

Cement cos' growth falters amid construction boom

Industry revenue contracted in FY25, a first in 20 years

KRISHNA KANT
Mumbai, 26 June

India's cement industry is struggling to grow volumes and revenue despite a robust expansion in the country's construction sector.

Combined revenue of cement makers — a basket of listed and unlisted — with FY25 figures available, declined 6.9 per cent year-on-year, marking a sharp reversal from 8.7 per cent growth in the previous year. It was the first annual revenue contraction in this industry in two decades.

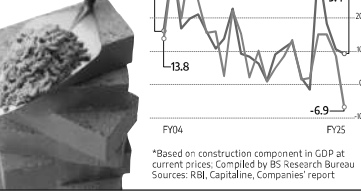
In contrast, the construction sector, based on gross domestic product (GDP) estimates, expanded 9.4 per cent in FY25 at current prices, slightly down from 10.9 per cent growth a year earlier, according to Reserve Bank of India (RBI) data.

The cement industry's aggregate net sales fell to ₹21 trillion in FY25 from ₹22.2 trillion in the previous year. Meanwhile, construction sector output rose to ₹15.72 trillion from ₹14.38 trillion.

Listed cement companies fared better, though they recorded a 4.3 per cent decline in net sales to ₹18.5 trillion from ₹19.3 trillion, marking the industry's first revenue contraction since at least FY04.

Of the 18 listed companies in *Business Standard's* sample, 13 reported a year-on-year decline in net sales in FY25. Several smaller firms posted double-digit contraction, underlining the scale of the slowdown. The two largest producers, UltraTech Cement and Ambuja Cements, bucked the trend and logged revenue

Not in tandem
(In % Yo-Yo)



Construction sector growth*
Revenue growth of cement firms

*Based on construction component in GDP at current prices. Compiled by BS Research Bureau
Sources: RBI, Caplaine, Companies' report

Corporate Ratings at India Ratings & Research. "The drop was driven by an intensified market share rate, as additional supply growth outstripped demand. Southern India witnessed the most pronounced price contraction, followed by the eastern region," she added.

According to the ratings agency, overall cement demand rose 5 per cent in FY25, its slowest since the pandemic-hit FY21.

The sluggish environment has prompted some companies to delay capacity expansion. Three Cement, India's third-largest producer, deferred the commissioning of a 3 million tonne-per-annum grinding unit in Jallapur, Rajasthan, as the company posted a 6 per cent decline in net sales in FY25, its weakest performance in years.

"The revenue growth remains weak due to subdued demand, lower government capex, and heightened competition, despite Q4 traditionally being a volume-driven quarter due to year-end sales," said Girja Shankar Ray of Yes Securities, in the firm's Q4 FY25 earnings presentation. "Weaker top-line growth has also hit profitability. Combined net profit of listed cement companies declined 14.2 per cent year-on-year to ₹12,852 crore in FY25.

YOUR MONEY

SMALLCAP FUNDS

Avoid lump sum bets amid high valuations

SARBAJEET KSEN

Smallcap funds remain a preferred choice among investors despite volatility in equity markets. In May 2025, they received net inflows of ₹3,241 crore, second only to flexicap funds, which saw inflows of ₹3,841 crore, according to data from the Association of Mutual Funds in India (AMFI).

"These funds' appeal lies in their potential to create long-term wealth. A report by Bajaj Finserv Asset Management Company (AMC) notes that smallcap stocks saw a five-fold rise in market capitalisation, from ₹17 trillion in 2017 to ₹92 trillion by the end of 2024.

"These funds invest at least 65 per cent of their assets in smallcap stocks — defined as all listed companies beyond the top 250 by market capitalisation. As of May 31, 2025, 30 smallcap equity schemes managed ₹3,306 billion in assets, according to AMFI.

"The smallcap segment offers a wide array of unique and diverse business models across

sectors and themes. Smallcap companies are often early-stage businesses with the flexibility to adapt to evolving market trends. This gives them room to scale revenues, improve margins and gain market share over time. A key driver of this expansion, however, has been the emergence of new business segments and various sunrise industries," says Sorbh Gupta, head — equity, Bajaj Finserv AMC.

Strong return potential

Smallcap stocks have the potential to offer high returns. "They are generally under-researched, allowing fund managers to identify undervalued opportunities before they gain broader market attention," says Harish Krishnan, co-chief investment officer and head of equity, Aditya Birla Sun Life AMC.

