

Cement

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Monthly update—Prices firm, demand to recover after a short dip recently

- Our channel checks suggest that industry volume decline MoM was likely in the low-teens in May'21, and up YoY (high single-digits) thanks to a low base. Nonetheless, demand may have started recovering in last 10 days of the month.
- Average pan-India prices were broadly flat MoM and YoY in May'21. Prices were up 6% QoQ in Q1FY22-TD, which should largely mitigate the impact of various cost escalations, as also weaker demand/offtake during this quarter, in our view.
- Continued lockdown relaxations, low demand base in the past two years, government's focus on infrastructure-spends, and robust FY21-exit volumes augur sustainable demand recovery in the coming quarters.
- We maintain our positive view on cement sector. Our top picks are Dalmia Bharat, Shree Cement and Ambuja. Any resurgence in Covid-19 cases remains a key risk.

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- Industry volumes likely declined in low-teens MoM (up in high single-digits YoY aided by low base) in May'21 due to localized lockdowns. Nonetheless, demand may have started recovering in last 10 days of the month. On a MoM basis, demand decline in West Bengal and Tamil Nadu was relatively higher post elections. On a YoY basis, growth was mainly led by West and South regions, owing to a low base as these regions were impacted the most last year.
- Demand from infrastructure and urban segments improved YoY, while it was largely flat in the rural segment. Though demand is likely to improve in Jun'21 before monsoon sets in, it may decline 20-25% QoQ (still +20-25% YoY on a low base) in Q1FY22E. With possible gradual relaxations in lockdowns and expectations of construction activities gaining momentum post monsoon, we expect a strong demand recovery in coming quarters. We model demand growth of 11.5% YoY (2-year CAGR: +5%) in FY22E.
- Average pan-India prices were broadly flat MoM and YoY in May'21. South and Maharashtra saw a price hike of Rs5-10/bag MoM, while prices fell by Rs3-5/bag MoM in other regions in May'21. Pan-India prices rose 2% YoY in East and West regions, but remained broadly flat in South and fell 2-3% YoY in North and Central regions. Companies have announced a price hike of Rs5-15/bag MoM across regions in Jun'21.
- Q1FY22-TD average pan-India prices are up ~6% QoQ, which would largely mitigate the impact of various cost escalations, as also weaker demand/offtake during this quarter, in our view. Accordingly, we do not expect margins to be impacted in Q1FY22E. Cement prices are up 6-10% QoQ in East, West and South regions and around 2-3% sequentially in North and Central regions.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Cement & Building Materials \(Page 5\)](#)

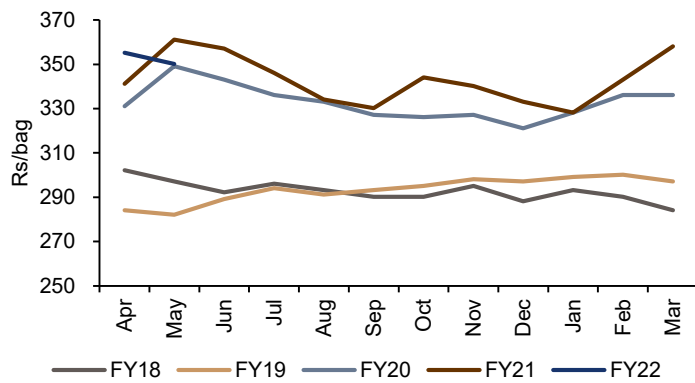
Summary of Rating, TP and Valuations

Company Name	Rating	CMP (Rs/sh)	Jun'22E TP (Rs/sh)	EV/EBITDA (x)		EV/Ton (USD)		P/E (x)	
				FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Ultratech	Buy	6,663	7,050	16.0	13.7	214	189	29.2	24.1
Shree Cement	Buy	28,151	32,750	19.6	16.6	266	240	36.6	30.6
Ambuja	Buy	332	350	14.6	12.2	152	145	25.1	21.4
Dalmia	Buy	1,791	2,060	11.7	10.6	146	132	39.0	32.8
ACC	Hold	2,011	2,040	10.9	9.8	122	117	21.6	19.4
Ramco	Hold	987	1,020	16.4	13.8	180	174	28.7	23.4
JK Cement	Hold	2,838	3,000	13.3	11.8	203	202	24.9	21.2

