

5 June 2024

Cement channel check

Sensex: 74382

Nifty: 22620

Weak demand keeping price improvement in check

Extreme heat and shortage of labour due to the elections kept cement demand and prices muted in Apr/May. While attempts to hike prices in various regions are being made, doubts regarding the sustainability of these steps remain, per dealers, owing to monsoons and labour shortage aggravated further by the harvesting season, coupled with high heat and liquidity constraints. The pent-up demand along with pre monsoon construction activities may aid in demand uptick. Our top pick is Birla Corp. Among large caps, we prefer Shree Cement and Ultratech (not rated).

South. Post Mar, in Bangalore, cement prices were stable to lower, with no price hikes due to poor demand (down 15-20% y/y), mainly owing to labour unavailability due to the elections. No cement price hike has been announced in Jun, however, dealers expect the demand-pricing environment to improve with the elections ending and new state governments stabilising. In Chennai, while billing price remained the same, selling price was hiked by Rs50/bag, announced on 3rd Jun'24. In Hyderabad, price hikes announced were of Rs20-40/bag, however, with rains, implementation would be difficult, per dealers.

Central. In Kanpur, extreme heat and labour shortage kept demand and prices muted post Mar; prices declined by Rs15/bag in Apr/May. With monsoons starting from 15th Jun, dealers do not expect any price hikes. In Indore, some companies (Ultratech /JK) announced Rs5/bag price hikes, however, the same is getting reversed due to low demand. In Lucknow, prices fell Rs15-20/bag post Mar, but no hikes have been announced in Jun.

North. In Jaipur, non-trade prices have been hiked by Rs10/bag in Jun. Further, per the announcement, trade prices would increase by Rs10/bag as well. This, however, would be difficult to implement. In Apr/May, weak demand owing to the elections and extreme heat kept prices under pressure. Prices fell Rs15-20/bag post Mar. In Delhi, weak demand in Apr/May (down 20-25% y/y) kept prices under pressure (down Rs10-15/bag post Mar). Further, the extreme heat and labour unavailability would keep demand and price upticks in check.

East. In Kokata, cement prices fell Rs20-25/bag post Mar, on weak demand (down 10-12% y/y) owing to extreme heat and labour shortage due to the elections. Per dealers, companies may announce Rs10-20/bag price hikes. In Patna, while no price hikes have been announced, companies are announcing removal of discount schemes, to reduce rate difference. In Bhubaneswar, cement prices decreased Rs10/bag in Apr/May; companies have announced price hikes of Rs30-35/bag in Jun, but dealers expect Rs20-25/bag to stabilise.

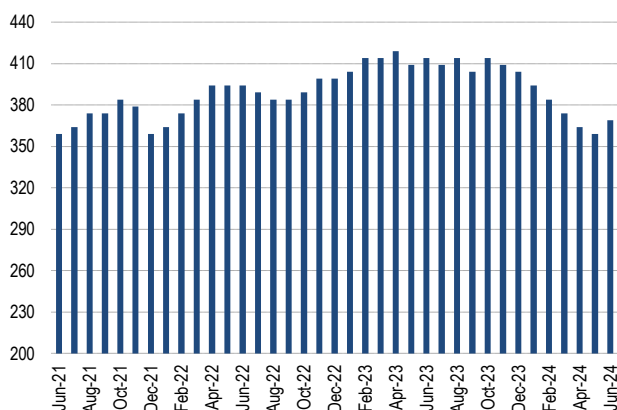
West. In Mumbai, prices fell Rs15-20/bag post Mar and no hikes have been announced yet. Dealers expect pre-monsoon demand uptick in Jun. In Nagpur, Rs15-20/bag price hike was announced, with prices having remained stable post Mar. However, labour shortage is likely to continue despite the elections ending, mainly due to the beginning of the harvesting season.

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Fig 1 – Cement prices – West

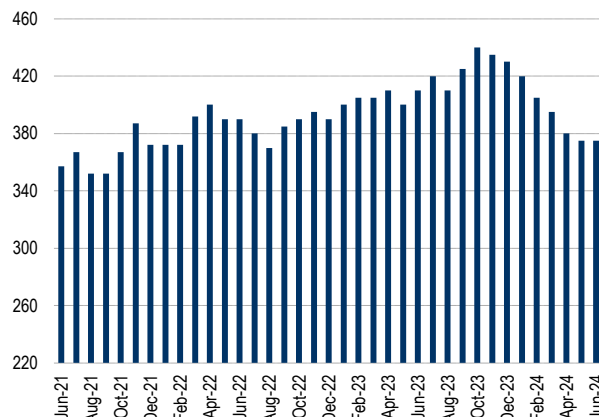
(Rs/bag)



