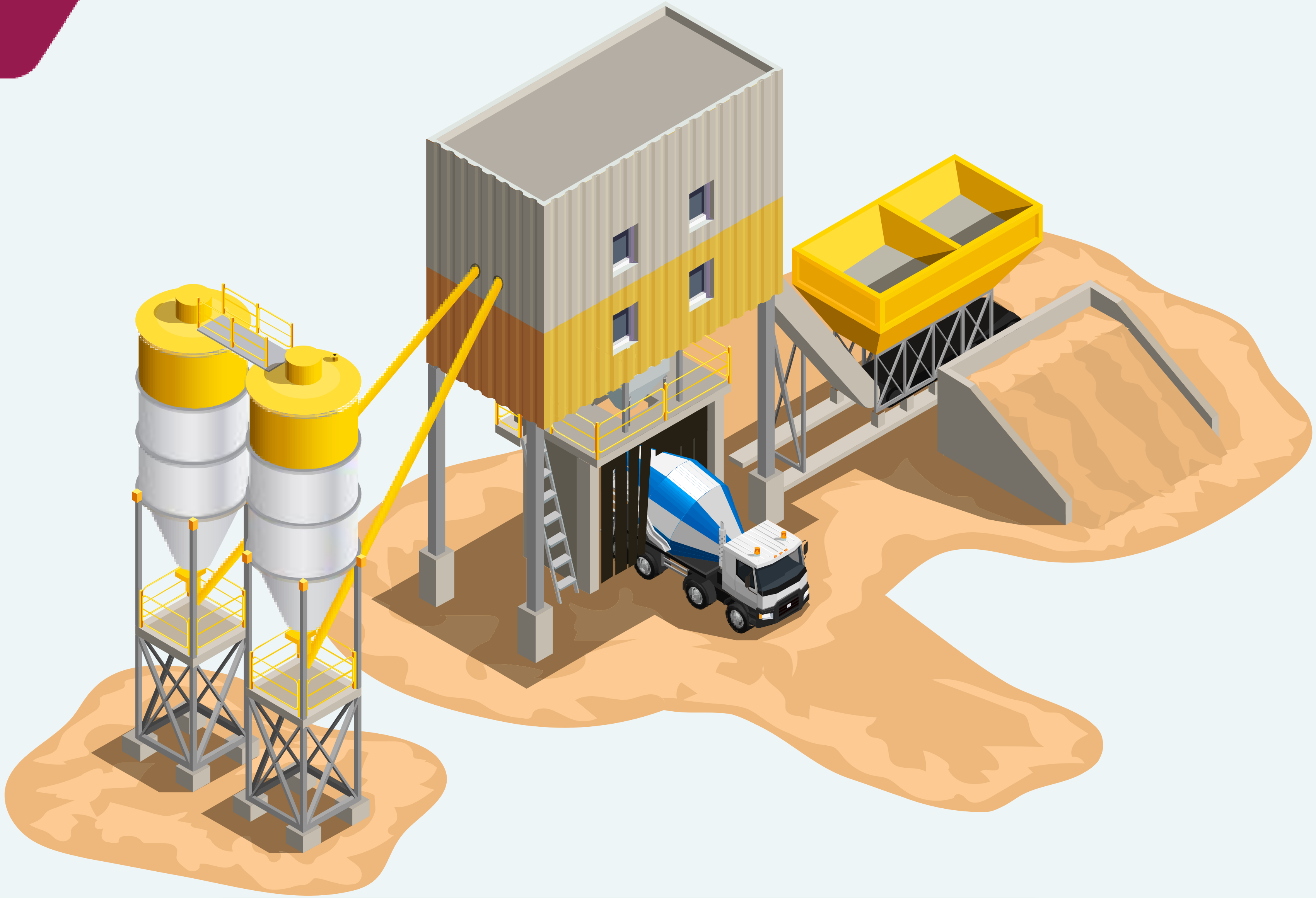
AXIS DIRECT

November 2025



Top Conviction Ideas: Cement

Uttam Kumar Srimal

Cement Sector: Q2FY26 Review

Q2FY26 Cement Review – Volume Growth Better Than Expected; Outlook Remains Positive

