

CMP: INR 12,561

Rating: Accumulate

Target: INR 13,901

Stock Info

BSE	532538
NSE	ULTRACEMCO
Bloomberg	UTCEM:IN
Sector	Cement
Face Value (INR)	10
Equity Capital (INR mn)	2950
Mkt Cap (INR bn)	3,701
52w H/L (INR)	12,710 / 10,048
Avg Yearly Volume (in 000')	319

Shareholding Pattern %

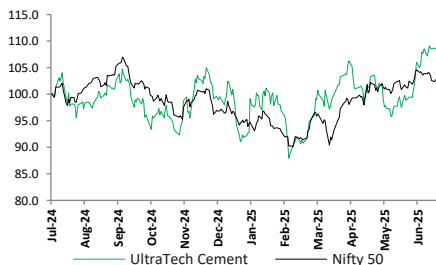
(As on September, 2024)

Promoters	59.2
DII	16.8
FII	15.2
Public & Others	8.8

Stock Performance (%) 1m 6m 12m

ULTRACEMCO	9.7%	17.8%	9.1%
NIFTY	0.48%	9%	2.4%

ULTRACEMCO vs Nifty



UltraTech Cement reported Strong YoY Growth in Revenue and Profitability. Revenue for Q1FY26 came in at INR 212,750 Mn, growth of 17.7% YoY/ de-growth of 7.8% QoQ as against expectation of INR 200,750 Mn driven by higher sales volumes and stable pricing. Sales Volume was at 36.8 MnT (Including India cement) with growth of 15.3% YoY and de-growth of 10.6 % QoQ as against expectation of 36.5 MnT. Also, Realization stood at INR 5,777/T growth of 2.1% YoY/ de-growth of 3.3% QoQ as against expectation of INR 5500/T, the YoY increase was driven by pricing recovery in South and East markets.

Strategic Acquisitions and Rapid Integration- UltraTech Cement has actively pursued strategic acquisitions, notably India Cements and Kesoram's cement business, to expand its market share and capacity, particularly in underpenetrated regions like South India. India Cements is already on a recovery path currently operating at INR 400/ton EBITDA post-royalty introduction, with clear capex plans (WHRS, preheater upgrades, etc.) aimed at hitting INR 1,000/ton EBITDA by FY28, and Improving operational synergies such as process improvement, cost optimization, and product quality upgrades are expected to bring these assets up to UltraTech standards in the near term.

Aggressive Capex and Clear Path to Growth- UltraTech has outlined a robust capital expenditure plan of approximately INR 100,000 Mn for FY26, reflecting its commitment to long-term value creation through organic expansion and ESG-aligned initiatives. This capex is primarily directed toward enhancing domestic cement capacity, with an additional 14.1 MTPA expected to be commissioned in FY26, driving the total capacity to 212.2 MTPA by FY27. The planned investments are strategically aligned with anticipated demand upticks from the infrastructure and real estate sectors.

Strategic Emphasis on Green Energy and Cost Optimization- UltraTech is intensifying its focus on sustainability and operational efficiency through targeted investments in green energy initiatives. Significant capex is being directed toward expanding Waste Heat Recovery Systems (WHRS) and renewable energy capacity—particularly within India Cements, where WHRS is projected to reach 21 MW and renewable energy installations are expected to scale up to 219 MW by FY28. These initiatives are designed to structurally reduce production costs and mitigate exposure to fuel price volatility. Importantly, the associated capex will be debt-funded at the India Cements level, with a prudent cap on net debt at INR 500 Mn, thereby ensuring minimal strain on the consolidated balance sheet.

Outlook & Valuation: UltraTech Cement Ltd demonstrates robust growth potential, achieving 9.7% volume growth in Q1 FY26, the company targets a 212 MnT capacity by 2027, with 3.5 MnT added in Q1 and 10 MnT planned by Q4 FY26. Cost efficiencies, including reduced lead distance and improved clinker conversion, alongside India Cements' EBITDA/ton target exceeding INR 1,000 by FY28, bolster profitability. Kesoram's integration is progressing well, and sustainability efforts, with India Cements' green energy share reaching 86% by FY28, strengthen its outlook. Fueled by strong infrastructure demand, UltraTech aims for double-digit FY26 growth. Financially, revenue and EBITDA are projected to grow at a CAGR of 17.3% and 18.3%, respectively, over FY26E-FY28E. We recommend a "Accumulate" with a target price of INR 13,901.

