

# Ultratech Cement Ltd.

January 24, 2025

CMP: 11,423 | Target Price: INR 13,246 | Potential Upside: 16.0%

**BUY**

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✓

Company Info	
BB Code	UTCEM IN EQUITY
Face Value (INR)	10.0
52 W High/Low (INR)	9,250/12,143
Mkt Cap (Bn)	INR 3,297.7 / \$38.1
Shares o/s (Mn)	288.7
3M Avg. Daily Volume	2,98,790

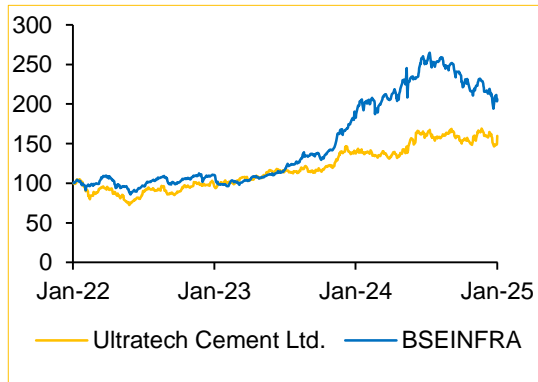
Change in CEBPL Estimates						
INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	814.3	775.7	5.0	921.1	839.4	9.7
EBITDA	169.5	160.9	5.3	219.2	202.5	8.2
EBITDAM %	20.8	20.7	6 bps	24	24	(33)bps
PAT	96.4	90.8	6.1	132.1	118.7	11.3
EPS	334.0	314.8	6.1	457.8	411.2	11.3

Actual vs Consensus			
INR Bn	Q3FY25A	BB Est.	Dev. %
Revenue	171.9	171.3	0.4
EBITDA	28.9	28.1	3.1
EBITDAM %	16.8	16.4	43.8bps
PAT	51.0	45.8	11.3

Key Financials					
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	632.4	709.1	719.9	814.3	921.1
YoY (%)	20.2	12.1	1.5	13.1	13.1
EBITDA	106.2	129.7	122.5	169.5	219.2
EBITDAM %	16.8	18.3	17.0	20.8	23.8
Adj PAT	50.6	70.1	63.1	96.4	132.1
EPS	175.5	242.7	218.8	334.0	457.8
RoE %	9.3	11.6	9.8	13.4	15.8
ROCE %	12.4	14.5	11.5	15.9	19.2
PE(x)	65.0	47.0	52.1	34.1	24.9
EV/EBITDA	31.1	25.5	27.3	19.7	15.2

Shareholding Pattern (%)			
	Dec-24	Sep-24	Jun-24
Promoters	60.00	59.99	59.98
FIIs	16.98	17.95	18.15
DIIs	15.15	14.08	13.83
Public	7.87	7.98	8.04

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE Infra	106.1	86.3	12.9
UTCEM Ltd.	59.6	66.8	16.2



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## Cost Reduction plans on-target; increasing EBITDA/t makes us Buyers

UTCEM announced its Q3FY25 results yesterday, reporting robust volume growth and beating street expectations on all front.

- Q3FY25 consolidated revenues at INR1,71,933Mn, (vs CEBPL est. INR1,71,005Mn), was up 2.7% YoY and up 10.0% QoQ. Total volume for Q3 stood at 30.4Mnt, up 11.2% YoY and 9.1% QoQ.
- Consolidated EBITDA for Q3FY25 was reported at INR28,871Mn, (vs CEBPL est. INR27,420Mn) was down 11.3% YoY and up 43% QoQ. EBITDA/t for Q3 came at INR951/t, down 20.2% YoY and up 31.1% QoQ.
- PAT for Q3FY25 reported at INR14,775Mn, (vs CEBPL est. INR13,181Mn) was down 16.9% YoY and up 80.2% QoQ. EPS for Q3FY25 is INR51.

