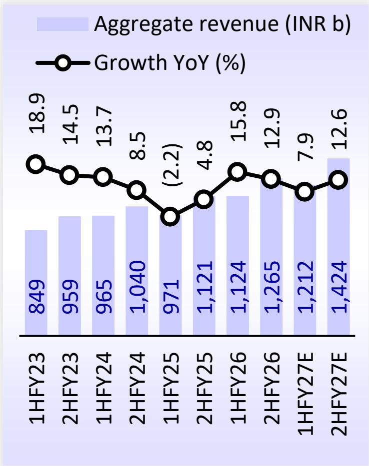
# Cement

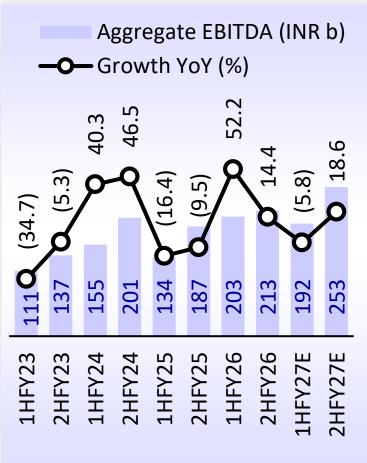
## Earnings downgrade behind; cost reversal to begin from exit-2Q

**We believe the cement sector is at the cusp of an earnings recovery, with the downgrade cycle now largely behind, supported by a strengthening demand outlook and easing fuel cost pressures. Robust central and state government capex towards infrastructure and affordable housing should drive cement demand growth of ~7–8% YoY in FY27E. Further, the recent ~10–16% correction in petcoke/coal prices is expected to reduce cost pressure and improve margin visibility. Despite ~57mtpa of grinding capacity additions in FY27E, we expect industry capacity utilization to remain largely stable as capacity commissioning and ramp-up will be phased through the year, limiting effective supply growth. We believe the cement sector offers an improving risk-reward profile as easing fuel costs and sustained infrastructure-led demand support better earnings visibility. The sector is currently trading at 16.0x one-year forward EV/EBITDA, in line with its 10-year average, and at a ~13% discount to its five-year average. UTCEM and JKCE remain our preferred picks in this space.**

**Our cement coverage revenue trend for 1H/2H**




**Cement coverage EBITDA trend for 1H/2H**




### Earnings downgrade cycle largely behind

- We believe the earnings downgrade cycle is largely behind in the cement sector, supported by a favorable demand trend and softening cost pressure. The FY27 outlook for cement demand continues to be aided by a robust government-led capex program at both the central and state levels (up ~12%/15% YoY). The continued emphasis on roads, railways, urban infrastructure, and affordable housing provides a strong structural demand tailwind for the cement sector.
- The North and Central regions continued to witness strong demand momentum in 1HCY26. The East and West regions also, after a muted Apr-May’26, have seen a demand pick-up in Jun’26. However, in the South, the demand momentum has been relatively sluggish so far. We estimate a healthy recovery in cement demand in 2HFY27. The broad-based increase in both central and state capex should aid cement demand growth of ~7-8% YoY in FY27, following a healthy base in FY26.
- Fuel prices (both petcoke/coal), after surging over Mar-May’26 due to the West Asia crisis, have softened in Jun’26 and corrected ~11-16% from their peak. Given this fuel price correction, we estimate the fuel cost increase in 1HFY27E to be up to INR250/t vs. earlier estimates of INR330/t. Based on the spot fuel prices, we estimate the exit-2QFY27 fuel consumption cost (in Kcal) should decline to levels similar to exit-4QFY26. As a result, we believe the scope for earnings downgrades driven by higher input costs is now limited.

### Back-ended earnings recovery to drive FY27 performance

- We estimate our cement coverage universe aggregate revenue to grow ~8% YoY in 1HFY27E; however, aggregate EBITDA is estimated to decline ~6% YoY. OPM is estimated to dip ~2.3pp YoY to ~16% in 1HFY27E. Lower profitability is mainly driven by input cost pressure (lagged impact of elevated fuel prices) and a gradual price hike. EBITDA/t is estimated to dip ~12% YoY to INR876 in 1HFY27E.
- However, we expect a strong recovery in 2HFY27, which should more than offset the weakness in 1HFY27 and drive earnings growth for the full year FY27. This recovery should be driven by a combination of higher volume growth and easing cost pressures. Demand is likely to strengthen post-monsoon, supported by the seasonal pickup in construction activity, government infrastructure spending,

**Sanjeev Kumar Singh - Research analyst** (Sanjeev.Singh@MotilalOswal.com)
**Research analyst - Mudit Agarwal** (Mudit.Agarwal@MotilalOswal.com) | **Abhishek Sheth** (Abhishek.Sheth@MotilalOswal.com)

and housing demand, resulting in better capacity utilization and operating leverage.

