

BUY UltraTech Cement

Your success is our success

Cementing its vision for 200mt capacity targetCement ▶ Result Update ▶ **October 29, 2023****TARGET PRICE (Rs): 9,550**

The UltraTech board has approved Phase-III of Company's capex plan for setting up ~22mt (14% of its capacity post completion of ongoing projects) cement capacity at a capex of Rs130bn (~USD71/ton), to be funded through internal accruals. Along with the ongoing expansion, Company's overall domestic grey cement capacity would gradually enhance to 182mt from FY26 (existing 132mt). Besides, the company is firmly on course to attain capacity of 200mt before FY30. This will help it to retain its leadership position. Further, such new organic capacities being added at lower capital costs aid in boosting return ratios. UltraTech remains our sector top-pick, given its strong growth/capex plans, pan-India presence, and robust balance sheet. We maintain BUY on the stock, with Sep-24E TP of Rs9,550/share (16x EV/E).

UltraTech Cement: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	5,25,988	6,32,400	7,21,662	7,89,379	8,76,901
EBITDA	1,15,143	1,06,198	1,41,902	1,59,896	1,80,603
Adj. PAT	56,665	50,639	80,120	94,211	1,10,814
Adj. EPS (Rs)	248.9	175.4	277.5	326.3	383.9
EBITDA margin (%)	21.9	16.8	19.7	20.3	20.6
EBITDA growth (%)	(0.5)	(7.8)	33.6	12.7	13.0
Adj. EPS growth (%)	35.0	(29.5)	58.2	17.6	17.6
RoE (%)	12.0	9.7	13.9	14.6	15.2
RoIC (%)	10.8	9.3	13.6	14.6	15.7
P/E (x)	41.8	46.8	29.6	25.2	21.4
EV/EBITDA (x)	20.9	22.6	16.7	14.6	12.7
P/B (x)	4.7	4.4	3.9	3.5	3.1
FCFF yield (%)	1.7	1.1	2.1	2.1	2.7

Source: Company, Emkay Research

Targeting domestic grey cement capacity of 182mt, FY26 onwards

UltraTech's current domestic grey cement capacity stands at 132.5mt. In its ongoing phase-II expansion plan, it will add 24.4mt capacity (in addition to the 4mt debottlenecking), thus increasing its capacity to 159.7mt by Jun-25. In phase-III of expansion (21.9mt, at a capex of Rs130bn), it targets commercial production to go onstream in a phased manner from FY26, thereby enhancing its total grey cement capacity to 182mt. This will be achieved by setting up 4 greenfield and brownfield plants each, along with 4 greenfield bulk terminals. Further, the capex includes investments in setting up an additional 39MW WHRS at Rs4.5bn and another Rs1.8bn towards AFR. Accordingly, UltraTech's green-energy usage will be >60% by FY27-end, as it will be supported by total WHRS capacity of >400MW and renewable energy of ~1.5GW.

Nearly 60% incremental capacity addition targeted in south & east regions

Under phase-III of 22mt capacity addition, this incremental capacity is added in the South (9.3mt), followed by the East (6.3mt), North (3.9mt) and West (2.4mt). No additional capacity addition is targeted in the central region. Post completion, we anticipate Company's pan-India capacity market share to improve by 200-250bps over the next few years. As nearly 60% of incremental capacity addition (~29mt) is targeted in the southern and eastern regions, it will help the company to improve its capacity share in these regions (currently <20%) and resultantly achieve leadership position. On pan-India basis, we estimate cement supply/demand to register 6.5-7%/8% CAGR over FY23-26E. Regionally, with higher addition in the East and South, prices/profitability may remain volatile in these regions over the next few years.

Expansion to support volume growth; healthy OCF to fund capex requirements

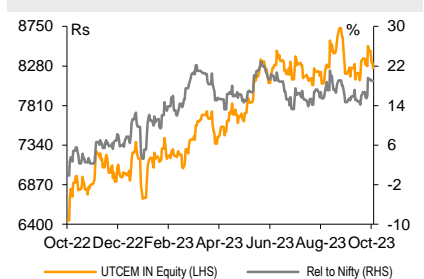
UltraTech's capacity utilization remained healthy at >80% in FY23. Sustained enhancement in capacity would support industry-leading volume growth and help to retain Company's leadership position. In our current forecast, we model volume/EBITDA CAGR of 10%/19% over FY23-26E. We expect Company to generate a robust OCF of ~Rs360bn in FY24-26E which would assist in funding its capex requirements.

