


CEMENT

28 March 2025

Healthy demand, unrestricted supply; prices flat MoM

- Cement prices in Mar'25 remained flat YoY/MoM with more focus on volume push to meet the year-end demand
- Volume was healthy despite festivities and picked up in the last couple of months. The healthy demand is likely to continue in Q1FY26
- Steep price hikes of Rs 30-40 per bag from the beginning of Apr'25 have been announced. Full absorption is doubtful

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Cement prices listless in trade segment, non-trade a mixed bag: All India cement prices in Mar'25 were just 1% higher YoY and flat QoQ at Rs 342/bag compared to Rs 335/bag in Mar'24. Our channel checks indicate prices were a mixed bag in the non-trade segment while trade segment prices were largely steady but higher discounts were offered to push volumes to meet year-end targets.

Non-trade segment a mixed bag: Cement prices in the trade segment stayed listless. However, prices in the non-trade segment were a mixed bag with prices pushed down in excess-supply regions like Telangana. In other regions trade and non-trade prices were seen further narrowing the gap with a hike in non-trade prices by Rs 10/bag where prices were very low like in Chhattisgarh.

East India remains under pricing pressure, though offset by healthy volume: Cement prices fell by 1% MoM in East to Rs 330/bag from Rs 333/bag despite strong demand as supply exceeded demand particularly in the Bihar region. In Chhattisgarh, prices in the trade segment were steady at Rs 290/bag but were hiked by Rs 10/bag in the non-trade region to Rs 265/bag. In the West, prices were flat at Rs 366/bag, though in Mumbai prices fell by Rs 10/bag to Rs 380/bag. Prices in the interior of Maharashtra were flat or hiked marginally. Prices in the Central region rose by 2% due to hikes in Madhya Pradesh, while Uttar Pradesh was listless. Demand was very strong across regions but equally matched by seamless supply.

Demand stays healthy on year-end pressure, discounts to be reversed in April: Our channel checks (23 across India) indicate that cement demand was healthy, driven by year-end completion work in many regions. The healthy demand will continue over the next three months till the monsoon stabilises. Discounts extended in March to push demand will be reversed in Apr'25 as indicated by our channels.

No change in stance on the sector: We maintain our positive stance on UTCHEM, and retain our HOLD ratings on JKCE and SRCM with a positive bias. We continue to have a negative stance on TRCL and JKLC and maintain a SELL rating. STRCEM remains our preferred stock in the small-cap segment.



Fig 1 – Prices steady; demand gallops (Rs/bag)

Region	Mar'25	Feb'25	Mar'24	3MMA YoY Change (%)	3MMA QoQ Change (%)
East	330	333	310	1.5	7.6
West	366	366	344	4.1	4.1
North	357	357	328	2.9	5.2
Central	351	344	341	0.2	1.0
South	305	304	341	(12.0)	0.1
All India	342	340	335	(0.9)	3.4

Source: Companies, BOBCAPS Research

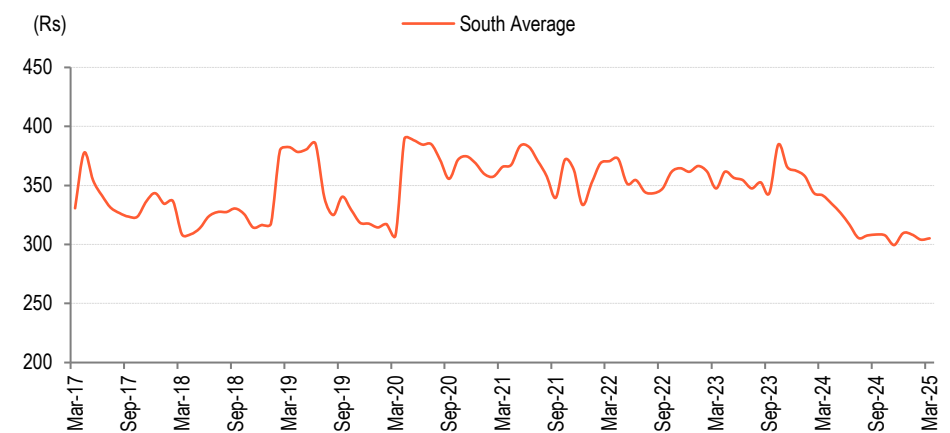
Fig 2 – Monthly price movements across cities (Rs/bag)

