

CMP: INR 11,421

Rating: Buy

Target: INR 12,933

Stock Info

BSE	532538
NSE	ULTRACEMCO
Bloomberg	UTCEM:IN
Sector	Cement
Face Value (INR)	10
Equity Capital (INR mn)	2887
Mkt Cap (INR bn)	3,297
52w H/L (INR)	12,145 / 9,250
Avg Yearly Volume (in 000')	344

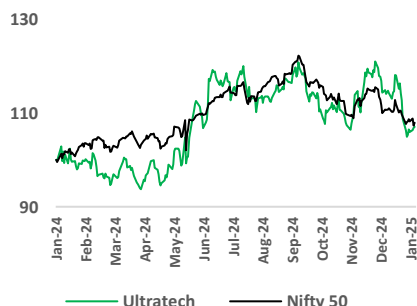
Shareholding Pattern %

(As on September, 2024)

Promoters	60.0
DII	15.2
FII	17
Public & Others	7.8

Stock Performance (%)	1m	6m	12m
ULTRACEMCO	0.15%	-0.4%	14.2%
NIFTY	-2.2%	-4.9%	8.2%

ULTRACEMCO vs Nifty



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UltraTech Cement reported below estimates Q3FY25 numbers. Revenue for Q3FY25 came in at INR 171,933 Mn, growth of 3% YoY/ growth of 10% QoQ as against expectation of INR 191,640 Mn supported by improved realizations and volume growth. Its sales volume was at 30.4 MnT with growth of 11% YoY and growth of 9% QoQ as against expectation of 32.5MnT. Also, realization stood at INR 5,661/T de-growth of 8% YoY/ growth of 1% QoQ as against expectation of INR 5,897/T.

Profitability matrix - Gross profit for the quarter was INR 1,38,992 Mn, marking a de-growth of 1% YoY and 9% QoQ. However, the gross margin contraction of 330bps YoY due to rising raw material costs and finished good purchases. EBITDA stood at INR 28,891 Mn, reflecting a 43% QoQ improvement, with margins improving 656bps QoQ to 16.8%. EBITDA per ton rose to INR 951/T, a significant QoQ increase of 31%. PAT for Q3FY25 was INR 14,756 Mn, growing 79% QoQ, with a PAT margin of 8.6%.

Operational Updates: Cost improvements were driven by enhanced clinker conversion ratios and lower lead distances, reducing logistics costs by 6%. Efficiency initiatives, including WHRS expansion to 324 MW (up from 278 MW in Q4FY24), are on track to reach 511 MW by FY27. Renewable energy capacity reached 752 MW, supporting 30% of UltraTech's power needs.

Strategic Expansions: UltraTech is on course to achieve its FY25 capacity target of 185 MnT, including acquisitions of India Cements, Kesoram Cement and stake of Star cement. For FY27, capacity is projected to grow to 211-212 MnT, supported by both organic expansions and brownfield projects. Investments in acquisitions (India Cements with 14.45 MnT capacity and Kesoram Cement with 10.75 MnT) and de-bottlenecking efforts are expected to enhance regional presence, particularly in the South and North-East.

Outlook & Valuation: UltraTech's Q3FY25 showed significant growth compared to the previous quarter, marking a turnaround in demand, particularly in the North and West regions. With an anticipated improvement in cement prices and robust government and private CapEx driving demand, the positive momentum is expected to extend into Q4FY25 and sustain in the coming years. Additionally, the consolidation of recent acquisitions adds further strategic interest. UltraTech's strong focus on cost efficiency, premium product offerings, and green initiatives positions it to leverage growth opportunities in infrastructure and rural housing. Financially, revenue and EBITDA are projected to grow at a CAGR of 9.2% and 14.2%, respectively, over FY24-FY26E. We have given "Buy" rating for the stock, with a target price of INR 12,933.