## Key to market dominance is through Southern India, UTCEM playing well:

Management expects double-digit volume growth and a utilization rate of around 80% in FY26. We expect volume to come from the southern market because the company has aggressively grown its capacity in the south region from 26.2mtpa to 49.9mtpa (around 27.3% of Ultratech's total capacity), through the acquisition of India Cement and Kesoram. They further aims to reach about 60Mnt of capacity in south. On the back of this expansion in the south region, we predict volume to expand at a CAGR of 10.7% between FY24-FY27.

**With an eye on Pan India Leadership:** Management aims to increase its cement capacity from 140.8mtpa in FY24 to 209.3mtpa by FY27, growing at a CAGR of 14.1%. To meet its expansion strategy, the company has increased its capex for FY25 from INR80,000Mn to INR90,000Mn, with another INR90,000Mn planned for FY26.

**And consistent cost reduction for sustainable growth:** The company is doubling down on efficiency with a push into Waste Heat Recovery Systems (WHRS) and railway sidings, targeting an impressive 511 MW WHRS capacity. On the renewable front, they're powering up with a 2.1 GW goal by FY27, expected to cover nearly 30% of their energy needs. These aggressive moves aren't just green; they're lean—slashing costs by INR292/t over three years and turbocharging EBITDA/t growth.

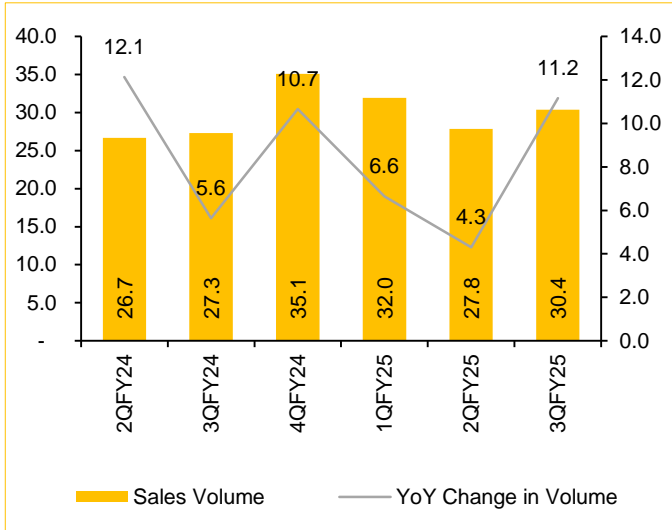
**View and Valuation:** We revise our FY26/27 EPS estimates by 6.1%/11.3% and upgrade the rating to 'BUY' with a revised TP of INR13,246, valuing it at 18x FY27 EV/EBITDA. The management is enthusiastic about cement demand & volume growth and expects a double-digit increase in FY26. Successful absorption of Jan-25 price increase paves way for additional price increase in coming months.

Ultratech Cement Ltd.	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Volumes	30.4	27.3	11.2	27.8	9.1
Revenues (INR Mn)	1,71,933	1,67,400	2.7	1,56,347	10.0
COGS	32,962	26,554	24.1	29,165	13.0
Employee Cost	8,500	7,689	10.5	9,139	(7.0)
Power and Fuel Cost	39,802	41,780	(4.7)	38,377	3.7
Freight Exp.	38,112	36,209	5.3	35,835	6.4
Other Exp	23,687	22,622	4.7	23,649	0.2
EBITDA (INR Mn)	28,871	32,546	(11.3)	20,183	43.0
EBITDA Margins (%)	16.8	19.4	(265)bps	12.9	388 bps
Depreciation	9,167	7,835	17.0	9,039	1.4
EBIT (INR Mn)	19,704	24,711	(20.3)	11,144	76.8
EBIT Margin (%)	11.5	14.8	(330)bps	7.1	433 bps
Other Income	2,443	1,405	73.9	2,207.3	10.7
Interest	3,819	2,622	45.7	3,171.3	20.4
Extraordinary Item	-13	-	NA	(14.4)	NA
PBT	18,315	23,494	(22.0)	10,166	80.2
Tax	3,580	5,804	(38.3)	1,914	87.0
RPAT (INR Mn)	14,735	17,690	(16.7)	8,252	78.6
Minority Interest	40	22	82.3	(51)	NA
Share of Associates	-	58	NA	-	NA
APAT (INR Mn)	14,775	17,770	(16.9)	8,200	80.2
Basic EPS (INR)	51.0	61.6	(17.1)	28.4	79.7

