AXIS SECURITIES

Result Update
22nd July, 2025

UltraTech Cement Ltd
Cement

BUY
Target Price
13,840

Operating Performance Largely Inline; Retain BUY

Est. vs. Actual for Q1FY26: Revenue – INLINE; EBITDA Margin – BEAT; PAT – MISS

Change in Estimates post Q1FY26 (Abs.)

FY26E/FY27E: Revenue: 1%/2%; **EBITDA:** 0%/2%; **PAT:** 0%/2%

Recommendation Rationale

- **Volume Growth Backed by Robust Capacity Expansion Plans:** The company's capacity expansion is on track. Its total grinding capacity in India stands at 187 mtpa after acquiring India Cement's assets. It plans to add 11 mtpa in FY26 and another 15 mtpa in FY27, raising its cement manufacturing capacity to 212 mtpa. Following the second and third phases of expansion, consolidated grinding capacity will reach 217.6 mtpa. With expanded capacity and scale, the company is positioned to strengthen its market leadership, targeting a market share increase from 25% to 28%. We project volume growth at a 12% CAGR over FY24–27E.
- **Operational Efficiencies and Cost Levers to Drive Margin Upside:** During the quarter, the overall cost of production fell by 3% YoY to Rs 4,579 per tonne, driven by efficiency gains and lower power and fuel and logistic costs. In FY25, total efficiency improvements saved Rs 86 per tonne. The company projects a total cost reduction of Rs 200–300 per tonne over the next 2–3 years. Additionally, a higher blending ratio, increased sales of premium products, and greater use of green energy are expected to support margin expansion. We forecast its EBITDA margin to rise to 22% by FY27, led by higher volumes, better realisations, and continued cost optimisation.
- **Cement Sector Consolidation Enhances Competitive Advantage for Big Players:** Between 2013 and 2024, large players grew their market share from 46% to 57%. By FY27–28, it is expected to rise further to 65%–70%. As consolidation and capacity expansion among top players accelerate, market share gains will continue, supporting stronger cement pricing, better economies of scale, and improved supply chain efficiency. As the country's leading player, the company is well-positioned to capitalise on this trend over the medium to long term. Cement demand in its core regions is expected to stay strong, driven by higher infrastructure spending, growth in affordable and rural housing, increased private Capex, and a robust real estate market. We expect the company to maintain double-digit growth over this period.

Sector Outlook: Positive

Company Outlook & Guidance: The management has guided for double-digit volume growth for the company in FY26. Given the government's focus on infrastructure and housing projects, along with increased rural and urban demand, a sustainable volume growth of 7–8% is expected for the industry going forward. Pricing remains dynamic and will be determined by market forces. Management noted that current prices are marginally higher than the exit prices of Q1FY26.

Current Valuation: 18.5xFY27E EV/EBITDA (Earlier Valuation: 18.5x FY27E EV/EBITDA).

Current TP: Rs 13,840/share (Earlier TP: Rs 13,510/share)

Recommendation: We **maintain** our **BUY** recommendation on the stock.

Financial Performance

UTCL reported a good set of numbers for Q1FY26. Volume/Revenue/EBITDA was above expectations, but PAT was below expectations, led by a higher realisation, better volume growth and controlled cost QoQ. The revenue/volume/EBITDA/PAT grew by 18%/15%/45%/31%, respectively, YoY.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	21,275	-8	18	21,252	0
EBITDA	4,410	-5	45	4,333	2%
EBITDA Margin	20.7%	70 bps	390 bps	20.4%	30 bps
Net Profit	2,226	-10	31	2,289	2289
EPS (Rs)	75.5	-10	31	77.7	-3%

Source: Company, Axis Securities Research

(CMP as of 21st July, 2025)

CMP (Rs)	12,577
Upside /Downside (%)	10%
High/Low (Rs)	12,667/10048
Market cap (Cr)	3,70,146
Avg. daily vol. (6m) Shrs.	4,20,000
No. of shares (Cr)	29.5

Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	60.0	60.0	59.2
FIIs	18.0	17.0	15.2
MFs / UTI	11.6	12.3	13.8
Banks / FIs	0.1	0.1	0.3
Others	10.3	10.6	11.6

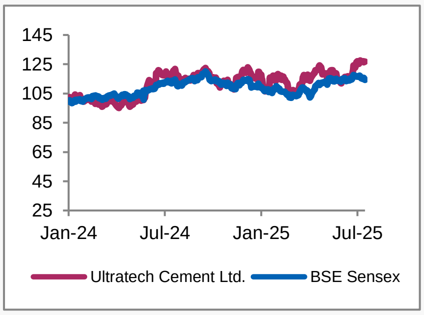
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	74,546	87,205	98,460
EBITDA	12,571	17,393	21,333
Net Profit	6,294	9,240	12,017
EPS (Rs)	214	313	408
PER (x)	59	40	31
P/BV (x)	5.0	4.6	4.1
EV/EBITDA (x)	31	22	18
ROE (%)	9%	11%	13%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	1%	2%
EBITDA	0%	2%
PAT	0%	2%

