


CEMENT

31 December 2024

Demand green shoots in sight; price revival a mixed bag

- Cement prices in December 2024 were a mixed bag as prices fell by ~5.5% YoY but rose by 3% MoM following steady demand revival
- Non-trade prices gained pace in many regions (hiked by Rs15-20), while trade prices were listless, thus narrowing the trade non-trade price gap
- Our channel checks indicate demand is likely to steadily pick up in the busy Q4 helping absorption of meaningful price hikes

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Cement prices gain ~3% MoM, gaining pace in the non-trade segment: All India cement prices in Dec'24 was ~5.5% lower YoY at Rs 334/bag compared to Rs 354/bag in Dec'23 (Rs 324/bag in Nov'24). Our channel checks indicate prices were hiked by ~Rs15-20 in the non-trade segment while trade segment prices were largely steady narrowing the price gap between trade and non-trade segment.

Non-trade segment gains across regions; trade segment listless: Cement prices in the trade segment stayed listless and reverted back to the previous month average after the initial jump in the earlier part of the month. However, the gap between trade and non-trade prices narrowed (from Rs 50/bag earlier) to ~Rs 30/bag in excess-supply regions like Chhattisgarh, Rajasthan and Telangana, while in other regions trade and non-trade prices were seen further narrowing the gap. Prices were hiked by Rs 10-20/bag in the non-trade segment across regions with the pace being higher in few regions that had seen sharp falls earlier (hike of ~Rs40).

South and East India remain under pricing pressure: Cement prices fell the most in East and South India by ~7%/15% YoY ahead of the All-India average decline of ~6%. This was followed by North and Central region that fell by ~4%-3% each YoY. West India was an exception with flat pricing YoY and 5% jump MoM thus remaining the best option. East region prices gained the highest by 6% MoM. Demand revival was steady with few regions like West have seen healthy revival of ~ 10-15% MoM.

Demand reversal expected in the busy Q4, help price hikes: Our channel checks (23 across the country) indicate firmly that genuine demand revival is expected from January 2025 across the real-estate sector as well as the infrastructure segment. This will facilitate price hikes in the trade and non-trade segment. The cement demand season can continue strongly till June 2025 as per early indications.

No change in stance on the sector: We maintain our positive stance on UTCEM, and retain our HOLD ratings on JKCE and ACEM. We maintain our HOLD rating on SRCM with a positive bias. We continue with our negative stance on TRCL and JKLC and downgrade DALBHARAT to SELL rating (HOLD earlier).



Fig 1 – Weakness weakens; MoM pricing flat after a gap (Rs/bag)

Region	Dec'24	Nov'24	Dec'23	3MMA YoY Change (%)	3MMA QoQ Change (%)
East	319	300	341	(14.1)	(0.4)
West	360	343	358	(4.5)	2.3
North	337	335	350	(6.4)	(0.3)
Central	341	340	353	(4.9)	2.0
South	309	299	362	(17.6)	(0.5)
All India	334	324	354	(9.6)	0.8

Source: Companies, BOBCAPS Research

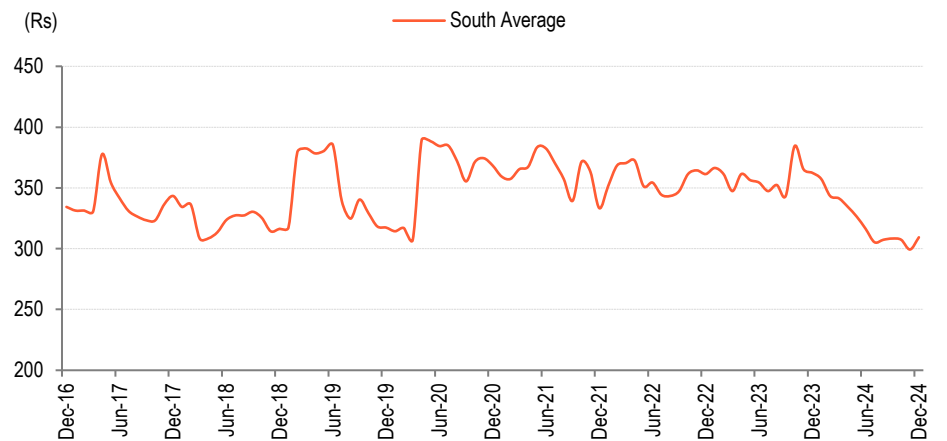
Fig 2 – Monthly price movements across cities (Rs/bag)

