

December 18, 2024

SECTOR UPDATE

Cement

All India cement average prices have inched up in Dec'24 despite having a weak demand

Our cement channel check suggests, As of 18th Dec'24, all-India avg. cement prices stand at Rs366 (an increase of Rs8/bag) of 50 kg bag as compared to Nov'24 exist price of Rs358/bag. Central region has witnessed highest price hike of Rs11/bag followed by south/north/ east of Rs8/bag while the least price hike of Rs5/bag in western region. Baring AP/Telangana, most of the pockets have taken a price hike in the range of Rs5-15/bag which have sustained till now despite a sluggish demand environment.

All India avg. price in 3QFY25 remains below the five years avg. price of Rs365/ 50 kg bag: North and central has seen highest price hike in 3QFY25 followed by east and west, while southern prices remained weak and mere increase. Northern region avg. prices were up by Rs16/bag on QoQ basis, while central prices were up by Rs8/bag on QoQ basis in 3QFY25. East and west prices were up by Rs4/bag on QoQ basis, while south prices were only up by Rs1/bag on QoQ basis in 3QFY25 (mainly due to no price hike AP/TN in Dec'24). All India avg. cement prices up by Rs7/bag in 3QFY25 to Rs361/ 50 kg bag as compared to exist price of Rs354/ 50 kg bag in 2QFY25 but remains below the five years of avg. prices.

The recent price hike may not be meaningful as its being hyped: Southern region avg. cement prices were up by ~Rs8/bag mainly led by Rs15/ Rs8 per bag price hike in Bengaluru/ Chennai, but surprisingly, there was no price hike in AP/TN during Dec'24 which considered as biggest market in the region. This is mainly due to higher competition and regional players were not in the favor of price hike instead more focused on volume gain. It's natural for Karnataka and Chennai as their prices were too low from past many quarters as compared to other southern region states.

During Dec'24, most of the pockets have taken a price hike of Rs10-15/bag in central region led by marginal improvement in the demand. Bhopal have witnessed a price hike of Rs12/bag followed by Indore and Lucknow of Rs10/bag respectively. We believe, the recent price hike in central region sustains for the rest of the month and expect Jan-Feb'25 may continue with the same price.

In easter region, baring Kolkata (up by Rs3/bag), Bhubaneswar and Patna have taken a price hike of Rs10/bag as against announced price hike of Rs20/bag in the states. Similarly, in north, Delhi and Jaipur have taken a price hike of Rs10/bag while Ludhiana prices were only up by Rs5/bag.

There were only Rs5/bag price hike across Mumbai, Pune and Ahmedabad. The price hike is very minimal as compared to other region due to subdued demand, especially election month in Mumbai.

Our View: All India cement avg. prices are at the level of five years avg. prices (Rs365/bag) and we believe the price have already bottomed out and expect stable to gradual increase in price going forward. But we don't see any sharp hike of Rs50-60/bag in near term, instead in the range of Rs5-10/bag if demand favors. However, the big catch is, the RD (rate difference), the avg. rate difference has increased and higher at Rs35-45/bag which would ideally go the dealer and distributor from the company pockets. So, the recent price hike is meaningless as per our view. We don't see any significant movement in government capex until 1Q/2Q FY26E due to regional, seasonal and liquidity issues in some specific states (i.e., eastern, and southern regions). While private capex to fill the gap to some extent till then. We are neutral to negative for sector for FY25E and may change our view in 2QFY26E.

