

## **Tokyo Cement navigates competitive headwinds to post strong FY24/25 earnings**

### **Quarterly Financial Review**

Tokyo Cement Group (Tokyo Cement) reported a turnover of Rs. 12,960 million and a Profit After Tax (PAT) of Rs. 664 million for the 4th Quarter ending 31st March 2025, compared to a turnover of Rs. Rs. 13,145 million and a PAT of Rs. 722 million, in the same period last year. The diminished earnings can be attributed to price reductions as volumes grew by 13% in the quarter.

For the Financial Year ending 31<sup>st</sup> March 2025, the Group reported a turnover of Rs. 50,096 million compared to Rs. 49,824 million, and a PAT of Rs. 3,459 million against Rs. 2,422 million, respectively, over the previous year. Despite a 15% year-on-year increase in sales volume, turnover grew by only 1% due to widespread price reductions across the industry aimed at defending market share in a highly competitive environment. The 43% rise in PAT reflects the lower margin base of the prior year, further supported by strategic cost savings from optimized sourcing, currency appreciation, lower freight rates, and downward trending finance costs.

### **The Economic Environment**

The economy continued its positive trajectory this quarter, with key indicators pointing towards a more resilient recovery. Residential and commercial sectors drove an increase in demand for construction related credit facilities, encouraged by declining interest rates and material costs due to stable forex and freight rates. These are promising indicators of a favorable predevelopment environment conducive to long-term growth in the construction sector. Consequently, the Purchasing Managers' Index for the Construction Industry reflected this positive momentum during the quarter, boosted by an increase in both new orders and quantity of purchases. However, large-scale development projects are yet to be initiated as the government continues to seek out financing and bilateral partnerships for infrastructure investments.

The cement industry recorded a year-on-year demand increase from 3.96 Mn MT to 4.71 Mn MT, partly owing to latent demand and the low base effect of the previous year. Market dynamics shifted with the entry of a new local grinding operator and multiple cement importers capitalising on relaxed import restrictions, intensifying competition in an already saturated market. On a positive note, a bigger portion of the demand was met through locally manufactured cement, reinforcing the industry's self-sufficiency and promoting local value creation.

### **Outlook**

The industry remains optimistic about a demand resurgence, driven by the restart of new and previously stalled construction projects led by private sector investors and developers. This is expected to be further supplemented by state-led infrastructure initiatives, supported by active fund disbursements from international development agencies and bilateral partnerships with countries such as India, Japan, and China.

Nevertheless, heightened volatility in global trade policies and ongoing regional conflicts pose downside risks that add to the uncertainty and may jeopardise some of the hard-fought economic gains the country is working towards. While the immediate impact may be contained within the sectors that are directly exposed to such trade barriers, broader effects from global price increases could lead to demand contractions across key markets. Additionally, escalating geopolitical tensions in the Middle East, Europe, and South Asia threaten to disrupt energy prices, trade flows, tourism, freight, foreign exchange markets, and overall investor sentiment. These factors may constrain capital inflows, dampen export prospects, and impede economic recovery.

Whilst maintaining its conservative outlook for the short to medium term, Tokyo Cement remains optimistic of the country's economic fundamentals and stands ready to maximise any growth opportunities they present for the industry. The Group will maintain the stringent cost control measures already in place to protect the interests of its stakeholders. The Tokyo Cement Group remains agile to the changes in the business environment and stands ready to be an active participant in the country's efforts to reignite the economy.--