INSTITUTIONAL RESEARCH

Cement

Cost pressure to further drag margin in Q2FY27E

- **Q2FY27 demand and pricing trends**: As per channel checks, cement demand is expected to grow by 7-8% YoY in Q2FY27. Cement prices remained largely subdued during the seasonally weak quarter and witnessed a slight uptick in September, when they rose a modest ~1-2% MoM across regions. We estimate aggregate volumes for our coverage universe will rise ~7.3% YoY, implying a ~9% QoQ seasonal decline. We expect average NSR for our coverage universe to fall by 0.5% QoQ (up ~1.4% YoY).
- **Continued cost pressure to weigh on margins**: The prolonged West Asia crisis has pushed up coal, pet coke, and PVC resin prices higher in Q2FY27E, and we expect these to stay elevated in Q3FY27E. Even logistics cost is expected to remain high. Further, op-lev loss (lower volumes QoQ) and annual maintenance shutdowns will increase opex QoQ. We estimate unit opex for our universe will rise by ~ INR 200/MT QoQ (even INR 200/MT YoY). We estimate variable cost will increase by INR 100/MT and unit fixed cost by another INR 100/MT. Subsequently, we estimate average margin for our coverage universe will contract by ~INR 233/MT QoQ (~140/MT YoY).
- **Performance of coverage companies**: Within our coverage, we expect industry-leading volume growth from UltraTech (+10%), Shree Cement (+13%), JK Cement (+12%), Ramco Cements (+10%), and Sagar (+23%). We estimate flattish/marginal volume decline performance from Ambuja Cements (consolidated) and Star Cement. On margins, we expect all companies to deliver sequential contraction amid elevated costs and subdued pricing. We estimate UltraTech (INR 977/MT), and Star Cement (INR 1,365/MT) will deliver industry-leading margins, while expecting subpar margin performance from Sagar Cements (INR 244/MT), Heidelberg (INR 255/MT), Birla Corp (INR 495/MT), JK Lakshmi (INR 522/MT), and Ramco Cements (INR 526/MT). In our view, aggregate EBITDA for our universe should decline by 9% YoY in Q2FY27E despite healthy volume offtake, owing to elevated cost pressures and weak pricing power.
- **Sector outlook:** As industry's variable costs further rise in Q3FY27E amid rising fuel costs, we estimate the industry will look to pass on the cost pressure, which could be supported by better demand QoQ. Hence, we expect industry margin to bottom out in Q2FY27E and recover from here. If the West Asia crisis eases out, this should further reduce cost pressure for the industry. Most of the companies are also scaling up their green power mix to reduce their blended power costs and tightening logistics efficiency. These should further aid margin recovery amid volatile fuel/packing costs.
- **Valuation and recommendation**: Amid the rising cost pressure and subdued pricing outlook, we estimate industry margin will remain flattish YoY in FY27E. While we expect H1FY27E margin will fall ~INR 100/MT, on a lower base and expected cement price hikes, we estimate similar margin improvement YoY in H2FY27, leading to flattish FY27E margin YoY, and further improvement in FY28/29E on account of better pricing, cost moderation, and efficiency gains. We estimate our coverage universe will deliver ~8% volume CAGR over FY26-29E, largely led by the major players. In this report, we have linked ACC and Orient Cements' target valuation to Ambuja as their share swap ratios are already finalized and their merger is expected to be completed by the end of FY27E. Accordingly, we have upgraded ACC and Orient Cement to BUY (in line with our rating for Ambuja Cements). For all other companies, our valuations are currently pegged to their Sep'28E financials. We remain structurally positive on UltraTech and JK Cements. The sharp correction in the Ambuja Cements stock (and it's to-be-merged subsidiaries) also offers a large upside, in our view.

