SECTOR UPDATE

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CEMENT | Q1FY26 Review | 25 August 2025

Volume growth on a weak base; South drives realisations

- **Vol growth at 8% YoY, driven by lower base due to General Elections in Q1FY25. Southern companies also benefit from price hikes**
- **EBITDA margins improve by 440bps to ~20.3% vs 16.0% YoY, driven by realisation gains of 4% YoY; operating cost stays flat**
- **Post results, we maintain BUY on UTCEM and STRCEM, and SELL on DALBHARA, JKLC and TRCL. Upgrade SRCM to HOLD**

Milind Raginwar
research@bobcaps.in

Healthy vol growth on a weak base; realisations gain by ~4% YoY: Our coverage universe volumes grew at a healthy average ~8% YoY in Q1FY26, largely on a weak base. Southern companies' volumes fell in a bid to chase higher prices, impacting capacity utilisation. Demand recovery was steady andhit by earlier monsoon, impacting prices towards the latter half. UTCEM's volumes grew ~14% YoY, including India Cements, while DALBHARA/TRCL's volumes fell by an average ~6.0%. Price hikes in the southern region led to a ~4%/ YoY jump in realisations.

Realisations drive EBITDA margins as cost stays listless: Our cement universe EBITDA margins rose by 440 bps YoY to 20.0% [on average] from 16.1% YoY. STRCEM margins at 25%, JKCE and UTCEM at ~21.4% each, beat the industry. ACC, ACEM and JKLC saw below-average margins of ~13%/14%/18% respectively. Aggregate EBITDA/t gained by ~25% YoY to Rs 951 vs Rs763 (Rs 922 in Q4FY25).

Operating cost savings led by energy costs: Average fuel costs for our coverage universe fell by ~6% YoY, led by softer pet coke/coal prices. Logistics costs inched up by ~1% YoY (ex-STRCEM) as lead distance was higher to meet new regions due to competitive pressure. Operating costs stayed listless by staying flat YoY but inched by ~4% QoQ on an average to Rs 3,995/t.

FY26 demand is likely to healthy: Cement demand was healthy YoY though on a lower base and newer capacities. The demand was impacted by the wedding season and early monsoons in the latter part of Q1. We stay optimistic about the pickup in demand in FY26, aided by renewed infrastructure spending, improving rural sentiment and steady real-estate demand. However, supply pressure will stay.

UTCEM is our top pick: We maintain BUY on UTCEM (TP Rs 14,556) as we believe it is best-placed, owing to its higher capacity, better efficiencies and pan-India presence. We maintain SELL on TRCL (Rs 752), JKLC (Rs 731) and DALBHARA (Rs 1,926) due to their weak operating efficiencies. We retain BUY on STRCEM (Rs 333), given its niche market presence. We upgrade SRCM (Rs28,874) to HOLD on reasonable valuations however downgrade JKCE to SELL (Rs.5,652).

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Fig 1 – Revenue growth

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
ACC	60,658	51,556	17.7	60,085	1.0
ACEM	55,147	45,158	22.1	56,814	(2.9)
DALBHARA	36,360	36,210	0.4	40,910	(11.1)
JKCE	31,498	26,431	19.2	33,430	(5.8)
JKLC	17,409	15,639	11.3	18,976	(8.3)
SRCM	49,480	48,347	2.3	52,402	(5.6)
STRCEM	9,120	7,510	21.4	10,521	(13.3)
TRCL	20,701	20,884	(0.9)	23,920	(13.5)
UTCEM	1,96,353	1,75,324	12.0	2,11,347	(7.1)
Aggregate	**4,76,726**	**4,27,058**	**11.6**	**5,08,403**	**(6.2)**

Comment

- Aggregate revenue for our cement coverage delivered double-digit growth to ~12, driven by a weaker base in Q1FY25.
- Volume gains were driven by the northern/western companies, while southern companies' performance was helped by healthy realisations, which gained by ~4% YoY as Q1 saw prices spiking in the southern and eastern regions.

