

October 28, 2024

SECTOR UPDATE

Cement

All India avg. prices are flattish to negative in Oct'24, international coal and pet-coke prices have inched up.

Our cement channel check suggests, all-India avg. trade cement prices were down by Rs1 per bag on a MoM basis in Oct'24. The East (-6), South (-Rs2), followed by flattish in West and Central, while North have witnessed a marginal price hike of Rs5 (Ref. page 3). During Oct'24, a few pockets took a price hike at the start/mid of the month but didn't sustain it afterward due to regional, seasonal, and festive impacts, i.e., 1). Heavy rainfall across the geography, 2). Continuation of festive season, 3). Liquidity crunch and political issues in eastern region, 4). Delay in Amaravati work and slowdown in real estate work in southern region, etc.

All India avg. cement price (trade segment) dropped by 0.1% MoM: The avg. exit price for Oct'24 stood at ~Rs359 (a increase of Rs5 from 2QFY25 exit price of Rs354) which is equivalent to five-year low. On a MoM basis, prices were down by ~1.5% in eastern region followed by 1% decline in south region, while central and western region were flattish. Also, non-trade segment prices were almost flattish in Oct'24.

Demand remained flattish across the region on MoM basis: After a sluggish demand in 2QFY25, the industry has witnessed flattish demand environment in Oct'24 primarily due to heavy rain and ongoing festive season. As per our channel check demand revival can be expected post Diwali and Chhath puja, however, some pockets in southern region are still under pressure due to delay in government projects.

Our View: Pricing pressure is likely to continue, therefore we don't see any meaningful price hike in the near term on account of the increase in competitive intensity due to new capacity additions and consolidation from larger players. We believe normalization may come by the end of FY26E in the industry once all the announced capacity comes under stream. However, regional players with higher market share, pricing power and cost savings may see margin expansion. The industry may witness some respite from the cost front considering stable diesel prices, higher usage of green energy and other cost initiatives despite marginal increase in international pet-coke prices in Oct'24.

Region/Citywise cement avg. price (Rs/bag)	Oct-24	Sep-24	Oct-23	MoM (%)	YoY (%)
North	381	376	415	1.3	-8.2
Delhi	384	379	450	1.3	-14.7
Jaipur	357	357	383	-	-6.8
Ludhiana	403	393	413	2.5	-2.4
East	366	372	396	-1.5	-7.5
Kolkata	376	386	400	-2.6	-6.0
Bhubaneshwar	371	371	401	-	-7.5
Patna	351	358	386	-2.0	-9.1
West	361	361	397	-	-9.1
Mumbai	386	391	431	-1.3	-10.4
Pune	312	317	350	-1.6	-10.9
Ahmedabad	385	375	410	2.7	-6.1
South	331	333	397	-0.6	-16.6
Hyderabad	298	298	370	-	-19.5
Bengaluru	390	390	430	-	-9.3
Chennai	306	312	392	-1.9	-21.9
Central	354	354	376	-	-6.0
Bhopal	315	315	344	-	-8.4
Indore	315	315	334	-	-5.7
Lucknow	431	431	451	-	-4.4
All India Avg.	359	359	396	-0.1	-9.5

Source: Company, YES Sec

Stock price performance

Company	3M (%)	6M (%)	1Y (%)
ACC IN	-12.2	-9.4	22.2
ACEM IN	-16.1	-8.9	38.1
BCORP IN	-26.2	-21.5	-3.6
DALBHARA IN	-0.1	0.6	-11.2
GRASIM IN	-6.3	13.7	44.1
HEIM IN	-9.0	7.0	13.6
ICEM IN	-3.2	59.1	73.7
JKCE IN	-3.2	4.4	38.2
JKLC IN	-9.1	-1.9	14.5
ORCMNT IN	1.5	48.6	72.2
PRSMJ IN	19.2	14.6	40.1
SGC IN	-4.8	1.3	-5.8
SRCM IN	-8.6	4.4	-1.2
STRCEM IN	-4.3	-11.8	28.7
TRCL IN	4.3	8.3	-11.2
UTCEM IN	-4.6	14.8	35.7

Source: Bloomberg, YES Sec, as on 28th Oct'24

Note:

We have BUY rating on ACC with TP of Rs3,256

BUY rating on BCORP with TP of Rs1,425

SELL rating on UTCEM with TP of Rs8,272

ADD rating on DALBHARA with TP of Rs2,103

All others are "NOT RATED"

