

India

June 02, 2025 - 8:40 PM

Overweight (no change)

Cement

South goes for discounts after sharp hikes

- Our channel check shows that in May 2025 prices were up by 0.4% MoM and ~3% vs. 4Q exit prices. Hikes in South enter discount phase post May peak.
- Dealers believe that demand could remain impacted due to the early onset of monsoon; however, good rainfall can contribute further to rural recovery.
- South & East India-based players are placed better following the improvement in unit EBITDA in 1QFY26F, with prices continuing to outperform in QTD.

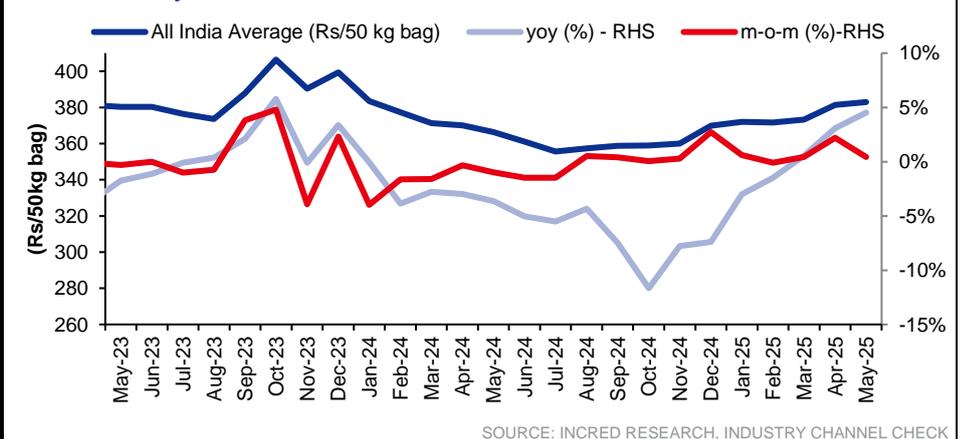
Prices up ~3% vs. Mar 2025 exit; hike unlikely prior to monsoon

- Based on our channel check, the average pan-India cement price rose by Rs2-4/bag MoM and increased by ~5% YoY in May 2025 to Rs383/bag. In QTD, prices are up by ~3% vs. 4QFY25 exit prices driven by sustenance of the sharp increase in prices in southern and eastern regions. Production cut is still prevalent in both these markets, as per dealers. Prices were flat MoM in the northern region, recording a marginal dip in northern and central markets. Most markets don't expect price hikes in Jun 2025F, but in the southern region the selling prices were down by Rs10-20/bag vs. invoice prices due to lower sales and the early onset of monsoon.
- On the demand front, demand has been better than the bottom reached in FY25, but still lower than the highs during the pre-election period. The early onset of monsoon could impact demand in the near term, but another good year of monsoon is poised to contribute positively to rural demand, which has recovered gradually this year.

Region-wise channel check

- **East:** Cement prices were up by Rs2-3/bag, with demand hit due to the heatwave and shortage of labour. Players, showing discipline to price hike and not chasing volume over price, enabled sustenance of the hike. Seasonal intermittent rainfall from mid-May 2025 led to discounts being introduced in some pockets of West Bengal and Odisha.
- **South:** Demand was already soft, and it slowed down further because of the early onset of monsoon which prompted the channel to introduce discounts for clearing inventory. Current selling prices are lower by Rs20-30/bag than invoice prices, which has lowered the realization from its peak of Rs380-390/bag.
- **North:** In May 2025, sales were impacted due to cross-border tensions. Shortage of labour was reported in Delhi, while Rajasthan is seeing better demand for the past few weeks. Prices are largely flat MoM, with a hike of Rs5-10/bag expected in Jun 2025F.
- **West:** Maharashtra demand was impacted due to rainfall in the last week of May 2025. Demand in eastern Maharashtra remains low too; however, state government's major projects are expected to drive demand in the coming months. Mumbai prices went down by Rs4-5/bag, Ahmedabad prices were stable MoM, and prices in Saurashtra rose by Rs5-10/bag. No meaningful price hikes are expected prior to the monsoon season.
- **Central:** Prices witnessed a marginal dip of Rs2-4/bag in May 2025. Barring rural IHB demand, all segments reported a decline. State government projects are yet to reach pre-election levels. No price hike is expected soon, as per dealers.

