

CEMENT Q4FY25 Result Preview

Axis Securities Equity Research

CEMENT Q4FY25 RESULT PREVIEW: HEALTHY DEMAND; OUTLOOK REMAINS POSITIVE

Cement Demand

Cement demand is expected to grow 10% YoY: After a subdued H1FY25 (2-3% YoY growth), cement demand exhibited improvement in Q3FY25, growing in high single digits, and the momentum is expected to continue in Q4, driven by enhanced government capital expenditure and a rebound in construction activities post-monsoon. The overall performance for the first nine months of FY25 remained subdued, with demand growth around 3-4% YoY.

Cement demand in India has shown resilience, particularly in Q4FY25, following a strong December 2024. Core sector data from the central government confirms double-digit growth in January and February 2025, driven by increased construction activity and infrastructure projects. Channel checks suggest that demand conditions have further strengthened, with expectations of continued momentum. Historically, Q4 and Q1 are peak seasons for cement consumption due to favorable weather conditions, ongoing government spending on infrastructure, and a pickup in real estate activity. Looking ahead, this strong demand trend is expected to persist, benefiting cement manufacturers despite price pressures from increased competition and supply additions.

The overall demand for cement within the coverage universe in Q4FY25 is estimated to conclude on a higher note on a YoY basis, with an expected growth of 10%.

Real estate demand expected to remain robust: Robust real estate demand in FY24 has significantly driven increased cement consumption. The projected growth in the real estate market, coupled with the government's major housing initiatives such as the Pradhan Mantri Awas Yojana (PMAY), is expected to sustain the momentum in cement demand. The program's plan to construct 3 Cr additional houses aims to address housing shortages in both rural and urban areas while promoting affordable housing across various income groups.

This large-scale construction initiative is expected to drive sustained demand for building materials, particularly cement, which remains essential for housing infrastructure. As construction activities accelerate to meet these housing targets, cement manufacturers are likely to witness higher production and sales, supporting sectoral growth. Additionally, the government's continued emphasis on infrastructure development, affordable housing, and urbanisation will further strengthen this momentum, positioning the cement industry as a key beneficiary of these initiatives.

Rural demand: Channel checks suggest that rural demand improved during the quarter, driven by increased construction activity. Urban and semi-urban demand also showed a slight uptick. The government's earlier decision to raise the MSP on Kharif crops by 5-10% for the FY24-25 season is expected to further support rural demand. Additionally, the above-normal monsoon is likely to result in a better harvest, further strengthening rural consumption.

Overall cement demand in FY25 expected to be positive: Overall, cement demand is expected to grow in the range of 4%-6% in FY25, supported by the government's emphasis on infrastructure development and sustained real estate activity. Additionally, the budgetary allocation to infrastructure and construction in the 2025-26 budget is likely to further strengthen cement demand momentum in FY26.

For companies under coverage, Volume/Revenue/EBITDA growth is expected to be 10%/8%/6%, driven by better demand. However, PAT is likely to decline by 10% due to soft prices and higher depreciation on a YoY basis. On a sequential basis, Revenue, EBITDA, and PAT are expected to rebound sharply by 24%, 65%, and

75%, respectively. From a medium to long-term perspective, preferred picks in the sector are:

Large Cap positive plays are – UltraTech Cement Limited

Mid & Small cap positive plays are – JK Cements Ltd, JK Lakshmi Cement & Star Cement Ltd

Cement Pricing

Following subdued pricing trends in H2FY25, cement prices experienced an upward trend in Q3FY25 across regions. The industry has witnessed lower prices since Nov'23, as cement manufacturers refrained from implementing price hikes due to intensified competition and efforts to capture more market share. With new cement capacities being continually added by both large and medium-sized companies, pricing is expected to remain dynamic and volatile.