Avg. Non-Trade Cement prices

Region	Sep'24	Oct'24	MoM Chg	Trend
North	247	247	0%	↔
South	278	278	0%	↔
East	277	277	0%	↔
West	297	297	0%	↔
Central	257	257	0%	↔
India Avg.	271	271	0%	↔

Source: YES Sec

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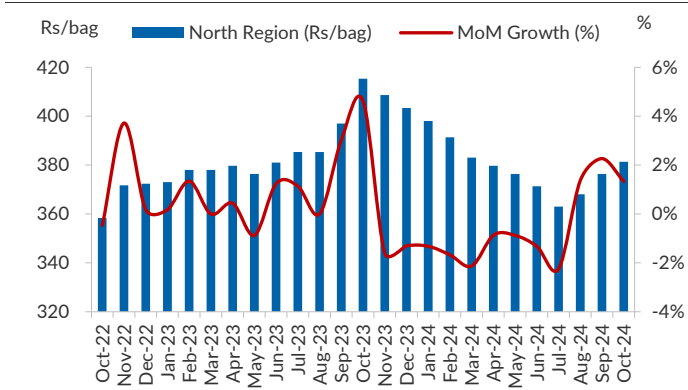


KEY POINTS FROM DISTRIBUTORS

- **Hyderabad:** No price hike in Oct'24 and no price hike announcement for Nov'24. Volume flattish in Oct'24 vs. Sep'24. Amaravati work is getting delayed due to political issues and expect further delay. UltraTech billing price is Rs350/bag and whole price is Rs300/bag.
- **Bengaluru:** No price hike or announcement in Oct'24, poor cement demand. As per dealer, 3Q looks weaker than 2Q due to delay in government projects, sluggish demand from IHB, and credit issues.
- **Chennai:** No price hike or announcement in Oct'24, and poor demand in the state due to delay in govt. projects. No momentum in demand post Vijaya Dashmi. As per dealer, in general Oct-Nov-Dec months are weak in the states. Invoice prices were dropped by Rs30-35/bag, while selling prices were dropped by Rs5-10/bag in Oct'24. Don't see any sharp price hike in near-term.
- **Kolkata:** A price decline of Rs30/bag in Oct'24 and there is no price hike announcement as of now. As per distributor there is high chances of further price decline due to lack of demand. Very poor demand in Oct'24.
- **Bhubaneshwar:** No price hike in Oct'24, and there is no announcement for Nov'24 as of now. Demand was poor due to prolonged festive season and heavy rain in the state.
- **Patna:** Price decline of ~Rs5-10/bag in Oct'24, No price hike announcement so far. Demand is ok and volume push has happened in the month. However, some pressure would be there ahead of Diwali and Chhath Puja in the region till mid of Nov'24.
- **Mumbai:** No price hike in Oct'24 and there is no announcement as well. Demand is ok but no significant pick-up in Oct'24. Dealers expect a price hike post Diwali. Selling prices were down by Rs5/bag in Oct'24.
- **Ahmedabad:** Price hike of Rs5-10 Oct'24 and no price hike announcement for Nov'24 as of now. Demand was ok and expect some improvement post Diwali.
- **Jaipur:** No price hike in Oct'24, but company has reduced billing price by Rs10 in the last week of Oct'24. There is a price hike of Rs10 announcement by Shree Cement but not yet implemented. No improvement in demand. As per dealer, one can't expect any meaningful price hike or demand uptick before Mar'24.
- **Delhi:** Price hike announcement of Rs25 but implemented only Rs5 in Oct'24. There is a price hike announcement of Rs10-15/bag for 1st Nov'24 but as per dealer it may delay. Demand is flattish in Oct'24 vs. Sep'24. And don't see any demand pick up till mid of Nov'24 due to festive season, labour issue and construction ban on account of pollution. UltraTech billing price is Rs404 but whole-sale price is Rs350/bag.
- **Indore:** No price hike in Oct'24, and no price hike announcement for Nov'24 as well. Sluggish demand. Price hike expected post Diwali.
- **Lucknow:** No price hike or announcement in Oct'24, demand is ok (i.e., better than Sep'24) but not to that extent it should be in Oct month in general. Pricing and demand weakness to persist in 3Q as well
- **Bhopal:** No price hike in Oct'24 and no announcement as of now for Nov'24 price hike. Demand is ok and expected some uptick post Diwali.

