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INDIAN CEMENT SECTOR

Healthy demand to drive capacity additions of 80-85 million MT in FY2026-FY2027

JUNE 2025

Agenda

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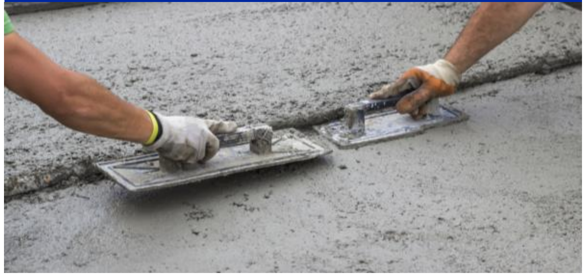
1 Outlook

2 Demand Drivers



3 Supply Dynamics

4 Market Structure

5 Trends in Cement Prices

6 Trends in Input Costs

Agenda

7 Profitability Analysis

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Highlights

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Cement volumes are expected to grow by 6-7% YoY in FY2026 to 480-485 million MT, driven by sustained demand from housing and infrastructure sectors.

The operating margins are likely to improve by 80-150 bps to 16.3-17.0% in FY2026 on account of estimated hike in cement prices and stable input costs.

Cement volumes: In FY2026, cement volumes are likely to grow by 6-7% to 480-485 million MT backed by sustained demand from the housing and infrastructure sectors. In FY2025, volumes grew by 6.3% to 453.0 million MT.

Supply addition: Capacity additions may increase by 40-42 million MTPA in FY2026 (31 million MTPA in FY2025), driven by healthy demand prospects. During FY2026, the eastern region is likely to lead the grinding capacity expansion with addition of 14-15 million MTPA capacity. In FY2026, despite rising demand, the utilisation is likely to remain stable at 70%, on an expanded base.

Cement prices and input costs: Average pan-India cement prices in FY2025 were at Rs. 340/bag over Rs. 365/bag in FY2024, primarily due to muted demand and consequent impact in realisation during H1 FY2025. Industry participants have taken price hikes of 4-5% during H2 FY2025 compared to H1 FY2025. Prices in FY2026 are likely to rise by 3-5% over FY2025. In FY2026, the input prices are expected to remain stable; however, the trajectory of input prices, especially petcoke and freight, which are linked to global crude prices remain a key variable and exposed to geopolitical dynamics.

Outlook on revenues and profitability: The volume growth and realisation trend of ICRA's sample, primarily prominent industry players, will be relatively better than that of the broader industry trend, highlighting that mid-sized and small sized entities are expected to underperform in the near term. Revenues for ICRA's sample set in FY2026 are estimated to grow by 12-14% driven by 8-9% volumetric growth and 3-5% price rise. Backed by stable input costs, OPBITDA/MT is likely to improve by 10-14% to Rs. 880-920/MT and, consequently, operating margins to increase by 80-150 bps YoY to 16.3-17.0%.

Outlook on debt protection metrics: Despite high debt requirements for their ongoing capex, the repayments/pre-payments by major cement companies are anticipated to lower overall debt levels by 7-8% in FY2026 on a YoY basis. Coupled with projected improvement in earnings, this is expected to result in comfortable debt protection metrics in FY2026, with leverage (TD/OPBIDTA) and debt coverage metrics (DSCR) of 1.2-1.3x and 3.4-3.5x, respectively.

ICRA's sample set in the sector includes ACC Limited (ACC), Ambuja Cements Limited (ACL), JK Cements Limited (JKCL), JK Lakshmi Cement Limited (JKLC), 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!