CEMENT Q3FY26 RESULT PREVIEW: DEMAND RESILIENT, PRICING WEAK QOQ

Cement Demand

Robust volume growth is expected to continue into Q3FY26, supported by housing demand and government-led infrastructure spending. Cement demand in Q3FY26 is expected to record 11% YoY growth for our coverage universe, driven by stronger infrastructure activity and affordable housing demand. Rural demand is likely to outperform urban markets, supported by above-average monsoon conditions and wage growth, while sustained infrastructure spending continues to underpin overall volumes.

Core sector data released by the central government confirms a 9% YoY growth in cement output during Oct–Nov'25, driven by robust activity in infrastructure and construction. Despite seasonal monsoon headwinds, H1FY26 recorded an 8% YoY surge in dispatches. This sustained volume growth indicates a strong and consistent pickup in market demand.

We view the recent GST rate cut to 18% as a long-term growth driver that lowers the cost of ownership for first-time buyers. This tax relief, combined with the government's 'Housing for All' mission, underpins our volume guidance and strengthens the demand outlook for Tier-2 and Tier-3 markets heading into the second half of the fiscal year. The GST rate cut on cement is a structural positive for the sector, potentially reducing the tax burden by Rs 30–35 per bag based on Q2FY26 prices. Additionally, lower consumer prices may encourage 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 amid heightened competition and incremental supply, cement manufacturers are likely to benefit from sustained volume growth.

Within the coverage universe, overall cement demand in Q3FY26 is estimated to register an 11% 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 a positive real wage growth. In contrast, urban demand continues to lag, with new housing activity constrained by a decline in project launches during Q2FY26. While potential rate cuts in H2 may offer 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 housing activity. The government's capex push is expected to continue supporting cement demand in the near term. During the quarter, non-trade demand accelerated, led by a decline in cement prices following the GST rate cut.

For companies under coverage, Volume/Revenue/EBITDA/PAT growth is expected at 11%/10%/10%/38% YoY, driven by slightly better pricing and higher demand. On

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a sequential basis, Volume/Revenue/EBITDA are expected to increase by 7%/5%/5%, while PAT is projected to decline by 24% due to lower cement prices.

Cement Pricing

After witnessing elevated prices in Q1FY26, cement prices corrected marginally in Q2FY26 and declined further by another 1–2% in Q3FY26, driven by heightened competition and GST rationalisation. Cement prices recorded their steepest decline in over a decade during FY25, exerting pressure on margins and cash flows amid elevated capex. The sharpest decline was observed in the Southern region, followed by the Eastern region. In contrast, the Northern and Central markets were relatively more resilient, while the Western region also witnessed a decline. Despite regional variations, the overall pricing environment in Q3FY26 remained weak compared to the previous quarter. Pricing power continued to be constrained by intensifying competition, aggressive capacity additions, and a strategic shift towards volume growth over realisations.

Despite a sequential price softening of 1–2% in Q3FY26, the industry maintained a 1% YoY increase in realisations, underscoring the resilience of the pricing floor established earlier in the year. Regional disparities were evident, with the South and East facing higher pressure of Rs 10–15 per bag compared to the Northern and Central markets. As the industry enters the peak construction season in Q4, manufacturers are shifting towards a value-driven strategy, with planned price hikes of Rs 10–20 per bag to support margins in Jan 2026.

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 experience a reduction in benefits from GST-linked incentive schemes.

We project a firming of cement prices in Q4FY26, marking a reversal of the downward trend observed in the previous quarters. The recovery is expected to be driven by improved pricing discipline among large-cap players and the onset of the peak demand season, signalling a shift towards a value-over-volume growth cycle. As India's economic growth continues to strengthen, supported by infrastructure, housing, and urban development, cement demand is expected to rise in tandem, supporting a favourable long-term outlook for the sector.

Input Cost

The cost of imported coal has remained soft at around $104/tonne, while pet coke prices are hovering near $120/tonne. As the cement industry's operating cost per tonne is directly linked to movements in pet coke and imported coal prices, a $10 change in either fuel results in a Rs 30–40 per tonne variation in operating costs. Given that pet coke remains the primary energy source due to its high calorific value, any sharp increase in prices poses a significant challenge for cement producers.

We expect Power & Fuel cost per tonne to be 8% higher YoY during the Quarter: On a YoY basis, power and fuel costs are estimated to trend higher by 8% at Rs 1220/tonne for the coverage companies. Bulk diesel prices are stable.

