

Cement

Monthly Ground Check

Kamlesh Bagmar

kamleshbagmar@plindia.com | +91-22-6632 2237

Amit Khimesra

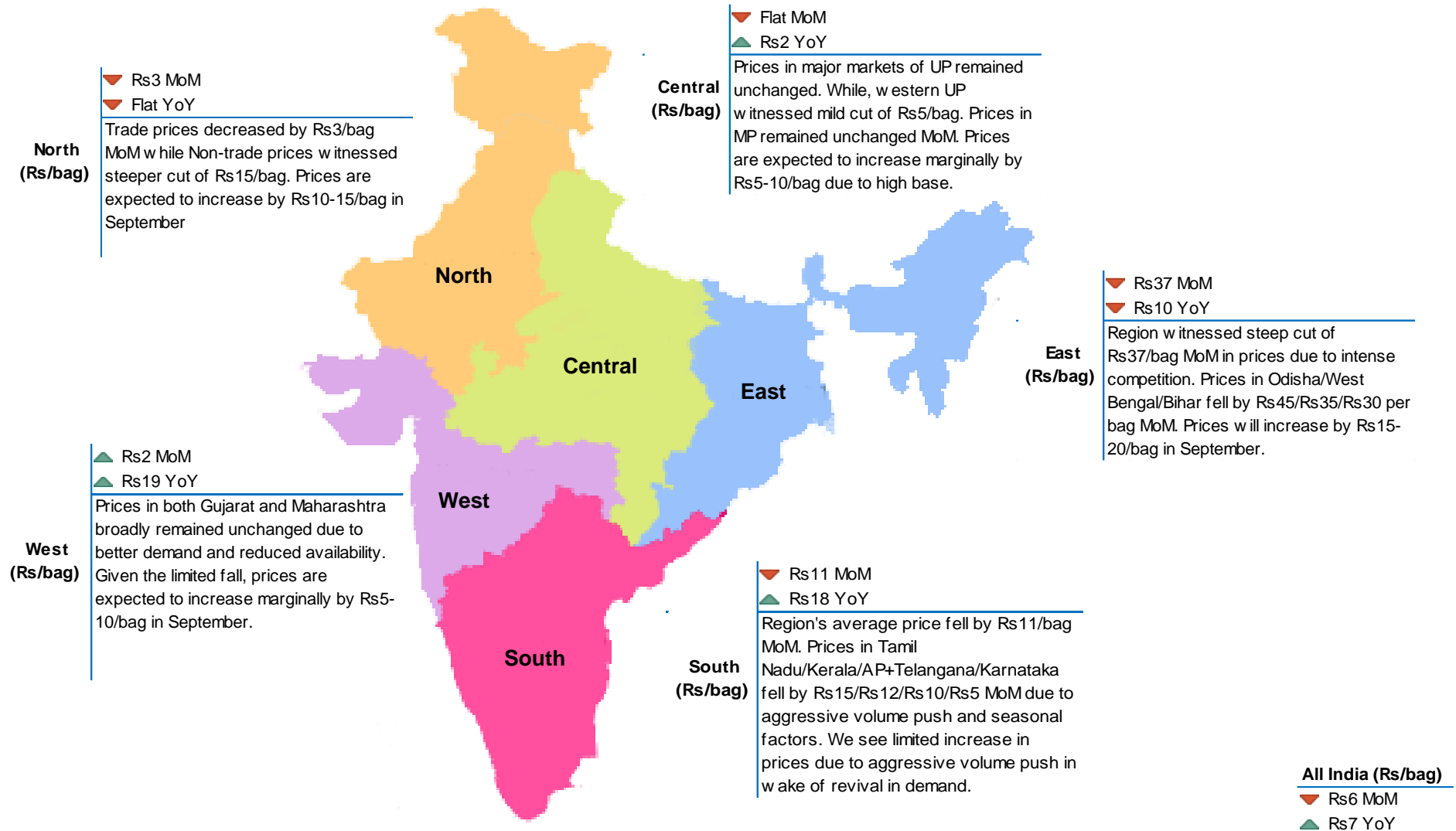
amitkhimesra@plindia.com | +91-22-6632 2244

Prabhudas Lilladher Pvt. Ltd. and/or its associates (the 'Firm') does and/or seeks to do business with companies covered in its research reports. As a result investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of the report. Investors should consider this report as only a single factor in making their investment decision.

Please refer to important disclosures and disclaimers at the end of the report.

	Page No.
Region-wise price tracker	3
Demand growth accelerates; Prices sees measured fall except East region	4
Valuation & Recommendation	5
Relative Valuation	6
India – City wise Cement pricing trend	
▪ North	8
▪ Central	9
▪ East	10
▪ West	11
▪ South	12
Variable cost Index up Rs500/t YoY, led by increase in fuel, freight cost and packing cost	13
Lead indicators suggest strong pick-up in overall activity	14
Spend on PMAY-Urban housing continues to grow at brisk pace	15
Capacity utilisation expected at near decade high in FY23E at 76%	16

Region-wise price tracker



Demand growth accelerates; Prices see measured fall except East region

- Demand growth picks up the pace in August:** Based on our channel checks, All-India cement demand is expected to have grown by 18% YoY (flat MoM) in August on a base of 2% decline. Among regions, North stands out with growth expected at 15% on a base of +5% growth, while volumes in Central and East region are expected to be subdued with a marginal increase of 1% and 2% respectively due to high base and muted demand. Western region's demand is expected to grow 70% YoY on a weak base of 20% decline, while South region failed to exploit the benefit of low base due to continued lockdowns. Volumes in the region are expected to grow 20% on a base of 15% decline.
- Weakness in prices more pronounced in East region:** Based on our estimates, All-India prices (net of taxes) declined by Rs7/bag MoM in August. Majority of the fall was contributed by steep decline of Rs20/bag in East. While, rest of the regions witnessed decline of Rs4-5/bag. We expect price hike of Rs10-15/bag in mid/end of September, driven by seasonal pick up in demand and significant increase in costs.
- Reiterate Ambuja (ACEM) and Ultratech (UTCEM) as top picks:** Amidst severe cost pressures and rising competitive intensity, we prefer large caps, ACEM and UTCEM, given their 1) diversified presence, 2) ample levers for cost reduction (WHR, strong logistics network) and 3) high share of trade volumes. We believe that **UTCEM** stands out as best play in the sector, led by its dominant size (22% market share) and highly efficient operations. In spite of sharp run-up, we remain positive on ACEM given the aggressive execution on cost reduction, pick up in pace of capacity addition and continued valuation re-rating.

Region-wise monthly exit and average wholesale prices in Aug'21

Region	Exit Price (Rs/bag)			Average Price (Rs/bag)		
	Aug-21	Jul-21	Change	Aug-21	Jul-21	Change
North	352	354	-3	352	358	-6
South	378	389	-11	384	397	-13
West	359	357	2	358	357	1
Central	337	337	-0	337	339	-3
East	290	327	-37	303	331	-28
All-India	348	355	-6	347	356	-10

Source: Industry, PL

Rating and Target Price (TP) with assigned valuation

Company Name	Rating	TP	EV/EBITDA (x) CY22E/FY23E
ACC	BUY	2,460	12.5
Ambuja Cement	BUY	460	14.5
Dalmia Bharat	Accumulate	2,300	12.0
Heidelberg Cement	Reduce	225	7.5
JK Lakshmi Cement	Hold	690	7.5
Shree Cement	Hold	28,400	17.5
The Ramco Cements	Reduce	980	14.0
Ultratech Cement	BUY	8,600	17.0

