

Sector Update – Dealers' check

GST adds to seasonal demand weakness

Our pan-India channel checks with cement dealers across 60 cities indicate that good monsoon progression largely moderated demand on MoM basis. Sales were also impacted by GST and RERA implementation in general, and on account of persisting sand shortage in central and eastern regions. Average trade prices (pan-India) cooled off 3% MoM in July (after a 1%/2% MoM fall in June/May respectively). Cement prices fell across all markets in July and the decline is expected to continue in August. Based on the channel checks, we estimate that the YTD average price in Q2FY18 is down 5% QoQ. The pricing in north/central/east/west/south regions are down 7%/5%/5%/2%/4% QoQ respectively. However, prices remain higher in Gujarat (+6% QoQ) despite near term moderation.

- **Good monsoon progression, pre-GST destocking impacted demand in June:** During July 2017, cement sales weakened across India – largely due to the good progress of the monsoon across most parts of India, and flooding at many places. Demand and cement supply has been sluggish post GST implementation and the channel network suggests that sluggishness may continue for one to two more months. Sustained sand shortage (mostly in central and eastern regions) and RERA implementation continue to impact sales.
- **Prices fall all across in July; Gujarat prices expected to remain high QoQ in Q2:** Owing to weak demand, average trade segment prices (pan India) fell 3% MoM to Rs321/bag in July 2017 led by a price correction in all markets. Trade prices corrected by 2%/3%/3%/4%/2% MoM in the north/central/east/west/south regions respectively. As cement prices have been falling since May, average prices for July-August 2017 (ie YTD-Q2FY18) have reduced 5% QoQ. This was led by higher correction in the north/central/east markets where trade prices have fell 7%/5%/5% QoQ. The YTD-Q2FY18 pricing in south and west are also down 2% and 4% QoQ. Prices remain higher QoQ in Gujarat (+6%) despite near term moderation. In the NE region and in Tamil Nadu, average pricing so far in Q2 are down a modest ~2% QoQ.
- **Demand and pricing to remain weak in August:** Overall, dealers are indicating that the steady progress of the monsoon and the impact of GST as well as RERA would further moderate cement off-take on MoM basis in August. However, dealers/marketing executives remain upbeat that a good monsoon would lead to better cement offtake during H2FY18. As per dealers, cement prices are expected to decline by at-least 2% MoM across India.
- **Stock recommendations:** We continue to remain positive on the cement sector led by improving demand and price outlook amid a slowdown in new expansions. In the large cap space, we like the market leader – UltraTech and recommend Buy on declines. In the mid cap space, we reiterate our Buy rating on Ramco Cements, JK Cement and Deccan Cement. Improving demand and pricing scenario in the NE region along with fast clearance of the subsidy backlog bodes well for Star Cement's profitability. We continue to retain our SELL rating on Shree Cement (expensive valuations), Ambuja Cements (limited growth outlook), JK Lakshmi and Orient Cement (both have large ongoing/expected capex to keep leverage at elevated levels).

Stock Price Performance (%)*

Company Name	1 Mth	3 Mth	6 Mth	1 Yr
ACC	3.7	6.9	23.6	8.9
Ambuja Cements	1.5	4.7	13.6	0.1
Deccan Cement	(1.1)	(8.0)	6.9	28.5
JK Cements	6.2	(7.4)	22.7	34.3
JK Lakshmi	(10.6)	(18.9)	8.2	(3.5)
Orient Cement	(0.8)	(4.3)	11.9	(6.4)
Ramco Cements	(0.9)	(2.3)	3.9	28.3
Shree Cement	(3.4)	(7.3)	15.1	0.9
Star Cement	(9.3)	NA	NA	NA
UltraTech Cement	(9.3)	(11.8)	6.4	5.4
Nifty	(0.2)	3.9	12.6	14.5

Source: Bloomberg; *as on 16 August 2017, Star Cement got listed on 16th June 2017 after the delisting of SFCL on 30th Mar 2017.