Relative Performance



Source: Ace Equity

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Financial Performance (Cont')

The company reported a profit of Rs 2,226 Cr against Rs 1,687 Cr in Q1FY25 (below expectations) owing to higher depreciation, finance cost and higher tax. It recorded an EBITDA margin of 20.7% (vs. our estimates of 20.4%) against 16.8% YoY. The quarter's volume stood at 36.8 mntpa (Grey and White Cement), up 15% YoY on a like-for-like basis and 9.7% on an adjusted basis, including cement sales from Kesoram and India Cement assets. On a consolidated basis, UTCL's EBITDA/tonne stood at Rs 1,200, up 26% YoY and 6% QoQ, and it reported blended realisation/tonne of Rs 5,777, up 3% YoY and 2% QoQ. Cement realisation was higher by 2.4% YoY at Rs 5,165 and 2.2% QoQ. The company's cost/tonne declined by 3% YoY to Rs 4,597, which was led by lower power/fuel, freight cost, and other expenses cost YoY.

Outlook

The company delivered an operational performance broadly in line with expectations. Key metrics such as volume growth, EBITDA/tonne, and margin trajectory remained steady. We maintain our BUY rating on the stock, supported by long-term growth visibility, improving cost efficiency, and strategic initiatives like the tolling arrangement with India Cements. The overall industry outlook remains positive, and we expect the company to grow its Volume/Revenue/EBITDA/APAT at 12%/12%/18%/22% CAGR over FY24–FY27E. This will be driven by robust demand, improvement in prices, upcoming new capacity, ramping up of recently commissioned capacity, the benefit of lower commodity prices, higher blending ratio, and increasing share of green energy.

Valuation & Recommendation

We pencil in higher growth driven by market share gains and efficiency improvements, as industry consolidation continues to benefit larger players. The stock is currently trading at 18x FY27E EV/EBITDA, which is at a premium to its 10-year average multiple of 16x. Despite the premium valuation, we remain constructive on the long-term outlook and maintain our **BUY** rating with a target price of Rs 13,840/share, implying a 10% upside from the current market price.

Key Concall Highlights

- **Capacity Expansion:** The company's capacity expansion plan is progressing well. Its total grinding capacity currently stands at 187 mtpa in India, following the acquisition of India Cement assets. UTCL plans to add a further 10.7 mtpa in FY26, and another 15 mtpa in FY27, bringing its total cement manufacturing capacity to 212 mtpa in India, including Kesoram's 10.8 mtpa. After the 2nd and 3rd phases of expansion, its total grinding capacity will increase to 217 mtpa on a consolidated basis. This expansion is expected to consolidate its market leadership position further and gain additional market share.
- **Volume:** The company has guided for double-digit volume growth in FY26, driven by better demand across its operating regions, including a positive shift in rural demand and sustained infrastructure and real estate demand. During the quarter, it registered a volume growth of 10% YoY. The trade and non-trade mix for the quarter stood at 66.3%/33.7%. Premium cement constituted 33.8% of overall trade sales, up 41% YoY. The blended cement mix was 60% during the quarter, and the CC ratio was 1.49 in Q1FY26.
- **Tolling Arrangement with India Cement:** The company has entered into a tolling arrangement with India Cements, under which India Cements will manufacture and sell cement under the UltraTech brand. UltraTech will charge Rs 10 per bag (Rs 200/tonne) to India Cements to cover marketing and other related expenses. The company aims to turn around the performance of India Cements by FY28, targeting an EBITDA of Rs 1,000/tonne, driven by operational efficiencies, better brand positioning, and cost optimisation under the UltraTech umbrella.
- **Pricing:** Grey cement prices were higher by 2.4% YoY and 2.2% QoQ, as most regions experienced a rise in cement prices QoQ. Blended realisation during the quarter was higher by 2.7%. Current prices are higher compared to Q1FY26 exit prices. The management expects cement prices to be better in FY26; however, demand and supply dynamics will determine the same. Prices have improved in South and East India, whereas they remained flattish in North and West India.
- **Power/Fuel**: During the quarter, power and fuel costs per tonne decreased by 6% YoY. The pet coke consumption mix stood at 55%, and blended fuel consumption cost was $127 per tonne, lower by 14% and higher by 5% YoY/QoQ. On a KCAL basis, fuel cost stood at Rs 1.78, compared to Rs 1.73 in Q4FY25. The fuel mix included 52% pet coke, with the balance being coal and renewable energy/AFR.
- **WHRS & Renewable Energy:** Currently, the company's total Waste Heat Recovery System (WHRS) and renewable energy capacity stand at 363 MW and 1.1 GW, respectively. It aims to double its renewable power capacity by FY27 and is also increasing its WHRS

capacity to 500 MW from the current 363 MW. UltraTech's total green energy capacity has now reached 1.5 GW, which will cover about 40% of UltraTech's current power needs. All these capacities are expected to come online by FY27, doubling the share of green power in total power consumption. This will significantly save overall power and fuel costs moving forward. Currently, the share of green power in overall power consumption stands at 39.5%, with the company aiming to increase this to 85% by FY30.