Source: Company, PL

Valuation and Recommendation

Key Financials

Company Name	Revenue (Rs bn)			EBITDA (Rs bn)			PAT (Rs bn)			Realisation (Rs/t)			EBITDA (Rs/t)		
	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
ACC	135	162	173	22	30	31	16	22	23	4,958	5,156	5,360	856	1,072	1,078
Ambuja Cement	245	303	335	50	70	77	24	32	36	4,929	5,127	5,332	1,081	1,291	1,352
Dalmia Bharat	105	129	152	28	31	36	10	11	14	4,842	5,247	5,195	1,343	1,289	1,276
Heidelberg Cement	21	23	26	5	5	6	3	3	4	4,655	4,748	4,796	1,076	1,066	1,092
JK Lakshmi Cement	44	51	53	8	9	9	4	4	5	4,434	4,656	4,702	799	780	833
Shree Cement	135	162	187	40	44	51	23	26	29	4,639	5,033	5,184	1,447	1,444	1,477
The Ramco Cements	52	60	68	15	16	18	8	8	10	5,201	5,341	5,314	1,472	1,399	1,400
Ultratech Cement	443	523	579	111	128	143	53	70	83	5,167	5,444	5,573	1,266	1,306	1,350

Valuation and Recommendation

Company Name	Rating	Price	TP	M.cap (Rs bn)	P/E (x)			EV/EBITDA (x)			P/B (x)			EV/t (US\$)		
					FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
ACC	BUY	2,469	2,460	464	28.6	21.4	20.6	18.5	13.2	12.6	3.7	3.2	2.8	165	156	133
Ambuja Cement	BUY	437	460	868	35.6	27.3	24.3	23.4	15.8	13.7	3.8	3.5	3.1	237	221	206
Dalmia Bharat	Accumulate	2,229	2,300	430	41.9	37.8	29.2	15.1	13.8	11.6	3.3	3.1	2.8	174	162	150
Heidelberg Cement	Reduce	264	225	60	22.9	19.9	17.0	12.1	10.9	9.2	4.0	3.8	3.5	131	128	121
JK Lakshmi Cement	Hold	708	690	83	21.6	19.7	16.8	11.1	9.7	8.0	4.0	3.4	2.9	105	99	91
Shree Cement	Hold	30,441	28,400	1,060	48.3	42.6	37.4	26.5	23.8	20.3	7.1	6.2	5.4	293	270	251
The Ramco Cements	Reduce	1,047	980	247	31.6	29.8	25.9	18.8	17.4	14.9	4.4	3.9	3.4	194	183	179
Ultratech Cement	BUY	7,930	8,600	2,176	43.0	32.9	27.6	21.3	18.2	15.7	5.2	4.6	4.0	273	253	237

Relative valuation

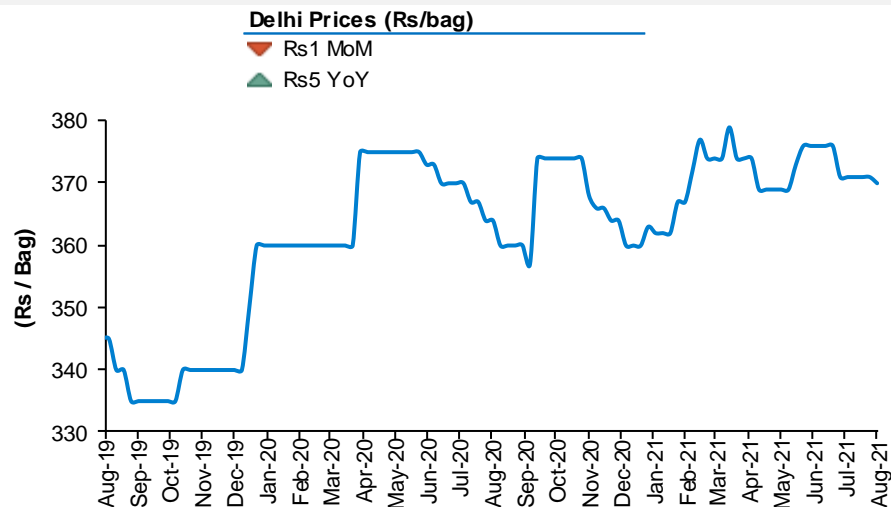
Company Name	Price (Rs/Share)	M.cap (Rs bn)	P/E		EV/EBITDA		P/B		EV/t (US\$)	
			FY22e	FY23e	FY22e	FY23e	FY22e	FY23e	FY22e	FY23e
ACC	2,469	463.6	21.4	20.6	13.2	12.6	3.2	2.8	156	133
Ambuja	437	867.9	27.3	24.3	15.8	13.7	3.5	3.1	221	206
Dalmia Bharat	2,229	429.7	37.8	29.2	13.8	11.6	3.1	2.8	162	150
HeidelbergCement India	264	59.7	19.9	17.0	10.9	9.2	3.8	3.5	128	121
JK Lakshmi	708	83.3	19.7	16.8	9.7	8.0	3.4	2.9	99	91
Shree Cement	30,441	1,060.5	42.6	37.4	23.8	20.3	6.2	5.4	270	251
Ramco Cements	1,047	246.8	29.8	25.9	17.4	14.9	3.9	3.4	183	179
Ultratech	7,930	2,176.3	32.9	27.6	18.2	15.7	4.6	4.0	253	237
JK Cement	3,465	270.4	31.3	26.2	16.6	14.3	6.1	5.1	252	250
Orient Cement	156	33.2	11.1	10.5	11.1	10.5	2.1	1.8	62	65
Birla Corporation	1,335	103.9	18.0	13.9	9.3	7.7	1.7	1.6	110	87
India Cements	180	55.7	18.7	15.0	9.3	8.4	1.1	1.0	70	65
Prism Johnson	130	64.5	27.2	21.7	9.8	8.9	NA	NA	NA	NA
Star Cement	108	44.2	14.3	11.7	9.2	7.7	2.0	1.7	90	86
Sagar Cement	277	32.5	9.3	6.5	9.5	7.3	2.4	2.0	93	61

