

## 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 Bhubaneshwar 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.

### 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%
All India Average	344	338	1.9%

Source: Industry, Nirmal Bang Institutional Research

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