Stock price performance

Company	3M (%)	6M (%)	12M (%)
ACC IN	-11.7	-17.5	-2.2
ACEM IN	-8.0	-15.4	8.5
BCORP IN	-3.5	-18.8	-10.5
DALBHARA IN	5.2	2.2	-17.5
GRASIM IN	-4.1	6.3	24.3
HEIM IN	-2.6	1.7	-4.5
ICEM IN	-8.7	52.7	29.6
JKCE IN	0.9	6.2	19.1
JKLC IN	13.8	5.6	0.5
ORCMNT IN	17.4	42.5	34.2
PRSMJ IN	-7.1	15.4	3.5
SGC IN	-2.6	-11.8	-19.3
SRCM IN	12.8	3.0	-0.9
STRCEM IN	4.7	4.1	27.1
TRCL IN	23.8	19.0	2.8
UTCEM IN	1.3	6.0	18.2

Source: Bloomberg, YES Sec, as on 18th Dec'24

Recommendation table

Company	Rating	TP
ACC	BUY	2,909
ACEM	SELL	471
BCORP	ADD	1,425
DLBHARA	ADD	2,129
SRCM	BUY	31,778
UTCEM	SELL	8,272

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Exhibit 1: All India cement avg. price per bag were up by 2.2% MoM

Region/Citywise cement avg. price (Rs/bag)	Dec-24	Nov-24	Dec-23	MoM (%)	YoY (%)
North	391	383	403	2.2	-3.0
Delhi	394	384	434	2.6	-9.2
Jaipur	372	362	368	2.8	1.1
Ludhiana	408	403	408	1.2	-
East	370	363	387	2.1	-4.4
Kolkata	379	376	395	0.8	-4.1
Bhubaneshwar	381	371	386	2.7	-1.3
Patna	351	341	381	2.9	-7.9
West	366	361	384	1.4	-4.6
Mumbai	391	386	406	1.3	-3.7
Pune	317	312	340	1.6	-6.8
Ahmedabad	390	385	405	1.3	-3.7
South	337	330	389	2.3	-13.4
Hyderabad	298	298	361	-	-17.5
Bengaluru	400	385	430	3.9	-7.0
Chennai	314	306	377	2.5	-16.8
Central	366	355	365	3.0	0.4
Bhopal	332	320	334	3.8	-0.6
Indore	325	315	324	3.2	0.3
Lucknow	441	431	436	2.3	1.1
All India Avg.	366	358	386	2.2	-5.1

Source: Company, YES Sec

Exhibit 2: 3QFY25 trade cement avg. prices up by ~2% QoQ but down by ~8% YoY

Region	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	QoQ (%)	YoY (%)
North	379	389	409	391	376	369	385	4.4%	-6%
South	379	369	389	355	343	332	333	0.2%	-15%
East	332	392	387	361	363	362	366	1.1%	-5%
West	382	384	384	369	364	359	363	1.1%	-5%
Central	365	370	365	352	352	350	358	2.3%	-2%
All India Average	369	371	391	373	363	354	361	1.9%	-8%

Source: Company, YES Sec

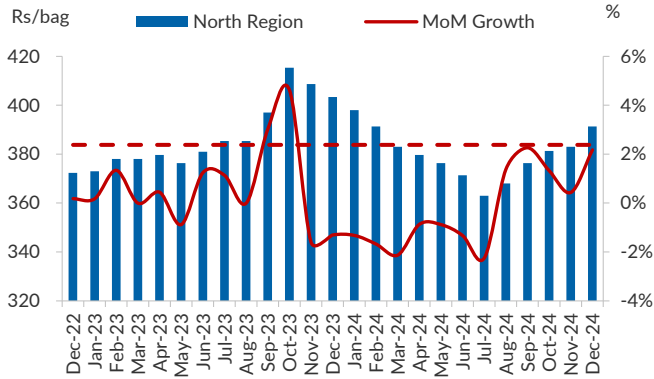
What do we see for 2HFY25E and FY25E?

Higher single digit volume growth is not feasible for FY25E: Demand in October/November and as of now in December is very weak across the geography due to regional and seasonal impact coupled with absence of government project allocations. We expect, FY25E would be a weak year on volume prospective. In 1HFY25, the aggregate cement volumes are ~158mt/ ~179mt in 1HFY25/ 1HFY24 (a fall of ~12% YoY as compared to 1HFY24). Even though, demand grows at 7-8% in 2HFY25 as compared to 2HFY24 (~191mt), the overall volume would be ~363mt (a down of ~2.1% YoY) in FY25E vs. ~370mt in FY24. Although, housing and real-estate demands are there, we expect pick-up in government infrastructure projects from Mar-Apr'25 onwards.

