



Special Issue - Innovative Commerce: Bridging Business and Computer Applications (ICBBCA-2026)

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THE GREEN MARGIN: ANALYZING THE DRIVERS OF FINANCIAL EFFICIENCY AND OPERATIONAL RESILIENCE IN INDIA'S CEMENT INDUSTRY (2025–26)

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Abstract

This study evaluates the financial efficiency of the Indian cement industry during the 2025–26 fiscal periods. Despite a volatile global economy, the sector has demonstrated resilience through strategic cost management and capacity expansion. Using key financial ratios—primarily OPBITDA per tonne, Asset Turnover, and Return on Capital Employed (ROCE)—the research analyzes how leading firms have balanced massive capital expenditures (CAPEX) with operational profitability. The findings suggest that efficiency is no longer driven solely by volume but by "green" operational transitions and digital supply chain integration.

Keywords: Indian Cement Industry, Financial Efficiency, Operating Profitability Return on Capital Employed and Capital Expenditure (CAPEX).Introduction

1. Introduction

The Indian cement industry is the second largest in the world, serving as a backbone for the nation's infrastructure and housing sectors. In 2025, the industry reached a critical juncture characterized by "growth with consolidation." The government's push for the National Infrastructure Pipeline (NIP) has kept demand high, while the industry itself has pivoted toward energy-efficient manufacturing. This introduction sets the stage for understanding how cement manufacturers are navigating the paradox of falling commodity prices and rising competition to maintain financial health.

2. Statement of the Problem

Despite the industry demonstrating significant growth in production volume, there is an increasing concern regarding margin sustainability. The issue stems from disconnect between high capacity utilization and variable net profit margins.



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Manufacturers are confronted with pricing pressures due to aggressive market share competition, which results in stagnant realizations. Additionally, the capital intensity associated with the financial burden of transitioning to Waste Heat Recovery Systems (WHRS) and renewable energy poses challenges. Furthermore, logistics costs are escalating, with rising freight expenses constituting nearly 30% of total costs, thereby jeopardizing overall financial efficiency. This study aims to investigate whether recent technological investments are producing a corresponding increase in shareholder value.

3. Objectives of the Study

- To analyze the profitability trends (OPBITDA/MT) of Major Indian cement players for the 2025 fiscal year.
- To evaluate the impact of energy-efficient technologies on the overall cost structure and financial margins.
- To assess the leverage position and debt-servicing capabilities of the industry amidst heavy CAPEX cycles.
- To identify the correlation between market consolidation (M&A activity) and corporate financial efficiency.

4. Sample Design:

This study adopts a descriptive and analytical research design, utilizing a mix of quantitative financial data and qualitative

industry reports to assess the efficiency of the Indian cement sector in 2025–26.

5. Review of Literature

1. Arputharaj and Kaviya (2025) conducted an in-depth analysis of India Cements Limited, noting extreme volatility in operating profit margins (peaking at 7.27% before dropping to -6.00% by 2024). They emphasize that low and declining Return on Capital Employed (ROCE), averaging 2.22%, reflects a critical need for cost-management overhauls in underperforming firms.
2. Sathiya and Palaniammal (2024) compared major players, highlighting that while Ultra Tech Cement demonstrates superior liquidity and solvency, other firms like Heidelberg India struggle with persistent debt management issues.
3. Patowary and Sharma (2024) explored the financial health of the sector amidst globalization, finding that firms with robust liquidity positions are better equipped to capitalize on the government's infrastructure push.

