

27 August 2021

Cement channel check

Sensex: 56125

Nifty: 16705

Monsoon impact waning; demand upswing and price hikes in sight

While demand in July was strong, August was clouded by the monsoon, funding issues and labour unavailability due to festivities, etc. except for some regions (Guwahati/Mumbai) where volumes improved m/m on more infra activity and lockdown restrictions/monsoon, etc. in July. Cement prices in August declined across regions; in the East (~Rs30-35/bag) and the South (~Rs15-20) by the most. However, price hikes in the West were mostly maintained by 'A' category manufacturers.

With the monsoon impact ebbing, dealers suggested that cement demand would rise in coming months and companies would hike prices. We prefer Birla Corp, Ramco Cements, Dalmia Bharat and Orient Cements.

North. In Jaipur, cement prices declined by Rs10-20/bag in August, and the trade-nontrade price difference increased to ~Rs60-70/bag. The financial crisis and reduced government fund release has impacted demand. Dealers say volumes are down 10% m/m despite a weak monsoon in the region. But they expect price hikes in Sep'21. In Kota and Jodhpur, prices have been stable whereas demand was hit by labour unavailability because of the festivals, etc.

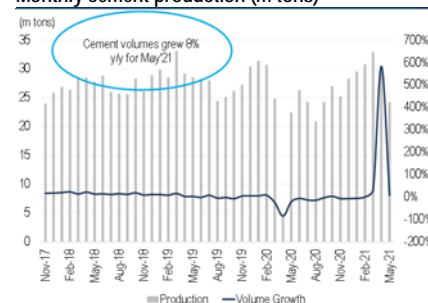
Central. In Indore, demand weakened due to the non-commissioning of large projects and labour unavailability; prices declined by Rs5/bag. Dealers expect demand to rise in coming months. In Lucknow and Kanpur, prices were steady and demand has been strong y/y; m/m however declined due to monsoon.

West. In Ahmedabad, cement prices declined by Rs5-10/bag, whereas in Surat, prices increased by Rs10/bag while demand has been weak. In Mumbai, non-trade prices were hiked by Rs15/bag by 'A' category manufacturers despite a price difference of Rs20-25/bag with other regional manufacturers (south) while trade prices were not raised. Demand has been strong m/m and dealers expect a further price hike in Sep'21.

East. In Kolkata, while demand was flattish in Aug'21, cement prices fell by Rs30-35/bag due to keen competition to maintain market share. Also, in Bhubaneswar, companies reduced prices by Rs30-35/bag while demand has been flattish y/y. In Guwahati, cement prices declined by Rs10/bag; however demand has improved m/m with lockdown restrictions easing and more infra activities.

South. While demand has been firm in Bangalore, reversing the earlier hike prices declined by Rs25/bag due to intense competition among manufacturers. Demand in Telangana continue weak due to funding issues, and prices fell by Rs10-15/bag. In Chennai, the cement price decline continued, falling by Rs15/bag in Aug'21.

Monthly cement production (m tons)



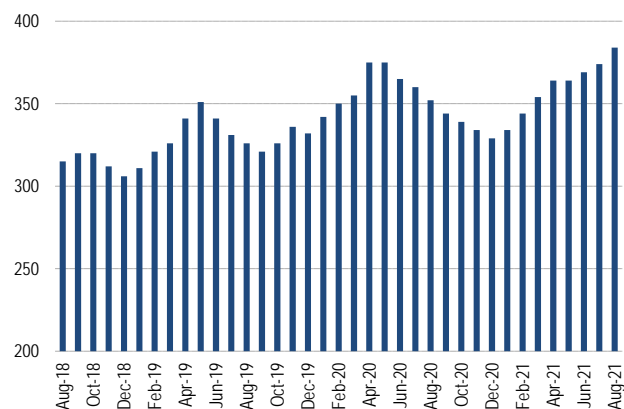
Source: IIP data

Manish Valecha
Research AnalystVibha Jain
Research Associate

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Fig 1 – Cement prices – West

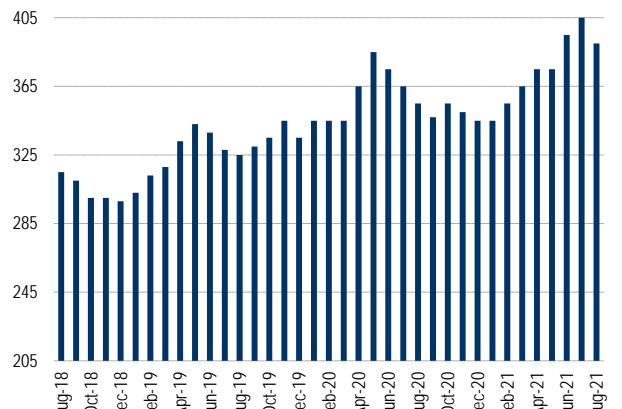
(Rs/bag)