## Management Call - Highlights

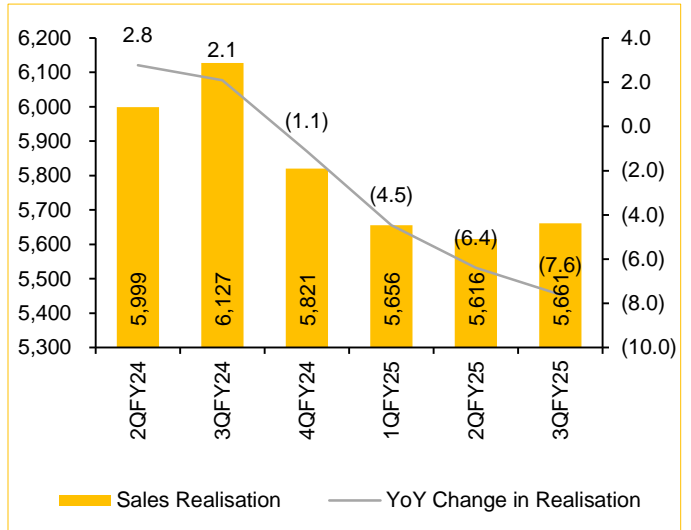
- We expect the company's total cost/t to reduce by 292/t in next 3 years, resulting in an increase in EBITDA/t.
  - Aims to reach about 60Mnt of capacity in south.
- **Positive Market Outlook:** The cement industry experienced a "lull" for much of 2024, but demand increased in December, and this positive trend is expected to continue with rising prices.
  - **Star Cement Investment:** UltraTech Cement made a non-controlling financial investment in Star Cement, acquiring 8.42% of the company for INR7,760Mn, to better understand and potentially expand in the North Eastern markets.
  - **India Cements Acquisition:** Ultratech's open offer for India Cements was subscribed 110%, resulting in UltraTech holding 81.49% equity. The average cost of equity is INR 359 per share, and the net debt for India Cements as of December 31, 2024, is INR8,770Mn.
  - **Kesoram Integration:** UltraTech expects to consolidate Kesoram's assets within this financial year, pending final approvals for mine transfers in Telangana and Karnataka.
  - **Demand Growth:** Cement demand is opening up across sectors, including pent-up individual home building (IHB), infrastructure, and urban and rural housing growth. Rural demand is expected to be strong due to good monsoons and harvests.
  - **Efficiency Improvements:** UltraTech is focused on efficiency improvements, including a clinker conversion ratio of 1.5, reduced lead distance to 377kms, and increased Waste Heat Recovery System (WHRS) capacity to 324 MW, with a goal of 511 MW by FY27 including India Cements and Kesoram. Renewable energy capacity is also increasing, with a target of 2.1 GW by FY27, which will support about 30% of their power requirements.
  - **Fuel Costs:** The company is increasing pet coke consumption, reaching 58% of the fuel mix, which has helped reduce fuel costs to about 1.76 kcal.
  - **Regional Performance:** North and West regions have performed the best in terms of price improvement, while the East region is the weakest. The South region is the lowest performing with the Central region being in the middle.
  - **South Region Strategy:** UltraTech aims to improve capacity utilization in the South with India Cements and Kesoram acquisitions. India Cements capacity utilization was at 57% and Kesoram at 70%. Brand transitions will happen over time, without rushing to change brands.
  - **Integration Timelines:** It will take at least 12 months to improve the performance of India Cements to a reasonable level. WHRS investments for India Cements will start showing benefits towards the end of 2026. The company expects to reach about 60mnt of capacity in South, which will help reduce logistics costs.