Key Financials

Particulars (Mns)	FY24	FY25	FY26E	FY27E	FY28E
Net revenue	7,09,081	7,59,551	8,66,822	10,03,520	11,61,775
EBITDA	1,29,686	1,25,575	1,83,959	2,15,980	2,50,040
EBITDAM (%)	18.3	16.5	21.2	21.5	21.5
APAT	70,040	60,397	1,11,044	1,30,990	1,51,655
APATM (%)	10	8	13	13	13
EPS (Rs)	242	205	376	444	514
EV/EBITDA (x)	28	30	20	17	15
RoF (%)	11.6	8.5	13.9	19.8	19.8

Source: Arihant Research, Company Filings

Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Kunjag Agarwal

kunjag.agarwal@arihantcapital.com

Q1FY26 Concall takeaways-**Industry Dynamics**

- Cement industry capacity at 655 MnT in Q1 FY26, with UltraTech achieving 9.7% consolidated volume growth (including Kesoram).
- Q1 FY26 cement demand grew by ~4.3% (corrected from earlier 4% estimate for Q4 FY25), driven by government infrastructure spending in states like Bihar, Andhra Pradesh, Gujarat, and Maharashtra.
- Government capex increased significantly in Q1 FY26, supported by a low base from April-May 2024, with 2,108 km of highways built (+8.9% YoY) and mega projects like Vadavan Port and Shaktipeeth Expressway.
- Short-term challenges from heat waves in early Q1 FY26; monsoons expected to boost rural demand, while urban housing shows signs of recovery with increased deal registrations.
- Fuel costs slightly higher due to elevated petcoke prices, but overall costs remain under control.

Capacity Expansion Plan

- UltraTech's capacity at 186 MnT in Q1 FY26, including 14 MnT from Kesoram and 2.18 MnT from India Cements.
- Ongoing expansions to reach 212 MnT by FY27, with 3.5 MnT commissioned in Q1 FY26 and ~10 MnT planned by Q4 FY26.
- Phase 4 and 5 growth plans under preparation, with announcements expected by end of FY26 for brownfield and greenfield opportunities

Key Acquisitions

- **India Cements:** Acquired in December 2024, operational since Q1 FY25. Q1 FY26 EBITDA at INR 400/t (adjusted INR 458/t after marketing costs). CapEx of INR 15,000 Mn planned for WHRS, preheater upgrades, and alternate fuel technologies, targeting INR 1,000/t EBITDA by FY28.
- **Kesoram:** Fully integrated from March 1, 2025, with financial consolidation from Q1 FY25. Q1 FY26 volume at 1.58 MnT, targeting four-digit EBITDA/t by Q4 FY26.
- Brand transition to UltraTech underway, expected completion by FY27; India Cements benefits from UltraTech pricing with a INR 200/t marketing margin.

Other Highlights

- Q1 FY26 CapEx at INR 20,000 Mn; FY26 CapEx planned at INR 90,000-100,000 Mn, with reduced spending expected in FY27.
- Net debt to be under INR 500 Mn for India Cements by FY28, with refinancing at AAA-rated rates (7% interest cost).
- WHRS capacity to rise to 500 MW by FY27, with India Cements' green power share increasing from 3% to 86% by FY28.
- Building products revenue at INR 1850 Mn in Q1 FY26, targeting INR 30 Bn in three years with 30-40% ROC.
- Clinker conversion factor improved to 1.49 (from 1.44), targeting 1.54 by FY27.
- Lead distance reduced from 384 km to 370 km, yielding INR 24/t savings, though total logistics savings moderated by other costs.
- Price realization up 2.2% sequentially for UltraTech brand (2.3% including Kesoram), with South and East leading gains; prices stable in July despite monsoons.
- Targeting double-digit volume growth in FY26 on a 135.8 MnT FY25 base, including India Cements and Kesoram.

