



CEMENT INDUSTRY

**LIKELY TO PERFORM WELL IN COMING
FUTURE ON INCREASING DEMAND**

AUGUST- 2025

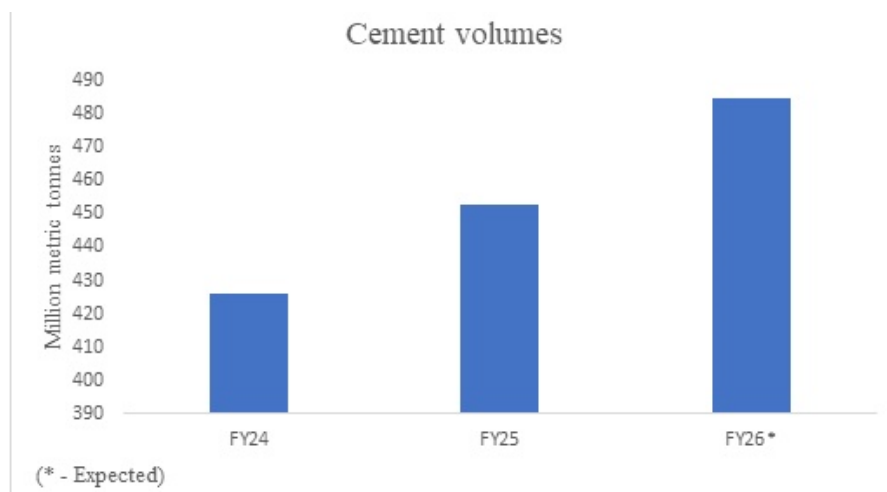


Cement plays an important role in building economic development of any country. India is the largest cement producing country in the world, next only to China. With the adoption of massive modernisation and assimilation of state-of-the-art technology, Indian cement plants are currently the most energy-efficient and environment-friendly and are comparable to the best in the world in all respects, whether it is size of the kiln, technology, energy consumption or environment-friendliness. As of fiscal 2025, the end-user sector mix in cement demand share mainly comprised housing (55-57%), infrastructure (29-31%), and industrial/commercial (13-15%).

The Indian cement industry is highly fragmented, with the presence of a few large players and several medium-sized and small players. Top five players - Ultratech Cement, Adani, Shree Cement, Dalmia Cement and Nuvoco Vistas are holding a more than 50% share by grinding capacity during fiscal 2025. The industry has various entry barriers, such as high capital costs, long gestation period, and inadequate availability of raw material, as well as transportation barriers, as railways and roadways are expensive modes compared with the sea transport.

RISING CEMENT VOLUMES

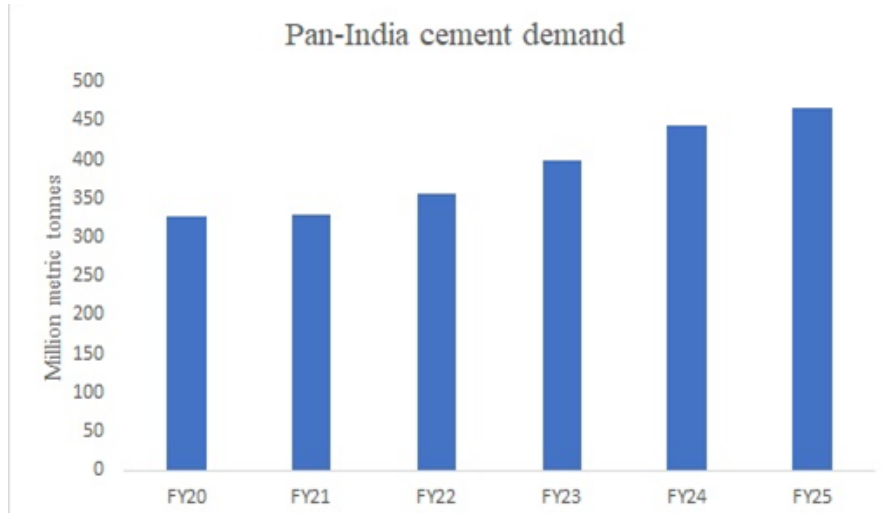
Cement is a crucial building material used in construction and infrastructure development worldwide. Cement industry in India has registered a 9% year-on-year (YoY) growth in volume in May 2025, reaching 39.6 million metric tonnes (MMT). In the months of April and May this fiscal (FY26), cement volumes increased by 8% YoY to 78.7 MMT. In FY25, cement volumes rose by 6.3% YoY to 453.0 MMT. There is expectation that cement volumes to grow by 6-7% YoY to 480-485 MMT in FY26, backed by sustained demand from the housing and infrastructure sectors.