Source: Company, Anand Rath Research

Fig 2 – Cement prices – North

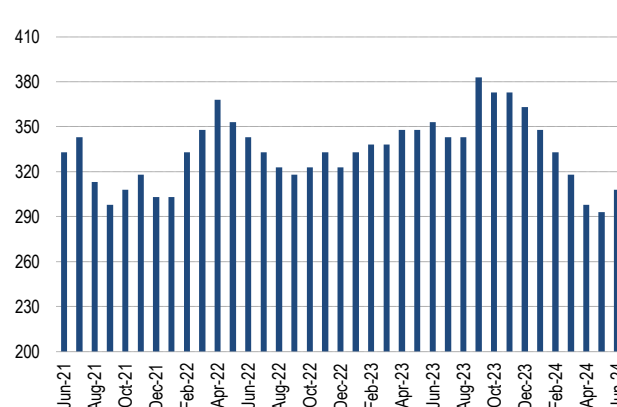
(Rs/bag)



Source: Company, Anand Rath Research

Fig 3 – Cement prices – East

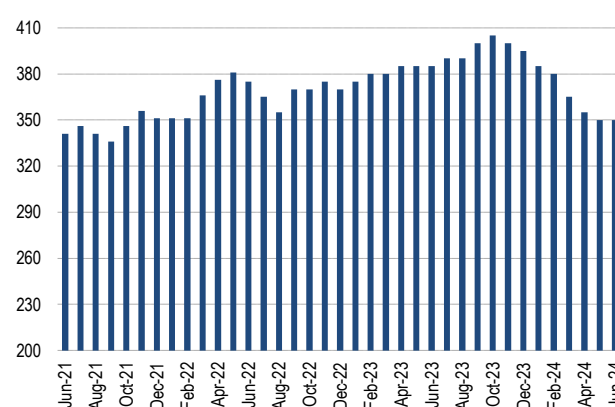
(Rs/bag)



Source: Company, Anand Rath Research

Fig 4 – Cement prices – Central

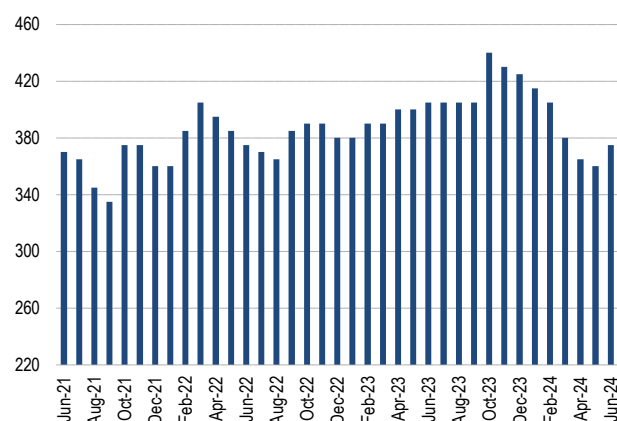
(Rs/bag)



Source: Company, Anand Rath Research

Fig 5 – Cement prices – South

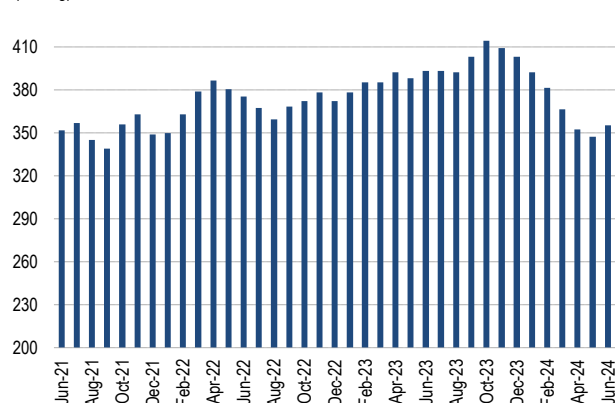
(Rs/bag)



Source: Company, Anand Rath Research

Fig 6 – Cement prices – All-India

(Rs/bag)



