PRESS RELEASE

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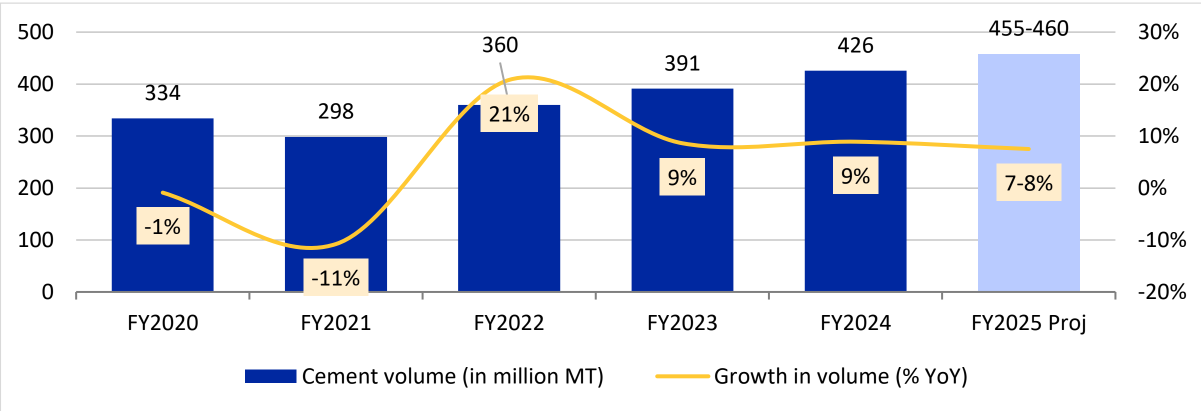
Cement volumes to expand by 7-8% YoY in FY2025, despite moderation in Q1: ICRA

- ***Green power share to increase to a substantial 40-42% of the total power mix by March 2025 from ~35% as of March 2023***
- ***Market share of top five cement companies to increase to 58-59% by March 2026 from 54% as of March 2024***

ICRA expects cement volumes to rise by a healthy 7-8% YoY in FY2025, driven by sustained healthy demand from the infrastructure and housing sectors. ICRA assesses the growth in Q1 FY2025 to have been muted at 2-3% YoY due to a slowdown in construction activity because of the General Elections. Nevertheless, the Government's focus on infrastructure projects, sanction of additional houses under the Pradhan Mantri Awas Yojana (PMAY), and the industrial capex is expected to meaningfully improve cement volume offtake in H2 FY2025.

Giving more insights, **Anupama Reddy, Vice President and Co-Group Head, Corporate Ratings, ICRA,** said*: "The operating income for ICRA's sample set[1] is expected to witness an expansion of 7-8% YoY in FY2025, primarily driven by volumetric growth. While the cement prices are projected to largely sustain at previous-year levels, some softening of cost-side pressures – primarily power and fuel costs along with increasing focus on green power, is likely to result in an improvement in OPBITDA/MT[2] by 1-3% YoY to Rs. 975-1,000/MT."*

EXHIBIT 1: YEARLY TRENDS IN CEMENT VOLUMES



Source: ICRA Research

ICRA estimates the green power to account for 40-42% of the total power mix by March 2025, compared to around 35% as of March 2023, for the cement companies in ICRA's sample set. The major cement players in the country aim to reduce their emissions by 15-17% over the next 8-10 years by increasing the share of blended cement, which uses less clinker and consequently less fuel, boosting the share of green power consumption through a mix of solar, wind and waste heat recovery system (WHRS) capacities.

[1] ICRA's sample includes 12 major cement companies, which account for ~67% of total installed capacity as on March 31, 2023.
[2] OPBIDTA/MT – Operating profit before interest, tax, depreciation and amortisation/metric tonne

"ICRA estimates the capacity addition in the cement industry at 63-70 million MT during FY2025-FY2026, of which around 33-35 million MT will be added in FY2025 (FY2024: 32 million MT), supported by healthy demand prospects. The eastern and southern regions are forecast to lead the expansion. The capacity utilisation is expected to rise to 71% in FY2025 from 70% in FY2024, backed by higher cement volumes; however, the utilisation remains moderate, on an expanded base. Although the debt dependence is projected to remain high to fund the ongoing capex programme, ICRA expects the credit profile of cement producers to remain stable, driven by healthy growth in operating income, anticipated improvement in operating margins, comfortable leverage and coverage metrics," **Reddy** added.

While organic growth is expected to continue in the medium term, cement companies are also preferring the inorganic route to boost capacities rapidly. ICRA estimates that the market share of the top five cement companies witnessed a steep rise to 54% as of March 2024 from 45% as of March 2015, and projects it to further increase to 58-59% by March 2026, resulting in consolidation in the cement industry.

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