Source: Company, BOBCAPS Research

Fig 2 – EBITDA growth

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
ACC	7,728	6,772	14.1	8,004	(3.4)
ACEM	7,676	6,460	18.8	10,382	(26.1)
DALBHARA	8,830	6,690	32.0	7,930	11.3
JKCE	6,738	4,790	40.7	7,364	(8.5)
JKLC	3,112	2,237	39.1	3,507	(11.3)
SRCM	12,291	9,164	34.1	13,867	(11.4)
STRCEM	2,282	1,161	96.5	2,627	(13.1)
TRCL	3,976	3,194	24.5	3,209	23.9
UTCEM	42,018	29,810	41.0	46,097	(8.8)
Aggregate	**94,652**	**70,278**	**34.7**	**1,02,987**	**(8.1)**

Comment

- Aggregate EBITDA for our coverage universe rose by a healthy 34% YoY. The improvement was driven by sharp price hikes in the southern region that helped EBITDA gains on a lower capacity utilisation.
- UTCEM posted relatively healthy operating performance with 41% increase in EBITDA including acquired assets. STRCEM was the outlier with EBITDA nearly doubling.
- ACEM and ACC were the under performers with ~ 14%/19% EBITDA gains, while southern-based companies like Dalmia Bharat and Ramco Cements delivered healthy gains.
- SRCM shifted focus to realisations helping EBTIDA gains though capacity utilisation hovered ~ 68%.

Source: Company, BOBCAPS Research

Fig 3 – Adj. PAT growth

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
ACC	3,845	3,662	5.0	6,007	(36.0)
ACEM	7,513	5,835	28.7	9,289	(19.1)
DALBHARA	3,770	2,540	48.4	4,350	(13.3)
JKCE	3,356	2,027	65.6	3,629	(7.5)
JKLC	1,517	918	65.2	1,698	(10.7)
SRCM	6,185	3,177	94.7	5,614	10.2
STRCEM	982	310	216.8	1,231	(20.3)
TRCL	860	355	142.3	202	326.4
UTCEM	22,318	16,758	33.2	26,821	(16.8)
Aggregate	**50,345**	**35,583**	**41.5**	**58,841**	**(14.4)**

Comment

- Aggregate PAT for our coverage universe gained by ~42% YoY higher than EBITDA on account of weak base and improving balance sheets leading to lower interest outgo besides tax benefits.
- ACC posted weakest profits while JKCE gained by a healthy 66% despite higher YoY base aided by its Central India presence. Southern companies were star performers driven by pricing gains.

Source: Company, BOBCAPS Research

Fig 4 – Volume growth

(mn tonnes)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
ACC	11.5	10.2	12.7	11.9	(3.4)
ACEM	10.5	9.3	12.9	11.6	(9.5)
DALBHARA	7.0	7.4	(5.4)	8.6	(18.6)
JKCE	5.4	4.7	14.3	5.7	(5.2)
JKLC	3.3	3.0	10.0	3.6	(7.6)
SRCM	9.0	9.6	(7.2)	9.8	(9.0)
STRCEM	1.3	1.2	12.1	1.5	(15.5)
TRCL	4.0	4.4	(8.3)	5.2	(23.1)
UTCEM	34.8	30.5	14.1	36.6	(5.0)
Aggregate	**86.7**	**80.3**	**8.1**	**94.6**	**(8.3)**

Comment

- UTCEM remains a steady volume driver including ICEM acquired assets (net off ICEM growth was ~6%.)
- SRCM's volume gains were muted and came as a negative surprise as focus switched between branding/premium category sales and volume push in Q1FY26. (like its focus in FY25).
- Volume gains by JKCE were 14%, aided by capacity additions YoY in Central India, while STRCEM remains a performer with ~12% volume growth despite fierce competition.