Figure 1: All-India cement average price was up by ~3% vs. 4QFY25 exit price and by ~5% YoY in May 2025



Research Analyst(s)

Nishant BAGRECHA
 T (91) 22 4161 1564
 E nishant.bagrecha@incredresearch.com

Saurabh SINGH
 T (91) 2241611558
 E saurabh.singh@incredresearch.com

Rohan KALLE
 T (91) 22 4161 1561
 E rohan.kalle@incredresearch.com

SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

South goes for discounts after sharp hikes

Price discount across southern markets: Our interactions with South India dealers indicated that after peaking in mid-May 2025, prices have entered the discount stage, which correlates with the decline in price hikes and shows the hiked prices cannot sustain. Initially, the difference between the selling price and the invoice price was ~Rs10/bag, which has now increased to Rs20–25/bag, largely due to higher rainfall and slow demand in the region. The discounts are effective in both retail and wholesale markets. A few regional players have already rolled back prices by Rs10/bag in Jun 2025. Experts also pointed out wider discounts in the case of lower-tier brands in some pockets. However, dealers believe the net effective price hike of Rs30–40/bag in QTD should still contribute positively to realization based on the first 40–45 days of improvement. Dealers still believe that prices could go either way in Jun 2025F.

Figure 2: Region-wise, cement prices remained stable in May 2025 **Figure 3: North India cement prices continue to remain at the level they reached in Dec 2024**

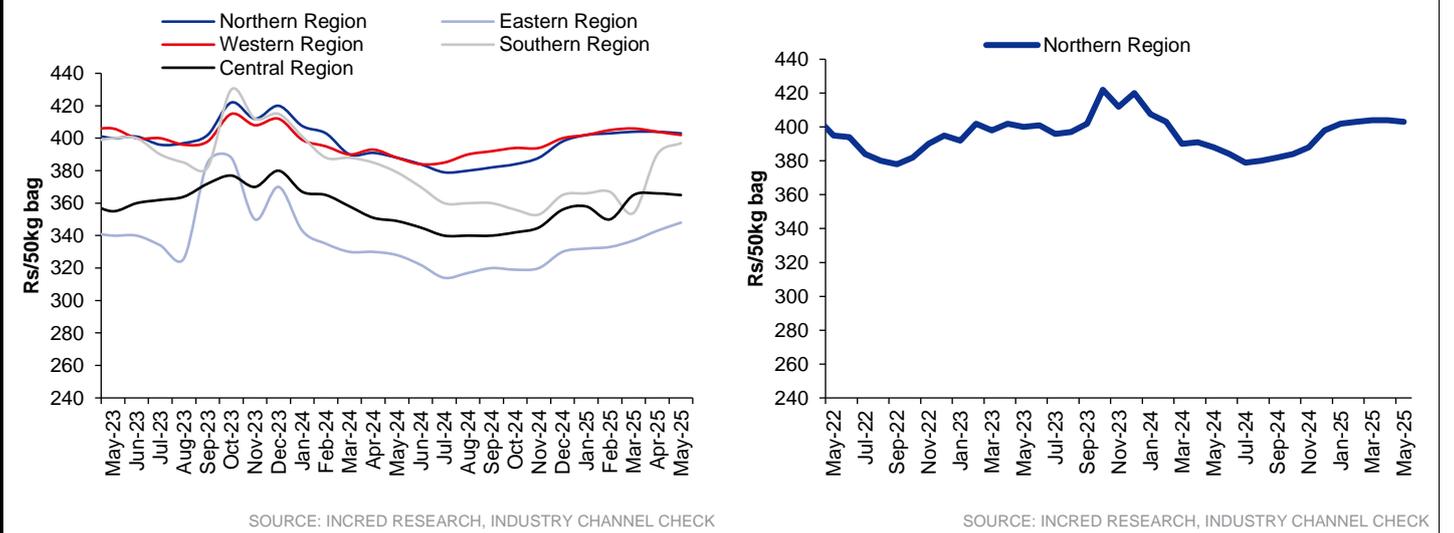


Figure 4: Southern region cement prices remained better after peaking in mid-May 2025 **Figure 5: Eastern region's cement prices continue to improve gradually**

