


**CEMENT**

30 September 2024

**Monsoon keeps activity slow; non-trade prices revive from lows**

- Cement prices in September 2024 fell by 8% YoY but gained marginally MoM by 2% as the monsoon continued a relatively extended spell
- Trade and non-trade price gap narrowed by ~ Rs20/bag from Rs 50/bag in August to Rs30/bag in September as lower prices were unprofitable
- Meaningful price hikes are likely only post the festive season (Diwali) on the back of genuine demand revival

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**Attempts of price hikes failed as cement prices reverts back:** All India cement prices in September '24 were ~8% lower YoY at Rs 330/bag compared to Rs 360/bag in September'23 (Rs 322/bag in Aug'24). Our channel checks indicate, prices did show some MoM respite especially in the non-trade segment as that segment sustained price hikes indicating minor demand revival.

**Non-trade segment reverse from sharp weakness; trade segment listless:** Cement prices in the trade segment showed faster reversal from the hikes in the earlier part of the month. However, the gap between trade and non-trade prices narrowed (at Rs50/bag earlier) to ~Rs 30/bag at the Pan-India levels. Prices gained pace by Rs 10-20/bag in the non-trade segment, as prices at Rs 220-230/bag in August 2024 were clearly unsustainable. However, volumes stayed tepid in the trade segment and non-trade segment with a decline of ~ 5-10% MoM in Sept' 2024. Overall demand stayed dull contributed by the inauspicious period towards the end.

**South and East India faces highest pricing pressure:** Cement prices fell the most in East and South by 18%/10% YoY (up 1%/flat MoM) ahead of the All-India average of ~ 8%. This was followed by North and West that fell by ~6% each. Central India remained the best option with a fall of 2% YoY. Prices in Western and Central India reversed by ~4% MoM after a fall in August 2024. Demand was down by 5-10% MoM (on a weak base) in the southern region, while activity was slow in western and eastern India largely due to the monsoon. Our channel check indicates price reversal will be faster in the western/northern region compared to South and East.

**Meaningful reversal only post festive season:** Early indications from our channel checks (23 across the country) indicate that genuine price hikes in the trade and non-trade segment will be operational only post festivities (mid-November). Price hikes are announced in October; however, sustainability will be the key.

**No change in stance:** We maintain our positive stance on UTCEM, and retain our HOLD ratings on JKCE and ACEM with a positive bias. There is no change in our negative stance on TRCL, JKLC and ORCMNT and we maintain our SELL rating.



**Fig 1 – Price weakness persists; some respite MoM**

Region	Sep'24	Aug'24	Sep'23	3MMA YoY Change (%)	3MMA QoQ Change (%)
East	310	305	376	(11.9)	(1.1)
West	348	336	369	(8.1)	(1.0)
North	338	333	358	(4.4)	(0.9)
Central	341	329	349	(4.9)	(0.6)
South	308	307	343	(11.7)	(5.7)
All India	330	322	360	(8.5)	(2.0)