Region / City	Dec'24	Nov'24	Dec'23	YoY Change (%)	MoM change (%)
West	360	343	358	0.6	4.8
Mumbai	380	360	370	2.7	5.6
Ahmedabad	385	355	410	(6.1)	8.5
Surat	356	330	350	1.7	7.9
Nagpur	350	345	350	-	1.4
Nashik	352	345	325	8.3	2.0
Pune	335	325	340	(1.5)	3.1
East	319	300	341	(6.6)	6.3
Kolkata	320	285	330	(3.0)	12.3
Raipur	290	280	315	(7.9)	3.6
Bhubaneswar	370	355	385	(3.9)	4.2
Patna	295	280	335	(11.9)	5.4
South	309	299	362	(14.6)	3.3
Chennai	300	280	350	(14.3)	7.1
Hyderabad	290	280	360	(19.4)	3.6
Bangalore	330	325	360	(8.3)	1.5
Vishakhapatnam	297	287	367	(19.1)	3.5
Kochi	330	325	375	(12.0)	1.5
North	337	335	350	(3.8)	0.6
Delhi	320	320	345	(7.2)	-
Jaipur	320	320	335	(4.5)	-
Punjab	370	364	370	-	1.6
Central	341	340	353	(3.3)	0.4
East Uttar Pradesh	355	365	345	2.9	(2.7)
West Uttar Pradesh	335	340	370	(9.5)	(1.5)
Indore	340	330	350	(2.9)	3.0
Bhopal	335	325	347	(3.5)	3.1
All India	334	324	354	(5.5)	3.3

Source: Companies, BOBCAPS Research

Tamil Nadu gripped by rains, supply excess continues in Telangana/Kerala, price revival weakest in South India: Prices continue to fall in double-digits (~15% YoY) in the southern region, but have reversed with ~3% gains MoM with bigger hikes in the non-trade segment. Our channel checks indicated price hikes across states in small bouts of Rs5-10 while in states like Tamil Nadu price hikes were higher but demand continued to be weak due to the monsoon that begins in October and extends till December in the region. In Hyderabad, prices in the trade segment rose by Rs10/bag but continued to stay below Rs 300/bag. The recent consolidation – Adani Cement acquiring Penna Cement – shows only limited impact, with supply from ACC increasing in the region. The impact of India Cements changing hands with UltraTech Cement also has yet to make a meaningful impact. However, in Kochi, Ambuja Cement is pushing volumes aggressively (via sea route from Gujarat plants) and there were indications that Hyderabad brands have stopped travelling to Kerala due to the unviable pricing scenario.

Fig 3 – South India stays to be the weakest price region; non-trade prices revive

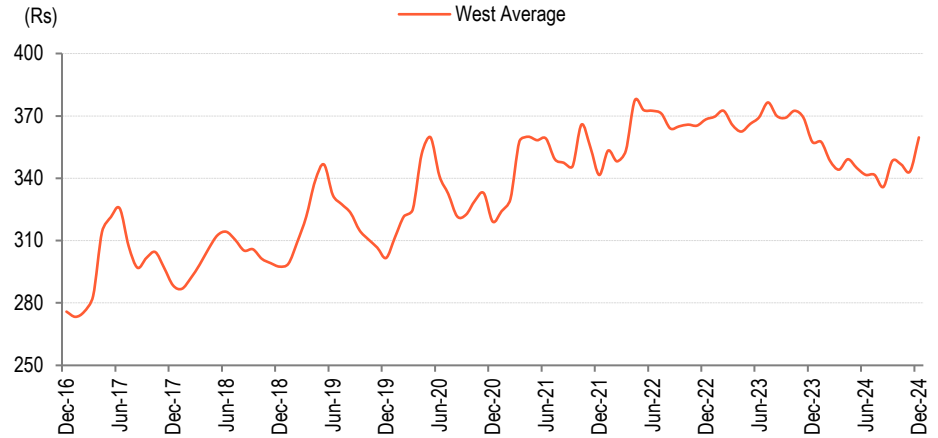


Source: BOBCAPS Research

Gujarat’s double digit demand revival the strongest; Maharashtra swings into action mode post state elections: In Ahmedabad (Gujarat), trade prices were hiked steeply by Rs30/bag to Rs385. In Surat (south Gujarat) too prices were hiked by Rs25/bag with the non-trade prices following suite. The demand revival was also indicatively (by channels) the strongest in the range of 10-15% driven by infrastructure and real estate segment collectively. Prices are likely to be further hiked by Rs25/bag in January 2025 as per early indications.