During Q4FY25, cement prices remained elevated as the price hikes implemented in Dec'24 largely held. However, the increases introduced in January 2025 saw mixed implementation, with partial or full rollbacks in some regions, depending on local demand-supply dynamics. Stronger demand in certain areas helped sustain higher prices, while regions facing increased competition or supply additions saw price adjustments. Despite these variations, the overall pricing environment remained relatively firm, supported by robust cement consumption trends in both rural and urban markets.

Improvement in cement prices

The all-India average cement price for Q4FY25 is estimated at Rs 350 per bag. Realisations for coverage companies are projected to improve by 2–3% during the quarter compared to Q3FY25, though on a YoY basis, realisations are down by 2% for the coverage universe.

Regionally, the East saw an increase of Rs 10 per bag, the Central region Rs 5, the West Rs 4, and the North Rs 4, while prices in the South declined. Despite initial hikes of Rs 10-30 per bag, many companies rolled back prices partially within a few days due to weak market acceptance.

It is believed that cement prices have bottomed out; however, the South region is likely to experience intensified competition. Channel checks indicate that cement manufacturers are planning a price hike in the first week of April 2025, with increases ranging from Rs 10 to Rs 15 per bag across most regions. The South region, however, is expected to see a steeper price hike of Rs 25 to Rs 30 per bag, given the sharper price declines witnessed earlier.

This price adjustment is critical to offset the rising cost of pet coke, which surged by 20% during Q4FY25, impacting operating costs. The planned hike aims to help cement companies maintain margins and sustain profitability amid increasing fuel expenses.

Input Cost

The sharp 20% increase in pet coke prices during Q4FY25 has raised cost pressures for cement manufacturers. Currently, imported petroleum coke is trading at \$120 per tonne, while South African coal prices have softened to \$100 per tonne.

Since the cement industry's operating cost per tonne is directly impacted by fluctuations in pet coke and imported coal prices, a \$10 change in either fuel source 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, its price surge poses a challenge for cement producers.

To offset these rising fuel costs, companies are expected to increase cement prices by Rs 10 per bag in Q1FY26. This pricing adjustment will be crucial to maintaining profitability amid escalating input costs.

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 1,010 per tonne for the coverage companies. Bulk diesel prices are stable. On a QoQ basis, power and fuel costs are expected to remain flattish for the coverage universe.

EBITDA/tonne of coverage companies to improve QoQ: For Q4FY25, the EBITDA per tonne for the companies within coverage is estimated to rise by 21% QoQ to Rs 1,005 per tonne (Q3FY25: Rs 833 per tonne). However, on a YoY basis, it is expected to decline by 2% from Rs 1,028 per tonne.

In percentage terms, EBITDA margins are projected to improve by 470 basis points QoQ but decline by 30 basis points YoY.

On the cost front, the operating cost per tonne for the companies under coverage is estimated to decline by 2% YoY, reaching Rs 4,481 per tonne. While this cost reduction provides some cushion, it has not been sufficient to fully offset the impact of lower cement prices, leading to an overall YoY decline in profitability.

Outlook

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

Government Initiatives: The government's focus on infrastructure development, increased spending on affordable housing, and a resurgence in private and commercial capital expenditure, along with strong real estate demand, are expected to bolster cement demand.

However, a reduction in capital expenditure by the Central Government in FY25, driven by the general election and delays in fund allocation, has led to a decline in overall cement consumption. Looking ahead, FY26 is poised to witness higher government capital expenditure in infrastructure, creating favorable industry tailwinds

and supporting cement demand growth. We anticipate the industry to grow at 8-9% in FY26.

Greater Consolidation: The increasing consolidation is expected to positively influence industry dynamics, leading to long-term structural improvements that enhance the overall competitiveness and efficiency of the industry.

Premiumization Product Strategy: Companies are increasingly focusing on premiumisation and producing more blended cement varieties, which require less clinker and consume less power. This strategic shift aims to enhance efficiency and competitiveness within the industry.

