSE Code	500410
NSE Code	ACC
Sensex	19701
52 week H/L (Rs)	1315/680
Dec month H/L (Rs)	1127/996
Market Cap (Rs Cr)	16144
Avg. daily vol. (6M)	200640
Face Value (Rs)	10

Source: Capitaline

Shareholding Pattern (%):

Promoters	43.0
Institution	17.8
Foreign	19.3
Non-promoter Corp.	3.1
Govt Holding	0.2
Public & Others	16.6

Source: Capitaline

Share price: (Rel. to Sensex)


Source: Capitaline

Quarterly Highlights:

- ACC has reported a marginal growth of 1% in despatches to 4.91 million tonnes.
- Due to improvement in realizations, ACC is expected to post YoY revenue growth of 9.3% to Rs 1,741 Cr.
- However, due to surge in input cost, the margins are expected to decline. As a result, adjusted net profit is expected to decline by 5.7% to Rs 316.8 Cr.
- ACC has disposed off certain surplus assets including land at Surajpur, Haryana, for a consideration of Rs 205.1 Cr. These proceeds would be utilized towards the ongoing capital expenditure schemes.
- At CMP of Rs 860, the stock trades at 12.2x its trailing EPS of Rs 70.7.

Quarterly Performance:

Rs Cr	Q4CY06	CY06	Q1CY07	Q2CY07	Q3CY07	Q4CY07E
Net Sales	1592.3	5660.3	1634.8	1842.7	1636.9	1741.0
%chg (YoY)						9.3
Other Income	73.3	382.6	48.4	28.3	32.3	256.0
Total income	1665.6	6042.9	1683.1	1871.0	1669.2	1997.0
Total Expenditure	1123.8	4094.0	1127.6	1298.3	1188.3	1262.2
Operating profit	468.5	1566.4	507.1	544.4	448.6	478.8
OPM (%)	29.4	27.7	31.0	29.5	27.4	27.5
PBIDT	541.8	1948.9	555.5	572.7	480.9	734.8
Interest	4.1	75.2	4.0	-2.3	-0.9	18.8
Depreciation	77.1	254.3	62.1	63.3	70.7	71.0
Tax	102.1	387.7	125.6	160.4	118.6	180.6
RPAT	358.5	1231.8	363.8	351.2	292.4	464.4
EO	22.5	135.1	14.8	0.0	2.8	-147.6
Adjusted PAT	336.0	1096.8	348.9	351.2	289.7	316.8
%chg (YoY)						-5.7
EPS (Rs.)	17.9	58.5	18.6	18.7	15.4	16.9
NPM (%)	21.1	19.4	21.3	19.1	17.7	18.2

Ambuja Cements

CMP: Rs 131

Key Data:

BSE Code	500425
NSE Code	AMBUJACEM
Sensex	19701
52 week H/L (Rs)	161/100
Dec month H/L (Rs)	161/144
Market Cap (Rs Cr)	19913
Avg. daily vol. (6M)	1744511
Face Value (Rs)	2

Source: Capitaline

Shareholding Pattern (%):

Promoters	46.5
Institution	14.1
Foreign	28.3
Non-promoter Corp.	1.2
Public & Others	9.9

Source: Capitaline

Share price: (Rel. to Sensex)



Source: Capitaline

Quarterly Highlights:

- Ambuja Cement has reported a 5% growth in despatches to 4.3 million tonnes.
- Due to increase in volumes and realizations, the company is expected to post YoY revenue growth of 12.8% to Rs 1,498.8 Cr.
- Net profit is expected to grow by 6.9% to Rs 361.1 Cr.
- At CMP of Rs 131, the stock trades at 13.8x its trailing EPS of Rs 9.5.