Key Financials

Particulars (Mns)	FY23	FY24	FY25E	FY26E
Net revenue	6,32,400	7,09,081	7,16,859	8,04,315
EBITDA	1,06,171	1,29,686	1,21,459	1,60,437
EBITDAM (%)	16.8	18.3	16.9	19.9
APAT	50,736	70,040	66,184	95,743
APATM (%)	8	10	9	12
EPS (Rs)	1,757	2,426	2,293	3,316
EV/EBITDA (x)	304	250	269	205
RoE (%)	9.3	11.6	10.2	13.2

Source: Arihant Research, Company Filings

Q3FY25 Concall Highlights**Industry Dynamics:**

- North and West India experienced robust price improvements in Q3 FY25, while the South and East lagged behind.
- Demand is expected to strengthen further with government CapEx resuming in Q4 FY25 and private consumption supported by a rural recovery.

Capacity Expansion Plan:

- UltraTech's organic growth projects will add 25 MnT in FY25, targeting 185 MnT by the end of FY25, and 209 MnT by FY27.
- The company expects to add 10 million to 15 million tons of organic capacity in 2026.
- Key Acquisitions: India Cements acquisition was completed in December 2024, adding 14.45 MnT capacity. Kesoram integration awaits mine transfer approvals, expected by FY25-end. Acquisition of non- controlling financial stake equivalent to 8.42% of equity share capital of Star Cement Limited at a total cost of INR 7760 Mn

Other Highlights:

- Lead distance reduced to 377 km in Q3 FY25 (from 400 km in Q3 FY24). WHRS capacity to increase to 511 MW by FY27 from 324 MW in Q3 FY25. Renewable energy to contribute 30% of total power needs by FY27.
- FY26 CapEx plan is expected to be around INR80,000-90,000 Mn.
- In FY27, CapEx is expected to be much lesser, focusing on the completion stages of organic growth plans.
- Q3 average prices increased 1.4% Q-o-Q, with North and West seeing the best performance in terms of price improvement, exceeding 3%.
- In January, prices further improved in Central and West, with North remaining the star performer in terms of price increases and profitability.
- Pet coke consumption reached 58%, reducing fuel costs to INR 1.76/kcal (down from INR 1.84 in Q2 FY25).
- Targeting cost reductions of INR 300/t through logistics, fuel optimization, and increased use of green energy.
- UltraTech plans to achieve net-zero emissions by 2050. Green power mix increased to 33.4% in Q3 FY25.
- Premium product mix rose to 26.5% (15% YoY growth). UBS outlets expanded to 4,432, contributing 19.5% of grey cement sales.
- Domestic grey cement realizations improved marginally QoQ by 1.4% to INR 4,970/t in Q3 FY25.
- Domestic grey cement sales grew 10.5% YoY in Q3 FY25. Overall sales volume, including exports and subsidiaries, increased by 11%.
- The company expects debt to start going down from next financial year in small steps, but not significantly in the next year due to a big CapEx plan.

Q3FY25 - Quarterly Performance (Consolidated)

Particulars	Q3FY25	Q3FY24	Q2FY25	Y-o-Y %	Q-o-Q %
Net Sales	1,71,933	1,67,400	1,56,347	3%	10%
Cost of Raw Materials	27,662	25,057	25,696	10%	8%
Purchase of Finished Goods	6,358	3,776	4,742	68%	34%
(Increase) / Decrease In Stocks	-1,079	-2,278	-1,273	-53%	-15%
Total Raw material cost	32,942	26,554	29,165	24%	13%
Gross Profit	1,38,992	1,40,846	1,27,182	-1%	9%
Gross Margins %	81	84	81	-330bps	279bps
Employee Cost	8,500	7,689	9,139	11%	-7%
Power & Fuel	39,802	41,780	38,377	-5%	4%
Frieght & Forwarding	38,112	36,209	35,835	5%	6%
Other Expense	23,687	22,577	23,649	5%	0%
Total Expenditure	1,43,042	1,34,808	1,36,165	6%	5%
EBITDA	28,891	32,591	20,183	-11%	43%
EBITDA Margins (%)	16.80	19.47	12.91	-267bps	656bps
Depreciation	9,167	7,835	9,039	17%	1%
EBIT	19,724	24,757	11,144	-20%	77%
Other Income	2,443	1,405	2,207	74%	11%
Interest	3,819	2,622	3,171	46%	20%
PBT	18,348	23,540	10,180	-22%	80%
Shares of profits	-13	58	-14	-122%	-13%
PBT	18,336	23,597	10,166	-22%	80%
Tax	3,580	5,804	1,914	-38%	87%
PAT	14,756	17,793	8,252	-17%	79%
PAT Margin (%)	8.58	10.63	5.28	-205bps	535bps
EPS	51	44	59	-36	-51