Green Energy Transition: There is a significant transition towards green energy, aiming to increase the share from the current 35% to over 50% in the coming years. This transition, facilitated by initiatives such as waste heat recovery systems (WHRS) and the adoption of wind and solar energy, is likely to positively impact margins and enhance sustainability efforts.

Demand-Supply Dynamics: The Indian cement sector's capacity addition of 43-45 million metric tonnes in FY26 indicates strong confidence in future demand, driven by infrastructure projects and housing growth. However, this expansion could lead to oversupply, increasing competitive pressure and affecting pricing power. Companies may need to focus on cost efficiency and strategic market positioning to maintain profitability amid rising capacity.

Favourable Industry Outlook: With higher demand, stable pricing, and ongoing cost optimisation initiatives, the cement industry is poised for strong performance in the foreseeable future. Therefore, we maintain a positive outlook on the sector from a medium to long-term perspective.

TOP RESULT PICK

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

Quarterly Preview– Q4FY25

Cement

Year-end March (Rs Cr)	Q4FY25	Q3FY25	QoQ(%)	Q4FY24	YoY(%)	Result expectations
Dalmia Bharat						
Volume (mntpa)	8.80	6.70	31%	8.80	0%	→ Volume is expected to be flattish on the back of discontinuation of tolling arrangement with JP assets .
Revenues	4251	3181	34%	4307	-1%	→ Consol revenue is expected to de-grow owing to lower realization YoY and discontinue of tolling arrangement with JP assets.
Gross Profit	1665	1255	33%	1,519	10%	→ Gross margins is expected to be higher YoY owing to lower cost.
Gross margin (%)	39.2%	39.5%	(30bp)	35.3%	390bps	→ Ebitda margin is expected to expand YoY/QoQ higher prices and lower cost
EBITDA	740	511	45%	654	13%	→ PAT is expected to be lower YoY owing to lower tax but improves QoQ.
EBITDA margin (%)	17.4%	16.1%	130bps	15.2%	240bps)	→ EPS to be in line with PAT
PAT	283	61	363%	315	-10%	→ EBITDA/tonne is expected to be higher YoY and QoQ as cement prices improve and due to operating leverage benefits.
EPS (Rs)	15.08	3.25	363%	16.8	-10%	→ Realization is expected to be lower YoY but higher QoQ
EBITDA/Tonne	840	763	10%	743	13%	→ Cost/Tonne is expected to be lower YoY.
Realisation/tonne	4831	4748	2%	4894	-1%	
Cost/Tonne	3990	3985	0%	4151	-4%	
J K Cements						
Volume (mntpa)	5.70	4.92	16%	5.22	9%	→ Volume is expected to grow owing to improvement in demand
Revenues	3443	2930	18%	3,106	11%	→ Consolidated revenue is expected to be higher owing to higher realization and better volume.
Gross Profit	1456	1239	17%	1,282	13.6%	→ Gross margin is expected to be higher YoY led by lower cost.
Gross margin (%)	42.3%	42.3%	0bps	41.3%	100bps	→ Ebitda margin is expected to improve YoY/QoQ owing to positive operating leverage and better prices.
EBITDA	667	492	36%	560	19%	→ PAT is expected to expand YoY/QoQ owing to lower cost and better prices.
EBITDA margin (%)	19.4%	16.8%	260bps	18.0%	140bps	→ EPS to be in line with PAT
PAT	296	190	56%	220	35%	→ EBITDA/tonne is expected to be higher YoY/ QoQ.
EPS (Rs)	38.5	24.6	56%	28.5	35%	→ Blended realization is expected to be higher YoY/ QOQ
EBITDA/Tonne	1,172	1,000	17%	1,072	9%	→ Cost/Tonne to be lower on easing of cost pressure QoQ.
Realisation/tonne	6,045	5,956	1%	5,946	2%	
Cost/Tonne	4,874	4,956	-2%	4,874	0%	

Cement (Cont'd)

