

INDIAN CEMENT SECTOR

Aggregate OPBITDA/MT of major cement players to improve by 12-18% to Rs. 900-950/MT in FY2026

September 2025

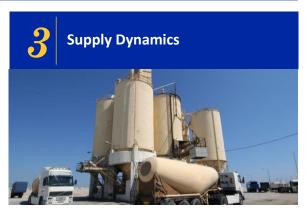


Agenda









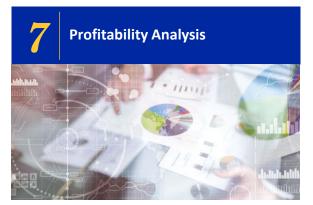






Agenda







Highlights





Cement volumes: In 5M FY2026, the cement volumes increased by 8.5% and are projected to grow by 6-7% to 480-485 million MT in FY2026, backed by sustained demand from the housing and infrastructure sectors. In FY2025, the volumes increased by 6.3% to 453.0 million MT.



Supply addition: The capacity addition may increase by 41-43 million MTPA in FY2026 (31 million MTPA in FY2025), driven by healthy demand prospects. In FY2026, the eastern region is likely to lead the grinding capacity expansion with the addition of 11-13-million-MTPA capacity. In FY2026, despite an increase in demand, the utilisation is likely to remain stable at 69-70%, on an expanded base.



Cement prices and input costs: In 5M FY2026, cement prices have increased by 7.5% YoY; in FY2026, the prices are expected to increase by 3-5%. With the recent GST rate cut from 28% to 18% being passed on to the customers, the consumers are expected to benefit by Rs. 26-28/bag. In FY2026, the input prices are expected to remain stable. However, the trajectory of input prices, especially that of pet coke and freight which is linked to global crude prices, remains 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, is better than the broader industry trend. The revenues for ICRA's sample set in FY2026 are estimated to grow by 12-14%, driven by 8-9% volumetric growth and 4-6% price increase. Backed by stable input costs, the OPBITDA/MT is likely to improve by 12-18% to Rs. 900-950/MT and consequently, the operating margins are set to increase by 90-180 bps YoY to 16.5-17.5%.



Outlook on debt protection metrics: Despite high debt requirements for the ongoing capex, the repayments/pre-payments by major cement companies is expected to lower the overall debt levels by 3-5% in FY2026. This, coupled with a projected improvement in earnings, is expected to result in comfortable debt protection metrics in FY2026, with leverage (TD/OPBIDTA) and debt coverage metric (DSCR) of 1.2-1.3x and 3.6-3.7x, respectively.

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 90-180 bps to 16.5-17.5% in FY2026 on account of expected hike in cement prices and stable input costs.

ICRA's sample 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), which cumulatively account for 74% of industry capacity.

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