

## Cement & Cement Products

Industry Code (as per CMIE Prowess): 0101013001000000'

June 2022

**Overall Industry Risk Score: 15/20 Favourable**

Sample Size: 38 Companies

Median Rating Value of sample size: A+

### Individual Parameters Contributing to the Score

#### Demand & Supply Balance



**12/20**

##### DS Equilibrium

Demand has revived over FY21 on the back of offtake from infrastructure and construction sector and low base effect of 2020-21. Road construction projects, affordable Housing Projects under PMAY & dedicated freight corridor are some initiatives which will contribute to cement demand. The industry indicated 8.2% growth in sales revenue for the quarter ended March 2022. As per IBEF data, India's export of Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements stood at US\$ 118.15 million in FY21. Cement production in March 2022 was higher by 5,052 thousand tonnes i.e., 15.7% as compared to March 2021.

#### Extent of Competition



**16/20**

##### Low competition/ Entry Barriers

Level of domestic competition is moderate and the market is mostly oligopolistic in nature dominated by a few large players. Top 5 players account for more than 80% market share as per FY21 figures. Industry remains largely localised across the country. The exit of Holcim and entry of Adani Group in the sector is an important development. Ultratech the largest player has announced large Capex plans of more than Rs.12 thousand crores adding around 22.6 million tonnes to its grinding capacity. Eastern part of the country offers untapped opportunities. Industry has seen significant investments over the past 1-2 years. The FDI inflows into cement and gypsum sector was around USD 5.28 billion between April 2000 and December 2021.

## Regulatory Risk 16/20

### Stable Regulatory environment

Regulations fairly predictable for this industry. Strong policy push through schemes such as Housing for all, along with higher spending on infrastructure in recent years can be considered as sector positives. Government keeps a close watch on any cartelisation behaviour in the industry.

## Input Related Risk 16/20

### No supply disruptions / very narrow price band or fluctuations

Availability of raw materials such as limestone and coal remains adequate though short term disruptions in supplies are possible due to logistical bottlenecks. Energy availability by the way of smart grids and captive installed power capacity (>5 GW) remain supportive. Due to spike in input costs, the margins of the players in the near term could be affected till they take a decision on the price revision.