Average cement price trend (Rs/bag)

	Apr 2017	May 2017	Jun 2017	Jul 2017	Price chg (%) MoM-Jul 2017
North	344	327	315	308	(2.3)
Central	325	319	316	308	(2.6)
East	352	347	340	331	(2.8)
West	306	315	323	310	(3.8)
South	371	362	356	350	(1.6)
Pan-India avg	340	334	330	321	(2.6)

Source: Dealers feedback, Centrum Research

Valuation Summary

Company	Rating	CMP* (Rs)	TP (Rs)	Up/ (Downside)%	Adj EPS (Rs)			EV/EBITDA (x)			EV/MT (USD)			RoCE (%)		
					FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
ACC**	Hold	1,808	1,520	(15.9)	34.2	43.6	62.3	18.0	17.4	13.5	123	150	146	7.3	9.1	12.4
Ambuja Cem**	Sell	270	200	(26.0)	4.9	7.0	8.4	15.0	20.9	17.5	131	203	202	6.7	7.2	8.3
Deccan Cement	Buy	1,139	1,470	29.1	66.6	80.4	110.9	6.8	6.7	4.8	46	51	45	11.5	12.7	15.9
JK Cement	Buy	1,034	1,310	26.7	35.4	55.2	79.8	10.5	10.8	8.4	87	105	97	8.9	11.1	13.7
JK Lakshmi	Sell	419	360	(14.1)	7.0	11.0	19.6	17.5	13.8	10.5	94	93	89	7.8	7.3	9.5
Orient Cement	Sell	154	114	(25.8)	(1.6)	6.2	6.1	24.8	13.1	10.0	85	85	83	1.4	7.8	7.1
Ramco Cements	Buy	699	820	17.4	27.3	35.4	43.5	13.9	13.3	10.8	154	180	173	11.9	14.7	16.3
Shree Cement	Sell	17,500	13,340	(23.8)	384.4	507.4	484.0	21.4	20.3	16.9	286	326	230	19.4	21.0	17.0
Star Cement	Buy	114	152	33.6	4.1	6.9	7.9	9.5	9.1	7.6	177	207	140	12.0	16.5	17.1
UltraTech Cem	Hold	3,932	3,790	(3.6)	95.9	103.5	147.5	19.5	18.5	13.6	220	216	194	9.3	9.3	10.3

Source: Companies, Centrum Research Estimates, * as on 16 August 2017 Note: ** Y/E Dec

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Cement Dealers' Feedback

Northern Region

- Cement demand continued to contract MoM in July. Sales were low due to destocking (ahead of GST implementation), heavy rainfall, low availability of sand and poor off take from government projects. Dealers indicated that demand could be subdued till monsoon ends as dealers adjust to GST and once inventory levels normalize.
- In the northern region, average trade prices declined 2% MoM in July to Rs308/bag (on top of a 4% MoM decline seen in June 2017). Dealers indicated that GST impact, poor demand and heavy rainfall have been driving price decline. Dealers expect prices to normalize post monsoon, once the demand scenario becomes stable.

Exhibit 1: Northern region - Trade price for A grade (Rs/bag)

State (cities)	May-17	Jun-17	Jul-17	Price change in July (Rs/bag)	Price change expectation for Aug-17	Dealers' feedback/ analysis
Delhi (Delhi)	320	310	300	(10)	(10)	Sales remained weak due to GST and loading restrictions. Hardly any new orders were generated. Some demand is coming from low cost housing projects. Weak demand has led to a price correction.
Haryana (Faridabad)	340	320	320	-	-	Demand has been low due to moderate rainfall in the area. Demand has been flat on a YoY basis. Prices have remained stable as companies have shown supply discipline.
Haryana (Hisar)	320	310	305	(5)	-	Demand has been stable as government projects continued to run smoothly. Dealers have indicated that many small dealers are unsure about registering for GST and this has led to customers preferring bigger dealers. Prices have moderated slightly, but dealers expect these prices to sustain in August. Rainfall has been moderate and construction activities continue smoothly.
Himachal Pradesh (Shimla)	370	360	350	(10)	(5)	Demand continued to slump as implementation of GST lead to no sales in the first 10 days of the month. Sales have normalized in the second half of the month. Companies have cut prices to boost demand. Dealers expect further price cuts in August.
Punjab (Ludhiana)	340	330	320	(10)	-	Demand has been low as heavy rainfall and poor off take from government projects have led to poor sales. Dealers expect demand to be subdued in August. Prices have corrected as companies look to bolster demand.
Rajasthan (Jodhpur)	280	280	280	-	(10)	Demand has been very weak owing to GST, sand non-availability at low price. Monsoon progress is not great. Non trade prices are down Rs60/bag vs trade. Prices should correct in the trade segment.
Rajasthan (Jaipur)	280	260	245	(15)	(10)	Cement demand remained good during July though there was some impact of GST. Sales have tapered off in August due to many festivals. Monsoon progression is below average. No sand shortage. Prices have come down in July and are expected to cool off in August too.
Rajasthan (Udaipur)	300	280	270	(10)	(10)	Cement demand seasonally fell in July due to rains. Less impact of GST. Sand easily available. Monsoon led price correction. Companies have kept prices largely stable but discounts have increased.
Uttarakhand (Dehradun)	390	385	380	(5)	-	Demand has been low as dealers have not picked up enough stock for July. Dealers were busy clearing stock for June and prices came under pressure for the same reason. Demand from the IHB segment was low. Prices have come under pressure due to poor demand. Companies have cut prices to boost demand.
Average	327	315	308	(7)	(5)	

