

1 April 2024

## Cement channel check

*Cement price hikes announced across regions; implementation is key*

Sensex: 74015

Nifty: 22462

**Cement demand in April may be impacted by stocking in March (year-end targets), labour shortages due to Holi and Lok Sabha elections. Per dealers, while price hikes have been announced across regions along with withdrawal of year-end discounts, whether the same would sustain is key. Our top picks are Dalmia Bharat and Birla Corp. Among large caps, we prefer Shree Cement and Ultratech Cement (not rated).**

**North.** In Jaipur, cement companies have announced price hikes of Rs10-15/bag. Retail along with educational institutions' demand (maintenance/ renovation, etc.) is expected to be strong. Infra demand (government) may be impacted by liquidity woes. In Delhi, no price hikes have been announced yet, however, prices increased due to withdrawal of year-end discounts. The higher difference between billing and selling price of Rs40 vs. Rs10-15/bag normally was due to artificial demand to meet year-end targets.

**Central.** In Kanpur, cement companies announced price hikes of Rs40/bag, but dealers expect the same to sustain at Rs10-20/bag. The year-end target and stock hoarding due to expected price hikes caused cement prices to be under pressure in March (prices fell Rs20-30/bag), which may impact demand in April. In Indore and Agra, while cement price hikes are likely to be announced in 2-3 days, the prices increased by Rs15/bag on withdrawal of year-end discounts.

**East.** In Kolkata, cement companies have announced price hikes of Rs40-50/bag in April; however, dealers expect prices to sustain at Rs10-20/bag. While demand in April is expected to be weak due to the elections and labour shortage, March demand was healthy due to year-end targets and stock hoarding on price hike expectations. In Bhubaneswar, prices were hiked by Rs20/bag while the sand shortage issue continue. In Patna, the billing and selling price difference grew by ~Rs110/bag vs. Rs30-40/bag normally on higher volume focus. Dealers expect selling price to rise Rs30-40 vs. announcement of Rs50-60/bag.

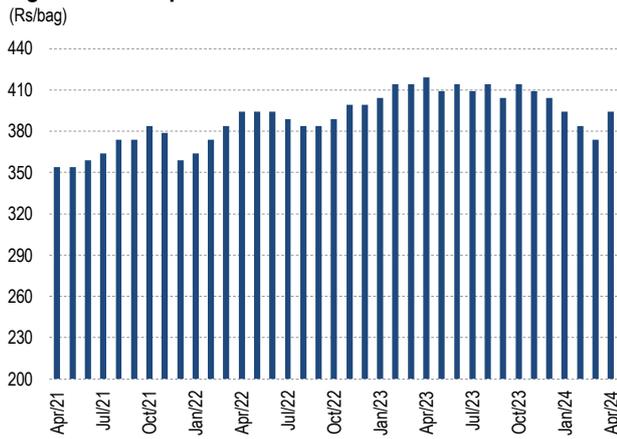
**South.** In Karnataka, price hikes of Rs10/bag in trade and Rs40-50/bag in non-trade were announced, however, implementation of the same would be key. While prices remained flat in March, demand improved. Dealers do not expect major demand decline in April despite Lok Sabha elections. In Hyderabad, cement price hikes of Rs40-50/bag were announced. Competitive intensity and year-end targets drove the billing and selling price difference (Rs80-90/bag) higher.

**West.** In Mumbai, the companies have announced price hikes of Rs20/bag in April. In March, demand was soft where prices declined Rs10/bag. In Ahmedabad, Rs20-25/bag price hikes were announced in Apr'24; trade and non-trade prices fell Rs10 and Rs25/bag on more competition and year-end targets in Mar'24. Labour shortage till 15th Apr'24 and the Lok Sabha elections likely to hurt demand in April, per dealers.

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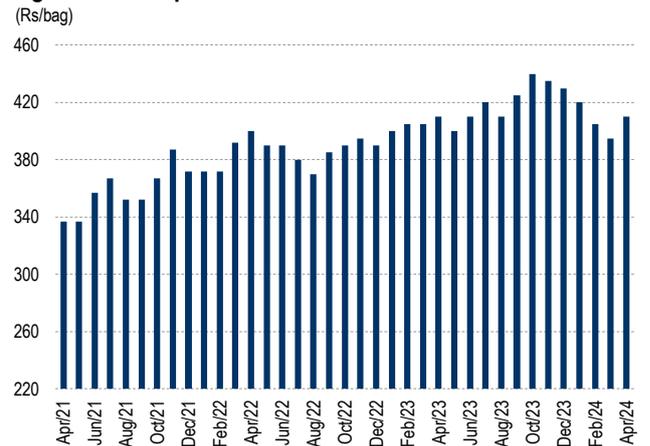
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**Fig 1 – Cement prices – West**