Smallcap funds tend to perform well during broad market rallies. "Historically, this segment has delivered strong long-term returns, often outperforming large and midcap stocks, driven by robust earnings growth

and selective re-rating," says Gupta.

Fundamentals intact

The segment's fundamentals remain robust. "Balance sheets are clean (with low debt) and earnings growth is expected to be strong. Small and midcap SIPs have high odds of outperforming largecaps over long periods," says Jitendra Mehta, senior research analyst, FundsiIndia.

Recent rate cuts by the Reserve Bank of India could benefit smallcap companies by lowering borrowing costs and boosting demand.

"Historically, smallcap companies tend to benefit from an easing monetary policy environment," says Krishnan.

However, valuations are stretched compared to large caps. "Currently, we are underweight on small caps due to their high valuations, very high returns, and significant inflows," says Mehta. Krishnan adds that investors should lower their return expectations from these funds. The segment has seen bouts of volatility, triggered by global tensions, trade dis-

Robust long-term returns

Period	Category average returns (%)
1-year	2.6
3-year	27.2
5-year	33.1
10-year	17.2

Returns are for direct plans
Source: PBCS in

ruptions, and domestic slow-downs. "Smallcap companies are often more sensitive to economic changes and market conditions, which makes them more volatile. Drawdowns can be higher compared to largecap or hybrid funds," says Krishnan.

Invest gradually, stay committed

Smallcap funds are best suited for investors with high risk tolerance and a long horizon. "These funds are ideal for investors with a high risk appetite and an investment horizon of at least five years. They still make sense for such investors due to their ability to deliver better earnings growth. They also suit individuals aiming for aggressive wealth creation, especially young investors who can withstand market cycles," says Krishnan.

He adds that depending on the investment horizon, risk appetite, and prevailing market conditions, investors may allocate between 20 and 25 per cent in smallcap funds. Avoid lump-sum investments. "Continue your existing SIPs if your time frame is seven-plus years. Avoid incremental lump-sum allocation," says Mehta.

Earning from reels or brand deals? How influencers must file ITR

From choreographed reels to brand shout-outs, India's growing tribe of digital influencers is turning social content into serious income.

But as the money flows in from YouTube Ads, affiliate links, Instagram collaborations, and freesbies, so does the tax department's scrutiny.

"Across all income from reels, brand deals, affiliate links, and even barter collaborations, if total gifts exceed ₹50,000 in a year, they must be reported under 'business and professional income' in your ITR," says Sudhir Kaushik, cofounder and chief executive officer of TaxSpanner.

"Even free gadgets or hotel stays count as taxable perks."

ITR-3 or ITR-4? Choose wisely
Not all influencers qualify for the presumptive taxation route.

"If your work involves skills listed under Section 44AA, like technical consultancy or film artistry, and your gross receipts are under ₹75 lakh, you may opt for

presumptive tax and file ITR-4," explained Kaushik.

"Otherwise, you'll need to use ITR-3 and maintain proper books." Kunal Savani, partner, Cyril Amarchand Mangaldas, adds that content creators can choose between the old and new tax regimes based on which offers better deductions.

COMPILED BY AMIT KUMAR

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NOTICE TO SHAREHOLDERS OF THE COMPANY ABOUT THIRTY FIRST ANNUAL GENERAL MEETING, AGM 2025

Notice is hereby given that the Thirty First Annual General Meeting (AGM) of the Company, is scheduled to be held on **Friday, 18th July 2025 at 11:00 A.M. (IST)** through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") as per the provisions of the Companies Act, 2013 ("the Act") and the Rules thereunder read with General Circular Nos. 14/2020, 17/2020, 20/2020, 22/2022, 10/2022, 19/2023 and 09/2024 (collectively "the Regulations") of the Ministry of Corporate Affairs ("MCA") dated 14th February 2020, 20th September 2020, 25th October 2020, 23rd November 2020, 17th January 2021, 15th February 2021, 10th March 2021, 10th April 2021, 15th May 2021, 10th June 2021, 10th July 2021, 10th August 2021, 10th September 2021, 10th October 2021, 10th November 2021, 10th December 2021, 10th January 2022, 10th February 2022, 10th March 2022, 10th April 2022, 10th May 2022, 10th June 2022, 10th July 2022, 10th August 2022, 10th September 2022, 10th October 2022, 10th November 2022, 10th December 2022, 10th January 2023, 10th February 2023, 10th March 2023, 10th April 2023, 10th May 2023, 10th June 2023, 10th July 2023, 10th August 2023, 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