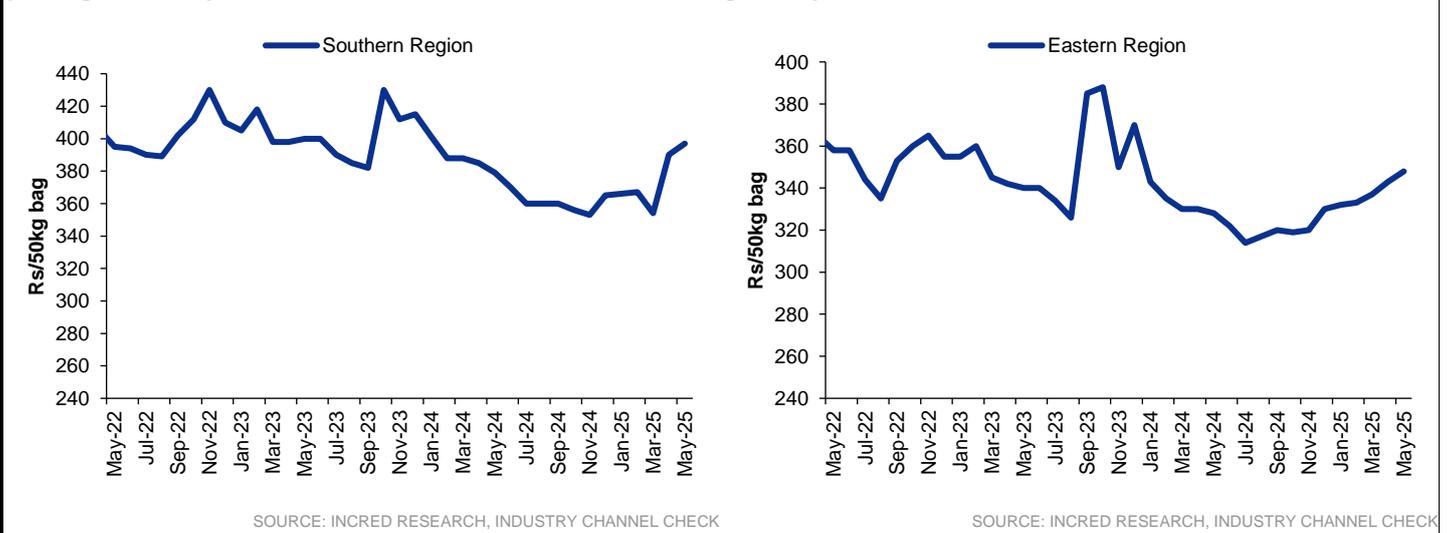
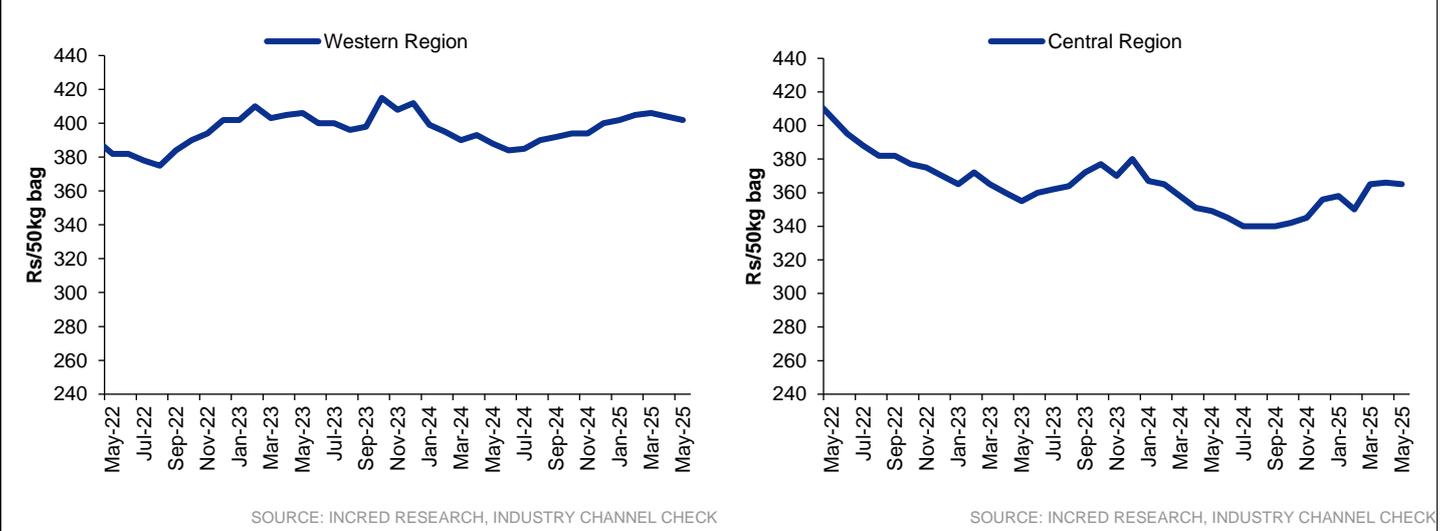


