



# Concrete matter

Tracking monthly cement prices across the country

## Weakness in cement prices continued in Jun'22



Cement price trend in Jun'22	
<b>EAST</b>	↓↓↓
Kolkata	↓↓↓
Patna	↓↓↓
Bhubaneswar	↓↓↓
<b>WEST</b>	↓
Mumbai	↓
Ahmedabad	↓
Pune	↑
<b>NORTH</b>	=
Delhi	↓
Jaipur	=
Ludhiana	=
<b>SOUTH</b>	=
Hyderabad	↑↑
Chennai	↓
Bangalore	↓
<b>CENTRAL</b>	↓
Bhopal	=
Indore	=
Lucknow	↓↓↓
<b>All India average</b>	↓

### HIGHLIGHTS

Average cement prices continued to witness a decline of 2.3% MoM in Jun'22 following a 2.8% decline in May'22. The price decline is driven by sharp decline in East (-6% MoM) followed by Central (-4% MoM) and West (-2% MoM) regions. Prices in North and South remained flat on MoM basis. Overall, cement prices for 1Q was up 3% QoQ (+5% YoY). Sharp uptick in commodity prices will continue to impact the margins in 1QFY23. The volumes transported through railway freight indicate a minor improvement in demand on MoM basis. In comparison to last year, transported volumes in May'22 reported strong growth of 30% YoY, owing to a low base. Continued softening in demand has led to weakness in the cement prices in Jun'22.

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# ACROSS THE COUNTRY

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## West: Prices in west declined by 1.8% MoM in Jun'22

- Mumbai: Prices in Mumbai reported marginal decline of 1.3% MoM in Jun'22
- Ahmedabad: Prices in Ahmedabad decreased by 3.7% in Jun'22
- Pune: Prices in Pune was marginally up by 1.4% in Jun'22

## South: Prices witnessed flattish trend in Jun'22

- Hyderabad: Cement prices witnessed sharp rise of 6% MoM in Jun'22
- Chennai: Prices in Chennai reported a decline of 3.6% in Jun'22
- Bangalore: Prices in Bangalore was down by 2.2% MoM in Jun'22

## North: Prices have witnessed a marginal decline of 0.8% MoM in Jun'22

- Delhi: Prices in Delhi were lower by 1.2% MoM in Jun'22
- Jaipur: Cement prices in Jaipur witnessed a flattish trend sequentially in Jun'22
- Ludhiana: Cement prices reported a stable trend in Jun'22

## East: Prices in East declined materially by 6% MoM in Jun'22

- Bhubaneswar: Prices witnessed a decline of 5.7% MoM in Jun'22
- Patna: Prices in Patna declined by 5.6% MoM in Jun'22
- Kolkata: Kolkata prices trended lower by 7% sequentially in Jun'22

## Central: Prices witness a decline of 4.3% MoM in Jun'22

- Lucknow: Cement prices witnessed a decline of 6% MoM in Jun'22
- Bhopal: Prices remained flat sequentially in Jun'22
- Indore: Prices witnessed a stable trend MoM in Jun'22

Exhibit 1. Prices decline by 2.3% in Jun'22

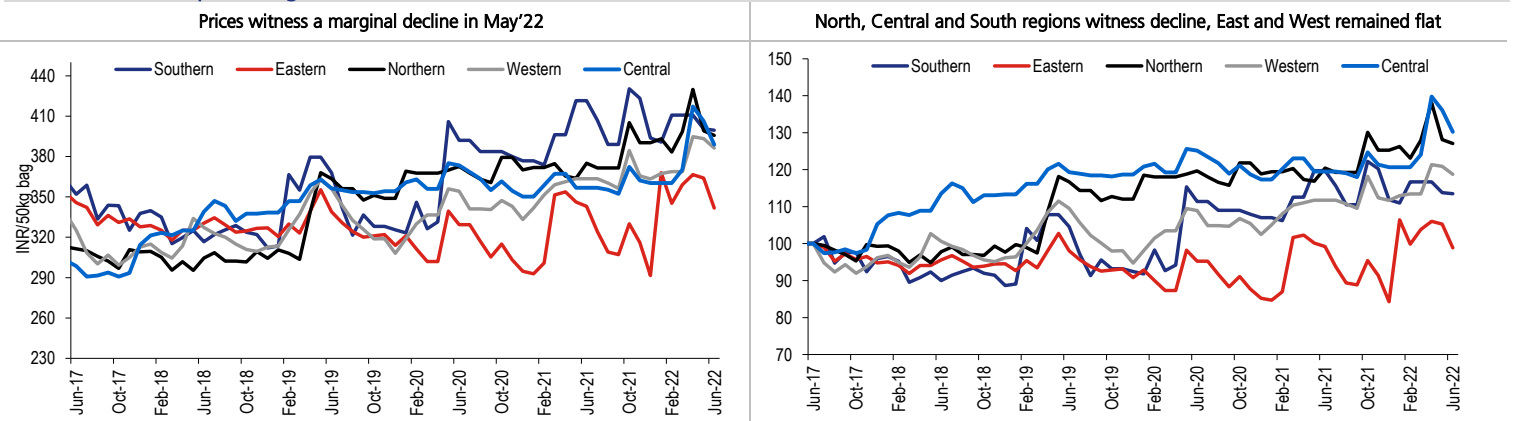
(INR / 50 kg bag)