COMPANY	RATING	TP (INR)
UltraTech Cem	BUY	14,500
Shree Cem	ADD	27,000
Ambuja Cem	BUY	550
ACC	BUY	1,800
Dalmia Bharat	BUY	2,110
Nuvoco Vistas	BUY	445
Ramco Cem	SELL	830
JK Cement	BUY	6,130
Birla Corp	ADD	1,140
Heidelberg Cem	REDUCE	140
Star Cement	BUY	250
JK Lakshmi	BUY	680
Orient Cem	BUY	180
Sagar Cement	ADD	190
Deccan Cem	REDUCE	530

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Q2FY27E estimates

Y/E March (INR mn)	Net sales (INR mn)			EBITDA (INR mn)			EBITDA Margin (%)			Adj. PAT (INR mn)		
	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)
ACC	58,432	(2.7)	0.6	2,720	(67.8)	(40.5)	4.7	(9.4)	(3.2)	142	(96.8)	(91.4)
Ambuja	91,508	(0.3)	(3.7)	11,649	(33.0)	(26.7)	12.7	(6.2)	(4.0)	809	(60.7)	(86.0)
Birla Corp	23,757	7.7	(10.2)	2,250	(26.2)	(34.3)	9.5	(4.3)	(3.5)	316	(65.1)	(72.7)
Dalmia	36,774	7.6	(5.5)	5,465	(21.5)	(32.1)	14.9	(5.5)	(5.8)	501	(78.8)	(73.3)
Heidelberg Cem	5,368	4.9	(14.5)	285	(50.5)	(57.4)	5.3	(5.9)	(5.3)	40	(83.8)	(86.8)
JK Cement	35,014	16.0	(13.2)	4,300	(3.7)	(33.6)	12.3	(2.5)	(3.8)	1,194	(25.6)	(57.0)
JK Lakshmi	15,803	3.2	(17.0)	1,558	(25.2)	(39.8)	9.9	(3.7)	(3.7)	335	(58.6)	(69.0)
Nuvoco Vistas	27,065	10.1	(13.5)	3,400	(7.4)	(40.2)	12.6	(2.4)	(5.6)	240	(34.1)	(85.0)
Orient Cem	6,342	(1.4)	5.0	1,163	(29.7)	(19.3)	18.3	(7.4)	(5.5)	561	14.2	(27.2)
Ramco Cem	24,563	9.7	8.1	2,641	(31.9)	(13.8)	10.8	(6.6)	(2.7)	(89)		
Sagar Cem	7,756	28.9	9.8	425	(17.2)	(41.3)	5.5	(3.1)	(4.8)	(455)		
Shree Cement $	46,989	9.2	(16.4)	6,916	(21.0)	(35.6)	14.7	(5.6)	(4.4)	1,379	(53.2)	(68.5)
Star Cem	8,138	0.4	(13.7)	1,596	(16.1)	(18.0)	19.6	(3.8)	(1.0)	447	(37.9)	(39.6)
UltraTech Cem	2,20,899	12.7	(10.4)	36,341	17.4	(27.5)	16.5	0.7	(3.9)	15,194	23.4	(41.8)
Total (ex ACC/ Orient)	**5,43,636**	**9.0**	**(9.3)**	**76,825**	**(8.7)**	**(29.8)**	**14.1**	**(2.7)**	**(4.1)**	**19,912**	**(19.3)**	**(56.5)**

Source: Company, HSIE Research, $ - Standalone numbers.

Q2FY27E operational estimates

Y/E March	Sales volume (mn MT)			NSR (INR/MT)			EBITDA (INR/MT)*			Opex (INR/MT)		
	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)
ACC	10.8	(3.5)	-	4,914	(0.9)	-	219	(480)	(173)	4,694	10.2	3.8
Ambuja	16.6	(1.5)	(4.0)	5,510	1.2	0.3	701	(330)	(217)	4,808	9.0	5.2
Birla Corp	4.5	6.0	(10.8)	4,951	1.4	(0.6)	495	(215)	(180)	4,456	6.8	3.5
Dalmia	7.2	5.5	(5.0)	5,073	2.0	(0.5)	754	(259)	(301)	4,319	9.1	6.8
Heidelberg Cem	1.1	3.9	(14.0)	4,805	1.0	(0.6)	255	(280)	(259)	4,551	7.7	5.3
JK Cement	5.0	12.0	(17.0)	5,185	3.0	-	666	(155)	(230)	4,519	7.3	5.4
JK Lakshmi	3.0	5.0	(17.0)	5,294	(1.7)	-	522	(211)	(197)	4,772	2.5	4.3
Nuvoco Vistas	4.6	6.6	(14.0)	5,319	3.4	(0.7)	759	(69)	(282)	4,560	5.6	5.6
Orient Cem	1.7	(5.6)	5.0	3,661	4.4	-	671	(230)	(202)	2,989	14.7	7.2
Ramco Cem	5.0	10.3	8.7	4,895	(0.6)	(0.6)	526	(327)	(138)	4,369	7.4	2.5
Sagar Cem	1.7	22.9	1.8	4,456	4.8	7.9	244	(118)	(180)	4,212	8.3	13.6
Shree Cement $	8.9	12.7	(15.0)	5,270	(3.1)	(1.7)	776	(331)	(249)	4,494	3.7	3.7
Star Cem	1.2	(0.5)	(13.7)	6,964	0.8	-	1,365	(254)	(71)	5,598	5.9	1.3
UltraTech Cem	37.2	9.9	(9.9)	5,937	2.5	(0.5)	977	63	(237)	4,960	1.7	4.4
Total (ex ACC/ Orient)	**96.1**	**7.3**	**(9.1)**	**5,519**	**1.4**	**(0.5)**	**790**	**(139)**	**(233)**	**4,729**	**4.8**	**4.6**

