

# Q4FY25E Cement Sector Earnings Preview



## Cement Sector

### Cement prices sees gradual price recovery

#### COVERAGE STOCKS

Coverage	Rating	CMP	Target (INR)	Upside
UltraTech Cement (UTCEM)	ACCUMULATE	10,933	12,699	16.2%
Ramco Cements (TRCL)	ACCUMULATE	856	969	13.2%
Shree Cement (SRCEM)	ACCUMULATE	28,528	30,619	7.3%
ACC	ACCUMULATE	1,900	2,205	16.1%

#### MARKET DATA

	Close	1M (%)	YTD (%)
Nifty	22,908	-0.1	-3.5
Sensex	75,449	-0.7	-3.9
USD / INR	86.34	-0.6	0.7

\*Note: TP and recommendation have been retained from previous update reports; we will review post-detailed Q4FY25E results analysis and conference call of the said companies.

Source: Bloomberg, NSE; Data as of Mar 19<sup>th</sup>, 2025; TA stands for Target Achieved

#### > Cement Sector: Gradual pricing recovery amid persistent headwinds

- Cement prices exhibited early signs of stabilization, following a subdued pricing environment through October and November 2024, driven by weak demand dynamics. However, a turnaround materialized in December, supported by rural housing expansion, and infrastructure-driven demand, leading to a moderate recovery in prices.
- Building Momentum: January-February 2025**
  - The positive trajectory extended into Jan 2025, with Central and Western regions witnessing price upticks, reinforcing a more constructive sentiment within the industry.
  - February saw further improvement, with all-India average cement prices increasing by INR 5-15/bag. At the beginning of February 2025, most players announced price hikes of INR 10-30/bag, but partial rollbacks (INR 5-15/bag) followed within days, reflecting market resistance.
  - The East region led the price surge (+INR 10-15/bag), followed by Central India (+INR 5/bag), while Western and Northern regions recorded moderate gains (+INR 4-7/bag). In contrast, Southern markets remained under pressure, showing no pricing resilience.
  - The recent price adjustments are expected to benefit regional players in the East, Central, and North, while Southern cement manufacturers lag due to stagnant pricing power.
  - All-India average cement price: INR 372/bag (Feb 2025), aligning closely with the five-year average of INR 370/bag.
  - March 2025 could witness a typical year-end push for volumes, potentially exerting downward pricing pressure. Any price hike in March is unlikely to be sustainable, given limited market acceptance and the impact of the Holi festival on demand.
  - Although pricing trends show early signs of recovery (Jan-Feb 2025), challenges such as weak demand and structural issues remain key risks, especially in regions with low pricing power. The ability to sustain recent price hikes will depend on demand growth and overall economic conditions in the coming months.

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### ➤ Tamil Nadu Limestone Mining Tax

- **Policy Update:** The Tamil Nadu government has enacted the Tamil Nadu Mineral Bearing Land Tax Act, 2024, introducing a flat per-unit tax on various minerals, including limestone. The new mineral-bearing land tax levies a charge of INR 160/Ton on limestone, which will be collected in advance before dispatch. The tax has the potential to be revised up to a ceiling of INR 240/Ton, subject to government discretion.
- This move follows the July 2024 Supreme Court ruling, which upheld the authority of Indian states to impose taxes on mineral-bearing lands in addition to existing central government royalties. Other mineral-rich states, such as Karnataka and Jharkhand, have also introduced similar legislation, signaling a broader trend of increased state-level mineral taxation.
- **Financial and Industry Implications:** The tax will directly impact cement manufacturers by raising the cost of limestone, a key raw material in cement production. The cost burden translates to an estimated impact of INR 200/Ton of cement, implying that cement companies operating in Tamil Nadu will need to raise prices by ~INR 10 per bag to fully offset the tax. However, given competitive market conditions, full pass-through to consumers is unlikely.
- Among the listed cement players under our coverage: **Ramco Cements (TRCL) is the most impacted, as 50.0% of its clinker capacity is located in Tamil Nadu. This concentrated exposure places TRCL at a disadvantage compared to its peers. UltraTech Cement (UTCEM) and ACC Ltd. are minimally affected, with only 3.0% and 1.0% exposure to Tamil Nadu's clinker capacity.**

### ➤ Volumes to see moderate growth stable, mixed revenue response among our coverage

- Our coverage universe is expected to post volume growth of 10.0% YoY, with ACC/UTCEM/SRCM seeing volume growth of 10.0%/10.1%/15.3% respectively. TRCL is expected to witness a volume growth of 4.7%.
- SRCM is expected to see moderate revenue growth, supported by its strong presence in the Northern region (with 60.0% of its capacity in the North), where pricing remains relatively better. TRCL is likely to report flat revenue growth, as higher volumes will be counterbalanced by weaker pricing in the Southern region. ACC and UTCEM are expected to report a marginal YoY revenue decline, as weaker realization (YoY) weighs on topline growth, despite support from year-end volume push.

