

Cement stocks attract investors' interest

Hopes of demand pick-up, price hike buoy sentiment

Our Bureau
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Cement stocks have been on the rise on hopes that demand will pick up in the second half of current fiscal. Expectations that manufacturers might announce another round of price hike have also boosted the sentiment for these stocks.

According to a Mumbai-based broker, marketmen have already discounted the July-September quarter financial performance, which they feel would be muted.

UltraTech Cement last week announced a 59 per cent sequential decline in net profit for the September quarter to Rs 279 crore and a 11 per cent fall in net sales to Rs 3,910 crore. However, its net profit more than doubled year-on-year, mainly due to the low base effect.

"Though we expect that companies' numbers are likely to miss the street expectation, cement firms will see a re-

GAINING CONFIDENCE

	CMP (Rs)	% Change over quarter	Since 2011
ACC	1,195.25	25.92	11.65
Ambuja Cements	1554	16.75	8.75
UltraTech Cement	1,152.45	23.45	6.04
Shree Cements	1,896.65	8.02	-5.79
Madras Cements	102.5	26.23	-4.38
India Cements	80.7	13.66	-26.23
Heidelberg Cements	34.25	-8.79	-22.16
JK Cement	108.95	0.46	-25.50

bound in the coming quarters, due to pick up in demand," he added.

"India's cement market is expected to see demand growth rate double and pricing power improve in FY13-14, post a bottoming out of utilisation rate in FY-12," says a research report from Anand Rathi.

STILL CAUTIOUS

However, some scepticism still persists on cement sector.

A report from Spark Capital says: "We expect supply and costs pressure to percolate in the coming quarters for the cement sector and maintain our negative stance on the sector. For the earnings season, we expect south-based players, India Cements and Madras Cements, to report better set of results. This is on account of higher realisations due to pricing discipline in Southern region coupled with low-base effect in Andhra Pradesh re-

gion."

According to Mr Shailendra Chouksey, whole-time Director of JK Cement, though sales were up and cement prices were better during the July-September quarter of this fiscal from the year-ago period, they did not reflect the bottom-line due to higher raw material and freight costs. The company, on Monday, reported a 13-per cent rise in net profit for the September quarter.

MINING TAX WORRY

The proposed new mining tax could be another blow to cement companies as it would increase the limestone mining costs by Rs 75-80 a tonne. Further, given Coal India's strong pricing power, there could be a price hike to compensate for the higher incidence of mining tax on Coal India. This could result in downside risks to the profitability of cement producers, said HDFC Securities in a research report.