

Cement Sector

10 March, 2023

Prices stable across India except for marginal increase in Central and East regions

Cement production grew by 4-5% YoY in January 2023 despite a healthy base of last year, as per the data published by the Office of Economic Advisor. We expect Rs5-10 price hike in the following week (10-16th March) on the back of strong demand in Feb'23 (8-9% MoM).

North: Demand picked up in the city post an extended winter as labor availability increased after the Lohri festival. Due to the ongoing infrastructure projects, non-trade to trade ratio in Delhi NCR stands at 60:40. Delhi's market size is ~5mn mt with Ultratech being the price and volume leader. Prices are expected to remain stable in the region. Key projects: *the Dedicated Freight Corridor (DFC) in Haryana; Metro projects in Delhi & Gurgaon; Smart City related development in Delhi, Rajasthan, and Haryana.*

West: Government projects along with retail spending supported demand, which was broadly steady. The Western region continued to witness a flattish trend, in-line with the Pan India pricing trend. Ultratech is the volume leader while Ambuja continues to command pricing leadership. Mumbai is the largest bulk market with WSP of PPC between Rs350-375/bag. Prices in Mumbai remained subdued due to supply coming in from South. Key projects: *Mumbai Metro and the Trans-harbour Sea Link.*

South: South region witnessed a dip in prices by 5-10/bag. Tamil Nadu and Kerala markets are under stress as players are ready to sacrifice prices for volume. Chennai and Cochin witnessed a decline of Rs10/bag in Feb'23 on MoM basis. The region experienced subdued prices at an overall level on account of extreme competition despite healthy demand. Key projects: *Bengaluru-Chennai expressway, Bengaluru-Mysore expressway and irrigation projects (remaining phases of Kaleshwaram).*

East: Eastern region witnessed an increase of Rs5/bag in Feb'23. Northeast (Assam+ 7 sisters) and few local players (other than mini cement units) command a premium of at least Rs30/bag over 'A' category brands based out of Northeast. Prices in Northeast remained stable in range of Rs455-485/bag. Key projects: *metro development in Kolkata, Smart City related development in Odisha (Bhubaneswar), West Bengal (Newtown Kolkata), Jharkhand (Ranchi), Bihar (Bhagalpur), and Chhattisgarh (Raipur)*

Central: Central region prices inched upwards by Rs5-7/bag from the Jan'23 exit price. Trade: Non-trade mix for the region hovers ~70:30. UP is estimated to be the second largest market in the country after Maharashtra. Key projects: *metro projects in Bhopal, Meerut, Agra & Indore, irrigation projects (Ken-Betwa link project), Smart City related development in Madhya Pradesh (Bhopal, Indore & Jabalpur) and Uttar Pradesh (Lucknow) and Prayagraj expressway.*

As per NBIE channel checks, while there has not been any material increase in prices, despite several price hike attempts, the overall realization/mt is expected to improve on the back of higher OPC product mix. We expect an increase of Rs175-250 for 4QFY23 in EBITDA/mt for our coverage companies.

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Region-wise price movement

Trade PPC - WSP/bag			
Eastern Region	Feb-23	Mar-23	Diff +/-
Kolkata	360	365	5
Patna	380	385	5
Dhandbad	360	365	5
Chattisgarh	305	310	5
Bhubaneshwar	335	340	5
Ranchi	350	355	5
Western Region			
Ahmedabad	375	375	0
Mumbai	375	375	0
Pune	335	335	0
Surat	390	390	0
Northern Region			
Jaipur	355	355	0
Delhi	360	360	0
Ghaziabad	370	370	0
Central Region			
Lucknow	390	397	7
Bareilly	385	392	7
Agra	350	357	7
Aligarh	358	365	7
Meerut	385	392	7
Muradabad	395	402	7
Bhopal	355	360	5
Indore	355	360	5
Southern Region			
Bangalore	390	395	5
Chennai	385	375	-10
Vishakhapatnam	365	360	-5
Hyderabad	330	325	-5
Cochin	365	355	-10
North East Region			
Guwahati	455	455	0
Shillong	485	485	0

Source: Nirmal Bang Institutional Equities

Note: prices as on 9th March 2023

- PPC accounts for 76% of the total cement market.
- Retail Sale Price (RSP) is higher by Rs10-15/bag to WSP/bag, subject to price and brand positioning in the market.
- Non-trade prices are lower vs Trade prices by ~Rs40/bag.

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