

October 20, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	13,425		13,599	
Sales (Rs. m)	10,15,059	11,45,560	10,20,161	11,48,962
% Chng.	(0.5)	(0.3)		
EBITDA (Rs. m)	2,15,013	2,30,780	2,15,783	2,30,669
% Chng.	(0.4)	-		
EPS (Rs.)	444.2	474.7	433.5	461.4
% Chng.	2.5	2.9		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	7,59,551	9,01,604	10,15,059	11,45,560
EBITDA (Rs. m)	1,25,575	1,84,297	2,15,013	2,30,780
Margin (%)	16.5	20.4	21.2	20.1
PAT (Rs. m)	60,391	1,06,021	1,30,906	1,39,895
EPS (Rs.)	204.9	359.8	444.2	474.7
Gr. (%)	(15.5)	75.6	23.5	6.9
DPS (Rs.)	77.5	85.3	93.8	103.2
Yield (%)	0.6	0.7	0.8	0.8
RoE (%)	9.2	14.2	15.6	14.8
RoCE (%)	10.4	13.7	15.4	15.9
EV/Sales (x)	5.0	4.2	3.7	3.2
EV/EBITDA (x)	30.5	20.6	17.4	15.9
PE (x)	60.4	34.4	27.8	26.1
P/BV (x)	5.2	4.6	4.1	3.6

Key Data

52-W High / Low	Rs.13,102 / Rs.10,048	
Sensex / Nifty	83,952 / 25,710	
Market Cap	Rs.3,645bn / \$ 41,435m	
Shares Outstanding	295m	
3M Avg. Daily Value	Rs.2998.11m	

Shareholding Pattern (%)

Promoter's	59.35
Foreign	15.86
Domestic Institution	16.68
Public & Others	8.11
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.8)	3.9	12.3
Relative	(4.2)	(2.7)	8.3

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Costs delta dented EBITDA; growth story intact

Quick Pointers:

- Rs100/t will be recovered in Q3FY26 from the current elevated costs level.
- Brand conversion of ICEM/Kesoram into UltraTech is 31%/55% complete, with full conversion targeted by Jun'26.

UltraTech Cement (UTCEM) reported a softer Q2FY26 operating performance despite strong volumes on higher operating costs. Restated volume growth with Kesoram & ICEM in the base, was 7% YoY to 33.85mt (better than PLe 31.8mt). Average grey cement realization improved 0.3% QoQ, driven by a higher share of premium products (37.4%) during a seasonally weak quarter. Operating costs however rose, with RM costs impacted by higher fly ash prices, staff costs increasing due to annual increments and bonuses, and other expenses rising from higher kiln shutdown days, resulting in a cost per ton delta of Rs200/t and EBITDA/t of Rs914 (PLe: Rs1,044). Management expects to recover Rs100/t of these costs from Q3. India Cements (ICEM) and Kesoram delivered EBITDA/t of Rs386 and Rs745, respectively, and are expected to reach ~Rs1,000/t and ~Rs1,200/t by FY28E. Brand conversion of ICEM and Kesoram into UTCEM remains on track for 100% completion by June 2026.

UTCEM is a structurally superior play on India's infrastructure growth, with disciplined capital allocation and brand-led premiumization. Newly announced 22.8mt expansion pipeline across brownfield and greenfield projects in growing Northern and Western markets is planned to capture rising domestic cement demand. Despite capacity addition UTCEM's net debt to EBITDA is expected rise to 0.7x, highlighting strong balance sheet. With green energy mix targeted at 65%, clinker optimization, and GST-led affordability tailwinds, UTCEM is positioned to expand margins and market share further. We cut our FY26E EBITDA estimate by ~1% to factor in weak H1. We expect UTCEM's Revenue/EBITDA/PAT to deliver a CAGR of 15%/22%/31% over FY25-28E. The stock is trading at EV of 17.4x/15.9x FY27E/28E EBITDA. Maintain 'Accumulate' with revised TP of Rs13,425 on higher capex assumptions (earlier Rs13,599) valuing at 18x EV of Sep'27E EBITDA.