### ➤ Our Industry Outlook:

- We maintain a constructive stance on the cement sector, underpinned by expectations of demand recovery, driven by increased infrastructure spending, government policy support, and ongoing cost optimization measures. Structural tailwinds from urbanization and infrastructure investments are expected to enhance market dynamics over the medium to long term, creating a supportive pricing environment and improved utilization rates across key regions.
- We have identified UTCEM and SRCM as our top picks due to the company's ability to grow at a faster rate than the industry in terms of volume and revenue growth driven by new capacity addition and improved margin profile based on cost-cutting initiatives in place.

## Cement Sector

### Exhibit 1: Quarterly result expectation for companies under coverage

INR Mn

Q4FY25E	Outperform	Base	Underperform	View
ACC				
Sales	54,596	51,996	49,397	<ul style="list-style-type: none"><li>We expect ACC’s revenue to decline by 3.9% YoY. However, volume growth is expected to remain robust at 11.4 MT (+10.0% YoY), driven by the Master Support Agreement (MSA) with Ambuja Cement and Sanghi Industries.</li><li>EBITDA is projected to remain flat, as cost optimization efforts partially offset the pricing pressure.</li><li>Key areas to monitor include 1) potential merger announcements involving Adani Cement, 2) updates on capex timelines, and 3) the impact of additional levy on limestone.</li></ul>
EBITDA	9,010	8,321	7,658	
PAT	4,991	4,493	4,021	
EBITDA (%)	16.5%	16.0%	15.5%	
NPM (%)	9.1%	8.6%	8.1%	
TRCL				
Sales	28,824	27,451	26,078	<ul style="list-style-type: none"><li>We project TRCL’s revenue and volume to increase by 2.5% YoY and 4.7% YoY, respectively.</li><li>Volume for Q4FY25E is expected to be around 5.8 MT.</li><li>EBITDA is anticipated to improve by 10.3% YoY driven by cost-reduction initiatives taken by the company.</li><li>TRCL is the most impacted with the Tamil Nadu government imposing an INR 160/Ton mining tax on limestone mining.</li><li>Key areas to monitor include 1) commentary on the monetization of non-core assets and their utilization, 2) further strategies for profitability recovery, and 3) the impact of the change in mining tax on limestone mining on profitability.</li></ul>
EBITDA	4,998	4,622	4,261	
PAT	1,023	837	665	
EBITDA (%)	17.3%	16.8%	16.3%	
NPM (%)	3.5%	3.0%	2.5%	

