ICRA

INDIAN CEMENT SECTOR

Strong demand prospects to lead to high capacity addition of 60 - 65 million MT in next two years

DECEMBER 2023

Agenda

ICRA

1 Outlook

2 Demand Drivers

3 Supply Dynamics

4 Market Structure

5 Trends in Cement Prices

6 Trends in Input Costs

Agenda

7 Profitability Analysis

8 ICRA Ratings

Highlights

Cement volumes are expected to grow by 9-10% YoY in FY2024 to 425 – 430 million MTPA and by 8-9% YoY in FY2025 to 460-465 million MTPA.

The easing of cost-side pressures is likely to improve the operating margins by 260-310 bps to 16.0-16.5 % in FY2024 and by 80-100 bps YoY to around 16.8%-17.3% in FY2025.

Cement volumes: Cement volumes stood higher by ~12% YoY at 243 million MTPA in 7M FY2024 and are likely to grow by 9-10% in FY2024 to around 425-430 million MTPA driven by demand from urban housing and infrastructure sectors. The volumes may grow by 8-9% to around 460-465 million MTPA in FY2025.

Supply addition: Capacity additions may increase by around 34-38 million MTPA in FY2024 and 29-32 million MTPA in FY2025 (27 million MTPA in FY2023), driven by healthy demand prospects. The eastern and central regions (19-21 million MTPA addition each) are expected to lead the expansion during FY2024 and FY2025. The capacity utilisation is expected to increase to 70-72% in FY2024-FY2025 from 68% in FY2023 backed by higher cement volumes, however, the utilisation remains moderate, on an expanded base.

Cement prices and input costs: The average pan-India cement prices in 7M FY2024 declined 1% YoY to Rs. 370/bag as the players passed on the benefit of fall in input costs partly to end customers. The prices in FY2024 are expected to be same as FY2023 and witness marginal growth of 1% YoY in FY2025. In 8M FY2024, the prices of coal, pet coke and diesel were lower by 42%, 34% & 1% respectively, on a YoY basis.

Outlook on revenues and profitability: Revenues in FY2024 are estimated to grow by 9-10% and with softening of cost-side pressures, operating margins are likely to improve by 260 – 310 bps YoY to around 16.0%-16.5% in FY2024. In FY2025, revenues are expected to increase by 9-10% and operating margins are likely to further improve by 80 -100 bps to around 16.8%-17.3%.

Outlook on debt protection metrics – The overall debt levels are expected to be higher by 13% in FY2024 and by 20% in FY2025 to fund the ongoing capex. However, with an expected increase in operating profits, the debt protection metrics in FY2024 are likely to be comfortable, with leverage (TD/OPBIDTA) and debt coverage metric (DSCR) of 1.3-1.4x and 2.2-2.3x, respectively. In FY2025, the leverage is expected to sustain at similar levels of previous year, while coverage metric (DSCR) improving to 2.7-2.8x in FY2025.

ICRA's sample includes ACC Limited (ACC), Ambuja Cements Limited (ACL), JK Cements Limited (JKCL), JK Lakshmi Cement Limited (JKLC), The India Cements Limited (ICL), The Ramco Cements Limited (RCL), UltraTech Cement Limited (UCL), Dalmia Bharat Limited (DBL), Birla Corporation Limited (BCL), Shree Cement Limited (SC), Sagar Cements Limited (SCL), Heidelberg Cement India Limited (HCL)

ICRA Analytical Contact Details

Name	Designation	Email	Contact Number
Rajeshwar Burla	Group Head	rajeshwar.burla@icraindia.com	040 – 4547 4829
Anupama Reddy	Co Group Head	anupama.reddy@icraindia.com	040 – 4547 4829
Abhishek Lahoti	Sector Head	abhishek.lahoti@icraindia.com	040 – 4547 4829
Hemanth Vasishta Attaluri	Senior Analyst	vasishta.attaluri@icraindia.com	040 – 4547 4829

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development - Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vipin Saboo	Head Business Development – Corporate Sector - West & East	vipin.saboo@icraindia.com	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Media & Communications	communications@icraindia.com	0124-4545860

ICRA

ICRA

Thank You!