✓ ***Financial Performance***

- Companies under our coverage delivered YoY growth of 16% in volume, 22% in revenue, 60% in EBITDA, and 195% in PAT, beating our expectations. This compares to forecasted growth of 8% in volume, 13% in revenue, 47% in EBITDA, and 68% in PAT.
- EBITDA/tonne during the quarter improved notably. EBITDA margins expanded by 400 bps YoY, supported by higher volumes and realisation, which grew by 16% and 4.5% respectively. Sequentially, margins were lower by 310 bps as Q2 is largely impacted by seasonality. EBITDA per tonne rose to Rs 930, marking a 50% YoY increase but a 15% decline QOQ.
- Blended Realization per tonne improved by 4.5%/1% QoQ to Rs 5,472, as most regions experienced stability in cement prices except South and East. Cost per tonne was Rs 4,545, showing a 1.5% decline YoY but higher QoQ owing to negative operating leverage and higher power and fuel costs up 18% to Rs 1,185 per tonne as Pet Coke prices remained elevated. On a YoY basis, P/F cost was flattish.
- Performance across the coverage universe was largely in line with expectations. Notable outperformance came from Ambuja Cement, Dalmia Bharat, ACC Ltd, JK Lakshmi, Birla Corp, and Star Cement, while JK Cement's performance remained mixed, and Shree Cement underperformed compared to estimates. UltraTech delivered healthy volume growth during the quarter.
- During the quarter, Ambuja Cement and JK Lakshmi commissioned 4 mtpa and 1.35 mtpa Cement Grinding Units, respectively. Ambuja Cement and UltraTech announced additional capacity expansion of 22 mtpa and 15 mtpa to be commissioned over FY26-FY28. Previously announced capacity additions are on track and are expected to be commissioned within the given timelines.
- The management noted that cement prices have remained largely flattish since Q2FY26 exit levels, with some softening observed in the South and East regions. Demand is expected to strengthen in H2FY26, supported by rising government infrastructure spending and a recovery in housing, industrial, and commercial segments. The recent reduction in GST rates acts as a structural tailwind, with benefits likely to accrue over the medium to long term.

Cement Sector: Q2FY26 Review

Volume & Realization improved YoY with Cost Under Control

In Q2FY26, cement volume for our coverage universe grew by 16%, beating our expectations. Realisations improved by 4.5% as cement prices remained higher YoY, while operating costs were flattish YoY. We anticipate operating performance to remain benign in FY26, supported by improved pricing, higher government spending on infrastructure projects, and housing demand. The recent GST cut on Cement is also expected to improve demand in the medium to long term.

Cement Demand better than Expectations:

- **Resilient Pricing:** Cement prices improved by 4.5% YoY and 1% QoQ for our coverage universe, with most of the regions witnessing stable prices except the South and East regions, where prices softened. Currently, Trade prices are largely at the same level with minor cuts as Q2FY26 exit prices, while Non-trade prices are lower, followed by the recent GST cut on Cement. Market dynamics and the demand-supply scenario will dictate the pricing environment.
- **Volume-led Growth:** Demand for cement remained resilient, also on account of a lower base last year, driven by government infrastructure spending and a revival in housing and commercial construction. UltraTech Cement, Ambuja Cement, JK Cement, JK Lakshmi, and Star Cement witnessed high double-digit volume growth during the quarter.
- There were regional variations in demand. While the South and East regions saw strong demand supported by infrastructure activity, pre-election spending in Bihar, the North and Central regions witnessed softness owing to a slowdown in infrastructure-related spending, while the Western region remained stable.

AXIS DIRECT

Cement Sector Outlook

Input Cost

- During the quarter, power and fuel costs remained flat YoY to Rs 1,186/tonne for our coverage universe, though on a QoQ basis, costs were higher by 18% on a tonne basis as international Pet Coke prices remained elevated at $118-$120 tonne. While freight costs were lower owing to seasonal discounts offered by Railways and raw material costs remained rangebound. Other costs were higher on a tonne basis due to negative operating leverage caused by seasonality.