Source: Companies, BOBCAPS Research

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

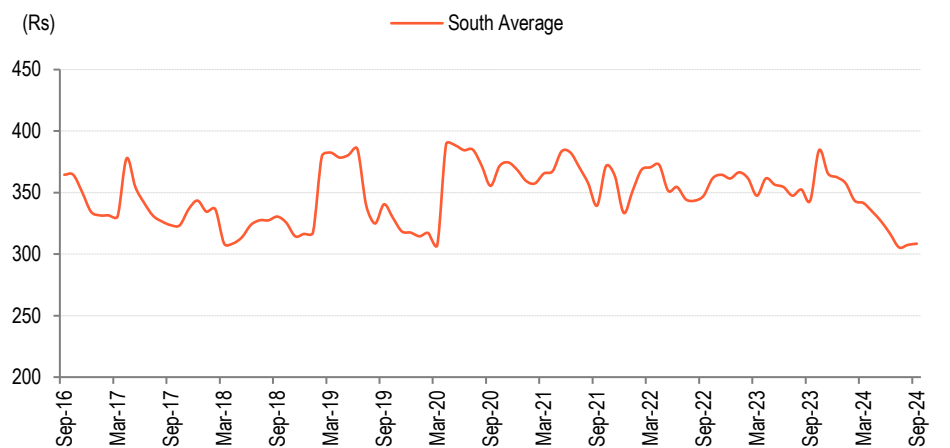
Region / City	Sep'24	Aug'24	Sep'23	YoY Change (%)	MoM change (%)
<b>West</b>	<b>348</b>	<b>336</b>	<b>369</b>	<b>(5.6)</b>	<b>3.7</b>
Mumbai	385	360	380	1.3	6.9
Ahmedabad	360	360	420	(14.3)	-
Surat	320	310	360	(11.1)	3.2
Nagpur	345	335	370	(6.8)	3.0
Pune	355	330	355	-	7.6
Nashik	325	320	330	(1.5)	1.6
<b>East</b>	<b>310</b>	<b>305</b>	<b>376</b>	<b>(17.6)</b>	<b>1.6</b>
Kolkata	340	300	390	(12.8)	13.3
Raipur	280	280	325	(13.8)	-
Bhubaneswar	350	360	400	(12.5)	(2.8)
Patna	270	280	390	(30.8)	(3.6)
<b>South</b>	<b>308</b>	<b>307</b>	<b>343</b>	<b>(10.2)</b>	<b>0.3</b>
Chennai	290	290	325	(10.8)	-
Hyderabad	290	300	330	(12.1)	(3.3)
Bangalore	335	330	375	(10.7)	1.5
Vishakhapatnam	297	307	337	(11.9)	(3.3)
Kochi	330	310	350	(5.7)	6.5
<b>North</b>	<b>338</b>	<b>333</b>	<b>358</b>	<b>(5.6)</b>	<b>1.5</b>
Delhi	320	325	360	(11.1)	(1.5)
Jaipur	320	305	340	(5.9)	4.9
Punjab	375	370	375	-	1.4
<b>Central</b>	<b>341</b>	<b>329</b>	<b>349</b>	<b>(2.3)</b>	<b>3.8</b>
East Uttar Pradesh	380	360	370	2.7	5.6
West Uttar Pradesh	350	320	370	(5.4)	9.4
Indore	320	320	330	(3.0)	-
Bhopal	315	315	327	(3.7)	-
<b>All India</b>	<b>330</b>	<b>322</b>	<b>360</b>	<b>(8.3)</b>	<b>2.3</b>

Source: Companies, BOBCAPS Research

### Cement demand lightens in South India as monsoon activity grips the region:

There was a double digit (~10% YoY) fall in cement prices in the southern region but were flat MoM indicating prices in the region have reached the threshold tolerance levels. Our channel checks indicated price hikes in Tamil Nadu in the early part of the month only reversed to Rs 390, however gap between trade and non-trade gap narrowed from Rs30/bag in to Rs20/bag. In Hyderabad, prices in trade segment fell by Rs 10/bag however, the gap in the non-trade segment and trade segment narrowed here too. The recent consolidation – Adani Cement acquiring Penna Cement and India Cements changing hands with UltraTech Cement – has yet been able to make any meaningful impact on cement supply in the region. However, in Cochin Ambuja Cement is pushing volume aggressively and there were early indications that ACEM has overtaken Ultratech Cement in volume in September 2024.

**Fig 3 – Price hikes withdrawn in trade segment in South India, trade/non-trade price gap narrows**



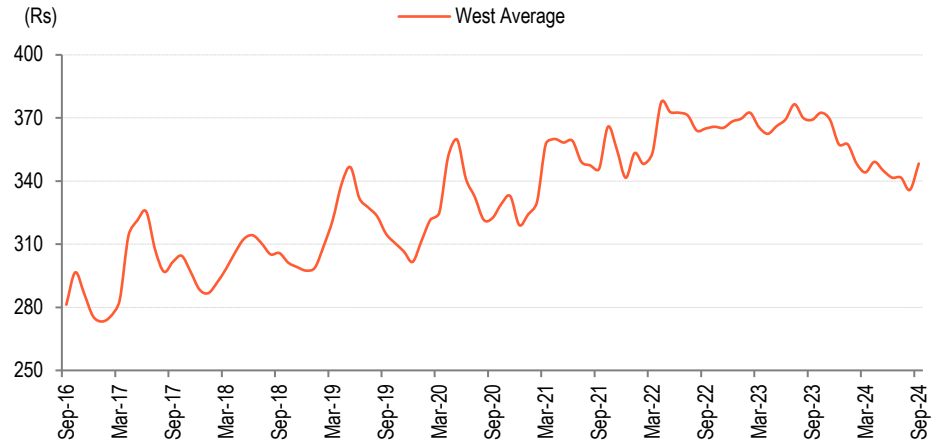
Source: BOBCAPS Research

### Non-trade prices gain, trade prices listless; demand lull continues in West India:

In Ahmedabad (Gujarat), non-trade prices were increased by Rs10-15/bag to Rs310-315/bag. Trade prices though remain unchanged with continued discounts. Demand was stable in Gujarat for September with upward bias after the monsoon season ends. However, our channel check suggest demand and genuine pricing will come back in November post festivities. Prices are likely to be hiked by Rs10/bag from October. Ultratech Cement has extended credit period to its pricey customers to counter the aggressive competition.

