

4QFY19 Results Preview

Sector: Cement /Mid & Small-Cap | Event update

Event Update

24 April 2019

Strong price hikes seen across regions

Reviving cement prices and correction in crude oil prices are expected to revive the profitability of cement manufacturers, which were under constant pressure in FY19. Estimated cement prices pan-India grew at an average of 2% YoY and 3% QoQ in 4QFY19. Although a partial rollback was witnessed at the end of the quarter on account of year-end volume push, cement prices saw steep growth, majorly in Southern and Western regions. 11MFY19 volumes (as reported by the Ministry of Commerce) have surged 13% YoY, implying a potential double digit volume growth for the year first time since FY10. Orient Cement is our top pick given its huge exposure to South.

Heidelberg India	4QFY19E	4QFY18	3QFY19	YoY	QoQ	Comments
Revenue (INR mn)	5,620	5,254	5,584	7%	1%	Softness in demand post recent state elections coupled with capacity constraints to act as an overhang on volume growth of the company. There has not been any significant improvement in the realisations during the quarter and have remained mostly flat in the Central region, which is a substantial market for Heidelberg.
EBITDA (INR mn)	1,304	1,202	1,225	8%	6%	
PAT (INR mn)	615	521	586	18%	5%	
EBITDAM (%)	23.2	22.9	21.9	33bps	126bps	
PATM (%)	10.9	9.9	10.5	102bps	45bps	

JK Cement	4QFY19E	4QFY18	3QFY19	YoY	QoQ	Comments
Revenue (INR mn)	14,605	13,160	12,580	11%	16%	Realisation growth to be mainly attributable to increased grey cement prices. Normalised tax incidence (v/s 42% QoQ due to recognition of deferred tax expense) and improved production efficiency on account of appointment of external consultants are expected to drive profitability.
EBITDA (INR mn)	2,629	1,819	2,105	45%	25%	
PAT (INR mn)	1,228	965	609	27%	102%	
EBITDAM (%)	18.0	13.8	16.7	418bps	127bps	
PATM (%)	8.4	7.3	4.8	108bps	356bps	

JK Lakshmi	4QFY19E	4QFY18	3QFY19	YoY	QoQ	Comments
Revenue (INR mn)	10,488	8,970	9,350	17%	12%	Increased volume offtake is expected on account of low base (negative volume growth in 4QFY18) with better pricing is expected to aid in top-line growth. Further, ramp up of 20MW captive power plant in east will increase efficiency and result in increased profitability.
EBITDA (INR mn)	1,395	1,013	983	38%	42%	
PAT (INR mn)	485	338	148	43%	229%	
EBITDAM (%)	13.3	11.3	10.5	201bps	279bps	
PATM (%)	4.6	3.8	1.6	85bps	305bps	

Orient Cement	4QFY19E	4QFY18	3QFY19	YoY	QoQ	Comments
Revenue (INR mn)	6,852	6,197	5,707	11%	20%	We expect strong YoY revenue growth due to healthy realisation given its large exposure to the southern markets, which have seen the highest price hikes in the quarter. Gains from operating leverage and benign cost pressures to further boost earnings.
EBITDA (INR mn)	883	746	379	18%	133%	
PAT (INR mn)	206	128	-137	61%	N/A	
EBITDAM (%)	12.9	12.0	6.6	86bps	625bps	
PATM (%)	3.0	2.1	-2.4	94bps	541bps	

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