Source: Bloomberg, PL

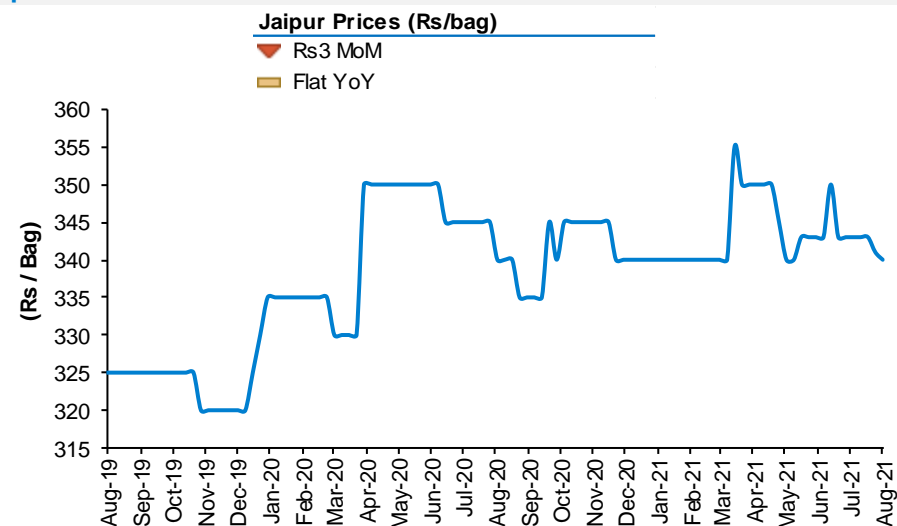
India – City wise Cement pricing trend

North: Region's average fell by Rs5/bag MoM

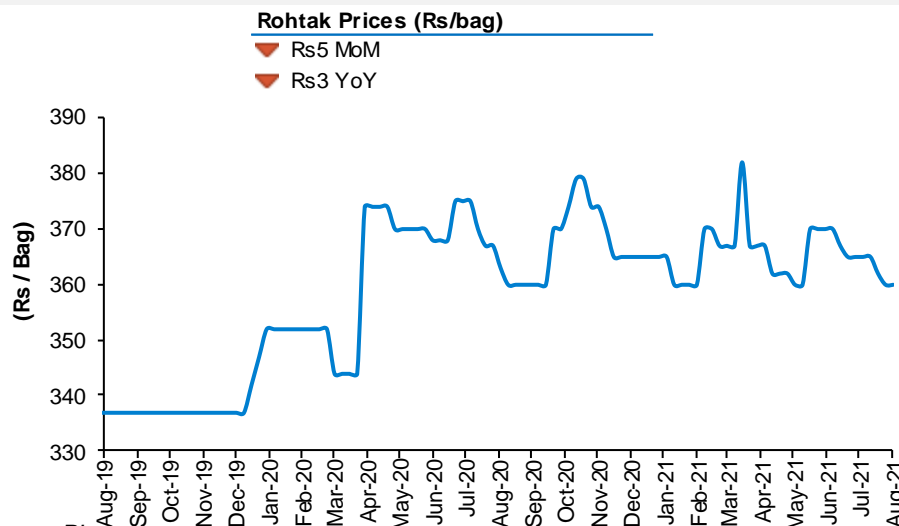
Delhi



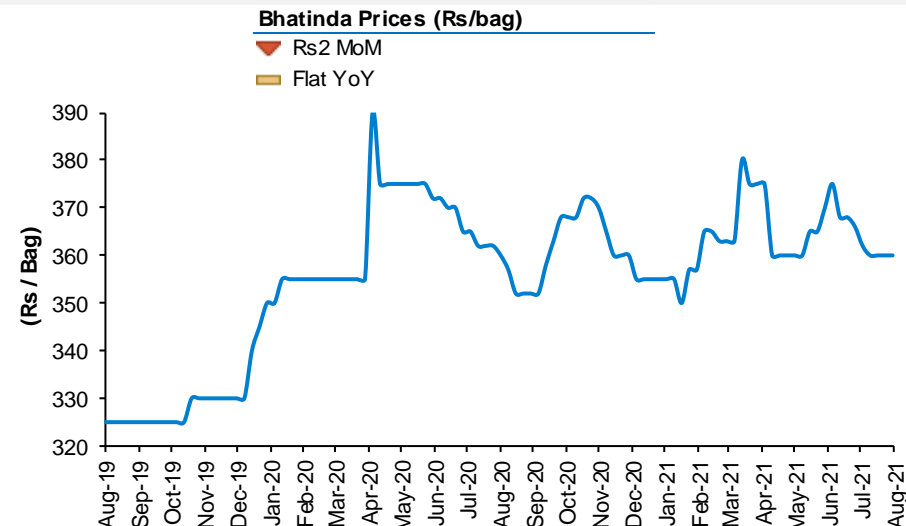
Jaipur



Rohtak



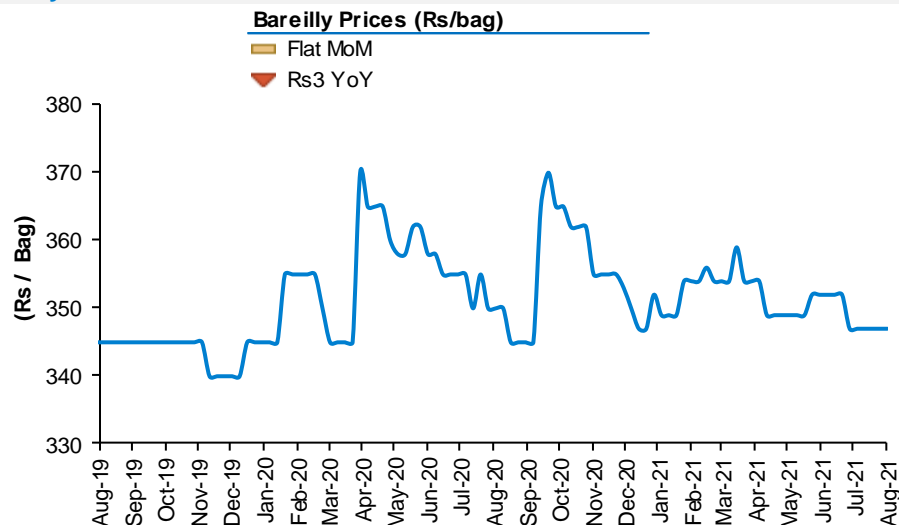
Bhatinda



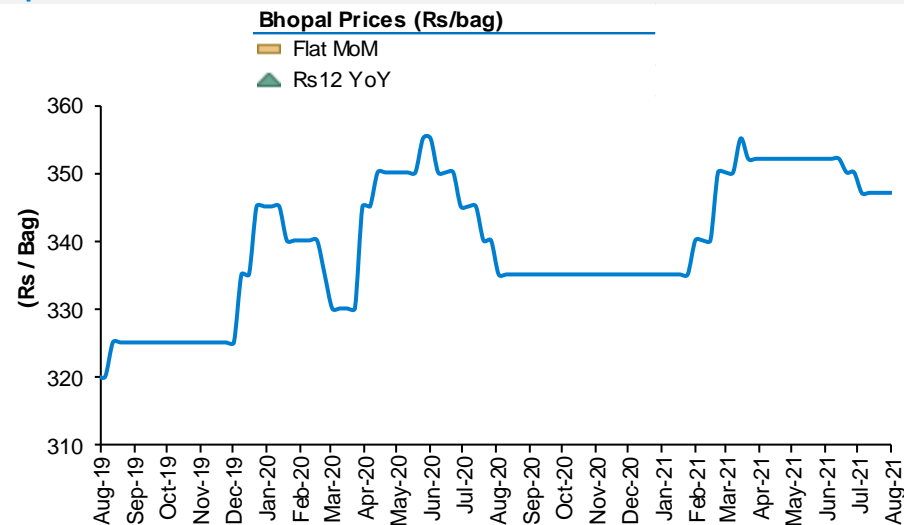
Source: PL

Central: Prices in MP/Western UP fell by Rs3/Rs5/bag; Stable in Central UP

