Cement & Building Materials

On a strong footing

In our recently concluded, two-day Cement & Building Materials conference, we hosted three cement companies, two plastic pipes companies, two tiles manufacturers in Morbi, two cement experts (from east and west regions) and seven cement dealers from across India. Across all three segments (cement, pipes and tiles), the commentary on demand was strong and a fact emerged that companies are taking price hikes to pass on cost inflation, thereby sustaining the strong margin in all three sectors. Please read along for the detailed key takeaways.

- **Cement companies:** We hosted Dalmia Bharat, Prism Johnson and Mangalam Cement. All of them noted that demand continues to remain strong in their regions. With non-trade demand rebounding, companies have been able to take a higher increase in non-trade segment (thereby correcting the gap with trade to INR 30-50/bag, which had earlier expanded to ~INR 60-100/bag) over the past one month. Dalmia stressed upon the improving its corporate governance standards and its vision to become a pan-India player over the next 3-5 years (Capex announcement to follow). Prism Johnson and Mangalam Cement also highlighted various cost reduction initiatives underway. Both the companies are also increasing their clinker capacities during CY20 through de-bottlenecking. Prism remained confident that the recent turnaround in the Tiles business is structural in nature.

- **Cement dealers and regional experts:** All of them noted that cement demand is strong in their markets (IHB, real estate and infra). East continues to lead with double-digit demand growth. They also detailed the price increases taken across both trade and non-trade segments and the general consensus was that the price hikes taken should sustain in March (peak demand month). Buoyed by good demand, advertisement and brand promotion activities are now close to pre-COVID levels. Technology usage has also increased post COVID, in terms of companies' engagement with distribution channels.

- **Pipes companies:** We hosted Astral and Prince Pipes. Both suggested that the demand momentum (seen in 3Q) is sustaining in 4Q so far, mainly led by good demand from real estate and retail sales. The price-sensitive agri demand is being impacted on account of continued price increases. As the PVC resin prices continue to rise, smaller pipes players are losing market share (on elevated working capital). This, in turn, has helped larger players (top 7-8) to gain market share and to pass-on the cost inflation. Both the players remained bullish on their growth prospects.

- **Morbi tiles companies:** We also hosted promoters of two unlisted tiles manufactures from the world's second-largest tiles production hub - Morbi. Both guided that India's export momentum is sustainable owing to its good quality, competitive pricing and anti-China sentiments. While GCC remains India's top export destination, the USA has become India's second-largest export market. On the domestic front, both highlighted that real estate recovery has boosted domestic sales growth 3QFY21 onwards. While gas prices have surged in Morbi, the industry is able to pass on the same, riding on good demand.

HSIE's 2nd Annual Cement & Building Materials Conference

LIST OF PARTICIPANTS

Cement
- Dalmia Bharat
- Prism Johnson
- Mangalam Cement
- Cement dealers pan India
- Marketing executives (East and West regions)

Plastic pipes
- Astral Poly Technik
- Prince Pipes

Tiles
- Varmora Granito (unlisted)
- Favourite Tiles (unlisted)

Rajesh Ravi
rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Saurabh Dugar
saurabh.dugar@hdfcsec.com
+91-22-6171-7353

Cement

Dalmia Bharat

Dalmia Bharat noted that cement industry is on the cusp of a new demand cycle. The company will continue to grow at a faster pace than the industry. It aspires to become a pan-India player and will soon announce Capex plans to increase its capacity to 50-55mn MT over the next 3-5 years. This will be funded largely through internal accruals and divestment of non-core IEX stake. The management also reiterated that it is committed to strengthen its corporate governance standards and firm up succession planning for the top posts. We have a BUY rating on the stock with a TP of INR 1,470/share (10.5x its Dec'22E consolidated EBITDA).

