External Operating Environment

Key Drivers Impacting Cement Industry

The Indian cement industry, with the second-largest capacity globally, is poised for substantial growth, driven by a strong economy, favourable demographics, and significant government support

FAVOURABLE DEMAND-SUPPLY DYNAMICS

Economic Growth

India remains the fastest-growing major economy globally, and is on track to become the world's third-largest economy in the near future. Cement consumption in India shows a strong positive correlation with GDP growth. The Indian economy is projected to expand by 6%-7% in FY 2025-26, with cement volumes expected to increase in the same range in the short to medium term. However, in FY 2024-25, cement growth slowed to 4.5%-5.5% across India, impacted by labour shortages, reduced government spending caused by general elections, unavailability of sand and aggregates, and extended monsoon seasons.

Untapped Potential for Expansion

India's current per capita cement consumption remains at 280-330 kg, significantly below the global average of 470-520 kg, highlighting immense potential for industry expansion. This low consumption rate starkly contrasts developed nations and even emerging peers like Brazil and Indonesia, presenting a clear opportunity for growth.

Demographic Dividend and Urbanisation

According to United Nations World Population Prospects (WPP) 2022, India is the most populous country in the world, and is expected to reach a population of 150 crore by 2030 and 166 crore by 2050. As per the Economic survey 2024-25, more than 40% of India's population is projected to live in urban

areas by 2030. According to CII and Knight Frank, the growing population, improving economic conditions and aspirations will result in cumulative affordable housing shortage of 31.2 million units by 2030.

OUR RESPONSE

Capacity Expansion

To address the growing demand and improve market share further, JSW Cement has expanded its capacity to 3x from 2014 to 2024. JSW Cement is significantly expanding its production capacities, aiming to more than double its cement grinding capacity from 20.6 MTPA to nearly 41.85 MTPA and increase clinker capacity from 6.44 MTPA to 13.04 MTPA through new greenfield and brownfield units across India.

GOVERNMENT INITIATIVES CATALYSING THE SECTOR

Budget Announcements

The Government of India spent ₹ 50,98,927 crore in FY 2024-25, but fell notably short of the prorated target for the fiscal. This shortfall is partly attributed to a deceleration in project execution during the national election period. Consequently, the country is projected to miss its capital expenditure target by nearly 10%. Nevertheless, the Union Budget for FY 2025-26 reaffirms the Government's commitment to infrastructure development, allocating ₹ 11.21 lakh crore towards capital outlay — a marginal increase over the previous fiscal year, despite anticipated underutilisation in FY 2024-25. Key allocations include ₹ 2.72 lakh crore for Roads and Highways (a 2.9% increase year-on-year) and ₹ 2.52 lakh crore for Railways (a 5% increase). Additionally, ₹ 1.5 lakh crore has been earmarked as long-term, interest-free loans for state-level infrastructure projects. The budget also announces a ₹ 1 lakh crore Urban Challenge Fund, with ₹ 10,000 crore allocated for FY 2025-26. Ministries are mandated to develop a three-year project pipeline, with active state participation encouraged. Further, an Asset Monetisation Plan for 2025-30 aims to mobilise ₹ 10 lakh crore for reinvestment into new infrastructure. A ₹ 25,000 crore Maritime Development Fund — with 49% government equity — has been introduced to support shipbuilding and repair. Additional provisions target greenfield and brownfield airports, flood management and irrigation systems, all-weather roads, and the development of small and modular reactors.

Impetus to Affordable Housing

The Indian government actively fosters the growth of the cement industry through strategic initiatives such as the Pradhan Mantri Awas Yojana (PMAY), focussed on affordable housing development. The FM proposed ₹ 19,794 crore for the government's flagship low-cost housing scheme, Pradhan Mantri Awas Yojana (PMAY), a 36% increase from the revised estimate of ₹ 13,670 crore from last July's Budget. Additionally, the government's proposal to establish the Special Window for Affordable and Mid-Income Housing (SWAMIH) Fund 2, with a corpus of ₹ 150 billion, is designed to expedite the completion of 1,00,000 housing units, further boosting the housing sector.

Sustainable Innovation

The Urban Challenge Fund of ₹ 1 trillion seeks to transform cities into economic hubs through green urban development, signalling a push towards sustainable infrastructure and low-carbon growth.

OUR RESPONSE

JSW Cement is not only undergoing significant expansion but has also established itself as the leading producer of green cement in India. The company is prioritising environmentally-sustainable products, including Portland Slag Cement (PSC) and Ground Granulated Blast Furnace Slag (GGBS), both of which offer lower CO_2 emissions compared to conventional cement. This strategic focus aligns with our vision to emerge as a pan-India leader in green cement and concrete manufacturing.

OTHER INDUSTRY TRENDS

Consolidation

The cement sector has undergone significant consolidation following a series of acquisitions due to rising input costs, need for economies of scale and increasing competition. The top five players now hold 61% of the market share, up from 45% in FY 2018-19. The country is expected to witness significant capacity additions in the near term, driven by major industry players and supported by improved capacity utilisation levels.

Sustainability and Use of Technology

As government regulations and customer preferences increasingly shift towards environmentally sustainable production practices, the emphasis on sustainability is becoming more critical. In response, companies are investing in advanced technologies to enhance operational efficiency. Current technological trends are centred on automation, improved production efficiency, and innovations in robotics, nanotechnology, Artificial Intelligence (AI), and the Internet of Things (IoT).

OUR RESPONSE

JSW produce cement using high-quality slag sourced from JSW Steel plants, significantly lowering greenhouse gas emissions — by approximately 0.85 tonne of CO_2 per tonne of Portland cement — while reducing energy consumption by up to 90% compared to conventional cement manufacturing processes. By incorporating alternative and recycled materials such as blast furnace slag, we conserve around 1.4 tonnes of raw materials for every tonne of additional cementitious material used. This not only enhances the durability and energy efficiency of concrete but also supports more sustainable construction. Eco-friendly practices are embedded throughout our operations, including the development of heat- and corrosion-resistant products that contribute to energy-efficient, environmentally responsible infrastructure. Additionally, JSW leverage digital tools like the SATHI App and AIKYAM App to optimise operational efficiency.