Source: Company, Anand Rathi Research

Fig 2 – Cement prices – North

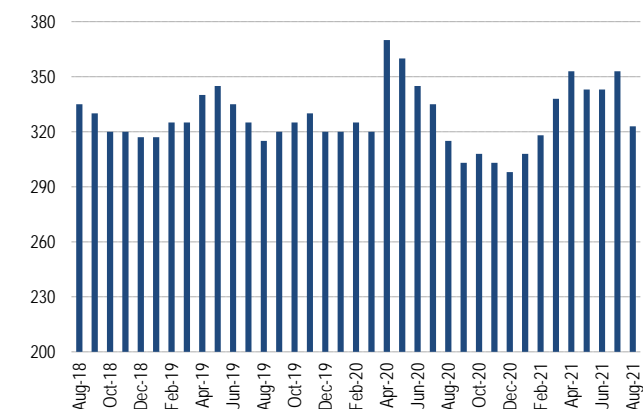
(Rs/bag)



Source: Company, Anand Rathi Research

Fig 3 – Cement prices – East

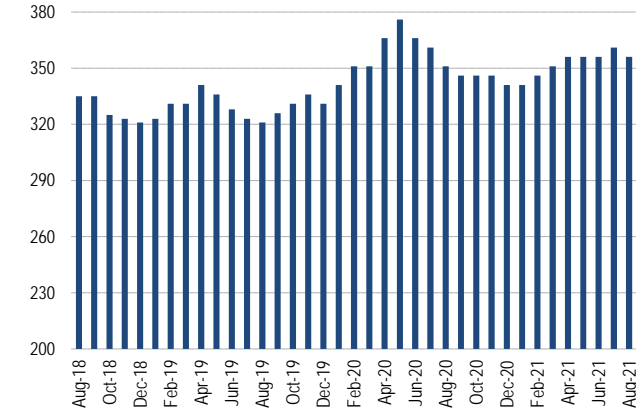
(Rs/bag)



Source: Company, Anand Rathi Research

Fig 4 – Cement prices – Central

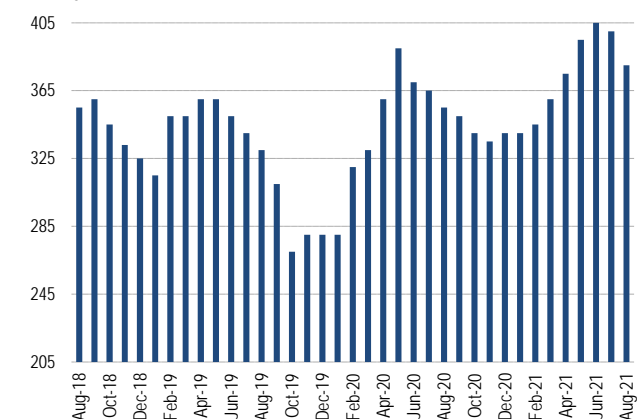
(Rs/bag)



Source: Company, Anand Rathi Research

Fig 5 – Cement prices – South

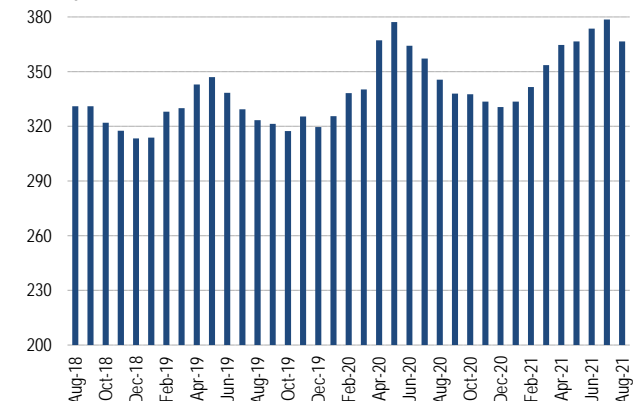
(Rs/bag)



Source: Company, Anand Rathi Research

Fig 6 – Cement prices – All-India

(Rs/bag)



