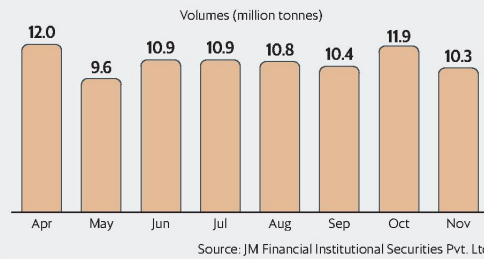


Slowing down

Volumes of cement transported by means of the railways have seen a decline in November.



SATISH KUMAR/MINT

Cement sales suffer as near-term strain weighs on demand

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As cement companies battle cost inflation with price hikes, how demand pans out would be key in determining the fate of the recent price increases.

Here, the latest railway freight data does not paint a very rosy picture as far as sales are concerned. An analysis of the railway freight data by JM Financial Institutional Securities Ltd shows that cement volumes transported through railways reported a 19% month-on-month (m-o-m) drop in November. "Compared with last year, transported volumes in November were down

12% as they witnessed headwinds in Central, South and East regions," added JM's analysts in a report on 1 December.

Extended monsoon in parts of the country is said to be a factor dampening cement demand. "A few stockists/marketing personnel attribute the decline in demand to unseasonal rainfall in parts of

the country, continued sand crisis in the East region and Eastern Uttar Pradesh, auspicious marriage season after the covid-19 outbreak last year, better volumes in October 2021 on expectations of price hikes, and sudden price hikes," said analysts at Motilal Oswal Financial Services Ltd in a recent report. They also pointed out that the November sales volume seems to be 18-20% lower than October 2021 levels, against the historical average of a 6% m-o-m fall in November.

Extended rains in parts of the country, and the sand crisis in the East region, are among factors affecting demand

Typically, the fourth quarter of a fiscal (Q4) is strong for cement makers due to a pick-up in construction activities. But weak demand in Q3 could mean roll-back of cement

price hikes, keeping operating margins under pressure. Dealer channel checks by brokerages point to partial correction in cement prices in North, South and West India markets. True, there could be some respite from the ongoing moderation in prices of petroleum coke and coal; but its impact on margins would reflect with a lag.