Source: Centrum Research

Central Region

- During July, cement demand weakened MoM across Uttar Pradesh (UP) and Madhya Pradesh (MP). Dealers in MP indicated that heavy rainfall and RERA registration dampened demand in the region. In Uttar Pradesh (UP), higher sand prices due to lower supply coupled with GST impact and a heavy rainfall has led to sluggish demand.
- Poor demand in July led to cement prices declining 3% MoM on top of a 1% MoM decline in June. Dealers have indicated that prices would remain weak in August.

Exhibit 2: Central region- - Trade price for A grade (Rs/bag)

State (cities)	May-17	Jun-17	Jul-17	Price change in July (Rs/bag)	Price change expectation for Aug-17	Dealers' feedback/ analysis
MP (Bhopal)	320	320	310	(10)	(5)	Demand has been low as heavy rainfall coupled with RERA has dampened sales in July. Construction activities have been disrupted as only a handful of builders are registered under RERA. No new private projects are coming up in the region. Demand from the IHB segment has been sluggish in July. Dealer has indicated that GST implementation is still in process as many dealers are still trying to understand its implications. Prices have moderated and will continue to dip in August.
MP (Gwalior)	330	325	320	(5)	-	Demand has been low due to heavy rainfall. Demand from the IHB segment moderated in July. Prices are expected to be stable in August.
MP (Indore)	305	305	295	(10)	(5)	Demand has been low as RERA has hampered most of the private projects in the region. Dealers have indicated that only a handful of builders have been registered under RERA. Builders are not able to comply with the regulations set under RERA and are delaying their future projects. Demand from the IHB segment continues to improve. Prices have dipped as overall demand slowed down. Dealers have indicated that prices could correct further as demand outlook looks bleak for the coming months.
MP (Jabalpur)	295	290	290	-	(5)	Demand has been low due to heavy rainfall in the region. Demand has been flat on a YoY basis. Prices have been stable as companies look to cut prices in August.
UP (Agra)	320	315	305	(10)	(5)	Demand has been low due to heavy rainfall witnessed in the region. Availability of sand has improved in July. Demand is coming from the IHB segment. Prices have corrected and will continue to correct in August.
UP (Allahabad)	320	320	300	(20)	(5)	Demand has been subdued as sand shortage increased in the month of July as sand prices doubled on a MoM basis. Demand from the IHB segment continues to be poor. Prices have sharply dipped as companies looked to boost demand.
UP (Lucknow)	295	285	285	-	-	Demand has been 10-20% lower in July as heavy rainfall disrupted some of the construction work. Demand was sluggish for both private and government projects. Demand has been flat on a YoY basis. Prices have remained stable as companies have shown supply discipline.
UP (Moradabad)	335	335	325	(10)	(5)	Sales have been low as availability of sand continues to be low amid seasonal rainfall and GST implementation. Demand was low in the first half of the month, but picked up towards the end of it. Dealers expect demand to improve going ahead. Availability of sand has improved MoM, but it's still low. Prices have moderated and will further moderate in August.
UP (Varanasi)	350	350	340	(10)	(10)	Heavy rains, GST, RERA and sand shortage are impacting demand. Sales continue to remain weak in August too. Prices corrected by Rs10 in July and can further fall in August.
Average	319	316	308	(8)	(4)	

Source: Centrum Research

Eastern Region

- Cement demand declined MoM in July across most parts of the eastern region. Dealers indicated that higher sand prices and heavy rainfall contributed to lower demand in the month of July. Sales outlook for August remains weak for the same reasons. GST implementation has also impacted demand in the region. However, sales remained stable in the NE Region driven by ongoing government projects and steady demand from the IHB segment.
- Poor demand led to cement prices moderating by ~3% MoM in July (on top of ~2% MoM decline in the preceding month). As demand was weak for the first half of the month, prices started to roll back from the start of the month. Dealers indicate some more price weakness in August as demand is expected to improve post August.