- **Freight:** During the quarter, freight cost decreased to Rs 1,262/tonne, down 4% YoY. The lead distance was 370 km, compared to 386 km in Q1FY25, due to improved operating efficiency.
- **Other Expenses:** On a YoY basis, cost declined by 7% per tonne to Rs 696/tonne but was higher QoQ owing to operating leverage impact.
- **RMC:** Currently, there are 397 RMC plants. The company expects healthy growth in the RMC business moving forward. During the quarter, RMC volume growth was robust at 20% YoY, reaching 3.9 Mn square meters.
- **Capex:** The total capex incurred in FY25 stood at Rs 9,428 Cr. The company expects to incur a Capex of Rs 9,000–10,000 Cr in FY26, covering both growth and maintenance capex.
- **Debt/Cash**: The current gross debt stands at Rs 22,083 Cr, cash/cash equivalent at Rs 6,462 Cr, and net debt at Rs 16,340 Cr. On a QoQ basis, gross and net debt have declined.

Key Risks to Our Estimates and TP

- Lower realisation and demand in its key market and delay in capacity expansion.
- Higher input costs may impact margins.

Change in Estimates

	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	87205	98460	86672	96,824	1%	2%
EBITDA	17393	21333	17360	21,006	0%	2%
PAT	9240	12017	9270	11,799	0%	2%

Source: Company, Axis Securities Research

Result Review Q1FY26

(Rs Cr)	Quarterly Performance				
	Q1FY26	Q4FY25	Q1FY25	% Chg QoQ	% Chg YoY
Net sales	21275	23063	18070	-8%	18%
Expenditure	16865	18445	15030	-9%	12%
EBITDA	4410	4618	3039	-5%	45%
Other income	180	102	166	76%	9%
Interest	433	475	256	-9%	70%
Depreciation	1107	1125	843	-2%	31%
PBT	3050	3121	2107	-2%	45%
Tax	787	626	447	26%	76%
Adjusted PAT	2226	2482	1697	-10%	31%
EBITDA margin (%)	20.7%	20.0%	16.8%	70bps	390bps
EPS (Rs)	75.5	84.2	58.8	-10%	29%

Source: Company, Axis Securities Research

Volume/ Realisation / Cost Analyses

(Rs Cr)	Quarterly Performance				
	Q1FY26	Q4FY25	Q1FY25	% Chg QoQ	% Chg YoY
Volume/mnt	36.83	41.02	31.95	-10%	15.3%
Realisation/tonne (Rs)	5777	5622	5656	3%	2%
Cost/tonne (Rs)	4579	4497	4704	2%	-3%
Raw material/tonne (Rs)	1037	1060	1009	-2%	3%
Staff Cost/tonne (Rs)	264	239	231	10%	14%
Power & Fuel/tonne (Rs)	1320	1273	1406	4%	-6%
Freight/tonne (Rs)	1262	1262	1309	0%	-3.5%
Other Expenses /tonne (Rs)	696	662	749	5%	-7%
EBITDA/tonne (Rs)	**1197**	**1126**	**951**	6%	26%

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Net sales	**70908**	**74546**	**87205**	**98460**
Other operating income	0	0	0	0
Total income	**70908**	**74546**	**87205**	**98460**
Raw Material	11903	13693	15725	17297
Power & Fuel	18283	17841	19723	21695
Freight & Forwarding	15881	16977	18859	20745
Employee benefit expenses	3038	3524	4360	4797
Other Expenses	8836	9941	11145	12594
EBITDA	**12968**	**12571**	**17393**	**21333**
Other income	617	736	780	788
PBIDT	13585	13307	18174	22121
Depreciation & Amortisation	3145	3864	4497	5296
Interest & Fin Chg.	968	1504	1753	1583
E/o income / (Expense)	-72	42	38	38
Associates	22	-11	3	3
Pre-tax profit	**9566**	**7886**	**11888**	**15206**
Tax provision	2418	1592	2652	3193
Minority Interests	-1	1	4	4
APAT	**7147**	**6294**	**9240**	**12017**
Other Comprehensive Income	0	0	0	0
APAT after Comprehensive Income	**7147**	**6294**	**9240**	**12017**