- We estimate our cement coverage universe volume/revenue/EBITDA to grow ~7%/~13%/~19% YoY in 2HFY27E. OPM is estimated to expand ~1.0pp YoY to ~18% in 2HFY27E. EBITDA/t is estimated to increase by ~11% YoY to INR1,000/t in 2HFY27E.

## Estimate flat capacity utilization in FY27; price hikes to be gradual

- We estimate the industry's capacity utilization to remain largely flat (on expanded capacity) in FY27 (Exhibit 9). Based on the capacity expansion plans announced by industry players ~57mtpa of grinding capacity is likely to be commissioned in FY27. However, staggered commissioning and gradual ramp-up limit the effective supply addition. A similar trend was observed in FY26, when ~50mtpa of new grinding capacity was commissioned during the year, yet overall capacity utilization remained flat YoY.
- Out of the total ~57mtpa new capacity additions planned in FY27, ~50mtpa (~88%) will be added by the leading players (among the top 7) in the industry. UTCEM, including its subsidiary ICEM, is likely to add the highest capacity of ~23mtpa (~40%), followed by ACEM (including its subsidiary ACC) ~11mtpa (~19%), DALBHARA ~6mtpa (~11%), NUVOCO ~5mtpa (~9%), and JSWC ~4.5mtpa (~8%). Conversely, the rest ~7mtpa will be added by the other regional players.
- We continue to believe that long-term sustainable price hikes should be gradual in the industry. In Apr'26, the industry players have taken a price hike of INR10-12/bag across regions amid concerns of rising cost pressure. In contrast, cost pressures are currently moderating, and the price hikes have largely been sustained so far.

## Valuation and view

- We believe that improving cement demand outlook and easing cost pressure are leading to a favourable risk-reward profile for the cement sector. Cement stocks have been under pressure since Mar'26 due to concerns over rising fuel/crude prices and the resultant margin pressure. However, the recent correction in fuel prices, coupled with sustained demand momentum driven by higher government infrastructure spending, is likely to enhance earnings visibility. We estimate an improvement in profitability YoY in 2HFY27, as lower fuel costs begin to flow through the P&L, while strong demand should drive positive operating leverage.
- The sector currently trades at a 1-year forward EV/EBITDA of 16.0x, at mean of its long-term average one-year forward EV/EBITDA (~13% discount to its 5-year average EV/EBITDA). We continue to prefer names with a track record of strong execution, volume growth, a favorable regional mix, improving cost matrix, and higher return ratios. We are selective in our top picks in the cement space and prefer UTCEM and JKCE.

### Exhibit 1: Valuation summary

| | M-cap (USD b) | CMP (INR) | Rating | P/E (x) | | | EV/EBITDA (x) | | | EV/t (USD) | | | ROE (%) | | | Net debt/ EBITDA (x) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | FY26 | FY27E | FY28E | FY26 | FY27E | FY28E | FY26 | FY27E | FY28E | FY26 | FY27E | FY28E | FY26 | FY27E | FY28E |
| UTCEM | 36.3 | 11,726 | Buy | 41.8 | 36.9 | 30.2 | 20.7 | 17.4 | 15.5 | 180 | 167 | 153 | 11.2 | 12.0 | 13.9 | 0.9 | 0.9 | 0.7 |
| ACEM | 11.4 | 439 | Buy | 48.6 | 63.4 | 40.3 | 17.2 | 15.3 | 14.1 | 108 | 98 | 91 | 3.5 | 2.5 | 3.9 | (0.1) | 0.1 | 0.0 |
| SRCM | 10.0 | 26,485 | Neutral | 54.0 | 51.4 | 42.7 | 21.0 | 19.4 | 16.6 | 137 | 128 | 120 | 8.1 | 8.1 | 9.2 | (1.2) | (1.5) | (1.7) |
| JKCE | 4.4 | 5,389 | Buy | 40.8 | 39.2 | 33.0 | 19.4 | 18.3 | 15.0 | 150 | 153 | 128 | 15.6 | 14.3 | 14.9 | 2.3 | 2.8 | 2.5 |
| DALBHARA | 3.6 | 1,824 | Buy | 32.5 | 39.0 | 31.1 | 10.8 | 11.2 | 10.0 | 70 | 66 | 63 | 6.0 | 4.8 | 5.8 | 0.5 | 1.0 | 0.9 |
| ACC | 2.7 | 1,378 | Neutral | 20.0 | 20.2 | 15.2 | 8.1 | 8.4 | 6.9 | 56 | 55 | 48 | 6.7 | 6.1 | 7.6 | (0.2) | (0.4) | (0.6) |
| TRCL | 2.3 | 919 | Neutral | 86.7 | 77.2 | 39.0 | 16.9 | 16.0 | 13.4 | 98 | 83 | 83 | 3.2 | 3.4 | 6.5 | 2.5 | 2.3 | 1.5 |
| JSWC | 2.2 | 140 | Neutral | 42.0 | 40.1 | 31.5 | 17.2 | 15.9 | 13.4 | 104 | 86 | 79 | 10.0 | 6.9 | 8.2 | 2.9 | 3.6 | 3.5 |
| ICEM | 1.3 | 410 | Sell | Loss | 74.9 | 35.6 | 34.3 | 23.4 | 16.1 | 97 | 87 | 86 | 0.6 | 1.7 | 3.5 | 3.2 | 3.5 | 2.1 |
| JKLC | 0.7 | 571 | Buy | 17.0 | 16.0 | 15.1 | 8.6 | 8.3 | 8.0 | 51 | 49 | 47 | 11.5 | 11.1 | 10.7 | 1.2 | 1.8 | 2.3 |
| BCORP | 0.8 | 1,017 | Buy | 14.0 | 14.5 | 12.4 | 6.6 | 6.2 | 5.7 | 47 | 46 | 45 | 7.8 | 7.1 | 7.8 | 1.5 | 1.6 | 1.7 |