Source: Company, HSIE Research, $ - Standalone numbers, *EBITDA/MT changes are in INR/MT

Operating assumption summary

Operational assumptions/estimates for coverage universe

	Sales Vol (mn MT)			Sales Vol YoY (%)			NSR (INR/MT)			EBITDA (INR/MT)			Opex (INR/MT)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
UltraTech Cem	167.3	182.2	198.5	*8.4*	*8.9*	*8.9*	5,882	5,999	6,059	1,221	1,337	1,364	4,660	4,663	4,695
Shree Cem $	39.8	43.0	47.3	*9.5*	*8.0*	*10.0*	5,469	5,534	5,590	1,104	1,182	1,210	4,365	4,353	4,380
Ambuja Cem	75.9	84.3	92.3	*3.0*	*11.0*	*9.5*	5,489	5,544	5,571	908	1,103	1,140	4,581	4,440	4,431
ACC	50.8	50.5	47.3	*4.8*	*(0.6)*	*(6.3)*	5,106	5,182	5,260	497	642	679	4,609	4,540	4,581
Dalmia Bharat	32.4	37.9	41.7	*8.0*	*17.0*	*10.0*	5,066	5,066	5,142	911	969	1,007	4,156	4,098	4,135
Nuvoco Vistas	21.8	24.0	26.4	*7.0*	*10.0*	*10.0*	5,320	5,373	5,400	841	851	881	4,479	4,522	4,519
Ramco Cem	19.9	21.7	23.7	*5.8*	*9.2*	*9.1*	4,950	5,074	5,150	683	813	878	4,267	4,261	4,272
JK Cement	26.4	29.6	32.4	*13.0*	*12.2*	*9.4*	5,970	6,053	6,093	1,069	1,202	1,265	4,891	4,834	4,807
Birla Corp	19.5	19.9	21.4	*4.0*	*2.0*	*8.0*	4,967	4,991	5,066	678	713	725	4,288	4,278	4,341
Heidelberg Cem	5.1	5.2	5.4	*3.0*	*3.0*	*3.0*	4,814	4,838	4,886	496	591	619	4,318	4,247	4,267
Star Cement	5.9	6.4	7.7	*7.0*	*9.0*	*20.5*	6,799	6,765	6,663	1,439	1,417	1,201	5,360	5,348	5,463
JK Lakshmi	14.1	14.7	16.2	*6.0*	*4.0*	*10.0*	5,092	5,169	5,221	711	849	856	4,381	4,319	4,364
Orient Cem	7.8	8.2	8.6	*5.0*	*5.0*	*5.0*	3,544	3,579	3,615	725	766	769	2,819	2,813	2,846
Sagar Cement	7.0	7.7	8.3	*11.0*	*10.0*	*8.0*	4,318	4,361	4,383	430	506	552	3,888	3,855	3,830
Deccan Cem	1.8	2.0	2.2	*8.4*	*15.0*	*8.0*	3,997	4,037	4,098	383	517	552	3,614	3,520	3,546