Weak realization to persist under intensifying competition: All India cement prices remain weak and low at three years avg. cement prices of Rs371/50 kg bag (a fall of ~3.2% from the Sep'24 exit prices of Rs369/ 50 kg bag). During Oct-Nov'24 prices remained flattish, and in Dec'24 (15 days) there were a price hike of Rs7-10/bag. And we don't expect any significant price hike in remaining days of December (any attempt would roll-back). In 1HFY25, the aggregate realization stood at Rs5280 (a fall of 7.8% from 1HFY24). Even though, ~2-3% of price hike in 2HFY25 in comparison of 1HFY24, the aggregate realization would be down by 2.6% for FY25E. While we don't see any sharp price hike in Dec'24-Feb'25 primarily due to subdued demand, labour issue on account of harvesting season and start of Poush Month (not auspicious for new construction). We believe, the prices have already bottomed out, any further price correction would be a major concern for the industry, However, one can expect marginal price sustainability from Mar'25 onwards supported by up-tick in demand.

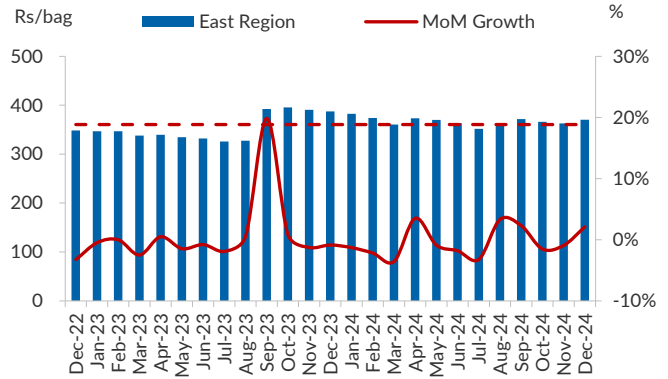
CEMENT PRICING CHART ANALYSIS

Exhibit 3: North region prices were up by Rs8/bag on MoM



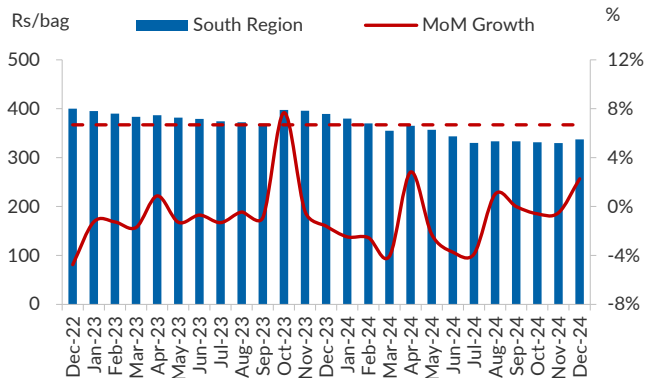
Source: Company, YES Sec

Exhibit 4: East region avg. prices were up by Rs7/bag on MoM



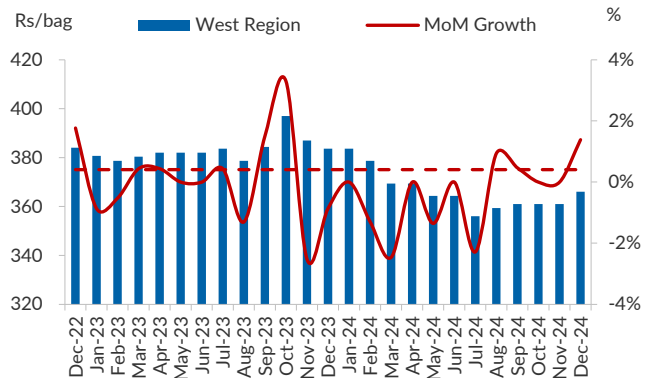
Source: Company, YES Sec

Exhibit 5: South region avg. prices were up by Rs7/bag on MoM



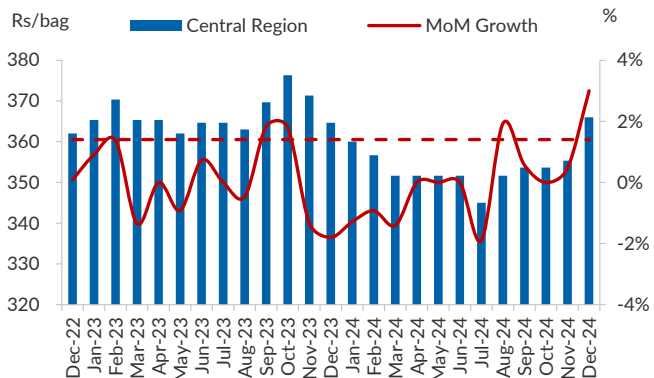
Source: Company, YES Sec

Exhibit 6: West region prices were up by Rs5/bag on MoM



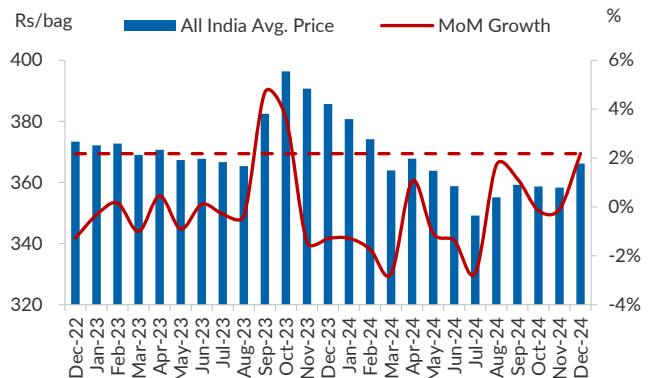
Source: Company, YES Sec

Exhibit 7: Central region prices were up by Rs11/bag on MoM



Source: Company, YES Sec

Exhibit 8: All India avg. prices were up by Rs8/bag on MoM



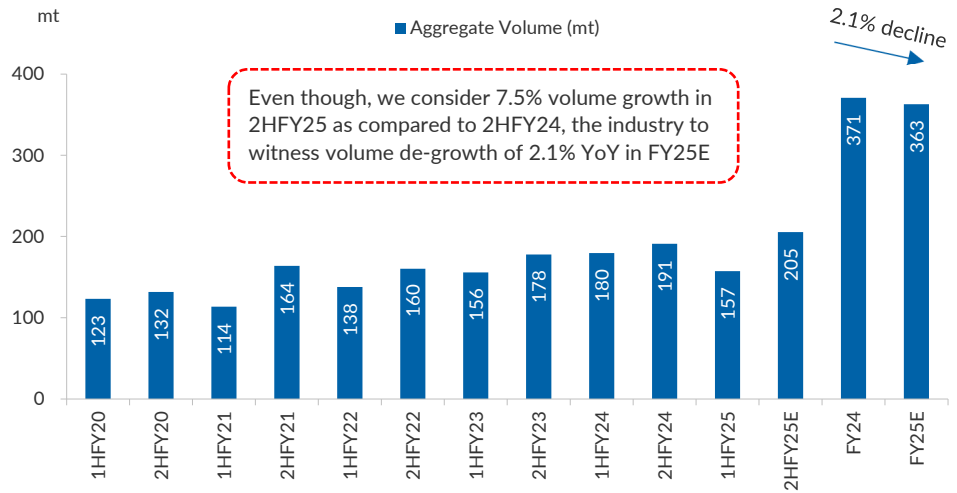
Source: Company, YES Sec

Exhibit 9: Trade Segment Cement Price trend in Dec'24 vs. Nov'24/ Dec'23

Region	MoM Change (Rs/Bag)	Trend	YoY Change (Rs/Bag)	Trend
North	8	↑	(12)	↓
South	8	↑	(52)	↓
East	8	↑	(17)	↓
West	5	↑	(18)	↓
Central	11	↑	1	↔
All India Average	8	↑	(20)	↓

