

Cement

Margin recovery continues as prices firm up

- Subdued demand growth, despite a low base; cement prices continue to recover in east/south regions:** Cement demand in Q1FY26 has been muted with ~4-5% growth YoY, despite a low base. This is majorly attributed to early onset of monsoon in India this time. We estimate our coverage universe to report 7% YoY volume growth in Q1FY26. However, on a like-to-like (LTL) basis, we estimate coverage universe growth at 4% YoY (broadly in line with estimated industry growth) but down 10% QoQ. Cement prices continued to recover in the southern and eastern regions (from their multi-year lows) as companies focused on margins over volumes. We estimate average cement realization in southern/eastern regions recovered 9/6% QoQ respectively. Cement realization in the less volatile northern/central/western regions inched up ~1% QoQ each. For our coverage universe, we estimate average NSR will rise 3% QoQ, leading to a 4% gain YoY. We note that pricing gain in Q1FY26 is the highest of the past nine quarters.
- Margin to recover to a six-quarter high:** We estimate unit opex will rise 2% QoQ (albeit YoY decline continues for the ninth consecutive quarter), owing to 10% lower volumes QoQ and slight uptick expected in energy costs as pet coke prices shot up in Q4FY25. This should moderate gains from higher cement prices. Hence, we expect average unit EBITDA for our universe to further increase by ~INR 86/MT QoQ to INR 1,142/MT in Q1FY26. On a YoY basis, gains from 1% lower opex should further expand unit EBITDA by ~INR 293/MT. We note that margins for south- and east-exposed companies may expand more QoQ in Q1FY26.
- Performance of companies:** On volumes front, we expect the following companies to deliver healthy growth in Q1FY26: Star Cement (+13% YoY), Sagar Cements (+13%), UltraTech (total +11%, LTL +5%), Orient Cements (+11%), and Birla Corp (+10%). On the margin front, we estimate larger EBITDA margin expansion QoQ for companies exposed to southern and eastern regions: Sagar Cements (+567/MT QoQ), Ramco Cements (+267/MT), Dalmia Bhaarat (+256/MT) and Orient Cements (+194/MT). On a YoY basis, we expect all companies to deliver margin expansion, with Star Cements (unit EBITDA INR 1,469/MT), Shree Cement (INR 1,453/MT), and UltraTech (INR 1,205/MT) delivering superior margins.
- Outlook:** We estimate cement demand will pick up FY26E onwards as against subdued offtake in FY25. The recent spur in cement prices in the eastern and southern regions bodes well and could stabilize pricing and margin there, which had reached multi-year lows. We estimate average NSR for our coverage universe will grow at 1.6% CAGR over FY25-27E as against a sharp 6% fall in FY25. Overall opex should continue to decline (we estimate -1.5% CAGR), aided by rising share of low-cost green energy and logistics efficiencies. Thus, we estimate industry unit EBITDA will recover to a ~20-year high of INR 1,115/MT in FY27E. We maintain earnings estimates and target prices for our coverage universe. We have BUY ratings on UltraTech, Dalmia Bharat, Nuvoco Vistas, Birla Corp, JK Lakshmi, and Star Cement. We also maintain ADD on Shree Cement, Ambuja Cement, ACC, JK Cement, and Sagar Cements. We have REDUCE ratings on Ramco Cements, Heidelberg Cement, Orient Cement, and Deccan Cements. Our top picks: large-cap—UltraTech Cement; mid-cap—JK Lakshmi.

COMPANY	RATING	TP (INR)
UltraTech Cem	BUY	12,600
Shree Cem	ADD	30,800
Ambuja Cem	ADD	570
ACC	ADD	2,110
Dalmia Bharat	BUY	2,070
Nuvoco Vistas	BUY	420
Ramco Cem	REDUCE	850
JK Cement	ADD	5,740
Birla Corp	BUY	1,540
Heidelberg Cem	REDUCE	175
Star Cement	BUY	240
JK Lakshmi	BUY	1,010
Orient Cem	REDUCE	266
Sagar Cement	ADD	265
Deccan Cem	REDUCE	507