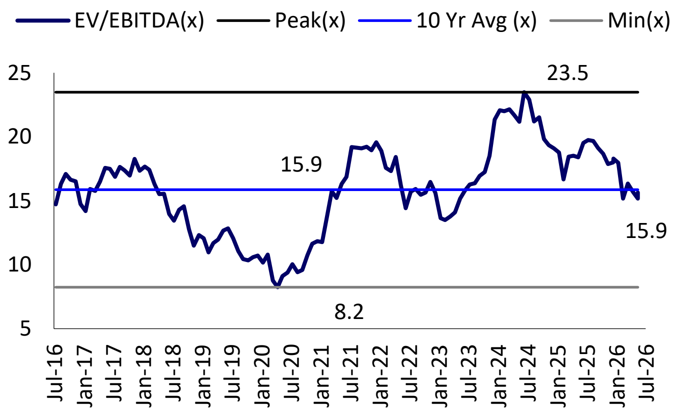
Source: MOFSL, Company; Note: ACEM estimates and valuation on a consolidated basis

### Exhibit 2: Cement coverage current and long term average valuation

| Company | One-year forward EV/EBITDA (x) | 10-year average EV/EBITDA (x) | +1SD | -1SD | Premium/ Discount to 10-year average EV/EBITDA |
|---|---|---|---|---|---|
| ACC | 8 | 12 | 16 | 9 | (32) |
| ACEM | 15 | 15 | 21 | 10 | (1) |
| BCORP | 6 | 8 | 11 | 5 | (28) |
| DALBHARA | 11 | 12 | 15 | 9 | (10) |
| ICEM | 23 | 15 | 22 | 8 | 56 |
| JKCE | 18 | 14 | 19 | 9 | 30 |
| JKLC | 8 | 10 | 13 | 6 | (20) |
| TRCL | 16 | 16 | 19 | 14 | (2) |
| SRCM | 19 | 21 | 24 | 17 | (8) |
| UTCEM | 17 | 17 | 21 | 14 | 0 |
| **Sector average** | **16** | **16** | **19** | **12** | **(1)** |

