Q2FY26 PREVIEW

SECTOR UPDATE

Demand sluggish; pricing largely firm

While cement industry volumes are likely to grow 4–5% YoY in Q2FY26, volumes of our coverage are anticipated to expand ~14% YoY with Ambuja and UltraTech Cement likely to lead volume growth (aided by acquisitions). We reckon realisations in Q2FY26 shall decrease 1.5% QoQ primarily on the back of monsoons. EBITDA of our coverage is likely to surge ~50% YoY. We believe there would not be any major price hikes in H2FY26 due to GST rationalisation. We estimate further consolidation in the space, but at a gradual pace.

While improved realisations and soft power/fuel prices are positive, material earnings upgrade for FY26E–27E appears unlikely (given optimistic consensus estimates). We remain positive on the sector.

Subdued industry volumes; pricing steady

Volumes of our coverage are likely to increase ~14% YoY in Q2FY26, largely led by Ambuja (growth led by acquisition of Sanghi Industries, Penna Cement and Orient Cement) and UltraTech (growth led by acquisition of India Cements and Kesoram Industries). Volume growth for the industry in Q2FY26 shall be subdued at 4–5% YoY despite a favourable base due to heavy monsoons.

Despite soft volumes, prices are estimated to have decreased only marginally in a seasonally weak quarter; this indicates that pricing discipline in the industry has sustained. Realisations are likely to fall 1.5% QoQ in Q2FY26. EBITDA for our coverage is likely to soar ~50% YoY (down ~28% QoQ) aided by acquisitions and improvement in realisation (up ~3% YoY).

Margins to improve YoY/decline QoQ

Margins are anticipated to rise YoY due to an improvement in pricing. We estimate margins of our coverage shall rise ~380bp YoY (fall ~350bp QoQ) with the highest rise estimated for JK Cements (~530bp), UltraTech Cements (~450bp) and Shree Cements (~450bp). Imported pet coke and non-coking coal prices are down (lag effect) thereby providing some cushion on the cost front. However, operating deleverage due to lower volumes along with repairs and maintenance shall lead to a decrease in margins sequentially.

Outlook: Positive; speed of consolidation to taper down

We believe the pricing rally has come to a halt due to monsoons and GST rationalisation; we forecast the next leg of price growth only in Q1FY27E. We anticipate further consolidation in the space, but at a gradual pace. Demand is likely to record an uptick in H2FY26E due to pent up demand and higher government spending. Cost efficiency measures undertaken by various players shall provide some relief on the cost front. We have a '**BUY**' recommendation on JK Cement, Ambuja Cements and ACC while we recommend '**HOLD**' on UltraTech Cement, Shree Cements and Grasim Industries.

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Exhibit 1: Q2FY26: Earnings Preview

Particulars (INR mn)	Q2FY26	YoY (%)	QoQ (%)	Q2FY25	Q1FY26	Comments
UltraTech Cement						
Revenue, net	1,81,500	*16.1*	*(14.7)*	1,56,347	2,12,755	Grey cement volumes are expected to rise ~14% YoY aided by acquisitions. Grey cement realisations to fall ~1% QoQ due to monsoon. Overall, blended EBITDA/t may rise to INR 999 as against INR 725 in the same quarter previous year.
EBITDA	31,652	*56.8*	*(28.2)*	20,183	44,103	
PAT	12,973	*57.2*	*(41.6)*	8,252	22,209	
Shree Cement						
Total revenue, net	40,551	*8.8*	*(18.0)*	37,270	49,480	Volumes are expected to rise ~1% YoY. Cement realisations to rise ~1.5% QoQ . Overall, EBITDA/t may rise to INR 1,051 as against INR 780 in Q2FY25.
Total EBITDA	8,061	*36.0*	*(34.4)*	5,925	12,291	
Total PAT	3,237	*247.6*	*(47.7)*	931	6,185	
ACC						
Revenue	50,220	*9.0*	*(17.2)*	46,080	60,658	Volumes are expected to rise ~5% YoY. Cement realisations to rise ~1.5% QoQ. Overall, EBITDA/t may rise to INR 526 as against INR 462 in the same quarter previous year.
EBITDA	5,121	*19.3*	*(33.7)*	4,292	7,728	
PAT	2,105	*(10.0)*	*(45.2)*	2,339	3,845	
Ambuja (Consol)						
Revenue	96,543	*28.4*	*(6.2)*	75,161	1,02,891	Volumes are expected to rise ~23% YoY aided by acquisitions. Cement realisations to fall ~1% QoQ. Overall, EBITDA/t may rise to INR 914 as against INR 783 in the same quarter previous year.
EBITDA	15,934	*43.4*	*(18.7)*	11,114	19,611	
PAT	7,171	*51.6*	*(26.1)*	4,729	9,697	
JK Cement						
Total Revenue	24,973	*4.4*	*(20.7)*	23,917	31,498	Grey cement volumes to rise ~7% YoY. Grey cement realisations to decrease ~1% QoQ. Overall, blended EBITDA/t may rise to INR 936 as against INR 649 in the same quarter previous year.
Total EBITDA	4,169	*52.9*	*(38.1)*	2,727	6,738	
Total PAT	1,458	*222.7*	*(56.5)*	452	3,356	
Grasim - Standalone						
Revenues	95,467	*25.2*	*3.5*	76,233	92,231	Realisations in VSF and chemical segment are improving. In contrast, losses from new business of paints and B2B shall hamper the overall margins of the company.
EBITDA	3,943	*21.2*	*2.5*	3,252	3,846	
PAT Adj	7,988	*10.8*	*(775.9)*	7,209	(1,182)	

Source: Company, Nuvama Research

All price charts cannot be included given the large of number of companies in our coverage. Specific charts may be available upon request.

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