Rajesh Ravi
 rajesh.ravi@hdfcsec.com
 +91-22-6171-7352

Riddhi Shah
 riddhi.shah@hdfcsec.com
 +91-22-6171-7359

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Q1FY26E estimates

Y/E March (INR mn)	Net sales (INR mn)			EBITDA (INR mn)			EBITDA Margin (%)			Adj. PAT (INR mn)		
	Jun-25E	YoY (%)	QoQ (%)	Jun -25E	YoY (%)	QoQ (%)	Jun -25E	YoY (%)	QoQ (%)	Jun -25E	YoY (%)	QoQ (%)
ACC \$	58,303	13.1	(3.9)	9,677	42.5	16.6	16.6	3.4	2.9	5,718	59.0	3.1
Ambuja \$	92,682	11.5	(6.3)	18,320	43.1	(1.9)	19.8	4.4	0.9	6,616	3.4	(12.9)
Birla Corp \$	25,804	17.8	(8.3)	4,644	79.8	(13.0)	18.0	6.2	(1.0)	1,995	511.4	(32.4)
Dalmia \$	37,463	3.5	(8.4)	8,600	28.6	8.5	23.0	4.5	3.6	9,913	339.1	127.9
Heidelberg Cem	5,625	5.7	(8.2)	835	7.0	(7.9)	14.8	0.2	0.0	452	13.2	(10.4)
JK Cement \$	31,470	12.1	(12.1)	6,339	30.4	(17.1)	20.1	2.8	(1.2)	2,720	46.8	(24.5)
JK Lakshmi \$	16,818	7.5	(11.4)	2,883	29.6	(17.9)	17.1	2.9	(1.4)	1,232	75.2	(32.9)
Nuvoco Vistas \$	28,515	8.2	(6.3)	5,340	55.5	(3.2)	18.7	5.7	0.6	1,512	5,149.8	(8.7)
Orient Cem	7,804	12.1	(5.4)	1,220	27.1	18.4	15.6	1.8	3.1	531	44.7	26.3
Ramco Cem	22,113	5.6	(7.8)	3,982	24.4	24.7	18.0	2.7	4.7	785	126.3	461.4
Sagar Cem \$	6,778	20.9	3.0	1,210	159.1	228.7	17.9	9.5	12.3	147		
Shree Cement	49,020	1.4	(5.4)	13,639	48.8	(3.4)	27.8	8.9	0.6	4,940	55.5	(14.7)
Star Cem \$	9,020	20.1	(14.3)	1,915	64.9	(27.1)	21.2	5.8	(3.7)	851	174.5	(30.9)
UltraTech Cem \$	215,885	14.3	(6.4)	44,906	44.3	(2.8)	20.8	4.3	0.8	21,959	34.9	(11.8)
Total (ex ACC)	548,998	11.0	(7.1)	113,833	43.3	(2.7)	20.7	4.7	0.9	53,651	66.8	(1.5)

Source: Company, HSIE Research, \$ - Consolidated numbers, NA – not applicable.

Q1FY26E operational estimates

Y/E March	Sales volume (mn MT)			NSR (INR/MT)			EBITDA (INR/MT)*			Opex (INR/MT)		
	Jun-25E	YoY (%)	QoQ (%)	Jun -25E	YoY (%)	QoQ (%)	Jun -25E	YoY (%)	QoQ (%)	Jun -25E	YoY (%)	QoQ (%)
ACC \$	10.9	7.3	(8.0)	4,995	5.6	5.3	867	229	192	4,128	0.8	1.4
Ambuja \$	17.0	7.2	(8.9)	5,454	4.0	2.9	1,078	271	77	4,376	(1.4)	1.8
Birla Corp \$	4.8	9.6	(8.6)	5,227	7.9	2.0	956	353	(58)	4,272	0.7	3.8
Dalmia \$	7.3	(2.0)	(15.0)	5,147	5.6	7.7	1,182	281	256	3,965	(0.2)	3.0
Heidelberg Cem	1.1	(0.1)	(10.0)	4,976	5.8	2.1	738	48	17	4,238	5.5	2.0
JK Cement \$	4.8	9.0	(12.9)	5,162	5.8	1.0	1,150	250	(50)	4,012	0.9	2.6
JK Lakshmi \$	3.2	5.0	(11.4)	5,274	2.4	-	904	172	(72)	4,370	(1.1)	1.7
Nuvoco Vistas \$	5.1	7.0	(10.5)	5,028	1.4	4.1	1,040	346	115	3,989	(6.5)	2.2
Orient Cem	1.5	11.2	(10.0)	5,174	0.8	5.1	809	101	194	4,365	(1.4)	1.3
Ramco Cem	4.6	5.0	(13.5)	4,833	0.6	6.6	870	136	267	3,962	(2.6)	0.8
Sagar Cem \$	1.6	13.0	(10.0)	4,373	7.0	14.4	781	440	567	3,592	(4.1)	(0.5)
Shree Cement	9.4	(2.0)	(4.6)	5,221	3.5	(0.8)	1,453	496	18	3,769	(7.9)	(1.6)
Star Cem \$	1.3	13.0	(14.9)	6,885	5.8	2.2	1,469	462	(246)	5,416	(1.5)	7.9
UltraTech Cem \$	37.3	10.8	(9.1)	5,792	3.2	3.0	1,205	280	79	4,588	(2.1)	2.0
Total (ex ACC)	98.9	6.9	(9.8)	5,447	3.9	3.1	1,142	293	86	4,305	(2.0)	1.9