Source: Company, HSIE Research, $ - Standalone numbers

Key financial numbers

	Net Revenues (INR bn)			EBITDA (INR bn)			APAT (INR bn)			AEPS (INR/sh)			Capex (INR bn)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
UltraTech Cem	983.8	1,093.2	1,203.0	204.3	243.6	270.8	104.4	130.2	147.7	354.3	441.9	501.1	92.2	116.1	113.4
Shree Cem $	217.8	238.0	264.5	44.0	50.8	57.2	16.8	25.5	23.6	464.9	707.2	653.7	15.9	49.9	36.0
Ambuja Cem	416.7	467.1	514.1	68.9	93.0	105.2	19.7	38.3	45.1	7.0	13.6	16.0	66.4	66.1	65.9
ACC	282.7	289.6	282.5	28.5	36.3	36.8	12.6	19.7	19.9	66.9	104.7	105.7	14.2	12.1	26.2
Dalmia Bharat	164.2	192.1	214.5	29.5	36.7	42.0	7.0	8.3	10.1	37.0	43.8	53.3	60.5	34.0	40.0
Nuvoco Vistas	127.1	141.1	156.0	18.8	21.0	23.9	4.2	4.8	6.6	11.7	13.4	18.5	9.0	10.0	21.0
Ramco Cem	98.4	110.1	121.9	13.6	17.6	20.8	1.8	4.7	6.2	7.5	20.0	26.2	8.7	13.0	25.5
JK Cement	157.6	179.3	197.5	28.2	35.6	41.0	12.0	15.8	17.9	154.9	204.5	231.5	36.0	31.0	31.0
Birla Corp	102.1	104.8	114.7	13.4	14.4	15.8	4.3	5.8	5.2	56.4	75.2	67.0	6.5	15.5	26.0
Heidelberg Cem	24.4	25.2	26.2	2.5	3.1	3.3	1.2	1.6	1.7	5.3	6.9	7.4	0.9	1.7	1.0
Star Cement	40.0	43.4	51.5	8.5	9.1	9.3	3.4	3.5	1.7	8.3	8.6	4.2	6.0	15.8	18.3
JK Lakshmi	72.0	76.0	84.5	10.1	12.5	13.9	4.0	5.7	5.6	32.1	45.6	44.9	12.0	22.4	21.5
Orient Cem	27.6	29.2	31.0	5.6	6.3	6.6	1.0	1.6	1.5	5.1	7.7	7.5	2.2	6.5	25.5
Sagar Cement	30.3	33.6	36.5	3.0	3.9	4.6	(1.2)	(0.6)	(0.0)	(9.1)	(4.1)	(0.2)	2.7	1.2	2.4
Deccan Cem	7.0	8.2	8.9	0.7	1.0	1.2	(0.3)	(0.1)	0.1	(22.4)	(5.5)	4.7	0.1	0.1	0.1