Source: Company, Anand Rathi Research

Fig 7 – Cement sector snapshot

	CMP	EV / tonne (\$)		EV / EBITDA (x)		P / E (x)		Capacity (tonnes)	
	(Rs)	FY22e	FY23e	FY22e	FY23e	FY22e	FY23e	FY22e	FY23e
ACC*	2,326	152	144	14.7	11.3	31.3	23.5	34.5	35.5
Ambuja*	407	290	285	23.0	20.3	41.1	37.3	31.5	31.5
UltraTech*	7,469	251	220	18.3	15.6	34.7	28.8	119.6	132.4
Shree*	26,757	277	270	21.3	18.1	39.7	33.7	46.4	46.4
Dalmia Bharat	2,041	157	151	13.2	11.4	34.6	27.3	34.8	34.8
JK Lakshmi	710	99	93	9.3	7.9	17.8	15.1	11.7	11.7
Star Cement	107	95	96	9.8	8.9	14.8	13.3	5.7	5.7
Ramco	981	182	165	15.9	12.5	28.3	22.0	19.4	20.4
India Cement	163	67	64	8.5	7.4	17.3	13.8	15.6	15.6
Birla Corp.	1,307	99	91	9.7	7.9	16.7	13.8	19.4	20.1
JK Cement	3,154	225	221	15.9	13.4	28.5	23.2	16.0	16.0
Orient Cement	152	57	58	5.4	5.1	10.0	8.9	8.5	8.5
Heidelberg	255	115	109	10.6	9.0	20.1	16.8	6.5	6.5
Mangalam	450	46	40	4.9	4.0	8.3	7.0	4.4	4.4
Deccan	710	51	64	4.8	5.5	8.9	8.5	2.3	2.3
Sanghi Inds.	69	70	67	11.0	9.0	29.9	21.6	6.1	6.1
Prism	125	86	82	10.0	8.7	26.5	21.1	7.9	7.9

Source: Company, Anand Rathi Research * Bloomberg

Fig 8 – Stock performance

	Absolute price performance (%)			
	1-month	3-month	6-month	12-month
Dalmia Bharat	(8.3)	10.7	42.2	176.2
Ramco Cement	(13.8)	2.4	0.0	33.5
JK Cement	0.9	9.5	16.9	109.9
India Cement	(19.4)	(16.2)	(2.3)	29.9
JK Lakshmi	(1.3)	27.3	87.8	149.9
Birla Corp	(15.5)	5.5	49.3	98.7
Prism	(12.4)	(7.7)	20.2	126.0
Orient	(2.8)	5.6	60.9	107.7
Heidelberg	(0.1)	4.5	11.6	30.9
Sagar	8.8	54.8	100.7	180.0
Star	(3.7)	(2.6)	10.5	19.3
Mangalam	0.7	45.7	62.3	114.4
Deccan	(4.1)	41.5	72.7	115.9
Sanghi	(6.8)	30.3	51.6	116.6
NCL	(11.3)	12.0	34.4	124.0
Not Rated				
ACC	(4.0)	15.1	31.3	62.8
Ambuja	(2.4)	23.3	45.6	80.4
Ultratech	(4.1)	11.0	19.5	79.1
Shree	(5.0)	(1.9)	0.2	22.3
Kesoram Industr.	(18.2)	(11.5)	11.0	72.6
Nifty	5.1	8.7	14.5	44.0

Source: Bloomberg

	Relative price performance (%) – vs. the Nifty			
	1-month	3-month	6-month	12-month
Dalmia Bharat	(13.4)	1.9	27.7	132.2
Ramco Cement	(18.9)	(6.4)	(14.5)	(10.6)
JK Cement	(4.2)	0.8	2.4	65.9
India Cement	(24.5)	(25.0)	(16.8)	(14.1)
JK Lakshmi	(6.4)	18.5	73.3	105.8
Birla Corp	(20.6)	(3.3)	34.8	54.7
Prism	(17.5)	(16.4)	5.7	81.9
Orient	(7.9)	(3.1)	46.4	63.6
Heidelberg	(5.2)	(4.2)	(2.9)	(13.2)
Sagar	3.7	46.1	86.2	136.0
Star	(8.9)	(11.3)	(4.0)	(24.8)
Mangalam	(4.5)	36.9	47.8	70.3
Deccan	(9.3)	32.8	58.2	71.8
Sanghi	(12.0)	21.6	37.1	72.5
NCL	(16.4)	3.2	19.9	79.9
ACC	(9.1)	6.3	16.8	18.7
Ambuja	(7.5)	14.6	31.1	36.3
Ultratech	(9.2)	2.3	5.0	35.1
Shree	(10.2)	(10.7)	(14.3)	(21.7)
Kesoram Inds	(23.3)	(20.3)	(3.6)	28.6
Nifty	0.0	0.0	0.0	0.0

Appendix

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