In Pune (Maharashtra) price hikes were announced in the month however volume have dropped due to monsoon and festivities. Shree Cement supply has smoothed with the availability of railway option. Dealers indicated Penna branded as ACEM has increased Adani Cement volumes in the region though UTCEM still remains a top selling brand. A similar Rs10/bag price hike in announced from October by companies.

**Fig 4 – Genuine demand and pricing to gain strength following festivities**

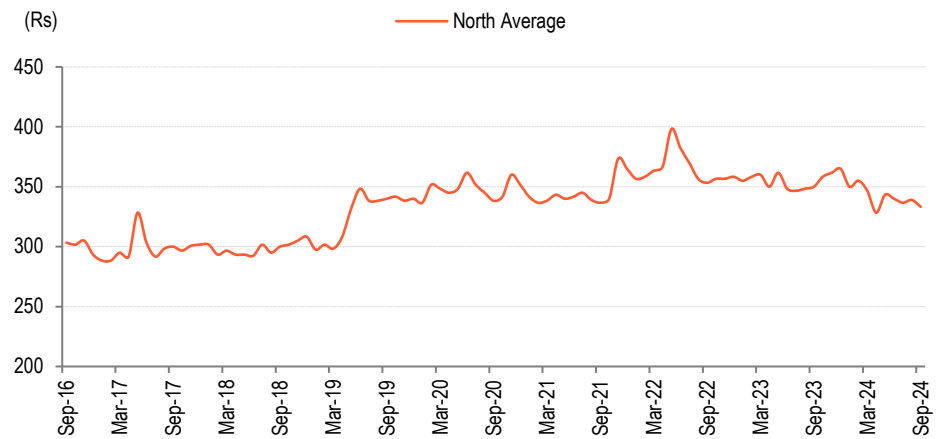


Source: BOBCAPS Research

**Prices a mixed bag in North India; monsoon towards month-end dampens demand**

Cement prices were a mixed in North India under weak demand conditions as monsoon spell towards the end of the month was a clear dampener. In Delhi, prices softened to Rs320/bag with liquidity crunch for the dealers and channel partners. In Rajasthan, non-trade price stayed in the range of Rs280-320 depending on the brand. Prices in non-trade have been revised upwards to maintain pricing floor and arrest the slide further. In Chandigarh (Punjab) non-trade prices stayed at ~Rs300/bag. There were attempts to push the prices upwards but were volatile due to the demand weakness owing to the monsoon.

**Fig 5 – Non-trade prices provided respite in North India**



Source: BOBCAPS Research

**Positive green shoots in eastern region though price cut the sharpest, Central India continues to be relatively better placed**

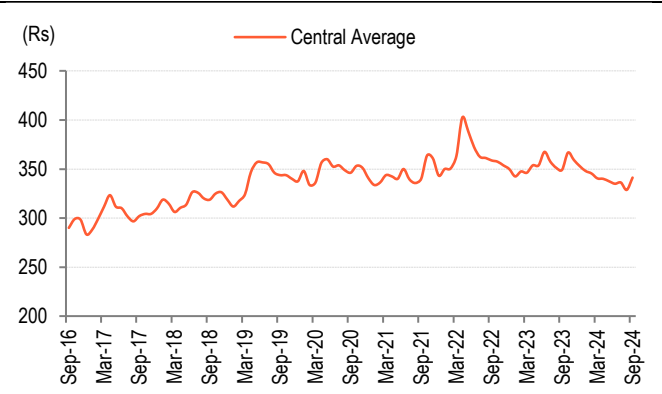
In Kolkata, the gap between trade and non-trade was back to Rs30/bag after a steep fall in non-trade prices. Ultratech Cement continues to be the price leader with Ambuja Cement following the UTCCEM. Shree Concrete was the new brand in September 2024. Dealers indicated demand was largely driven by the housing segment. Additionally,

demand in October will be weak due to festive season (Durga Pooja). The genuine demand is likely to be back from November. UTCCEM, ACEM and Nuvoco collectively control 50% of the total market share.

In Raipur, price hikes were initiated in the early part of the month but have been rolled back. Non-trade prices were hovering at Rs230 for small brands and at Rs250-260 for premium category. In the non-trade prices all the brands are collectively selling at Rs230 unlike in the previous month where B category prices had differential pricing. The monthly average volume in September is down sharply in the range of ~30-40% according to the channel checks. UTCCEM remains company retaining highest market share of ~40% in the region followed by ACC/ACEM, JKLC, Konark and Nuvoco.