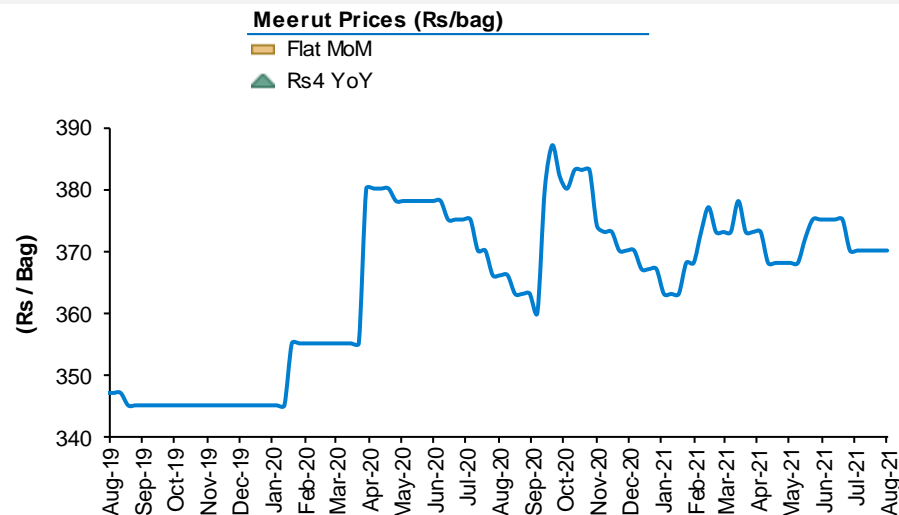
Bareilly



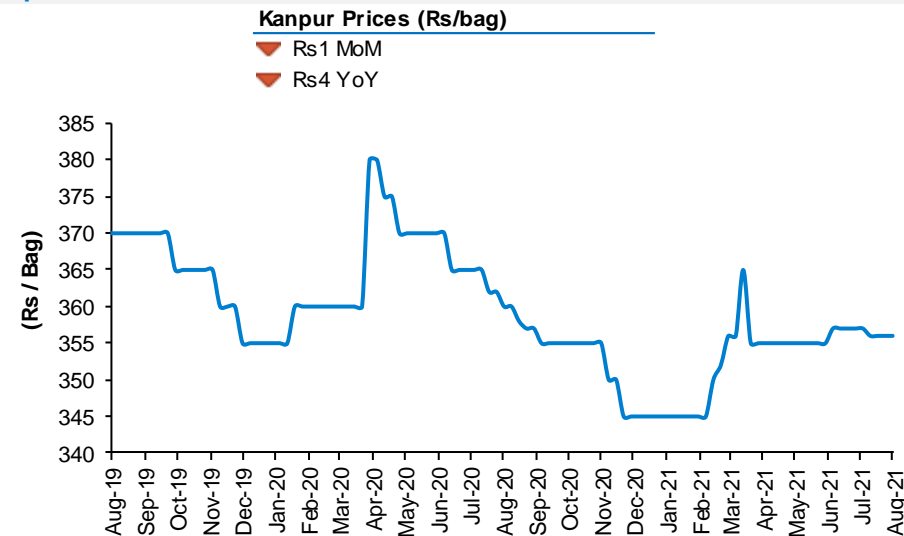
Bhopal



Meerut



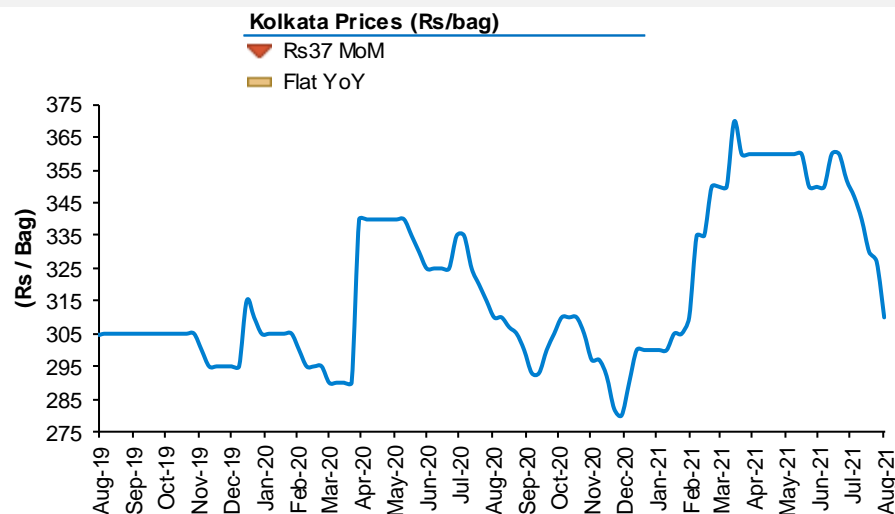
Kanpur



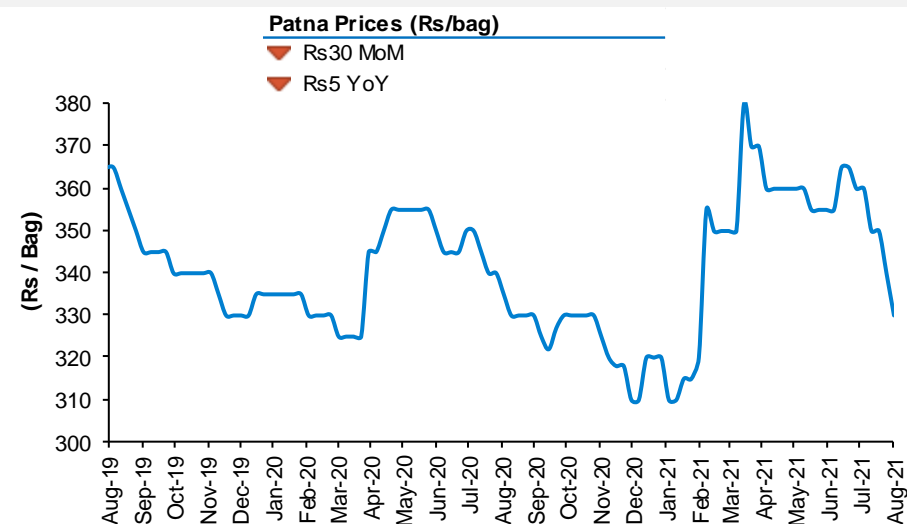
Source: PL

East: Region's average fell by Rs30/bag MoM

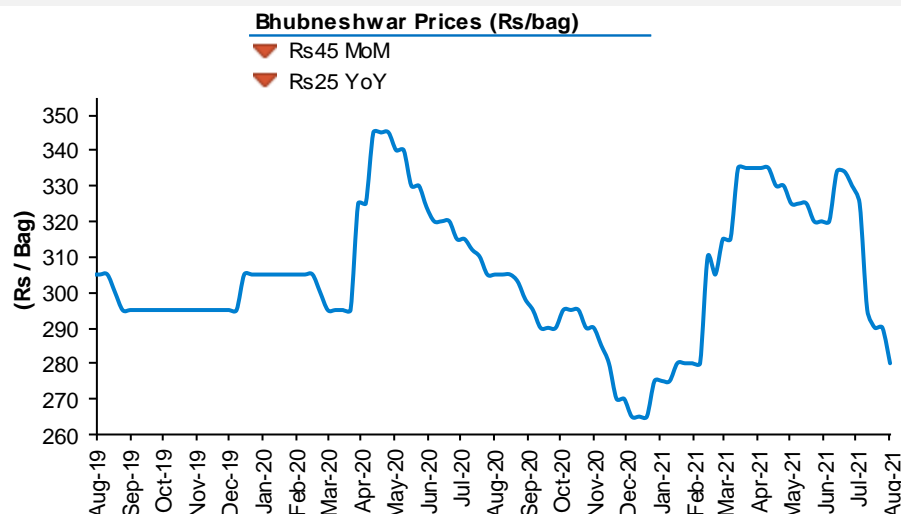
Kolkata



Patna



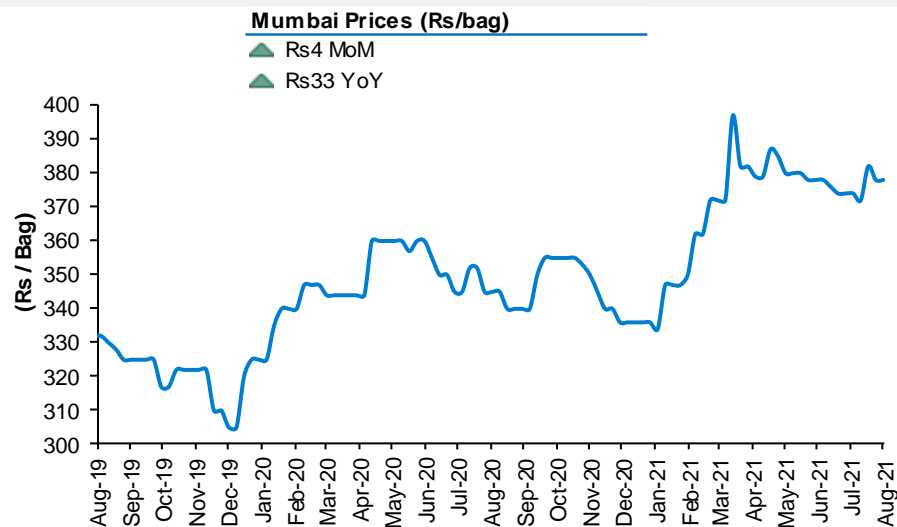
Bhubaneswar



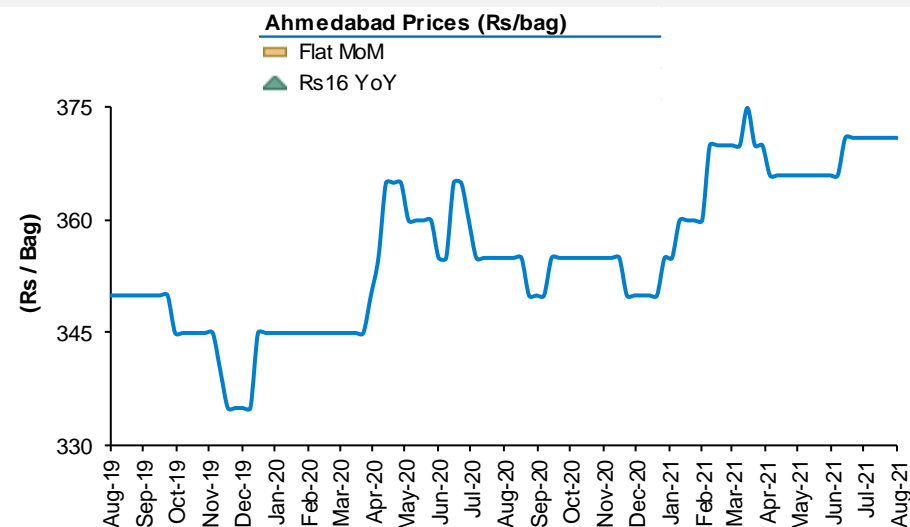
Source: PL

