Choice
Institutional Equities

Date: August 18, 2025

Potential GST Rate Cut on Cement Sector: Key Positive

Recommendation			
Company	CMP (INR)	TP (INR)	Rated
Cement			
ACC (ACC)	1,781	2,475	BUY
Ambuja (ACEM)	578	700	BUY
Birla Corp (BCORP)	1,273	1,650	BUY
Dalmia Bharat (DALBHARA)	2,272	2,620	BUY
J.K Cement (JKCE)	7,000	7,200	ADD
JK Lakshmi (JKLC)	900	1,175	BUY
Nuvoco Vistas (NUVOCO)	452	480	BUY
Ramco Cements (TRCL)	1,067	960	SELL
Shree Cement (SRCM)	30,450	27,600	SELL
Ultratech Cement (UTCEM)	12,299	15,210	BUY
Grasim Industries (GRASIM)	2,760	3,420	BUY

Q1FY26 Result Update Links:

ACC_Q1FY26 Result Update

Dalmia Bharat_Q1FY26 Result Update

Birla Corp_Q1FY26 Result Update

Birla Corp_Q1FY26 Result Update

JK Cement Ltd_Result Update

JK Lakshmi Cement_Q1FY26 Result Update

Q1FY26_Nuvoco Vistas_Result Update

The Ramco Cement_ Q1FY26 Result Update

Q1FY26_Shree Cement_Result Update

Q1FY26_Ultratech Cement_Result Update

Grasim Industries_Q1FY26_Result Update

Event: In the Independence address to the nation on Aug 15, 2025, our honorable PM Shri Narendra Modi announced a potential rationalisation (reduction) of **GST rates during Diwali 2025**. A couple of hours later, a Ministry of Finance press release envisaged the idea of a simplified **GST regime** with 2 slabs – standard and merit, while there would be special rates only on a few demerit goods. Apart from simplification, the objective of the rationalisation exercise is also to boost affordability and consumption.

GST rate on **Cement** has, ever since the introduction of the GST regime, been held at **28%**, while other construction inputs – like **metals, tiles**, etc carry a rate of **18%**. While it is still not certain, there is a potential possibility that **Cement** may be moved to the **18%** bracket.

Impact: In such an event, we see **three impacts** on the sector: 1) **Increased consumption**, which would gradually also **improve capacity utilization**, 2) **Pricing power** to improve for the sector, and 3) **Operating leverage** benefit for the companies at varying degrees due to higher volumes. We estimate cement industry demand for FY27/28E to spike from a **6-8% range to ~8-10%** range on an 18% GST rate. At the same time, we also expect a pricing tailwind of ~INR60/100 per ton each in FY27/28E.

Key Beneficiaries: Consequently, we expect EBITDA/t for the Cement companies under our coverage to increase in the range of 15-25% in FY27/28E. In % terms, the biggest 4 **beneficiaries** could be **ACC, BCORP, JKLC, and NUVOCO**.

We continue to maintain our positive stance on the sector with our **Top Picks** being **NUVOCO and JKLC**. We have Buy/ADD/SELL ratings on 8/1/2 companies respectively.

GST rate @ 28%	If GST rate cut to @ 18%
• Costly cement. • Higher input burden on infra and housing impacts the industry volume growth. This has been a long pending issue that has been an overhang on demand growth in our view.	• Cement prices will be lower by 10% for the end consumers of Cement (Loss to ex-chequer is lower as institutions claim ITC). • 10% lower cement prices could re rate demand for Cement by at least ~300-400 bps pa in our view.

Cement Industry Demand Growth in FY27/28E could grow by ~8-10% vs. earlier expectations of 6–8% growth

A **10% cut in GST** will lower the cost burden on end consumers of cement, assuming the GST rate cut is immediately **passed on to consumers**. Affordable cement is set to **fuel demand** for housing and infrastructure, aligning with the government's Housing for All, Smart Cities, and infrastructure vision. This structural boost is expected to **accelerate cement demand**, with volume growth rising from 8–9% earlier to ~**8-10% pa**, unlocking a strong growth runway for cement companies across the board, which will result in higher volume as we show in the exhibit below.