Year-end March (Rs Cr)	Q4FY25	Q3FY25	QoQ(%)	Q4FY24	YoY(%)	Result expectations
JK Lakshmi Cement Ltd						
Volume (mntpa)	2.68	2.25	19%	2.55	5%	→ Volume is expected to be higher YoY led by better demand.
Revenues	1669	1373	22%	1,648	1%	→ Revenue is expected to be marginally higher owing to higher volume.
Gross Profit	550	418	32%	551	0%	→ Gross margin is expected to be marginally lower YoY but higher QoQ led by higher realization and lower cost
Gross margin (%)	33.0%	30.4%	260bps	33.5%	(50bps)	→ Ebitda margin is expected to contract YoY owing to lower realization but higher QoQ
EBITDA	250	143	76%	275	-9%	→ PAT is expected to be lower YoY owing to above attributes but higher QoQ
EBITDA margin (%)	15.0%	10.4%	460bps	16.7%	(170bps)	→ EPS to be in line with PAT
PAT	132	60	122%	142	-7%	→ EBITDA/tonne is expected to be lower YoY owing to lower realization but higher QoQ.
EPS (Rs)	11.2	5.1	122%	12.1	-7%	→ Realization to be lowerYoY.
EBITDA/Tonne	935	634	47%	1,080	-13%	→ Cost/Tonne to be lower YoY/QoQ as cost
Realisation/tonne	6,231	6,109	2%	6,459	-4%	
Cost/Tonne	5,296	5,475	-3%	5,380	-2%	
Birla Corporation Ltd						
Volume (mntpa)	5.19	4.50	15%	4.85	7%	→ Volume is expected to be higher YoY led by better demand.
Revenues	2711	2257	20%	2,656	2%	→ Revenue is expected to grow marginally owing to higer volume YoY.
Gross Profit	1038	865	20%	1,102	-6%	→ Gross margins is expected to be lower YoY owing to lower realization
Gross margin (%)	38.3%	38.3%	0bps	41.5%	(320bps)	→ Ebitda margin to contract YoY owing to lower realization but higher QoQ as realization improves and benefit of operating leverage
EBITDA	376	248	52%	472	-20%	→ PAT is expected to be lower YoY but higher QoQ led by better realization .
EBITDA margin (%)	13.9%	11.0%	290bps	17.8%	(390bps)	→ EPS to be in line with PAT
PAT	132	31	325%	193	-32%	→ EBITDA/tonne is expected to be lower YoY impacted by lower realization.
EPS (Rs)	17.2	4.1	325%	25.1	-32%	→ Blended realization to be lower YoY but higher QoQ.
EBITDA/Tonne	724	551	31%	974	-26%	→ Cost/tonne to be flattish YoY.
Realisation/tonne	5,224	5,015	4%	5,477	-5%	
Cost/Tonne	4,500	4,464	1%	4,503	0%	

Cement (Cont'd)

