

## Cement Sector

27 November 2020

### Strong demand and pricing in November

Based on our channel checks, cement demand and prices are strong in November'20 owing to pick-up in demand in the non-trade segment (infra segment) and continuation of demand from the individual house building (IHB) segment. All-India cement prices have increased by ~2% over the last one month, primarily driven by better demand and recovery in prices in central and western regions. West, south and central regions reported ~2-3% MoM increase while prices in the east region were flat. Central region reported 3.2% MoM growth in pricing as the Uttar Pradesh market was very strong. Non-trade segment demand and prices recovered further in November'20 due to higher demand from the infra segment. Cement demand in November'20 is up in high double digits on MoM basis and recovery in demand is spread evenly across regions. Western region demand growth is still low compared to other regions but it is better than the last few months. Eastern region continues to lead demand growth with high double-digit growth on YoY basis. Sharp pick-up in most demand segments coupled with higher pricing is likely to keep EBITDA/mt higher. FY21 is on its way to achieve the highest ever EBITDA/mt for the cement sector as a whole if the trend in demand and pricing continues. We maintain our positive view on the cement sector. Our top picks in the sector are Ultratech, Birla Corp and Sagar Cements. Please find the regional feedback below.

**North:** Prices in North market on an average increased by 1.5% MoM. Price in Chandigarh, Jaipur, and Delhi markets increased by 1.5%, 0%, and 3% MoM, respectively. Difference between trade and non-trade prices increased from Rs60 to Rs70 MoM.

**West:** Prices in the Western market increased by 2.6% MoM. Despite rising COVID cases in cities of Gujarat, prices increased by 3% MoM each in Surat and Ahmedabad. Cement prices increased by 5% and 4% MoM in Mumbai and Pune, respectively whereas it declined by 1.5% MoM in Nagpur.

**South:** Despite the monsoon being active (from Oct-Dec) in Tamil Nadu, prices in Chennai increased by 1.2% MoM to Rs410/bag. Prices increased by 6.9% and 2.1% MoM in Kochi and Hyderabad, respectively whereas it remained flat MoM in Bengaluru and Vishakhapatnam. Overall, prices in this region increased by 2.1% MoM.

**East:** East was the only region to report a marginal decline in prices on MoM basis. On an average, prices declined by 0.3% MoM with the maximum decline seen in Ranchi (-2.7% MoM). On the contrary, prices in Bhubaneswar and Raipur increased by less than 1% MoM. Demand growth, however, remained very high in this region.

**Central:** Price increase was in the region of 3-4.4% MoM in Uttar Pradesh whereas it was 1.5-3% in Madhya Pradesh. The difference between trade and non-trade prices reduced marginally by Rs5/bag MoM.

**Mangesh Bhadang**

 Research Analyst  
 mangesh.bhadang@nirmalbang.com  
 +91-22-6273 8068

**Ash Shah**

 Research Associate  
 ash.shah@nirmalbang.com  
 +91-22-6273 8138

### Average cement prices in Trade Segment (Rs/50 Kg bag)

Region	Nov-20	Oct-20	% change
North	343	338	1.5%
East	296	297	-0.3%
South	392	384	2.1%
West	335	327	2.6%
Central	355	344	3.2%
<b>All India Average</b>	<b>344</b>	<b>338</b>	<b>1.9%</b>

Source: Industry, Nirmal Bang Institutional Research

**DISCLOSURES**

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as “NBEPL”) for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

**Analyst Certification:** I, Mangesh Bhadang, research analyst and Ash Shah, research associate and the authors of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

## Disclaimer

### Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

Our reports are also available on our website [www.nirmalbang.com](http://www.nirmalbang.com)

**Access all our reports on Bloomberg, Thomson Reuters and Factset.**

Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Girish Pai	Head of Research	girish.pai@nirmalbang.com	+91 22 6273 8017 / 18
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

## Nirmal Bang Equities Pvt. Ltd.

### Correspondence Address

B-2, 301/302, Marathon Innova,  
 Nr. Peninsula Corporate Park,  
 Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010