EBITDA/tonne of Coverage Companies to Improve YoY: For Q3FY26, EBITDA per tonne for companies under coverage is estimated to increase by 9% YoY to Rs 880 per tonne (Q2FY25: Rs 810 per tonne). However, on a QoQ basis, it is expected to decline by 7% due to lower cement prices. In percentage terms, EBITDA margins are projected to improve marginally by 20 bps YoY but are expected to remain flattish QoQ. On the cost front, operating cost per tonne for companies under coverage is estimated to decline by 1% YoY to Rs 4,516 per tonne.

Outlook

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

- 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.
- 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.
- 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; and JK Lakshmi.

Quarterly Preview– Q3FY26

Cement

Year-end March (Rs Cr)	Q3FY26	Q2FY26	QoQ(%)	Q3FY25	YoY(%)	Result expectations
Dalmia Bharat						
Volume (mntpa)	7.17	6.90	4%	6.70	7%	➔ Volume is expected to be higher on the back of demand YOY. ➔ Consol revenue is expected to grow owing to higher realization QoQ and higher volume.. ➔ Gross margins is expected to be higher YoY. ➔ Ebitda margin is expected to expand YoY higher prices and increased volume ➔ PAT is expected to be higher YoY owing to better realization and sales. ➔ EPS to be in line with PAT ➔ EBITDA/tonne is expected to be higher YoY led by higher sales. ➔ Realization is expected to be higher YoY ➔ Cost/Tonne is expected to be flattish YoY
Revenues	3444	3417	1%	3181	8%	
Gross Profit	1393	1467	-5%	1255	11%	
Gross margin (%)	40.5%	42.9%	(240bps)	39.5%	100bps	
EBITDA	599	696	-14%	511	17%	
EBITDA margin (%)	17.4%	20.4%	(300bps)	16.1%	130bps	
PAT	148	236	-37%	61	143%	
EPS (Rs)	7.90	12.59	-37%	3.25	143%	
EBITDA/Tonne	836	1009	-17%	763	10%	
Realisation/tonne	4804	4952	-3%	4748	1%	
Cost/Tonne	3968	3943	1%	3985	0%	
J K Cements						
Volume (mntpa)	5.5	5.0	9%	4.9	11%	➔ Volume is expected to grow owing to improvement in demand and companys foray into eastern market ➔ Consolidated revenue is expected to be higher owing to better volume. ➔ Gross margin is expected to Contract YoY . ➔ Ebitda margin is expected to contract YoY owing to lower prices . ➔ PAT is expected to contract YoY but improve QoQ.owing to lower cost. ➔ EPS to be in line with PAT ➔ EBITDA/tonne is expected to be lower YoY. ➔ Blended realization is expected to be lower YoY ➔ Cost/Tonne to be lower QoQ.
Revenues	3188	3019	6%	2930	9%	
Gross Profit	1303	1295	1%	1239	5.2%	
Gross margin (%)	40.9%	42.9%	(200bps)	42.3%	(140bps)	
EBITDA	482	447	8%	492	-2%	
EBITDA margin (%)	15.1%	14.8%	30bps	17%	(190bps)	
PAT	181	161	13%	190	-4%	
EPS (Rs)	23.5	20.8	13%	24.6	-4%	
EBITDA/Tonne	883	891	-1%	1,000	-12%	
Realisation/tonne	5,846	6,026	-3%	5,956	-2%	
Cost/Tonne	4,963	5,135	-3%	4,956	0%	

Cement (Cont'd)