- Revenue aided by strong YoY volume:** Cons. revenue grew 20.3% YoY to Rs196bn (~7.8% QoQ; PLe Rs180bn) on restated 6.9% YoY volume growth (~8.1% QoQ) to 33.85mt; (PLe 31.8mt; w/o ICEM in base 15%) while average blended realization increased 0.3% QoQ at Rs5,792/t (+12.6% YoY; better than PLe Rs5,660/t) led by increase in premium products share. Domestic sales volumes grew 18.6% YoY this quarter. Premium product mix was ~37.4% (33.8% in 1Q).
- EBITDA/t affected by higher operating costs:** Cons. EBITDA grew 52.6% YoY to Rs30.9bn (~29.8% QoQ; PLe of Rs33.23bn) aided by better pricing YoY. RM cost/t increased 25% YoY to Rs1,149 due to inch up of fly ash costs. P&F cost per ton increased 0.9% YoY to 1,313t. Freight cost increased 1.1% YoY to Rs1,219/t. Other expenses/t increased 14% YoY to Rs882 due to plant maintenance and higher advertising spend. Employee costs increased 12%

YoY to Rs11.64bn due to annual increments and bonus during the quarter. Resultant, EBITDA/t grew 43% YoY to Rs914/t (~24% QoQ; PLe Rs1,044/t) on higher pricing YoY.

- **ICEM's EBITDA/t dropped to Rs388 in Q2FY26:** India Cements volume grew 11.9% QoQ to 2.14mt and utilisation was 65% in Q2FY26. NSR declined 3% QoQ to Rs4,578/t. Its EBITDA/t dropped to Rs386 from Rs400 in Q1FY26. ICEM is expected to spend Rs20bn over the next 2 years to for its expansion and improving efficiency.

Q2FY26 Conference Call Highlights:

- Long-term cement demand will be supported by multiple projects such as Vadhavan Port (Rs760bn capex), Amravati development, and Google's planned AI hub (investments of USD15bn) in Andhra Pradesh, etc.
- Cement prices are currently stable; any increase going forward will depend on cost pressures and a surge in demand.
- UTCCEM's regional capacity utilisation levels were in the ~70s for North and South, higher 60s in the West, and lower 60s in Central and East. The Central region was the most impacted during the quarter.
- Brand conversion of India Cements and Kesoram Industries to UltraTech has reached 31% and 55%, respectively, and is expected to reach 100% by Jun'26.
- UTCCEM has ~5,000 UBS stores, which accounted for ~21% of total sales volume in Q2FY26. The company also operates around 400 RMC plants.
- The Cables & Wires business remains on track for a Q3FY26 production launch. Land and buildings are secured, long-lead machinery has been ordered with deliveries starting Jan'26, and onboarding of key managerial personnel is underway.

Costs

- GST 2.0 will benefit UTCCEM through a reduction in GST levied on coal. The company has the highest coal consumption among cement players, with coal and pet coke accounting for 48% and 44% of the fuel mix, respectively, during the quarter.
- Fuel consumption cost stood at Rs1.8/kcal in Q2FY26 versus Rs1.78/kcal in Q2FY25.
- Fuel costs are not expected to rise for UTCCEM going forward, supported by a higher share of coal in the mix.
- UTCCEM operates 56 kilns across the country (65 incl. ICEM). There were 617 kiln shutdown days during the quarter, compared to 207 days in Q1FY26 and 511 days in Q2FY25, leading to an increase in fixed costs by ~Rs100/t.
- Advertising expenses were higher by Rs500mn, resulting in a Rs15/t impact. Higher staff costs, driven by annual payouts and bonuses during the quarter, added Rs940mn or Rs25/t (expected to decline by Rs300–350mn in Q3). Operating leverage contributed an additional Rs70/t impact. The total delta

impact stood at Rs200/t for Q2FY26, of which Rs100/t is expected to be recovered in the next quarter.