Region / City	Mar'25	Feb'25	Mar'24	YoY Change (%)	MoM change (%)
West	366	366	344	6.3	-
Mumbai	380	390	370	2.7	(2.6)
Ahmedabad	390	390	395	(1.3)	-
Surat	385	385	330	16.7	-
Nagpur	345	345	330	4.5	-
Nashik	360	360	330	9.1	-
Pune	335	325	310	8.1	3.1
East	330	333	310	6.5	(0.8)
Kolkata	340	340	310	9.7	-
Raipur	290	290	290	-	-
Bhubaneshwar	380	385	360	5.6	(1.3)
Patna	310	315	280	10.7	(1.6)
South	305	304	341	(10.7)	0.3
Chennai	295	290	320	(7.8)	1.7
Hyderabad	290	290	330	(12.1)	-
Bangalore	323	323	370	(12.7)	-
Vishakhapatnam	297	297	337	(11.9)	-
Kochi	320	320	350	(8.6)	-
North	357	357	328	8.6	-
Delhi	340	340	315	7.9	-
Jaipur	345	340	300	15.0	1.5
Punjab	385	390	370	4.1	(1.3)
Central	351	344	341	3.2	2.3
East Uttar Pradesh	365	364	340	7.4	0.3
West Uttar Pradesh	345	345	365	(5.5)	-
Indore	350	335	330	6.1	4.5
Bhopal	345	330	327	5.5	4.5
All India	342	340	335	0.3	2.1

Source: Companies, BOBCAPS Research

Telangana gripped by excess supply; demand slackened in Kerala: Prices remained soft in the southern region at Rs 305/bag. Prices in the Hyderabad region hovered around Rs 290/bag, but softened in the non-trade segment slipping to the Rs 220-240 range. Demand is largely from the year-end completion projects, however healthy demand offshoots are visible according to our channel checks. In Kerala, demand slackened due to the lack of government push for infrastructure projects and further higher supply from Gujarat coast through the sea route are keeping prices under pressure. The recent consolidation – Adani Cement acquiring Penna Cement – has shown only a limited impact, though supply from the Sanghi unit in Gujarat is catering to Kerala's coastal areas. There were indications that Hyderabad brands have stopped catering to Kerala due to the unviable pricing scenario.

Fig 3 – South India prices stay listless; signs of demand revival showing

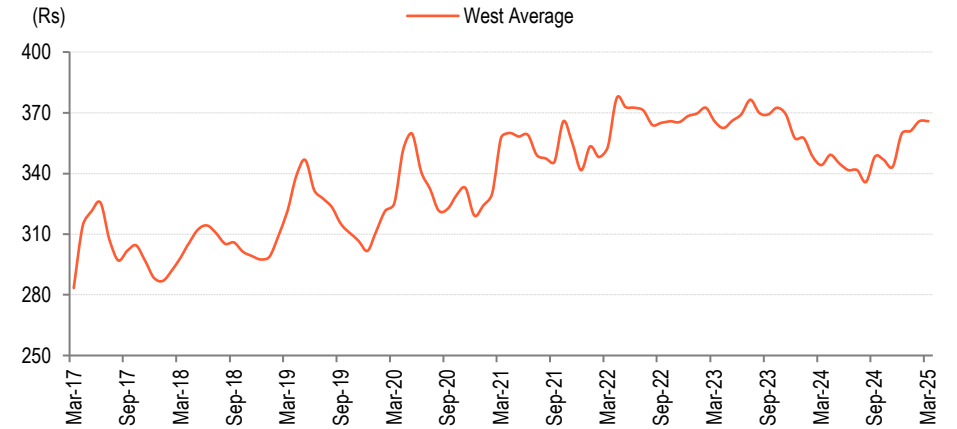


Source: BOBCAPS Research

No demand breather in Gujarat demand despite festivities leading to labour scarcity; Maharashtra prices a mixed bag: In Ahmedabad (Gujarat), trade prices were steady at Rs 385. In Surat (South Gujarat) dealers indicated no major changes in prices. This was despite demand in the festive period (Holi) remaining muted. Price hikes of Rs 30-40/bag have been announced from Apr'25, however dealers indicated the focus would be more on withdrawing discounts.