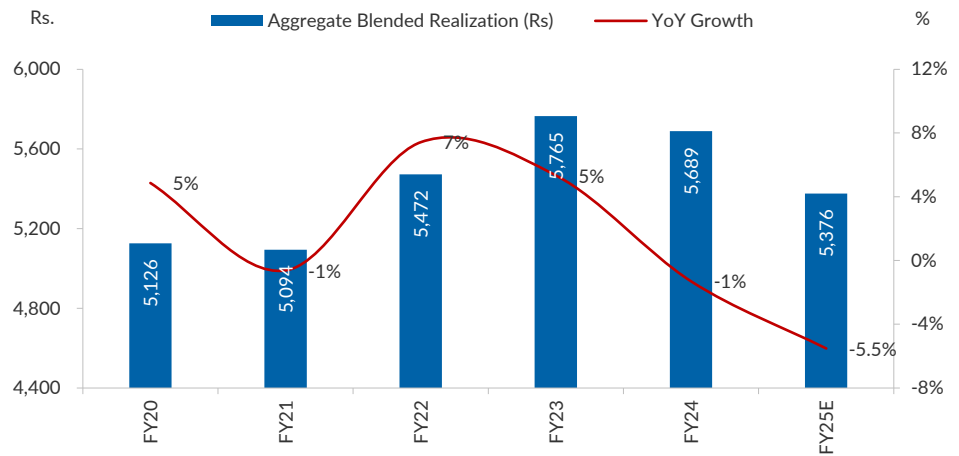
Source: Company, YES Sec

Exhibit 10: We expect more than 2% industry volume de-growth in FY25E



Company, YES Sec

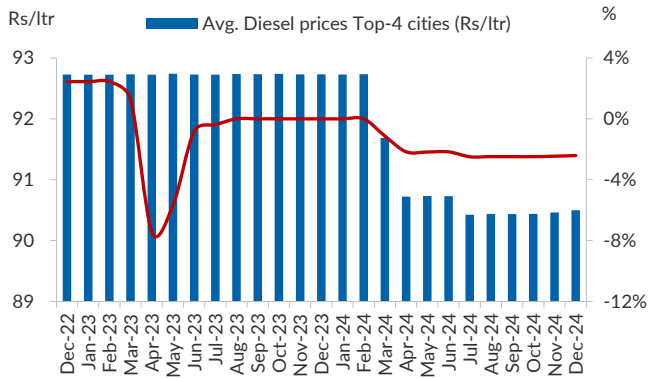
Exhibit 11: Even though 2.5% increase in realization in 2H, industry to witness 5.5% realization de-growth in FY25E