- Green power accounted for 40.5% of the total power requirement and is expected to rise to 65% post the current phase of announced expansion.

Expansion Plan

- Capex for the next two years is expected to be around Rs100bn annually.
- UTCCEM is embarking on the next phase of growth with 22.8mt of incremental capacity, comprising largely brownfield and some greenfield expansions. Of this, 18mt is focused on the Northern markets and 4.8mt on the Western markets. The expansion will be fully backed by clinker. Upon completion, UTCCEM's clinker capacity will reach 148mt, with an addition of 15.68mt (8.4mt from two new plants and the remainder through debottlenecking at various sites), taking the clinker conversion ratio to 1.59–1.6x.
- This expansion will be primarily funded through internal accruals, with some temporary borrowings. Net debt to EBITDA is expected to return to 0.7x post-expansion.
- UTCCEM's total capacity will cross 200mt by end-FY26 and is projected to reach 240–245mt by FY29. Beyond FY29, there remains potential for further 20–25mt expansion through greenfield clinker-based plants, supported by the company's ongoing acquisition of mining rights.

India Cements

- India Cements' Rs15.92bn capex covers debottlenecking, 21MW WHRS, 192MW renewable energy, and efficiency upgrades. An additional Rs4.22bn will add 2.4mtpa capacity at Chennai and Rajasthan, targeting a 20%+ IRR.
- Capacity will expand from 14.45mtpa to 17.55mtpa post-acquisition and expansions, funded through internal accruals and debt. ICL assets are expected to generate Rs1,000/t EBITDA, with net debt/EBITDA of ~0.5x by the end of this expansion.
- India Cements has exited the coal assets held in Indonesia, and the cash flows realized from the sale of these assets will help reduce its debt.

Kesoram Industries

- Kesoram EBITDA declined to Rs745/t in Q2 due to kiln shutdowns. It is expected to recover to ~Rs1,000/t in Q3FY26. Post complete integration of the brand into UTCCEM, it is anticipated to reach ~Rs1,200/t.
- Kesoram assets have been streamlined, with Rs5bn capex underway for WHRS and efficiency improvements.

Exhibit 1: Q2FY26 Result Overview (Consolidated)

