

PRESS RELEASE

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Cement volumes likely to grow by 6-7% in FY2026: ICRA

- **Healthy demand prospects driving capacity additions of 43-45 million MT in FY2026**

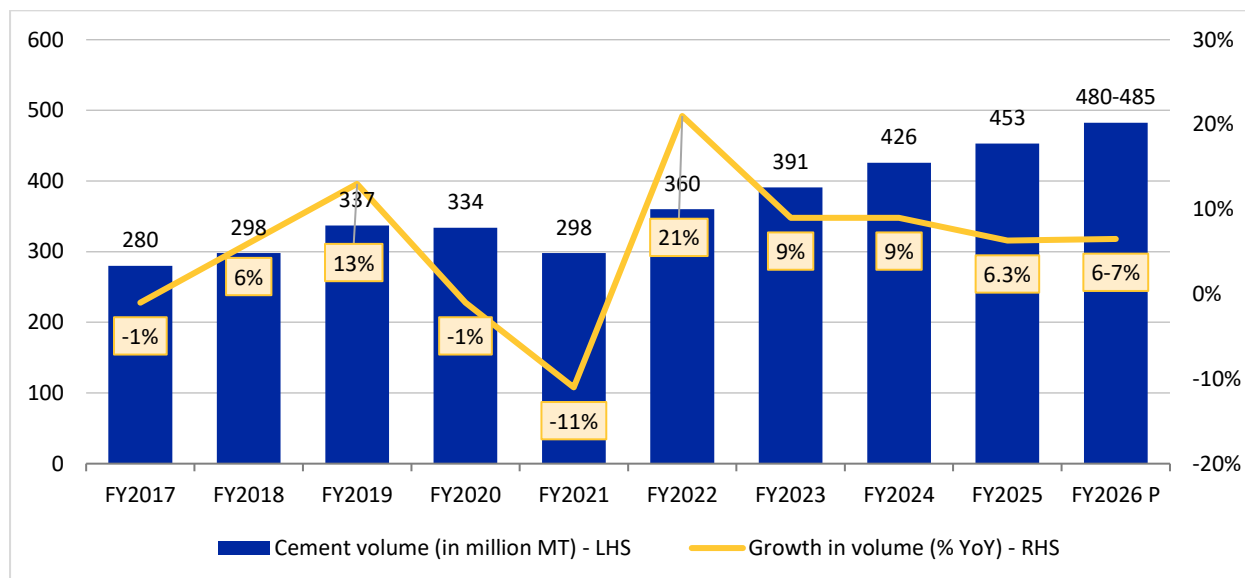
ICRA expects cement volumes to expand by 6-7% in FY2026, driven by a projected pick-up in demand from the housing and infrastructure sectors, following a growth of 6.3% in FY2025. Notwithstanding the global uncertainty, capacity addition in the cement sector is forecast to rise to 43-45 million MTPA in FY2026 from 32-35 million MTPA in FY2025. ICRA maintains a stable outlook on the sector.

In H1 FY2025, volumes had increased by a modest 1.7% YoY to ~212 million MT, primarily due to the slowdown in construction activity owing to the General Elections, the extended monsoons during H1 FY2025 and overall slowdown in private capex. However, in H2 FY2025, cement volumes witnessed healthy growth of 10.7% YoY to ~241 million MT driven by pick-up in construction activity. Given the healthy demand prospects, large cement companies are expanding their capacities, both through the organic and the inorganic route, to further strengthen their market share.

Giving more insights, **Abhishek Lahoti, Assistant Vice President and Sector Head, Corporate Ratings, ICRA**, said: *“Backed by healthy demand, ICRA foresees a capacity addition in the cement industry of 43-45 million MTPA in FY2026, rising from the estimated addition of 32-35 million MTPA in FY2025. During FY2026, eastern and northern India are likely to lead the grinding capacity supply, together adding 22-24 million MTPA, largely equally split between the two regions. The southern region, despite an oversupply of capacity, is experiencing significant capacity additions by large cement companies as it is operating at optimal utilisation levels and intend to maintain its market share in the near term. Overall, the industry’s capacity utilisation is likely to remain stable at 70% in FY2026, similar to FY2025, on an expanded base.”*

The cement prices have shown some signs of recovery from Q3 onwards with pick-up in demand, after witnessing 10% decline in average realisation during H1 FY2025. While lower realisation has impacted profitability during FY2025, moderation in costs of coal and pet-coke, which declined by 23% and 13% YoY, respectively, provided some respite to cement companies in the interim.

“The credit profile of cement producers, especially of larger and mid-size companies, is expected to remain stable, driven by a healthy growth in operating income, expected improvement in operating margins and comfortable leverage metrics. However, smaller players will witness pressure on their credit profile in the backdrop of moderation in operating profitability. Consolidation in Indian cement industry has constrained pricing flexibility of small/regional players, which will weigh on their profitability in the medium term” **Lahoti** added.

EXHIBIT 1: YEARLY TRENDS IN CEMENT VOLUMES


Source: Office of Economic Advisor, ICRA Research; P-Projections

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