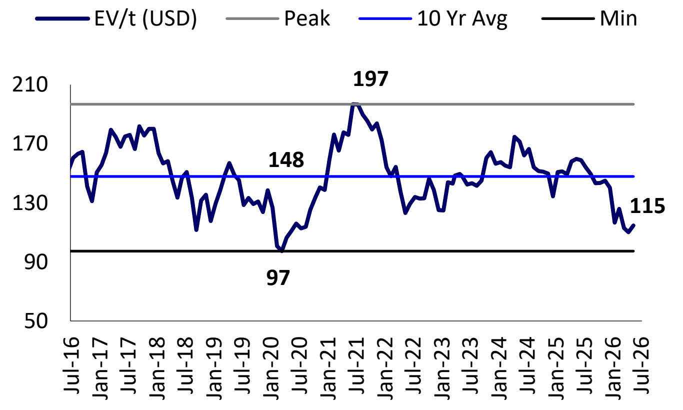
Source: MOFSL, Company

### Exhibit 3: Sector One-year forward EV/EBITDA chart




Source: MOFSL,

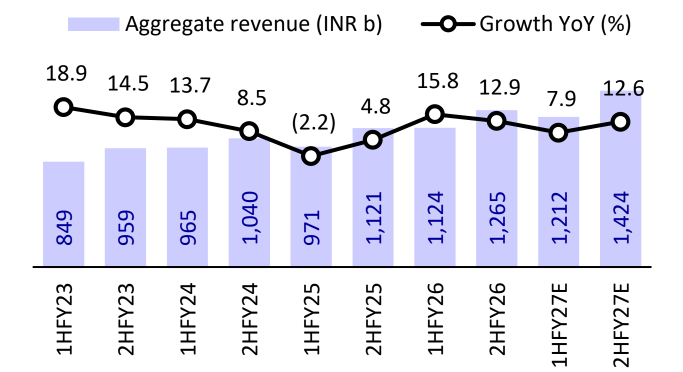
### Exhibit 4: Sector One-year forward EV/t chart