West: Prices unchanged in both the states

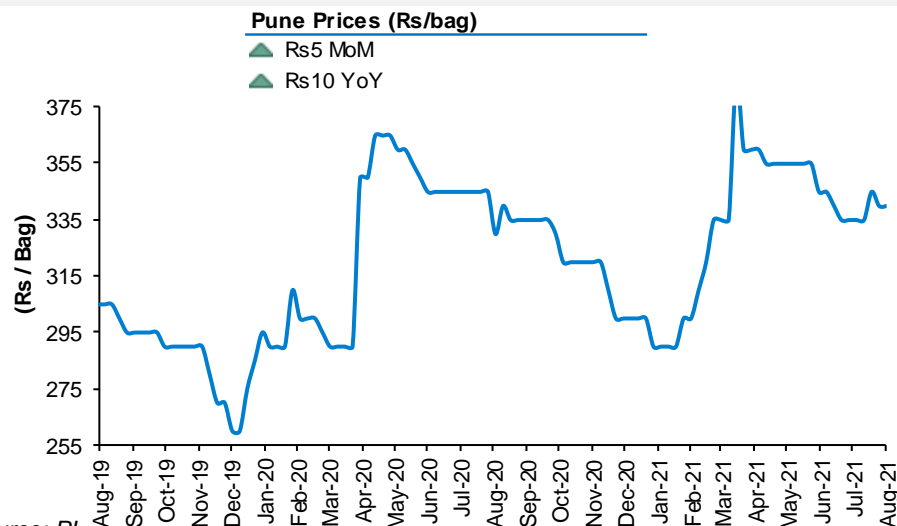
Mumbai



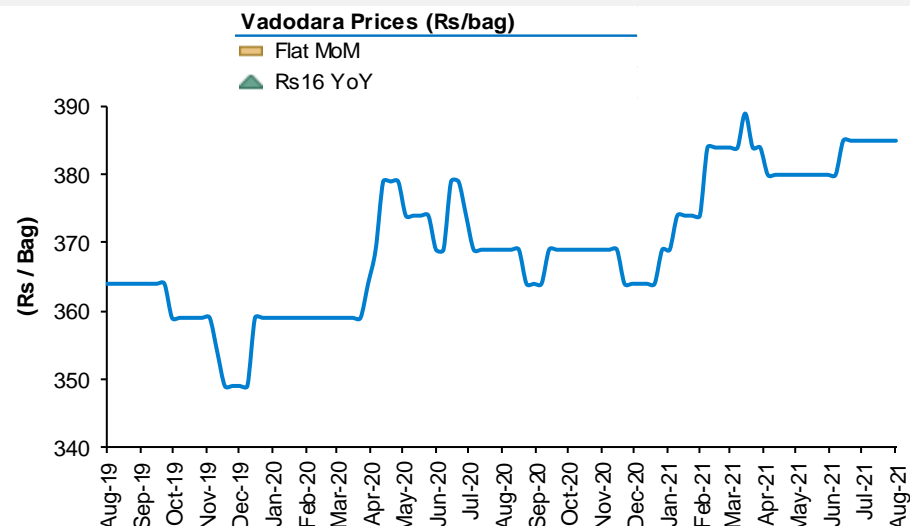
Ahmedabad



Pune



Vadodara



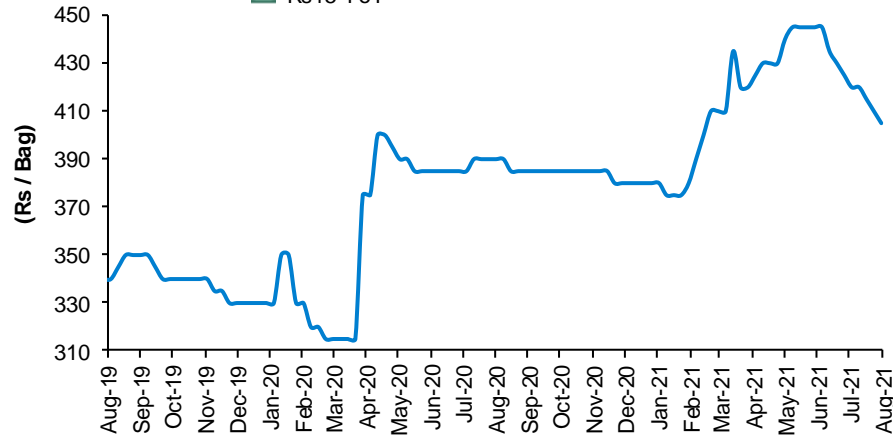
Source: PL

South: Average prices in AP and Karnataka dipped by Rs10 each; TN/Kerala prices down Rs20/Rs15

Chennai

Chennai Prices (Rs/bag)

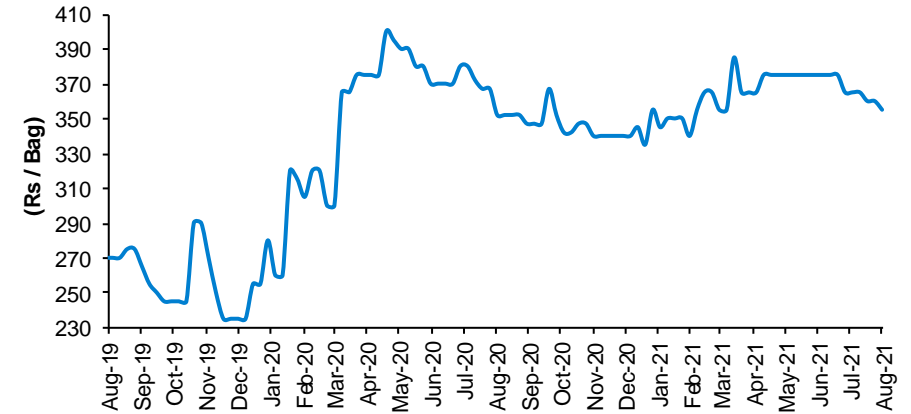
▼ Rs15 MoM
▲ Rs15 YoY



Hyderabad

Hyderabad Prices (Rs/bag)