Source: Company, HSIE Research, $ - Standalone numbers

Key financial numbers

	OPM (%)			NPM (%)			RoCE pre-tax (%)			RoE (%)			Net Debt/EBITDA (x)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
UltraTech Cem	*20.8*	*22.3*	*22.5*	*10.6*	*11.9*	*12.3*	*13.6*	*15.9*	*16.9*	*12.5*	*14.4*	*15.0*	0.7	0.5	0.3
Shree Cem $	*20.2*	*21.4*	*21.6*	*7.7*	*10.7*	*8.9*	*10.5*	*13.8*	*11.9*	*7.3*	*10.4*	*9.1*	(1.8)	(1.2)	(1.2)
Ambuja Cem	*16.5*	*19.9*	*20.5*	*4.7*	*8.2*	*8.8*	*4.5*	*6.6*	*7.5*	*2.7*	*5.1*	*5.7*	(0.0)	(0.1)	(0.2)
ACC	*10.1*	*12.5*	*13.0*	*4.4*	*6.8*	*7.0*	*7.9*	*11.4*	*10.7*	*6.0*	*8.7*	*8.1*	(1.2)	(1.3)	(1.4)
Dalmia Bharat	*18.0*	*19.1*	*19.6*	*4.3*	*4.3*	*4.7*	*5.4*	*6.1*	*6.8*	*3.8*	*4.4*	*5.2*	2.5	2.2	2.2
Nuvoco Vistas	*14.8*	*14.9*	*15.3*	*3.3*	*3.4*	*4.2*	*5.7*	*6.4*	*7.8*	*4.0*	*4.4*	*5.8*	2.3	1.7	1.8
Ramco Cem	*13.8*	*16.0*	*17.0*	*1.8*	*4.3*	*5.1*	*4.5*	*7.3*	*8.5*	*2.2*	*5.6*	*6.9*	2.8	2.2	2.5
JK Cement	*17.9*	*19.9*	*20.8*	*7.6*	*8.8*	*9.1*	*13.9*	*15.1*	*15.0*	*15.8*	*18.0*	*17.6*	2.1	2.0	1.9
Birla Corp	*13.1*	*13.8*	*13.8*	*4.2*	*5.5*	*4.5*	*6.9*	*8.2*	*7.3*	*5.8*	*7.3*	*6.1*	1.4	1.5	2.3
Heidelberg Cem	*10.3*	*12.2*	*12.7*	*4.9*	*6.2*	*6.4*	*10.6*	*14.1*	*15.3*	*8.9*	*11.9*	*12.9*	(1.4)	(0.8)	(0.7)
Star Cement	*21.2*	*21.0*	*18.0*	*8.4*	*8.0*	*3.3*	*14.6*	*13.4*	*7.4*	*10.1*	*9.7*	*4.5*	(0.0)	1.0	2.3
JK Lakshmi	*14.0*	*16.4*	*16.4*	*5.5*	*7.4*	*6.6*	*10.2*	*11.5*	*10.3*	*9.9*	*12.7*	*11.3*	1.5	2.3	3.0
Orient Cem	*20.5*	*21.4*	*21.3*	*3.8*	*5.4*	*5.0*	*6.6*	*9.4*	*9.2*	*4.8*	*6.8*	*6.3*	(0.7)	(0.4)	2.7
Sagar Cement	*10.0*	*11.6*	*12.6*	*(3.9)*	*(1.7)*	*(0.1)*	*1.6*	*3.8*	*5.8*	*(6.4)*	*(3.0)*	*(0.2)*	5.3	3.5	2.8
Deccan Cem	*9.6*	*12.8*	*13.5*	*(4.5)*	*(0.9)*	*0.7*	*0.1*	*2.7*	*4.0*	*(4.3)*	*(1.1)*	*0.9*	8.4	4.9	3.7

Source: Company, HSIE Research, $ - Standalone numbers

Peer set valuations and TP revisions

Rating and target price revision summary

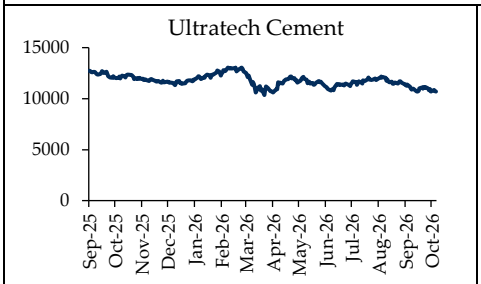
Company	Mcap (INR bn)	CMP (INR/sh)	New Rating	Old Rating	New TP	Old TP	Valuation multiple^	EV/EBITDA (x)			EV/MT (USD= 90)		
								FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
UltraTech Cem	3,167.8	10,750	BUY	BUY	14,500	14,500	17.0	15.9	13.3	11.8	163.5	152.8	145.9
Shree Cem	801.3	22,210	ADD	ADD	27,000	27,000	16.5	14.7	13.0	11.4	101.7	103.0	95.2
Ambuja Cem	893.7	362	BUY	BUY	550	550	15.0	14.3	10.5	9.2	92.0	85.9	80.3
ACC #	221.3	1,177	BUY	ADD	1,800	2,010	N/A	6.4	4.6	4.4	46.3	41.6	36.7
Dalmia Bharat	319.7	1,683	BUY	BUY	2,110	2,110	12.0	12.9	10.5	9.5	73.6	64.5	66.4
Nuvoco Vistas	116.6	327	BUY	BUY	445	445	9.0	8.9	7.7	7.0	64.1	53.3	53.6
Ramco Cem	200.4	848	SELL	SELL	830	830	12.0	17.2	13.3	11.9	86.3	86.9	82.9
JK Cement	383.3	4,960	BUY	BUY	6,130	6,130	15.0	15.8	12.8	11.3	125.2	109.0	101.0
Birla Corp	61.9	803	ADD	ADD	1,140	1,140	7.5	6.0	5.8	6.2	41.9	43.8	41.8
Heidelberg **	29.0	128	REDUCE	REDUCE	140	140	8.0	10.0	8.4	7.8	44.3	43.3	43.4
Star Cem	71.3	176	BUY	BUY	250	250	12.0	8.0	8.6	9.6	78.1	89.3	67.6
JK Lakshmi	59.4	478	ADD	ADD	680	680	8.0	7.3	6.9	7.2	45.1	47.3	48.8
Orient Cem#	23.8	116	BUY	REDUCE	180	260	N/A	3.4	3.2	6.2	24.7	26.5	53.3
Sagar Cem **	19.2	147	ADD	ADD	190	190	6.5	11.5	8.6	7.1	32.0	30.9	30.3
Deccan Cem **	7.8	557	REDUCE	REDUCE	530	830	6.5	19.5	12.0	9.9	36.4	35.0	33.1