PAN-INDIA CEMENT DEMAND

Domestic cement demand grew at a healthy 7% CAGR over fiscal 2020 to 2025, despite pandemic-induced slowdown, majorly led by sustained government thrust on infrastructure and affordable housing. In fact, a large part of the growth was due to healthy uptick in fiscals 2022 and 2023, while in fiscals 2020 and 2021, demand was weak because of pandemic-induced lockdowns. On a low base, pan-India cement demand recovered by 8% in fiscal 2022 and accelerated further by 12% in fiscal 2023, supported by strong demand for rural housing and infrastructure. A pre-election boost and healthy traction from infrastructure segment led to further 11% on-year growth in fiscal 2024.

Although, general elections and slowdown in government spending moderated demand growth to 5% in fiscal 2025. However, there is expectation a revival in cement demand growth in fiscal 2026, with on-year growth of 6.5–7.5% after a moderation in previous fiscal.



AVERAGE CEMENT PRICES

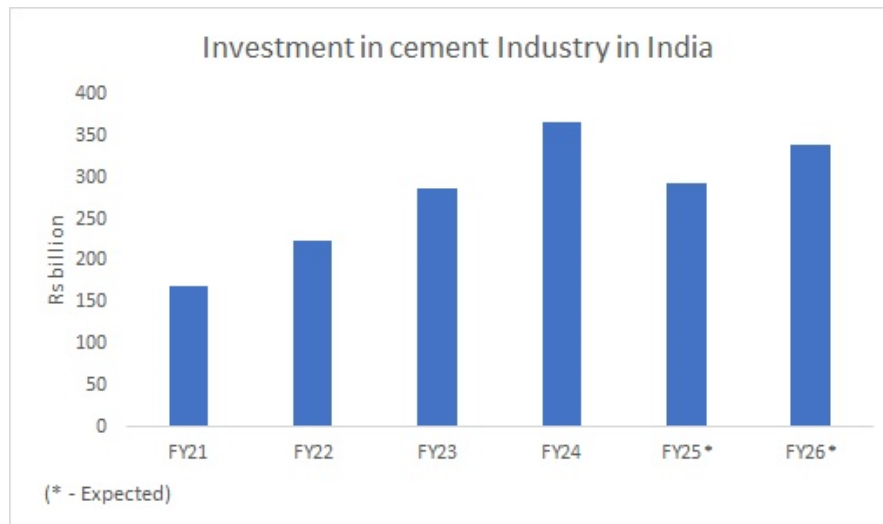
In first 2-month of FY26, the average cement prices were up 7% YoY at Rs 360 per bag. Cement prices are likely to rise in coming future as the cement sector is expected to see a demand growth in FY26 driven by increase in budgetary allocation for core infrastructure ministries and on expectation that an above-normal monsoon will boost agricultural profitability, in turn lifting rural housing demand. However, average pan-India cement prices were Rs 340 per bag in FY25, down from Rs 365 per bag in FY24 on account of weak demand in the first half of FY25.



EXPECTED CAPITAL EXPENDITURE IN CEMENT INDUSTRY

The cement industry in India is estimated to have witnessed an investment of Rs 1300–1350 billion in the past five years (fiscal 2021–2025E) with regards to adding new capacities, brownfield expansions, debottlenecking, and maintenance of existing plants.

Robust demand has bolstered the balance sheets of large players and mid-sized players with strong market presence, prompting them to expand capacity on the back of healthy cash accrual and credit profile. Over the next five years (fiscal 2026–2030), it is anticipated that around 250–250 million tonnes per annum (MTPA) of grinding capacities will come online, necessitating an investment of around Rs 1600–1700 billion.



COST BREAK-UP OF CEMENT INDUSTRY

Power and fuel: the cement industry is highly power-intensive, with power and fuel expenses accounting for approximately 30– 32% of the total cost of sales for cement manufacturers. Coal serves a dual purpose – it is used both to fire the kiln and to generate electricity for clinker grinding operations. The overall power requirement of cement plants depends on the heat-treatment process adopted, i.e., the dry process or the wet process.