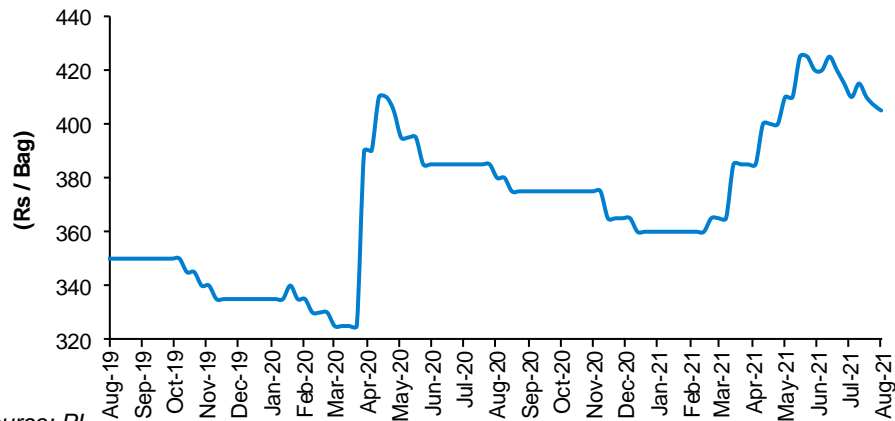
▼ Rs10 MoM
▲ Rs6 YoY



Bengaluru

Bengaluru Prices (Rs/bag)

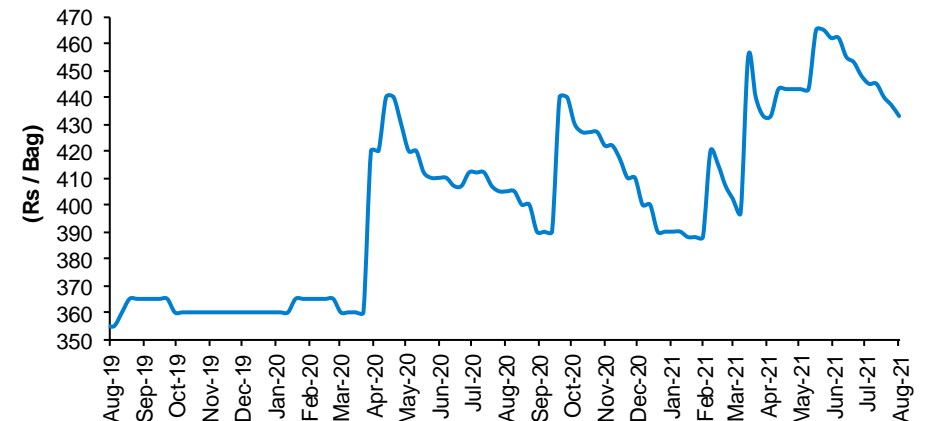
▼ Rs5 MoM
▲ Rs25 YoY



Trivandrum

Trivendrum Prices (Rs/bag)

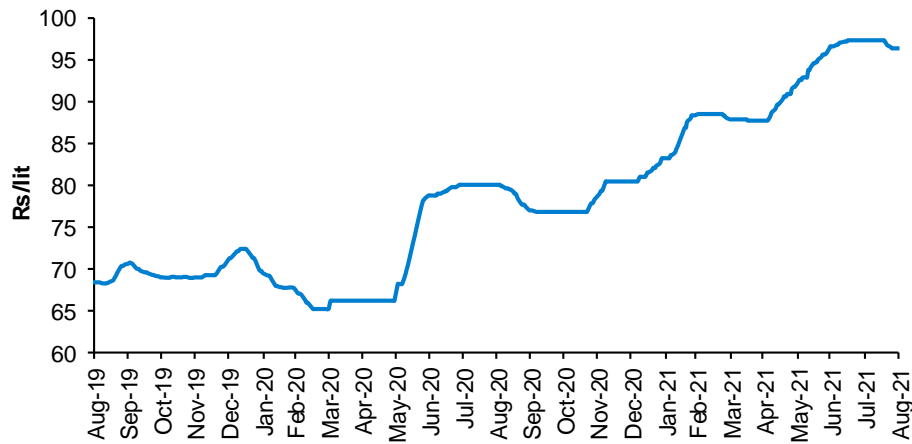
▼ Rs12 MoM
▲ Rs27 YoY



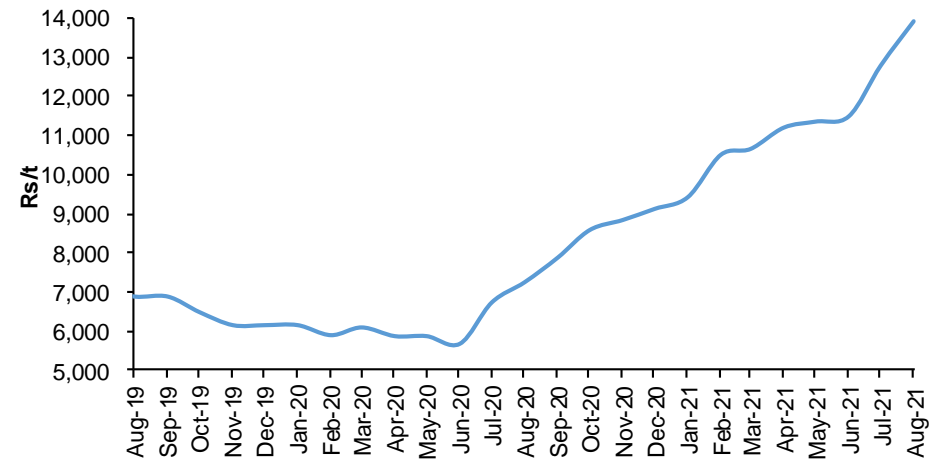
Source: PL

Variable cost (~85% of total cost) up Rs500/t YoY due to higher fuel cost

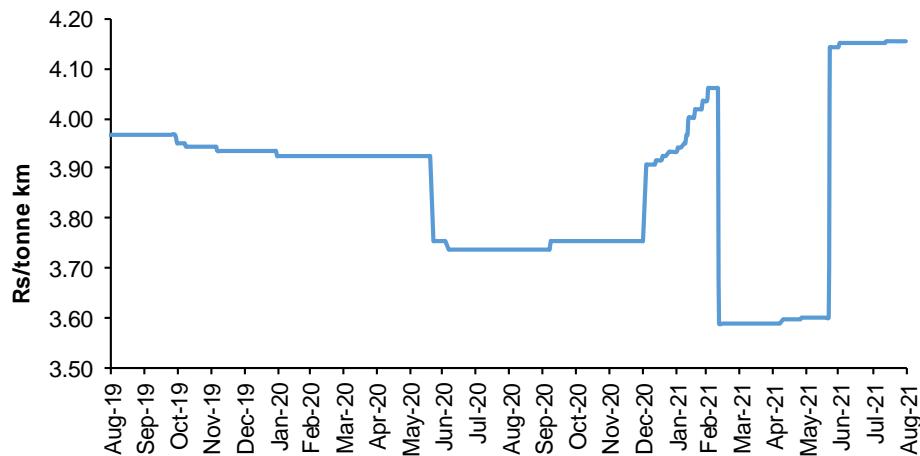
Diesel prices up 20% YoY leading to increase in freight cost by Rs70t



