

# CEMENT Q2FY26 Result Preview

Axis Securities Equity Research

## CEMENT Q2FY26 RESULT PREVIEW: HIGHER PRICES TO BOOST MARGINS

### Cement Demand

**Cement Demand Expected to Grow 8% YoY:** Cement demand in Q2FY26 is expected to show single-digit YoY growth due to seasonal monsoon weakness, following robust 12% volume growth observed in Jul'25. Rural demand is likely to outperform urban, supported by above-average monsoon and wage growth, while infrastructure spending continues to support overall volumes.

Core sector data released by the central government confirms an 8% YoY growth in cement output during Jul–Aug'25, driven by robust activity in infrastructure and construction. The second quarter of the fiscal year is typically the weakest for the cement industry, primarily due to the monsoon season slowing down construction and infrastructure activities. Historically, Q4 and Q1 have been peak periods for cement consumption due to favourable weather, accelerated infrastructure spending, and a seasonal uptick in real estate activity.

The recent GST rate cut on cement is a structural positive for the sector, potentially reducing the tax burden by Rs 30–35/bag based on Q1FY26 prices. As per channel check, cement companies are likely to pass on most of this benefit through lower selling prices, thereby reducing construction costs for both infrastructure and housing projects. This move could revive demand in the affordable housing segment, which has remained subdued in recent quarters. Additionally, the lower consumer prices may encourage some upgrading to premium brands, benefiting tier-1 players with stronger brand portfolios.

Looking ahead, the demand environment remains strong, and the positive trend is expected to continue in H2FY26. While pricing may remain competitive due to heightened competition and incremental supply, cement manufacturers are likely to benefit from sustained volume growth.

Within the coverage universe, overall cement demand in Q2FY26 is estimated to register an 8% YoY increase, supported by a lower base in the previous year.

**Rural & Urban Demand:** Rural demand is expected to remain healthy, supported by an above-average monsoon and the fourth consecutive quarter of positive real wage growth. In contrast, urban demand continues to lag, with new housing activity constrained by a decline in project launches during Q1FY26. While potential rate cuts in H2 may provide some support, urban demand growth is likely to trail rural momentum. The government's earlier decision to raise the MSP on Kharif crops by 5-10% for the FY25-26 season is expected to further support rural demand.

**Cement Demand in FY26 to be Positive:** Overall, cement demand is expected to grow in the range of 7-8% in FY26, supported by the government's emphasis on infrastructure development and sustained real estate activity. The government's capex push is expected to continue supporting cement demand in the near term. While tender announcements have consistently exceeded Rs 3.5 Tn per quarter, actual project awards have declined 37% YoY to Rs 1.2 Tn, compared to the two-year average of Rs 1.5–2 Tn, according to the rating agency (Ind-Ra). The roads sector has witnessed the steepest decline, raising concerns of weaker non-trade cement demand from this segment towards the end of the FY26.

For companies under coverage, Volume/Revenue/EBITDA/PAT growth is expected to be 8%/13%/47%/68% YoY, driven by better prices and higher demand. On a sequential basis Volume/Revenue/EBITDA/PAT are expected to be lower by 14%/15%/29%/44%, respectively, as negative operating leverage kicks in owing to a moderation in demand.

## Cement Pricing

After witnessing elevated prices in Q1FY26, cement prices corrected marginally by 0.5%-1% in Q2FY26 on the back of extreme monsoon and moderation in demand. Cement prices saw their steepest decline in over a decade during FY25, putting pressure on margins and cash flows at a time of elevated capex. The demand recovery in Q4FY25, however, enabled companies to implement price hikes. The sharpest increases were observed in the Southern region, which had suffered the deepest correction during the year, followed by the Eastern region. In contrast, the Northern and Western markets recorded only modest price gains. Despite regional variations, the overall pricing environment in Q2FY26 remained relatively firm compared to the previous year, underpinned by healthy cement consumption trends across both rural and urban segments.

### Marginal Decline in Cement Prices QoQ but Higher YoY

Prices typically soften during the monsoon season. This pressure was potentially exacerbated by the GST rate cut on cement (from 28% to 18%), which was passed on to consumers, leading to a decline in gross retail prices in late Q2. However, prices are expected to remain higher YoY due to better price discipline earlier in FY26. The all-India average cement price for Q2FY26 is estimated at Rs 350–Rs 365/bag, reflecting YoY improvement. Realisations for companies within the coverage universe are projected to increase by 3-4% YoY, driven by relatively stable pricing, while on a sequential basis, prices are expected to decline marginally by Rs 5-10 bag. Regionally, the South and East saw a decline higher than other regions of Rs 10-15 per bag, while pricing in the North, Central, and West declined marginally.