Year-end March (Rs Cr)	Q3FY26	Q2FY26	QoQ(%)	Q3FY25	YoY(%)	Result expectations
JK Lakshmi Cement Ltd						
Volume (mntpa)	3.30	2.84	16%	3.03	9%	➔ Volume is expected to be higher YoY led by better demand. ➔ Revenue is expected to be higher owing to higher volume and realization ➔ Gross margin is expected to inch lower YoY led by higher cost ➔ Ebitda margin is expected to expand YoY owing to better realization and sales. ➔ PAT is expected to be higher YoY owing to above attributes. ➔ EPS to be in line with PAT ➔ EBITDA/tonne is expected to be higher YoY owing to better realization. ➔ Realization to be higher YoY. ➔ Cost/Tonne to be hgher YoY.
Revenues	1744	1532	14%	1497	17%	
Gross Profit	603	544	11%	564	7%	
Gross margin (%)	34.6%	35.5%	(90bps)	37.7%	(310bps)	
EBITDA	251	208	20%	202	24%	
EBITDA margin (%)	14.4%	13.6%	80bps	13.5%	90bps	
PAT	98	81	21%	59	65%	
EPS (Rs)	7.9	6.5	21%	5.0	56%	
EBITDA/Tonne	759	733	4%	666	14%	
Realisation/tonne	5,280	5,388	-2%	4,940	7%	
Cost/Tonne	4,521	4,655	-3%	4,274	6%	
Birla Corporation Ltd						➔ Volume is expected to be higher YoY . ➔ Revenue is expected to grow owing to higer volume & realization YoY. ➔ Gross margins is expected to be higher YoY owing to lower cost and better realization. ➔ Ebitda margin to expand YoY owing to higher realization and lower cost. ➔ PAT is expected to be higher YoY led by better realization and sales. ➔ EPS to be in line with PAT ➔ EBITDA/tonne is expected to be higher YoY led by better realization and lower cost ➔ Blended realization to be higher YoY. ➔ Cost/tonne to be lower YoY.
Volume (mntpa)	4.9	4.3	14%	4.5	8%	
Revenues	2459	2207	11%	2257	9%	
Gross Profit	961	932	3%	865	11%	
Gross margin (%)	39.1%	42.2%	(310bps)	38.3%	80bps	
EBITDA	298	305	-2%	248	20%	
EBITDA margin (%)	12.1%	13.8%	(170bps)	11.0%	110bps	
PAT	78	90	-13%	31	151%	
EPS (Rs)	10.2	11.8	-13%	4.1	151%	
EBITDA/Tonne	613	717	-15%	551	11%	
Realisation/tonne	5,059	5,192	-3%	5,015	1%	
Cost/Tonne	4,446	4,474	-1%	4,464	0%	

Cement (Cont'd)

Year-end March (Rs Cr)	Q3FY26	Q2FY26	QoQ(%)	Q3FY25	YoY(%)	Result expectations
Heidelberg Cement India Ltd						
Volume (mntpa)	1.24	1.08	15%	1.14	8%	
Revenues	588	512	15%	543	8%	
Gross Profit	210	203	3%	186	13%	
Gross margin (%)	35.8%	39.7%	(410bps)	34.3%	150bps	
EBITDA	46	58	-20%	33	38%	
EBITDA margin (%)	7.8%	11.2%	(340bps)	6.1%	170bps	
PAT	19	25	-24%	5	263%	
EPS (Rs)	0.8	1.1	-24%	0.2	263%	
EBITDA/Tonne	373	535	-30%	291	28%	
Realisation/tonne	4,760	4,760	0%	4,745	0%	
Cost/Tonne	4,387	4,224	4%	4,454	-2%	
Star Cement Ltd						
Volume (mntpa)	1.28	1.17	9%	1.12	14%	
Revenues	886	811	9%	719	23%	
Gross Profit	390	375	4%	289	35%	
Gross margin (%)	44.1%	46.3%	(220bps)	40.3%	380bps	
EBITDA	188	190	-1%	104	80%	
EBITDA margin (%)	21.2%	23.4%	(220bps)	14.5%	670bps	
PAT	66	72	-9%	9	626%	
EPS (Rs)	1.6	1.8	-9%	0.2	626%	
EBITDA/Tonne	1469	1624	-10%	929	58%	
Realisation/tonne	6,612	6,584	0%	6,406	3%	
Cost/Tonne	5,143	4,960	4%	5,477	-6%	

Result expectations – Heidelberg Cement India Ltd:

- ➔ Volumeis expected to grow owing to improved demand and lower base.
- ➔ Revenue is expected to grow owing to higher volume YoY .
- ➔
- ➔ Gross margins is expected to be higher YoY owing to lower cost YoY
- ➔
- ➔ Ebitda margin is expected to improve YoY owing to lower cost.
- ➔ PAT to be higher YoY owing to higher sales and lower cost
- ➔ EPS to be in line with PAT
- ➔ EBITDA/tonne is expected to be higher YoY.
- ➔ Realization is expected to be flattish as cement prices remianed muted.
- ➔ Cost/tonne is expected to be lower YoY..

Result expectations – Star Cement Ltd:

- ➔ Volume is expected to grow owing to better demand in North-East.
- ➔ Revenue is expected to grow YoY due to higher volume and better realization
- ➔
- ➔ Gross margin is expected to be higher owing to lower cost .
- ➔
- ➔ Ebitda margin is expected to expand YoY owing to higher realization and Sales
- ➔ PAT is expected to be higher owing to above attributes.
- ➔ EPS to be in line with PAT.
- ➔ EBITDA/tonne is expected to be higher YoY..
- ➔ Realization is expected to be higher QoQ/ YoY.
- ➔ Cost/tonne is expected to be lower YoY.