- **Demand outlook:** Indian cement industry is at the beginning of a new demand cycle. In near term also, east demand continues to be strong and even south market has seen demand recovery in 4Q so far. East prices have bottomed out in Dec'20. The company aspires to grow at a faster pace vs the industry growth.
- **Aspiration to become a pan-India player:** Its ongoing expansion in the east will increase its cement capacity to 39mn MT by FY23E. Over the next 3-5 years, it will further expand its capacity to 50-55mn MT. Dalmia is aspiring to become a pan-India player and is open to both organic and inorganic expansion. It will soon announce its next round of expansion plans.
- **Upcoming expansion:** It will add 2.25mn MT grinding unit (GU) in WB in Mar'21 and another 2.25mn MT GU in Cuttack by early FY22. The Murli plants (3mn MT) will become operational by the end of 2QFY22. In FY23, it will commission 2.5mn MT GU in Bihar.
- **Focus on corporate governance:** Dalmia's focus on corporate governance is rising as it believes in a digital world it is difficult for companies to have secrets. Mr Bansal has been deputed to strengthen the same in the company. Dalmia is working on succession planning for the top posts in the company, as this is critical for its long-term growth.
- **Green power**: The company currently has 195MW of captive power, which meets two-thirds of its power requirement. Of this, 10% (17MW) is green power. It is further adding 30MW WHRS over the next two years. By 2030, Dalmia aspires to operate fully on green power.
- **Balance sheet**: The company has been reducing debt on its books and is conscious of letting go off non-core assets/investments. It will strategically divest its IEX stake, to fund Capex, subsequently. Given its strong cash generation, it will be able to grow largely through internal accruals.

Consolidated Financial Summary

YE Mar (INR mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	64,113	74,470	85,800	94,660	95,810	103,534	115,033	128,372
EBITDA	15,916	18,940	20,370	19,240	21,050	26,388	25,498	28,568
APAT	1,900	440	2,930	2,900	2,230	7,284	5,514	7,652
AEPS (INR/sh)	21.4	4.9	32.8	15.0	11.6	39.0	29.6	41.0
EV/EBITDA (x)	21.6	17.6	15.7	16.7	15.1	11.9	11.9	10.2
EV/MT (INR bn)	13.72	13.33	12.82	12.28	12.15	10.38	8.52	7.70
P/E (x)	145.2	626.5	94.2	95.1	123.7	37.9	50.0	36.1
RoE (%)	3.9	0.6	2.9	2.8	2.1	6.8	4.9	6.5

Source: Company, HSIE Research

Prism Johnson

The management indicated that its cement business continues to be on a firm base and upcoming WHRS and clinker expansions will further boost segmental profits. The ailing TBK (Tiles/Bath/Kitchen) segment reported a healthy margin during 2Q/3QFY21, riding on its strong cost controls and new product launches. Prism is confident of TBK EBITDAM at ~11-11.5% in FY22, as the turnaround is sustainable. Prism is also eyeing strong growth in its RMC business, riding on good demand outlook. With the loss-making insurance business going away by 1QFY22, Prism expects to report strong numbers, going forward, and use the free cash flows to deleverage the balance sheet. We do not have a rating on the stock currently.

- In cement business, Prism is de-bottlenecking its clinker capacity by 0.9mn MT to 5.3mn MT by Dec'21E. It would thereafter plan grinding expansion of either 1mn MT in Satna or 2mn MT SGU in UP, by FY24E. By the end of this month, it will also commission the pending 12.5MW WHRS (of the total 22.5MW). The overall cost reduction from WHRS is expected at INR 120/MT. Of this, it has already achieved INR 50-60/MT cost reduction in 3QFY21.

- Prism noted that Satna cluster (~40mn MT capacity) is currently operating at 80% utilisation. Regional cement demand is growing at 10-12% currently. During 9MFY21, Prism's utilisation remained at 75% vs 80% YoY, impacted by lower sales in COVID-hit 1QFY21. Unitary EBITDA, however, expanded to INR 1,020/MT (+20% YoY).

- Prism has no plans to increase its tiles capacity in the near term from 60MSM currently. It will focus on new product launches, higher utilisation, distribution increase and cost reduction. Bathware and Kitchen together generated ~INR 2bn in revenues (~10% of its total TBK revenues). Over the next 3-4 years, the company expects to increase this to ~INR 5bn.

- Prism expects to deliver ~11-11.5% EBITDA from TBK segment in FY22E, led by strong demand and cost reduction in tiles. During 2Q/3QFY21 OPM increased to 11/14% vs 4/5% YoY respectively.

- Prism expects to grow its RMC revenue to ~INR 20bn over the next 3-4 years vs INR 14bn in FY20. This is a high asset turn and low margin business. The RMC industry in India is expected to penetrate, going forward, on rising cement demand from infrastructure and real estate sectors.

