Cement

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Improving pricing scenario to support margins

- **We hosted eight dealers from different parts of India at our Emkay Konnect conference held on March 19, 2021.**
- **Key takeaways: 1) Average pan-India cement prices rose 4-5% MoM (Rs16/bag or Rs320/ton) in Mar'21 so far, backed by strong demand and the need to mitigate cost escalations. 2) Dealers indicated that companies attempted a second round of price hike (Rs10-20/bag across regions; though hasn't been implemented) in Mar'21 mainly to ensure sustainability of the earlier hike, given year-end pressure to achieve volume targets. 3) Cement demand remains strong, mainly led by North, East and Central regions.**
- **Aided by a low base of Mar'20, industry is likely to report over 20% YoY volume growth in Q4FY21E and broadly flat volumes YoY in FY21E. Sustaining the price hikes would likely support margins amid rising cost pressures, in our view.**

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- **Average pan-India prices likely rose 4-5% MoM and 7-8% YoY in Mar'21.** Prices have increased 3-4% MoM in North, Central and South regions, and 5-6% MoM in East and West regions. With demand from the infrastructure segment rebounding, companies have been able to increase prices in the non-trade segment, reducing the pricing gap with the trade segment to Rs30-35/bag vs. Rs50-60/bag in past few months. In the trade segment, prices have remained at healthy levels in North and Central regions and have recovered in East, West and South regions on the MoM basis. On a YoY basis, prices likely rose 7-8% across India − up 11-16% in South and West, and 2-3% YoY in North, East and Central regions.
- **Dealers indicated that companies attempted second round of price hikes (Rs10-20/bag across regions; though hasn't been implemented)** mainly to ensure sustainability of the earlier hike, given year-end pressure to achieve volume targets. Considering the peak construction period, we expect the pricing to remain firm for the next few months.
- **So far in Q4FY21, average pan-India prices broadly stood flat QoQ,** with a 1-2% decline in North and South; flat prices in Central; and 1-2% increase in East and West regions. Till date in FY21, average pan-India prices likely increased 5-6% YoY, with an 18% increase in South, 6% in West, 2-3% in North. Prices were flat in Central, while still down 5% YoY in East regions.
- **Budget FY22 lays increased thrust on higher government capex on infrastructure** (roads, railways and metro), which could boost demand, if executed well. Coupled with strong rural housing demand and improving urban housing in Tier 2/3 cities, the industry may see healthy demand for the next few years. Aided by a low base of Mar'20, industry is likely to report over 20% YoY volume growth in Q4FY21E and broadly flat volumes YoY in FY21E, in our view.

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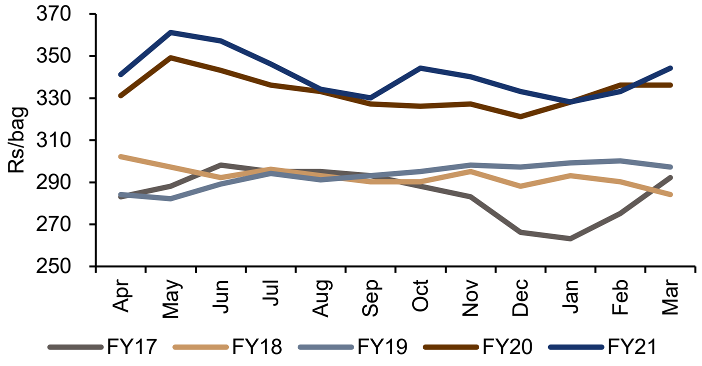
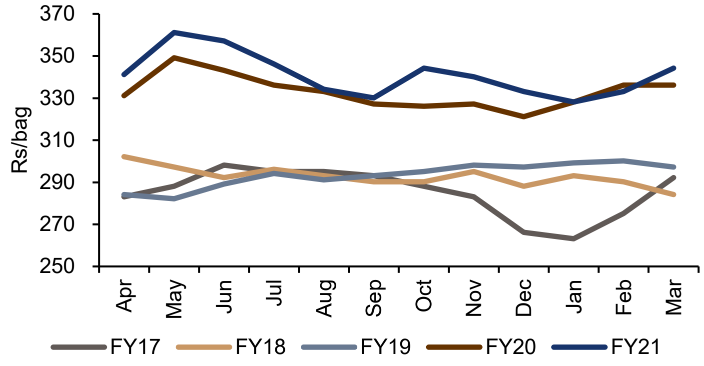
Cement Prices