Source: Company, BOBCAPS Research

Fig 5 – Realisation per tonne

(Rs/t)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
ACC	4,970	4,757	4.5	4,778	4.0
ACEM	5,252	4,856	8.2	4,898	7.2
DALBHARA	5,194	4,893	6.2	4,757	9.2
JKCE	5,831	5,595	4.2	5,865	(0.6)
JKLC	5,234	5,172	1.2	5,274	(0.8)
SRCM	5,528	5,015	10.2	5,325	3.8
STRCEM	6,428	6,398	0.5	6,378	0.8
TRCL	5,175	4,790	8.0	4,598	12.6
UTCEM	4,878	5,036	(3.1)	4,719	3.4
Aggregate	**4,849**	**4,651**	**4.3**	**4,659**	**4.1**

Comment

- Aggregate realisation for our coverage gained by ~4% YoY, despite healthy volume gains, driven largely by sharp price hikes of ~Rs30/bag in the southern region.
- Other regions backed well, but North and West were relatively muted vs South while prices in the East were under pressure in the latter half of Q1 due to early monsoon arrival.
- Supply discipline is unlikely to hold on in the traditionally weak monsoon quarter (Q2)

Source: Company, BOBCAPS Research

Fig 6 – Operating cost per tonne

(Rs/t)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
ACC	4,603	4,391	4.8	4,377	5.2
ACEM	4,521	4,161	8.7	4,003	12.9
DALBHARA	3,933	3,989	(1.4)	3,835	2.6
JKCE	4,584	4,581	0.1	4,573	0.2
JKLC	4,299	4,432	(3.0)	4,299	0.0
SRCM	4,155	4,065	2.2	3,916	6.1
STRCEM	5,284	5,502	(3.9)	5,153	2.6
TRCL	4,181	4,057	3.1	3,981	5.0
UTCEM	4,439	4,777	(7.1)	4,514	(1.7)
Aggregate	**4,000**	**3,995**	**0.1**	**3,865**	**3.5**

Comment

- Operating cost savings further helped guard EBITDA margin gains. Operating cost per tonne for our coverage companies stayed listless, driven by energy cost savings.
- However, cost /tonne increased QoQ for those companies using higher imported coal or pet-coke prices, indicating cost-saving avenues are waning steadily.
- Companies shifting aggressively to green energy sources will continue having additional levers of cost savings like JKCE, Ultratech and Dalmia Bharat.

Source: Company, BOBCAPS Research

Fig 7 – EBITDA per tonne

(Rs/t)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
ACC	672	664	1.2	673	(0.1)
ACEM	731	695	5.2	895	(18.3)
DALBHARA	1,234	877	40.7	895	37.9
JKCE	1,247	1,014	23.0	1,292	(3.5)
JKLC	936	740	26.5	975	(4.0)
SRCM	1,373	951	44.5	1,409	(2.6)
STRCEM	1,144	1,006	13.6	1,225	(6.7)
TRCL	969	710	36.6	598	62.2
UTCEM	1,208	979	23.5	1,259	(4.0)
Aggregate	**951**	**763**	**24.6**	**922**	**3.2**

Comment

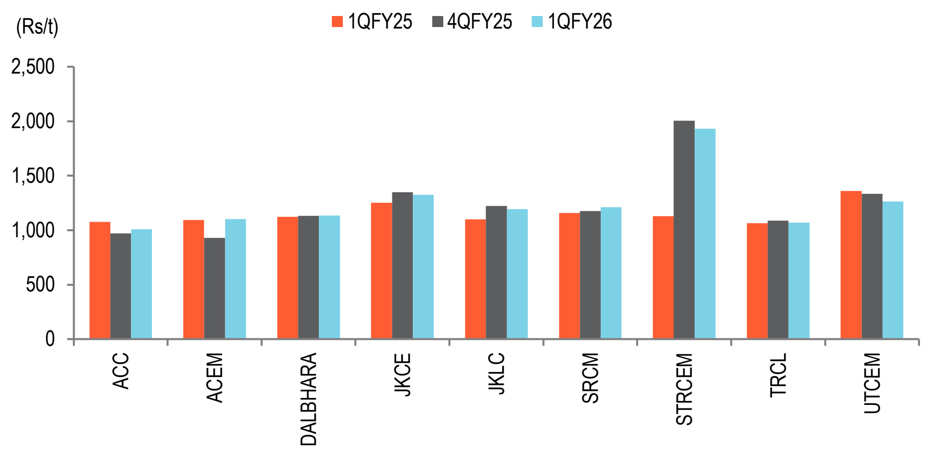
- Aggregate EBITDA/tonne spiked sharply by a strong 25%, driven up lower base and by companies with higher exposure to southern and eastern regions.
- Dalbhara and TRCL's outperformance was striking, but driven by sharp price hikes however the growth was impacted also by lower capacity utiilisation ~ 65%.
- The improvement could have been higher, but for the laggards like ACC and ACEM.