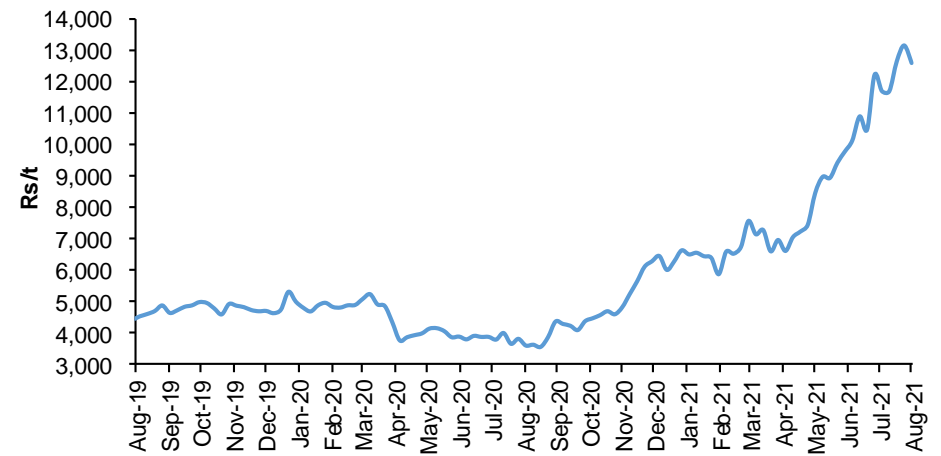
Pet coke prices up 91% YoY resulting in cost push of Rs250/t



Road freight cost stable due to monsoon and lower movement of goods



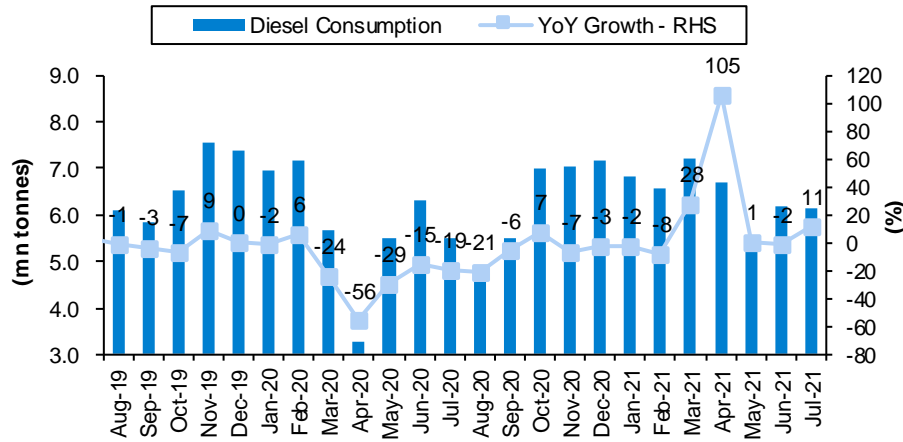
Thermal coal prices up 230% YoY, pushing power cost higher by Rs200/t



Source: Bloomberg, PL

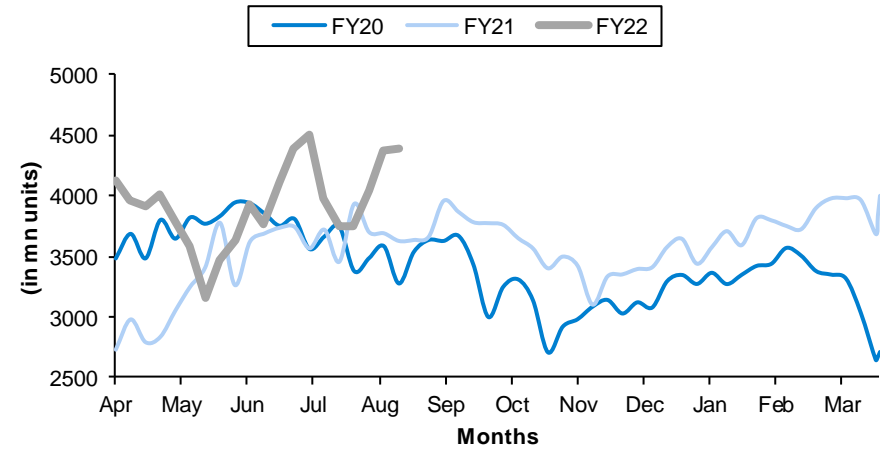
Lead indicators suggest strong pick-up in overall activity

Diesel Consumption inched up despite steep increase in diesel prices



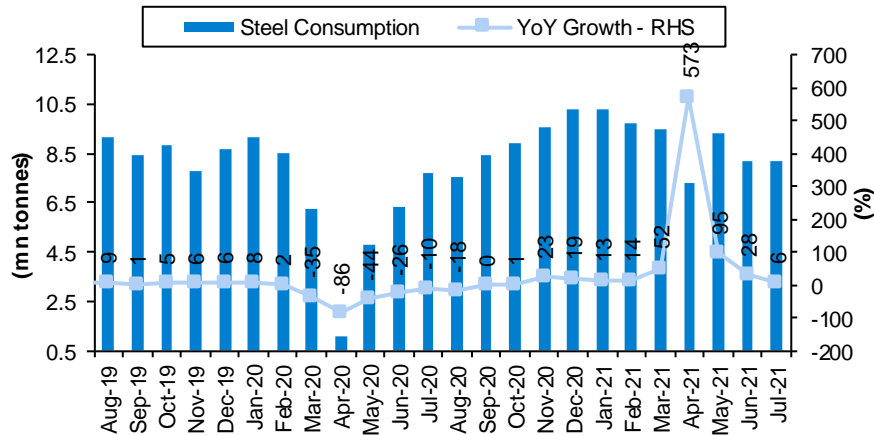
Source: PPAC, PL

Power demand up 21% YoY, led by strong industrial and household demand



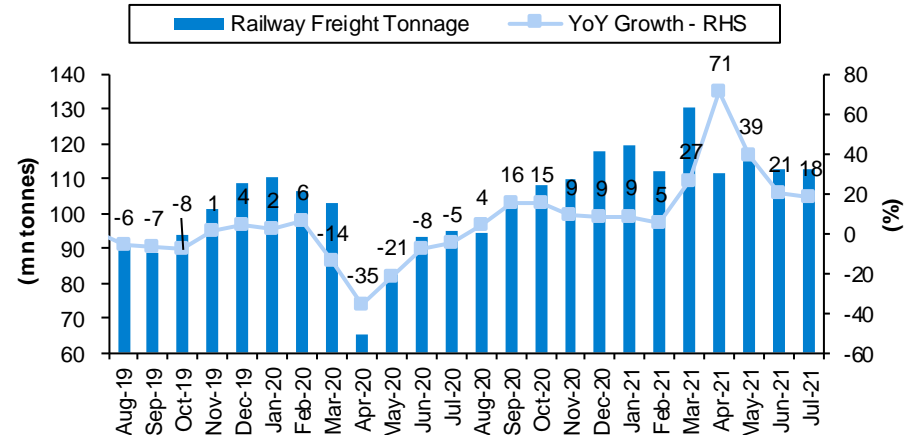
Source: POSOCO, PL

Steel demand growing at 6% despite Auto sector impacted by chip shortage



Source: JPC, PL

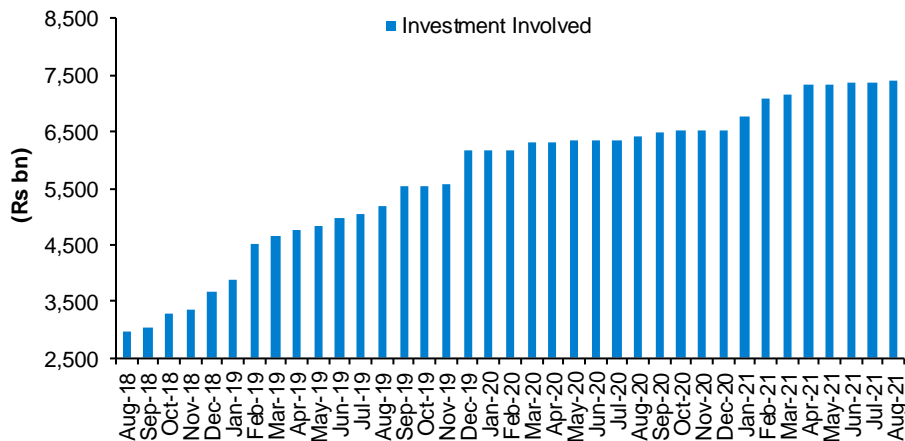
Railway freight tonnage grew sharply, aided by low base and better demand