Year-end March (Rs Cr)	Q4FY25	Q3FY25	QoQ(%)	Q4FY24	YoY(%)	Result expectations
Heidelberg Cement India Ltd						
Volume (mntpa)	1.27	1.14	11%	1.23	3%	→ Volume is expected to grow owing to improved demand
Revenues	615	543	13%	597	3%	→ Revenue is expected to grow owing to higher volume YoY.
Gross Profit	262	186	41%	236	11%	→ Gross margins is expected to be higher YoY & QoQ owing to lower cost and improved realization QoQ
Gross margin (%)	42.6%	34.3%	830bps	39.5%	310bps	→ Ebitda margin is expected to improve YoY owing to better realization and operating leverage benefit QoQ.
EBITDA	102	33	206%	89	15%	→ PAT to be lower YoY owing to lower realization
EBITDA margin (%)	16.6%	6.1%	1050bps	14.9%	170bps	→ EPS to be in line with PAT
PAT	58	5	1016%	48	20%	→ EBITDA/tonne is expected to be higher YoY & QoQ.
EPS (Rs)	2.6	0.6	317%	2.1	20%	→ Realization is expected to be higher QoQ as cement prices improves and flattish QoQ
EBITDA/Tonne	802	291	176%	721	11%	→ Cost/tonne is expected to be lower YoY/ QoQ
Realization/tonne	4,840	4,745	2%	4,838	0%	
Cost/Tonne	4,038	4,454	-9%	4,117	-2%	
Star Cement Ltd						
Volume (mntpa)	1.48	1.07	39%	1.39	7%	→ Volume is expected to grow owing to improved demand and new capacity ramp up..
Revenues	1055	719	47%	914	15%	→ Revenue is expected to grow YoY /QoQ due to higher volume and better realization
Gross Profit	414	289	43%	347	19%	→ Gross margin is expected to be higher owing to lower cost .
Gross margin (%)	39.3%	40.3%	100bps	37.9%	140bps	→ Ebitda margin is expected to expand YoY owing to higher realization and operating leverage benefit
EBITDA	227	104	118%	180	26%	→ PAT is expected to be higher owing to above attributes.
EBITDA margin (%)	21.5%	14.5%	700bps	19.7%	180bps	→ EPS to be in line with PAT.
PAT	101	9	1019%	88	15%	→ EBITDA/tonne is expected to be higher YoY/QoQ.
EPS (Rs)	2.5	0.2	1019%	2.2	15%	→ Realization is expected to be higher QoQ/ YoY.
EBITDA/Tonne	1531	977	57%	1296	18%	→ Cost/tonne is expected to be lower YoY.
Realization/tonne	6,837	6,361	7%	6,586	4%	
Cost/Tonne	5,306	5,385	-1%	5,291	0%	

Cement (Cont'd)

Year-end March (Rs Cr)	Q4FY25	Q3FY25	QoQ(%)	Q4FY24	YoY(%)	Result expectations
ACC Limited						
Volume (mntpa)	11.96	10.70	12%	10.40	15%	<div>➔ Volume is expected to to grow YoY driven by improvement in demand and higher sale under MSA .</div> <div>➔ Revenue is expected to be higher owing to higher volume.</div> <div>➔ Gross margin is expected to contract marginally YoY .</div> <div>➔ Ebitda margin is expected to contract YoY led by lower realization.</div> <div>➔ PAT is expected to be lower YoY owing to exceptional item and lower tax last year.</div> <div>➔ EPS to be in line with PAT</div> <div>➔ EBITDA/tonne is expected to be lower on YoY but higher QoQ on adjusted basis.</div> <div>➔ Blended realization to be lower YoY .</div> <div>➔ Cost/tonne is expected to be lower as cost pressure eases.</div>
Revenues	5896	5927	-1%	5409	9%	
Gross Profit	1709	1853	-8%	1582	8%	
Gross margin (%)	29.0%	31.3%	(230bps)	29.2%	(20bps)	
EBITDA	867	1116	-22%	837	4%	
EBITDA margin (%)	14.7%	18.8%	(410bps)	15.5%	(80bps)	
PAT	524	1092	-52%	945	-45%	
EPS (Rs)	27.9	58.1	-52%	50.3	-45%	
EBITDA/Tonne	725	1043	-31%	805	-10%	
Realization/tonne	4,929	5,540	-11%	5,201	-5%	
Cost/Tonne	4,205	4,497	-6%	4,396	-4%	
Shree Cement Limited						
Volume (mntpa)	10.29	8.77	17%	9.53	8%	<div>➔ Volume is expected to grow owing to better demand. YoY</div> <div>➔ Revenue is expected to be lower YoY owing to lower realization but higher QoQ</div> <div>➔ Gross margin to be higher YoY/ QoQ led by cost optimization.</div> <div>➔ Ebitda margin is expected to contract marginally YoY owing to lower realization but higher QoQ.</div> <div>➔ PAT is expected to be lower YoY due to lower realization and higher depreciation but improves QoQ</div> <div>➔ EPS to be in line with PAT</div> <div>➔ EBITDA/tonne is expected to be lower YoY owing to lower realization.</div> <div>➔ Realization is expected to be lower YoY but higher QoQ</div> <div>➔ Cost/tonne to be lower QoQ/YoY</div>
Revenues	5070	4235	20%	5101	-1%	
Gross Profit	2299	1790	28%	2246	2%	
Gross margin (%)	45%	42%	300bps	44%	100bps	
EBITDA	1297	946	37%	1327	-2%	
EBITDA margin (%)	25.6%	22.3%	330bps	26.0%	(40bps)	
PAT	537	229	134%	662	-19%	
EPS (Rs)	149	64	134%	184	-19%	
EBITDA/Tonne	1260	1079	17%	1393	-10%	
Realization/tonne	4,926	4,830	2%	5,353	-8%	
Cost/Tonne	3,666	3,750	-2%	3,960	-7%	

