

INDIAN CEMENT SECTOR

**Elevated input costs likely to result
in decline in operating margins by
600-690 bps in FY2023**

DECEMBER 2022



Cement volumes in October 2022 at 29.6 million MT were lower by 4% YoY, and by 2% on a MoM basis. In 7M FY2023, the volumes were higher by 9% YoY and are expected to increase by 8% to around 389 million MT in FY2023, supported by demand from the housing (both rural and urban) and the infrastructure sectors.



- **Outlook:** ICRA continues to have a Stable outlook on the Indian cement sector.



- **Cement volumes lower by 4% YoY in October 2022:** In October 2022, cement volumes were lower by 4% YoY and 2% MoM to 29.6 million MT, owing to the slowdown in demand due to the festive season. In 7M FY2023, the volumes were higher by 9% YoY at 217 million MT, supported by demand from the housing and infrastructure sectors and also due to the low base effect of Q1 FY2022 (when demand was adversely impacted by the second Covid wave).



- **Cement prices remained at similar levels YoY in 8M FY2023:** In November 2022, the average cement prices remained similar on MoM as well as YoY basis at Rs. 375/bag. In 8M FY2023 the prices were at around Rs. 375-380/bag and stood at similar levels on a YoY basis.



- **Coal, pet coke and diesel prices higher on a YoY basis in December 2022:** Coal prices in December 2022 were higher by 31% YoY, however, it declined by 9% MoM to \$280/MT. Pet coke prices remained higher by 14% YoY at Rs. 17,900/MT; however, prices were lower 6% on a MoM basis. Further, diesel prices in December 2022 remained largely similar on a MoM basis; however, they remained higher by 3% YoY basis at Rs. 90/litre. In 9M FY2023, prices of coal, pet coke and diesel have been higher by 129%, 39% and 3%, respectively, on a YoY basis.



- **Elevated input costs likely to put pressure on operating margins:** The elevated input costs are likely to exert pressure on the operating margins, which are expected to contract by around 600-690 bps to ~13.9-14.8% in FY2023.



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