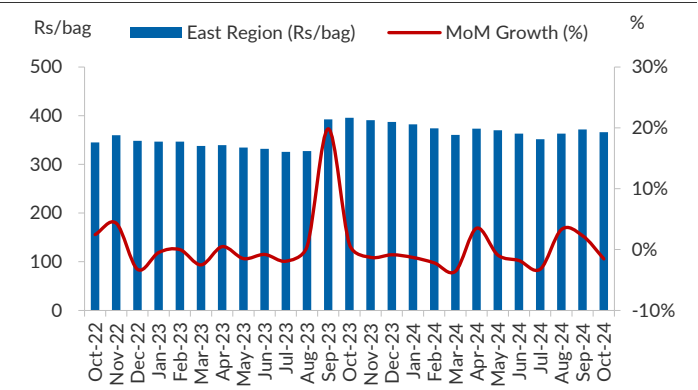
CEMENT PRICING CHART ANALYSIS

Exhibit 1: North region avg. prices up by ~Rs5/bag



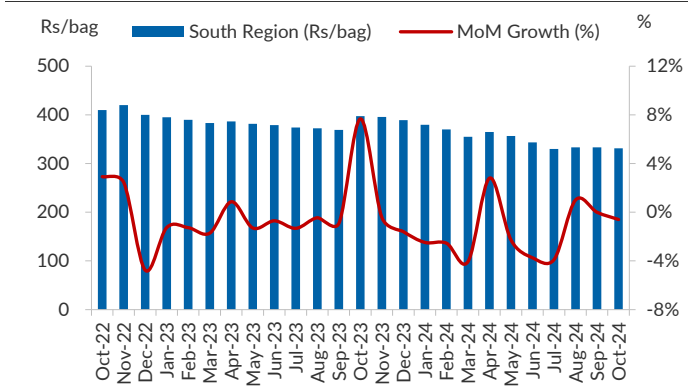
Source: Company, YES Sec

Exhibit 2: East region avg. prices down by ~Rs6/bag on MoM



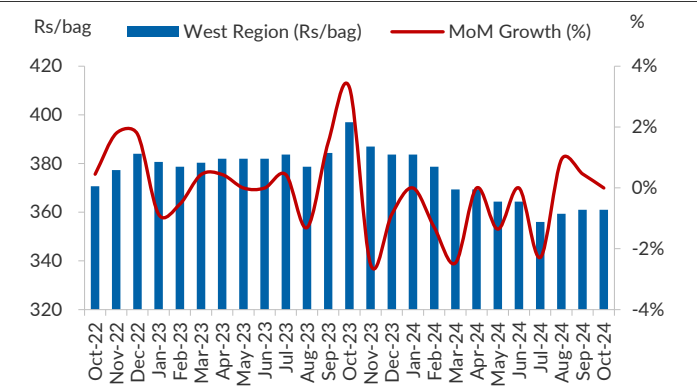
Source: Company, YES Sec

Exhibit 3: South region avg. prices down by Rs2/bag on MoM



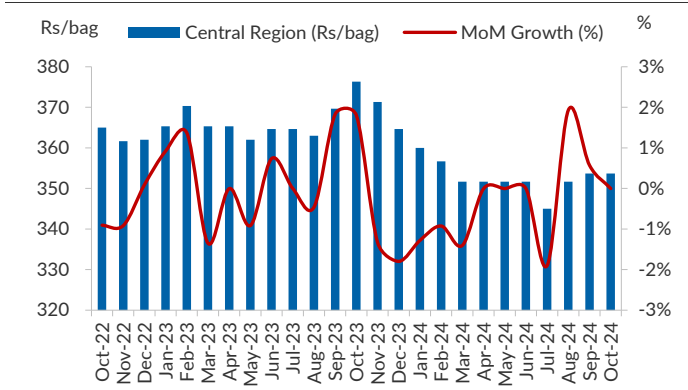
Source: Company, YES Sec

Exhibit 4: West region avg. prices were flattish MoM



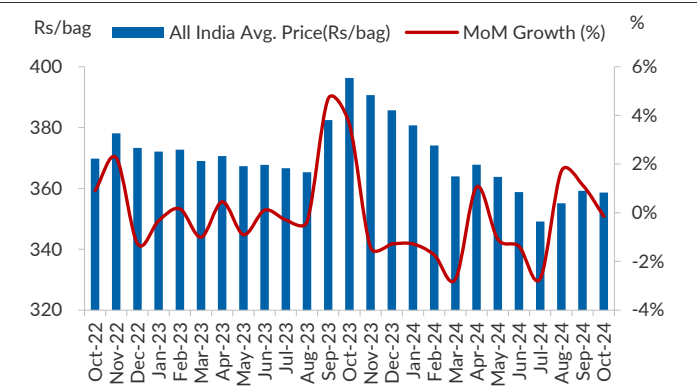
Source: Company, YES Sec

Exhibit 5: Central region avg. prices were flattish MoM



Source: Company, YES Sec

Exhibit 6: All India avg. prices were down by Rs1/bag



Source: Company, YES Sec

Exhibit 7: Trade Segment Cement Price trend in Oct'24 vs. Sep'24/ Oct'23

Region	MoM Change (Rs/Bag)	Trend	YoY Change (Rs/Bag)	Trend
North	5	↑	(34)	↓
South	(2)	↓	(66)	↓
East	(6)	↓	(30)	↓
West	-	↔	(36)	↓
Central	-	↔	(23)	↓
All India Average	(1)	↓	(38)	↓

Source: Company, YES Sec

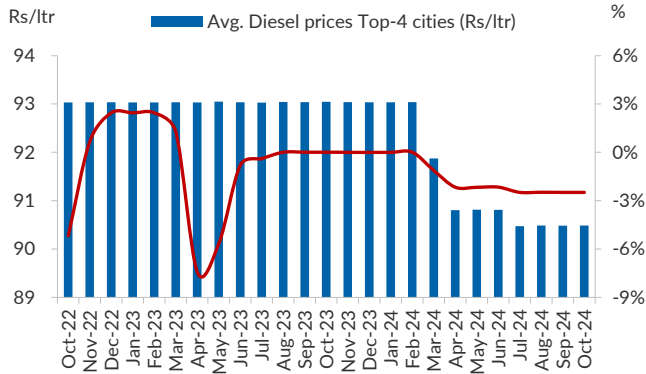
Marginal spike in domestic/international pet-coke prices:

- Although diesel prices have come down, the companies will have to face busy season railway surcharges, also small players to report increase in lead distance due to loss of market share as large player will aggressively focus on volume gain. This may lead marginal spike in freight costs.