Exhibit 3: Eastern region- - Trade price for A grade (Rs/bag)

State (cities)	May-17	Jun-17	Jul-17	Price change in July (Rs/bag)	Price change expectation for Aug-17	Dealers' feedback/ analysis
Bihar (Patna)	355	350	345	(5)	(15)	Cement demand was impacted due to monsoon, and sand shortage. Sand shortage aggravated in August due to the mining ban by NGT. Companies have maintained discipline thus leading to stable pricing.
Bihar (Darbhanga)	350	340	330	(10)	-	Demand has been low due to good monsoon and poor off take post GST. Dealer expects current prices to sustain in August.
Bihar (Kishanganj)	350	345	345	-	(5)	Demand has been low on account of heavy rainfall and slow pick up post GST. Sales have been flat on a YoY basis. Prices have remained flat as companies look to cut prices in August.
Chhattisgarh (Ambikapur)	260	250	240	(10)	-	Demand has been low mainly on account of a good monsoon. Heavy rainfall has disrupted most of the construction activities. Companies have cut prices to bolster demand. Companies have not given any intimation on future pricing.
Chhattisgarh (Raipur)	250	235	225	(10)	-	Demand has been low owing to heavy rainfall. Dealers have successfully implemented GST and sales from the IHB segment have normalized. Prices have moderated as companies look to boost demand in the monsoon season.
Jharkhand (Daltonganj)	360	360	350	(10)	-	Demand has been low due to heavy rainfall witnessed in the region. Sales have been flat on a YoY basis. Dealers have indicated that demand will be normal post-monsoon. Government projects are running smoothly. Prices moderated in July as companies tried to boost demand. Companies have not given any intimation on future prices.
Jharkhand (Jamshedpur)	345	340	330	(10)	(5)	Demand continued to dip as the region witnessed heavy rainfall in July. Sales have been flat on a YoY basis. Government projects are running smoothly. Prices have declined as companies look to boost demand. Dealers expect prices to moderate even further in August.
Jharkhand (Deoghar)	355	355	335	(20)	(5)	Demand has continued to dip as shortage of sand has led to poor sales in the month of July. Sand prices have inflated by 100% over the last two months. The region has witnessed heavy rainfall, which has disrupted construction activities. Companies have cut prices in an effort to help demand. Dealers have indicated that prices might further dip in August.
Jharkhand (Ranchi)	330	325	315	(10)	(10)	Sales were severely impacted due to GST as liquidity got hit and on inventory destocking. Sales were also down owing to monsoon. Amid weak demand, prices are also correcting. The dealer indicated that Emami Cement, Star Cement and Century Textiles have lost significant market share across Jharkhand.
NE Region (Jorhat -Assam)	400	390	380	(10)	-	Demand has been poor due to heavy rainfall. Dealers expect demand to be subdued in the month of August. Off take from government projects has been low. Prices have corrected, but the dealer expects current prices to sustain.