Source: Company, BOBCAPS Research

Logistics costs for our coverage inched by ~8% YoY as lead distance increased by 20-30kms to chase new regions.

SRCM, JKLC, JKCE and STRCEM's costs rose sharply by an average of 8%, while ACC/ACEM were the biggest beneficiaries in Q1 (average fall of 6% YoY).

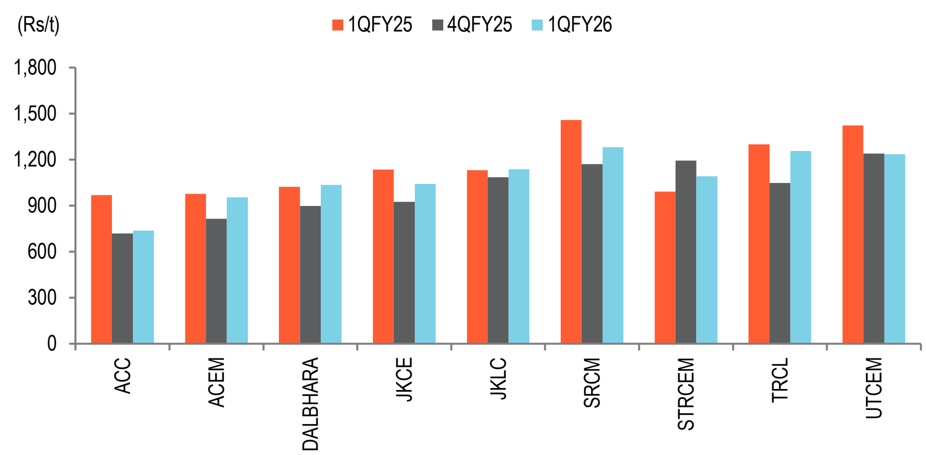
Fig 8 – Logistics cost per tonne



Source: Company, BOBCAPS Research

Fuel costs for our coverage companies dropped by 6%YoY, but inched by 8%QoQ, as energy prices continue to soften YoY. However, the benefits will wane steadily on a lower base in the next few quarters as reflected in the reversal up QoQ, in our view.