Source: MOFSL,

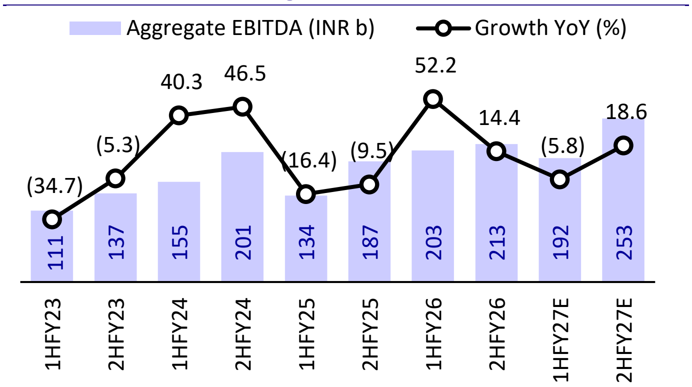
## Story in charts

**Exhibit 5: Cement coverage revenue trend for 1H/2H**



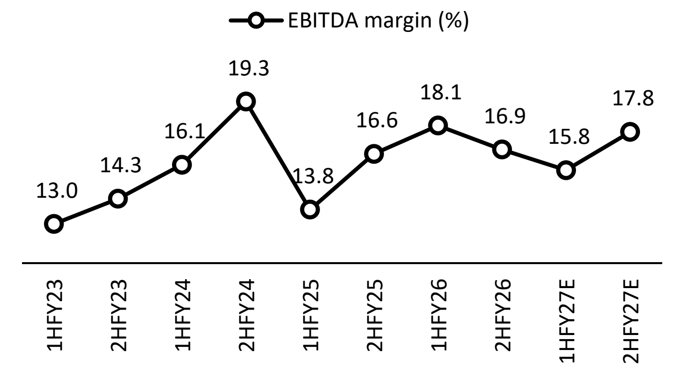

Source: MOFSL, Industry; Note: coverage

**Exhibit 6: Cement coverage EBITDA trend for 1H/2H**



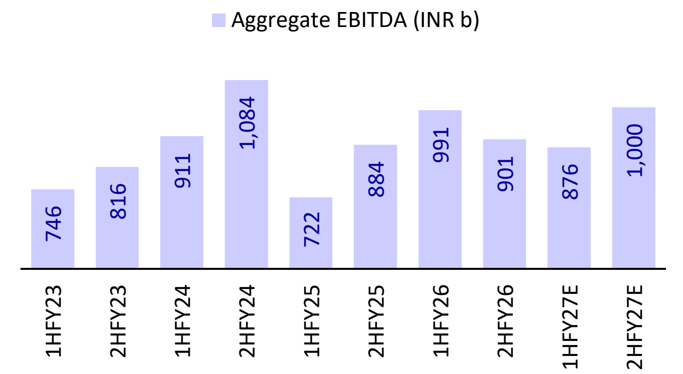

Source: MOFSL, Industry

**Exhibit 7: Estimate the margin to improve in 2HFY27**



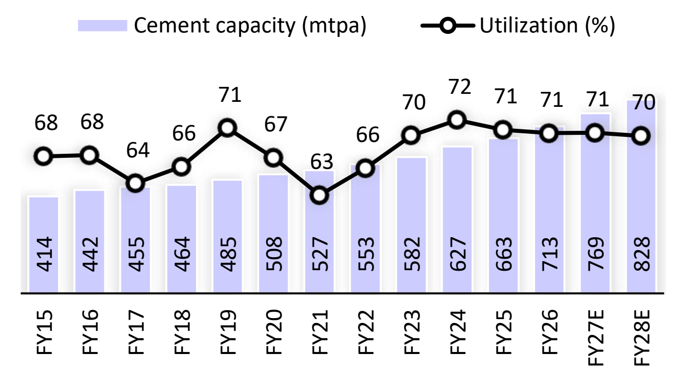

Source: MOFSL, Industry

**Exhibit 8: Estimate EBITDA/t to reach INR1,000 in 2HFY27**



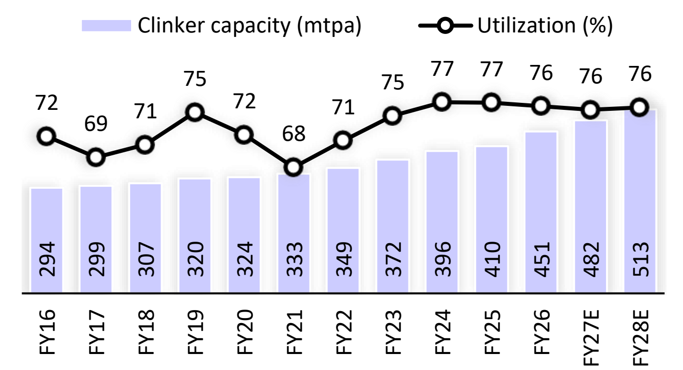

Source: MOFSL, Industry

**Exhibit 9: Estimate cement utilization to be flat in FY27**




Source: MOFSL, Industry

**Exhibit 10: Estimate clinker utilization to be flat in FY27**




Source: MOFSL, Industry

**Exhibit 11: Cement coverage volume estimates and growth**

| Volume | FY26 | FY27E | FY28E | % YoY growth (FY26) | % YoY growth (FY27E) | % YoY growth (FY28E) |
|---|---|---|---|---|---|---|
| ACC | 48.5 | 47.5 | 51.3 | 15.1 | -2.0 | 8.0 |
| ACEM | 73.7 | 76.1 | 82.8 | 16.1 | 3.3 | 8.8 |
| BCORP | 18.7 | 19.3 | 20.4 | 3.5 | 3.0 | 6.0 |
| DALBHARA | 30.0 | 32.0 | 34.8 | 2.1 | 6.5 | 9.0 |
| ICEM | 10.3 | 11.3 | 12.3 | 14.9 | 9.0 | 9.0 |
| JKCE | 23.3 | 26.6 | 31.0 | 15.5 | 13.9 | 16.7 |
| JKLC | 13.3 | 14.1 | 15.6 | 11.7 | 6.0 | 10.0 |
| JSWC | 13.6 | 16.5 | 19.0 | 10.4 | 21.4 | 15.5 |
| SRCM | 36.4 | 40.5 | 43.7 | 1.6 | 11.3 | 8.0 |
| TRCL | 18.8 | 19.7 | 20.9 | 1.7 | 5.0 | 6.0 |
| UTCEM | 154.3 | 168.9 | 185.6 | 13.6 | 9.5 | 9.9 |
| **Aggregate** | **440.9** | **472.4** | **517.4** | **11.2** | **7.2** | **9.5** |

Source: MOFSL, Company;

**Exhibit 12: Cement coverage revenue estimates and growth**

| Revenue | FY26 | FY27E | FY28E | % YoY growth (FY26) | % YoY growth (FY27E) | % YoY growth (FY28E) |
|---|---|---|---|---|---|---|
| ACC | 257.7 | 262.2 | 285.9 | 22.1 | 1.7 | 9.1 |
| ACEM | 406.6 | 428.1 | 470.4 | 18.4 | 5.3 | 9.9 |
| BCORP | 96.6 | 100.8 | 107.4 | 4.8 | 4.4 | 6.6 |
| DALBHARA | 147.7 | 158.5 | 174.6 | 5.6 | 7.4 | 10.1 |
| ICEM | 44.8 | 44.9 | 49.8 | 9.9 | 0.2 | 10.9 |
| JKCE | 137.2 | 159.9 | 184.5 | 15.5 | 16.5 | 15.4 |
| JKLC | 67.6 | 72.0 | 79.7 | 9.2 | 6.5 | 10.6 |
| JSWC | 65.1 | 78.7 | 91.9 | 12.0 | 20.8 | 16.9 |
| SRCM | 193.1 | 215.0 | 233.1 | 7.1 | 11.3 | 8.4 |
| TRCL | 90.1 | 96.3 | 103.3 | 6.1 | 6.9 | 7.3 |
| UTCEM | 885.1 | 1,019.8 | 1,121.0 | 16.5 | 15.2 | 9.9 |
| **Aggregate** | **2,392** | **2,636** | **2,902** | **14.4** | **10.2** | **10.1** |