Outlook

- We expect cement demand to remain strong in FY26, supported by sustained government infrastructure spending, steady housing demand, and a recovery in rural consumption. These positive drivers are likely to keep the industry on a solid growth trajectory, and we forecast high single-digit volume growth across our coverage universe. The industry added nearly 30–35 MTPA of new capacity in FY25, with a further ~35-40 MTPA expected in FY26. This sustained capacity expansion reflects confidence in long-term demand growth and continued investment momentum across the sector.
- The GST rate cut on cement (from 28 % → 18 % announced) is a structural tailwind: It should stimulate demand (especially in rural and semi-urban housing) and thus help volumes over the medium term. Leading players with premiumization, strong distribution, diversified geography, and efficiency will fare better than those with a weak regional presence or a high cost base.
- We remain positive as long-term demand drivers are intact and expect cement demand to grow at a CAGR of 7%-8% over FY24-27E. Sector consolidation is expected to benefit large players through economies of scale, supply chain efficiency, and better pricing in the long term. Cement prices, regional demand and supply dynamics, and trends in fuel costs will be key monitorables.

Short and Medium-term Outlook

Short term

- **Decline in Cement Prices**
- **Higher Competitive Intensity**

Medium Term

- **Govt Capex Trajectory will Drive Cement Demand**
- **GST Rate Cut to be Structurally Positive**
- **H2FY26 expected to be Better**

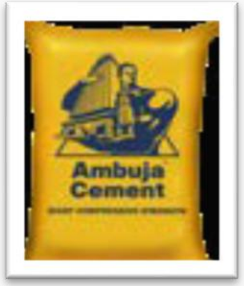
Key Monitorables – *Higher Price Realisations; Input Cost; Demand Pick-up*

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
UltraTech Cement Ltd	BUY	Rs 13,900*	✓ The company’s capacity expansion is on track. Its total grinding capacity in India stands at 187 mtpa. The company has announced the fourth phase of capacity expansion, adding 22.8 mtpa at a capital cost of Rs 10,255 Cr (USD 51/tonne). ✓ The company plans to add a further 11 mtpa in FY26 and another 15 mtpa in FY27, bringing its total cement manufacturing capacity to 235 mtpa by FY28-29 in India. ✓ With expanded capacity and scale, the company is positioned to strengthen its market leadership, targeting a market share increase from 25% to 28%. We project volume growth at a 14% CAGR over FY25–27E. ✓ The company projects a total cost reduction of Rs 200–300 per tonne over the next 2–3 years. We project that its EBITDA margins will increase to 22% in FY27E, driven by higher volume, better realisations, and cost optimisation initiatives. ✓ Between 2013 and 2024, the market share of large players increased from 46% to 55%, and by FY27-28, it is expected to rise further to 65%-70%. With the growing pace of consolidation and capacity expansion by top players, its overall market share is set to increase further. This trend will positively influence cement pricing, economies of scale, and supply chain efficiency. UltraTech, being the top player in the country, is well-positioned to benefit from this consolidation in the medium to long term.

Note: Target Price is based on our Q2FY26 Result Update Report

Top Conviction Ideas: Cement



Stock	Reco.	TP	Recommendation Rationale
Ambuja Cements Ltd	BUY	Rs 705*	✓ The company is expanding capacity from 107 MTPA (including 8.5 MTPA from Orient Cement) to 118 MTPA by FY26. It now targets 155 MTPA by FY28 (earlier 140 MTPA), supported by incremental expansion and debottlenecking initiatives. ✓ Volume and revenue are projected to grow at CAGRs of 12% each, respectively, over FY24-FY27E. ✓ During the quarter, EBITDA margin improved to 19.2%, supported by stronger realisation, healthy volume growth, and lower YoY operating cost. The company targets reducing its cost of production to Rs 4,000/tonne by FY26, with an additional reduction of Rs 300–400/tonne by FY28 through multiple levers. We expect margins to improve to 20%–21% by FY27E. ✓ Strong infrastructure demand and ongoing needs from the housing and commercial sectors are anticipated to boost cement demand in FY26. Strategic investments in roads, railways, and urban and commercial amenities are poised to drive robust growth. The company expects demand for the industry during FY26 to grow in the range of 7-8%.