Figure 6: Western region cement prices declined due to the early onset of monsoon in the region | **Figure 7: Central region cement prices dipped marginally in May 2025**



Major input cost trend >

- Pet-coke prices cool down after a rally while Brent crude oil prices stable:** Prices of Brent crude oil declined steeply in Apr-May 2025 and are now at a level similar to the level witnessed during the Covid-19 pandemic. Further, pet-coke prices have cooled down to US\$108/t vs US\$119/t in Apr 2025.

Figure 8: International pet-coke prices

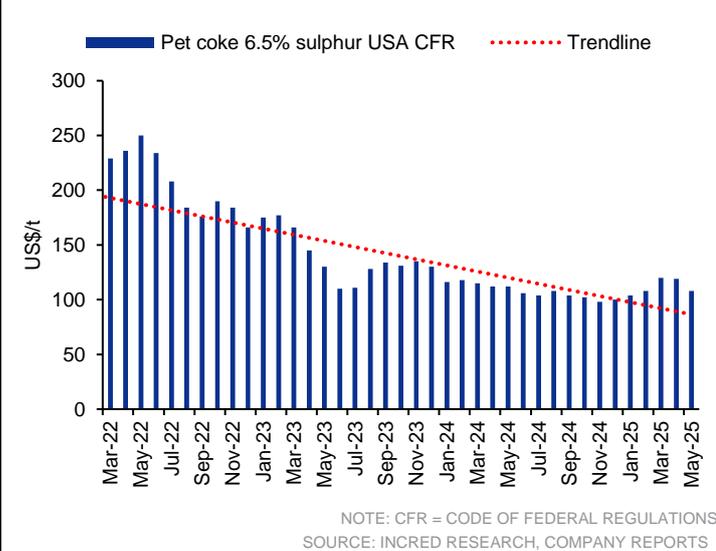


Figure 9: Domestic pet-coke prices at the beginning of Mar 2025

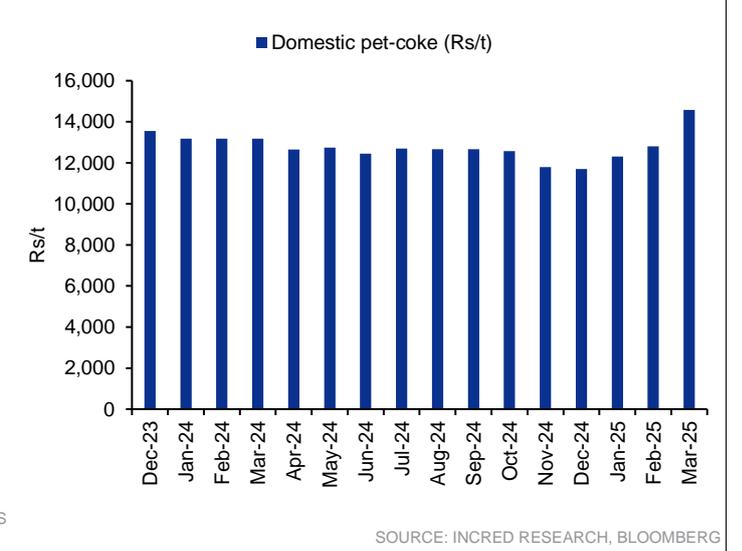
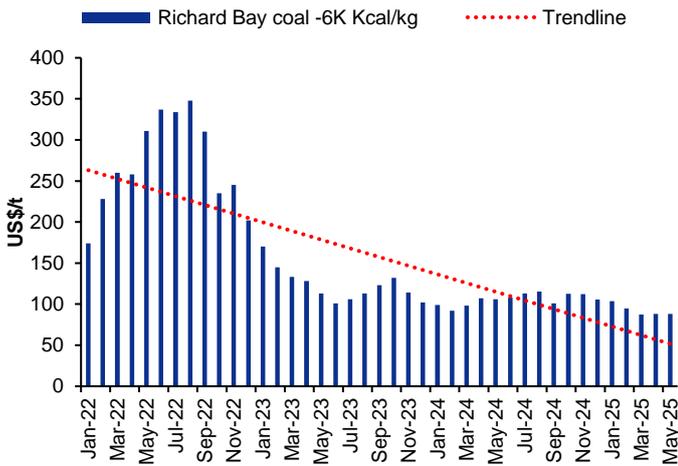
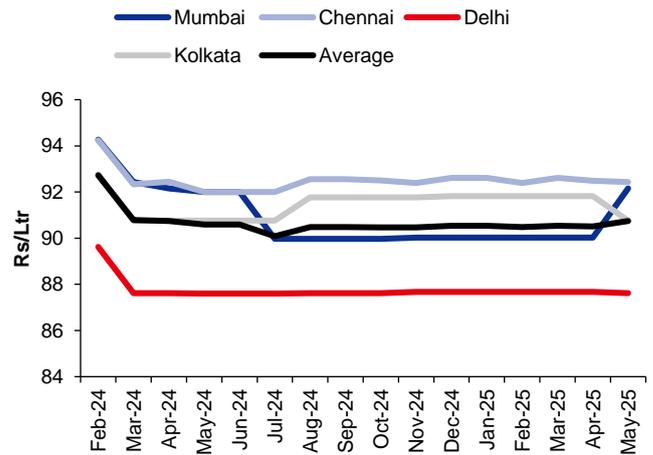


Figure 10: Imported coal price (South African 6k/kcal) trend



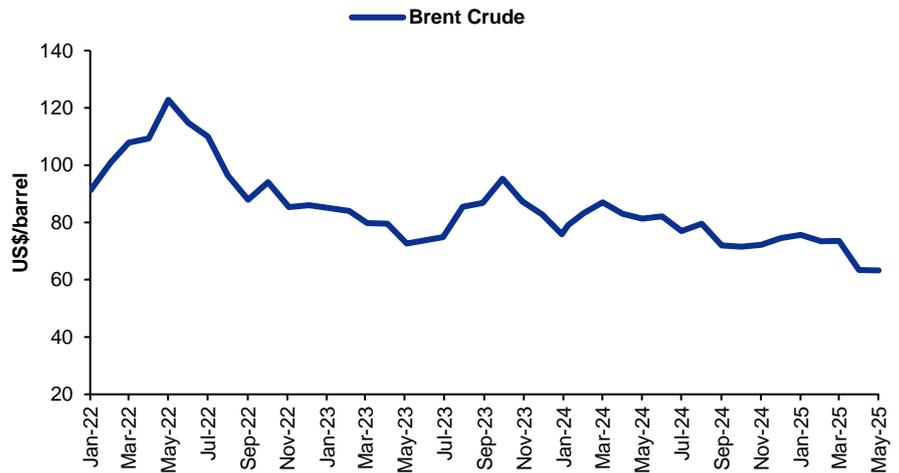
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 11: Average diesel price trend in top metro cities