In Mumbai (Maharashtra), prices softened by Rs 10/bag in the trade segment due to excess supply though prices in the non-trade hardened by Rs 5/bag. However, in interior Maharashtra regions like Nasik prices were hiked by Rs 10/bag to Rs 335 owing to demand strength from the rural areas. There are indications that demand will continue to gain pace after the sharp focus on infrastructure by the newly-elected government.

Fig 4 – Prices a mixed bag though underlying demand is healthy in the region



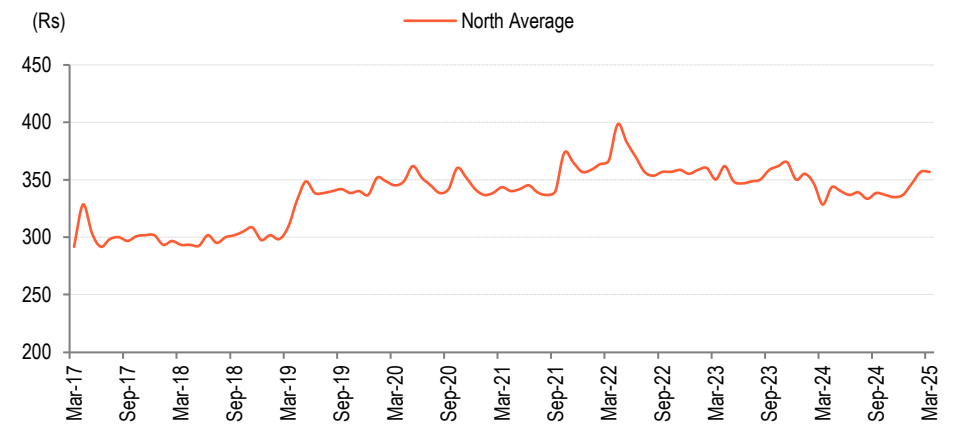
Source: BOBCAPS Research

Demand likely to gain momentum following crop season in North India

Cement prices were a mixed bag in North India, largely unchanged MoM though demand in the region slackened. In Delhi, liquidity stayed the main concern though demand was steady. In Punjab, excess supply impacted prices in the non-trade segment which softened to Rs 310/bag from Rs 325/bag though trade prices remained unchanged. Demand is likely to gain momentum and stay healthy till the onset of monsoon in the region due to healthy crop incomes in the rural segment.

Demand in Rajasthan was mildly positive, hence, prices in the trade segment were hiked by Rs 5/bag to the Rs 325/bag range in the urban areas. Demand continued to be healthy in the region and is likely to remain buoyant.

Fig 5 – Prices a mixed bag; improve in Rajasthan, slip in Punjab



Source: BOBCAPS Research

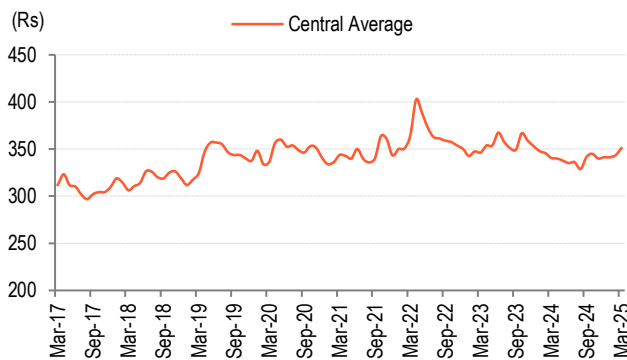
Demand in eastern region remains healthy but supply pressure keeps prices under pressure; Central India remains a relatively brighter spot

In Kolkata, demand improved by 10% in Q4FY25 QoQ though prices remained unchanged due to very healthy supply. However, price hikes of Rs 40/bag have been announced from Apr'25 though full absorption is unlikely. In the Bihar region, demand has remained very healthy but catered by equally strong supply in the region leading to price softening marginally by Rs 5/bag.

In Raipur, channel checks indicated non-trade prices revived from Rs 255 to Rs 265/bag. Prices in the region have been revised since February. Demand is steadily reviving in the region. All the brands have shown indications of maintaining the demand-supply balance without under-cutting prices.