Fig 9 – Power & fuel cost per tonne



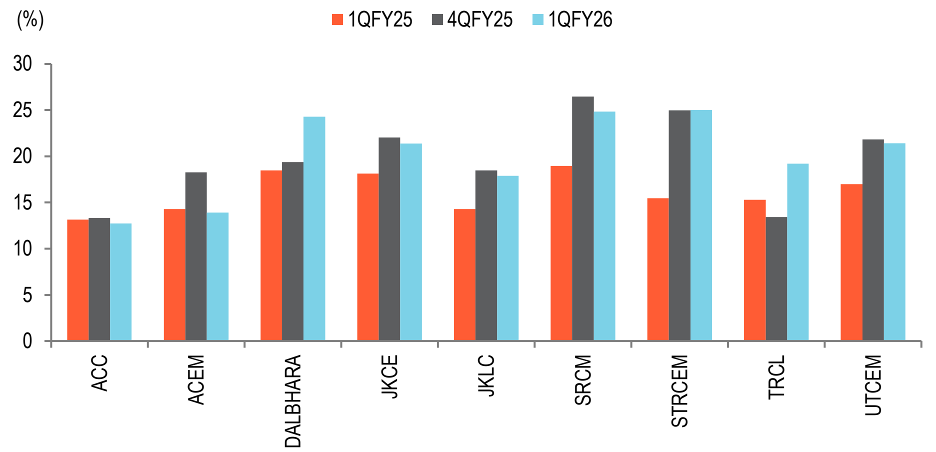
Source: Company, BOBCAPS Research

Average margin gained 440bps YoY to 20.0% in Q1FY26, driven solely by price hikes, especially down South and listless cost inflation.

UTCEM, STRCEM, JKCE and SRCM continued to have above-average gains.

ACEM and ACC's margins stayed below par.

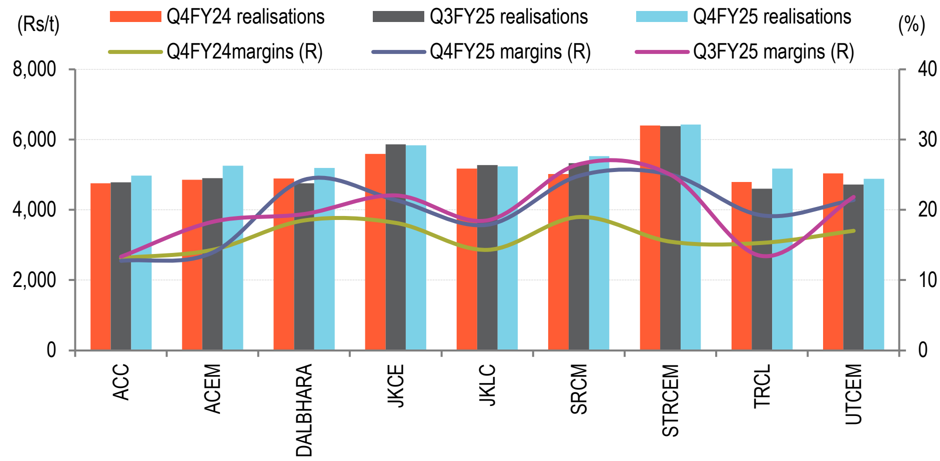
Fig 10 – EBITDA margin



Source: Company, BOBCAPS Research

Margins improved price hikes in some case sharp hikes like in southern region helped margin gains. We feel sustainability will be the key for margin outperformance

Fig 11 – Realisations vs margins



Source: Company, BOBCAPS Research

Fig 12 – Ongoing expansion projects

Company	Projects
ACC	
Ambuja Cement	**Cement** Jodhpur Penna IU - 2 mnt by Q3FY26 Salai Banwa - 2.4 mnt by Q2FY26 Bathinda - 1.2 mnt by Q3FY26 Marwar - 2.4 mnt by Q3FY26 Warishaliganj - 2.4 mnt by Q4FY26 Dahej Line 2 - 1.2 mnt by Q3FY26 Kalamboli - 1.0 mnt by Q3FY26 Krishnapatnam Penna - 2.0 mnt by Q2FY26 **Clinker** Bhatapara Line 3 - 4 mnt by Q2FY26 (trial runs in progress) Maratha Line 2 - 4 mnt by Q3FY26 Jodhpur Penna IU - 3 mnt by Q3FY26 ACEM has planned a capex of Rs 90-100bn. Of this, Rs 60bn is assigned for growth projects and Rs 30-40bn for efficiency initiatives.
Dalmia Bharat	**Cement** Belgaum - 3 mnt by FY27 Kadapa - 6 mnt by FY28 **Clinker** Umrangso - 3.6 mnt by FY26 Belgaum - 3.6 mnt by FY27 Pune - 3 mnt by FY27 Kadapa - 3.6 mnt by FY28 **Captive Energy** Lanka, Assam - 2.2mw solar power plant Group Captive - 13mw RE capacity Chennai Bulk terminal - by FY28 Q1FY26 capex was Rs 6.1bn, for FY26 management has guided capex of Rs 40bn (75-80% for growth, balance for RE/maintenance).
Heidelberg Cement	-
India Cement	-
JK Cement	**Cement** 3 mnt Cement Capacity at Panna, Hamirpur & Prayagraj (1 MTPA at each location) 3 mnt Split Grinding Unit at Bihar **Clinker** 4 mnt Grey Clinker Capacity at Panna Schedule Commissioning - Dec'25/Jan'26 FY26 capex is guided to be ~Rs 20bn. Post-FY26, expansions are under review for Jaisalmer, Karnataka, Orissa, or additional Panna line while Orissa limestone lease discussions are ongoing.
JK Lakshmi	**Cement** Surat Grinding Unit (Phase 1) - 0.7 mnt by Q2FY26 Surat Grinding Unit (Phase 2) - 0.65 mnt by Q2FY26 Durg,Chattisgarh -4.6 mnt (Q3FY27) Prayagraj(FY27),Madhubani(FY27), Patratu(FY28) - 3.4 mnt.