Raw material: Raw material costs accounted for approximately 18–20% of the total cost of sales for cement manufacturers. Limestone represents the largest component of this cost. Given its bulky nature and the economics of transportation, cement plants are typically situated in close proximity to limestone quarries. The availability of limestone is geographically constrained and largely limited to cluster regions, making long-distance transportation economically unviable. Apart from limestone, key raw materials used in cement production include fly ash, slag, and gypsum.

Freight: As cement is a low-value, high-volume commodity, freight costs constitute a significant proportion at 25–27% of the total cost of sales. There are three major modes of transport used by the cement industry: road, rail and sea. Among these, Rail is the preferred option for long-distance transportation, owing to its comparatively lower freight costs. However, the availability of railway wagons and last-mile connectivity are critical constraints that need to be factored in when opting for rail logistics.

Other costs: Other costs include employee cost, packaging cost, administration expenses, and repair and maintenance charges. These account for 23–25% of the cost of sales. Other expenses have increased over the past 3–4 years, led by rising marketing expenses amid stiff competition.

PER CAPITA CEMENT CONSUMPTION IN LEADING CEMENT PRODUCING COUNTRIES VIS-A-VIS INDIA IN 2024

India's per capita cement consumption stood at 290-340 kg in 2024, way below the world average of 470-520 Kg. China had the highest - 1,320-1,370 Kg, Turkey was 400-450 kg, Egypt was 400-450 kg, Japan was 350-400 kg, United States was 240-290 kg and Brazil 290-340 kg. There is significant potential for the Indian cement industry to grow because of the country's low per capita consumption.

SEGMENTATION BY MODES OF SALES

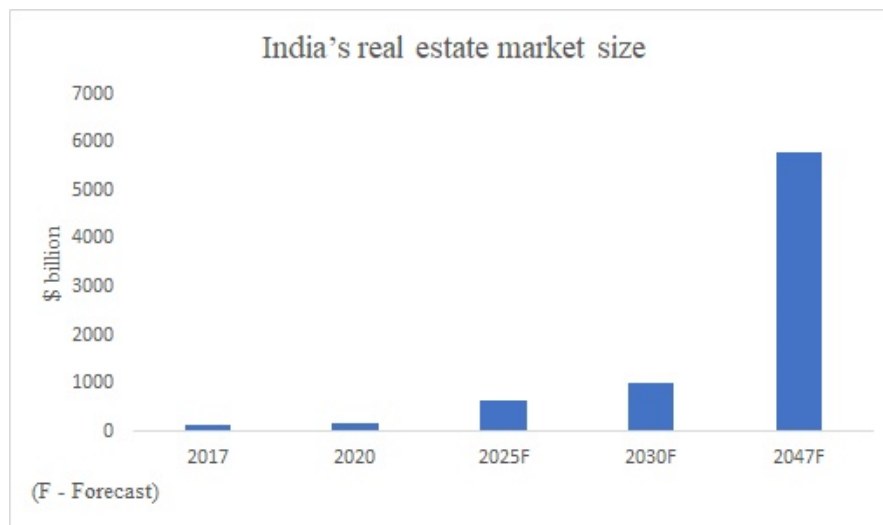
Cement is marketed under two mechanisms: trade and non-trade. Trade: The manufacturer directly sells cement to dealers and retailers, who sell to the end consumers. It is a more common and stable method of vending cement since the manufacturer does not have to take the liability for making sales pitch to the consumer directly. Also, it increases the manufacturers' reach. The dealer gets incentives to sell the product. Segments that fall under this mode are individual housing, PMAY-G and parts of infrastructure, industrial-commercial as well as other housing segments. Non-trade: Under this mechanism, the manufacturer directly sells to the consumer like a construction company for use in a project. Here, the dealer is not involved.

IMPACT OF CRUDE OIL PRICES ON CEMENT INDUSTRY

Crude oil is used in the production of cement for the ignition of furnace, to be used in the production of cement. It is also one of the key inputs, as effected the transportation cost along with the packing cost for the cement. Cement is packed in the bags which is either made of High-Density Polyethylene (HDP) or laminated woven paper, the price of which impact due to price movement of the crude oil. Therefore, price drive of crude oil, influence the operating cost of cement production. Cement manufacturers use petcoke, a crude by-product, as a key fuel source-often accounting for over 80% of their fuel mix. When crude prices rise, petcock becomes costlier, raising production costs and impacting profitability.

