

Our checks indicate that demand momentum is maintaining its slow pace as industry demand is expected to grow by a low single digit YoY in Q2FY26 as well (mainly due to more-than-normal monsoons). However, prices have largely held their ground, as average trade prices have dropped by a mere ~Rs5/bag on pan-India basis during the quarter. North and Central India stood as best performers with negligible price drop, while South and East India reported price reduction of Rs8/bag and Rs6/bag, respectively, on QoQ basis. Further, cement prices have dropped by Rs25-30/bag, reflecting full pass-on of the GST rate cut. On the cost front, except imported pet coke prices, other input fuel prices are broadly rangebound. We believe steady cement prices in a monsoon quarter, coupled with entry into a busy construction season with GST benefits, augurs well for the industry. We maintain our top-picks UTCM, SRCM, and JKCE.

Key risks: Lower demand/prices, and higher cost escalations

Demand – Continuing its slow momentum

Checks suggest early single-digit YoY growth on pan-India basis in Q2FY26. Regionally, except North and Central India, each region reports flat (with positive bias) YoY volume growth. North and Central India should report a mid-single-digit growth rate, as key cement-consuming states of Rajasthan and Uttar Pradesh are expected to perform better due to lower rainfall YoY vs other regions/states. Post the GST rate cut, there has been no tangible pick-up in demand due to the festive period coupled with flooding in various parts of the country. Channel checks reveal offtake would improve from mid-Q3FY26.

Pan-India prices dip only by ~Rs5/bag in Q2; negligible in North India

Based on our pan-India checks and interaction with industry participants, average cement prices are down a mere Rs5/bag QoQ on pan-India basis in Q2FY26. This is the 2nd best performance by the industry in the past 5 years (1st being Q2FY24, wherein prices were flat QoQ, which was on a low base). During the quarter, on QoQ basis, prices dropped the most, by ~2% in South (Rs8/bag) and East India (Rs6/bag), and the least in North (down 0.5% or Rs2/bag) and Central India (down 1% or Rs4/bag). Prices in West India were down ~1.5% or Rs5/bag. Further, cement prices reflect the full pass-on of the GST rate cut and reduced selling prices by Rs25-30/bag in the trade and non-trade segments.

Barring imported pet-coke (spot at USD118/t), fuel prices largely in control

Sharp rise in ocean freight rates has escalated spot imported pet coke prices (CNF basis) despite range-bound Brent crude prices. Spot imported pet-coke prices are up ~9% vs Q2FY26 average levels to USD118/t (six-month high). We believe the aforementioned prices upholding or moving up will have a bearing on fuel costs of cement companies from Q3FY26 onward. Further, average Q2FY26 prices at USD113/t are up ~6% QoQ in Q2FY26. Meanwhile, spot imported coal prices are trading at ~USD100/t and have been rangebound in the past two quarters.

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Rating, Target Price and Valuation

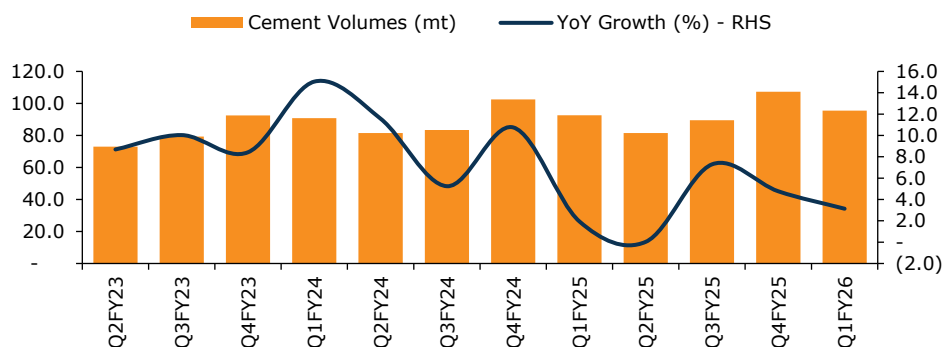
	Rating	CMP (Rs)	TP (Rs)	Upside (%)	EBITDA		EV/EBITDA (x)		Net Debt/EBITDA (x)	
					FY26	FY27	FY26	FY27	FY26	FY27
ACC	BUY	1,828	2,280	25	33,619.2	42,009.1	9.7	7.4	(1.3)	(1.4)
Ambuja Cements	ADD	571	650	14	84,979.7	107,512.1	19.5	15.2	(0.5)	(0.5)
Dalmia Bharat	ADD	2,232	2,450	10	35,230.7	38,098.5	12.6	11.7	0.5	0.6
JK Cement	BUY	6,305	7,300	16	28,059.3	34,230.7	19.2	15.3	1.3	0.7
Shree Cement	BUY	29,400	35,300	20	51,833.7	61,630.5	19.7	16.0	(1.3)	(1.7)
Star Cement	BUY	253	265	5	8,865.5	10,195.8	12.9	11.0	0.4	0.2
The Ramco Cements	ADD	992	1,150	16	18,958.6	23,434.5	16.6	13.1	2.4	1.6
UltraTech Cement	BUY	12,095	14,700	22	181,456.9	223,808.1	21.3	16.7	0.8	0.1