- Avg. domestic pet-coke prices have dropped by ~5% MoM in Oct'24 to Rs12540/tn and ~15% YoY down from level of Rs14,810/tn in Oct'23. However, the drop in prices have slowdown in past three quarters looks bit ambiguous and may see marginal spike in near-term.
- For our analysis, we are considering coal realization reported by Coal India Ltd in BSE filing for "2QFY25" as benchmark. Coal India Ltd (CIL) e-auction prices were up by ~2% in 2QFY25 as compared to ~5% decline in 1QFY25 due to coal scarcity.
- Avg. imported coal prices (AUS - Newcastle coal prices - 6000kcal/kg) increased by ~2% to USD147/tn in Oct'24 vs. USD144/tn in Oct'23, imported pet-coke prices increased by ~8% to USD136/tn in Oct'24 vs. USD126/tn in Nov'23. The marginal spike in international pet-coke and coal prices would adversely impact P&F cost in 3QFY25E.

"We believe the high-cost fuel inventory would partially off-set by higher usage of green energy and AFR, especially by larger players and companies with enough captive coal mines. However, lower realization and weak demand may hamper margins in 3QFY25 to some extent".

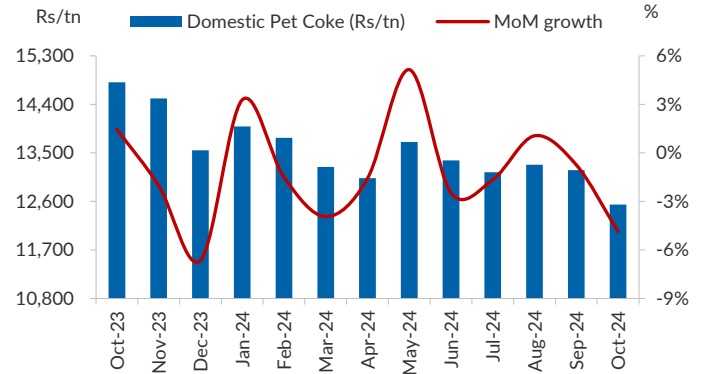
COST CHART ANALYSIS

Exhibit 8: Avg. diesel prices remained stable in Oct'24 and dropped by 2.5% YoY to Rs90.4/Ltr.