Company, YES Sec

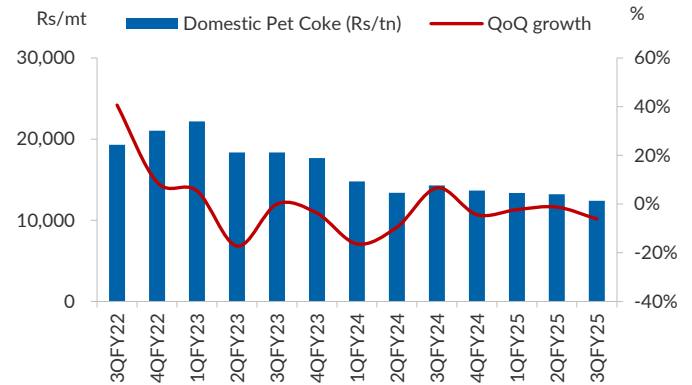
COST CHART ANALYSIS

Exhibit 12: Stable diesel price to provide comfort logistic cost



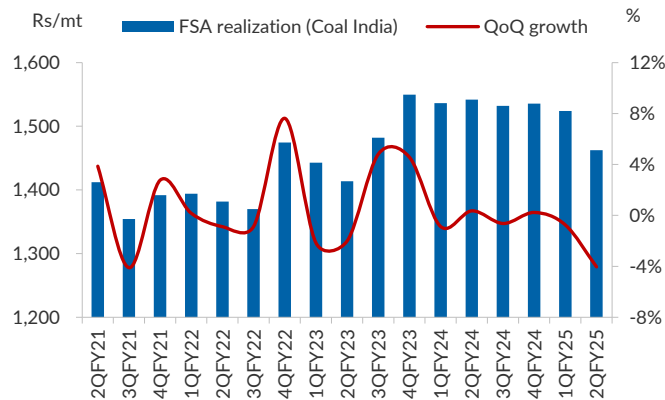
Source: Company, YES Sec

Exhibit 13: Domestic pet-coke prices declined by 6% QoQ in 3QFY25



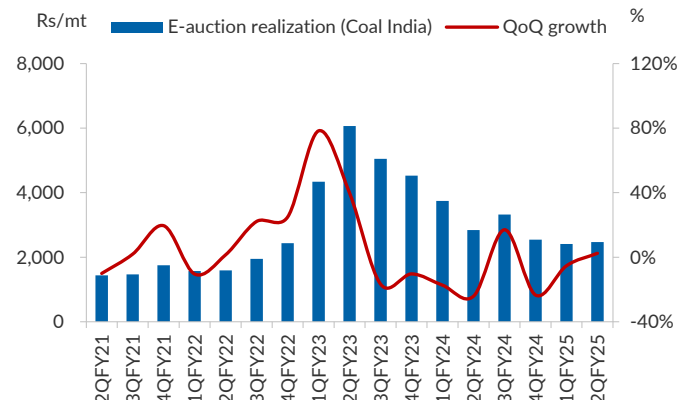
Source: Company, YES Sec

Exhibit 14: CIL's coal price remains down so far...



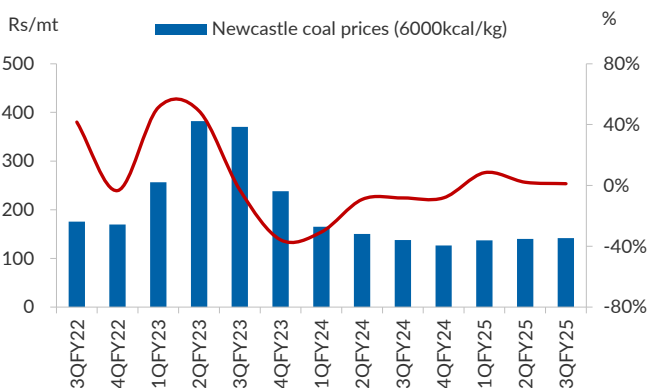
Source: Company, YES Sec

Exhibit 15: ...while its e-auction were up by 2.5% in 2Q FY25*



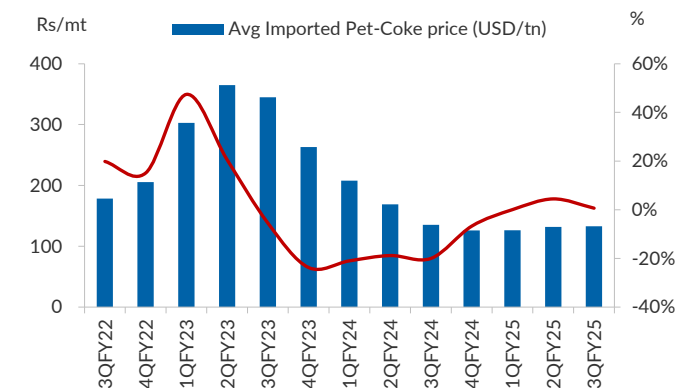
Source: Company, YES Sec

Exhibit 16: Marginal increase in international coal prices from 1QFY25 to till now



Source: Company, YES Sec

Exhibit 17: Marginal increase in international pet-coke prices from 1QFY25 to till now



Source: Company, YES Sec

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