In Mumbai (Maharashtra), price have hardened by Rs 20/bag in the trade segment due to revival in the construction demand, and non-trade prices also jumped though concerns over liquidity prevailed. There was no impact of excess supply either in Vidarbha or Mumbai region following Adani Cement’s acquisition of Penna Cement or Kesoram Industries coming in the Ultratech fold. There are indications that demand and prices will continue to gain pace after the sharp focus on infrastructure by the newly elected government. Interior regions including Nashik also have seen price hikes of Rs10/bag backed by rural demand revival.

Fig 4 – Prices firmly in the positive following healthy demand revival in the region



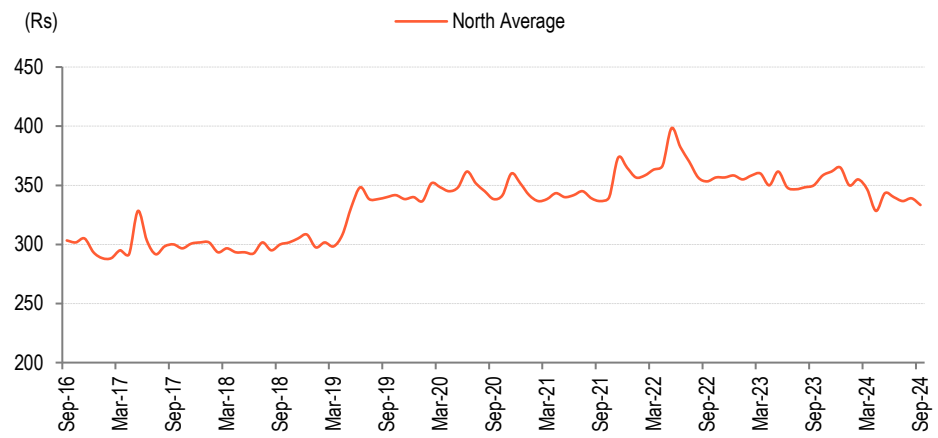
Source: BOBCAPS Research

Demand slackens, but prices remain largely listless in the northern region

Cement prices were a mixed bag in North India, largely unchanged MoM though demand in the region slackened. In Delhi, excess pollution has resurfaced and, hence restrictions on construction activity continued. In Punjab, restricted supply helped price inflate in the region though demand was muted. The non-trade segment revived in the region as most of the activity was in this segment. Prices are likely to be hiked further in January by Rs10/bag however are unlikely to be absorbed by the markets.

Demand in Rajasthan was mildly positive with ~5% growth MoM and, hence, prices in the trade segment stayed unchanged in the Rs 320/bag range. However, non-trade prices gained strength by Rs10/20 from Rs 280-290/bag to Rs 300-310/bag thus narrowing the gap between trade and on-trade prices over the previous months.

Fig 5 – Trade prices continue to be listless in North India; non-trade prices hiked



Source: BOBCAPS Research

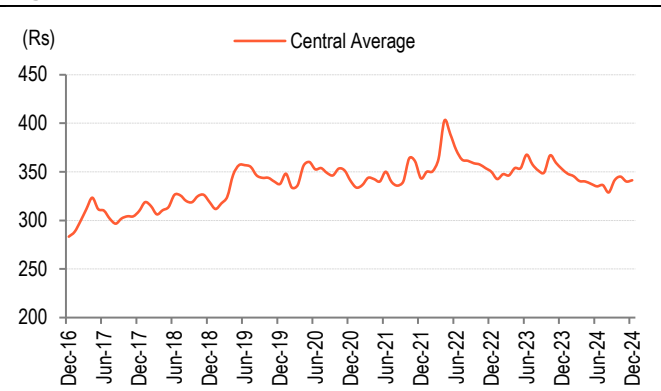
Eastern region supply pressure recedes helping revival from the lower pricing; Central India continues to be relatively brighter spot

In Kolkata, prices rose steeply in December as demand revival though steady was insight coupled with restricted supply. UTCEM continue to be the top brand and delivered price consciousness. Prices are likely to jump to Rs350/bag in January 2025 if the demand stays steady aiding price hikes.

In Raipur, channel checks indicated non-trade prices revived the strongest from the low of Rs 215-220/bag to Rs250/bag. Demand is steadily reviving and supply is curtailed. All the brands have shown indications to maintain the demand supply balance without under-cutting prices. However, channels indicated, price hikes are unlikely in the new year as the sharp hikes in December will be fully absorbed.