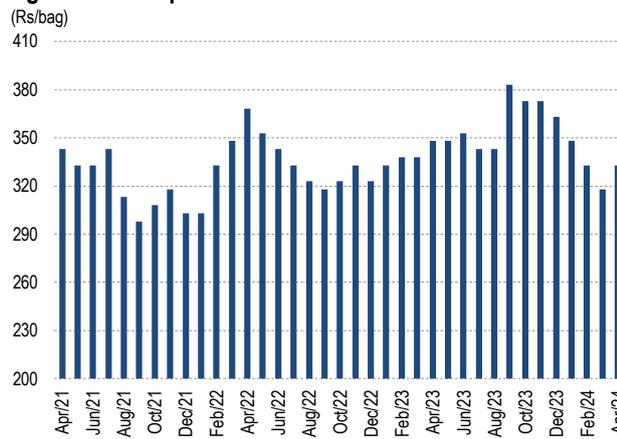
Source: Company, Anand Rathi Research

**Fig 2 – Cement prices – North**



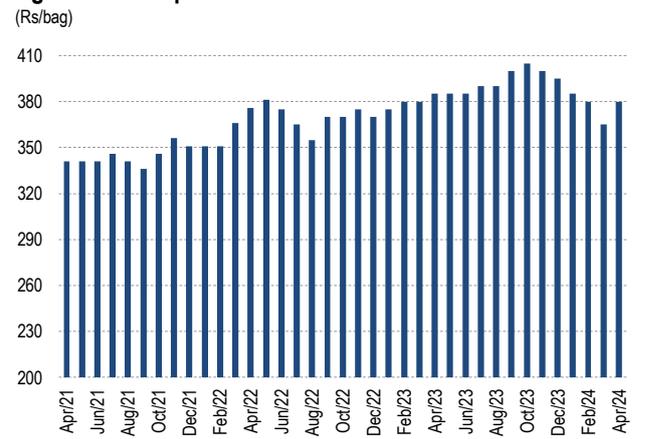
Source: Company, Anand Rathi Research

**Fig 3 – Cement prices – East**



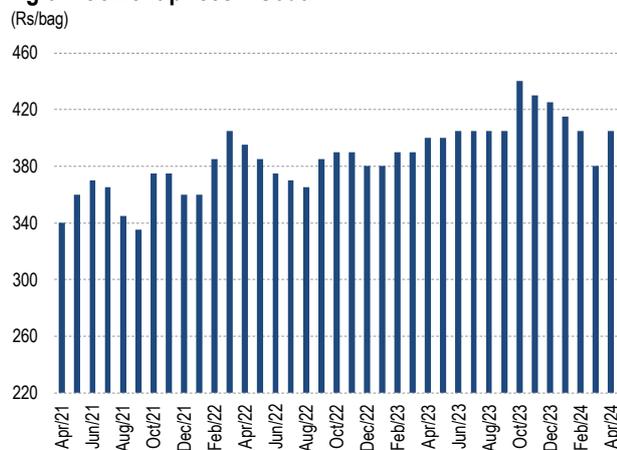
Source: Company, Anand Rathi Research

**Fig 4 – Cement prices – Central**



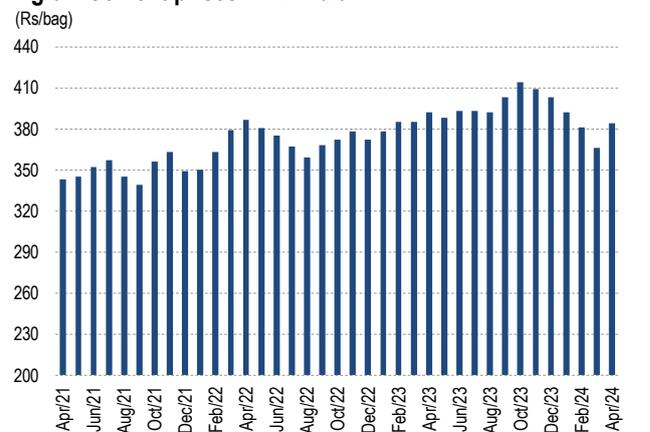
Source: Company, Anand Rathi Research

**Fig 5 – Cement prices – South**



Source: Company, Anand Rathi Research

**Fig 6 – Cement prices – All-India**



Source: Company, Anand Rathi Research

Fig 7 – Cement sector snapshot

	CMP (Rs)	EV / tonne (\$)			EV / EBITDA (x)			P / E (x)			Capacity (tonne)		
		FY24e	FY25e	FY26e	FY24e	FY25e	FY26e	FY24e	FY25e	FY26e	FY24e	FY25e	FY26e
ACC*	2,491	134	124	113	14.4	12.1	10.6	25.1	22.3	20.1	39.9	41.5	43.9
Ambuja*	612	406	291	245	29.9	18.6	16.3	50.1	36.1	32.4	31.5	37.5	44.7
UltraTech*	9,745	251	217	200	23.0	18.8	16.0	43.4	34.6	29.2	137.7	159.3	169.3
Shree*	25,704	209	199	156	20.5	17.8	15.8	37.4	34.6	32.0	52.9	55.9	71.3
Dalmia Bharat	1,942	85	86	77	14.5	10.8	8.6	43.4	27.8	20.2	56.0	56.5	58.9
JK Lakshmi	873	106	91	86	11.7	9.6	8.5	21.8	17.7	15.4	13.9	16.4	17.7
Star Cement	226	142	143	108	16.0	12.9	11.1	28.0	22.9	21.6	7.7	7.7	9.7
Ramco	811	130	127	123	15.7	12.6	10.8	42.3	30.1	23.0	22.8	23.8	23.8
India Cement	213	74	75	75	52.0	19.2	13.5	NA	NA	32.6	15.6	15.6	15.6
Birla Corp.	1,424	89	80	73	11.1	8.6	6.7	21.4	14.0	10.3	20.0	21.4	21.4
JK Cement	4,077	187	176	176	18.8	15.3	13.4	35.1	26.2	22.7	23.1	25.1	25.1
Orient Cement	196	58	62	67	9.5	7.6	7.2	23.3	15.9	14.4	8.5	8.5	8.5
Heidelberg	196	71	68	64	11.7	8.9	7.1	23.1	17.1	14.1	6.8	6.8	6.8