Y/e March (Rs mn)	Q2FY26	Q2FY25	YoY gr. (%)	Q2FY26E	% Var.	Q1FY26	QoQ gr. (%)	H1FY26	H1FY25	YoY gr. (%)
Net Sales	1,96,069	1,62,944	20.3	1,80,147	8.8	2,12,755	(7.8)	4,08,824	3,51,130	16.4
Raw Material	38,909	29,200	33.3	31,216	24.6	38,190	1.9	77,100	61,509	25.3
% of Net Sales	19.8	17.9		17.3		18.0		18.9	17.5	
Staff Costs	10,644	9,537	11.6	10,493	1.4	9,722	9.5	20,366	17,330	17.5
% of Net Sales	5.4	5.9		5.8		4.6		5.0	4.9	
Power & Fuel	44,442	41,216	7.8	41,377	7.4	48,619	(8.6)	93,061	89,097	4.4
% of Net Sales	22.7	25.3		23.0		22.9		22.8	25.4	
Freight	41,271	38,197	8.0	38,197	8.0	46,490	(11.2)	87,761	82,476	6.4
% of Net Sales	21.0	23.4		21.2		21.9		21.5	23.5	
Other Expenses	29,859	24,522	21.8	25,641	16.5	25,630	16.5	55,489	50,276	10.4
% of Net Sales	15.2	15.0		14.2		12.0		13.6	14.3	
Total Expenditure	1,65,126	1,42,672	15.7	1,46,924	12.4	1,68,651	(2.1)	3,33,777	3,00,687	11.0
EBITDA	30,943	20,272	52.6	33,223	(6.9)	44,103	(29.8)	75,047	50,443	48.8
Margin (%)	15.8	12.4		18.4		20.7		18.4	14.4	
Depreciation	11,477	9,797	17.1	11,374	0.9	11,068	3.7	22,545	18,976	18.8
EBIT	19,467	10,475	85.8	21,850	(10.9)	33,036	(41.1)	52,502	31,467	66.8
Other income	1,741	2,262	(23.0)	1,928	(9.7)	1,802	(3.4)	3,544	3,947	(10.2)
Interest	4,593	3,930	16.9	4,376	4.9	4,333	6.0	8,926	7,188	24.2
PBT	16,615	8,807	88.6	19,401	(14.4)	30,505	(45.5)	47,120	28,227	66.9
Extraordinary income/(expense)	-	-		-		-384		-384	881	
PBT (After EO)	16,615	8,807	88.6	19,401	(14.4)	30,121	(44.8)	46,736	29,107	60.6
Tax	4,179	1,713	143.9	3,800	10.0	7,869	NA	12,047	5,346	125.3
% PBT	25.1	19.5		19.6		26.1	(3.7)	25.8	18.4	
Reported PAT	12,437	7,094	75.3	15,601	(20.3)	22,252	(44.1)	34,689	23,761	46.0
Minority Interest	-64	-51		-		50		-14	-38	
Share of profit in JV/Associates	-57	-14		-		-43		-100	15	
Net Profit Attributable to shareholders	12,316	7,028	75.2	15,601	(21.1)	22,259	(44.7)	34,575	23,738	45.7
Adjusted PAT	12,316	7,028	75.2	15,601	(21.1)	22,544	(45.4)	34,860	23,024	51.4

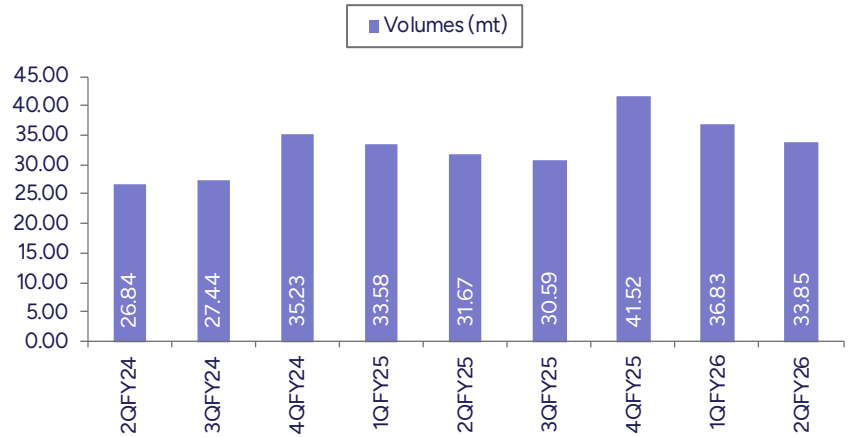
Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March (Rs mn)	Q2FY26	Q2FY25	YoY gr. (%)	Q2FY26E	% Var.	Q1FY26	QoQ gr. (%)	H1FY26	H1FY25	YoY gr. (%)
Volume (mt)	33.85	31.67	6.9	31.83	6.4	36.83	(8.1)	70.68	65.25	8.3
Realisations (Rs/t)	5,792	5,146	12.6	5,660	2.3	5,777	0	5,784	5,382	7.5
EBITDA (Rs/t)	914	640	42.8	1,044	(12.4)	1,197	(24)	1,062	773	37.3