Exhibit 1: North: Prices up 3% MoM and 2%YoY in Mar'21



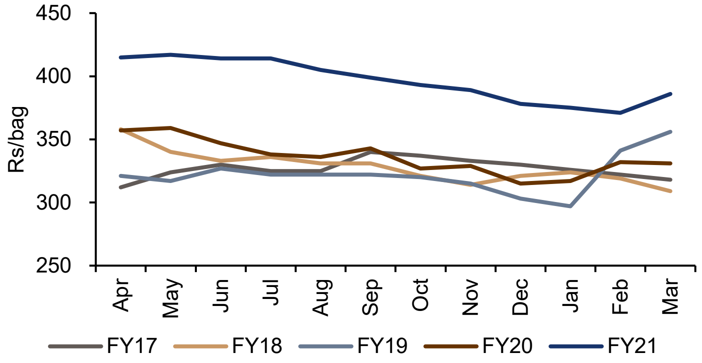
Source: Industry data, Emkay Research

Exhibit 2: East: Prices up 6% MoM and 2% YoY in Mar'21



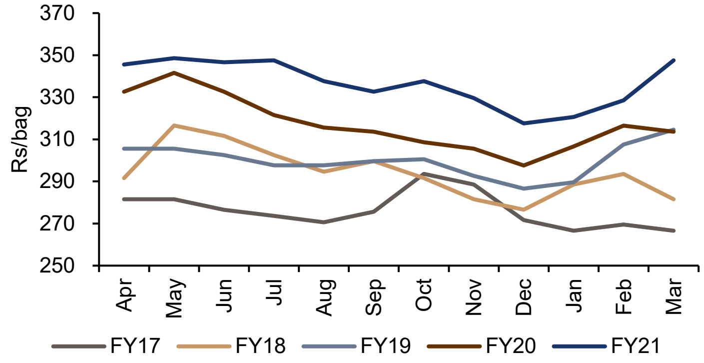
Source: Industry data, Emkay Research

Exhibit 3: South: Prices up 4% MoM and 17% YoY in Mar'21



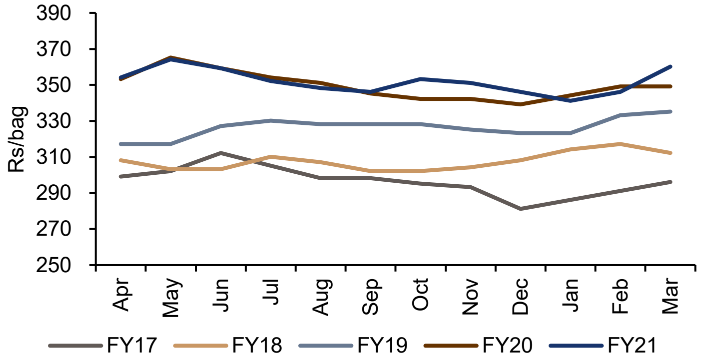
Source: Industry data, Emkay Research

Exhibit 4: West: Prices up 6% MoM and 11% YoY in Mar'21



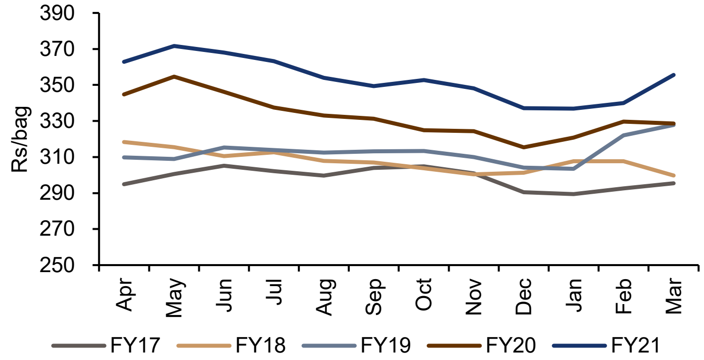
Source: Industry data, Emkay Research

Exhibit 5: Central: Prices up 4% MoM and 3% YoY in Mar'21



Source: Industry data, Emkay Research

Exhibit 6: Pan-India: Prices up 5% MoM and 8% YoY in Mar'21



Source: Industry data, Emkay Research