Q1FY26 - Quarterly Performance (Consolidated)

Particulars	Q1FY26	Q1FY25	Y-o-Y %	Q4FY25	Q-o-Q %
Net Sales	2,12,755	1,80,696	17.7	2,30,630	(7.8)
Cost of Raw Materials	34,327	27,672	24.0	35,293	(2.7)
Purchase of Finished Goods	5,352	4,393	21.8	5,833	(8.3)
(Increase) / Decrease In Stocks	-1,489	174	(956.1)	2,357	-
Total Raw material cost	38,190	32,239	18.5	43,484	(12.2)
Gross Profit	1,74,564	1,48,456	17.6	1,87,146	(6.7)
Gross Margins %	82%	82%	-11bps	81%	90bps
Employee Cost	9,722	7,382	31.7	9,815	(0.9)
Power & Fuel	48,619	44,937	8.2	52,236	(6.9)
Frieght & Forwarding	46,490	41,813	11.2	51,762	(10.2)
Other Expense	25,630	23,931	7.1	27,146	(5.6)
Total Expenditure	1,68,651	1,50,303	12.2	1,84,443	(8.6)
EBITDA	44,103	30,393	45.1	46,187	(4.5)
EBITDA Margins (%)	21%	17%	391bps	20%	70bps
Depreciation	11,068	8,425	31.4	11,246	(1.6)
EBIT	33,036	21,967	50.4	34,942	(5.5)
Other Income	1,802	1,657	8.7	1,021	76.5
Interest	4,333	2,556	69.6	4,750	(8.8)
PBT	30,505	21,069	44.8	31,212	(2.3)
Shares of profits	-426.90	-353.90	20.6	-201.20	112.2
PBT	30,078	20,715	45.2	31,011	(3.0)
Tax	7,869	4,471	76.0	6,261	25.7
PAT	22,209	16,244	36.7	24,751	(10.3)
PAT Margin (%)	10.4%	9.0%	145bps	10.7%	-29bps
EPS	76.93	56.27	36.7	85.73	(10.3)
Particulars (Rs Mn)	Q1FY26	Q1FY25	Y-o-Y %	Q4FY25	Q-o-Q %
Sales Volume (MT)	37	32	15.3	41	-10.6
Blended Realization (Rs)	5,777	5,656	2.1	5,971	-3.3
EBITDA/Ton (Rs)	1,197	951	25.9	1,121	6.8
Total Cost/Ton (Rs)	4,579	4,704	-2.7	4,477	2.3
Fuel Cost/Ton (Rs)	1,320	1,406	-6.1	1,268	4.1
Frieght & Forwarding/Ton (Rs)	1,262	1,309	-3.5	1,256	0.5

Source: Arianth Research, Company Filings

Profit & Loss Statement (Consolidated)

Particulars (INR Mns)	FY24	FY25	FY26E	FY27E	FY28E
Net sales	7,09,081	7,59,551	8,66,822	10,03,520	11,61,775
Growth %	121	71	141	158	158
Expenditure					
Cost of materials	1,02,524	1,18,217	1,23,956	1,40,493	1,62,649
Purchase of stock in trade	17,339	18,697	21,338	24,703	28,599
Changes in Inventories	-834	123	140	162	188
Total raw materials	1,19,029	1,37,037	1,45,434	1,65,358	1,91,435
Gross Profit	5,90,052	6,22,514	7,21,389	8,38,162	9,70,340
Gross Margins %	83	82	83	84	84
Employee cost	30,376	36,046	43,341	50,176	58,089
Power & Fuel	1,82,833	1,84,192	1,99,369	2,30,810	2,67,208
Freight & forwarding	1,58,807	1,74,598	1,90,701	2,20,774	2,55,591
Other expenses	88,351	1,02,104	1,04,019	1,20,422	1,39,413
Total expenditure	5,79,396	6,33,977	6,82,863	7,87,540	9,11,736
EBITDA	1,29,686	1,25,575	1,83,959	2,15,980	2,50,040
EBITDAM (%)	18	17	21	22	22
Depreciation	31,453	40,150	34,673	40,141	46,471
PBIT	98,233	85,425	1,49,286	1,75,839	2,03,569
Other income	6,170	7,442	8,668	10,035	11,618
Interest expenses	9,680	16,505	20,024	23,181	26,837
PBT	94,722	76,362	1,37,931	1,62,693	1,88,349
Tax	24,183	14,885	26,886	31,713	36,714
Reported PAT	70,540	61,477	1,11,044	1,30,980	1,51,635
Exceptional item/ Share of Profits	-500	-1,080	-	10	20
PAT (after Exceptional)	70,040	60,397	1,11,044	1,30,990	1,51,655
PAT Margin %	10	8	13	13	13
EPS	242	205	376	444	514

