FIRST LIGHT

26 August 2025

RESEARCH

CEMENT | Q1FY26 REVIEW

Volume growth on a weak base; South drives realisations

SUMMARY

CEMENT: Q1FY26 REVIEW

- 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

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CEMENT | Q1FY26 Review | 25 August 2025

Volume growth on a weak base; South drives realisations

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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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