

CMP: INR 12,114

Rating: Accumulate

Target: INR 13,744

Stock Info

BSE	532538
NSE	ULTRACEMCO
Bloomberg	UTCEM:IN
Sector	Cement
Face Value (INR)	10
Equity Capital (INR mn)	2950
Mkt Cap (INR bn)	3,569
52w H/L (INR)	12,341 / 9,408
Avg Yearly Volume (in 000')	363

Shareholding Pattern %

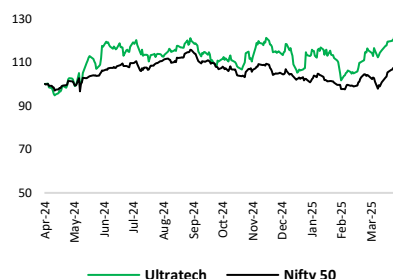
(As on September, 2024)

Promoters	59.2
DII	16.8
FII	15.2
Public & Others	8.8

Stock Performance (%) 1m 6m 12m

ULTRACEMCO	0.15%	-0.4%	14.2%
NIFTY	-2.2%	-4.9%	8.2%

ULTRACEMCO vs Nifty



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UltraTech Cement reported above revenue and sales volume estimates, but margins were affected in Q4FY25 numbers. Revenue for Q4FY25 came in at INR 171,933 Mn, growth of came in at INR 2,30,630 Mn, growth of 13% YoY/ growth of 30% QoQ as against expectation of INR 2,21,400 Mn supported increase in volume growth. Sales Volume was at 41.2 MnT with growth of 17.4% YoY and growth of 35.7% QoQ as against expectation of 38 MnT. Also, Realization stood at INR 5,971/T growth of 2.6% YoY/ growth of 2% QoQ as against expectation of INR 5826/T.

Strategic Capacity Expansion and Market Leadership: UltraTech has significantly bolstered its market position, increasing its capacity to 184 MnT in FY25 (from 140 MnT) through organic growth and acquisitions like India Cements and Kesoram. With plans to reach 212 MnT by FY27 and a 57% share of the industry's 30 MnT new capacity addition in FY25, the company is well-positioned to capitalize on India's growing cement demand, projected at 4% in Q4 FY25. This leadership, combined with a 10% volume growth (outpacing the industry's 4%), strengthens its competitive edge in a high-absorption market like Chandigarh and strategic locations like Mohali, near airports, where land value appreciation is expected to enhance financial stability.

Cost Efficiency and Profitability Improvements: UltraTech's focus on cost optimization is evident with INR 86/t already achieved in FY25, targeting INR 300/t by FY27 through logistics, fuel, and renewable energy initiatives. The acquisitions are showing early success—India Cements achieved EBITDA breakeven in its first quarter under UltraTech, targeting INR 500/t by FY26 and INR 800/t by FY27, while Kesoram hit INR 399/t in Q4 FY25, aiming for a four-digit mark by Q4 FY26. These improvements, alongside a manageable net debt to EBITDA ratio of 1.16x (targeting 0.5x).

Diversification and Sustainability Initiatives: The company's diversification into building products (INR 921 Mn revenue in FY25, targeting INR 3,000 Mn in three years with 30-40% ROC) and a small white cement putty acquisition enhances its portfolio resilience. Additionally, UltraTech's sustainability efforts—WHRS capacity increasing to 500 MW by FY27, renewable energy focus, and a net-zero emissions goal by 2050—align with global trends, reducing operational costs (e.g., fuel cost stability) and appealing to ESG-focused investors. This balance of growth and sustainability supports long-term value creation.

Outlook & Valuation: UltraTech Cement Ltd demonstrates strong growth potential over the next few years. The company is expanding rapidly, aiming to boost its cement production capacity to 212 MnT by 2027, and recorded a 10% sales growth in Q4 FY25, surpassing the industry's 4% rise. It's also cutting costs effectively, with new units like India Cements and Kesoram showing improved results and expected profit increases by 2026 and 2027. Furthermore, UltraTech's commitment to sustainable practices, such as adopting more green energy, enhances its future prospects. Financially, revenue and EBITDA are projected to grow at a CAGR of 11.2% and 14.4%, respectively, over FY25-FY27E. We have given "Accumulate" rating for the stock, with a target price of INR 13,744.