Cement (Cont'd)

Year-end March (Rs Cr)	Q3FY26	Q2FY26	QoQ(%)	Q3FY25	YoY(%)	Result expectations
Shree Cement Limited						→ Volume is expected to grow YoY. → Revenue is expected to be h[gher YoY owing to higher realization. → Gross margin to be lower YoY oiwing to higher P/F cost → Ebitda margin is expected to contract YoY due to higher cost → PAT is expected to be higher YoY due to better realization and sales → EPS to be in line with PAT → EBITDA/tonne is expected to be marginaly lower YoY . → Realization is expected to be higher YoY → Cost/tonne to be higher YoY.
Volume (mntpa)	9.30	8.12	15%	8.77	6%	
Revenues	4805	4303	12%	4235	13%	
Gross Profit	1912	1781	7%	1790	7%	
Gross margin (%)	40%	41%	(100bps)	42%	(200bps)	
EBITDA	990	851	16%	946	5%	
EBITDA margin (%)	20.6%	19.8%	80bps	22.3%	(180bps)	
PAT	337	277	22%	229	47%	
EPS (Rs)	94	77	22%	64	47%	
EBITDA/Tonne	1064	1049	1%	1079	-1%	
Realisation/tonne	5,169	5,302	-3%	4,830	7%	
Cost/Tonne	4,105	4,253	-3%	3,750	9%	
Ambuja Cement Limited						→ Volume is expected to grow YoY backed by better demand & gain in market share. → Revenue is expected to be higher due to higher volume. → Gross margin is expected to be higher YoY. → Ebitda margin is expected to contract YoY led by lower realization YoY → PAT is expected to be lower YoY owing to lower realization ,lower other income and exceptional gain reported P.Y → EPS to be in line with PAT → EBITDA/tonne is expected to be lower YoY led by lower realization. → Realization to be lower YoY as Cement prices contracts. → Cost/Tonne to be lower YoY owing to operating effeciency gain.
Volume (mntpa)	18.65	16.90	10%	16.50	13%	
Revenues	9970	9174	9%	9329	7%	
Gross Profit	3674	3522	4%	3417	8%	
Gross margin (%)	36.8%	38.4%	(160bps)	36.6%	20bps	
EBITDA	1787	1761	1%	1712	4%	
EBITDA margin (%)	17.9%	19.2%	(130bps)	18.4%	(50bps)	
PAT	530	1766	-70%	2115	-75%	
EPS (Rs)	1.91	7.17	-73%	8.59	-78%	
EBITDA/Tonne	958	1042	-8%	1038	-8%	
Realisation/tonne	5,347	5,429	-2%	5,654	-5%	
Cost/Tonne	4,389	4,387	0%	4,616	-5%	

Cement (Cont'd)

Year-end March (Rs Cr)	Q3FY26	Q2FY26	QoQ(%)	Q3FY25	YoY(%)	Result expectations
UltraTech Cement Limited						
Volume (mntpa)	34.55	33.85	2%	30.37	14%	➔ Volume is expected to grow YoY backed by better demand & gain in market share. ➔ Revenue is expected to be higher YoY led by higher volume growth. ➔ Gross margin is expected to be higher driven by higher sales. ➔ Ebitda margin is expected to expand YoY owing to lower cost YoY. ➔ PAT is expected to be higher owing to higher salea and lower cost. ➔ EPS to be in line with PAT ➔ EBITDA/tonne is expected to be higher YoY on the back of higher sales growth ➔ Realization expected to contract YoY. ➔ Cost/Tonne to be lower YoY .
Revenues	19637	19607	0%	17779	10%	
Gross Profit	7156	7145	0%	6253	14%	
Gross margin (%)	36.4%	36.4%	(0bps)	35.2%	120bps	
EBITDA	3319	3094	7%	2895	15%	
EBITDA margin (%)	16.9%	15.8%	110bps	16.3%	60bps	
PAT	1538	1232	25%	1359	13%	
EPS (Rs)	52.21	41.80	25%	47.09	11%	
EBITDA/Tonne	961	914	5%	953	1%	
Realisation/tonne	5,684	5,792	-2%	5,854	-3%	
Cost/Tonne	4723	4878	-3%	4901	-4%	

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