**Exhibit 13: Cement coverage EBITDA estimates and growth**

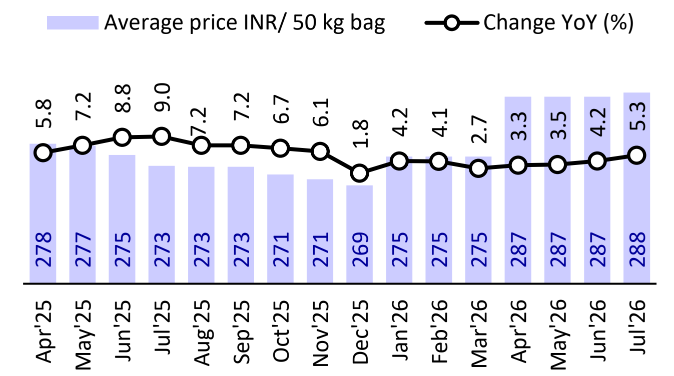
| EBITDA | FY26 | FY27E | FY28E | % YoY growth (FY26) | % YoY growth (FY27E) | % YoY growth (FY28E) |
|---|---|---|---|---|---|---|
| ACC | 29.0 | 27.5 | 33.7 | 18.8 | -5.2 | 22.4 |
| ACEM | 65.4 | 64.5 | 83.9 | 30.6 | -1.4 | 30.2 |
| BCORP | 14.5 | 14.9 | 17.1 | 19.5 | 2.4 | 14.8 |
| DALBHARA | 30.5 | 31.0 | 37.2 | 26.5 | 1.8 | 19.9 |
| ICEM | 4.0 | 5.7 | 9.0 | NA | 43.9 | 56.8 |
| JKCE | 23.7 | 25.7 | 31.9 | 17.1 | 8.3 | 24.2 |
| JKLC | 10.1 | 10.7 | 12.4 | 16.9 | 5.6 | 16.2 |
| JSWC | 12.4 | 14.3 | 18.0 | 44.5 | 15.7 | 25.6 |
| SRCM | 42.7 | 44.2 | 51.4 | 10.4 | 3.4 | 16.3 |
| TRCL | 14.4 | 14.4 | 18.1 | 16.8 | -0.2 | 26.0 |
| UTCEM | 170.2 | 191.8 | 225.8 | 35.5 | 12.7 | 17.7 |
| **Aggregate** | **417** | **445** | **538** | **29.9** | **6.7** | **21.1** |

Source: MOFSL, Company;

### Exhibit 14: Cement coverage EBITDA/t estimates and growth

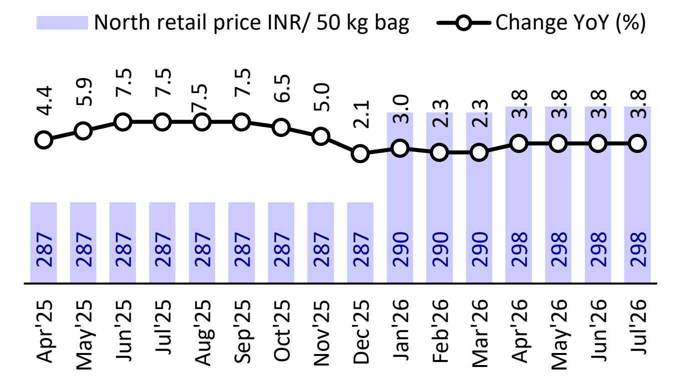
| EBITDA/t | FY26 | FY27E | FY28E | % YoY growth (FY26) | % YoY growth (FY27E) | % YoY growth (FY28E) |
|---|---|---|---|---|---|---|
| ACC | 599 | 579 | 657 | 3.2 | -3.3 | 13.3 |
| ACEM | 887 | 847 | 1,014 | 12.5 | -4.5 | 19.6 |
| BCORP | 777 | 772 | 837 | 15.4 | -0.6 | 8.3 |
| DALBHARA | 1,015 | 971 | 1,068 | 23.9 | -4.4 | 10.0 |
| ICEM | 385 | 509 | 732 | NA | 32.0 | 43.9 |
| JKCE | 1,017 | 968 | 1,030 | 1.4 | -4.9 | 6.5 |
| JKLC | 757 | 754 | 797 | 4.7 | -0.4 | 5.6 |
| JSWC | 915 | 872 | 948 | 30.9 | -4.7 | 8.7 |
| SRCM | 1,174 | 1,091 | 1,175 | 8.7 | -7.1 | 7.7 |
| TRCL | 765 | 727 | 864 | 14.9 | -4.9 | 18.8 |
| UTCEM | 1,103 | 1,136 | 1,217 | 19.4 | 2.9 | 7.1 |
| **Aggregate** | **946** | **941** | **1,041** | **16.8** | **-0.5** | **10.5** |