Exhibit 7: Cement prices were largely flat QoQ; still up 5% YoY so far in Q4FY21

	North	East	West	Central	South	Pan-India
Mar-21	344	320	348	360	386	354
Feb-21	333	301	329	346	371	339
MoM (%)	**3.3**	**6.3**	**5.8**	**4.0**	**4.0**	**4.6**
Mar-20	336	314	314	349	331	328
YoY (%)	**2.4**	**1.9**	**10.8**	**3.1**	**16.6**	**7.9**
Q4FY21-TD	335	306	332	349	377	343
Q3FY21	339	300	328	350	387	345
QoQ (%)	**(1.2)**	**1.8**	**1.2**	**(0.3)**	**(2.4)**	**(0.5)**
Q4FY20	333	314	312	348	327	326
YoY (%)	0.5	(2.8)	6.4	0.5	15.5	5.1
FY21-TD	341	313	337	352	396	352
FY20	333	328	317	350	336	332
YoY (%)	**2.5**	**(4.5)**	**6.1**	**0.7**	**18.0**	**5.8**

Source: Industry, Emkay Research

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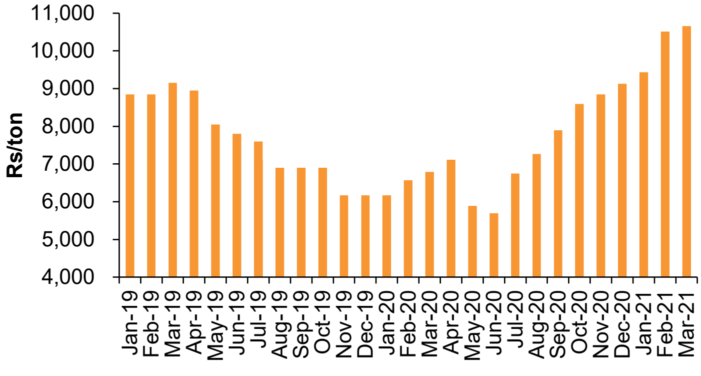
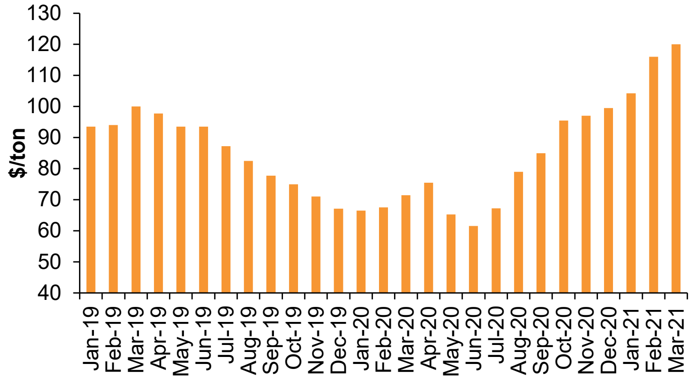
Input Cost