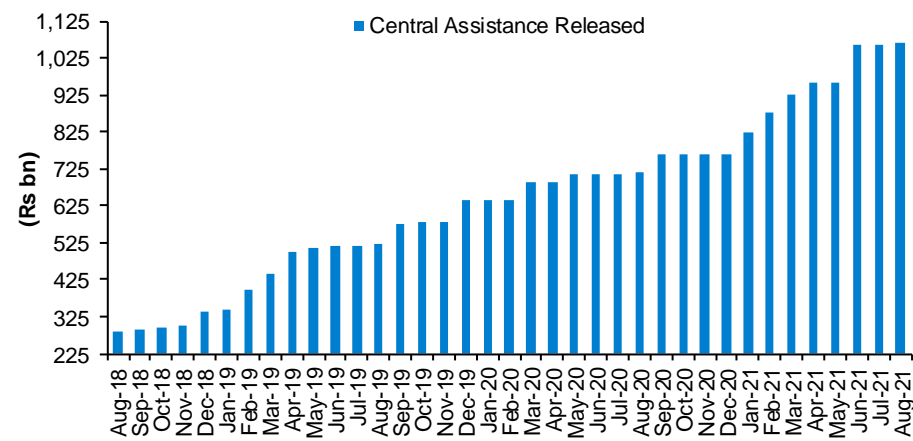
Source: Indian Railways, PL

Spend on PMAY-Urban housing continues to grow at stable pace

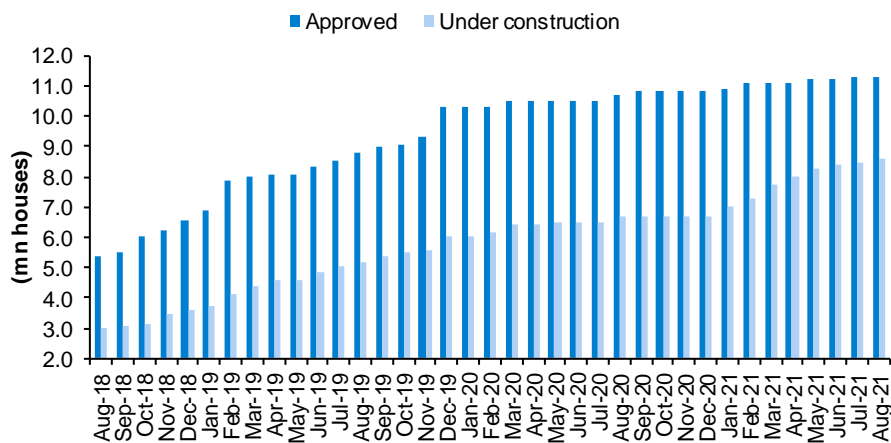
Projects under PMAY-U rose to Rs7.4trn in Aug'21



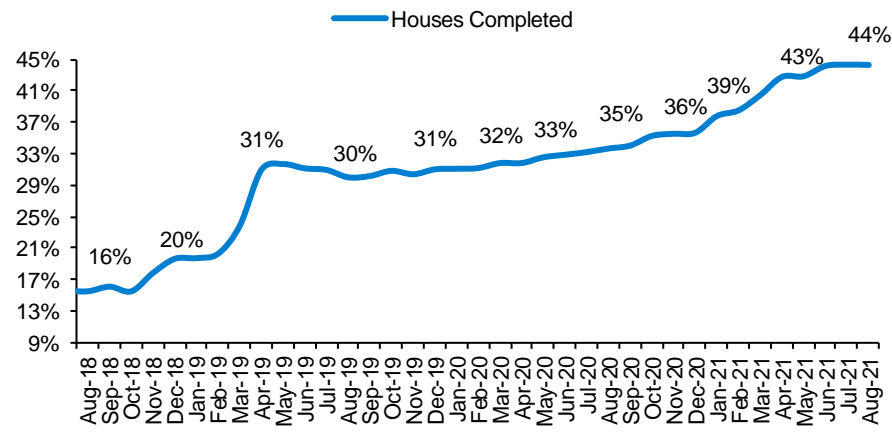
Sanction of funds keeping pace with approval of housing projects



Cumulative houses approved till Aug'21 at record 11.3mn units



House completion ratio rose to highest level since introduction of scheme



Source: MoHUA, PMAY-Urban, PL

Capacity utilisation expected to rise to 75%+ in FY23e, highest since FY19

AI India

Year	(in mn tonnes)		Utilisation (%)
	Capacity	Demand	
FY23E	544	393	76
FY22E	522	362	73
FY21E	496	327	69
FY20	478	330	72
FY19	458	344	78
FY18	436	305	72
FY17	427	280	68
FY16	412	277	70
FY15	393	259	70
FY14	370	254	72

South

Year	(in mn tonnes)		Utilisation (%)
	Capacity	Demand	
FY23E	168	74	58
FY22E	168	68	54
FY21E	165	60	50
FY20	163	72	59
FY19	161	81	67
FY18	153	67	59
FY17	150	65	57
FY16	150	61	54
FY15	146	59	52
FY14	143	64	56

North

Year	(in mn tonnes)		Utilisation (%)
	Capacity	Demand	
FY23E	112	81	95
FY22E	104	75	91
FY21E	102	68	85
FY20	100	62	80
FY19	98	64	83
FY18	93	59	80
FY17	93	56	76
FY16	91	57	82
FY15	84	53	83
FY14	79	50	83

East

Year	(in mn tonnes)		Utilisation (%)
	Capacity	Demand	
FY23E	119	99	84
FY22E	109	91	83
FY21E	101	84	84
FY20	90	79	84
FY19	82	80	90
FY18	80	69	82
FY17	74	59	76
FY16	67	57	79
FY15	64	50	78
FY14	52	47	80

West

Year	(in mn tonnes)		Utilisation (%)
	Capacity	Demand	
FY23E	76	72	73
FY22E	72	67	72
FY21E	64	60	64
FY20	63	64	69
FY19	61	65	76
FY18	56	60	72
FY17	56	55	68
FY16	51	56	74
FY15	49	53	78
FY14	46	51	77

Central

Year	(in mn tonnes)		Utilisation (%)
	Capacity	Demand	
FY23E	70	66	84
FY22E	68	61	80
FY21E	66	55	76
FY20	63	52	77
FY19	57	54	82
FY18	54	49	80
FY17	54	46	77
FY16	52	47	84
FY15	50	45	87
FY14	50	42	87

Source: PL

Disclaimer

Prabhudas Lilladher Pvt. Ltd. - 3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai 400 018, India. Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

PL's Recommendation Nomenclature (Absolute Performance)

Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

DISCLAIMER/DISCLOSURES

ANALYST CERTIFICATION

We/I, Mr. Kamlesh Bagmar- CA, Mr. Amit Khimesra- MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & conditions and other disclosures:

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Kamlesh Bagmar- CA, Mr. Amit Khimesra- MBA, Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

DISCLAIMER/DISCLOSURES (FOR US CLIENTS)

ANALYST CERTIFICATION

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report

Terms & conditions and other disclosures:

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.