Source: Emkay Research

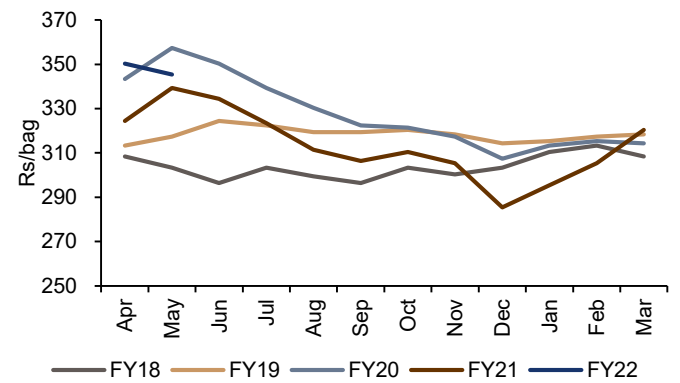
Cement Prices

Exhibit 1: North: Prices declined 1% MoM/3% YoY in May'21



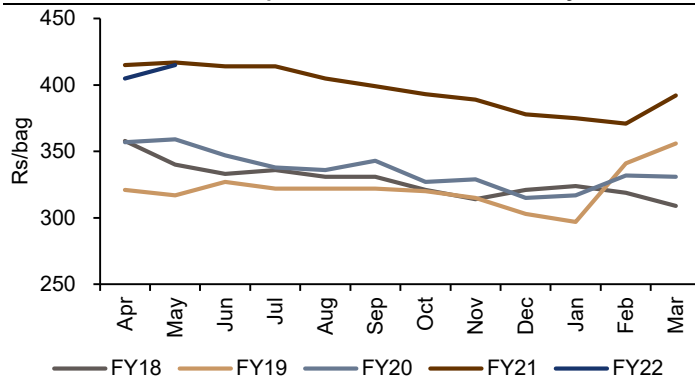
Source: Industry data, Emkay Research

Exhibit 2: East: Prices down 1% MoM/up 2% YoY in May'21



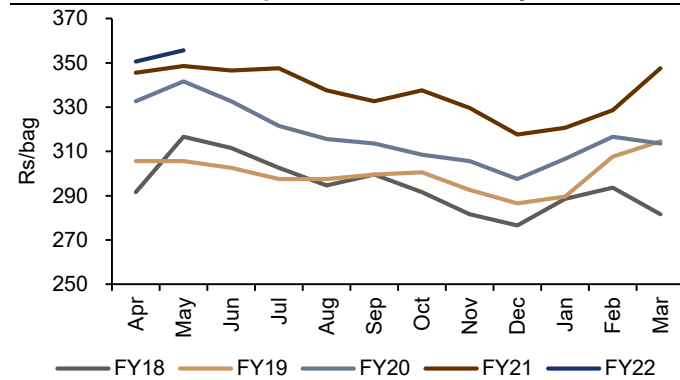
Source: Industry data, Emkay Research

Exhibit 3: South: Prices up 3% MoM and flat YoY in May'21



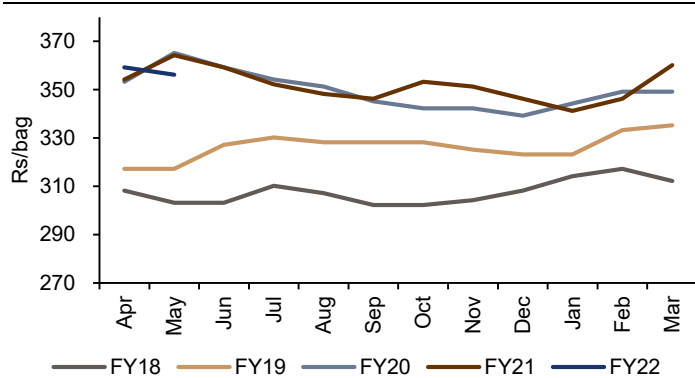
Source: Industry data, Emkay Research

Exhibit 4: West: Prices up 1% MoM/ 2% YoY in May'21



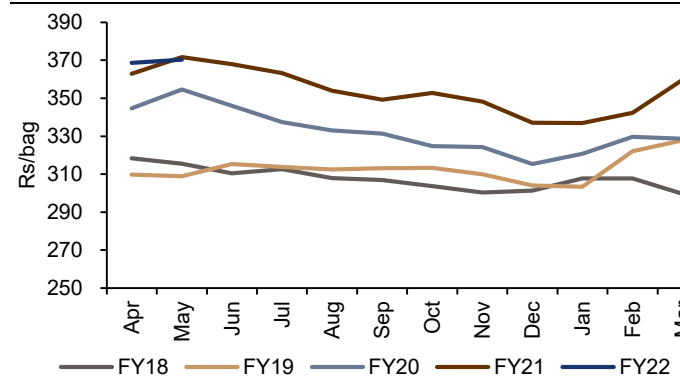
