Tokyo Cement Group is off to an Optimistic start in the Financial Year 24/25



Tokyo Cement’s fully-automated, hi-tech cement grinding mill and bulk cement manufacturing facility.

Tokyo Cement Group (Tokyo Cement) reported a turnover of 11,665 million rupees and a Profit After Tax (PAT) of 707 million rupees for the first quarter ended June 30, 2024. Despite recording an increase in sales volume, the decline in turnover compared to the previous year is due to the reduction in prices in the corresponding quarters.

Passing on the benefit of cost reductions to consumers, the cement industry

announced two downward price revisions, which brought the Maximum Retail Price (MRP) of a 50 Kg bag of cement to 2,250 rupees.

The Economic Environment

We started the calendar year with a positive economic outlook, with the country's year-on-year GDP for the first quarter of 2024 reporting a 5.3 percent growth.

The Rupee appreciating against the US Dollar facilitated reductions in the cost of imported raw materials, which allowed for the price of cement and other building materials to be revised accordingly.

The downward trend in policy interest rates throughout this calendar year, with the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) at 8.5 and 9.5 percent, respectively, has encouraged investors to pursue fixed-term loans for construction projects.

Noteworthy tariff reductions in fuel, energy, and utility services were implemented during the quarter. These factors allowed for a more significant boost in purchasing power and investor confidence, thus stimulating steady economic growth.

Heavy rains from mid-May continued through June in most parts of the country, disrupting daily life, which included school closures, transportation service breakdowns, power outages, and hindered construction activities. Despite the inclement weather conditions, cement consumption grew compared to last year's period.

The Government's settlement of 200 billion rupees from the outstanding payments owed to state sector contractors eased cash flow issues faced by the industry, allowing for consistent purchasing of raw materials. This was reflected in the Sri Lanka Purchasing Managers' Index for Construction Industry, which recorded 54.5 in May and 59.5 in June 2024, indicating a consecutive increase in total construction activities.

Outlook

Building on successful negotiations with the bilateral creditors, the government anticipates achieving similar debt relief from commercial creditors to support its steady economic recovery efforts. Furthermore, the government has committed to resume infrastructure projects worth 55 billion rupees, boosting sectoral growth.

The downward trending policy interest rates are expected to facilitate further the commencement of new or paused projects, both retail and commercial. Historically, there has been a trend of accelerating construction projects in the lead-up to elections.

The Company expects this trend to continue, driven by increased individual purchasing power and a stable economic environment, leading to sustained demand growth.

While maintaining its conservative outlook for the short to medium term, Tokyo Cement remains optimistic about stabilizing the country’s economic fundamentals as the year progresses. 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 actively participate in the country’s efforts to reignite the economy.