With the rate cut expected to be passed on to consumers, cement prices are likely to soften, while net realisations for companies may remain largely range-bound. In theory, the cut provides scope for improving margins, but pricing remains closely tied to the intense competition within the industry. This competitive pressure is expected

to persist in the near to medium term, driven by significant capacity additions and the ramp-up of assets acquired by market leaders. On the downside, some companies may see a reduction in benefits from GST-linked incentive schemes.

We believe that cement prices may remain firm as many large players are now shifting focus from aggressive volume-led strategies to value-driven growth. This strategic shift is expected to support more sustainable pricing and profitability going forward. As India's economic growth continues to accelerate—driven by infrastructure, housing, and urban development—cement demand is expected to follow suit, creating a favourable long-term outlook for the industry.

## Input Cost

The cost of imported coal has remained soft around \$100/tonne, while the cost of pet coke has increased to \$120/tonne from \$110/tonne. Since the cement industry's operating cost per tonne is directly influenced by fluctuations in pet coke and imported coal prices, a \$10 movement in either fuel source results in a Rs 30–40 per tonne variation in operating costs. Given that pet coke continues to be the primary energy source due to its high calorific value, any price surge presents a significant challenge for cement producers.

**We expect fuel cost per tonne to be 7% lower YoY during the quarter.** On a YoY basis, power and fuel costs are estimated to trend lower by 7% at Rs 1,108/tonne for the coverage companies. Bulk diesel prices are stable. On a QoQ basis, power and fuel costs are expected to be higher by 10% for the coverage universe.

**EBITDA/tonne of Coverage Companies to Improve YoY:** For Q2FY26, the EBITDA per tonne for the companies under our coverage is estimated to rise by 44% YoY to Rs 900 per tonne (Q2FY25: Rs 625 per tonne). However, on a QoQ basis, it is expected to decline by 18% owing to negative operating leverage. In percentage

terms, EBITDA margins are projected to improve by 390 bps YoY but are expected to decline by 320 bps QoQ. On the cost front, the operating cost per tonne for the companies under coverage is estimated to decline by 1% YoY, reaching Rs 4,557 per tonne.

## Outlook

We remain positive on the dynamics of the Cement industry based on the following factors:

- With large capex planned by FY27-28 and 100+ MTPA of new grinding capacity, India's cement industry is set for a major expansion, boosting capacity and supply chain efficiency.
- With demand projected to rise 6–8% CAGR over the next two years, fueled by infrastructure, housing, and commercial real estate, strong government spending through FY26–FY27 will further support volume growth.
- Industry Consolidation, cost efficiencies, and operational improvements are set to boost margins over the medium term, even with seasonal fluctuations.
- Lower GST, increased infrastructure spending, and a revival in realty and rural housing create a favourable backdrop for long-term profits.

The Indian cement sector in FY26–FY27 will benefit from sustained infrastructure spending, healthy rural demand, lower tax rates, and a bullish capacity addition pipeline. Despite seasonal dips, the medium-term view points to stable pricing, resilient earnings, and robust investment opportunities for investors aligned with India's growth vision.

