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# Cement firms beat realty slump on pricing power

### UltraTech, India Cements, JK Lakshmi record good QoQ numbers

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CEMENT companies may be crying out loud citing slowing real estate sector and soft demand from infrastructure projects, but the net profit of leading firms for the December, 2011, quarter shows a sharp upmove at a time when most of India Inc found their net profits rising much slower than sales. This includes the likes of AV Birla controlled UltraTech Cement one of the largest cement majors in India, south Indian giant India Cements and north based major JK Lakshmi Cement.

JK Lakshmi Cement's net profit in October-December, 2011, has increased almost ten fold from a year ago to Rs 49.24 crore while UltraTech Cement net profit almost doubled to Rs 616.56 crore. South-based India Cement's net profit has increased by 162 per cent from a year ago to Rs 56.31 crore in the third quarter. Higher realisations per bag of cement sold and a revival in demand that kept capacity utilisation high despite planned expansions has led to a good performance by the leaders inspite of



**COST EQUATION:** Although costs remained on the higher side, cement firms have been able to pass it on to consumers

the profit warnings they had issued earlier in the year. "This quarter has seen strong growth in cement consumption following which we had a better pricing power. Although input costs remained on the higher side, we have been able to pass it to consumers," said Shalendra Choksi, whole time director at JK Lakshmi Cement. Robust demand was reflected in healthy sales growth at these firms.

Analysts Financial

ward cement companies are expected to witness stronger growth in the fourth quarter as traditionally this is the peak season for cement consumption. Moreover, by March many projects are nearing deadline of project completion which will further drive demand.

Sodah has 'accumulate' rating on UltraTech Cement and India Cement stock while he has a 'buy' rating on JK Lakshmi Cement.

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REVIEW

Chronicle spoke to said a revival in demand has helped to increase consumption. "In the quarter the cement companies have been able to pass on increase in input costs to consumers as demand improved," said Ritu Modi, an analyst at Ambit Capital. Ravi Sodah, an analyst at Elara Capital said going for