

[HOME](#) [LATEST](#) [MARKETS](#) [PREMIUM](#) [FOR YOU](#)[Home](#) / [Markets](#) / [Stock Markets](#) / Cost pressures cap the earnings outlook for cement manufacturers

Cost pressures cap the earnings outlook for cement manufacturers



OPEN APP

Photo: Bloomberg

2 min read . Updated: 24 May 2022, 01:18 AM IST

Ujjval Jauhari

Cost pressures will continue pose headwinds for manufacturers, even as the Adani family's recent mega acquisition of Holcim's Indian assets has reaffirmed the prospects of the cement sector.

Listen to this article

[HOME](#) [LATEST](#) [MARKETS](#) [PREMIUM](#) [FOR YOU](#)

the Adani family's recent mega acquisition of Holcim's Indian assets has reaffirmed the prospects of the cement sector.

[Close](#)

Cement makers have increased prices several times in the last few months as demand picked up. However, price improvement continues to lag soaring costs. Besides price hikes will hurt demand. The coming monsoon may further dampen demand, keep profitability and earnings under check. [OPEN APP](#)

Manufacturers had a good March quarter, with UltraTech's volume rising 21% sequentially, and ACC, Ambuja Cements, Dalmia Bharat, JK Lakshmi seeing 4-27% volume improvement. Demand rose 13% year-on-year (y-o-y) in December and 17% sequentially in the March quarter, according to Care Ratings Ltd (CareEdge).

price across India rose ₹25-30 per 50-kg bag, or 8.1% month-on-month in April 2022, a lifetime high, according to IIFL Securities. The price increases have largely continued. However, more hikes will be needed, they said.

Power, fuel and freight costs are still rising and these account for 50-55% of the total expenditure incurred by cement companies. Crude oil prices rose 74% in FY22 while pet coke prices rose 71%. Coal prices remain elevated. Petcoke and imported coal prices are up more than 50% since February 2022 and even diesel prices are up 10% in the June quarter so far, analysts said. Hence, cement manufacturers may need more price hikes to maintain operating performance. Dealers are contemplating a further hike of Rs10-20 per bag, which would reduce the pressure on margins. The concern, however, would be if this could impact demand as cement accounts for roughly 5% of total construction costs, said analysts at IIFL.

OPEN APP

Also, June will see the start of the monsoon season, which will impact construction and thus demand and sustaining prices may be difficult. These reasons keep analysts cautious on the outlook for the sector during the first half of FY23.

MINT PREMIUM

See All



[HOME](#) [LATEST](#) [MARKETS](#) [PREMIUM](#) [FOR YOU](#)

Caution will also prevail as the Street will be watchful about the Adani group's strategy for Holcim assets. Any aggressive strategy adoption to gain market share through pricing disruption remains a concern, though many analysts looking at premium valuations being paid for acquisition feel that pricing discipline will be maintained. But the long-term outlook remains intact, analysts said. Rural demand is catching up after a good winter crop and a good monsoon should drive rural economy further.

Subscribe to Mint Newsletters

[Subscribe](#)

You May Like

[OPEN APP](#)

Experience the Beach Life. Coming Soon in Mumbai by Sunteck Realty.

[Sunteck Realty](#)

New Senior Apartments in Mumbai (Know More)

[Senior Living | Search Ads](#)

Add a 'Dr.' to your name

[unGrad](#)