- Prism has sold off its stake in the loss-making insurance business, and it is expected to be offloaded by 1QFY22. It is awaiting regulatory approvals. This will improve the company's profitability. Prism expects to spend ~INR 4-4.5bn in Capex during FY21-22E, mainly towards the ongoing WHRS and clinker additions and it will use its free cash flows to reduce debt on books.

Consolidated Financial Summary

YE Mar (INR mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	52,231	50,125	55,077	61,944	59,562
EBITDA	3,409	3,567	4,431	6,010	5,392
APAT	290	(33)	425	1,052	(472)
AEPS (INR/sh)	0.6	(0.0)	0.8	2.1	(0.9)
EV/EBITDA (x)	23.7	22.2	17.9	13.0	14.5
P/E (x)	197.6	NM	135.0	54.5	NM
RoE (%)	2.4	(0.1)	3.3	7.8	(3.5)

Source: Company, HSIE Research

Mangalam Cement

Mangalam Cement (MGC) has guided that the demand scenario in its region, i.e., North and Central, continues to be strong with demand from both trade and non-trade segments showing strong growth. Price hikes have been taken in 2021 so far to ease off pressure on input and transportation costs. MGC's premium cement – Mangalam ProMaxX has been received well by the market and the company sees it clocking 15K MT/month. 0.3 mnMT clinker expansion is delayed by a quarter to 2QFY22. MGC is on course to reduce ~INR 1.5bn of debt in FY21. We do not have a rating on the company.

- **Demand and price trends:** Non-trade segment is showing strong growth with demand from the infra sector, specifically from road projects and highway projects, picking up. And from the trade segment also, the company is seeing strong demand from the urban side particularly. The north-central region has seen a price hike of INR 5-7/bag in 2021 so far, commensurate with the rise in fuel prices.

- **Mangalam ProMaxX:** MGC recently launched its premium PPC based cement brand Mangalam ProMaxX (in Oct'20). The company has seen extremely good demand from ProMaxX and is currently doing 15,000MT/month and commands a premium of ~INR 30/bag.

- **Cost trend:** WHRS for the company is running at optimum capacity and annual benefit from the same is to the tune of INR 300mn. Petcoke prices have risen to very high levels and impact of this would be seen 4QFY21 onwards as the company has exhausted its low-cost inventory it had purchased earlier.

- **Ramp-ups, expansion and debt:** Aligarh unit is struggling to ramp up because of low fly ash availability. But this problem should be solved with MGC winning an auction for supply of fly ash from a new power plant coming up near the Aligarh plant for a period of 10 years. MGC is also undergoing a clinker expansion of 0.3mn MT, which should be completed by 2QFY22 (delayed by one quarter due to COVID-19). The company is on course to reduce ~INR 1.5bn of debt in FY21.

- **Amalgamation of Mangalam Timber:** The scheme of amalgamation has been approved from both parties and only NCLT approval is due. The business is mainly struggling due to non-availability of funds. The amalgamation should solve this issue. MGC is confident of turning the timber business profitable because of its strong brand and demand. Capacity is at 100TPD and the company is looking to do INR 1-1.25bn revenue per annum, going forward, at 15-18% EBITDAM.

Financial Summary

YE Mar (INR mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	8,418	9,047	10,797	11,996	12,283
EBITDA	447	1,176	824	502	1,932
APAT	(215)	366	114	(167)	697
AEPS (INR/sh)	(8.0)	13.7	4.3	(6.2)	26.1
EV/EBITDA (x)	25.9	9.5	13.3	25.1	6.4
EV/MT (INR bn)	3.57	2.80	2.75	3.15	3.08
P/E (x)	NM	20.8	66.8	NM	10.6
RoE (%)	(4.4)	7.5	2.2	(3.3)	12.9

Source: Company, HSIE Research

Cement dealers

We hosted cement dealers from seven states of India, covering Central, West, East, and South. All the dealers highlighted that demand continues to be strong in 4QFY21 so far, both from trade and non-trade segments. Good rebound in the non-trade segment has allowed cement players across all regions to sharply increase non-trade prices in the past one month. In the trade segment, while prices held on to their healthy levels in north and central regions, prices in west, south and east regions have recovered over the past one month. Dealers also highlighted that companies' promotional and marketing activities are nearing their pre-COVID levels. Digital adoption has gained post COVID whereby companies are communicating on their dynamic incentive structures and pushing the channel on meeting their monthly/quarterly/annual targets.