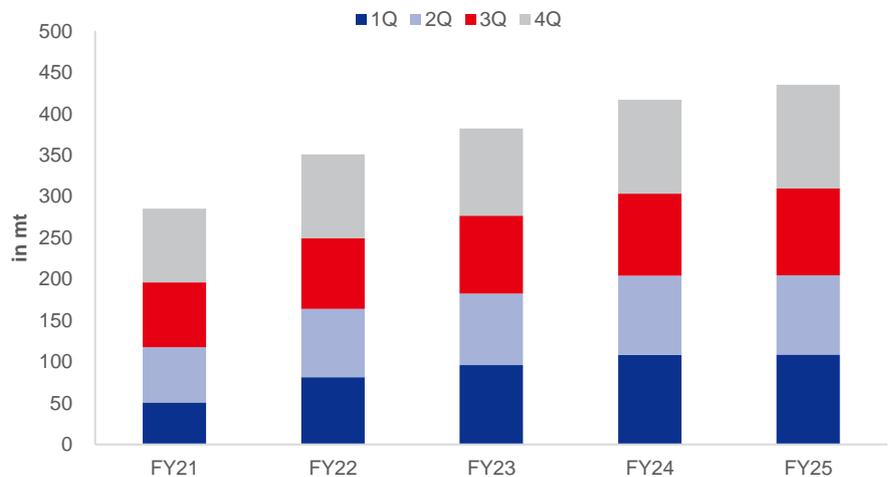
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 12: Crude oil price trend



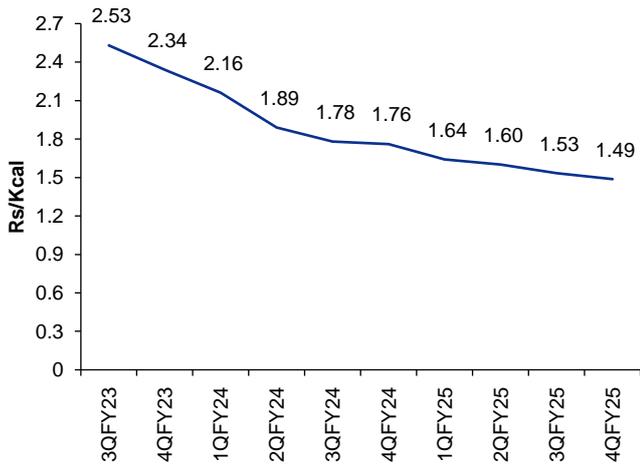
SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 13: Cement production data indicates ~68-70% utilization level in FY25



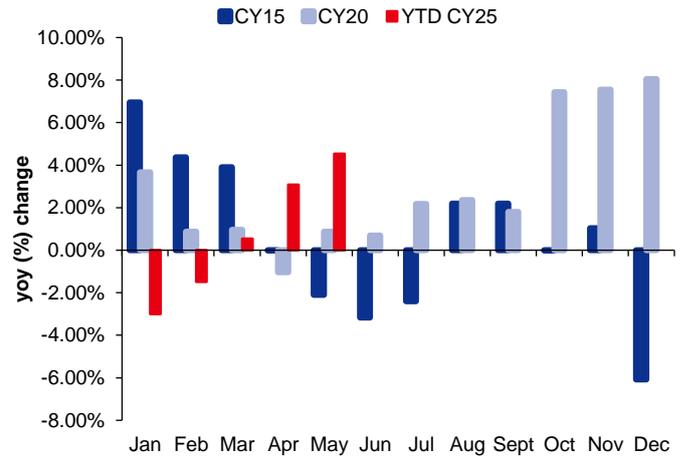
SOURCE: INCRED RESEARCH, CMIE, CSO

Figure 14: Average energy costs continue to decline



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Pan-India cement price yoy change post general election years