Key Financials

Particulars (Mns)	FY24	FY25	FY26E	FY27E
Net revenue	7,09,081	7,59,551	8,36,407	9,38,449
EBITDA	1,29,686	1,25,580	1,44,048	1,64,437
EBITDAM (%)	18.3	16.5	17.2	17.5
APAT	70,040	60,402	80,215	92,277
APATM (%)	10	8	10	10
EPS (Rs)	243	205	272	313
EV/EBITDA (x)	28	30	26	23
RoE (%)	11.6	8.5	10.5	11.0

Source: Arihant Research, Company Filings

Q4FY25 Concall Highlights**Industry Dynamics:**

- Cement industry capacity reached 655 MnT in FY25, up from 625 MnT, with UltraTech contributing 57% of the 30 MnT new capacity addition.
- Overall cement demand in Q4 FY25 grew by ~4%, while UltraTech achieved a 10% volume growth.
- Short-term challenges expected in Q1 FY26 due to heat waves impacting construction activity, but long-term demand outlook remains positive with increased government spending on infrastructure in states like Andhra and Bihar.
- Urban real estate shows a temporary slowdown, expected to recover with rising housing demand.
- Fuel costs (coal, pet coke) remained stable, though ocean freight costs may rise due to global trade dynamics.

Capacity Expansion Plan:

- UltraTech's capacity increased from 140 MnT to 184 MnT in FY25, including 42.6 MnT from acquisitions (India Cements and Kesoram).
- Ongoing expansions will take capacity to 212 MnT by FY27.
- Industry supply expected to grow by 40-50 MnT in FY26-FY27, with UltraTech contributing 16.8 MnT.

Key Acquisitions:

- India Cements acquisition completed in December 2024; UltraTech took operational control, achieving EBITDA breakeven in Q1 post-takeover and sales of over 1 MnT in March 2025.
- Kesoram units fully integrated from March 1, 2025, after mine transfers in Telangana and Karnataka; financial consolidation effective from April 1, 2024.
- Small acquisition of a cement putty manufacturing facility in the white cement business, expected to conclude soon.

Other Highlights:

- FY25 organic CapEx was INR 9,000 Mn; FY26 CapEx planned at INR 9,000-10,000 Mn, with INR 7,000 Mn for strategic investments.
- FY27 CapEx expected to decrease as expansion projects near completion.
- Net debt to EBITDA at 1.16x as of March 2025; targeting 0.5x in the medium term, expected to reduce rapidly with improving EBITDA and sales volumes.
- Cost efficiency program delivered INR 86/t in FY25, targeting INR 300/t by FY27 through logistics, fuel, and renewable energy initiatives.
- India Cements targets EBITDA of INR 500/t in FY26, INR 800/t in FY27, and a four-digit mark by FY28, supported by INR 1,500 Mn CapEx (including INR 1,000 Mn for WHRS).
- Kesoram achieved EBITDA of INR 399/t in Q4 FY25 (INR 112/t for FY25) with 1.53 MnT volume in Q4; targeting a four-digit EBITDA/t by Q4 FY26.
- WHRS capacity to increase to 500 MW by FY27, including 46 MW from India Cements and Kesoram.
- Capacity utilization in FY25 was 79% on an effective capacity of 150 MnT, with Q4 at 90% - Building products segment revenue at INR 921 Mn in FY25, with 21% growth; targeting INR 3,000 Mn in three years, with ROC of 30-40%.
- Blending ratio (CC) targeted to reach 1.54% by FY27, currently at 1.45%.
- Prices improved in April 2025, particularly in the South; overall pricing trends to be monitored due to demand-supply dynamics.

Q4FY25 - Quarterly Performance (Consolidated)