Company	Projects
	Clinker Durg, Chattisgarh -2.3 mnt (Q3FY27) Capex guidance for FY26 is Rs 15bn of which Rs 700-800mn is allocated for Durg and Northeast. Over the next 3 years capex is estimated to be Rs 15-16bn annually.
Orient Cement	-
The Ramco cement	Mnagement has reiterated target to achieve cement capacity of 30MTPA by Mar'26, with the commissioning of 2nd line in Kolimigundla along with de-bottlenecking of existing facilities / adding grinding capacities in existing locations with minimal capex. Construction of railway siding in Kolimigundla was completed and commissioned in Q1FY26. 10mw of WHRS at Ramasamy Raja Nagar is expected to be commissioned by Q2FY26 and another 15mw of WHRS in Kolimigundla are anticipated to be put into service, together with Kiln Line-2 by FY27. Capex guidance for FY26 is Rs 12bn.
Shree Cement	**Cement** Jaitaran, Rajasthan - 3mnt by FY26 Kodla, Karnataka - 3mnt by FY26 **Clinker** 7.3mn tonnes of clinker capacity will be added, bringing the total clinker capacity to 44mn tonnes by the end of FY26 Management has guided Rs 30bn capex for FY26.
Star Cement	**Cement** Silchar GU, Assam - 2mnt (Q4FY26) Jorhat GU, Assam - 2mnt (Q4FY27) Expansion plan in Rajasthan (3mnt clinker plant, 4mnt GU) is ongoing with mines bought in Nimbol. Management has guided a capex of ~Rs 8bn for FY26.
Ultratech Cement	**Cement** Patratu, Jharkhand - 2.5 mnt by FY26 Shahjahanpur, Uttar Pradesh - 1.8 mnt by FY26 Nathdwara, Rajasthan - 1.2 mnt by FY26 Dhule, Maharashtra (Phase 2) - 0.6 mnt by FY26 Visakhapatnam, Andhra Pradesh - 3.3 mnt by FY26 Parli, Maharashtra- 1.2 mnt by FY26 Panvel, Maharashtra - 1.0 mnt by FY26 Aligarh, Uttar Pradesh - 2.7 mnt by FY27 Bihar - 3.3 mnt by FY27 West Bengal - 3.3 mnt by FY27 APCW, Andhra Pradesh - 2.7 mnt by FY27 Andhra Pradesh - 2.7 mnt by FY27 Gujarat - 1.2 mnt by FY27 Karnataka - 1.2 mnt by FY27 Assam - 1.2 mnt by FY27 Tamil Nadu - 1.8 mnt by FY27 FY26 capex guidance is Rs 100bn, including Rs 18bn for wires and cables.
Sanghi Industries	-

Source: Company, BOBCAPS Research | GU: Grinding Unit; IU: Integrated Unit; WHRS: Waste heat recovery systems, mnt: million tonnes

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
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