Source: Arianth Research, Company Filings

Balance Sheet (Consolidated)

Particulars (INR Mns)	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	2,887	2,947	2,947	2,947	2,947
Reserves & Surplus	5,99,388	7,04,115	7,94,532	9,04,904	10,35,952
Total Shareholder's Fund	6,02,275	7,07,062	7,97,479	9,07,851	10,38,898
Minority Interest	559	31,866	31,866	31,866	31,866
Long term borrowings	53,078	1,57,808	1,99,369	2,30,810	2,67,208
Short term borrowing	49,906	72,502	86,682	1,00,352	1,16,178
Total Debt	1,02,984	2,30,310	2,86,051	3,31,162	3,83,386
Deferred tax liabilities	84,313	1,15,690	95,350	1,10,387	1,27,795
Long term provision	6,706	8,921	8,921	9,490	10,987
Other long term liabilities	11,865	11,865	14,504	16,792	19,440
Total	1,02,883	1,36,476	1,18,776	1,36,669	1,58,222
Current Liabilities	-	-	-	-	-
Trade payables	84,783	93,275	1,02,119	1,18,223	1,36,867
Short term provisions	2,575	3,501	3,148	3,644	4,219
Other current liabilities	1,11,961	1,34,475	1,30,023	1,50,528	1,74,266
Total	1,99,319	2,31,251	2,35,290	2,72,395	3,15,352
Total liabilities	10,08,020	13,36,965	14,69,462	16,79,943	19,27,724
Application of Assets	-	-	-	-	-
Net Block	5,56,708	8,60,926	9,46,973	10,41,624	11,45,741
Current work in process	67,828	61,883	61,883	61,883	61,883
Non current investment	27,642	22,974	34,673	50,176	69,707
Tax Assets	4,610	9,810	5,636	6,524	7,553
Long term loans and advances	83	162	102	118	136
Other non-current assets	47,215	59,249	57,718	66,820	77,357
Total	7,67,539	10,91,822	11,06,984	12,27,145	13,62,377
Current Assets	-	-	-	-	-
Current investments	54,848	28,591	43,341	50,176	58,089
Inventories	83,297	95,630	90,245	1,04,476	1,20,952
Trade receivables	42,782	58,903	52,299	60,546	70,094
Cash balance	5,535	4,666	1,07,476	1,63,887	2,36,613
Bank balance	2,296	12,061	12,061	12,061	12,061
Short term loans and advances	89	100	109	126	146
Other current assets	42,735	36,835	52,242	60,480	70,018
Total	2,31,583	2,36,786	3,57,772	4,51,753	5,67,973
Total assets	10,08,285	13,36,965	14,69,457	16,79,938	19,27,719

Source: Arianth Research, Company Filings

Cash Flow Statement (consolidated)