City	Jun-22	May-22	Jun'22 MoM	Apr-22	May'22 MoM	Jun-21	Jun'22 YoY	May-21	May'22 YoY
<b>EAST</b>	<b>342</b>	<b>364</b>	<b>-6.1</b>	<b>367</b>	<b>-0.7</b>	<b>343</b>	<b>-0.4</b>	<b>346</b>	<b>5.1</b>
Kolkata	325	350	-7.1	350	0.0	340	-4.4	345	1.4
Patna	340	360	-5.6	360	0.0	340	0.0	345	4.3
Bhubaneshwar	330	350	-5.7	355	-1.4	310	6.5	310	12.9
<b>WEST</b>	<b>386</b>	<b>393</b>	<b>-1.8</b>	<b>395</b>	<b>-0.4</b>	<b>364</b>	<b>6.3</b>	<b>364</b>	<b>8.2</b>
Mumbai	390	395	-1.3	390	1.3	370	5.4	370	6.8
Ahmedabad	395	410	-3.7	415	-1.2	365	8.2	365	12.3
Pune	370	365	1.4	380	-3.9	355	4.2	355	2.8
<b>NORTH</b>	<b>396</b>	<b>399</b>	<b>-0.8</b>	<b>430</b>	<b>-7.2</b>	<b>375</b>	<b>5.5</b>	<b>364</b>	<b>9.7</b>
Delhi	400	405	-1.2	435	-6.9	375	6.7	365	11.0
Jaipur	395	396	-0.3	411	-3.6	360	9.7	346	14.5
Ludhiana	400	400	0.0	430	-7.0	380	5.3	370	8.1
<b>SOUTH</b>	<b>400</b>	<b>401</b>	<b>-0.2</b>	<b>411</b>	<b>-2.5</b>	<b>422</b>	<b>-5.2</b>	<b>422</b>	<b>-5.0</b>
Hyderabad	350	330	6.1	370	-10.8	365	-4.1	360	-8.3
Chennai	400	415	-3.6	420	-1.2	450	-11.1	450	-7.8
Bangalore	440	450	-2.2	435	3.4	445	-1.1	450	0.0
<b>CENTRAL</b>	<b>389</b>	<b>406</b>	<b>-4.3</b>	<b>417</b>	<b>-2.6</b>	<b>357</b>	<b>9.0</b>	<b>357</b>	<b>13.9</b>
Bhopal	380	380	0.0	400	-5.0	355	7.0	355	7.0
Indore	380	380	0.0	410	-7.3	355	7.0	355	7.0
Lucknow	390	415	-6.0	420	-1.2	355	9.9	355	16.9
<b>All India average</b>	<b>384</b>	<b>393</b>	<b>-2.3</b>	<b>404</b>	<b>-2.8</b>	<b>376</b>	<b>2.2</b>	<b>374</b>	<b>5.1</b>

Source: JM Financial, Industry

- Continued decline in the cement prices in May-Jun'22.

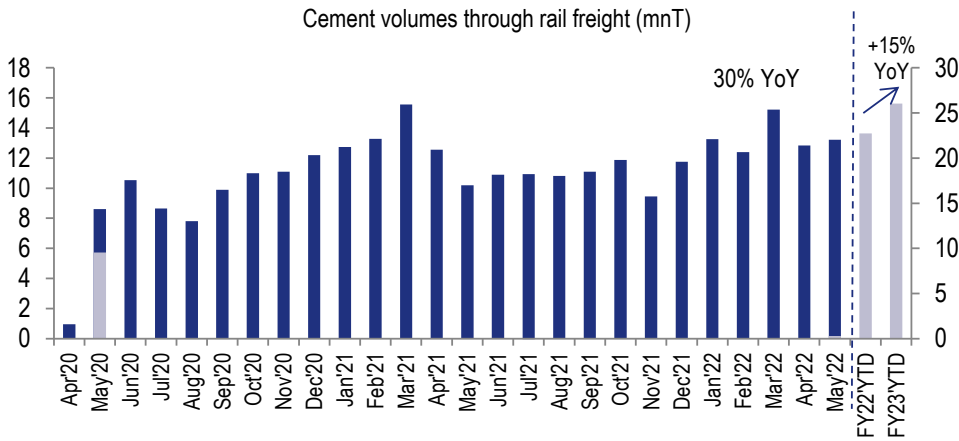
Exhibit 2. Cement price long term trends



Source: JM Financial, Industry

- Volumes transported through railways in May'22 reported a growth of 2% MoM (30% YoY growth due to low base).
- Overall, transported volumes on a Apr-May'22 are higher by 15% YoY.