State (cities)	May-17	Jun-17	Jul-17	Price change in July (Rs/bag)	Price change expectation for Aug-17	Dealers' feedback/ analysis
NE Region (Guwahati)	395	395	385	(10)	-	Demand has been good despite seasonal rainfall. Demand from the IHB segment continued to be strong. Dealers have indicated that there was a shortage of stone chips during June, which has been resolved now. Prices have corrected in July. Dealers have indicated that the current price is sustainable. Dealers have also indicated that a 5-10 Rs/bag price cut is normal during the monsoon season.
NE Region (Shillong)	390	390	380	(10)	(5)	Demand has been stable as rainfall has not disrupted construction activities. The region has witnessed moderate rainfall in the month of July. Demand from government projects continued to be strong. Prices have moderated in July and dealers expect prices to further moderate in August.
NE Region (Tripura/ Agartala)	375	370	365	(5)	(5)	Demand is low as heavy rainfall has led to lower sales. Demand from the IHB segment continues to be strong. Prices have moderated as companies looked to boost demand. Dealers expect prices to moderate further in August.
Odisha (Bhubaneswar)	360	360	345	(15)	-	Demand has been subdued due to a good monsoon. Dealers have indicated that sales have been flat on a YoY basis. Demand will improve post monsoon. Companies have cut prices to help demand. Dealers do not expect any further price cuts.
Odisha (Rourkela)	310	300	285	(15)	(5)	Sales have been low as heavy rainfall has disrupted construction activities across the region. Demand continues to come from the IHB segment. Prices have moderated in July and dealers expect prices to dip further in August.
West Bengal (Durgapur)	340	325	325	-	-	Demand has been low as heavy rainfall has disrupted most of the construction activities in the region. Demand for 'B' grade brands has been increasing as the 15 Rs/bag difference is making customers go for 'B' grade brands. Prices have remained stable and dealers have indicated that the current price would sustain.
West Bengal (Kharagpur)	340	340	330	(10)	(5)	Demand has dipped as good monsoon coupled with poor off take in government projects lead to poor sales in the month of July. Prices have moderated and the dealers expect further correction in prices.
West Bengal (Kolkata)	350	330	320	(10)	-	Demand has fallen significantly in July. Heavy rainfall coupled with poor off take from projects has led to poor sales. Dealers are not able to sell their current stock and are not willing to take new stock. Demand from IHB segment is good. Heavy rainfall has disrupted construction activities. Prices have continued to dip while dealers expect the current price to remain stable over the next month.
West Bengal (Siliguri)	370	360	350	(10)	(5)	Demand was low as heavy rainfall disrupted construction activities. Overall sales were low as dealers had done some amount of destocking in June and got new stock after a week into July. No new government projects coming up in the area. Prices have corrected and will continue to correct till the monsoon season ends.
Average	347	340	331	(9)	(3)	

Source: Centrum Research

Western Region

- Demand continued to decline in July led by floods, inventory destocking, GST and poor real estate off take due to implementation of RERA. Dealers indicated that poor demand from private projects coupled with heavy rainfall led to demand being subdued in the month of July. In Gujarat, floods across most regions led to complete disruption in all construction activities.
- During July, trade prices moderated by ~2.5% MoM in Gujarat's market and prices fell 5% MoM in Maharashtra's markets amid poor demand. As demand remains weak across the western region, dealers indicated further price correction in August.

Exhibit 4: Western region- - Trade price for A grade (Rs/bag)

