CONCRETE MOVES

SECTOR UPDATE

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institutional equities

Prices take a breather; GST cut a positive

Demand was subdued in Aug-25; yet prices were largely steady across regions. Price hikes have been attempted in Sep-25 in the southern, eastern and central region; the sustainability of the same needs to be monitored. Demand is likely to remain soft in the near term due to heavy rains/floods. A reduction in GST rate on cement from 28% to 18% is positive for the sector; while it may constrain price hikes in the near-term, we believe it can boost prices and the premiumisation trend over the medium term.

We believe the outlook is healthy for the cement space as both volumes/prices are likely to be superior YoY in FY26E (aided by a low base of FY25). JK Cement ('BUY') remains our top pick.

Takeaways by region

Eastern region: Demand was subdued in Aug-25 and is likely to be soft in Sep-25 as well. A price hike of INR10–12/bag has been taken; however, dealers expect reversal of the same as we come closer to implementation of a GST rate reduction.

Southern region: Demand was muted in Aug-25 due to monsoon and the festive season. A price hike of INR30/bag is likely to be attempted soon; dealers believe this will eventually be rolled back once revised GST rates come into effect.

Northern region: Demand was hurt in Aug-25 due to floods in many states and is likely to remain subdued in Sep-25. Prices remained largely steady in Aug-25. Dealers do not anticipate any major price hikes/cuts in Sep-25.

Central region: Demand was subdued in Aug-25 due to monsoon. Talks to hike prices by INR 15–20/bag are underway; however, dealers do not expect the same to be implemented. Demand is anticipated to remain weak in Sep-25.

Western region: Demand in Aug-25 was weak due to monsoon and is likely to be soft in Sep-25. The region logged steady prices in Aug-25. No announcements on price hikes have been made in Sep-25.

GST reduction – A welcome move: We consider a reduction in GST rate a positive development for the industry over the medium term. Given cement demand is largely inelastic with reference to prices, we do not foresee any material uptick in demand due to these cuts. In the near term, we forecast most benefits from price cuts shall be passed on to consumers; however, we expect players to raise prices gradually over the medium term, most probably around Q1FY27. Furthermore, removal of compensation cess of INR400/t on coal shall bring down power/fuel costs marginally. We estimate higher demand for premium products from consumers given better affordability (in light of a reduction in prices); this should aid market share gains for Category A players. On the other hand, some players may have to take a hit on the incentives part (due to lower SGST-linked subsidy). Overall, we reiterate positive stance on the space. JK Cement remains our top pick.

Parvez Qazi
Parvez.Qazi@nuvama.com

Shrey Mehta
shrey.mehta@nuvama.com

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Abneesh Roy
Head of Research Committee
Abneesh.Roy@nuvama.com

ABNEESH KUMAR ROY

Digitally signed by ABNEESH KUMAR ROY
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