### Exhibit 15: All-India average cement price up ~5% YoY in Jul'26



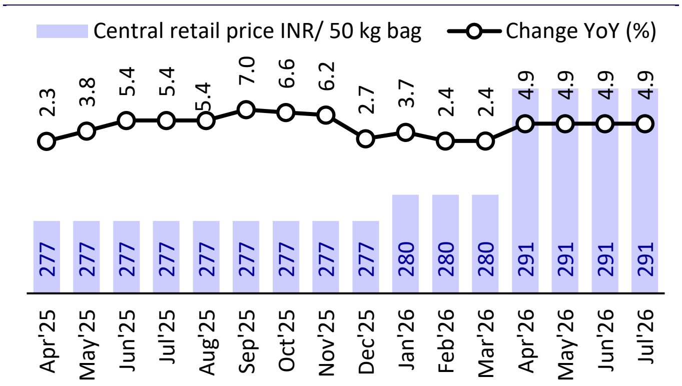

Source: MOFSL, Cement dealers; Note: Cement prices adjusted for effective GST rate

### Exhibit 16: Average cement price up ~4% YoY in North in Jul'26



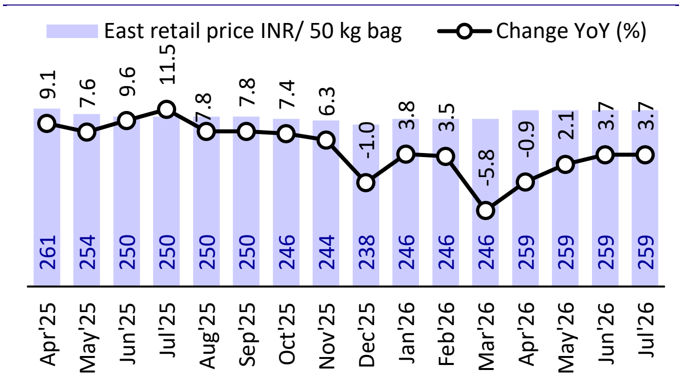

Source: MOFSL, Cement dealers, Note: Cement prices adjusted for effective GST rate

### Exhibit 17: Average cement price up ~5% YoY in Central



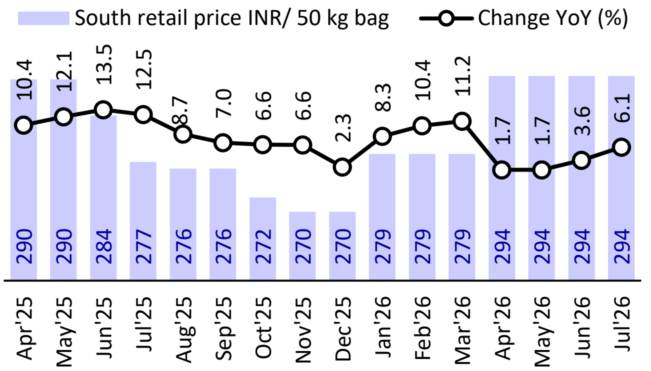

Source: MOFSL, Cement dealers; Note: Cement prices adjusted for effective GST rate

### Exhibit 18: Average cement price up 4% YoY in East



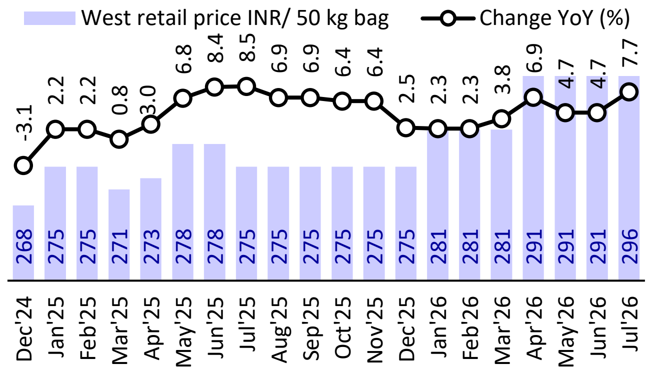

Source: MOFSL, Cement dealers; Note: Cement prices adjusted for effective GST rate

