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# INDIAN CEMENT SECTOR

## Healthy demand prospects driving huge capacity additions of 70-75 million MT in FY2025-FY2026

SEPTEMBER 2024

# Agenda

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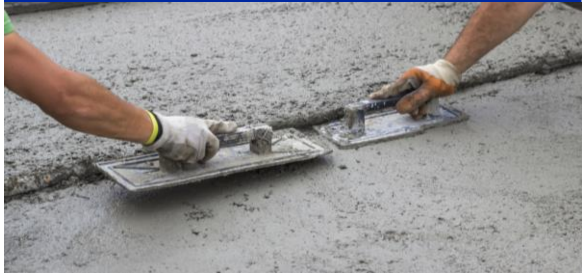
## 1 Outlook

## 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

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*Cement volumes are expected to grow by 7-8% YoY in FY2025 to 455-460 million MT. OPBITDA/MT is expected to improve by 1-3% to Rs. 975–1,000/MT on the back of easing input costs.*

*Cement capacity to increase by 70-75 million MT during FY2025-FY2026 driven by sustained healthy cement demand.*

**Cement volumes:** Cement volumes are likely to grow by 7-8% to 455-460 million MT in FY2025, driven by sustained healthy demand from the housing and infrastructure sectors. In Q1 FY2025, cement volumes increased by 1% YoY to 110.9 million MT.

**Supply addition:** Capacity additions may increase by 33-35 million MTPA in FY2025 and 37-39 million MTPA in FY2026, driven by healthy demand prospects. Eastern and southern India (38-40 million MTPA addition equally split between the two regions) are expected to lead the expansion during FY2025-FY2026. In FY2025, despite an expected increase in demand, the utilisation is likely to remain moderate at around 71%, on an expanded base.

**Cement prices and input costs:** The average pan-India cement prices in 4M FY2025 declined by 10% YoY to Rs. 330/bag due to passing on of fall in input costs to end-customers and heightened competitive intensity. Prices in FY2025 are likely to remain similar to FY2024. In 5M FY2025, the prices of coal, pet coke and diesel were lower by 42%, 11% and 2%, respectively, on a YoY basis.

**Outlook on revenues and profitability:** Revenues in FY2025 are estimated to grow by 7-8%, and with expected softening of cost-side pressures, OPBITDA/MT is likely to improve by 1-3% to Rs. 975-1,000/MT and operating margins by 20-40 bps YoY to 17.6-18.0%

**Outlook on debt protection metrics:** The overall debt levels are projected to be higher by 4-6% in FY2025 to fund the ongoing capex. However, with anticipated increase in operating profits, the debt protection metrics in FY2025 are likely to be comfortable, with leverage (TD/OPBIDTA) and debt coverage metric (DSCR) of 1.1-1.2x and 3.3-3.4x, respectively.

*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), and Heidelberg Cement India Limited (HCL)*

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# Thank You!