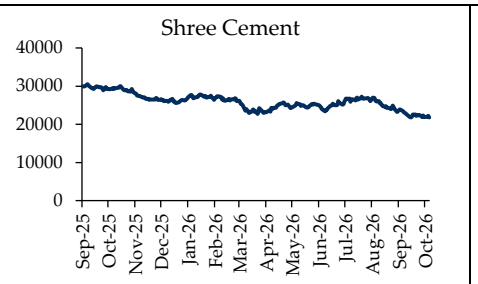
Source: Company, HSIE Research, ^ Target multiples are EV/EBITDA based on Sep-28E. CMP as on 7 Oct, 2026.

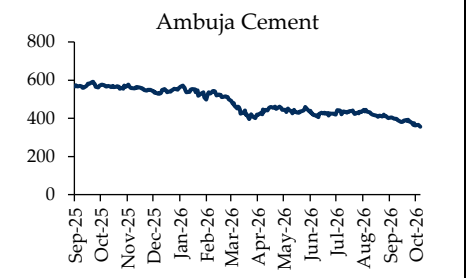
 # We have aligned TP and ratings for Orient Cement and ACC with that of the parent company Ambuja Cements, in line with the announced share swap ratios declared. Both these companies are expected to be merged into Ambuja by end of FY27.

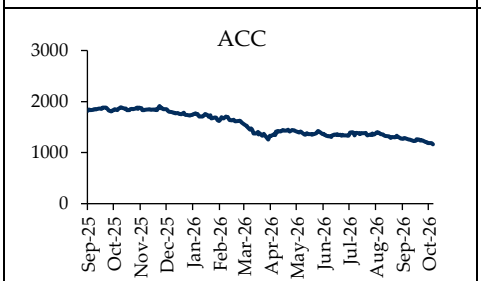
***Valuation is SOTP-based on Sep'28E EV/EBITDA and EV/MT (on Sep'28E capacity). Heidelberg is valued at 7x EV/EBITDA (70% weight) and USD 75/MT (30%); Deccan at 6.5x (70%) and USD 65/MT (30%); and Sagar at 6.5x (70%) and USD 65/MT (30%).*

