

Cement

Additional levy on mineral-bearing land in Tamil Nadu

In Jul'24, the Supreme Court of India ruled that state governments have the authority to levy taxes on mineral rights and mineral-bearing lands, in addition to collecting royalties. Accordingly, the Tamil Nadu government has introduced the Tamil Nadu Mineral Bearing Land Tax Act, 2024. Under the Act, it has imposed an additional levy of INR 160/tn on limestone w.e.f. 20th Feb25 ([Link](#)). Based on our estimates, this is likely to have an EBITDA impact of ~9% for The Ramco Cement and ~3% for Dalmia Bharat on FY27 estimates. To pass on this cost increase, Tamil Nadu-based players require to hike cement prices by INR 8-10/bag. Besides, we see increasing possibility of other mineral-bearing states imposing additional levies in future. Given its industry wide impact, we expect cement companies to undertake gradual price hikes to pass on the same. Pricing behaviour over the coming days is a key monitorable.

- Background:** In Jul'24, Supreme Court of India ruled that state governments have the authority to levy taxes on mineral rights and mineral-bearing lands, in addition to collecting royalties. It has clarified that royalties are distinct from taxes, and ruled that states can introduce their taxation measures on mineral resources. Following this ruling, the Tamil Nadu government has introduced the Tamil Nadu Mineral Bearing Land Tax Act, 2024. Under this Act, it has imposed additional levies on various minerals including INR 160/tn on limestone mined in the state w.e.f 20th Feb'25.
- Key companies in the state and likely impact:** The Ramco Cement has clinker capacity of ~8.2mt, while Dalmia Bharat has a clinker capacity of ~5mt in Tamil Nadu (~21% of its total clinker capacity). Assuming 100% utilisation of clinker capacity and limestone requirement of 1.4x for every tonne of clinker, we estimate an EBITDA impact of ~9% for Ramco (~INR 81/tn) and ~3% (~INR 32/tn) for Dalmia Bharat on our FY27 estimates. Chettinad Cement (unlisted company) also has >50% of its clinker capacity in the state.
- Our view:** Cement prices in Tamil Nadu have been on a declining trend, especially over the past couple of years, owing to fight for market share. Tamil Nadu-based players will now need to hike prices by ~INR 8-10/bag to pass on the cost increase arising from this measure. We see increasing possibility of other states imposing mineral tax in future (the Karnataka state government is already discussing this). Accordingly, industry players will undertake gradual price hikes to pass on the same, in our view. Pricing behaviour over the coming months is a key monitorable.

Exhibit 1. Likely impact of additional levy on limestone in Tamil Nadu

Particulars	The Ramco Cement	Dalmia Bharat	ACC	UltraTech+ ICEM
Likely current clinker capacity (mt)	15.9	23.5	23.3	102.0
Clinker capacity in Tamil Nadu (mt)	8.2	4.9	0.8	4.0
% of clinker capacity in Tamil Nadu	51%	21%	3%	4%
Utilisation (%) - assumed	100%	100%	100%	100%
Limestone production (mt)- at 1.4x of clinker	11.4	6.9	1.1	5.6
Impact of additional levy at INR 160/t (INR mn)	1,830	1,098	179	896
FY27E EBITDA (INR mn)- JMFfe	20,116	34,901	36,424	208,636
% impact	9.1%	3.1%	0.5%	0.4%
FY27E volumes (mt)- JMFfe	22.7	34	49	169
Impact (INR/tn)	81	32	4	5

Source: JM Financial

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