**Volume grew by 11.2% YoY basis in Q3FY25**



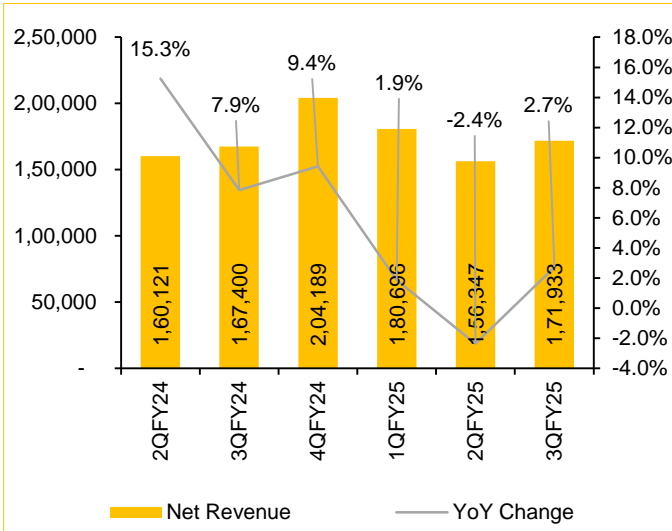
Source: Company, CEBPL

**Consistent decline in realizations by 7.6% In Q3FY25 YoY**



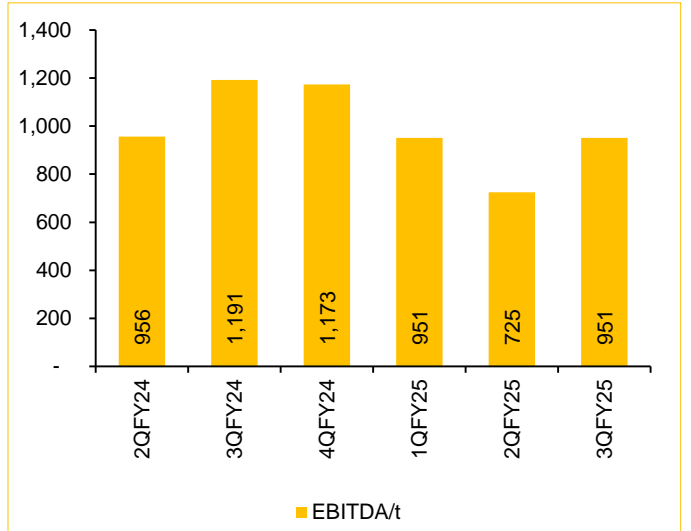
Source: Company, CEBPL

**Revenue grew by 2.7% on YoY basis in Q3FY25**



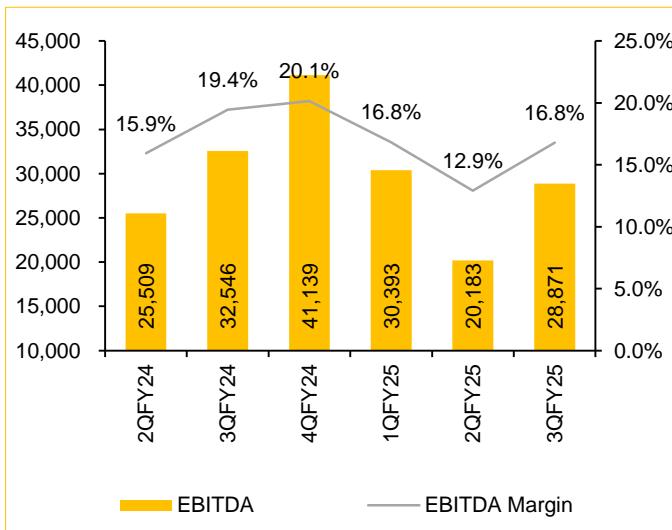