** Note: Target Price is based on our Q2FY26 Result Update Report*

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
Dalmia Bharat Ltd	BUY	Rs 2,550*	✓ The company had earlier announced a comprehensive capacity expansion plan involving a 6 MTPA cement unit and a 3.5 MTPA clinker unit at Kadapa (clinker capacity: 3 MTPA) and a 3 MTPA bulk terminal in Chennai, entailing a total capital outlay of Rs 3,287 Cr. These projects are targeted to become operational by Q2FY28. Additionally, its 6 MTPA capacity addition in the western region (3 MTPA each at Pune and Belgaum) is progressing as per schedule and is expected to be commissioned by Q4FY27. ✓ Dalmia has also commenced trial runs at its 3.6 MTPA clinker unit in Umrangso, Assam, with commercial production expected by Q3FY26, marking a key milestone in its ongoing capacity expansion program. With improved utilisation and incremental capacity coming onstream, the company is projected to deliver a 7% volume CAGR over FY25–27E. ✓ The company's quarterly performance was aided by a 7% YoY increase in realisations, reaching Rs 4,952/tonne. With cement prices largely remaining stable, margins are expected to stay robust in FY26. In parallel, Dalmia is actively pursuing cost-saving initiatives, targeting a reduction of Rs 150–200/tonne over the next two years through enhanced operational efficiency and process optimisation. ✓ These efforts are expected to sustain profitability and drive margin expansion going forward. We pencil in higher EBITDA margins in the range of 21-22% over FY26-27E.

* *Note: Target Price is based on our Q2FY26 Result Update Report*

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
JK Lakshmi Cement	BUY	Rs 1,030*	✓ The company has planned a capacity expansion of 4.6 mtpa in cement grinding and 2.3 mtpa in clinker at a total capital cost of Rs 3,000 Cr ($75/tonne), to be commissioned in phases over FY27–FY28. These expansions are expected to strengthen market share and support sustained volume and revenue growth. We project volume and revenue CAGR of 8% and 12%, respectively, over FY25–27E. ✓ JKLC reported a 15% YoY increase in revenue to Rs 1,532 Cr. This was driven by a 15% YoY growth in sales volume, outperforming the industry's average growth. ✓ The company aims to strengthen performance through key strategic initiatives, including optimizing its geo-mix, increasing the production and sales of blended cement, raising the share of trade sales, and expanding its portfolio of premium and value-added products. It also plans to improve logistics efficiency and enhance the share of renewable power and AFR usage. JKLC expects cost savings of Rs 100-120 per tonne. We project EBITDA/tonne growth at an 18% CAGR over FY25-27E, reaching Rs 995/tonne, supported by better realisations, higher volumes, and cost-saving measures. ✓ Given the government's emphasis on infrastructure development and increased budgetary allocation for housing and road projects, the outlook for the cement sector remains positive for the upcoming year.

***Note: Target Price is based on our Q2FY26 Result Update Report**

Disclaimer

Axis Direct is the brand under Axis Securities Limited, which is a 100% subsidiary of Axis Bank Limited. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks, and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with the Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE, MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances, please call us at 022-40508080 or write to us at helpdesk@axisdirect.in.

We hereby declare that our activities have neither been suspended nor have we defaulted with any stock exchange authority with whom we are registered in the last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories, etc. have conducted the routine inspection and based on their observations have issued advice/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in the normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point in time.

Investments in the securities market are subject to market risks. Read all the related documents carefully before investing.
By referring to any particular sector, Axis Securities does not provide any promise or assurance of a favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and/or the USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been clients during the twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without notice. The report and information contained herein are strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Axis Securities. The report must not be used as a singular basis for any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors, including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

AXIS DIRECT

Disclaimer

NEERAJ CHADAWAR

Digitally signed by NEERAJ CHADAWAR
Date: 2025.11.12 00:24:26 +05'30'

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that the rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made, nor is its accuracy or completeness guaranteed. This report and information herein are solely for informational purposes and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and the needs of the specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see the Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed a public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking, or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimise conflict in the preparation of research reports. Axis Securities or its associates, or its analysts, did not receive any compensation or other benefits from the companies mentioned in the report or a third party in connection with the preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and/or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm’s length distance from the Research team, and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of the subject company(ies). Axis Securities or Research Analysts, or their relatives, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one per cent or more or other material conflicts of interest in various companies, including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach a different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centre on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

This research report is issued in India by Axis Securities Limited in accordance with the Securities and Exchange Board of India (Research Analysts) Regulations, 2014. It is intended solely for persons residing in India. The report is not directed at or intended for distribution to, or use by, any person or entity resident in the United States of America, Canada, or in any jurisdiction where such distribution, publication, availability, or use would be contrary to applicable securities laws, including the U.S. Securities Exchange Act of 1934, regulations of the U.S. Securities and Exchange Commission (SEC), and regulations of the Canadian Securities Administrators (CSA).