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INDIAN CEMENT SECTOR

Cement volumes to increase by 6-7% YoY in FY2026 backed by sustained demand from the housing and infrastructure sectors

DECEMBER 2024

Agenda

1 Outlook

2 Demand Drivers

3 Supply Dynamics

4 Market Structure

5 Trends in Cement Prices

6 Trends in Input Costs

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7 **Profitability Analysis**

8 **ICRA Ratings**

Highlights

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Cement volumes are expected to grow by 4-5% YoY in FY2025 to 445-450 million MT and further by 6-7% YoY in FY2026 to 475-480 MT, driven by demand from housing and infrastructure sectors.

Despite favourable input prices, the operating margins are likely to moderate by 130-180 bps to 15.6-16.1% in FY2025 on account of decline in cement prices.

Cement volumes: In 7M FY2025, volumes increased by 2% YoY to 248.0 million MT. Rural housing demand is expected to rise with a likely increase in farm cash flows on the back of a healthy monsoon. This, together with a pick-up in infrastructure activity due to sizeable headroom in GoI capital spending, may result in a 7-8% YoY growth in cement volumes in H2 FY2025. Overall, the volumes are likely to grow by 4-5% YoY to 445-450 million MT in FY2025 and further by 6-7% YoY to 475-480 million MT in FY2026.

Supply addition: Capacity additions may increase by 32-35 million MTPA in FY2025 and 43-45 million MTPA in FY2026, driven by healthy demand prospects. Eastern and southern India (additional 43-45 million MTPA, equally split between the two regions) are likely to lead the grinding capacity expansion during FY2025-FY2026. In FY2025, despite an estimated increase in demand, the utilisation is likely to remain moderate at 70%, on an expanded base.

Cement prices and input costs: The average pan-India cement prices in 8M FY2025 declined by 11% YoY to Rs. 330/bag. Prices in FY2025 are likely to be lower by 4-5% compared to FY2024. In 9M FY2025, the prices of coal, pet coke and diesel were lower by 29%, 17% and 2%, respectively, on a YoY basis.

Outlook on revenues and profitability: Revenues for ICRA's sample set in FY2025 are estimated to grow by 1-2%, however, with decline in net sales realisations, OPBITDA/MT is likely to reduce by 13-15% to Rs. 820-850/MT and operating margins to decrease by 130-180 bps YoY to 15.6-16.1%.

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, the debt protection metrics in FY2025 are likely to be comfortable, with leverage (TD/OPBIDTA) and debt coverage metric (DSCR) of 1.3-1.4x and 2.8-2.9x, 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!