Particulars	Q3FY25	Q3FY24	Q2FY25	Y-o-Y %	Q-o-Q %
Sales Volume (MT)	30.4	27.3	27.8	11%	9%
Realization/Ton (Rs)	5,661	6,127	5,616.0	-8%	1%
Total Cost/Ton (Rs)	4,710	4936	4,891	-5%	-4%
Fuel Cost/Ton (Rs)	1,311	1,529	1,378.0	-14%	-5%
Frieght & Forwarding/Ton (Rs)	1,255	1,325	1,287.0	-5%	-2%

Source: Arihant Research, Company Filings

Profit & Loss Statement (Consolidated)

Particulars (INR Mns)	FY23	FY24	FY25E	FY26E
Net sales	6,32,400	7,09,081	7,16,859	8,04,315
Expenditure				
Cost of materials	89,335	1,02,524	1,12,424	1,15,017
Purchase of stock in trade	12,997	17,339	18,955	21,268
Changes in Inventories	-5,182	-834	-654	-733
Total raw materials	97,150	1,19,029	1,30,725	1,35,551
Gross Profit	5,35,250	5,90,052	5,86,133	6,68,764
Gross Margins %	85	83	82	83
Employee cost	27,398	30,376	33,544	34,586
Power & Fuel	1,84,933	1,82,833	1,71,968	2,01,079
Freight & forwarding	1,40,092	1,58,807	1,60,870	1,75,341
Other expenses	76,656	88,351	98,292	97,322
Total expenditure	5,26,229	5,79,396	5,95,400	6,43,879
EBITDA	1,06,171	1,29,686	1,21,459	1,60,437
EBITDAM (%)	17	18	17	20
Depreciation	28,880	31,453	35,181	30,564
PBIT	77,291	98,233	86,278	1,29,873
Other income	5,031	6,170	9,426	8,043
Interest expenses	8,227	9,680	12,646	9,350
PBT	74,094	94,722	83,058	1,28,566
Tax	23,429	24,183	16,494	32,823
Reported PAT	50,666	70,540	66,565	95,743
Exceptional item/ Share of Profits	70	-500	-381	-
PAT (after Exceptional)	50,736	70,040	66,184	95,743
PAT Margin %	8	10	9	12
EPS	1,757	2,426	2,293	3,316

Source: Arianth Research, Company Filings

Balance Sheet (Consolidated)