Source: Company, Emkay Research

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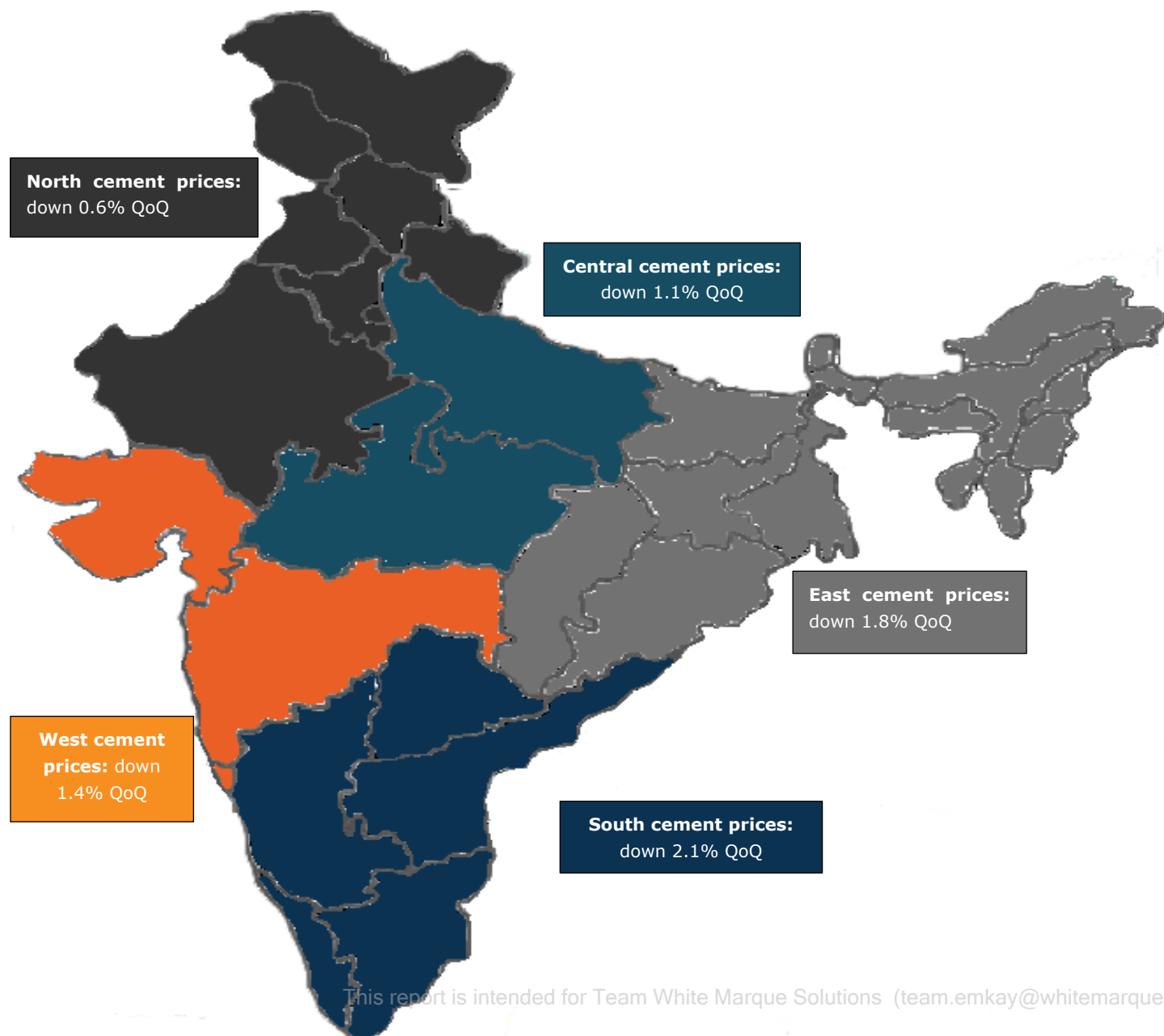
Key Charts