### TOP RESULT PICK

**Our Top Positive Plays:** **UltraTech Cement; Dalmia Bharat; JK Cement; JK Lakshmi and Star Cement**

## Quarterly Preview– Q2FY26

### Cement

Year-end March (Rs Cr)	Q2FY26	Q1FY26	QoQ(%)	Q2FY25	YoY(%)	Result expectations
<b>Dalmia Bharat</b>						
Volume (mntpa)	6.97	7.00	0%	6.70	4%	→ Volume is expected to be moderately high on the back of demand YOY.
Revenues	3547	3636	-2%	3087	15%	→ Consol revenue is expected to grow owing to higher realization QoQ and higher volume..
Gross Profit	1546	1649	-6%	1199	29%	→ Gross margins is expected to be higher YoY owing to higher volume and moderation in cost.
Gross margin (%)	43.6%	45.4%	(180bps)	38.8%	540bps	→ Ebitda margin is expected to expand YoY higher prices and increased volume
EBITDA	689	883	-22%	434	59%	→ PAT is expected to be higher YoY owing to better realization and sales.
EBITDA margin (%)	19.4%	24.3%	(490bps)	14.1%	540bps	→ EPS to be in line with PAT
PAT	241	393	-39%	46	425%	→ EBITDA/tonne is expected to be higher YoY as cement prices improves
EPS (Rs)	12.88	20.96	-39%	2.45	425%	→ Realization is expected to be higher QoQ
EBITDA/Tonne	989	1261	-22%	648	53%	→ Cost/Tonne is expected to be higher YoY .
Realisation/tonne	5090	5194	-2%	4607	10%	
Cost/Tonne	4102	3933	4%	3960	3.6%	
<b>J K Cements</b>						
Volume (mntpa)	Q2FY26	Q1FY26	QoQ(%)	Q2FY25	YoY(%)	→ Volume is expected to grow owing to improvement in demand and companys foray into eastern market
Revenues	4.8	5.6	-15%	4.4	9%	→ Consolidated revenue is expected to be higher owing to higher realization and better volume.
Gross Profit	2833	3353	-15%	2560	11%	→ Gross margin is expected to be higher YoY led by better sales and volume.
Gross margin (%)	1220	1438	-15%	1040	17.3%	→ Ebitda margin is expected to improve YoY better prices and higher volume
EBITDA	43.1%	42.9%	200bps	40.6%	290bps	→ PAT is expected to expand YoY owing to better prices.
EBITDA margin (%)	452	688	-34%	284	59%	→ EPS to be in line with PAT
PAT	16.0%	20.5%	(450bps)	11%	500bps	→ EBITDA/tonne is expected to be higher YoY.
EPS (Rs)	153	324	-53%	126	22%	→ Blended realization is expected to be higher YoY
EBITDA/Tonne	19.9	42.1	-53%	16.4	22%	→ Cost/Tonne to be lowerYoY.
Realisation/tonne	949	1,226	-23%	650	46%	→ Cost/Tonne to be flattish YoY.
Cost/Tonne	5,946	5,976	-1%	5,858	1%	

**Cement (Cont'd)**

Year-end March (Rs Cr)	Q2FY26	Q1FY26	QoQ(%)	Q2FY25	YoY(%)	Result expectations
<b>JK Lakshmi Cement Ltd</b>						
Volume (mntpa)	2.65	3.33	-20%	2.48	7%	→ Volume is expected to be higher YoY led by better demand and lower base.
Revenues	1373	1741	-21%	1234	11%	→ Revenue is expected to be higher owing to higher volume and realization
Gross Profit	507	659	-23%	437	16%	→ Gross margin is expected to inch higher YoY led by higher realization and lower cost
Gross margin (%)	36.9%	37.9%	(100bps)	35.4%	330bps	→ Ebitda margin is expected to expand YoY owing to better realization and sales.
EBITDA	176	311	-44%	89	97%	→ PAT is expected to be higher YoY owing to above attributes.
EBITDA margin (%)	12.8%	17.9%	(510bps)	7.2%	550bps	→ EPS to be in line with PAT
PAT	49	150	-67%	-14	NA	→ EBITDA/tonne is expected to be higher YoY owing to better realization & lower cost.
EPS (Rs)	4.2	12.8	-67%	-1.2	NA	→ Realization to be higher YoY.
EBITDA/Tonne	662	936	-29%	360	84%	→ Cost/Tonne to be lower YoY.
Realisation/tonne	5,182	5,234	-1%	4,983	4%	
Cost/Tonne	4,520	4,299	5%	4,623	-2%	
<b>Birla Corporation Ltd</b>						
Volume (mntpa)	4.2	4.8	-12%	4.0	6%	→ Volume is expected to be higher YoY led by better demand and lower base last year
Revenues	2119	2454	-14%	1953	8%	→ Revenue is expected to grow owing to higher volume & realization YoY.
Gross Profit	899	954	-6%	765	18%	→ Gross margins is expected to be higher YoY owing to lower cost and better realization.
Gross margin (%)	42.4%	38.9%	360bps	39.2%	330bps	→ Ebitda margin to expand YoY owing to higher realization and lower cost.
EBITDA	272	347	-22%	177	53%	→ PAT is expected to be higher YoY led by better realization and sales.
EBITDA margin (%)	12.8%	14.1%	(130bps)	9.1%	380bps	→ EPS to be in line with PAT
PAT	57	120	-52%	-25	NA	→ EBITDA/tonne is expected to be higher YoY led by better realization and lower cost
EPS (Rs)	7.4	15.5	-52%	-3.3	NA	→ Blended realization to be higher YoY.
EBITDA/Tonne	646	724	-11%	446	45%	→ Cost/tonne to be lower YoY.
Realisation/tonne	5,034	5,124	-2%	4,918	2%	
Cost/Tonne	4,388	4,400	0%	4,472	-2%	