- **Madhya Pradesh:** Cement demand has been robust, especially in non-trade segment (infra projects led). This has helped recovery in non-trade prices by INR 30-40/bag during Feb'21. In trade too, demand remains strong, thereby allowing prices to remain stable. The dealer noted that these prices should hold in March. Post March, softening in government demand can again lead to a fall in non-trade prices. UltraTech has been the leading brand in MP due to its strong distribution capabilities and strong hold on sales influencers.

- **Gujarat:** Cement demand in the region has been good in non-trade due to high demand from real estate segment and trade demand has been at par with last year. Cement prices have increased during Feb and March across both segments. Prices have increased by ~INR 15-20/bag during both the months. According to him, the prices will stick through due to strong demand. In this region again, UltraTech is the top brand, followed by Ambuja. Rajasthan-based players are also major suppliers in the state.

- **Uttar Pradesh:** Cement demand in the region is strong in both the segments. Price hike taken in trade segment is to the tune of INR 5-10/bag, whereas in non-trade, it is ~INR 30-50/bag. He expects these prices to at least stick and may even inch up by INR 10/bag.

- **Chhattisgarh:** The dealer noted that demand has been robust from all segments in the state. UltraTech is the leading brand in the area. Among the major sellers, Shree Cement is competitively priced in the Chhattisgarh market. Currently, the companies are giving good discounts to its dealers.

- **West Bengal:** There is a supply shortage in places like Kolkata owing to strong pre-election cement demand and railway wagon shortage (as they are diverted for crop movement). This has helped companies to take a price hike (INR 30-50/bag in March) after remaining flattish in the past two months. The dealer cautioned that these prices will not hold post March, as election spending takes a break. The state election will start at end of March'21.

- **Maharashtra:** The demand is being driven by strong demand from infra and real estate segments. Even IHB segment is performing well. In the region, UltraTech, Ambuja and ACC are the leaders, but Shree is gaining good traction (in Pune region) owing to its competitive pricing along with strong service capabilities. Over the past one month (mid-Feb onwards), there has been price increase in 2-3 tranches across both trade and non-trade segments. A total of INR 40-50/bag price increase has been affected in this period.

- **Tamil Nadu:** Most players have increased prices by ~INR 20/bag in March, after sluggish/marginal weakness in Jan/Feb. However, a few companies (mainly tier-2), which were offering higher rate differences have reduced the difference leading to effective increase of ~INR 50/bag. Amidst huge OPC demand and constrained supplies, prices are holding on. As per the dealer, companies are looking to announce another hike so that at least the first price hike is sustained.

Cement marketing executives

We hosted marketing executives of two unlisted cement companies to discuss industry trends in the east and west regions. Both the experts noted that cement demand is currently robust – across trade and non-trade. Prices in both the regions have firmed up. They also noted that brand promotions by the cement companies have reached pre-COVID levels. Also, there seems to have been increased digitalisation of various activities – sales-force locations, logistics tracking (movement of trucks), billing through ERP/SAP, stock monitoring, competition activities and dealer information (his target, performance, payment cycles, etc).

- **Western region:** In terms of market size, west is currently at ~5mnMT per month – 2.7/2.2/1.5mn MT per month in Maharashtra/Gujarat/Goa respectively. Cement demand in the region is picking up. The demand is coming from all segments – infrastructure sector, realty and even from IHBs, PMAY, and affordable housing sector. The supply influx from southern states has reduced (vs 30% earlier) due to demand recovery in south and due to shortage of railway wagons. This is helping business for regional players in the west. Over the past month, cement price across the west has gone up by INR ~30-40/bag. If demand persists, further price increase is possible during in Apr/May'21.

- The expert suggested that Shree Cement's Pune plant may get operational by 1QFY22. Dalmia's Murli plant and Birla Corp's greenfield expansion in Maharashtra will come in FY22. The western region is quite mature and, hence, the price difference between different brands is not more than INR 10/bag. In the west, slag cement usage has been approved by all government agencies for use in infrastructure sector and demand from trade segment is also good.