Exhibit 8: Domestic petcoke prices increased 57% YoY and 1% MoM in Mar'21



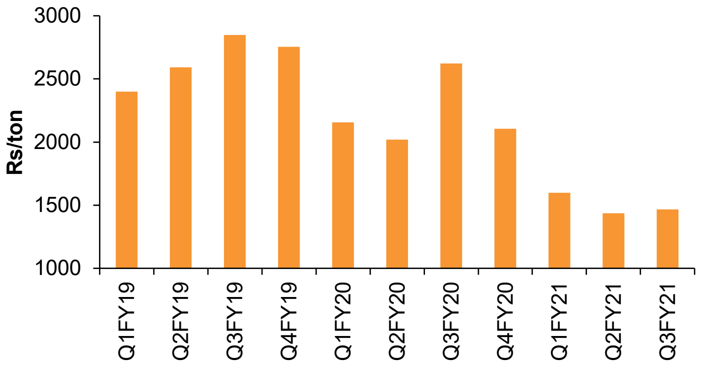
Source: Industry data, Emkay Research

Exhibit 9: International petcoke prices up 68% YoY and 3% MoM in Mar'21



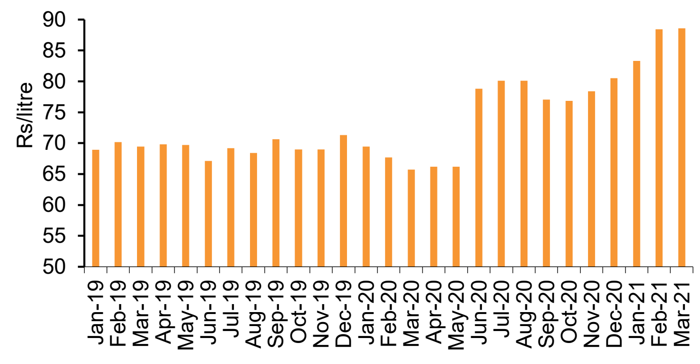
Source: Industry data, Emkay Research

Exhibit 10: Coal India (e-auction) prices declined 44% YoY but increased 2% QoQ in Q3FY21



Source: Industry data, Emkay Research

Exhibit 11: Diesel prices (Mumbai) rose 34% YoY and flat MoM in Mar'21



Source: Industry data, Emkay Research

Exhibit 12: Majority cement stocks have outperformed broader indices in last 1 month

	Absolute performance (%)				Relative to Nifty (%)			
	1m	3m	6m	YoY	1m	3m	6m	YoY
UltraTech	7.5	29.5	66.7	110.7	9.1	22.3	38.5	32.3
Shree Cements	(2.2)	9.6	38.0	51.9	(0.6)	2.5	9.8	(26.5)
Ambuja	3.0	12.9	28.8	84.1	4.5	5.8	0.7	5.7
ACC	0.4	6.5	22.6	61.0	2.0	(0.7)	(5.6)	(17.4)
Dalmia	6.7	46.6	104.8	223.1	8.3	39.4	76.7	144.6
Ramco Cements	(1.0)	13.1	27.8	69.5	0.6	5.9	(0.4)	(8.9)
JK Cement	5.1	45.8	76.3	165.4	6.7	38.7	48.2	87.0
Birla Corp	(8.9)	9.3	10.0	56.2	(7.3)	2.1	(18.1)	(22.2)
Prism Cement	6.0	28.9	94.5	205.3	7.6	21.7	66.3	126.9
India Cements	(2.0)	9.6	32.1	66.1	(0.4)	2.5	4.0	(12.3)
JK Lakshmi	9.7	21.3	51.1	80.1	11.3	14.2	23.0	1.6
Star Cement	(1.1)	6.2	8.4	41.0	0.5	(0.9)	(19.7)	(37.4)
Orient Cement	6.5	13.2	56.6	110.1	8.1	6.0	28.5	31.7

Source: Bloomberg, Emkay Research

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