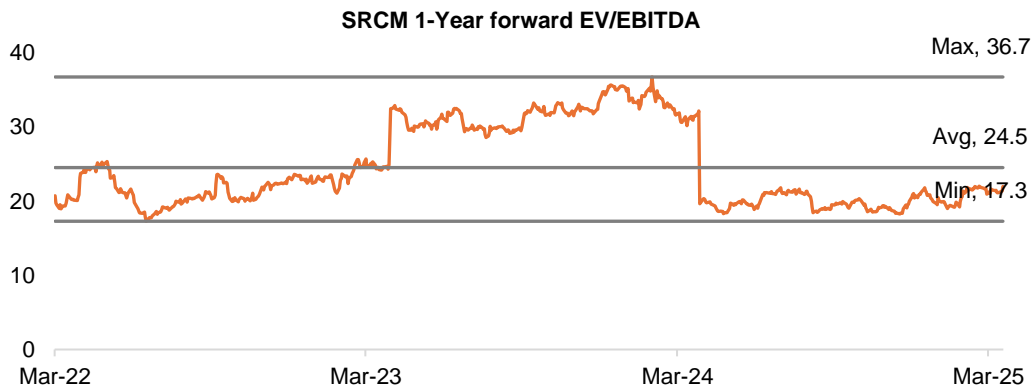
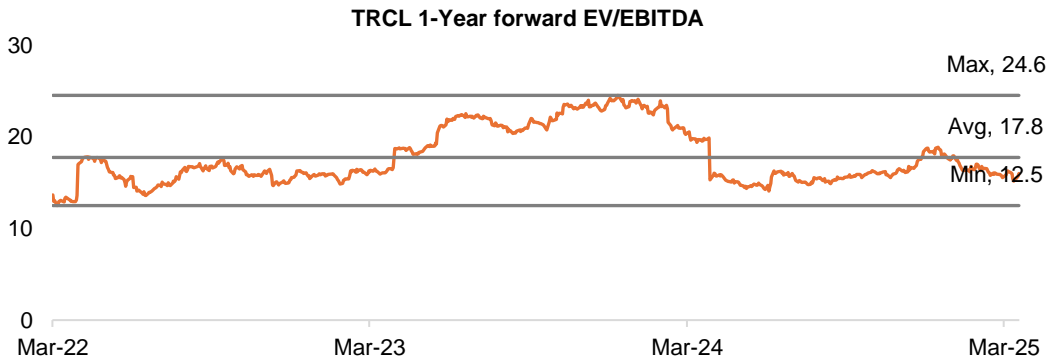
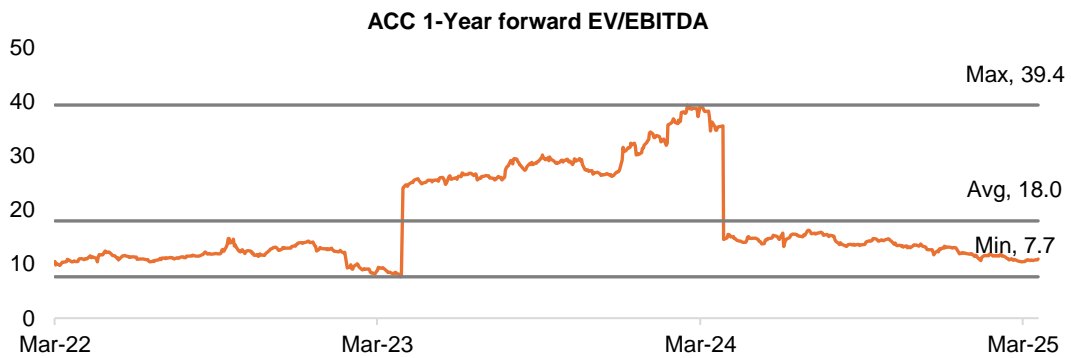
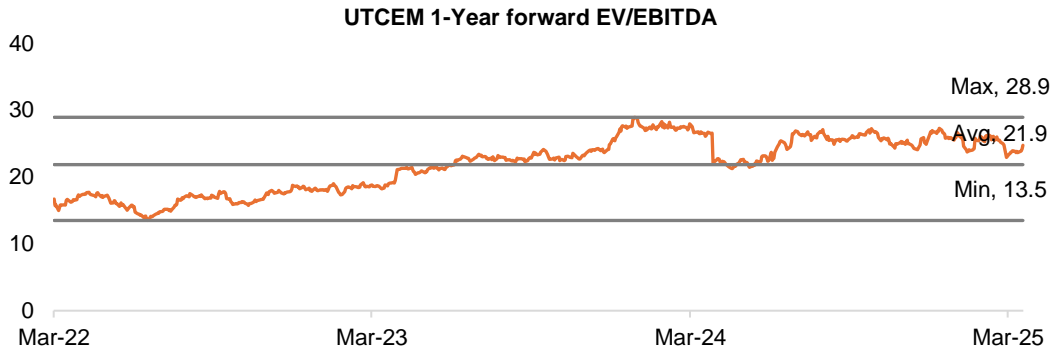
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### Exhibit 1: Quarterly result expectation for companies under coverage

INR Mn

Q4FY25E	Outperform	Base	Underperform	Views
ULTRACEMCO				
Sales	2,10,291	2,00,277	1,90,263	<ul style="list-style-type: none"><li>We expect UTCEM revenue to decline by 1.9% YoY, primarily driven by soft cement prices, though partially offset by growth in volumes which is expected to be at 38.6 MT up 10.1% YoY.</li><li>EBITDA is projected to increase by 8.8% YoY, primarily driven by better fuel mix and positive operating leverage.</li><li>UTCEM board has approved an investment of INR 18.0 Bn in the Wires and Cables business over the next two years. A manufacturing plant will be set up near Bharuch, Gujarat, and is expected to be commissioned by Dec'26.</li><li>Key areas to monitor include 1) Updates on the cable &amp; wires business, 2) progress on ongoing capex, 3) pricing trajectory, and 4) lead distance trajectory.</li></ul>
EBITDA	48,043	44,754	41,565	
PAT	24,814	22,631	20,549	
EBITDA (%)	22.8%	22.3%	21.8%	
NPM (%)	11.8%	11.3%	10.8%	
SHREECEM				
Sales	65,238	62,132	59,025	<ul style="list-style-type: none"><li>We expect SRCM's revenue is expected to improve driven by increased capacity and volume growth.</li><li>SRCM is expected to register volume growth of 15.3%, reaching 11.0 MT.</li><li>EBITDA is projected to decline by 1.7% YoY with EBITDA margin falling to 22.5% influenced by weaker realization, increased material costs, and partially offset by lower power &amp; fuel costs.</li><li>Key areas to monitor include 1) progress on ongoing capex and 2) management's perspective on price recovery.</li></ul>
EBITDA	14,995	13,971	12,977	
PAT	3,972	3,472	3,003	
EBITDA (%)	23.0%	22.5%	22.0%	
NPM (%)	6.1%	5.6%	5.1%	

## Cement Sector



Source: Bloomberg



# Cement Sector

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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