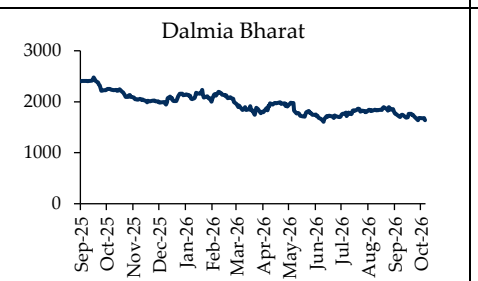
Price history

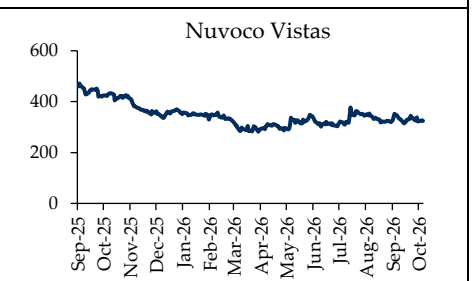


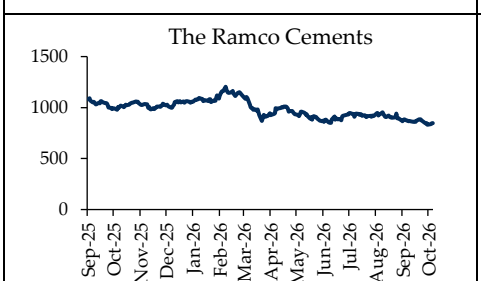


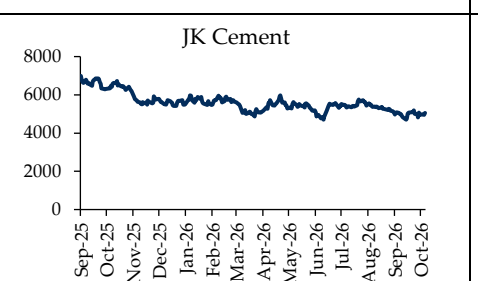




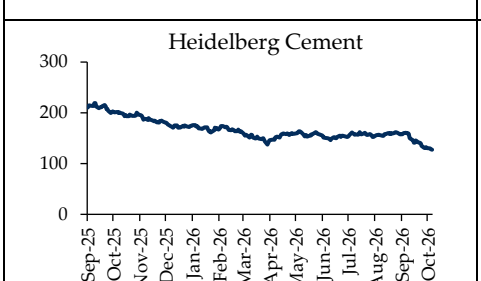


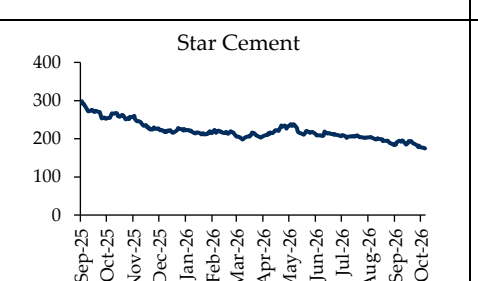


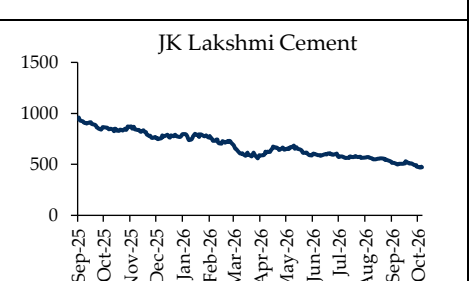


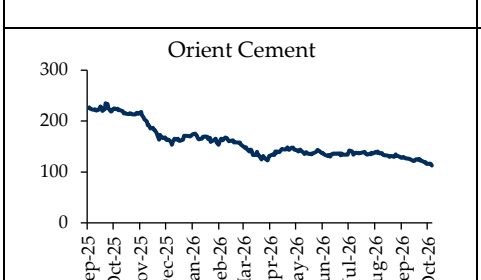


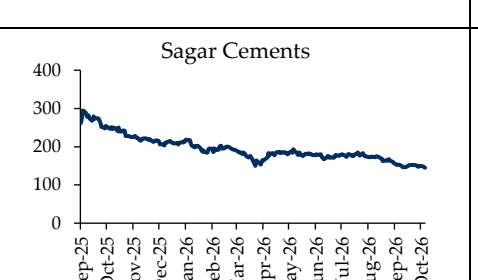


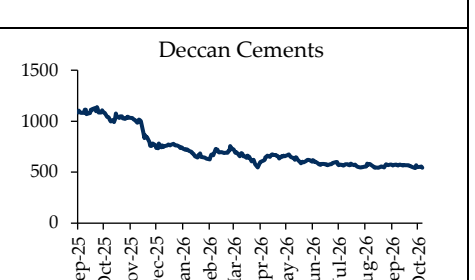












Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

We, **Rajesh Ravi, MBA, Keshav Lahoti, CA, CFA, Kartikey, CA & Mahesh Nagda, CA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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