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Cement

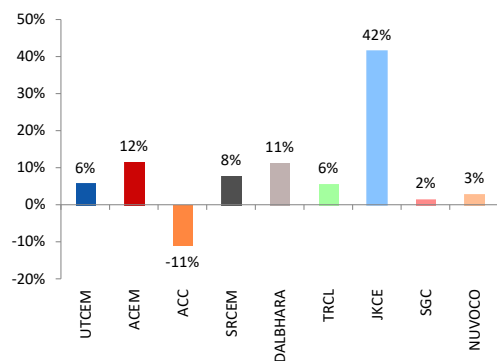
27 November 2025

SECTOR UPDATE

Industry

Cement

Annual stock return



Source: Systematix Research

Sector recommendations

Company	Mkt Cap (Rs bn)	TP (Rs)	Rating
Ultratech Cement	3,485	14,481	BUY
Shree Cement	988	31,325	HOLD
Ambuja Cements	1,381	722	BUY
ACC	346	2,418	BUY
Dalmia Bharat	382	2,485	HOLD
JK Cement	435	6,413	HOLD
The Ramco Cements	244	1,100	HOLD
Sagar Cements	29	326	BUY
Nuvoco Vistas	136	540	BUY

Source: Systematix Research

Transitioning from capex, growth now hinges on execution

We present key takeaways from a webinar organized by Care Edge on the cement sector. Discussions centered around the demand and supply scenario of the industry as well as the historical trend. While near-term outlook remains cautiously optimistic, industry participants reiterated that India's infrastructure momentum provides a favorable medium-term backdrop.

Key takeaways from the webinar:

- Demand outlook strengthening:** Industry demand is expected to grow 6–7% YoY in FY26, supported by infra spending and steady housing demand. Medium-term growth (FY25–30) is projected at 7–8% CAGR, taking demand to 630–635 MT by FY30. Rural housing, urban housing, infra, and industrial will collectively support a 6.5–9.5% CAGR over FY25–30. Infrastructure remains the fastest-growing category while rural housing is the biggest contributor of demand.
- Regional demand:** East and Central region is expected to outperform with 7.5–9% CAGR, driven by housing schemes and infra execution. South and West are likely to remain steady growth markets, while North sees stable but moderate expansion.
- Supply and utilization:** Annual capacity additions were nearly 50 MnT in FY25 which increased the competitive intensity, Capacity addition was significantly higher compared to the historical range of 20–25 MnT. Total capacity is expected to reach 725 MnT by FY26 and 900 MnT by FY30. Though, despite strong demand environment, utilization is estimated to remain subdued at 67–68%, improving gradually.
- Market Consolidation:** Top 4 players hold 60% capacity share while top 9 hold 81%. M&A intensity to moderate as greenfield/brownfield capex (~60–70 USD/tn) becomes more cost-effective than an acquisition of (~95–100 USD/tn).
- Cost Outlook:** Raw material, P&F, and freight costs remain key contributors. Marginal RM inflation expected from pricier limestone and fly ash, while AFR and renewable energy will help lower fuel costs.
- Realizations:** Prices expected to remain rangebound due to elevated capacity additions. Pricing power may return only when utilization rises to 75–80%, influenced also by producer behavior.
- Our View:** It reiterates our positive outlook on the sector in the medium-to-long term with some near-term hiccups. We are witnessing companies focusing on the market share as soft prices are partially offset by lower P&F and freight costs. We believe larger companies to gain in a big way owing to their size and flexibility. We keep Ultratech (TP: Rs14,481) and Ambuja Cement (TP: Rs722) as our top pick in the large cap and Nuvoco Vistas (TP Rs540) in the midcap.

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Detailed takeaways

Demand

Demand momentum strengthening; FY26 growth pegged at 6-7%

Industry demand momentum is set to improve, with cement consumption expected to grow 6–7% YoY in FY26, supported by continued strength in infrastructure spending, housing uptake, and a favorable base. The medium-term trajectory also remains robust, with FY25–30 demand CAGR estimated at 7.25–8.25%, implying an expansion from ~435MT in FY25 to 630–635MT by FY30.