Source: Company, HSIE Research, \$ - Consolidated numbers, *EBITDA/MT changes are in INR/MT

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Operating assumption summary

Operational assumptions/estimates for coverage universe

	Sales Vol (mn MT)			Sales Vol YoY (%)			NSR (INR/MT)			EBITDA (INR/MT)			Opex (INR/MT)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
UltraTech \$	135.8	152.2	167.4	14.0	12.0	10.0	5,592	5,648	5,727	925	1,109	1,331	4,668	4,540	4,396
Shree Cem	35.6	39.2	43.1	0.2	10.0	10.0	5,050	5,115	5,192	1,086	1,277	1,362	3,963	3,838	3,831
Ambuja \$	65.2	78.9	88.4	10.3	21.0	12.0	5,246	5,325	5,431	789	1,029	1,242	4,458	4,296	4,190
ACC \$	42.2	46.7	52.0	14.7	10.7	11.6	4,684	4,778	4,849	556	699	814	4,128	4,078	4,036
Dalmia Bharat \$	29.4	31.7	34.9	1.9	8.0	10.0	4,763	4,858	4,931	820	930	989	3,943	3,928	3,942
Nuvoco \$	19.4	20.6	22.2	3.5	6.0	8.0	4,810	4,930	5,004	683	848	945	4,127	4,082	4,059
Ramco Cem	18.5	19.8	22.0	0.6	7.0	11.0	4,605	4,789	4,813	666	835	891	3,938	3,954	3,922
JK Cement \$	20.1	22.0	24.6	6.1	9.2	11.9	5,897	5,985	6,018	1,006	1,191	1,275	4,891	4,795	4,743
Birla Corp \$	18.1	19.0	20.0	2.6	5.0	5.0	4,884	4,942	5,016	683	777	871	4,201	4,165	4,145
Heidelberg	4.5	4.6	4.7	(6.1)	2.0	3.0	4,759	4,855	4,952	530	647	731	4,229	4,208	4,221
Star Cem \$	4.7	5.3	5.9	6.5	13.1	10.0	6,687	6,753	6,753	1,223	1,486	1,482	5,463	5,268	5,272
JK Lakshmi \$	12.1	13.1	14.2	1.3	8.0	8.0	5,100	5,202	5,280	712	930	984	4,388	4,273	4,296
Orient Cem	5.4	6.1	6.7	(11.7)	13.0	10.0	5,002	5,103	5,205	556	702	831	4,446	4,400	4,373
Sagar Cem \$	5.7	6.0	6.6	0.7	6.0	10.0	3,989	4,228	4,207	249	577	556	3,739	3,651	3,650
Deccan Cem	1.8	1.8	2.1	(8.2)	5.0	15.0	2,994	3,084	3,177	201	273	344	2,793	2,811	2,833

