

INDIAN CEMENT SECTOR

Monthly Update

JULY 2022



Cement volumes in May 2022 at 31.7 million MT are higher by 26% YoY compared to May 2021, but lower by 3% MoM. Production is expected to report an increase by 8% to around 389 million MT in FY2023 supported by the demand from housing, both rural and urban, and the infrastructure sectors



- **Outlook:** ICRA continues to have a Stable outlook on the Indian cement sector.

- **Increase in cement volumes by 26.0% YoY in May 2022:** In May 2022, cement volumes were higher by 26% YoY at 31.7 million MT given the low base in May 2021 (due to second Covid wave). However, volumes were lower by 3% MoM, compared to April 2022. In 2M FY2023, the volumes are higher by 16% YoY at 64.4 million MT.

- **Cement prices higher by 2% YoY in Q1 FY2023:** In June 2022, the average cement prices were lower by 1% MoM and 2% YoY at around Rs. 380/bag. Overall, in Q1 FY2023, prices stood higher by 2% YoY driven by an increase in input costs such as coal, pet coke and diesel.

- **Coal, pet coke and diesel prices higher in June 2022 on YoY basis:** Coal prices increased by 117% YoY, however, they declined by 2% MoM to \$319/MT in July 2022. Pet coke prices increased in July 2022, by 76% YoY and less than 1% MoM to around Rs. 22,500/MT. Further, diesel prices in July 2022 remained largely similar on a MoM basis and a YoY basis. In 4M FY2023, coal, pet coke and diesel prices were higher by 208%, 90% and 7% YoY, respectively.

- **Rising input costs likely to put pressure on the operating margins:** The elevated input costs are likely to exert pressure on the operating margins, which are expected to contract by around 440-490 bps to ~15.9%-16.4% in FY2023. While OPBIDTA is expected to decline in FY2023, the debt levels would remain rangebound due to lower reliance on debt for ongoing capacity additions. The leverage, (TD/OPBIDTA) at 1.3x and coverage, DSCR at 3.3x in FY2023 are expected to remain healthy.



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