SOURCE: INCRED RESEARCH, INDUSTRY CHANNEL CHECK

Figure 16: Incred's cement sector coverage comparison

Company	Rating	Closing Price (Rs)	Target Price (Rs)	% Upside	Market cap (US\$ m)	EV/EBITDA (x)			P/BV (x)			RoE (%)			P/E (x)			EV/t (US\$)		
						FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F
UltraTech Cement	ADD	11,641	13,550	16%	40,543	27.8	20.7	16.3	4.7	4.3	3.9	9.3%	11.4%	14.5%	54.3	39.3	28.4	217.9	207.8	191.5
ACC	ADD	1,888	2,210	17%	4,190	13.4	10.7	8.8	1.9	1.8	1.6	8.2%	9.1%	10.3%	14.8	20.1	16.3	90.8	86.3	85.3
Ambuja Cements	ADD	540	620	15%	15,711	20.3	14.7	11.4	1.7	1.6	1.5	6.0%	5.4%	7.1%	26.5	31.0	22.4	185.8	194.3	197.6
Shree Cement	HOLD	29,710	31,100	5%	12,669	26.8	22.2	18.6	5.2	5.0	4.7	5.3%	6.9%	9.1%	99.0	73.7	53.0	221.1	180.2	180.5
The Ramco Cements	REDUCE	944	900	-5%	2,635	22.8	16.9	14.2	3.2	3.0	2.8	1.5%	5.1%	7.4%	56.7	60.1	39.5	135.4	129.8	109.6
JK Cement	HOLD	5,113	5,500	8%	4,669	22.0	18.0	15.5	6.7	5.8	5.1	13.8%	16.5%	17.7%	47.0	37.6	30.9	197.8	161.2	142.8
Birla Corporation	ADD	1,060	1,530	44%	965	10.1	8.6	7.5	1.4	1.3	1.2	4.9%	6.5%	8.1%	29.3	21.0	15.8	72.5	70.3	71.5
HeidelbergCement	HOLD	192	182	-5%	513	17.2	13.8	11.4	3.2	3.2	3.1	7.5%	10.3%	12.5%	42.5	31.1	24.9	77.5	75.7	73.8
Dalmia Bharat	ADD	1,943	2,180	12%	4,307	15.8	13.1	11.1	2.1	2.0	1.9	4.6%	5.7%	7.1%	54.5	36.4	27.8	90.4	97.6	88.8
JK Lakshmi Cement	ADD	777	935	20%	1,081	13.7	10.9	9.3	2.9	2.6	2.2	9.0%	12.6%	14.6%	33.3	21.6	16.5	84.7	64.8	62.0
Mean						19.0	15.0	12.4	3.3	3.1	2.8	7.0%	9.0%	10.8%	45.8	37.2	27.5	137.4	126.8	120.3
Median						18.7	14.2	11.4	3.0	2.8	2.5	6.7%	8.0%	9.7%	44.7	33.8	26.4	113.1	113.7	99.2
Minimum						10.1	8.6	7.5	1.4	1.3	1.2	1.5%	5.1%	7.1%	14.8	20.1	15.8	72.5	64.8	62.0
Maximum						27.8	22.2	18.6	6.7	5.8	5.1	13.8%	16.5%	17.7%	99.0	73.7	53.0	221.1	207.8	197.6

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG. PRICED AS AT 30TH MAY 2025

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Research Analyst SEBI Registration Number: INH000011024

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

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- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.