Source: Company, HSIE Research, \$ - Consolidated numbers

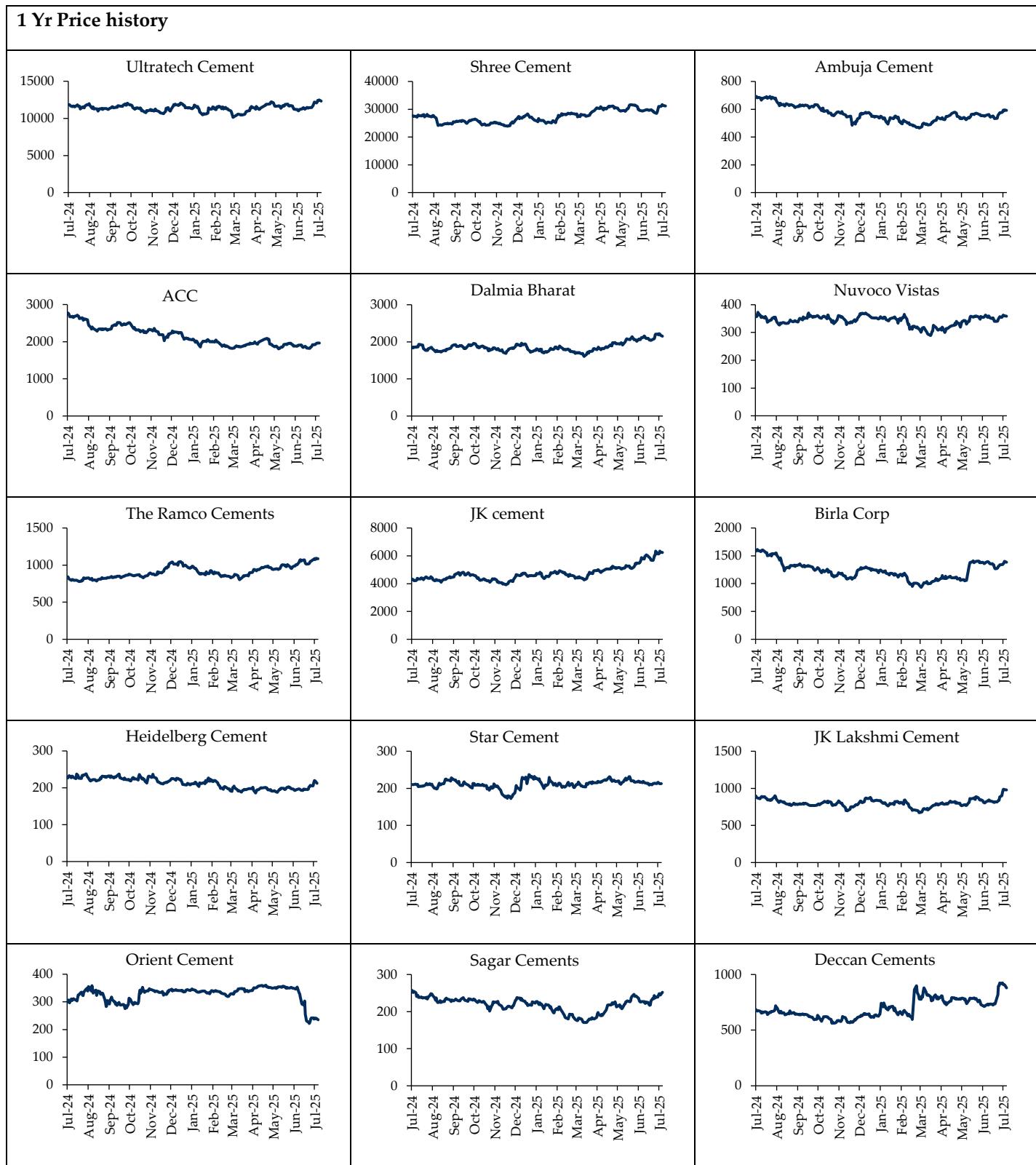
Peer-set valuations and TP revisions

Rating and target price revision summary

Company	Mcap (INR bn)	CMP (INR/sh)	New Rating	Old Rating	New TP	Old TP	Valuation multiple^	EV/EBITDA (x)			EV/MT (USD)		
								FY25	FY26E	FY27E	FY25	FY26E	FY27E
UltraTech	3,563.9	12,345	BUY	ADD	12,600	12,600	17.0	29.6	22.0	16.4	228	215	197
Shree Cem	1,124.6	31,170	ADD	ADD	30,800	30,800	17.0	26.6	20.5	17.4	210	172	163
Ambuja Cem	614.0	592	ADD	ADD	570	570	16.5	30.5	21.5	17.0	204	170	155
ACC	369.3	1,965	ADD	ADD	2,110	2,110	8.0	13.9	9.8	7.5	97	85	79
Dalmia Bharat	398.6	2,154	BUY	BUY	2,070	2,070	12.0	18.5	15.6	13.8	105	108	112
Nuvoco Vistas	128.0	358	BUY	BUY	420	420	9.0	12.2	9.9	8.1	78	83	65
Ramco Cem	256.5	1,086	REDUCE	ADD	850	850	12.0	24.4	18.2	15.3	143	116	116
JK Cement	482.6	6,246	ADD	REDUCE	5,740	5,740	15.0	25.5	19.8	16.6	198	164	164
Birla Corp	106.6	1,384	BUY	BUY	1,540	1,540	8.0	10.7	8.7	7.6	76	71	69
Heidelberg	48.2	213	REDUCE	REDUCE	175	175	8.0	18.5	15.0	12.8	82	80	80
Star Cem	85.9	213	BUY	BUY	240	240	11.0	15.4	11.3	10.2	135	108	89
JK Lakshmi	115.1	978	BUY	BUY	1,010	1,010	10.0	15.0	10.8	9.8	87	85	78
Orient Cem	48.3	236	REDUCE	REDUCE	266	266	7.5	16.0	12.4	10.9	66	73	52
Sagar Cem	33.0	252	ADD	ADD	265	265	6.5	32.4	13.6	12.5	51	50	45
Deccan Cem	12.3	881	REDUCE	REDUCE	507	507	6.5	51.0	39.2	26.7	117	57	57

Source: Company, HSIE Research, ^ Target multiples are EV/EBITDA based on Mar-27E. CMP as on Jul 7, 2025. ** We value Orient Cement at an average of 7.5x its FY27E EBITDA and EV/MT of USD 80 (FY27E capacity). Similarly, we value Sagar Cements and Deccan Cements at an average of 6.5x their FY27E EBITDA and EV/MT of USD 70 (on their FY27E capacities).

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Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	> 10% Downside return potential

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com