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Total assets	**107148**	**133697**	**141810**	**149063**
Net Block	69252	94610	99316	103374
CWIP	6783	6188	6188	6188
Investments	5485	2859	4359	8359
Wkg. cap. (excl cash)	11825	13780	16158	14262
Cash / Bank balance	783	1673	1438	1983
Misc. Assets	13021	14586	14351	14896
Capital employed	**107148**	**133697**	**141810**	**149063**
Equity capital	289	295	295	295
Reserves	59939	70412	77360	87085
Minority Interests	56	3187	3191	3195
Borrowings	11403	24102	24102	21102
DefTax Liabilities	6448	9579	9579	9579
Other Liabilities and Provision	29013	26123	27283	27807

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Profit before tax	**9422**	**7528**	**11888**	**15206**
Depreciation	3145	4015	4497	5296
Interest Expenses	968	1651	1753	1583
Non-operating/ EO item	-506	-548	-780	-788
Change in W/C	-481	-671	-1028	1874
Income Tax	1651	1301	2652	3193
Operating Cash Flow	**10898**	**10673**	**13678**	**19978**
Capital Expenditure	-9006	-9129	-9157	-9354
Investments	55	3059	-1500	-4000
Others	162	-9643	780	788
Investing Cash Flow	**-8788**	**-15713**	**-9876**	**-12566**
Borrowings	440	7341	0	-3000
Interest Expenses	-853	-1479	-1753	-1583
Dividend paid	-1094	-2012	-2284	-2284
Others	-417	1225	0	0
Financing Cash Flow	**-1926**	**5076**	**-4037**	**-6866**
Change in Cash	184	-755	-236	546
Opening Cash	370	554	467	232
Closing Cash	**554**	**467**	**232**	**777**

Source: Company, Axis Securities Research

Ratio Analysis

(%)

Y/E March	FY24	FY25	FY26E	FY27E
Operational Ratios				
Gross profit margin	35%	35%	38%	39%
EBITDA margin	18%	17%	20%	22%
PAT margin	10%	8%	11%	12%
Depreciation / G. block	4.1%	3.9%	4.2%	4.5%
Growth Indicator				
Sales growth	12%	5%	17%	13%
Volume growth	13%	10%	14%	11%
EBITDA growth	22%	-3%	38%	23%
PAT growth	39%	-11%	47%	30%
Efficiency Ratios				
Sales/Gross block (x)	1.02	0.75	0.805	0.837
Sales/Net block(x)	1.02	0.84	0.845	0.916
Working capital/Sales (x)	-0.06	-0.12	-0.075	-0.045
Valuation Ratios				
PE (x)	51	59	40	31
P/BV (x)	6.0	5.0	4.6	4.1
EV/Ebitda (x)	28	31	22	18
EV/Sales (x)	5.2	5.2	4.5	3.9
MCap/ Sales (x)	5.1	5.0	4.2	3.8
EV/Tonne $	286	231	218	200
Return Ratios				
ROE	12%	9%	11%	13%
ROCE	15%	11%	13%	15%
ROIC	16%	11%	14%	17%
Leverage Ratios				
Debt/equity (x)	0.2	0.3	0.3	0.2
Net debt/ Equity (x)	0.1	0.3	0.2	0.1
Net debt/Ebitda	0.4	1.6	1.1	0.5
Interest Coverage ratio (x)	11	6	8	11
Cash Flow Ratios				
OCF/Sales	15%	14%	16%	20%
OCF/Ebitda	84%	85%	79%	94%
FCF/Sales	3%	2%	5%	11%
FCF/EBITDA	15%	12%	26%	50%
OCF/Capital Employed	15%	12%	13%	18%
Payout ratio (Div/NP) (%)	29%	36%	25%	19%
AEPS (Rs.)	245	214	313	408
AEPS Growth (%)	40%	-13%	47%	30%
CEPS (Rs.)	354	345	466	587
DPS (Rs.)	70	78	78	78

Source: Company, Axis Securities Research

UltraTech Cement Price Chart and Recommendation History

Date	Reco	TP	Research
22-Jan-24	BUY	11,100	Result Update
30-Apr-24	BUY	11,100	Result Update
22-Jul-24	BUY	12,400	Result Update
12-Aug-24	BUY	12,450	AAA
22-Oct-24	BUY	12,000	Result Update
24-Jan-25	BUY	13,510	Result Update
03-Mar-25	BUY	13,510	Company Update
29-Apr-25	BUY	13,510	Result Update
22-Jul-25	BUY	13,840	Result Update

Source: Axis Securities Research

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Ratings	**Expected absolute returns over 12 – 18 months**
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.