Source: Company, CEBPL

**Cost reduction plan led to improvement in EBITDA/t in Q3**



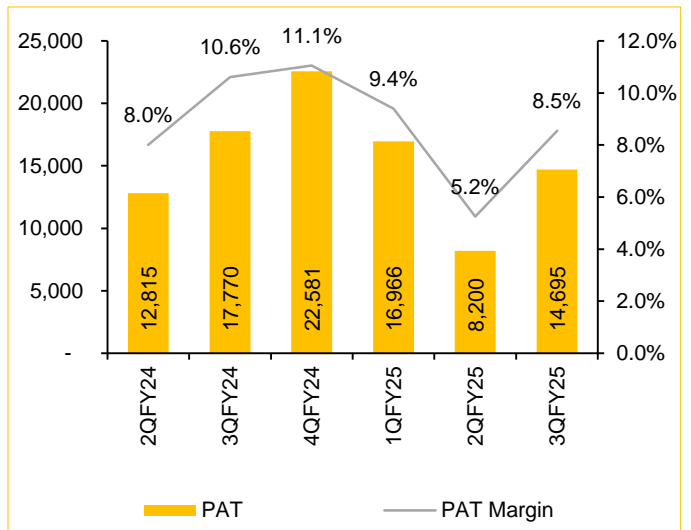
Source: Company, CEBPL

**EBITDA Margins declined by 265bps YoY in Q3FY25**



Source: Company, CEBPL

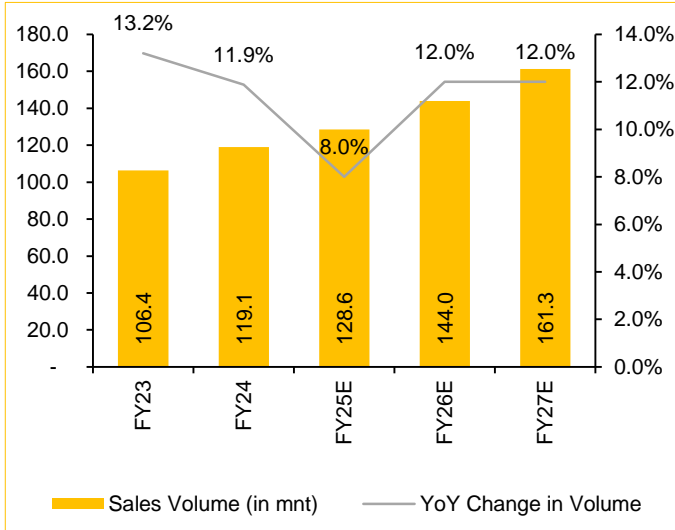
**PAT Margins declined by 210bps YoY in Q3FY25**