Source: Industry data, Emkay Research

Exhibit 5: Central: Prices declined 1% MoM/ 2% YoY in May'21



Source: Industry data, Emkay Research

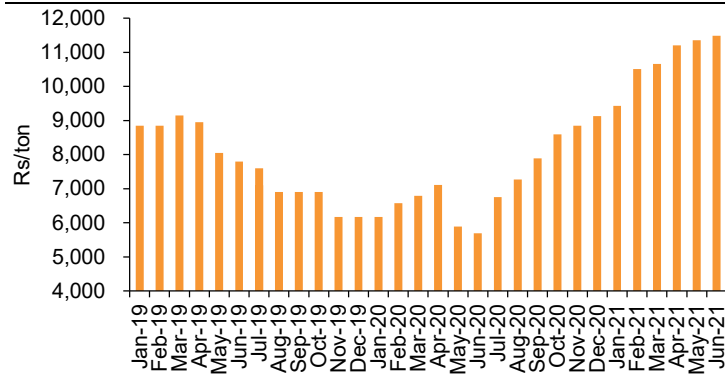
Exhibit 6: Pan-India: Prices broadly flat YoY and MoM in May'21



Source: Industry data, Emkay Research

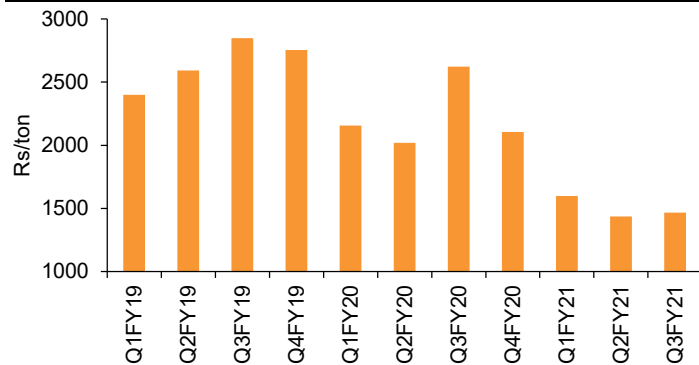
Input Cost

Exhibit 7: Domestic petcoke prices increased 82% YoY and 11% QoQ in Q1FY22



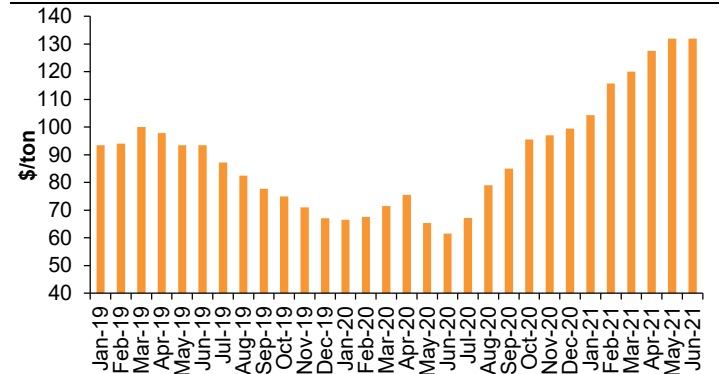
Source: Industry data, Emkay Research

Exhibit 9: Coal India (e-auction) prices declined 44% YoY but increased 2% QoQ in Q3FY21



