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CEMENT

20 October 2023

Dealers Day: Positive demand and pricing outlook

- **Cement prices hiked by Rs 15-20/bag in the north, west and central regions in recent weeks, taking cues from the east and south**
- **Southern market saw steepest increase of Rs 70-80/bag in early October, but dealers suggest hikes in small doses are easier to absorb**
- **Q3FY24 likely to see healthy demand as the busy season kicks off post monsoon, lending partial support to price hikes**

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We hosted a call with regional cement dealers and experts across India to gauge post-monsoon demand and pricing trends along with festive season expectations. Takeaways:

Price hikes in east and south have spread to other regions: Our dealer checks indicate that cement prices in India's northern, western and central regions have risen by Rs 15-20/bag in recent weeks, following hikes implemented in the eastern and southern markets. In the east, cement is selling at Rs 410/bag after prices were raised by ~Rs 35 in September. In the south, a hefty increase of Rs 70-80 in early October sent rates to Rs 380-390/bag, with our expert panel anticipating another imminent hike to make up for losses incurred over Q1-Q2FY24 and to tap into festive season demand.

Demand turns soft following steep hikes…: Per dealers, hikes in small doses are easier to digest than large ones. Demand in the southern and eastern regions has softened due to the stiffer pricing, plunging 20-30% in some areas. The lack of customer support has prompted a partial rollback, with prices declining to Rs 370/bag in recent days. In the east, levels upward of Rs 380/bag lead to strong customer attrition. Dealers also highlighted that offtake in some pockets, such as rural centres in western India (Maharashtra in particular), is sluggish due to lower cash flow from the agriculture sector.

…but likely to improve: Though the buyer response signals resistance to higher prices, the consensus among panelists was that demand is likely to pick up across regions due to ongoing government projects and the festive season through to December.

OPC and PPC trends: Per dealers, the recent hikes covered both Pozzolana Portland Cement (PPC) and Ordinary Portland Cement (OPC) in central and north India, but largely PPC in the south. In the eastern region, the gap between OPC and PPC for the non-trade segment has widened to an abnormal level of ~Rs 100/bag.

Positive outlook for Q3: Our expert panel believes cement demand is likely to gather pace in Q3FY24 and early-Q4FY24 till the model code of conduct is announced for the 2024 general elections. This leaves room for at least half of the announced price hikes to be absorbed, implying potentially strong realisations across regions in Q3.

Recommendation snapshot

Ticker	Price	Target	Rating
ACC IN	2,031	1,964	HOLD
ACEM IN	437	435	HOLD
DALBHARA IN	2,208	2,286	HOLD
JKCE IN	3,345	3,474	HOLD
JKLC IN	676	551	SELL
ORCMNT IN	205	128	SELL
SRCM IN	26,298	25,731	HOLD
STRCEM IN	172	159	HOLD
TRCL IN	993	585	SELL
UTCEM IN	8,519	9,396	HOLD

Price & Target in Rupees | Price as of 19 Oct 2023

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HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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