## Cement (Cont'd)

Year-end March (Rs Cr)	Q2FY26	Q1FY26	QoQ(%)	Q2FY25	YoY(%)	Result expectations
<b>Heidelberg Cement India Ltd</b>						
Volume (mntpa)	1.04	1.25	-17%	0.98	6%	→ Volume is expected to grow owing to improved demand and lower base.
Revenues	492	598	-18%	461	7%	→ Revenue is expected to grow owing to higher volume YoY and better realization
Gross Profit	196	271	-28%	175	12%	→ Gross margins is expected to be higher YoY owing to lower cost improved realization YoY
Gross margin (%)	39.8%	45.4%	(560bps)	37.9%	180bps	→ Ebitda margin is expected to improve YoY owing to better realization and lower cost.
EBITDA	50	89	-44%	37	33%	→ PAT to be higher YoY owing to better realization
EBITDA margin (%)	10.1%	14.8%	(470bps)	8.1%	200bps	→ EPS to be in line with PAT
PAT	22	48	-55%	11	93%	→ EBITDA/tonne is expected to be higher YoY & QoQ.
EPS (Rs)	1.0	2.1	-55%	0.5	93%	→ Realization is expected to be higher as cement prices remained higher.
EBITDA/Tonne	478	706	-32%	381	26%	→ Cost/tonne is expected to be flattish YoY.
Realisation/tonne	4,717	4,765	-1%	4,689	1%	
Cost/Tonne	4,239	4,059	4%	4,308	-2%	
<b>Star Cement Ltd</b>						
Volume (mntpa)	1.12	1.30	-13%	0.98	15%	→ Volume is expected to grow owing to improved demand and new capacity ramp up..
Revenues	789	912	-13%	642	23%	→ Revenue is expected to grow YoY due to higher volume and better realization
Gross Profit	349	404	-14%	261	34%	→ Gross margin is expected to be higher owing to lower cost .
Gross margin (%)	44.2%	44.3%	(10bps)	40.7%	350bps	→ Ebitda margin is expected to expand YoY owing to higher realization and Sales
EBITDA	168	228	-26%	96	76%	→ PAT is expected to be higher owing to above attributes.
EBITDA margin (%)	21.3%	25.0%	(370bps)	14.9%	640bps	→ EPS to be in line with PAT.
PAT	53	98	-47%	6	826%	→ EBITDA/tonne is expected to be higher YoY..
EPS (Rs)	1.3	2.4	-47%	0.1	826%	→ Realization is expected to be higher QoQ/ YoY.
EBITDA/Tonne	1492	1761	-15%	977	53%	→ Cost/tonne is expected to be lower YoY.
Realisation/tonne	6,660	6,728	-1%	6,560	2%	
Cost/Tonne	5,169	4,967	4%	5,583	-7%	