Particulars	Q4FY25	Q4FY24	Y-o-Y %	Q3FY25	Q-o-Q %
Net Sales	23063.0	20418.9	12.9	17778.8	29.7
Cost of Raw Materials	3529.33	2838.72	24.3	2816.86	25.3
Purchase of Finished Goods	583.34	498.32	17.1	471.35	23.8
(Increase) / Decrease In Stocks	236	472	(50.0)	-84.33	-
Total Raw material cost	4,349	3,809	14.2	3,204	35.7
Gross Profit	18,714	16,610	12.7	14,575	28.4
Gross Margins %	81%	81%	-20bps	82%	-83bps
Employee Cost	982	749	31.0	890	10.3
Power & Fuel	5224	4839	8.0	4286	21.9
Frieght & Forwarding	5176	4647	11.4	4036	28.2
Other Expense	2715	2260	20.1	2468	10.0
Total Expenditure	18,445	16,305	13.1	14884.1	23.9
EBITDA	4,618	4,114	12.3	2894.73	59.5
EBITDA Margins (%)	20%	20%	-12bps	16%	374bps
Depreciation	1125	815	38.0	993	13.3
EBIT	3493.87	3299.31	5.9	1901.95	83.7
Other Income	102.13	135.61	(24.7)	247.32	(58.7)
Interest	475.04	261.15	81.9	456.75	4.0
PBT	312096%	317377%	(1.7)	1692.52	84.4
Shares of profits	-20.12	-62.94	-	-1.25	-
PBT	3100.84	3110.52	(0.3)	1693.77	83.1
Tax	626.05	851.94	(26.5)	327.83	91.0
PAT	2475.07	2258.58	9.6	1365.94	81.2
PAT Margin (%)	10.7%	11.1%	-33bps	8%	305bps
EPS	85.73	78.24	9.6	47.3151131	81.2
Particulars (Rs cr)	Q4FY25	Q4FY24	Y-o-Y %	Q3FY25	Q-o-Q %
Sales Volume (MT)	41.20	35.08	17.4	30.4	35.7
Blended Realization (Rs)	5971	5821	2.6	5854	2.0
EBITDA/Ton (Rs)	1121	1173	(4.4)	953	17.6
Total Cost/Ton (Rs)	4477	4648	(3.7)	4901	(8.7)
Fuel Cost/Ton (Rs)	1268	1379	(8.1)	1411	(10.2)
Frieght & Forwarding/Ton (Rs)	1256	1325	(5.2)	1329	(5.5)

Source: Arihant Research, Company Filings

Profit & Loss Statement (Consolidated)

Particulars (INR Mns)	FY24	FY25	FY26E	FY27E
Net sales	7,09,081	7,59,551	8,36,407	9,38,449
Expenditure				
Cost of materials	1,02,524	1,18,217	1,19,606	1,31,383
Purchase of stock in trade	17,339	18,697	20,589	23,101
Changes in Inventories	-834	123	135	152
Total raw materials	1,19,029	1,37,037	1,40,331	1,54,636
Gross Profit	5,90,052	6,22,514	6,96,077	7,83,813
Gross Margins %	83	82	83	84
Employee cost	30,376	36,046	41,820	46,922
Power & Fuel	1,82,833	1,84,190	2,09,102	2,34,612
Frieght & forwarding	1,58,807	1,74,598	1,92,374	2,15,843
Other expenses	88,351	1,02,100	1,08,733	1,21,998
Total expenditure	5,79,396	6,33,972	6,92,360	7,74,012
EBITDA	1,29,686	1,25,580	1,44,048	1,64,437
EBITDAM (%)	18	17	17	18
Depreciation	31,453	40,150	33,456	37,538
PBIT	98,233	85,430	1,10,592	1,26,899
Other income	6,170	7,442	8,364	9,384
Interest expenses	9,680	16,505	19,321	21,678
PBT	94,722	76,367	99,635	1,14,605
Tax	24,183	14,885	19,420	22,338
Reported PAT	70,540	61,482	80,215	92,267
Exceptional item/ Share of Profits	-500	-1,080	-	10
PAT (after Exceptional)	70,040	60,402	80,215	92,277
PAT Margin %	10	8	10	10
EPS	2,426	2,050	2,722	3,131

Source: Arianth Research, Company Filings

Balance Sheet (Consolidated)

Particulars (INR Mns)	FY24	FY25	FY26E	FY27E
Share Capital	2,887	2,947	2,947	2,947
Reserves & Surplus	5,99,388	7,04,115	7,63,702	8,35,362
Total Shareholder's Fund	6,02,275	7,07,062	7,66,649	8,38,309
Minority Interest	559	31,866	31,866	31,866
Long term borrowings	53,078	1,57,808	1,92,374	2,15,843
Short term borrowing	49,906	72,502	83,641	93,845
Total Debt	1,02,984	2,30,310	2,76,014	3,09,688
Deferred tax liabilities	84,313	1,15,690	92,005	1,03,229
Long term provision	6,706	8,921	8,921	8,875
Other long term liabilities	11,865	11,865	13,996	15,703
Total	1,02,883	1,36,476	1,14,921	1,27,807
Current Liabilities	-	-	-	-
Trade payables	84,783	93,275	98,536	1,10,557
Short term provisions	2,575	3,501	3,037	3,408
Other current liabilities	1,11,961	1,34,475	1,25,461	1,40,767
Total	1,99,319	2,31,251	2,27,034	2,54,732
Total liabilities	10,08,020	13,36,965	14,16,485	15,62,402
Application of Assets	-	-	-	-
Net Block	5,56,343	8,60,926	9,46,973	10,41,624
Current work in process	67,828	61,883	61,883	61,883
Non current investment	27,642	22,974	33,456	46,922
0.0	4,610	9,810	5,438	6,101
Long term loans and advances	83	162	98	110
Other non-current assets	47,215	59,249	55,693	62,487
Total	7,67,174	10,91,822	11,03,541	12,19,128
Current Assets	-	-	-	-
Current investments	54,848	28,591	41,820	46,922
Inventories	83,297	95,630	87,078	97,702
Trade receivables	42,782	58,903	50,464	56,620
Cash balance	5,535	4,672	66,307	72,253
Bank balance	2,296	12,061	12,061	12,061
Short term loans and advances	89	100	105	118
Other current assets	42,735	36,835	50,408	56,558
Total	2,31,583	2,36,791	3,08,243	3,42,235
Total assets	10,07,920	13,36,970	14,16,485	15,62,402