State (cities)	May-17	Jun-17	Jul-17	Price change in July (Rs/bag)	Price change expectation for Aug-17	Dealers' feedback/ analysis
Gujarat (Ahmedabad)	295	330	325	(5)	(5)	Demand has been low due to heavy rainfall and GST implementation. Demand was low in the first 10 days as dealers were getting their registrations done, post that demand has been low due to heavy rainfall. Companies are not able to dispatch bags to dealers as most of the roads are flooded. Sales have been low as most of the construction work has stopped. Prices have corrected slightly as dealers expect further correction to happen in August.
Gujarat (Rajkot)	300	330	315	(15)	(5)	Demand has been subdued due to heavy rainfall. Demand from private projects continued to be low due to RERA. Companies had aggressively hiked prices in the past few months, hence prices have moderated this month. Dealers expect prices to further moderate during the monsoon.
Gujarat (Surat)	280	310	305	(5)	-	Demand has been low due to heavy rainfall. Sales are down by 50-60% on a MoM basis as rainfall has disrupted all construction activities. Prices have moderated slightly as companies look to change prices post monsoon.
Gujarat (Vadodara)	280	320	315	(5)	(5)	Demand has been sluggish due to heavy rainfall coupled with RERA implementation. Demand has been flat on a YoY basis. Dealers have indicated that due to rainfall some construction activities were disrupted. Off take in private projects are low due to RERA. Dealers expect demand to be subdued in September as there will be some amount of labour shortage due to festive season. Companies have maintained supply discipline and prices have only slightly moderated. Dealers expect prices to remain under pressure till the monsoon season finishes.
Gujarat (Jamnagar)	290	320	310	(10)	-	Demand has been low due to heavy rainfall, which has disrupted construction activities across the region. Non-trade sales have stopped post GST. Prices have corrected but dealers expect the current price to sustain in the coming months.
Maharashtra (Kolhapur)	350	345	335	(10)	(5)	Sales have been low as dealers did not receive any supply for the first 10 days of the month. Demand has been subdued on account of heavy rainfall. Prices have moderated and will continue to moderate over the next few months.
Maharashtra (Nagpur)	320	305	295	(10)	(5)	Demand has been stable as the region has not witnessed heavy rainfall till now. Demand from the IHB segment is strong while off take in government projects continue to remain sluggish. Prices have corrected and will continue to correct according to dealers.
Maharashtra (Mumbai)	360	340	315	(25)	(5)	Cement demand remained subdued in July owing to good monsoon, slow offtake post GST and low demand from builders (RERA impact). Prices corrected Rs25/bag owing to weak demand.
Maharashtra (Pune)	320	300	275	(25)	-	Cement sales have been subdued post RERA implementation and also due to GST. It will take time to recover. Sand is available. Low cost housing project is seeing some uptick. Prices fell amid weak demand.
Maharashtra (Beed)	330	320	310	(10)	(5)	Demand has been sluggish due to good monsoon and poor off take from the IHB segment. There are a couple of government projects which are driving demand. Prices have moderated and the dealer expects further moderation in prices in the coming months.
Maharashtra (Nashik)	335	330	315	(15)	(5)	Demand continues to slide as heavy rainfall disrupted construction activities and lead to poor sales. IHB segment was the main demand driver as poor off take from government projects continue. Prices have declined as companies look to push demand. Dealers have indicated that prices moderated in two tranches and companies are looking to cut prices further in August.
Average	315	323	310	(12)	(4)	

Source: Centrum Research

Southern Region

- Cement demand remained stable in AP/Telangana (AP-T) markets while demand was subdued across other parts. Demand in AP-T was supported by low rainfall and sustained demand from the NTR scheme & other government projects. Demand in Kerala remained low as heavy rainfall disrupted construction activities. In Karnataka and Tamil Nadu markets, availability of sand has improved in some pockets; though elevated sand prices and heavy rainfall continue to dampen demand.
- Cement prices moderated in AP/Telangana markets 2% MoM in July, on top of 2% price fall MoM in June. Prices corrected across whole of south barring Tamil Nadu region as companies could maintain supply discipline as the demand scenario improved on better availability of sand.

Exhibit 5: Southern region- - Trade price for A grade (Rs/bag)