- **Eastern region:** Prices in the east have been volatile owing to large capacity additions by various players. However, owing to strong demand momentum, utilisation has significantly improved currently, driving regional pricing power. Thus, companies have increased prices to the tune of INR ~30/bag in trade and INR ~20/bag in non-trade. Further, INR ~20/bag in trade segment can be achieved in the coming days of Mar-21. Initial demand post-COVID came from the rural sector and companies were focusing on premium cement sales. Current demand is also supported by non-trade demand (government infrastructure spends).

- Some of the current state-wise demand in the east is as follows: Bihar/WB/Odisha ~2/2.1/1.3mn MT per month respectively. Regional demand has been growing at ~20%, 2QFY21 onwards. It is not only driven from tier 1/2/3 cities but also from tier 4/5 cities and villages. He also noted that the sharp increase in slag cost has impacted sales of PSC (slag cement) in the region.

Plastic Pipes

Astral Poly Technik

Astral Poly Technik has guided that the demand trend continues to be strong across both its pipes and adhesives business segments. Rising consolidation has further aided the industry's pricing power and, hence, its strong margin is expected to sustain despite soaring RM costs. While pricing power is sustaining in the near term, continued resin price inflation will impact agri demand and hit margin 1QFY22E. Astral's expansion across pipes, tanks and valves is on track and will support its strong growth momentum. We have an ADD rating on the stock with a TP of INR 2,210 (34x its FY23E consolidated EBITDA).

- **Robust demand trends:** Real estate bookings are going strong, supporting outlook for pipes demand. Demand from infra segment will gain traction once tenders take place at revised (upwards) prices. Price-sensitive agri demand is expected to be impacted by continued increase in PVC pipes' prices.

- **Bigger branded players gaining market share:** The company guided that domestic PVC resin prices have soared to ~INR 125/kg vs ~ INR 76/kg YoY. This has led to a sharp increase in working capital requirement for the industry. In turn, this has stressed the smaller unorganised players, who are seeing volume decline. Thus, larger players are gaining market share.

- **Raw material cost continues to rise:** While the raw materials prices across pipes and adhesives are on the rise, the same is getting passed on due to increasing market consolidation in the pipe segments and the adhesive business is already consolidated. The management guided that RM cost is not expected to come off at least until 1QFY22. While margin is expected to remain strong, until then further raw material price hikes will be difficult to pass through by the industry.

- **Tanks and valve businesses:** While it is positioning the recently acquired 'Sarita' brand under economical category, it will sell its own produced tanks under 'Astral' brand (from 1QFY22) under premium category. Astral's valve plant will become operational from 2QFY22.

- **Odisha plant:** Its greenfield pipes plant in Odisha will become operational in FY22E. The management further reiterated that Astral will focus on asset sweating, and Capex run rate should reduce going further.

Consolidated Financial Summary

YE Mar (INR mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	16,778	18,947	20,729	25,073	25,779	31,449	40,535	48,895
EBITDA	2,076	2,638	3,168	3,849	4,429	6,208	7,512	9,411
APAT	1,018	1,457	1,751	1,958	2,479	3,770	4,728	6,099
AEPS (INR/sh)	8.5	12.2	14.6	16.3	16.5	25.0	31.3	40.4
EV/EBITDA (x)	182.1	143.5	119.3	98.3	85.1	60.1	49.2	38.7
P/E (x)	369.9	258.4	215.0	192.3	151.9	99.9	79.6	61.7
RoE (%)	15.0	18.5	18.5	16.9	17.6	22.2	22.5	23.4

Source: Company, HSIE Research

Prince Pipes

Prince Pipes indicated demand traction remains healthy, mainly for plumbing pipes. The soaring PVC resin prices have impacted the smaller players to lose market share. Prince expects its CPVC pipes revenue to gain from the recent deal with Lubrizol to manufacture 'Flowguard' brand CPVC pipes. Prince will continue to focus on capturing growth in the pipes segment. It is expanding its distribution network and has recruited professionals at senior level management. It can expand its capacity in north and south at a fast pace to meet demand as and when required. We do not have a rating on the stock currently.