Mangalam	731	67	62	55	10.1	6.9	5.0	22.7	13.3	9.8	4.4	4.4	4.4
Sagar	209	45	39	35	12.1	7.5	5.2	NA	31.9	12.3	10.1	11.3	12.0
Deccan	591	60	53	43	10.7	10.3	9.4	19.0	19.0	17.9	2.3	3.1	4.3
Sanghi Inds.	91	79	81	79	33.9	15.8	9.4	NA	NA	32.2	6.1	6.1	6.1
NCL Inds.	185	42	41	30	4.7	4.0	3.3	7.8	6.4	5.6	3.1	3.1	3.8
Prism	179	116	112	105	20.3	13.1	11.0	43.6	42.4	30.9	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
Dalmia Bharat	(2.8)	(15.4)	(16.9)	1.5	(5.0)	(18.7)	(31.3)	(30.0)
Ramco Cement	0.1	(17.0)	(7.5)	11.2	(2.1)	(20.4)	(21.9)	(20.3)
JK Cement	(5.4)	11.3	34.0	45.7	(7.5)	7.9	19.6	14.2
India Cement	(5.3)	(16.2)	(6.1)	18.3	(7.4)	(19.5)	(20.5)	(13.1)
JK Lakshmi	(6.3)	(2.5)	36.7	11.5	(8.5)	(5.8)	22.4	(20.0)
Birla Corp	(10.5)	(1.6)	20.0	65.8	(12.7)	(5.0)	5.6	34.3
Prism	5.5	(1.9)	38.0	71.6	3.3	(5.3)	23.6	40.1
Orient	(11.0)	(20.7)	16.7	89.2	(13.1)	(24.1)	2.3	57.7
Heidelberg	(2.9)	(13.9)	12.0	24.6	(5.1)	(17.2)	(2.4)	(6.9)
Sagar	(9.9)	(23.8)	(5.6)	15.9	(12.0)	(27.2)	(20.0)	(15.6)
Star	9.3	29.5	49.7	104.6	7.1	26.1	35.3	73.2
Mangalam	0.7	(3.0)	96.9	174.0	(1.5)	(6.3)	82.6	142.5
Deccan	0.2	6.6	14.4	48.6	(1.9)	3.3	0.0	17.1
Sanghi	(13.1)	(25.7)	(16.4)	44.3	(15.2)	(29.1)	(30.7)	12.8
NCL	(14.0)	(14.5)	(16.7)	8.3	(16.1)	(17.9)	(31.0)	(23.2)
<b>Not rated</b>								
ACC	(5.7)	13.3	26.3	52.4	(7.9)	9.9	11.9	20.9
Ambuja	1.4	17.2	47.4	71.2	(0.8)	13.8	33.0	39.7
Ultra Tech	(1.8)	(4.9)	20.6	30.6	(4.0)	(8.2)	6.2	(0.9)
Shree	3.1	(7.1)	3.8	0.9	0.9	(10.5)	(10.6)	(30.6)
Kesoram Industries	(0.1)	(2.3)	97.8	194.5	(2.3)	(5.7)	83.5	163.0
Nifty	2.2	3.4	14.4	31.5	0.0	0.0	0.0	0.0

Source: Bloomberg

## Appendix

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