State (cities)	May-17	Jun-17	Jul-17	Price change in July (Rs/bag)	Price change expectation for Aug-17	Dealers' feedback/ analysis
AP-T (Hyderabad)	340	335	330	(5)	(5)	Demand improved during July after remaining muted in the early part of the month. Sand problem partly persists in the region. Overall monsoon is progressing well which had moderated demand uptick. Prices corrected marginally mostly due to rains.
AP-T (Nalgonda)	330	320	305	(15)	(5)	Cement demand is not recovering post GST implementation. Good monsoon last month has also impacted off take. Some demand is coming from government projects. Companies cut prices to pass on GST benefits and owing to weak demand
AP-T (Tirupati)	370	365	355	(10)	(5)	Demand was low for the first half of the month due to destocking. Demand picked up post that. Availability of sand has become better. Prices have dipped and dealers expect prices to further dip in August.
AP-T (Vijaywada)	350	340	330	(10)	(5)	Cement demand was stable as demand from ongoing projects continued to be good. Demand was low for the first half of the month due to the confusion caused by GST. Demand is expected to recover in August. Dealer has indicated that prices could further moderate in August.
AP-T (Vizag)	325	315	315	-	-	Demand continued to remain solid as the 'NTR' scheme gained momentum in the month of July. Rainfall has been low for the month of July. Companies have not cut prices and dealers expect prices to remain stable in August. Ultratech has entered the market and is looking to sell at around 325 Rs/bag. Their bags will enter the market in August.
Karnataka (Bangalore)	380	370	370	-	-	Cement demand has remained moderate in July. GST and RERA has weakened sales recently. Sand problems continue. Prices have remained stable. While north Karnataka has seen high rains, rainfall is poor in south Karnataka
Karnataka (Gulbarga)	335	320	315	(5)	(5)	Demand has been stable as the region has not witnessed heavy rainfall in the month of July. Demand has been coming from a few large government projects in the area. Prices have slightly dipped in July, but the dealers expect prices to moderate further in August.
Karnataka (Hubli)	345	335	325	(10)	-	Demand has been low as heavy rainfall disrupted construction activities across the region. Availability of sand improved on a MoM basis. Prices have moderated and will further moderate in August.
Kerala (Kochi)	390	390	380	(10)	-	Demand continues to be low as rainfall intensified in the month of July. Rainfall disrupted construction activities across the region. Prices have moderated and will continue to moderate through the monsoon period.
Kerala (Malappuram)	385	390	380	(10)	-	Demand has continued to dip as rainfall has intensified in July. Demand has been stable on a YoY basis. GST has been successfully implemented by most dealers. Prices have dipped in July and dealers expect prices to further dip in the coming months.
Kerala (Thiruvananthapuram)	390	385	380	(5)	(10)	Demand continues to be subdued as rainfall disrupted construction activities in July. Prices have corrected and will continue to correct in August as per dealers.
Tamil Nadu (Chennai)	385	380	380	-	(5)	Demand continued to dip as shortage of sand lead to poor sales. The region has not received much of rainfall in the last two months. Demand from government projects continues to remain subdued. Prices are expected to decline in August.
Tamil Nadu (Madurai)	385	385	390	5	-	Demand has been stable as availability of sand improved in July. Sand prices also reduced in July, which helped demand. Demand was low for the first 10 days of the month due to confusion over GST. The region has not witnessed good rainfall in July. Companies have slightly hiked prices this month through supply discipline. Dealer does not see any price change in August. Non-trade sales have completely stopped post GST.
Average	362	356	350	(6)	(3)	

Source: Centrum Research

Relative Valuation Summary

Company	Mkt Cap (Rs bn)	CAGR FY17-19E (%)			EBITDA margin (%)			RoCE (%)			RoE (%)			Net D: E (x)			EV/EBITDA (x)		
		Rev.	EBITDA	PAT	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
ACC	339.5	8.7	25.3	34.9	12.7	14.7	16.9	7.3	9.1	12.4	7.4	9.3	12.8	(0.2)	(0.3)	(0.4)	18.0	17.4	13.5
Ambuja Cements	536.5	8.6	14.9	30.8	18.2	18.5	20.3	6.7	7.2	8.3	6.7	7.2	8.3	(0.7)	(0.7)	(0.7)	15.0	20.9	17.5
Deccan Cements	8.0	11.8	18.3	29.0	20.1	20.2	22.5	11.5	12.7	15.9	15.2	16.0	19.2	0.0	(0.2)	(0.3)	6.8	6.7	4.8
JK Cements	72.3	11.5	19.5	50.1	18.9	20.2	21.7	8.9	11.1	13.7	14.7	20.1	24.2	1.6	1.2	0.8	10.5	10.8	8.4
JK Lakshmi	49.3	11.0	27.3	67.6	12.6	14.5	16.5	7.8	7.3	9.5	6.0	8.9	14.3	1.2	1.0	0.8	17.5	13.8	10.5
Orient Cement	31.4	37.9	79.9	NM	9.5	17.8	16.2	1.4	7.8	7.1	(3.2)	8.7	7.0	1.2	1.3	1.1	24.8	13.5	10.2
Ramco Cements	166.2	12.5	19.9	26.2	28.1	30.4	31.9	11.9	14.7	16.3	19.2	20.9	21.3	0.4	0.2	0.0	13.9	13.3	10.8
Shree Cement	609.7	17.7	19.5	12.2	28.1	29.0	28.9	19.4	21.0	17.0	20.4	22.7	18.0	(0.4)	(0.4)	(0.4)	21.4	20.3	16.9
Star Cement	47.9	12.1	17.1	38.5	25.9	31.6	28.3	12.0	16.5	17.1	14.8	21.0	19.6	0.6	0.1	(0.3)	9.5	9.1	7.6
UltraTech Cement	1,079.1	20.7	31.6	24.0	20.8	22.5	24.7	9.3	9.3	10.3	12.0	11.7	14.8	(0.1)	0.4	0.3	19.5	18.5	13.6