Volume (Mnt)	On 28% GST rate		On 18% GST rate		% change in old vs new post change in GST rate	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
ACC	48.8	51.7	50.1	54.2	2.7%	4.8%
ACEM	48.9	53.8	49.8	55.8	1.8%	3.7%
BCORP	20.5	21.9	21.1	23.2	2.9%	5.9%
DALBHARA	35.3	38.8	35.9	40.2	1.7%	3.6%
JKCE	24.0	26.4	24.5	27.4	2.1%	3.8%
JKLC	10.8	11.4	11.2	12.3	3.7%	7.9%
NUVOCO	21.2	22.0	22.0	23.8	3.8%	8.2%
SRCM	40.3	42.8	41.1	44.4	2.0%	3.7%
TRCL	21.3	23.0	21.7	23.8	1.9%	3.5%
UTCEM	169.9	180.1	176.3	193.9	3.8%	7.7%
Total Volume	**441.0**	**471.9**	**453.7**	**499.0**	**2.9%**	**5.7%**

Source: Choice Institutional Equities

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Event Update

With higher demand, realisation too is expected to improve gradually

Cement, being an essential commodity for housing and infrastructure, has historically exhibited low pricing elasticity. A meaningful **GST reduction** now acts as a catalyst, improving consumer sentiment and driving affordability in the sector. This positive shift **supports volume growth, increases capacity utilisation for the sector and gradually takes cement prices higher. We conservatively forecast a realization tailwind of 1.0%/1.9% in FY27/28E for companies, as we show in exhibit below.**

Realisation (INR/t)	On 28% GST rate		On 18% GST rate		% change in old vs new post change in GST rate	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
ACC	5,302	5,328	5,380	5,434	1.5%	2.0%
ACEM	5,097	5,097	5,148	5,199	1.0%	2.0%
BCORP	5,380	5,380	5,461	5,488	1.5%	2.0%
DALBHARA	5,068	5,170	5,093	5,221	0.5%	1.0%
JKCE	6,171	6,171	6,202	6,264	0.5%	1.5%
JKLC	6,174	6,174	6,235	6,298	1.0%	2.0%
NUVOCO	5,715	5,715	5,772	5,830	1.0%	2.0%
SRCM	5,379	5,433	5,406	5,487	0.5%	1.0%
TRCL	4,849	4,873	4,921	4,995	1.5%	2.5%
UTCEM	5,873	5,873	5,931	6,020	1.0%	2.5%
Average	**5,501**	**5,521**	**5,555**	**5,624**	**1.0%**	**1.9%**

Source: Choice Institutional Equities

EBITDA/t Growth in Long Run

While the direct tax cut benefit flows to consumers, companies unlock significant operating leverage through:

- **Higher plant utilization** driven by scaling volumes.
- **Stronger fixed-cost absorption** enhances profitability.
- **Optimized distribution networks** as demand expands into semi-urban and rural markets.

EBITDA (INR/t)	On 28% GST rate		On 18% GST rate		% change in old vs new post change in GST rate	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
ACC	868	898	1,068	1,205	23.0%	34.2%
ACEM	1,053	1,114	1,176	1,356	11.7%	21.7%
BCORP	993	1,058	1,194	1,399	20.2%	32.2%
DALBHARA	1,121	1,274	1,217	1,463	8.6%	14.8%
JKCE	1,262	1,330	1,380	1594	9.4%	19.8%
JKLC	1,130	1,174	1,375	1,654	21.7%	40.9%
NUVOCO	1,173	1,241	1,398	1,680	19.2%	35.4%
SRCM	1,317	1,375	1,419	1,577	7.7%	14.7%
TRCL	902	970	1,046	1,233	16.0%	27.1%
UTCEM	1,319	1,413	1,543	1,637	17.0%	15.9%
Average	**1,114**	**1,185**	**1,282**	**1,480**	**15.1%**	**24.9%**

Source: Choice Institutional Equities

Event Update

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CHOICE RATING DISTRIBUTION & METHODOLOGY	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in statis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000Cr Market Cap**

Event Update

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