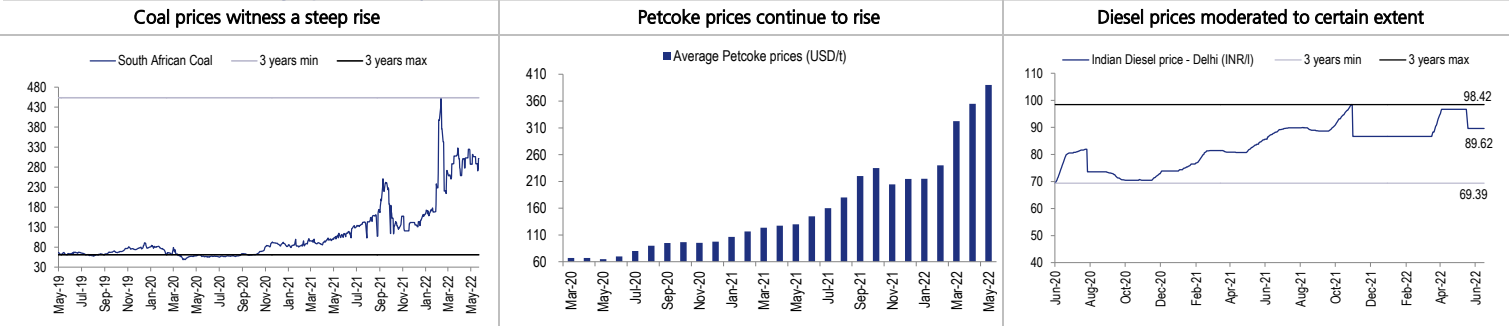
**Exhibit 3. Volumes through railways picks up marginally in May; +2% MoM**



Source: JM Financial, Industry, Ministry of Railways

- Spike in petcoke/coal prices to impact the margins in the current quarter.
- Overall manufacturing costs are likely to witness uptrend as companies will realise complete impact of higher commodity price.

**Exhibit 4. Costs are inching up materially**



Source: JM Financial, Bloomberg, Industry

- Every USD 10 increase in coal/pet-coke increases cost of cement by INR 50-60/t

**Exhibit 5. Cement production cost impact with USD 10/t increase in pet-coke/coal price**

	Impact on per tonne of clinker (INR/t)	Impact on per tonne of cement (INR/t)
Pet-coke prices increase by USD 10/t	66	47
Coal prices increase by USD 10/t	88	63

Source: JM Financial

## Valuation Table

## Exhibit 6. Valuation table

Company	Rating	EV/EBITDA (x)			EV/tonne (USD)			PE (x)			PBV (x)		
		FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Ultratech	BUY	14.4	11.7	9.2	183	159	147	21.8	20.0	16.6	3.1	2.7	2.4
Shree	BUY	15.8	14.0	12.3	166	159	143	28.0	27.6	24.8	3.8	3.4	3.1
Ambuja	HOLD	15.9	15.3	13.4	216	212	200	33.1	32.0	27.4	3.2	3.0	2.7
ACC	BUY	10.4	10.9	8.6	120	105	100	20.2	22.0	17.9	2.7	2.5	2.2
Dalmia Bharat	BUY	9.1	9.0	8.4	80	80	66	20.4	26.0	21.9	1.5	1.4	1.4
Ramco	HOLD	13.8	11.8	9.7	116	111	108	16.0	19.1	15.0	2.1	1.9	1.8
JK Cement	BUY	12.6	11.4	9.5	153	151	122	20.8	18.8	15.0	3.7	3.2	2.7
JK Lakshmi	BUY	5.7	5.9	5.2	46	46	35	10.6	11.3	10.7	1.9	1.7	1.5
Sagar	BUY	8.2	6.8	5.6	76	67	59	14.9	13.2	12.0	2.4	2.0	1.7
Orient	BUY	3.8	4.5	5.1	35	42	41	7.6	7.5	7.0	1.3	1.1	1.0
HeidelbergCement	HOLD	11.2	5.9	4.5	50	40	30	31.2	16.8	11.0	1.6	1.2	1.1

Source: Company, JM Financial

## APPENDIX I

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