Exhibit 1: Quarterly cement demand volume trend

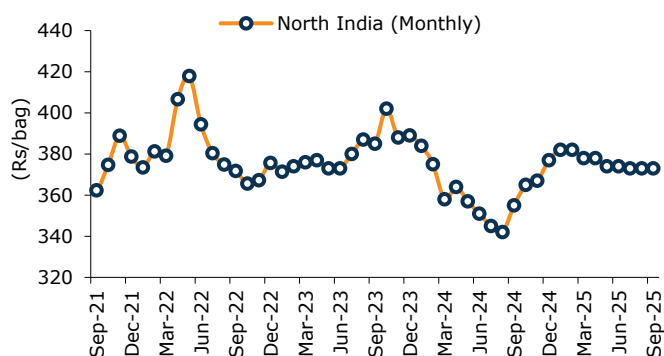


Source: Company, Emkay Research

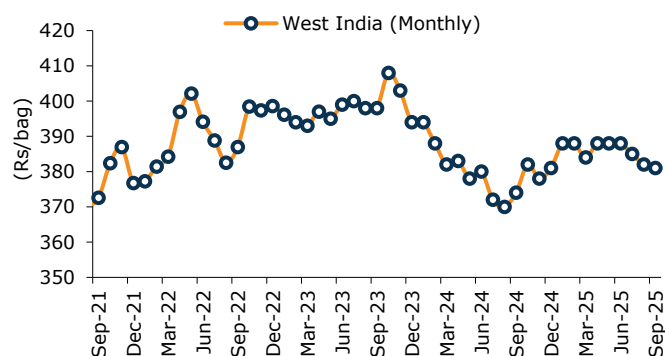
Exhibit 2: Quarterly cement price trend



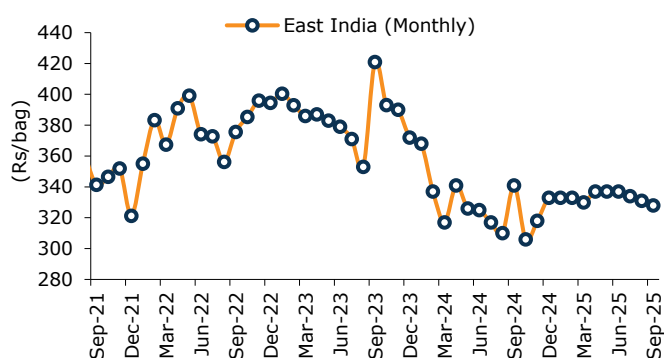
Source: Industry, Emkay Research; Note: We have not factored in the GST rate reduction to maintain the base effect

Exhibit 3: North India – Cement price trend

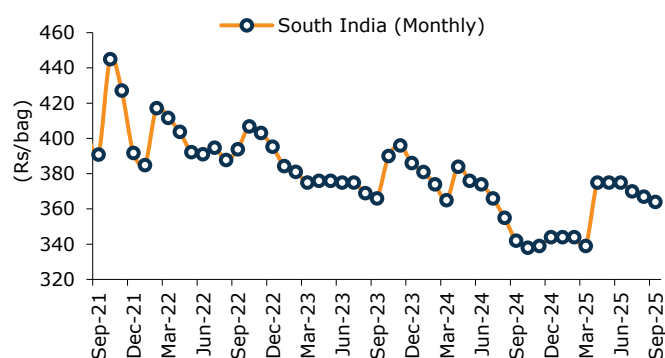
Source: Company, Industry, Emkay Research; Note: We have not factored in the GST rate reduction to maintain the base effect

Exhibit 4: West India – Cement price trend

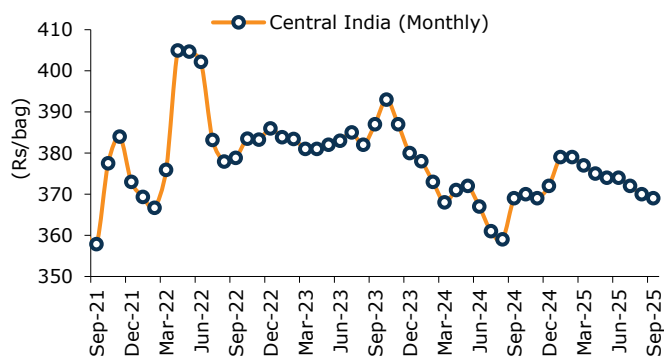
Source: Company, Industry, Emkay Research; Note: We have not factored in the GST rate reduction to maintain the base effect