Particulars (INR Mns)	FY23	FY24	FY25E	FY26E
Share Capital	2,887	2,887	2,887	2,887
Reserves & Surplus	5,40,359	5,99,388	6,45,363	7,20,898
Total Shareholder's Fund	5,43,245	6,02,275	6,48,250	7,23,785
Minority Interest	556	559	559	559
Long term borrowings	53,564	53,078	50,180	56,302
Short term borrowing	45,444	49,906	46,596	44,237
Total Debt	99,008	1,02,984	96,776	1,00,539
Deferred tax liabilities	76,265	84,313	75,987	76,410
Long term provision	6,212	6,706	6,779	7,606
Other long term liabilities	13,343	11,865	11,995	13,459
Total	95,820	1,02,883	94,761	97,475
Current Liabilities	-	-	-	-
Trade payables	72,090	84,783	84,452	85,941
Short term provisions	2,044	2,575	2,603	2,921
Other current liabilities	1,01,073	1,11,961	1,09,679	1,20,647
Total	1,75,207	1,99,319	1,96,734	2,09,509
Total liabilities	9,13,837	10,08,020	10,37,081	11,31,867
Application of Assets	-	-	-	-
Net Block	5,95,842	6,29,060	6,91,938	7,61,103
Current work in process	40,349	67,828	67,828	67,828
Non current investment	14,604	27,642	35,843	48,259
0.0	4,085	4,610	4,661	5,229
Long term loans and advances	92	83	84	94
Other non-current assets	51,466	47,215	47,732	53,556
Total	7,06,438	7,76,437	8,48,085	9,36,069
Current Assets	-	-	-	-
Current investments	58,366	54,848	53,764	60,324
Inventories	66,118	83,297	78,560	83,737
Trade receivables	38,670	42,782	43,251	48,527
Cash balance	3,703	5,535	-32,169	-47,662
Bank balance	7,792	2,296	2,296	2,296
Short term loans and advances	77	89	90	101
Other current assets	32,672	42,735	43,204	48,474
Total	2,07,398	2,31,583	1,88,996	1,95,798
Total assets	9,13,836	10,08,020	10,37,081	11,31,867

Source: Arianth Research, Company Filings

Cash Flow Statement (consolidated)

Particulars (Mns)	FY23	FY24	FY25E	FY26E
Profit before tax	74,165	94,222	82,677	1,28,566
Add: Depreciation	28,880	31,453	35,181	30,564
Add: Interest cost	8,227	9,680	12,646	9,350
Less: Interest Income	2,725	-2,409	-4,713	-4,022
Others	-8,698	-2,655	-	-
Profit before WC	1,05,298	1,30,291	1,25,791	1,64,458
Changes in working capital	-3,370	-4,811	-7,477	-6,650
Cash from Operations	1,01,928	1,25,481	1,18,314	1,57,808
Less: Taxes	-11,243	-16,505	-16,494	-32,823
Cash flow from Operations	90,685	1,08,975	1,01,821	1,24,985
Cash flow from investing	-71,875	-87,881	-1,00,464	-1,14,683
Cash flow from Financing	-16,310	-19,257	-39,062	-25,795
Net cash Inflow/Outflow	2,500	1,838	-37,705	-15,493
Opening cash	1,205	3,703	5,535	-32,169
Closing Cash	3,703	5,535	-32,169	-47,662

Source: Arianth Research, Company Filings

Ratio Analysis

Particulars	FY23	FY24	FY25E	FY26E
Per share Data				
EPS (Rs)	175.7	242.6	229.3	331.6
Book value per share (Rs)	1881.8	2086.2	2245.5	2507.1
Dividend per share (Rs)	37.8	37.9	70.0	70.0
Dividend Payout (%)	21.5	15.6	30.5	21.1
Dividend Yield %	0.3	0.3	0.6	0.6
Profitability Ratios				
EBITDAM(%)	16.8	18.3	16.9	19.9
PBTM (%)	11.7	13.4	11.6	16.0
NPM (%)	8.0	9.9	9.2	11.9
RoE (%)	9.3	11.6	10.2	13.2
RoCE (%)	12.0	13.9	11.6	15.8
Efficiency Data				
Debt-Equity Ratio	0.2	0.2	0.1	0.1
Interest Cover Ratio	9.4	10.1	6.8	13.9
Fixed Asset Ratio	0.9	0.9	1.0	0.9
Debtors (Days)	22.3	22.0	22.0	22.0
Inventory (Days)	38.2	42.9	40.0	38.0
Payable (Days)	41.6	43.6	43.0	39.0
WC (Days)	18.9	21.3	19.0	21.0
Valuation				
P/E (x)	61.9	44.9	47.5	32.8
P/BV (x)	5.8	5.2	4.8	4.3
EV/EBITDA (x)	30.4	25.0	26.9	20.5
EV/Sales (x)	5.1	4.6	4.6	4.1

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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