

INDIAN CEMENT SECTOR

Cement production expected to increase by 8% in FY2023; however, elevated input costs to exert pressure on operating margins

NOVEMBER 2022



Cement volumes in September 2022 at 30.2 million MT are higher by 12% YoY, and by 4% on a MoM basis. In H1 FY2023, the volumes were higher by 11% YoY and are expected to increase by 8% to around 389 million MT in FY2023, supported by demand from the housing (both rural and urban) and the infrastructure sectors.



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



- **Cement volumes increase by 4% YoY in September 2022:** In September 2022, cement volumes were higher by 12% YoY and 4% MoM to 30.2 million MT, supported by pick up in demand post the monsoons. In H1 FY2023, volumes were higher by 11% YoY at 187 million MT, supported by demand from the housing and infrastructure sectors and also due to the low base effect of Q1 FY2022 (when demand was adversely impacted by the second Covid wave).



- **Cement prices remained at similar levels YoY in 7M FY2023:** In October 2022, the average cement prices were lower by 3% YoY. However, on a MoM basis, prices remained higher by 3% at around Rs. 375/bag. Cement prices in 7M FY2023 at around Rs. 375-380/bag stood at similar levels on a YoY basis.



- **Coal, diesel prices higher in November 2022, while pet coke prices remained lower YoY:** Coal prices in November 2022 were higher by 43% YoY, however, it declined by 7% MoM to \$308/MT. Pet coke prices remained higher by 5% MoM at Rs. 19,000/MT; however, prices were lower 9% on a YoY basis. Further, diesel prices in November 2022 remained largely similar on a MoM basis; however, they remained higher by 3% on a YoY basis at Rs. 90/litre. In 8M FY2023, prices of coal, pet coke and diesel have been higher by 137%, 43% and 3%, respectively, on a YoY basis.



- **Rising input costs likely to put pressure on operating margins:** The elevated input costs are likely to exert pressure on the operating margins, which are expected to contract by around 600-690 bps to ~13.9-14.8% in FY2023.



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