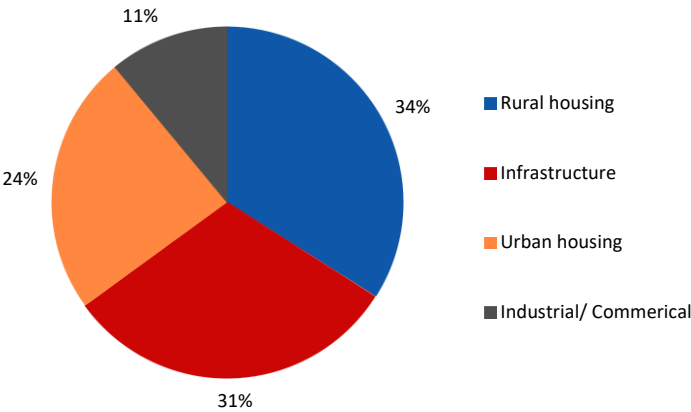
Historical trend

Cement demand has historically moved in line with GDP, though with significant variability driven by policy disruptions, project bottlenecks, and economic cycles. Multipliers ranged widely—from 0.6–2.3x of GDP over FY15–24—turning negative during pandemic years (FY20–21) before normalizing to 1.0–1.2x of GDP in recent years.

Demand drivers

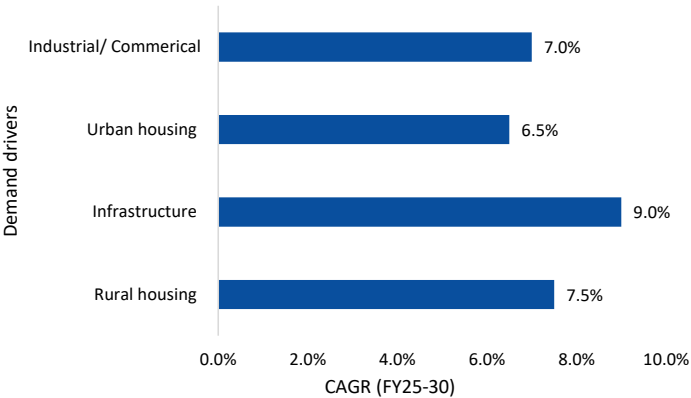
India’s cement demand is expected to see broad-based growth across FY25–30, led by rural housing supported by higher farm incomes due to healthy monsoon, better affordability and the ongoing push from government through initiatives like PMAY-G. Urban housing growth will be driven by low inventory, improving launches and rising trend of nuclearization in metro cities. Rising infrastructure demand on the back of sustained government capex and strong execution across roads, metros and freight corridors. Industrial/commercial demand shall be aided by the manufacturing push under PLI, growing warehousing/logistics needs and increasing data-center investments. The mix continues to shift favorably towards infrastructure and organized housing, which together account for over 55% of incremental demand.

Exhibit 1: Demand drivers



Source: Care Edge, Systematix Research

Exhibit 2: Demand drivers CAGR (FY25-30E)

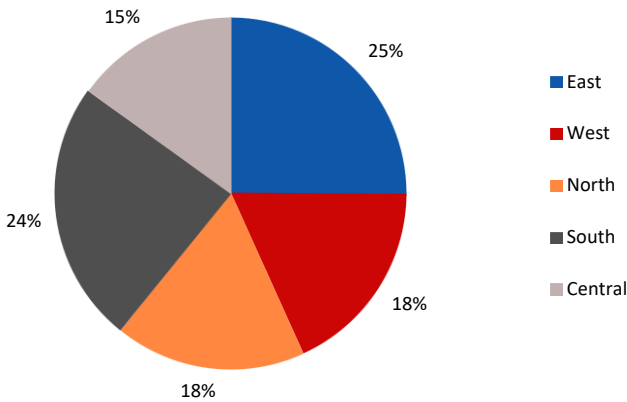


Source: Care Edge, Systematix Research

Regional demand outlook

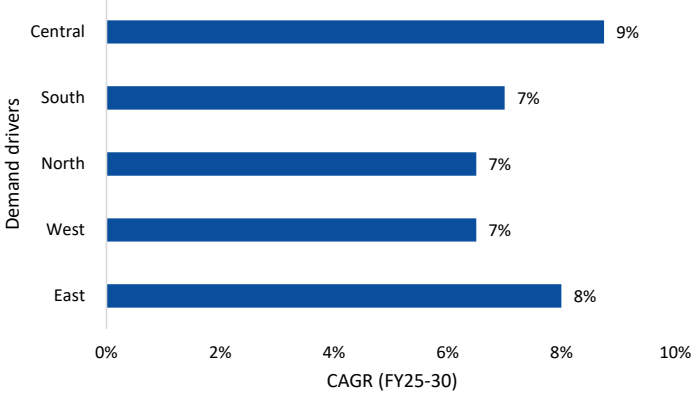
Central India is set to deliver the strongest growth, driven by affordable housing, metro expansion, major expressways and Smart City projects. The East is the next-fastest region, supported by rural and affordable housing, metro additions and improved connectivity in the Northeast. The North should see steady growth from ongoing infrastructure and metro upgrades, while the South will benefit from affordable housing, strong project execution and key metro and irrigation works across major states. The West is likely to maintain stable growth, helped by a real-estate pickup in Mumbai–Pune and continued expressway, metro and coastal developments.