TAILWINDS FOR INDUSTRY

Rising housing demand increase demand for cement: Rising housing demand directly increases the demand for cement. As more homes are needed, the construction industry requires more cement for foundations, walls, and other structural components. In India, the housing sector accounts for roughly 67% of total cement consumption, making it the largest demand driver. The housing market across India's Tier 1 cities namely Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai, and Pune, witnessed a strong surge in demand in FY25, with primary housing sales reaching a record Rs 6,69,202 crore as compared to Rs 5,81,435 crore in FY24, indicating robust market appetite. National Capital Region (NCR) led in revenue contribution with a 25% share, followed closely by Mumbai Metropolitan Region (MMR) at 24%. Market size of Indian real estate industry was \$180 billion in 2020 and is expected to reach \$650 billion in 2025.



Increase in capital investment outlay for infrastructure: Government's investment in infrastructure projects, such as building or repairing roads, bridges, airports, schools, hospitals, and other public works, can lead to a significant increase in the demand for cement. Reinforcing the government's commitment to infrastructure-driven growth, the Union Budget 2025 has allocated Rs 11.21 lakh crore towards capital expenditure (capex) for FY26, which would be 3.1% of Gross Domestic Product (GDP). This marks a 0.9% increase from FY25 capex allocation. In Budget 2024, Finance Minister Nirmala Sitharaman had allocated Rs 11.11 lakh crore for capex, maintaining the same level as the interim budget presented in February 2024. This accounted for 3.4% of GDP. The FY25 revised capex was reduced to Rs 10.18 lakh crore during the Union Budget 2025-26. The revised estimate for FY24 placed capex at Rs 9.50 lakh crore, lower than the previous estimate of Rs 10 lakh crore. The revised FY23 capex stood at Rs 7.28 lakh crore.

RECENT DEVELOPMENT

India launches first cluster of CCU testbeds in academia-industry collaboration for cement industry: The Department of Science and Technology (DST) unveiled a pioneering national initiative: five Carbon Capture and Utilisation (CCU) testbeds in the cement sector, forming a first-of-its-kind research and innovation cluster to combat industrial carbon emissions. This is a significant step towards India's Climate Action for fostering National Determined Contributions (NDCs) targets and to achieve net zero decarbonisation pathways for Industry Transition, towards the Government's goal to achieve a carbon-neutral economy by 2070. Carbon Capture Utilisation (CCU) holds significant importance in hard-to-abate sectors like Cement, Steel, Power, Oil & Natural Gas, Chemicals & Fertilizers in reducing emissions by capturing carbon dioxide from industrial processes and converting it to value add products such as synthetic fuels, Urea, Soda, Ash, chemicals, food grade CO₂ or concrete aggregates. CCU provides a feasible pathway for these tough to decarbonise industries to lower their carbon footprint and move towards achieving Net Zero Goals while continuing their operations efficiently. DST has taken major strides in fostering R&D in the Carbon Capture, Utilization, and Storage domain. Concrete is vital for India's economy and the Cement industry being one of the main hard-to-abate sectors, is committed to align with the national decarbonisation commitments. New technologies to decarbonise emission intensity of the cement sector would play a key role in achieving of national net zero targets. Recognizing the critical need for decarbonising the Cement sector, the Energy and Sustainable Technology (CEST) Division of Department launched a unique call for mobilising Academia-Industry Consortia proposals for deployment of Carbon Capture Utilisation in Cement Sector.

This Special call envisaged to develop and deploy innovative CCU Test bed in Cement Sector with thrust on Developing CO2 capture + CO2 Utilization integrated unit in an Industrial set up through an innovative Public Private Partnership (PPP) funding model.

OUTLOOK

Indian's cement industry is expected to log growth in coming future, driven by increased government spending on infrastructure. The government in Union Budget 2025 has allocated Rs 11.21 lakh crore for FY26 towards capital expenditure (capex), reinforcing the government's commitment to infrastructure-driven growth. The marks a 0.9% increase from FY25 capex allocation. Strong real estate activity backed by government housing schemes such as the Pradhan Mantri Awas Yojana (PMAY) is expected to keep cement demand buoyant in FY26. The government approved construction of 2.35 lakh houses under the Pradhan Mantri Awas Yojana (PMAY) on June 18, 2025. The houses would be constructed under the Pradhan Mantri Awas Yojana - Urban 2.0 (PMAY-U 2.0). Further, margins of cement industry are likely to improve in coming future on the back of stable or falling raw material prices and rising demand. Cement prices in the country are expected to see a strong revival in coming time, with volumes likely to register a growth of 6 to 7% in FY26.



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