- **Demand outlook:** The company noted that demand from real estate segment is not impacted on account of rising prices. However, it expects agri segment demand to be impacted. Prince has reduced its sales exposure to ~35% currently from 45% about 4-5 years back.
- **Market size:** Overall pipes industry is about INR 300 bn. Of this, CPVC is at INR 50bn, HDPE INR 5bn and the rest is mostly PVC. Organised players account for ~ 65% of the PVC market in India. Amid rising raw materials cost, smaller players are not able to grow, leading to market share gains for bigger players.
- **PVC resin price trends:** There has been a sharp increase in resin prices to INR 120/kg (vs INR 65-70/kg run rate a year back) and it continues to rise. About 50% of the resins is imported in India.
- **Deal with Lubrizol:** Prince entered into a 3-year deal with Lubrizol to produce and sell its 'Flowguard' brand CPVC pipes. As this is a well-accepted product, the deal will help the company's growth.
- **Tank business:** Prince guided that while it has entered into the tanks business, it will not be aggressive in this segment, in line with competitors. It would rather remain focused on growth in the pipes and fittings division.
- **Growth plans:** Prince is expanding its distribution network across India. It has also recruited many professionals in executive roles to drive sustainable growth. It can double its pipes capacity in Jaipur to 40K MT, at a shorter duration, as per the demand. Its recently commissioned Telangana factory can also be expanded up to 50K MT in phases (vs 4K MT) currently.

Standalone Financial Summary

YE Mar (INR mn)	FY16	FY17	FY18	FY19	FY20
Net Sales	10,090	12,465	13,150	15,718	16,357
EBITDA	1,174	1,777	1,835	2,273	2,609
APAT	451	892	930	1,253	1,446
AEPS (INR)	9.4	19.8	10.3	13.9	13.1
P/E (x)	108.5	54.9	52.7	39.1	33.9
EV/EBITDA (x)	44.2	29.3	28.6	23.0	18.8
RoE (%)	25.6	41.1	33.3	35.0	23.4

Source: Company, HSIE Research

Tiles

Experts from Morbi cluster

We hosted the promoters of Varmora Granito and Favourite Tiles from the world's second-largest tiles production hub – Morbi in Gujarat. Both of them guided that export market is extremely buoyant and will continue grow in high double digits for the next few years. Even the domestic market is seeing robust demand (mainly from real estate) post June 2020. While gas prices have jumped, manufacturers have also taken price hikes to pass on the inflation. India is expected to continue to gain market share in global tiles export, with additional support from anti-China sentiments.

- As per Varmora, the Indian ceramic market is currently close to INR 420-450bn. Morbi accounts for ~85% of the total industry. Exports account for ~35% of total tiles production in India and ~45% of Morbi's turnover.
- Despite higher anti-dumping duty imposed on India (vs China) by GCC, India still remains the top exporter in that region. India has moved on to become the second-largest tiles exporter to the USA (from 9th position earlier). As there is export potential of ~INR 70bn in the US, anti-China sentiments will further accelerate exports from India (and mainly Morbi).
- Tiles exports from India are expected to grow by more than 30% in FY21, to ~INR 150 bn, despite two months of lockdown. Tiles exports from India can surge to ~INR 250bn over the next two years. Morbi cluster is competitive compared to Chinese players and has gained on quality fronts. These are driving its rising share in global export markets.
- The experts noted that as the lockdown is relaxed, sales will accelerate. Tiles are "touch and feel" products and major orders will come after physical verifications. As most plants in Morbi (~900-1000 units) are operating at very high utilisation, it is expanding capacity by almost 15-20% in FY22 to meet the rising export demand.
- Even the domestic demand has picked up from 2QFY21, aided by strong recovery in the real estate segment. In domestic markets, Morbi players are generally preferred in the Tier 2/3 cities due to their good quality at low cost. Morbi cluster has low exposure to government projects.
- The Morbi cluster has seen significant improvement in their working capital currently owing to robust demand. Earlier Morbi used to dole out ~60-90 days of credit for almost 70% of its domestic sales. This share has come down to ~30% currently. Credit period is very low/negligible in exports.
- Morbi's export realisation has increased and is now at par with domestic realisation, thus boosting margins for players.
- Gas prices for Morbi cluster has gone up by 20%. The manufacturers have taken 10-15% tiles price hikes. The cluster is looking at alternate fuel from GAIL/GSPL, which could lead to 15-20% potential savings in fuel cost, (though not possible in the near term).
- Varmora group is the fifth-largest tiles manufacturer in India with an annual turnover of ~INR 9bn, which comprises 90% tiles and 10% bath ware and faucets. It sells 80% in domestic market (55% retail, 25% institutional) and the rest is exported – both under its own brand name. It has strong distribution across India and has sales offices outside India as well.

Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:
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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600
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HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com