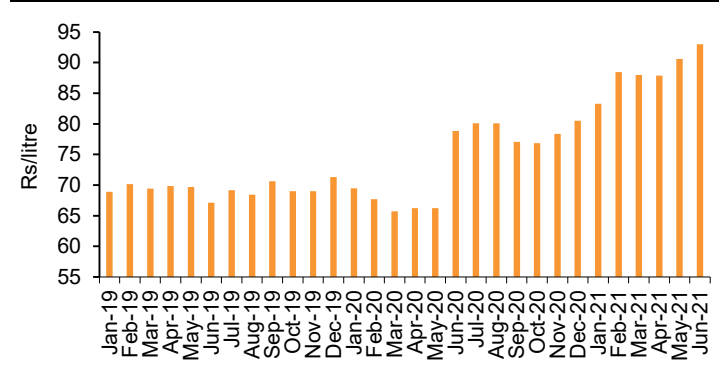
Source: Industry data, Emkay Research

Exhibit 8: International petcoke prices increased 94% YoY and 15% QoQ in Q1FY22



Source: Industry data, Emkay Research

Exhibit 10: Diesel prices (Mumbai) rose 29% YoY and 5% QoQ in Q1FY22



Source: Industry data, Emkay Research

Exhibit 11: Majority of cement stocks have underperformed broader indices in last 1 month

	Absolute performance (%)			Relative to Nifty (%)		
	1m	3m	YoY	1m	3m	YoY
UltraTech	5.8	(1.7)	75.7	(2.3)	(5.6)	19.5
Shree Cements	1.4	(1.8)	31.6	(6.7)	(5.7)	(24.7)
Ambuja	8.2	14.1	90.7	0.1	10.2	34.4
Dalmia	15.4	20.4	218.3	7.3	16.5	162.1
ACC	7.6	9.3	59.7	(0.5)	5.4	3.4
Ramco Cements	2.6	(3.5)	59.7	(5.5)	(7.4)	3.5
JK Cement	1.8	2.2	144.4	(6.3)	(1.7)	88.2

Source: Bloomberg, Emkay Research

Key assumptions and forecasts for coverage companies

Exhibit 12: Coverage companies' volumes likely to grow at 11% CAGR over FY21-23E

Volumes (mt)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	CAGR (%)	
								FY17-21	FY21-23E
Ultratech*	53	65	76	82	86	96	106	12.8	10.6
Shree Cement	21	23	26	25	26	29	31	3.3	8.7
Ambuja Cement	22	23	24	24	23	26	28	1.3	10.7
Dalmia Bharat	15	17	19	19	27	31	35	6.9	13.7
ACC	23	26	29	30	21	24	27	7.8	13.7
Ramco Cement	8	9	11	11	10	12	13	4.6	15.0
JK Cement*	8	10	10	10	12	14	15	9.6	10.9
Total	150	172	195	202	205	231	254	8.0	11.4

Source: Company, Emkay Research; *consolidated

Exhibit 13: Coverage companies' realization to increase at 1.6% CAGR over FY21-23E

Realization (Rs/ton)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	CAGR (%)	
								FY17-21	FY21-23E
Ultratech*	4,703	4,795	4,815	5,038	5,118	5,218	5,287	2.1	1.6
Shree Cement*	4,166	4,364	4,533	4,776	5,151	5,374	5,474	2.0	3.1
Ambuja Cement	4,249	4,455	4,525	4,717	4,927	5,047	5,198	3.8	2.7
Dalmia Bharat	4,561	4,800	4,744	4,691	4,690	4,797	4,868	3.0	1.9
ACC*	4,761	4,934	5,020	5,156	4,879	4,741	4,800	1.7	(0.8)
Ramco Cement	4,641	4,637	4,563	4,736	5,222	5,107	5,209	3.0	(0.1)
JK Cement*	4,811	4,916	5,072	5,603	5,430	5,536	5,646	3.1	2.0
Wt. avg.	4,561	4,713	4,764	4,963	5,044	5,126	5,208	2.5	1.6

Source: Company, Emkay Research; *blended

Exhibit 14: Coverage companies' EBITDA/ton to remain broadly flat over FY21-23E after witnessing 46% increase in past two years