Particulars (Mns)	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	94,222	75,282	1,37,931	1,62,703	1,88,369
Add: Depreciation	31,453	40,150	34,673	40,141	46,471
Add: Interest cost	9,680	16,505	20,024	23,181	26,837
Less: Interest Income	-2,409	-2,932	-4,334	-5,018	-5,809
Others	-2,655	-2,559	-3,000	-3,000	-3,000
Profit before WC	1,30,291	1,26,446	1,85,293	2,18,007	2,52,869
Changes in working capital	-4,811	-6,711	-11,321	14,257	17,343
Cash from Operations	1,25,481	1,19,736	1,73,972	2,32,264	2,70,212
Less: Taxes	-16,505	-13,006	-26,886	-31,713	-36,714
Cash flow from Operations	1,08,975	1,06,729	1,47,085	2,00,551	2,33,497
Net cash used in Investing	-	-	-	-	-
Purchase of fixed assets	-90,056	-91,293	-43,902	-1,34,792	-1,50,588
Purchase of investments	3,855	41,096	-26,449	-22,338	-27,443
Sales of fixed assets	1,215	1,787	-	-	-
Sales of investments	-	-	-	-	-
Dividend Inc/Int.Rec.	1,614	3,428	4,334	5,018	5,809
Others	-4,510	-1,20,063	-	-	-
Cash flow from investing	-87,881	-1,65,045	-66,017	-1,52,113	-1,72,222
Cash flow from Financing	-	-	-	-	-
Proceeds from Equity shares	19	20	-	-	-
Proceeds of borrowings	13,986	94,096	55,741	45,110	52,224
Sales of borrowings	-10,687	-5,503	-	10	20
Dividend (Incl dividend tax)	-10,944	-20,117	-20,628	-20,628	-20,628
Interest cost	-8,535	-14,790	-20,024	-23,181	-26,837
Others	-3,095	-2,949	-	-	-
Cash flow from Financing	-19,257	50,758	15,090	1,311	4,780
Net cash inflow/Outflow	1,838	-7,558	96,159	49,750	66,055
Opening cash	3,703	5,535	4,666	1,07,476	1,63,887
Closing Cash	5,535	4,666	1,07,476	1,63,887	2,36,613

Source: Arianth Research, Company Filings

Ratio Analysis

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Per share Data					
EPS (Rs)	242.6	205.0	376.8	444.5	514.6
Book value per share (Rs)	2086.2	2399.4	2706.3	3080.8	3525.5
Dividend per share (Rs)	37.9	68.2	70.0	70.0	70.0
Dividend Payout (%)	15.6	33.3	18.6	15.7	13.6
Dividend Yield %	0.3	0.6	0.6	0.6	0.6
Profitability Ratios					
EBITDAM(%)	18.3	16.5	21.2	21.5	21.5
PBTM (%)	13.4	10.1	15.9	16.2	16.2
NPM (%)	9.9	8.0	12.8	13.1	13.1
RoE (%)	11.6	8.5	13.9	14.4	14.6
RoCE (%)	13.9	9.1	13.8	14.2	14.3
Efficiency Data					
Debt-Equity Ratio	0.2	0.3	0.4	0.4	0.4
Interest Cover Ratio	10.1	5.2	7.5	7.6	7.6
Fixed Asset Ratio	0.8	1.1	1.1	1.0	1.0
Debtors (Days)	22.0	22.0	22.0	22.0	22.0
Inventory (Days)	42.9	40.0	38.0	38.0	38.0
Payable (Days)	43.6	43.0	43.0	43.0	43.0
WC (Days)	21.3	19.0	17.0	17.0	17.0
Valuation					
P/E (x)	49.9	59.1	32.1	27.3	23.5
P/BV (x)	5.8	5.0	4.5	3.9	3.4
EV/EBITDA (x)	27.7	30.1	20.3	17.2	14.8
EV/Sales (x)	5.1	5.0	4.3	3.7	3.2

Source: Arianth Research, Company Filings

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800

Registered Office

6 Lad Colony,
Y.N. Road,
Indore - 452003, (M.P.)
Tel: (91-731) 4217100/101
CIN: L66120MP1992PLC007182

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

Research Analyst
Registration No.

Contact

Website

Email Id

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.com

instresearch@arihantcapital.com

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800