Quarterly Performance:

Rs Cr	Q6CY06	CY06(18)	Q1CY07	Q2CY07	Q3CY07	Q4CY07E
Net Sales	1329.1	6214.2	1433.84	1464.36	1299.93	1498.8
%Chg (YoY)						12.8
Other Income	40.3	165.0	266.41	522.85	23.98	32.1
Total income	1369.4	6379.2	1700.3	1987.2	1323.9	1530.9
Total Expenditure	850.03	4098.2	870.76	919.05	893.25	996.7
Operating profit	479.1	2115.9	563.1	545.3	406.7	502.1
OPM (%)	36.0	34.1	39.3	37.2	31.3	33.5
PBIDT	519.3	2281.0	829.5	1068.2	430.7	534.2
Interest	4.49	113.2	1.79	-21.06	-15.63	0.0
Depreciation	57.22	326.1	59.81	58.3	58.39	65.3
Tax	119.9	338.4	177.15	153.2	95.46	107.8
RPAT	337.8	1503.3	590.7	877.8	292.4	361.1
EO		44.2	185.47	474.2	-20.9	0.0
Adjusted PAT	337.8	1459.1	405.3	403.6	313.3	361.1
%Chg (YoY)						6.9
EPS (Rs.)	2.2	9.6	2.7	2.7	2.1	2.4
NPM (%)	25.4	23.5	28.3	27.6	24.1028	24.1

Ultratech Cement

CMP: Rs 897

Key Data:

BSE Code	532538
NSE Code	ULTRACEMCO
Sensex	19701
52 week H/L (Rs)	1205/662
Dec month H/L (Rs)	1050/926
Market Cap (Rs Cr)	11163
Avg. daily vol. (6M)	40587
Face Value (Rs)	10

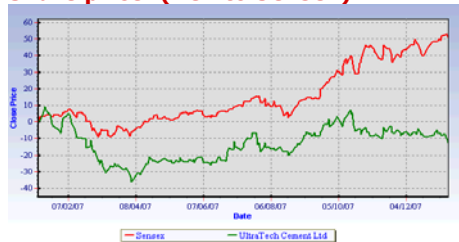
Source: Capitaline

Shareholding Pattern (%):

Promoters	54.1
Institution	8.6
Foreign	8.9
Non-promoter Corp.	14.3
Public & Others	14.1

Source: Capitaline

Share price: (Rel. to Sensex)



Source: Capitaline

Quarterly Highlights:

- Ultratech Cement is expected to post YoY revenue growth of 12.1% to Rs 1,412.6 Cr.
- Despatches growth of the company were adversely impacted by capacity constraint and labour unrest at one of the units. However shift in market mix is likely to have favourable impact on realisations.
- Due to improvement in realisations, margins are expected to improve. Thus, net profit is expected to grow by 20.2% to Rs 255.3 Cr.
- At CMP of Rs 897, the stock trades at 12.6x its trailing EPS of Rs 71.4.

Quarterly Performance:

Rs Cr	Q3FY07	Q4FY07	FY07	Q1FY08	Q2FY08	Q3FY08E
Net Sales	1260.45	1465.52	4909.05	1365.27	1173.41	1412.6
%chg (YoY)						12.1
Other Income	16.68	19.48	61.46	26.89	25.8	22.2
Total income	1277.1	1485.0	4970.5	1392.2	1199.2	1434.8
Total Expenditure	880.23	1057	3491.35	931.74	843.85	974.7
Operating profit	380.2	408.5	1417.7	433.5	329.6	437.9
OPM (%)	30.2	27.9	28.9	31.8	28.1	31.0
PBIDT	396.9	428.0	1479.2	460.4	355.4	460.1
Interest	20.16	20.34	86.83	20.15	18.76	19.9
Depreciation	57.1	60.06	226.25	55.86	58.05	59.2
Tax	107.2	116.1	383.8	125.0	92.69	125.7
RPAT	212.5	231.5	782.3	259.4	185.9	255.3
EO	0.0	0.0	0	0.0	0.0	0.0
Adjusted PAT	212.5	231.5	782.3	259.4	185.9	255.3
%chg (YoY)						20.2
EPS (Rs.)	17.1	18.6	62.8	20.8	14.9	20.5
NPM (%)	16.9	15.8	15.9	19.0	15.8393	18.1

Disclaimer:

This document has been prepared by Anagram Stock broking Ltd. (Anagram), for use by the recipient only and not for circulation. The information and opinions contained in the document have been compiled from sources believed to be reliable. Anagram does not warrant its accuracy, completeness and correctness. This document is not, and should not be construed as, an offer to sell or solicitation to buy any securities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from us. Anagram and the analyst(s), including his dependant family members may have an interest in the securities recommended above.

To unsubscribe, send a mail to unsubscribechinta@gmail.com