Source: Company, Centrum Research Estimates

Appendix A

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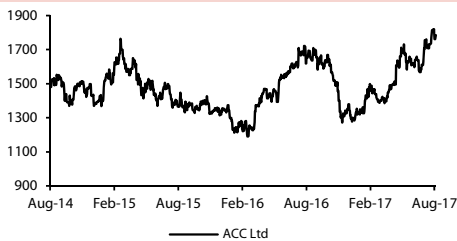
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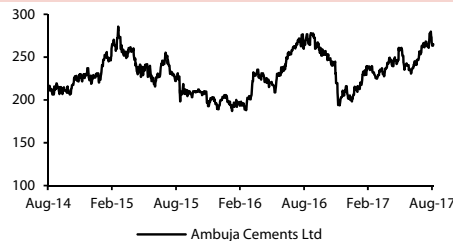
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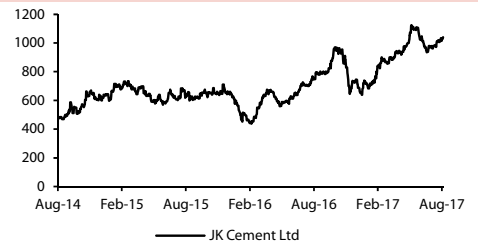
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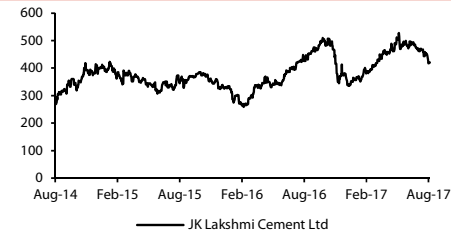
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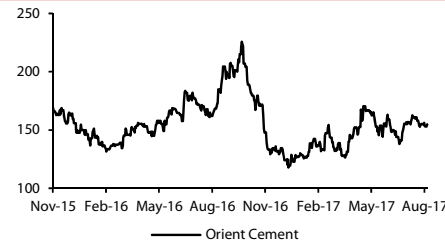
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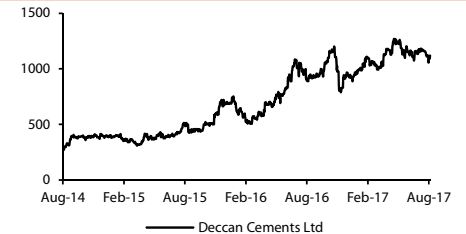
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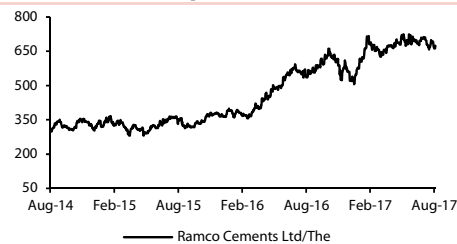
Orient Cement price chart



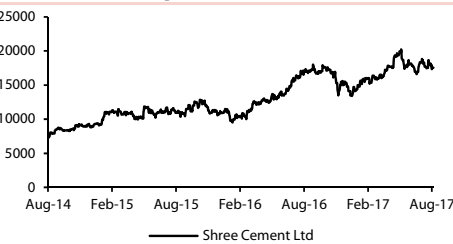
Deccan Cement price chart



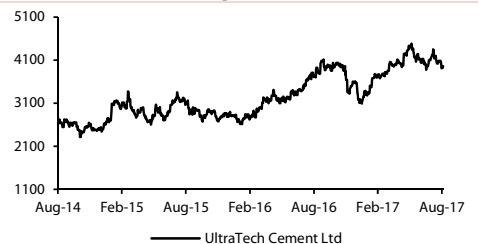
Ramco Cements price chart



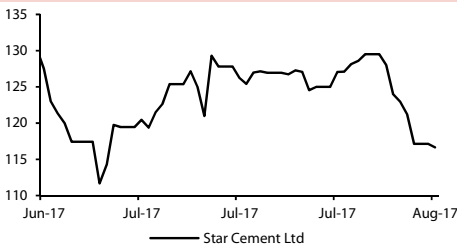
Shree Cement price chart



UltraTech Cement price chart



Star Cement price chart



Source: Bloomberg

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Sell	Downside > 20%	Downside > 15%	Downside > 10%

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