Exhibit 3: Regional demand share



Source: Care Edge, Systematix Research

Exhibit 4: Regional demand CAGR (FY25-30E)



Source: Care Edge, Systematix Research

Supply

Industry capacity additions, which historically ranged between 20-25 MT annually, have surged to nearly 50 MT this year amid an improved medium-term outlook and rising competitive intensity. Total capacity is projected to reach about 725 MT by the end of FY26 and close to 900 MT by FY30. Over FY16–20, supply grew at roughly 1.5x demand, and a similar pattern has emerged in the post-COVID period, with FY22–26 seeing another sharp jump in additions. While demand is expected to grow at a healthy high-single-digit pace, sustained supply expansion keeps utilization rates range-bound in the mid- to high-sixties, improving only gradually towards the low-seventies by the end of the decade. Market concentration remains strong, with the top four players holding roughly 60% share and the top nine accounting for just over 80%.

Costs and Realizations

Raw materials account for 20% of total cost structure, power & fuel for 27%, freight for 31% and other expenses for 21%. Raw material costs may see a marginal uptick due to pricier limestone from new mines and elevated fly ash rates, with longer-term MMDR changes to be monitored. Fuel costs are expected to ease with higher AFR and renewable energy usage, while freight and other operating costs are likely to remain range bound.

Realizations are expected to remain flat due to large capacity addition in pipeline, while demand will take time to catch up

Industry sentiment – Perspectives of panelists

Panelists noted that the industry is entering a period of elevated capacity commissioning over the next two to three years, and if demand does not keep pace, capex is likely to taper from the third or fourth year. Limestone reserves are not a national-level constraint, with sufficient availability for the next three to four decades, though certain regions like Odisha may face tighter supply compared to Rajasthan and Andhra Pradesh.

While M&A activity should continue—mainly for strategic access to limestone held by smaller players—its intensity is likely to moderate given the lower cost advantage of greenfield or brownfield expansion (around USD 60–70/ton) versus acquisitions (USD 90–100/ton), making smaller regional players the primary consolidation targets. Regionally, the East and Northeast are expected to outperform over the medium to long term, while Central India may see stronger short-term growth.

Pricing in Q3 has trended slightly lower than Q2, but an improvement is expected from Q4 onward. Panelists highlighted that meaningful pricing power typically returns when utilization reaches the mid-70s to 80% range, though pricing also depends on producers' strategic choices around market share versus profitability.

With a large capex pipeline of 180–200 MT and demand likely to grow 6–7%, utilization—currently below 70%—should gradually improve. Profitability gains will be driven by efficiencies in power and fuel, increasing renewable energy mix, greater AFR usage, with single-kiln plants already using up to 25% AFR and larger plants using 5–10%. Companies are also accessing higher-grade limestone and focusing on moderating utilization levels. On the product side, industrial and infrastructure demand will continue to favor OPC, while blended cement remains broadly stable.

Overall, panelists believe the industry is entering a phase of gradual improvement in utilization, cost efficiencies and pricing stability, setting the stage for a healthier and more disciplined growth cycle ahead.

Exhibit 5: Valuation Snapshot

Companies	CMP (Rs)	Reco	TP (Rs)	P/E			EV/EBITDA			RoE (%)		
				FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Ultratech Cement	11,759	BUY	14,481	56.3	36.1	26.3	28.5	20.6	16.2	9.2	12.4	15.0
Shree Cement	26,945	HOLD	31,325	81.3	50.1	33.9	23.3	18.1	14.6	5.8	8.8	12.0
Ambuja Cement	550	BUY	722	32.7	37.3	29.8	21.4	13.8	11.7	8.7	6.6	7.7
ACC	1,885	BUY	2,418	15.5	11.7	9.9	11.1	8.8	7.7	13.4	15.6	16.1
Dalmia Bharat	2,035	HOLD	2,485	55.9	68.5	48.8	16.0	10.8	9.3	2.0	3.2	4.3
JK Cement	5,925	HOLD	6,413	52.6	35.9	31.0	23.7	19.0	15.6	14.3	19.2	18.7
Ramco Cement	1,014	HOLD	1,100	309.0	33.4	26.8	22.1	14.9	12.4	1.1	9.2	10.6
Sagar Cements	213	BUY	326	-	-	100.2	28.7	9.4	7.5	-9.6	-4.3	1.7
Nuvoco Vistas	349	BUY	540	663.1	26.3	24.6	11.8	7.8	7.2	0.2	5.0	5.1

Source: Systematix Research

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