INDIAN CEMENT SECTOR

Healthy demand prospects driving capacity additions of 43-45 million MT in FY2026

MARCH 2025

Agenda

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Highlights

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Cement volumes are expected to grow by 6-7% YoY in FY2026 to 475-480 MT, driven by sustained demand from housing and infrastructure sectors.

The operating margins are likely to improve by 70-120 bps to 16.3-16.8% in FY2026 on account of marginal hike in cement prices and stable input costs.

Cement volumes: In 9M FY2025, volumes increased by a modest 3% YoY to 319.0 million MT, majorly due to slowdown in construction activity owing to the General Elections and extended monsoon season during H1 FY2025. With the expected ramp-up in Government capex and with Q4 being a seasonally stronger quarter, ICRA estimates 8-9% YoY volume growth in Q4 FY2025, translating into full-year growth of 4-5% to 445-450 million MT in FY2025. In FY2026, the volumes are likely to grow by 6-7% YoY to 475-480 million MT backed by sustained demand from the housing and infrastructure sectors.

Supply addition: Capacity additions may increase by 43-45 million MTPA in FY2026 (32-35 million MTPA estimated in FY2025), driven by healthy demand prospects. During FY2026, eastern and northern India (additional 22-24 million MTPA, equally split between the two regions) are likely to lead the grinding capacity expansion. In FY2026, despite an 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 11M FY2025 declined by 8% YoY to Rs. 335/bag due to slowdown in demand in H1 FY2025. Prices in FY2026 are likely to be marginally higher by 1-2% compared to FY2025. In FY2025, the prices of coal, petcoke and diesel were lower by 23%, 13% and 2%, respectively, on a YoY basis.

Outlook on revenues and profitability: The volume growth and realisation trend of ICRA's sample of 12 entities, primarily prominent industry players, will be relatively better than that of the broader industry trend, highlighting that the mid-size and small sized entities are expected to underperform in the near to medium term. Revenues for ICRA's sample set in FY2026 are estimated to grow by 10-11% largely driven by volumetric growth. Backed by likely marginal improvement in cement prices along with stable input costs, OPBITDA/MT is likely to improve by 9-11% to Rs. 870-890/MT and consequently, operating margins to increase by 70-120 bps YoY to 16.3-16.8%.

Outlook on debt protection metrics: The overall debt levels are projected to be higher by 6-7% in FY2026 to fund the ongoing capex. However, due to expected improvement in earnings, the debt protection metrics in FY2026 are likely to be comfortable, with leverage (TD/OPBIDTA) and debt coverage metric (DSCR) of 1.2-1.3x and 2.9-3.0x, 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!