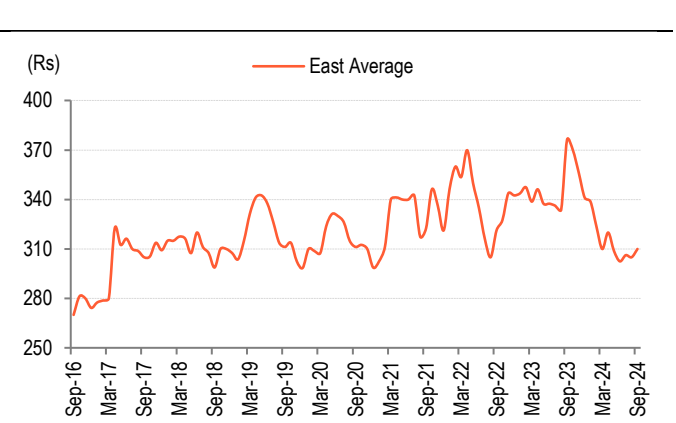
In Central India, demand from the Indore and Bhopal non-trade prices are at Rs280 and it was indicated that prices may even drop further. DD is weak due to rains; trade prices are available at Rs320/bag following discounts. Prices will be hiked in October.

**Fig 6 – Central India stays a relatively better region for cement pricing**



Source: BOBCAPS Research

**Fig 7 – Eastern region stays under pricing pressure**



Source: BOBCAPS Research

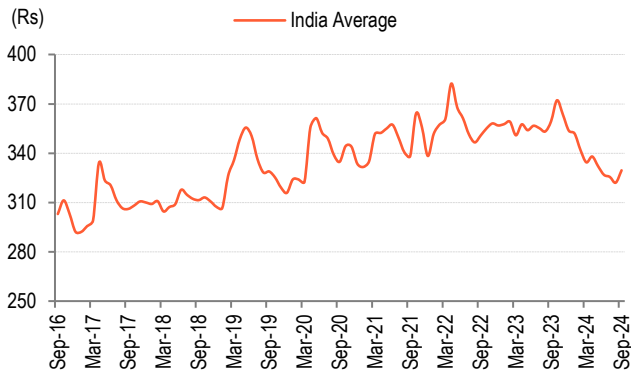
**Outlook**

Our channel check feedback suggests that the demand is on average weak by ~10% across regions with demand in extreme pockets falling by ~ 20%. However, it was collective feedback by channels across regions that the demand weakness was only due to the monsoon and believe activity will pick up once the monsoon recedes. This is a positive for the cement sector as 2HFY24 demand is likely to reverse with the recovery slightly better than we estimated earlier. This is due to above-normal monsoon, recovery in rural demand and steady policy framework following the re-election of the government. This is indicative as August demand was down at -3% vs 5.5% MoM.

Our earlier expectations of the gap between the trade and non-trade segments will narrow with non-trade prices being hiked and trade prices staying steady as been observed in many regions. As the full budget allocations and funds are further passed on to the states the demand momentum will gather pace further. Following the festive season, the demand momentum is likely to continue into Q4 to meet the year-end completion deadlines.

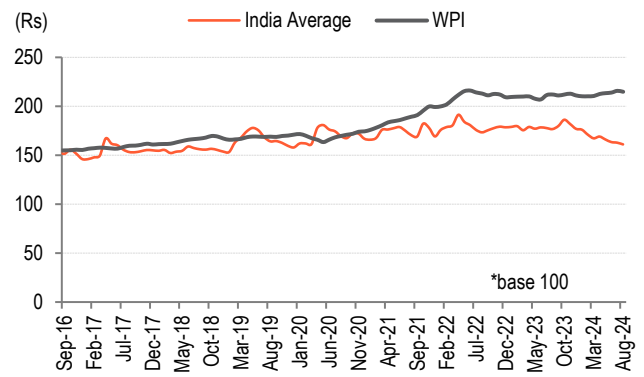
However, with heavy supply across regions and new capacities expected to be commissioned prices may be hiked only in small bouts of Rs5-10/bag to allow absorption of the hikes. Collectively, this would imply that the earnings for our coverage cement companies will improve relatively in 2HFY25 and will offset for the weak financial results in 2QFY25.

**Fig 8 – All India cement prices stay weak; though reversal signs in sight**



Source: BOBCAPS Research

**Fig 9 – Gap between Cement prices and inflation widens, only leaving space for prices reversing upwards**



Source: Office of Economic Advisor, GOI, BOBCAPS Research

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