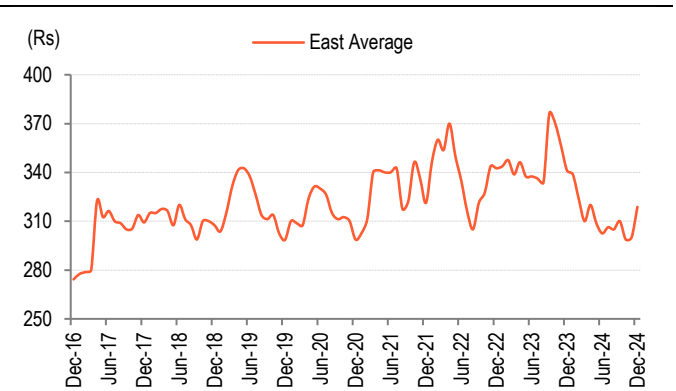
In Central India, non-trade prices for the Indore and Bhopal regions stayed at ~320/bag. Prices have been hiked but genuine demand is lacking. Supply is restricted and hence demand is perceived to be steady. While in the western UP region demand continue to be slackened due to extreme weather and pollution related issues.

Fig 6 – Central India remains amongst the better pricing regions



Source: BOBCAPS Research

Fig 7 – Eastern region reverses from the weakness



Source: BOBCAPS Research

Outlook

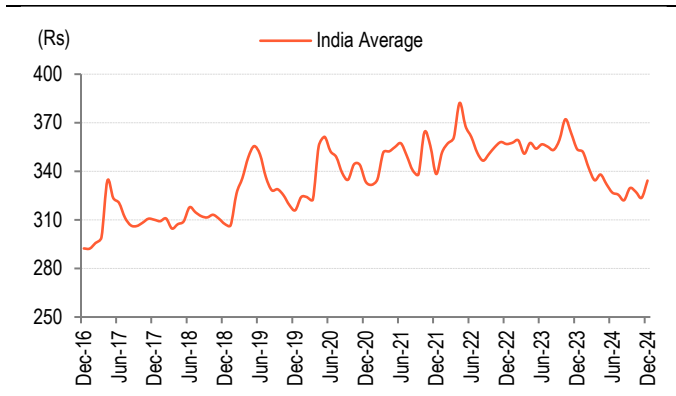
Our channel check feedback suggests that demand was steady but firmly indicating signs of green shoots in the upcoming months. On an aggregate the Pan-India cement demand has reversed and was healthy with higher to mid-single digit growth. Fewer pockets have beaten the average with double digit gains like western India. The collective feedback by channels across regions indicated that the demand activity will pick up and will sustain for at least 1-2 quarters backed by both infrastructure demand and real estate pick up. The above-normal monsoon, healthy reservoir levels and no major state elections insight the recovery in rural demand will be stronger. This will be further helped by steady policy framework following the Central government push towards infrastructure. The November cement demand was higher by a robust 13% YoY as indicated by the core Industries data published by the Office of Economic adviser, Indian government.

The demand momentum is likely to continue into Q4 to meet year-end completion deadlines of projects. Additionally, as the full budget allocations and funds are further passed on to the states the demand momentum will gather pace. This will further

narrow the gap between the trade and non-trade segments with prices being hiked initially in the non-trade segment earlier signs of the same are visible.

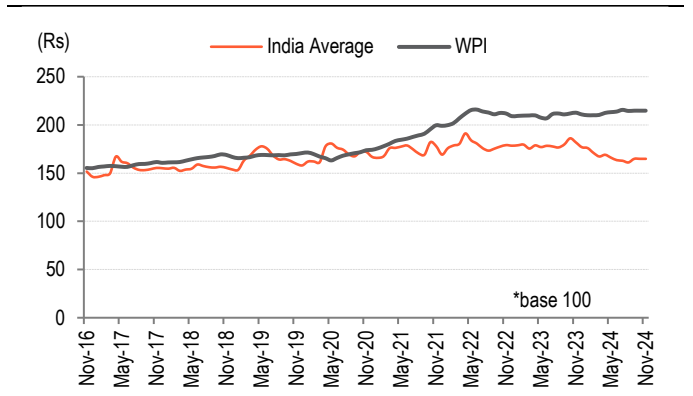
However, with heavy supply of cement across regions and new capacities expected to be commissioned, trade prices may be hiked only in small bouts of Rs 5-10/bag to allow the absorption of the hikes with ease. Collectively, this would imply that the earnings for our cement coverage will improve relatively in 2HFY25 and will partially offset the weak financial results in 1HFY25 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 continue to widens, headroom to narrow the gap



Source: Office of Economic Advisor, GOI, BOBCAPS Research

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