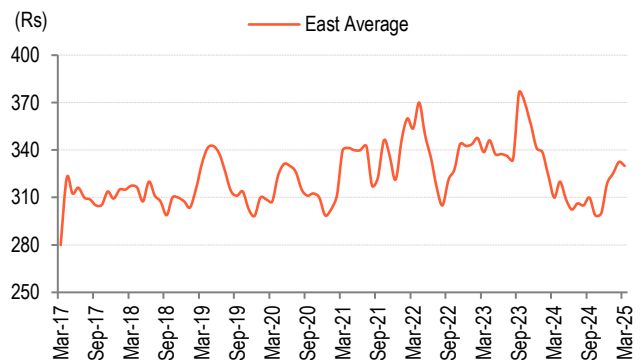
In Central India, non-trade prices for Indore and Bhopal improved from Rs 280/bag to ~Rs 300/bag MoM. Prices have been hiked even in the trade segment to Rs 350/bag from Rs 335/bag MoM. While in the western Uttar Pradesh region, demand continued to slacken due to extreme weather and lack of infrastructure activity.

Fig 6 – Central India remains one of the better pricing regions



Source: BOBCAPS Research

Fig 7 – Eastern region demand stays strong, supply puts pressure on prices



Source: BOBCAPS Research

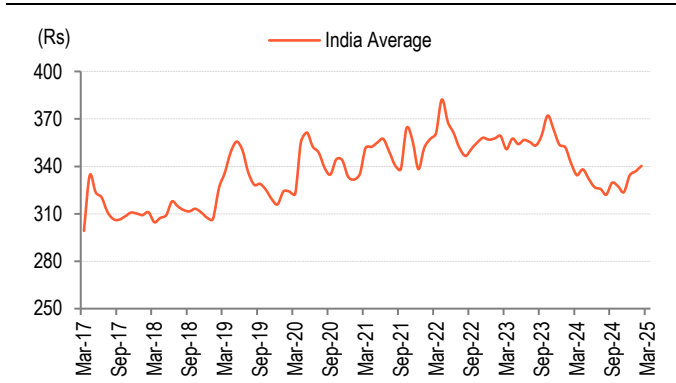
Outlook

Our channel check feedback suggests that demand will steadily gain momentum in the upcoming months. On an aggregate Pan-India cement demand has reversed and was healthy with double digit growth in the past couple of months (weak base also contributes). Cement production in Feb'25 was down 10.5% from 14.6% MoM (impact of fewer working days) as indicated by the Core Industries data published by the Office of Economic Adviser, Government of India. The collective feedback by channels across regions indicated that demand activity has picked up for completion of year-end projects. However, demand will sustain at least in Q1FY26 backed by both infrastructure demand and real estate pick up. With no major state elections and steady policy framework following the Central government's push in favour of infrastructure backed by real estate inventory at a low of 14 months, demand is likely to remain healthy.

However, with heavy supply of cement across regions and new capacities expected to be commissioned, trade prices may be hiked only in small bouts of Rs 5-10/bag to allow the absorption of the price hikes with ease. Collectively, this would imply that the

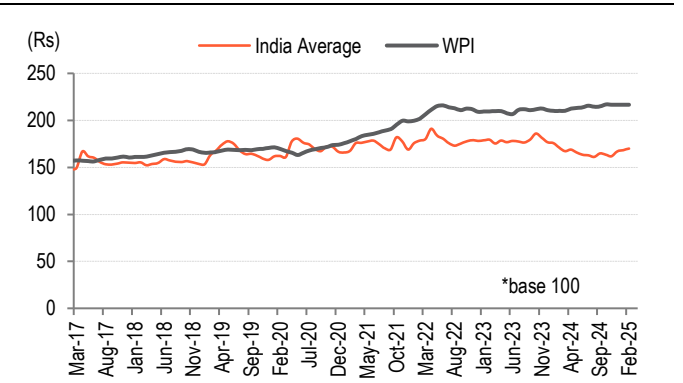
earnings for our cement coverage will improve relatively in H2FY25 and will partially offset the weak financial results in H1FY25 with no major negative cost related surprises.

Fig 8 – All India cement prices stay range-bound MoM



Source: BOBCAPS Research

Fig 9 – Gap between cement prices and inflation continues to widen, headroom to narrow the gap



Source: Office of Economic Advisor, GOI, BOBCAPS Research

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