**Exhibit 19: Average cement price up ~6% YoY in South**



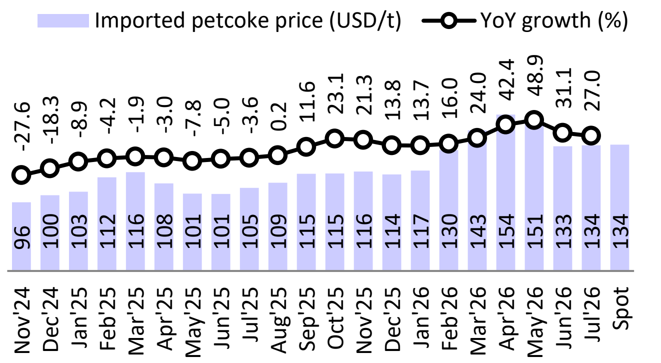

Source: MOFSL, Cement dealers; Note: Cement prices adjusted for effective GST rate

**Exhibit 20: Average cement price up ~8% YoY in West**



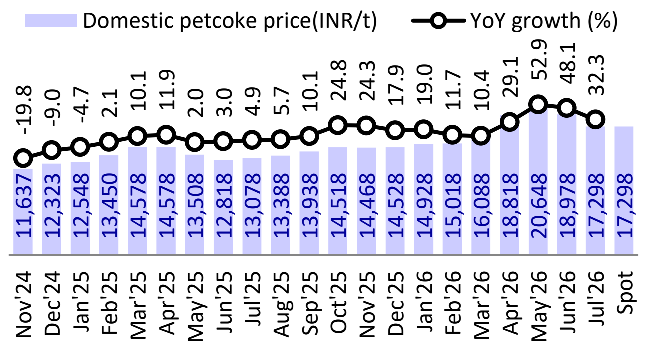

Source: MOFSL, Cement dealers; Note: Cement prices adjusted for effective GST rate

**Exhibit 21: US petcoke price up ~27% YoY and flat MoM in Jul'26***



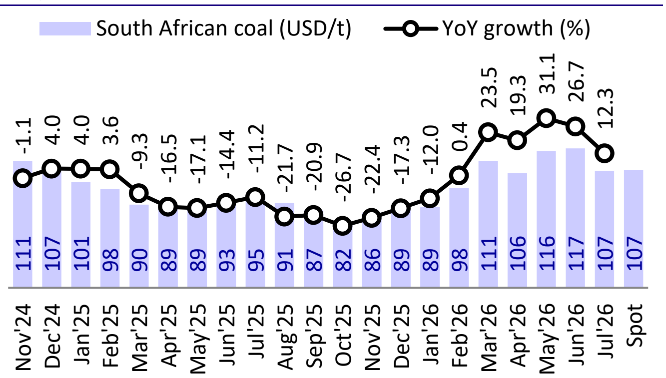

Source: MOFSL, Industry; Note: *MTD

**Exhibit 22: Domestic petcoke price up ~32% but down ~9% MoM in Jul'26***



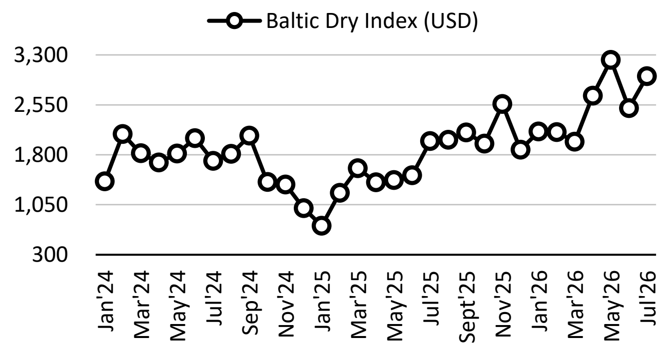

Source: MOFSL, Industry; Note: *MTD

**Exhibit 23: South African coal price up ~12% YoY (down 9% QoQ) in Jul'26***




Source: Bloomberg, MOFSL; Note: *MTD

**Exhibit 24: Baltic Dry Index surged in Jul'26**




Source: Bloomberg, MOFSL; Note: Baltic dry index for Mar'26 (MTD)

# NOTES

| Explanation of Investment Rating | |
|---|---|
| **Investment Rating** | **Expected return (over 12-month)** |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
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Grievance Redressal Cell:

| Contact Person | Contact No. | Email ID |
|---|---|---|
| Ms. Hemangi Date | 022 40548000 / 022 67490600 | query@motilaloswal.com |
| Ms. Kumud Upadhyay | 022 40548082 | servicehead@motilaloswal.com |
| Mr. Ajay Menon | 022 40548083 | am@motilaloswal.com |
| Mr. Neeraj Agarwal | 022 40548085 | na@motilaloswal.com |
| Mr. Siddhartha Khemka | 022 50362452 | po.research@motilaloswal.com |

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