

Cement

Demand recovers

All-India average price corrects INR 5 per 50kg bag in December

The cement industry has witnessed a MoM recovery in demand in most pockets. But cement prices have seen moderation. Per our discussions with dealers, sales executives, and C&F agents, it seems that certain areas have struggled to maintain the price hike attempts of early December and experienced either flat or negative price movements throughout the month. As a result, all-India average retail price dropped INR 5 per 50 kg bag MoM to INR 386 in December.

Per our channel checks, demand recovery has been partly hit by: 1) strengthening winters, 2) moderate construction activity due to pollution-related curbs in Delhi and the National Capital Region (NCR). 3) rise in agricultural activity in rural parts and 4) region-specific issues (cyclone in Telangana, lower sand availability in Odisha/Nagpur). Market intermediaries in most pockets expect cement firms to attempt price hikes in January but given the expected rise in inventory with the dealers due to quarter-end volume push and likely destocking in early January, absorption of such price hikes may get delayed to mid-January.

Pan-India Q3FY24E average price may rise ~4% YoY/~5% QoQ

Per our channel checks, all-India average cement price may rise ~4% YoY and ~5% QoQ in Q3FY24E. The QoQ rise in average price by ~8% in East India may be the highest, followed by ~7%/~6% in South/North India. Prices in West/Central India rose ~2%/~1% respectively QoQ.

North, Central and East India – Prices pare ~INR 0-10/bag MoM

Price momentum continues to be weak in North, Central and East India in December. In Central India, prices in East Uttar Pradesh dropped INR 10/bag while in West Uttar Pradesh were flat MoM. Prices in Madhya Pradesh were down INR 5/bag. In East India, prices in Jharkhand and Odisha fell INR 10/bag each while in Bihar, Chhattisgarh and West Bengal were flat MoM. In North India, price in Delhi dipped INR 10/bag and in Rajasthan was down ~INR 5/bag. Prices in Punjab were flat MoM.

Price deterioration persists in South India

Select pockets in South India witnessed price hikes at the start of December, which were followed by roll-backs, resulting in a fall in average price in South India. In December, prices in Karnataka were largely flat MoM, while Kerala, Andhra Pradesh, Tamil Nadu and Telangana saw price cuts of INR 10/bag each.

West India– Gujarat broadly stable; Maharashtra mixed

Prices in Gujarat were flat MoM. In Maharashtra, Mumbai and Nasik have reported price cuts of INR 10/bag and INR 5/bag, respectively, while prices in Nagpur were flat MoM in December.

Outlook: Higher prices to bolster Q3FY24 realization

Price hikes as of end-Q2FY24 and in October may positively impact Q3FY24 margin. Also, expect sustained demand, led by continued strong government spending in the pre-election period and the busy demand season kicking in the upcoming months.

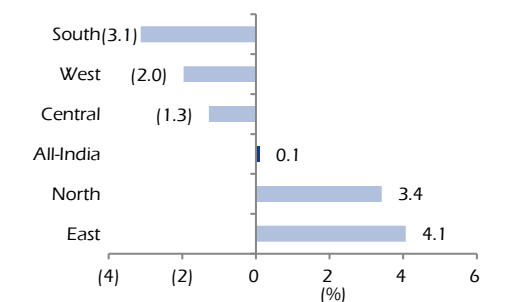
All-India cement prices down ~1% MoM

	Dec-23	YoY (%)	MoM (%)
Central			
Allahabad	430	0.0	(2.3)
Meerut	430	4.9	0.0
Sagar	330	0.0	(1.5)
Bhopal	350	1.4	(1.4)
East			
Patna	385	4.1	0.0
Raipur	330	4.8	0.0
Ranchi	390	9.9	(2.5)
Bhubaneswar	370	7.2	(2.6)
Kolkata	395	9.7	0.0
North			
Delhi	410	5.1	(2.4)
Jaipur	381	5.8	(1.3)
Amritsar	415	12.2	0.0
Chandigarh	410	12.3	0.0
South			
Bengaluru	430	0.0	0.0
Chennai	355	(9.0)	(2.7)
Hyderabad	375	0.0	(2.6)
Trissur	420	(5.6)	(2.3)
Vizag	380	0.0	(2.6)
West			
Ahmedabad	395	(2.5)	0.0
Surat	390	(2.5)	0.0
Mumbai	395	(2.5)	(2.5)
Nagpur	350	1.4	0.0
Nashik	355	1.4	(1.4)
All India	386	2.5	(1.2)



Note: Exhibit represents retail prices as on 26 December 2023; Source: Elara Securities Research

All-India average cement price largely flat YoY in FY24 YTD



Source: Elara Securities Research

Exhibit 1: Q3FY24 all-India average price ~5% higher than Q2FY24 average

(INR/bag)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Variance (%) *	Comments
Central region average	384	378	383	381	385	390	1.4	Demand improves MoM in December
Eastern region average	327	349	353	346	349	378	8.3	Price hike attempted in Jharkhand. Other states expected to follow.
Northern region average	365	366	375	374	386	408	5.7	Price hike of INR 5-15/bag may be attempted in the coming weeks
Southern region average	390	407	393	384	372	398	7.0	Cyclone and change in government hit demand to some extent in Telangana
Western region average	380	381	379	376	373	382	2.4	Upcoming <i>Makar Sankranti</i> festival could lead to a slowdown in construction activities in Mumbai during the first half of January
All-India average	369	376	377	372	373	391	4.9	

Note: *Variance between the average of Q3FY24 and Q2FY24; Source: Elara Securities Research

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