Source: Arianth Research, Company Filings

Cash Flow Statement (consolidated)

Particulars (Mns)	FY24	FY25	FY26E	FY27E
Profit before tax	94,222	75,287	99,635	1,14,615
Add: Depreciation	31,453	40,150	33,456	37,538
Add: Interest cost	9,680	16,505	19,321	21,678
Less: Interest Income	-2,409	-2,932	-4,182	-4,692
Others	-2,655	-2,559	-3,000	-3,000
Profit before WC	1,30,291	1,26,452	1,45,230	1,66,139
Changes in working capital	-4,811	-6,711	-14,367	10,171
Cash from Operations	1,25,481	1,19,741	1,30,863	1,76,311
Less: Taxes	-16,505	-13,006	-19,420	-22,338
Cash flow from Operations	1,08,975	1,06,735	1,11,443	1,53,973
Net cash used in Investing	-	-	-	-
Purchase of fixed assets	-90,056	-91,293	-42,685	-1,32,189
Purchase of investments	3,855	41,096	-23,712	-18,568
Sales of fixed assets	1,215	1,787	-	-
Sales of investments	-	-	-	-
Dividend Inc/Int.Rec.	1,614	3,428	4,182	4,692
Others	-4,510	-1,20,063	-	-
Cash flow from investing	-87,881	-1,65,045	-62,215	-1,46,065
Cash flow from Financing	-	-	-	-
Proceeds from Equity shares	19	20	-	-
Proceeds of borrowings	13,986	94,096	45,705	33,674
Sales of borrowings	-10,687	-5,503	-	10
Dividend (Incl dividend tax)	-10,944	-20,117	-20,628	-20,628
Interest cost	-8,535	-14,790	-19,321	-21,678
Others	-3,095	-2,949	-	-
Cash flow from Financing	-19,257	50,758	5,756	-8,622
Net cash Inflow/Outflow	1,838	-7,552	54,984	-715
Opening cash	3,703	5,535	4,672	66,307
Closing Cash	5,535	4,672	66,307	72,253

Source: Arianth Research, Company Filings

Ratio Analysis

Particulars	FY24	FY25E	FY26E	FY26E
Per share Data				
EPS (Rs)	242.6	205.0	272.2	313.1
Book value per share (Rs)	2086.2	2399.4	2601.6	2844.8
Dividend per share (Rs)	37.9	68.2	70.0	70.0
Dividend Payout (%)	15.6	33.3	25.7	22.4
Dividend Yield %	0.3	0.6	0.6	0.6
Profitability Ratios				
EBITDAM(%)	18.3	16.5	17.2	17.5
PBTM (%)	13.4	10.1	11.9	12.2
NPM (%)	9.9	8.0	9.6	9.8
RoE (%)	11.6	8.5	10.5	11.0
RoCE (%)	13.9	9.1	10.6	11.1
Efficiency Data				
Debt-Equity Ratio	0.2	0.3	0.4	0.4
Interest Cover Ratio	10.1	5.2	5.7	5.9
Fixed Asset Ratio	0.8	1.1	1.1	1.1
Debtors (Days)	22.0	22.0	22.0	22.0
Inventory (Days)	42.9	40.0	38.0	38.0
Payable (Days)	43.6	43.0	43.0	43.0
WC (Days)	21.3	19.0	17.0	17.0
Valuation				
P/E (x)	44.9	53.1	40.0	34.8
P/BV (x)	5.2	4.5	4.2	3.8
EV/EBITDA (x)	25.0	27.2	23.6	20.9
EV/Sales (x)	4.6	4.5	4.1	3.7

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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