Source: Company, CEBPL

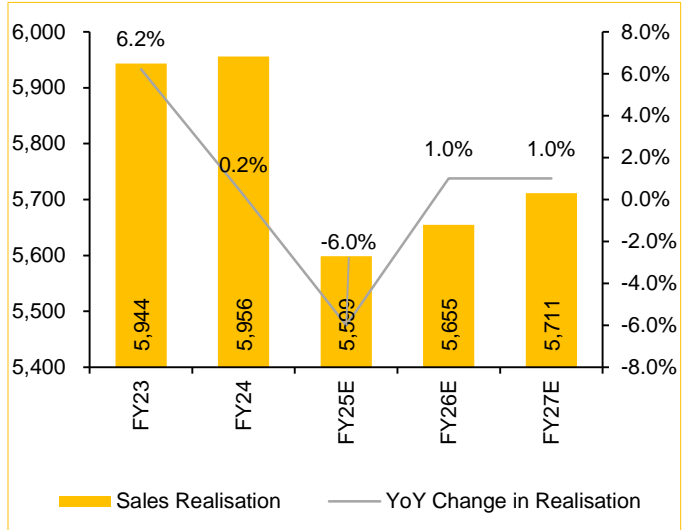
\*All figures are in INR Million

**Volume expected to grow by 8% in FY25**



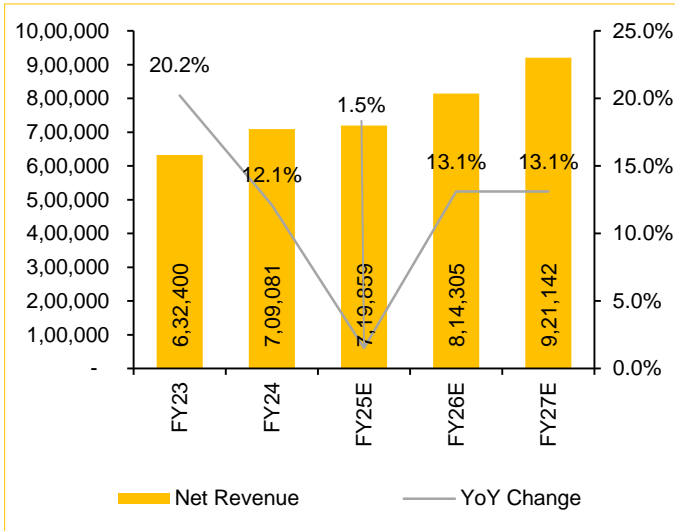
Source: Company, CEBPL

**Realisation is expected to degrow by 6% in FY25**



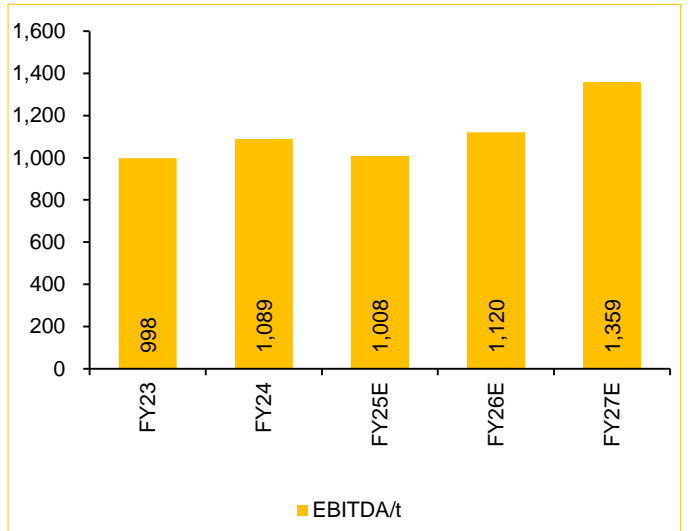
Source: Company, CEBPL

**Revenue expected to grow by 9.1% CAGR over FY24-FY27**



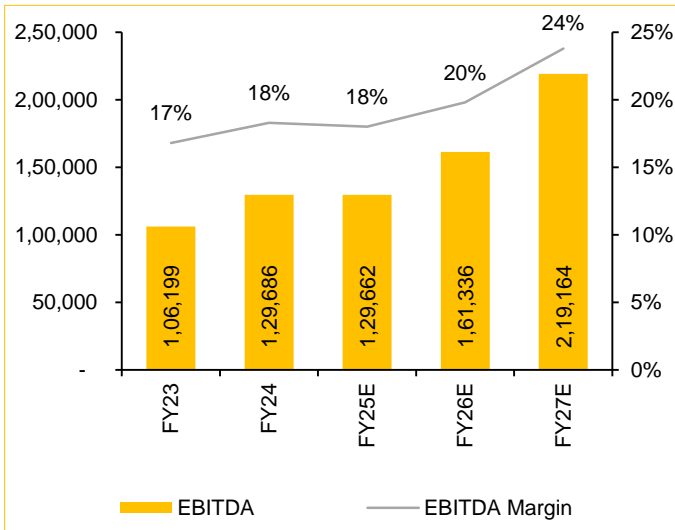
Source: Company, CEBPL

**Cost reduction initiatives lead to increase in EBITDA/t**



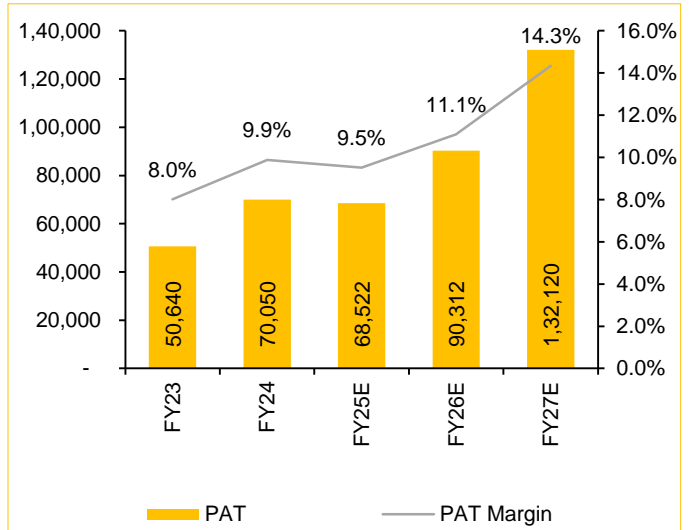
Source: Company, CEBPL

**EBITDA expected to grow at a CAGR of 19.1% over FY24-27**



Source: Company, CEBPL

**PAT is expected to grow at a CAGR of 23.6% over FY24-27**



Source: Company, CEBPL

## Income statement (Consolidated in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	6,32,400	7,09,081	7,19,859	8,14,305	9,21,142
Gross profit	5,35,250	5,90,052	5,97,483	6,59,587	7,55,336
EBITDA	1,06,199	1,29,686	1,29,662	1,61,336	2,19,164
Depreciation	28,880	31,453	32,055	35,205	39,055
EBIT	77,319	98,233	97,607	1,26,131	1,80,109
Other Income	5,031	6,170	7,199	8,143	10,133
Interest Expenses	8,227	9,680	13,374	13,374	13,374