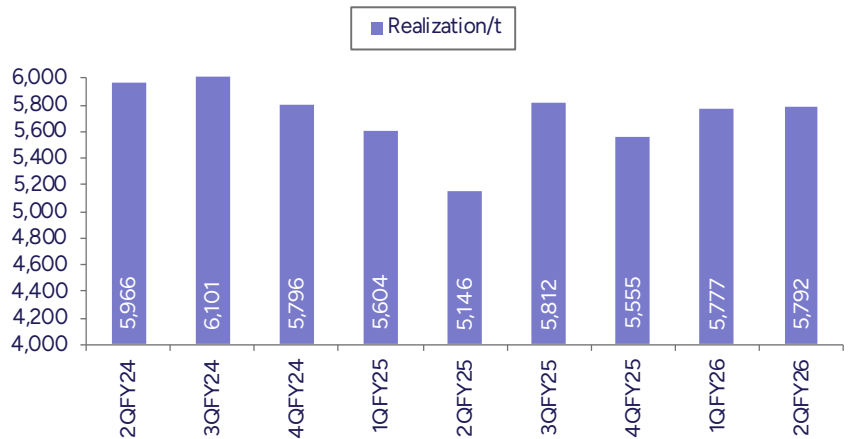
Source: Company, PL

Exhibit 3: Cons. volumes grew ~6.9% YoY adding Kesoram/ICEM in the base



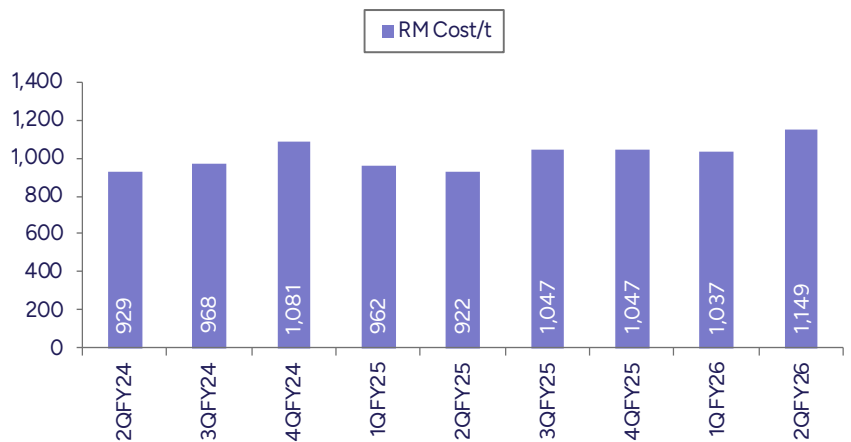
Source: Company, PL

Exhibit 4: Blended std. NSR grew 0.3% QoQ on higher premium share



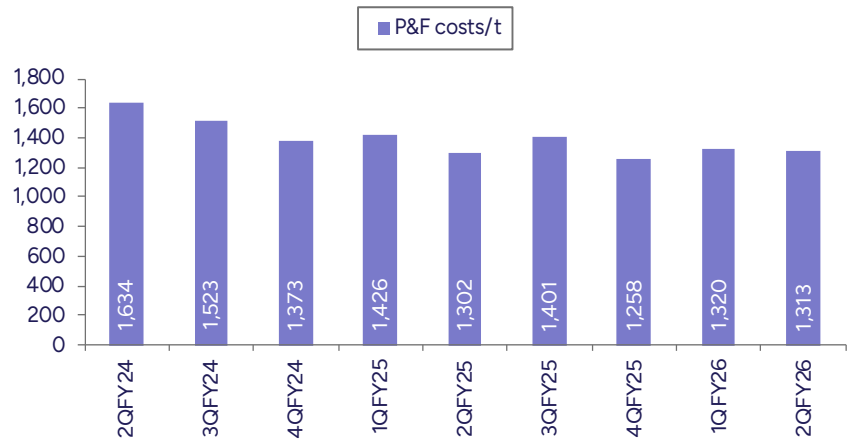
Source: Company, PL

Exhibit 5: RM costs/t grew 25% due to inch up in fly ash costs (Rs/t)



