

Cement sector may register moderate demand in FY25

RAJESH KURUP
Mumbai, May 10

WHILE THE PAST year was a good one for the cement industry with capacity addition and utilisation touching new highs, demand is expected to moderate in the current financial year.

One reason for this is the unfavourable base effect with the industry having done well in recent years, aided by the boom in the infrastructure and housing sectors.

Demand growth is expected to moderate to 6-8%. While the first half of FY25 would post subdued demand due to a slowdown in construction activities, there could be a recovery in the second half.

The general slowdown in business activity due to the general elections could take a toll.

While FY25 kicked off with price hikes across regions, these were rolled back due to poor demand in April, the general elections, labour shortage and water scarcity, among others.

On the pricing front, the outlook for the first half of FY25 looks subdued.

“We believe the chances of any substantial price hikes till the general elections get over are bleak...,” analysts at Nuvama wrote.

HOW THEY STACK UP



They added price hikes across regions — East (by ₹30/bag in April), South (₹40/bag), North (₹10-15/bag), central region (₹10-15/bag) and West (₹25-30/bag) — were rolled back as the demand was poor.

Analysts at Emkay Global, average pan-India cement prices rose by a marginal ₹3-5 per bag (1% month-on-month) in April.

Impacted by a subdued demand (water crisis in Bengaluru, general elections and labour shortage), the industry was unable to absorb the price hike of ₹10-50 per bag at the start of the month.



Prices have been on a decline for five consecutive months from November to March and is currently at a three-year low.

Analysts at Jefferies said prices rose moderately by 1% month-on-month in April and are 1% lower sequentially in the initial months of the first quarter.

Dealers are not expecting any price hike till the end of the elections.

Cement manufacturers added about 43 million tonne (MT) capacity in FY24, the highest in the past 12 years.

Of this, nearly 17 MT was commissioned in the last quarter itself,

taking the total installed capacity to about 630 million tonne per annum (MTPA).

“The robust recovery in demand over the past three fiscals and cash accruals have bolstered the financials of manufacturers, prompting them to expand capacity. Almost two-thirds of the capacity added in the last fiscal was by large manufacturers,” Sehul Bhatt, director-research at Crisil Market Intelligence and Analytics, said.

For the first time in the past decade, utilisation levels breached the 70%-mark in FY24 to touch 72% on soaring demand from the housing and infrastructure segments, despite the high-capacity addition. Another 210-220 MTPA capacity will be added through fiscal 2029, he added.

According to Abhishek Lahoti, Assistant Vice President & Sector Head-Corporate Ratings at ICRA, the industry is increasing the overall capacity to cater to the rising demand, with demand growth outpacing supply growth.

“In addition, major cement companies — such as Ultratech, Adani Cements (ACC and Ambuja Cements), Shree Cements, Dalmia Bharat and JK Lakshmi Cement — are adding capacities to maintain

and improve their market share across different geographies,” Lahoti said, adding that capacity additions may rise by about 34-38 MTPA in FY25.

ICRA expects cement volumes to grow by 8-9% year-on-year to about 460-465 MTPA in FY25 compared to 9-10% growth in FY24, impacted by the slowdown in construction activity due to the general elections in Q1.

“Going forward, there might be some amount of moderation in FY25 in terms of demand. However, our belief is that the slowdown should be shorter than earlier years, primarily because private sector housing has also picked up momentum,” UltraTech Cement CFO Atul Daga said in an analysts’ call.

“Even though we had a 98% capacity utilisation in January-March quarter, we will have sufficient capacity available this year to grow and keep growing. We should be adding almost 15-17 million tonne this year,” Daga added.

“We will be exiting FY25 with capacity of almost 86 million tonne. In FY26, we should achieve 100, 120 in FY27 and finally 140 million tonne in FY28,” Adani Cements’ CFO Vinod Bahety said.