Exceptional Item	40	(500)	298	-	-
PAT	50,640	70,050	68,522	90,312	1,32,120
EPS (INR)	175.5	242.7	237.4	312.9	457.8

Source: Company, CEBPL

## Balance sheet (Consolidated in INR Mn.)

Balance Sheet (Rs. Mn.)	FY23	FY24	FY25E	FY26E	FY27E
Tangible fixed assets	5,95,790	6,28,776	6,86,721	7,41,516	8,12,461
Capital Work in Progress	40,349	67,828	64,436	61,214	58,154
Investments	72,970	82,490	82,490	82,490	82,490
Cash & Cash equivalents	11,496	7,832	27,196	30,908	37,326
Loans & Advances and Other Assets	88,476	95,016	95,016	95,016	95,016
Net Working Capital	32,696	41,296	63,111	71,391	95,900
<b>Total assets</b>	<b>8,41,776</b>	<b>9,23,237</b>	<b>10,18,970</b>	<b>10,82,535</b>	<b>11,81,345</b>
Shareholder's funds	5,43,802	6,02,834	6,51,153	7,21,261	8,33,177
Borrowings	99,008	1,02,984	1,59,220	1,59,220	1,59,220
Deferred Tax	62,601	64,478	61,254	60,029	57,027
Other Liabilities & Provisions	1,36,365	1,52,941	1,47,344	1,42,026	1,31,920
<b>Total equity &amp; liabilities</b>	<b>8,41,776</b>	<b>9,23,237</b>	<b>10,18,970</b>	<b>10,82,535</b>	<b>11,81,345</b>
Capital Employed	6,23,070	6,76,302	7,86,213	8,45,427	9,36,439
Invested Capital	5,71,225	6,00,642	6,94,581	7,53,304	8,40,960