EBITDA (Rs/ton)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	CAGR (%)	
								FY17-21	FY21-23E
Ultratech*	977	951	889	1,144	1,338	1,298	1,349	8.2	0.4
Shree Cement*	1,214	1,074	1,060	1,474	949	966	1,008	11.3	3.1
Ambuja Cement	780	824	780	893	1,167	1,109	1,227	10.6	2.5
Dalmia Bharat	1,239	1,200	1,040	1,092	1,473	1,531	1,570	4.9	3.2
ACC*	618	717	735	811	1,346	1,178	1,185	2.1	(6.2)
Ramco Cement	1,425	1,181	959	1,024	1,560	1,364	1,420	2.3	(4.6)
JK Cement*	880	807	817	1,186	1,330	1,322	1,392	10.9	2.3
Wt. avg.	973	943	890	1,096	1,298	1,258	1,313	7.5	0.6

Source: Company, Emkay Research

Emkay Alpha Portfolio – Cement & Building Materials

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Cement & Building Materials	2.58	2.58	0%	0	100.00
ACC	0.19	0.05	-73%	-14	2.02
Ambuja Cements	0.27	0.39	43%	12	15.16
Birla Corporation*	0.00	0.00	NA	0	0.00
Dalmia Bharat	0.16	0.52	215%	35	20.11
Grasim Industries*	0.64	0.00	-100%	-64	0.00
India Cements*	0.00	0.00	NA	0	0.00
JK Cement	0.00	0.00	NA	0	0.00
JK Lakshmi Cement*	0.00	0.00	NA	0	0.00
Orient Cement*	0.00	0.00	NA	0	0.00
Prism Johnson*	0.00	0.00	NA	0	0.00
Ramco Cements	0.14	0.21	48%	7	8.08
Shree Cements	0.31	0.52	70%	22	20.36
Star Cement*	0.00	0.00	NA	0	0.00
Ultratech Cement	0.86	0.88	3%	3	34.27
Century Plyboards*	0.00	0.00	NA	0	0.00
Kajaria Ceramics*	0.00	0.00	NA	0	0.00
Somany Ceramics*	0.00	0.00	NA	0	0.00
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	4-Jun-20	4-Dec-20	4-Mar-21	4-May-21	3-Jun-21
EAP - Cement & Building Materials	100.0	87.1	117.0	150.5	146.3	157.2
BSE200 Neutral Weighted Portfolio (ETF)	100.0	85.1	115.4	147.8	145.7	153.6

*Performance measurement base date 1st April 2019

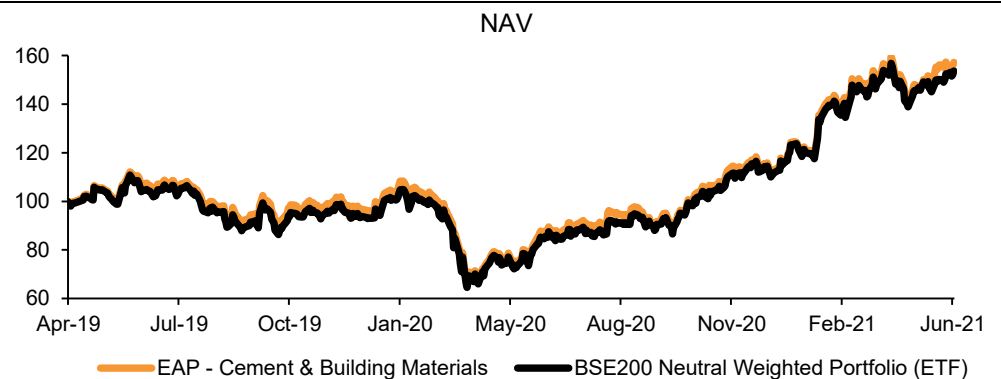
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Cement & Building Materials	7.4%	4.4%	34.3%	80.5%
BSE200 Neutral Weighted Portfolio (ETF)	5.4%	3.9%	33.1%	80.5%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 06 Jun 2021 23:25:19 (SGT)
Dissemination Date: 06 Jun 2021 23:26:19 (SGT)

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