Exhibit 5: East India – Cement price trend

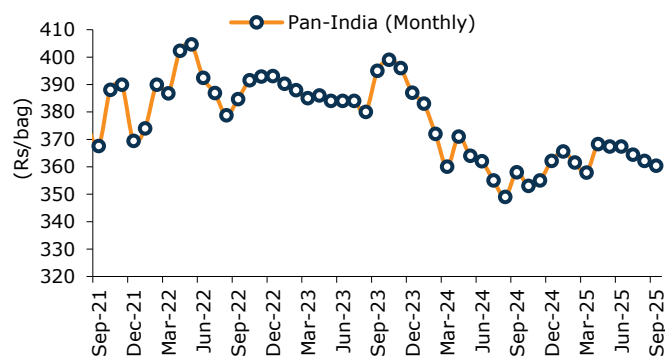
Source: Company, Industry, Emkay Research; Note: We have not factored in the GST rate reduction to maintain the base effect

Exhibit 6: South India – Cement price trend

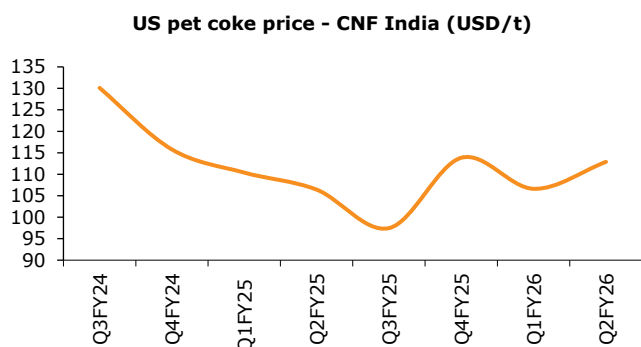
Source: Company, Industry, Emkay Research; Note: We have not factored in the GST rate reduction to maintain the base effect

Exhibit 7: Central India – Cement price trend

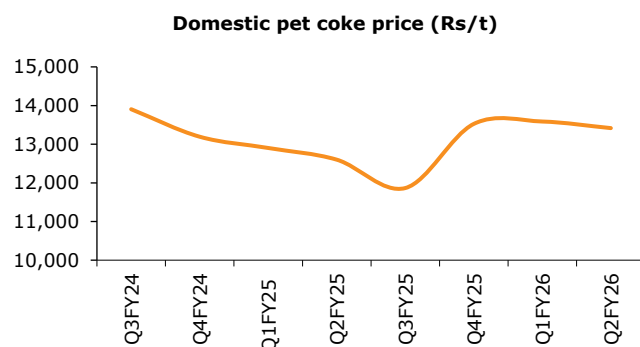
Source: Company, Emkay Research; Note: We have not factored in the GST rate reduction to maintain the base effect

Exhibit 8: Pan India – Cement price trend

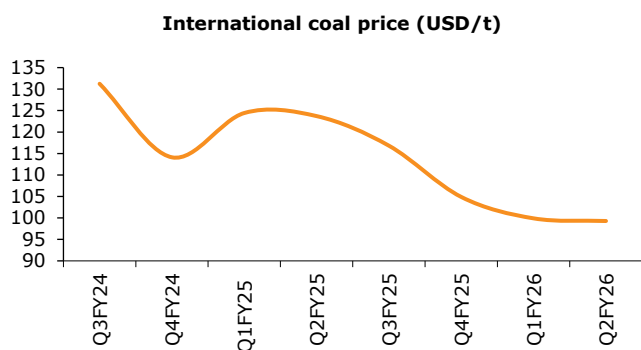
Source: Company, Emkay Research; Note: We have not factored in the GST rate reduction to maintain the base effect

Exhibit 9: Imported pet coke price trend

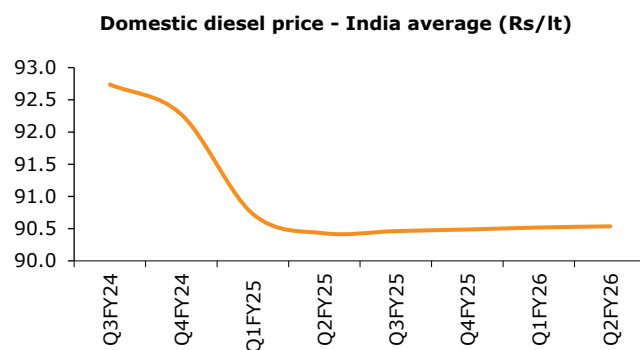
Source: Industry, Emkay Research

Exhibit 10: Domestic pet coke price trend

Source: Industry, Emkay Research

Exhibit 11: International coal price trend

Source: Industry, Emkay Research

Exhibit 12: Domestic diesel price trend

Source: Industry, Emkay Research

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REDUCE	5% upside to 15% downside
SELL	>15% downside

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