**Cement (Cont'd)**

Year-end March (Rs Cr)	Q2FY26	Q1FY26	QoQ(%)	Q2FY25	YoY(%)	Result expectations
<b>ACC Limited</b>						
Volume (mntpa)	10.04	11.50	-13%	9.30	8%	→ Volume is expected to grow YoY driven by higher sale under MSA .
Revenues	5197	6087	-15%	4614	13%	→ Revenue is expected to be higher owing to higher realization and volume
Gross Profit	1364	1623	-16%	1107	23%	→ Gross margin is expected to expand YoY .
Gross margin (%)	26.2%	26.7%	(50bps)	24.0%	220bps	→ Ebitda margin is expected to expand YoY led by higher realization.
EBITDA	628	778	-19%	436	44%	→ PAT is expected to be higher YoY owing to better revenue ..
EBITDA margin (%)	12.1%	12.8%	(70bps)	9.5%	260bps	→ EPS to be in line with PAT
PAT	370	376	-1%	200	85%	→ EBITDA/tonne is expected to be higher YoY..
EPS (Rs)	19.7	20.0	-1%	10.6	85%	→ Blended realization to be higher YoY .
EBITDA/Tonne	625	677	-8%	469	33%	→ Cost/tonne is expected to be higher.
Realisation/tonne	5,174	5,293	-2%	4,961	4%	
Cost/Tonne	4,549	4,617	-1%	4,492	1%	
<b>Shree Cement Limited</b>						
Volume (mntpa)	7.90	8.95	-12%	7.60	4%	→ Volume is expected to grow moderately YoY.
Revenues	4282	4948	-13%	3727	15%	→ Revenue is expected to be higher YoY owing to higher realization.
Gross Profit	1861	2158	-14%	1424	31%	→ Gross margin to be higher YoY..
Gross margin (%)	43%	44%	100bps	38%	500bps	→ Ebitda margin is expected to expand YoY due to better realization and higher sales.
EBITDA	977	1229	-21%	593	65%	→ PAT is expected to be higher YoY due to better realization .
EBITDA margin (%)	22.8%	24.8%	(200bps)	15.9%	700bps	→ EPS to be in line with PAT
PAT	251	619	-59%	93	169%	→ EBITDA/tonne is expected to be higher YoY owing to better realization.
EPS (Rs)	70	172	-59%	26	169%	→ Realization is expected to be higher YoY
EBITDA/Tonne	1236	1373	-10%	780	59%	→ Cost/tonne to be lower YoY.
Realisation/tonne	5,418	5,528	-2%	4,904	10%	
Cost/Tonne	4,182	4,155	1%	4,124	1%	

## Cement (Cont'd)

Year-end March (Rs Cr)	Q2FY26	Q1FY26	QoQ(%)	Q2FY25	YoY(%)	Result expectations
<b>Ambuja Cement Limited</b>						
Volume (mntpa)	15.48	18.40	-16%	14.20	9%	→ Volume is expected to grow YoY backed by better demand & gain in market share.
Revenues	8568	10288	-17%	7516	14%	→ Revenue is expected to be higher due to higher volume and better realization.
Gross Profit	3141	3828	-18%	2453	28%	→ Gross margin is expected to be higher YoY.
Gross margin (%)	36.7%	37.2%	(50bps)	32.6%	390bps	→ Ebitda margin is expected to be higher YoY led by better realization YoY
EBITDA	1459	1960	-26%	1111	31%	→ PAT is expected to be higher YoY owing to better realization.
EBITDA margin (%)	17.0%	19.1%	(210bps)	14.8%	180bps	→ EPS to be in line with PAT
PAT	480	787	-39%	456	5%	→ EBITDA/tonne is expected to be higher on YoY led by increased realization.
EPS (Rs)	1.95	3.20	-39%	1.85	5%	→ Realization to be higher YoY as Cement prices improves.
EBITDA/Tonne	943	1065	-12%	783	20%	→ Cost/Tonne to be higher YoY.
Realisation/tonne	5,536	5,591	-1%	5,293	5%	
Cost/Tonne	4,593	4,526	1%	4,510	2%	
<b>UltraTech Cement Limited</b>						
Volume (mntpa)	30.85	36.83	-16%	27.84	11%	→ Volume is expected to grow YoY backed by better demand & gain in market share.
Revenues	17806	21275	-16%	15635	14%	→ Revenue is expected to be higher YoY led by higher volume growth and realization improvement
Gross Profit	6609	7946	-17%	5297	25%	→ Gross margin is expected to be higher driven by higher sales.
Gross margin (%)	37.1%	37.3%	(20bps)	33.9%	320bps	→ Ebitda margin is expected to expand YoY owing to higher realization YoY.
EBITDA	2911	4410	-34%	2018	44%	→ PAT is expected to be higher owing to higher realization
EBITDA margin (%)	16.3%	20.7%	(440bps)	12.9%	340bps	→ EPS to be in line with PAT
PAT	1216	2226	-45%	820	48%	→ EBITDA/tonne is expected to be higher YoY on the back of higher realization and volume growth
EPS (Rs)	41.28	75.54	-45%	28.41	45%	→ Realization to be higher YoY.
EBITDA/Tonne	944	1197	-21%	725	30%	→ Cost/Tonne to be lower YoY .
Realisation/tonne	5,771	5,777	0%	5,616	3%	
Cost/Tonne	4828	4579	5%	4891	-1%	

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HOLD	Between 10% and -10%
SELL	Less than -10%
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