Cement (Cont'd)

Year-end March (Rs Cr)	Q4FY25	Q3FY25	QoQ(%)	Q4FY24	YoY(%)	Result expectations
Ambuja Cement Limited						→ Volume is expected to grow YoY backed by higher sales as demand improves & gain in market share
Volume (mntpa)	18.92	16.50	15%	16.60	14%	→ Revenue is expected to be higher due to higher volume.
Revenues	9941	9329	7%	8894	12%	→ Gross margin is expected to be lower YoY.
Gross Profit	3501	3417	2%	3171	10%	→ Ebitda margin is expected to be lower YoY led by lower realization YoY
Gross margin (%)	35.2%	36.6%	(140bps)	35.6%	(40bps)	→ PAT is expected to be lower YoY owing to exceptional item and lower tax last year.
EBITDA	1684	1712	-2%	1699	-1%	→ EPS to be lower owing to above attributes and increase in number of shares post conversion of warrants.
EBITDA margin (%)	16.9%	18.4%	(150bps)	19.1%	(220bps)	→ EBITDA/tonne is expected to be lower on YoY but higher QoQ on adjusted basis.
PAT	618	2115	-71%	1055	-41%	→ Realization to be lower YoY but higher QoQ as Cement prices improves.
EPS (Rs)	2.51	8.59	-71%	5.31	-53%	→ Cost/Tonne to be flattish YoY.
EBITDA/Tonne	890	1038	-14%	1023	-13%	
Realization/tonne	5,253	5,654	-7%	5,358	-2%	
Cost/Tonne	4,363	4,616	-5%	4,335	1%	
UltraTech Cement Limited						→ Volume is expected to grow YoY basis as demand improves and gain in market share.
Volume (mntpa)	39.23	30.37	29%	35.08	12%	→ Revenue is expected to be higher YoY led by higher volume growth.
Revenues	22510	17193	31%	20419	10%	→ Gross margin is expected to be higher driven by lower cost.
Gross Profit	8160	6106	34%	7124	15%	→ Ebitda margin is expected to expand YoY owing to higher realization QoQ & operating leverage benefit.
Gross margin (%)	36.3%	35.5%	80bps	34.9%	140bps	→ PAT is expected to be higher owing to lower cost & higher realization QoQ.
EBITDA	4586	2887	59%	4114	11%	→ EPS to be in line with PAT
EBITDA margin (%)	20.4%	16.8%	360bps	20.1%	30bps	→ EBITDA/tonne is expected to be flattish YoY on the back of lower realization but higher QoQ
PAT	2737	1470	86%	2258	21%	→ Realization to be lower YoY but higher QoQ
EPS (Rs)	92.88	50.90	82%	78.22	19%	→ Cost/Tonne to be lower YoY & QoQ
EBITDA/Tonne	1169	951	23%	1173	0%	
Realization/tonne	5,738	5,661	1%	5,821	-1%	
Cost/Tonne	4569	4711	-3%	4648	-2%	

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