Source: Company, PL

Exhibit 6: P&F costs/t increased just 0.9% YoY on better fuel mix (Rs/t)



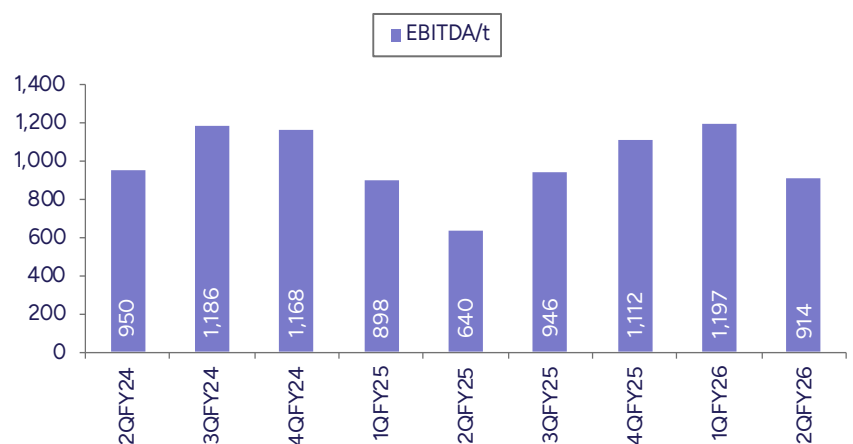
Source: Company, PL

Exhibit 7: Freight costs/t increased just 1.1% YoY on decline in lead distance



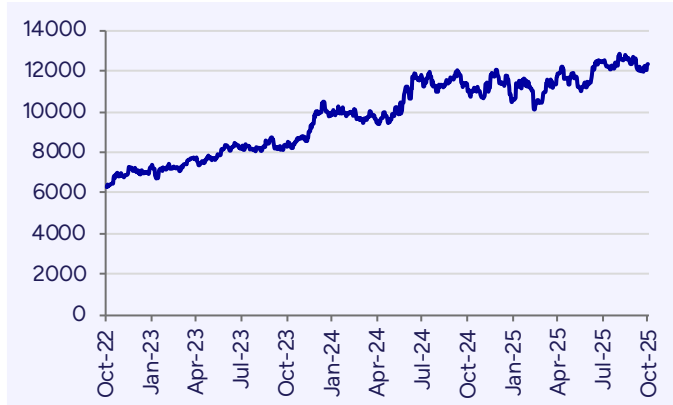
Source: Company, PL

Exhibit 8: EBITDA/t grew 43% YoY led by higher YoY pricing (Rs)



Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-25	Accumulate	13,599	12,175
2	22-Jul-25	Accumulate	13,634	12,561
3	07-Jul-25	Accumulate	13,668	12,345
4	29-Apr-25	BUY	13,668	12,114
5	07-Apr-25	BUY	12,868	11,499
6	03-Mar-25	BUY	12,303	10,128
7	24-Jan-25	Accumulate	12,350	11,421
8	08-Jan-25	Accumulate	12,145	11,404
9	22-Oct-24	Accumulate	12,401	10,869

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,311	1,858
2	Adani Port & SEZ	BUY	1,777	1,400
3	Ambuja Cement	BUY	701	570
4	Dalmia Bharat	Accumulate	2,372	2,250
5	Hindalco Industries	BUY	883	768
6	Jindal Stainless	Hold	759	758
7	Jindal Steel	Accumulate	1,170	1,034
8	JSW Infrastructure	Accumulate	338	309
9	JSW Steel	Hold	1,151	1,157
10	National Aluminium Co.	BUY	280	217
11	NMDC	Accumulate	87	76
12	Nuvoco Vistas Corporation	Accumulate	459	412
13	Shree Cement	Accumulate	32,410	29,555
14	Steel Authority of India	Hold	139	133
15	Tata Steel	Accumulate	196	171
16	Ultratech Cement	Accumulate	13,599	12,175

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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