Source: Company, Anand Rath Research

Fig 7 – Cement sector snapshot

	CMP (Rs)	EV / tonne (\$)			EV / EBITDA (x)			P / E (x)			Capacity (tonne)		
		FY24	FY25e	FY26e	FY24	FY25e	FY26e	FY24	FY25e	FY26e	FY24	FY25e	FY26e
ACC*	2,409	132	123	112	14.3	11.6	10.1	21.3	20.9	18.8	39.9	41.5	43.9
Ambuja*	601	369	266	225	28.6	18.1	15.9	56.5	39.4	35.1	31.5	39.0	46.2
UltraTech*	10,006	245	179	163	23.0	15.1	12.9	41.4	27.2	23.9	142.7	158.9	170.7
Shree	25,385	198	170	154	20.1	16.7	14.2	37.1	31.2	27.3	53.4	62.4	68.4
Dalmia Bharat	1,737	88	78	75	12.4	10.7	8.9	39.4	27.7	22.5	44.6	56.5	58.9
JK Lakshmi	788	94	82	79	10.3	9.5	8.4	20.0	18.3	15.9	13.9	17.1	17.7
Star Cement	211	134	140	110	15.4	12.6	10.1	29.0	24.8	21.3	7.7	7.7	9.7
Ramco	760	120	118	115	14.6	11.8	10.4	45.4	29.2	23.7	22.8	23.8	23.8
India Cement	197	67	74	74	79.6	23.2	14.3	NA	NA	40.0	15.6	14.5	14.5
Birla Corp.	1,429	88	81	72	10.2	8.3	6.8	26.6	16.7	12.4	20.0	21.4	22.8
JK Cement	3,898	177	167	137	17.4	15.1	12.8	36.0	30.8	25.0	23.7	25.7	31.7
Orient Cement	203	60	66	74	9.4	8.4	8.2	23.7	17.5	17.9	8.5	8.5	8.5
Heidelberg	201	77	73	69	13.0	10.0	8.2	27.2	19.2	15.9	6.5	6.7	6.7
Mangalam	804	72	67	61	10.9	7.6	5.5	25.0	14.6	10.8	4.4	4.4	4.4
Sagar	214	44	46	39	15.5	10.9	7.3	NA	694.3	28.1	10.5	10.5	12.0
Deccan	574	59	52	42	10.5	10.1	9.2	18.5	18.5	17.4	2.3	3.1	4.3
Sanghi Inds.	89	81	83	81	NA	16.3	9.7	NA	NA	31.5	6.1	6.1	6.1
NCL Inds.	209	46	46	35	5.2	5.0	4.0	10.0	8.1	6.8	3.1	3.1	3.8
Prism	154	117	100	95	24.0	15.6	13.6	NA	166.8	73.1	7.0	7.0	7.0

Source: Company, Anand Rathi Research * Bloomberg

Fig 8 – Stock performances

Absolute price performance (%)					Relative price performance (%) – vs. the Nifty				
	1-month	3-month	6-month	12-month		1-month	3-month	6-month	12-month
Shree Cement	(1.0)	1.9	(9.0)	2.7	Shree Cement	(1.7)	0.7	(17.5)	(19.0)
Dalmia Bharat	(3.5)	(13.2)	(26.2)	(19.0)	Dalmia Bharat	(4.2)	(14.4)	(34.7)	(40.7)
Ramco Cement	(1.4)	(7.6)	(25.6)	(16.5)	Ramco Cement	(2.0)	(8.7)	(34.1)	(38.1)
JK Cement	(1.5)	(11.0)	4.0	22.1	JK Cement	(2.1)	(12.1)	(4.5)	0.5
India Cement	(11.7)	(14.0)	(22.8)	(9.9)	India Cement	(12.3)	(15.2)	(31.2)	(31.6)
JK Lakshmi	(1.0)	(17.2)	(10.0)	9.3	JK Lakshmi	(1.6)	(18.3)	(18.4)	(12.3)
Birla Corp	(8.4)	(9.2)	(0.8)	21.3	Birla Corp	(9.0)	(10.4)	(9.3)	(0.3)
Prism	(3.7)	(9.2)	(14.9)	26.2	Prism	(4.4)	(10.4)	(23.3)	4.5
Orient	(8.0)	(8.6)	(20.4)	44.1	Orient	(8.7)	(9.7)	(28.9)	22.4
Heidelberg	0.3	(2.6)	0.7	18.4	Heidelberg	(0.3)	(3.8)	(7.8)	(3.2)
Sagar	(1.7)	(11.6)	(20.6)	0.1	Sagar	(2.3)	(12.7)	(29.0)	(21.5)
Star	(10.5)	0.7	25.2	48.2	Star	(11.1)	(0.5)	16.7	26.6
Mangalam	(12.5)	3.1	58.8	154.8	Mangalam	(13.1)	1.9	50.3	133.2
Deccan	(9.2)	(7.8)	9.0	27.4	Deccan	(9.8)	(9.0)	0.5	5.7
Sanghi	(5.2)	(18.3)	(31.1)	30.4	Sanghi Industries.	(5.8)	(19.4)	(39.5)	8.7
NCL	0.2	(3.2)	(7.4)	10.9	NCL Industries	(0.4)	(4.3)	(15.8)	(10.7)
Not rated									
ACC	(4.9)	(9.8)	10.2	33.0	ACC	(5.6)	(11.0)	1.7	11.3
Ambuja	(3.8)	(2.3)	17.7	36.4	Ambuja	(4.4)	(3.5)	9.2	14.8
Ultra Tech	2.3	2.0	7.6	27.4	UltraTech	1.6	0.8	(0.9)	5.7
Nuvoco Vistas	(3.8)	(2.1)	(14.0)	(11.3)	Shree Cement	(4.5)	(3.3)	(22.5)	(32.9)
Kesoram Industries	(0.6)	6.9	15.4	197.0	Kesoram Industries.	(1.3)	5.7	7.0	175.4
Nifty	0.6	1.2	8.5	21.7	Nifty	0.0	0.0	0.0	0.0

Source: Bloomberg

Appendix

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