Result and Discussion

The data reveals that financial efficiency in 2025 is being driven by structural shifts rather than just demand volume. **Strategic Consolidation:** The "top five" manufacturers (UltraTech, Ambuja, Shree, Dalmia, and ACC) now control approximately

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60% of total capacity. This consolidation allows for better pricing discipline and significant **logistics cost reductions**. For instance, UltraTech reduced its average lead distance by 14 km, driving a **4% decline in logistics costs**. **Energy Mix Transformation:** Efficiency is increasingly linked to **Green Energy**. The industry is shifting from thermal power to Waste Heat Recovery Systems (WHRS) and renewables, which now account for over **40% of the power mix** for top-tier firms. This transition provides a hedge against volatile global fuel prices. **Impact of Fiscal Policy:** The **GST rate cut** (from 28% to 18%) announced in late 2025 is a critical catalyst. By passing this **₹30-35 per bag** saving to consumers, manufacturers are stimulating demand in the price-sensitive rural housing sector without eroding their own net realisations. **Divergent Performance:** A "gap" has emerged between large-scale integrated players and smaller firms.

Table: 1

Industry-Wide Financial Efficiency (FY25-FY26 Forecast)

Metric	FY2025 (Actual/Est.)	FY2026 (Projected)	Change/Trend
Operating Profit (OPBITDA/MT)	₹806-850	₹900-950	+12-18%
Operating Margin (%)	15.0-16.0%	16.5-17.5%	+90-180 bps

Volume Growth (YoY %)	6.3%	6.0-8.0%	Rising Demand
Net Leverage (Debt/EBITDA)	1.4x	1.2-1.3x	Improving

Table: 2

Corporate Performance: Top Players (FY26 Estimates)

Company	Est. EBITDA (INR Cr)	YoY Change	Capacity Target (2026)
UltraTech Cement	₹3,286.70	+62.8%	~180+ MTPA
Ambuja Cements	₹1,609.70	+44.8%	~100+ MTPA
Shree Cement	₹982.30	+65.8%	~80+ MTPA
Dalmia Bharat	₹715.20	+64.8%	~54+ MTPA
JK Cement	₹471.00	+72.7%	~24+ MTPA

Table: 3

Cost Structure & Pricing (2025-2026)

Component	2024-2025 Avg	2025-2026 Forecast	Trend Analysis
Avg. Cement Price (50kg bag)	₹330-340	₹350-360	+5-8% YoY increase
Coal Prices (per MT)	~\$123-125	~\$100	-19% lower fuel cost

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Petcoke Prices (per MT)	₹11,150	₹10,880	-2% marginal decline
Green Energy Mix (%)	~20-25%	~40-50%	Key margin driver

Table: 4

Long-Term Growth Indicators

Indicator	Data Point	Source/Context
Total CAPEX (FY26-28)	₹1,20,000 Crore	50% higher than previous 3 years
Market Consolidation	~60% Market Share	Controlled by the Top 5 players by FY26
Total Production (FY26)	480-485 Million MT	Up from 453 Million MT in FY25

Findings and Suggestion:

- Investment Surge the industry is entering an unprecedented expansion phase with a Total CAPEX of ₹1, 20,000 Crore (FY26-28), which is 50% higher than the previous three-year cycle.
- Production Momentum annual production is on a steep upward trajectory, rising from 453 Million MT (FY25) to a projected 480-485 Million MT (FY26), backed by a robust volume growth guidance of 7-8%.
- Efficiency Drivers financial efficiency is no longer solely dependent on volume. It is now driven by Operational Benefits

such as Green Energy Adoption (WHRS): Reducing dependence on volatile thermal power. Logistics Efficiency: Lowering lead distances to preserve margins. External Catalysts Growth is heavily fueled by Government Demand (Highways, Infrastructure Projects) and Economic Context (Urbanization and Housing Demand).

Conclusion

The Indian cement industry in 2025-26 has successfully transitioned from "growth at any cost" to "efficient, sustainable expansion," reaching a decadal high in operating profits of ₹900-₹950/MT. This resilience is driven by a massive ₹1,20,000 Crore CAPEX surge – a 50% increase over previous cycles – and significant market consolidation, with the top five players controlling ~60% of the market share. A primary conclusion of this study is that "Green Energy" (specifically WHRS) has evolved from an ESG goal into a financial imperative, effectively decoupling profit margins from volatile fossil fuel costs while balancing industrial scale with high capacity utilization and long-term fiscal stability.

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