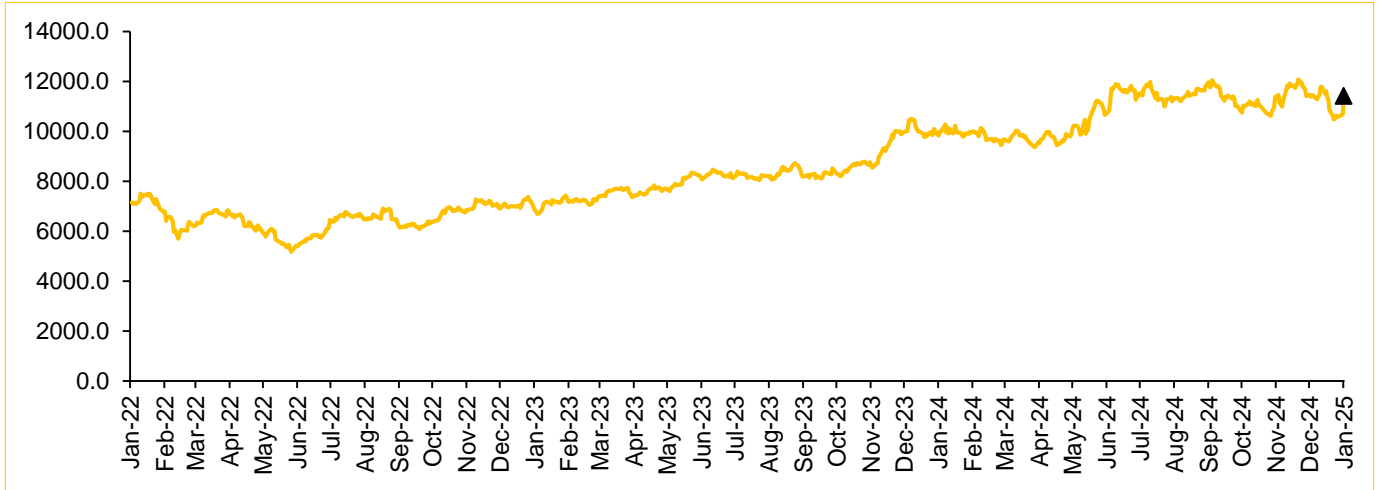
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
CFO	90,685	1,08,976	83,314	1,24,068	1,46,935
Capex	(62,001)	(90,056)	(86,609)	(86,778)	(1,06,939)
FCF	28,684	18,920	(3,294)	37,290	39,996
CFI	(71,871)	(87,881)	(86,609)	(86,778)	(1,06,939)
CFF	(16,310)	(19,257)	22,658	(33,578)	(33,578)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Ratios (%)</b>					
Revenue	20.2	12.1	1.5	13.1	13.1
EBITDA	(7.8)	22.1	(0.0)	24.4	35.8
<b>Margin ratios (%)</b>					
EBITDA	16.8	18.3	18.0	19.8	23.8
PAT	8.0	9.9	9.5	11.1	14.3
<b>Performance Ratios (%)</b>					
OCF/EBITDA (X)	0.9	0.8	0.6	0.8	0.7
OCF/IC	15.9	18.1	12.0	16.5	17.5
ROE	9.3	11.6	10.5	12.5	15.9
ROCE	12.4	14.5	12.4	14.9	19.2
<b>Turnover Ratios (Days)</b>					
Inventory	38	43	48	48	50
Debtor	22	22	24	24	26
Payables	42	44	40	40	38
Cash Conversion Cycle	19	21	32	32	38
<b>Financial Stability ratios (x)</b>					
Net debt to Equity	0.2	0.2	0.2	0.2	0.1
Net debt to EBITDA	0.8	0.7	1.0	0.8	0.6
Interest Cover	9.4	10.1	7.3	9.4	13.5
<b>Valuation metrics</b>					
Fully diluted shares (Mn)	289	289	289	289	289
Price (INR)	11,400	11,400	11,400	11,400	11,400
Market Cap(INR Mn)	32,90,268	32,90,268	32,90,268	32,90,268	32,90,268
PE(x)	65.0	47.0	48.0	36.4	24.9
EV (INR.Mn)	33,04,811	33,02,930	33,39,802	33,36,091	33,29,673
EV/EBITDA (x)	31.1	25.5	25.8	20.7	15.2
Price to BV (x)	6.1	5.5	5.1	4.6	3.9
EV/IC (x)	5.8	5.5	4.8	4.4	4.0
EV/OCF	36.4	30.3	40.1	26.9	22.7

Source: Company, CEBPL

## Historical recommendations and Target Price: Ultratech Cement Limited



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