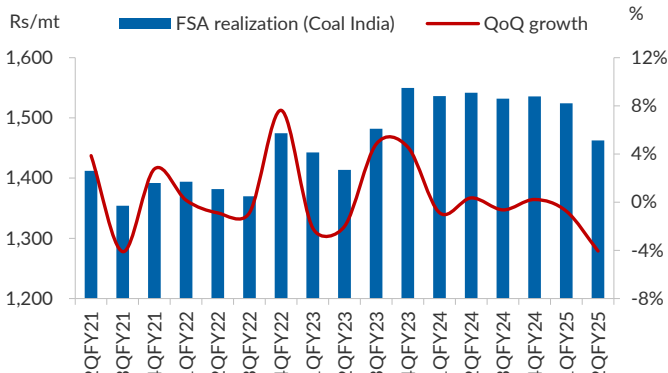
Source: Company, YES Sec

Exhibit 9: Avg. domestic pet-coke prices declined by ~5% MoM (and below 12mths avg. prices of ~Rs13500)



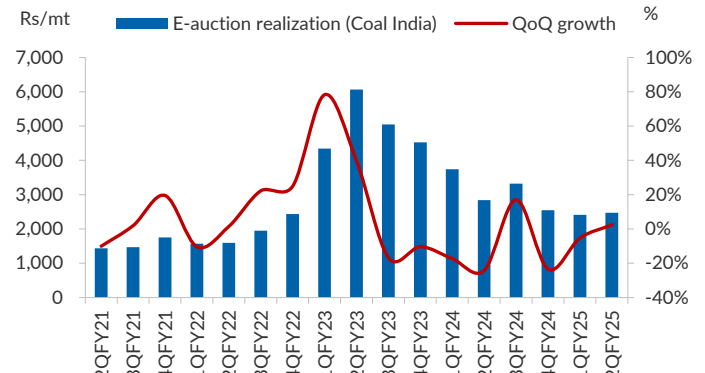
Source: Company, YES Sec

Exhibit 10: CIL's coal price down by 4% QoQ in 2QFY25...



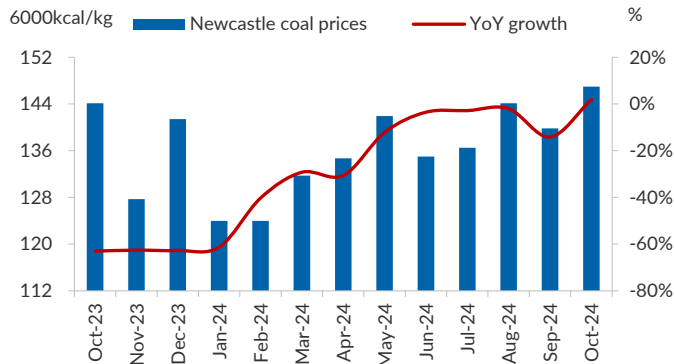
Source: Company, YES Sec

Exhibit 11: ...while CIL's E-auction prices were up by 2.5% QoQ in 2QFY25



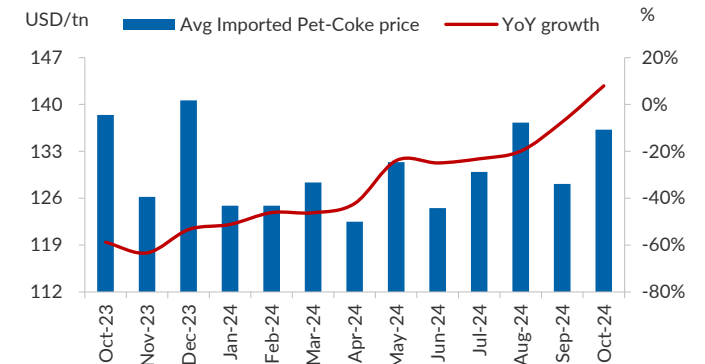
Source: Company, YES Sec

Exhibit 12: Avg. imported coal price up by ~2% MoM in Oct'24



Source: Company, YES Sec

Exhibit 13: Avg. imported pet-coke prices up by ~8% MoM Oct'24



Source: Company, YES Sec

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