Target Price – 12M	Sep-24
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	16.3
CMP (27-Oct-23) (Rs)	8,210.2

Stock Data	Ticker
52-week High (Rs)	8,751
52-week Low (Rs)	6,372
Shares outstanding (mn)	288.7
Market-cap (Rs bn)	2,370
Market-cap (USD mn)	28,472
Net-debt, FY24E (Rs mn)	-2,977
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	2,743.3
ADTV-3M (USD mn)	33.0
Free float (%)	40
Nifty-50	19,047
INR/USD	83.2
Shareholding, Jun-23	
Promoters (%)	60.0
FPIs/MFs (%)	15.8/16.6

Price Performance

(%)	1M	3M	12M
Absolute	(0.6)	(0.9)	27.6
Rel. to Nifty	2.9	2.2	18.8

1-Year share price trend (Rs)**Dharmesh Shah**dharmesh.shah@emkayglobal.com
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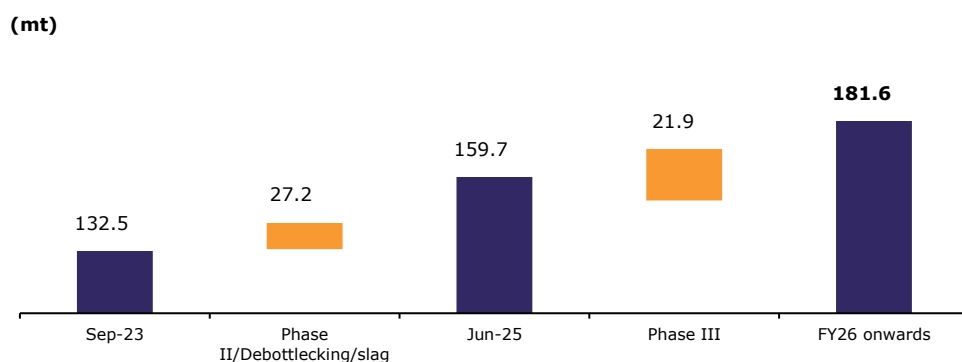
Story in Charts

Exhibit 1: Nearly 60% of incremental capacity addition targeted in the South and East

Regions (mt)	Sep-23	Under Phase-II	Debottlenecking/slag unit*	Jun-25	Under Phase-III	Total additions	FY26 onwards
North	26.5	4.4	1.4	32.3	3.9	9.7	36.2
Central	28.4	7.3	-	35.7	-	7.3	35.7
East	26.4	5.2	2.5	34.1	6.3	14.0	40.4
West	30.7	-	0.7	31.4	2.4	3.1	33.8
South	20.5	5.7	-	26.2	9.3	15.0	35.5
All-India	132.5	22.6	4.6	159.7	21.9	49.1	181.6

Source: Company, Emkay Research; *regional capacity addition assumed

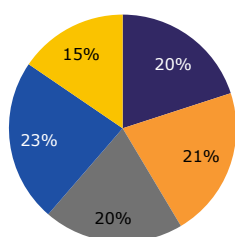
Exhibit 2: Targets reaching 182mt gradually, from FY26



Source: Company, Emkay Research

Exhibit 3: Capacity mix – Sep-23

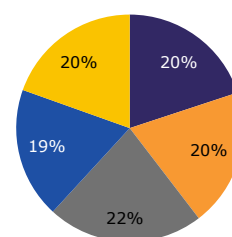
■ North ■ Central ■ East ■ West ■ South



Source: Company, Emkay Research

Exhibit 4: Capacity mix – FY26 onwards

■ North ■ Central ■ East ■ West ■ South



Source: Company, Emkay Research

Exhibit 5: We maintain BUY on UltraTech Cement, with TP of Rs9,550/share, based on Sep-25E EV/E of 16x

EV/E valuation	
Sep-25E EBITDA (Rs bn)	170
EV/E (x)	16
Enterprise Value (Rs bn)	2,722
Net debt (Sep-24E; Rs bn)	(34)
Equity value (Rs bn)	2,757
No. of shares (mn)	289
Sep-24E Target Price (Rs/share)	9,550

Source: Emkay Research

Exhibit 6: Annual Financials

Key Assumptions	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR (%)	
										FY18-23	FY23-26E
Capacity (mt)	86	100	115	118	121	138	142	157	166	10.0	6.4
Volumes (mt)	65	76	82	86	94	106	120	128	139	10.4	9.5
Utilization (%)	82	82	77	74	78	82	84	81	83		
Blended Realization (Rs/ton)	4,795	4,815	5,038	5,118	5,502	5,895	5,933	6,084	6,226	4.2	1.8
EBITDA/ton (Rs)	951	889	1,144	1,338	1,225	1,004	1,183	1,250	1,300	1.1	9.0
P&L (Rs bn)											
Revenue	314	374	421	447	526	632	722	789	877	15.0	11.5
EBITDA	61	68	94	116	115	106	142	160	181	11.6	19.4
Adj. Net Profit	25	24	38	56	57	51	80	94	111	15.5	29.8
Balance Sheet (Rs bn)											
Equity	264	284	391	442	504	544	608	683	772		
Net Debt	141	196	169	67	39	27	(3)	(33)	(77)		
Net Debt:EBITDA (x)	2.3	2.9	1.8	0.6	0.3	0.3	(0.0)	(0.2)	(0.4)		
Net Debt:Equity (x)	0.5	0.7	0.4	0.2	0.1	0.0	(0.0)	(0.0)	(0.1)		
Cash Flow (Rs bn)											
OCF before NWC change	40	47	65	87	93	74	110	120	142		
Change in NWC	(8)	(9)	5	23	(5)	(3)	(2)	(3)	(4)		
Capex	(180)	(15)	(17)	(18)	(56)	(61)	(66)	(73)	(78)		
FCF	(149)	23	53	91	32	10	43	44	60		
Return ratios (%)											
RoE	9.7	8.9	11.4	13.4	12.0	9.7	13.9	14.6	15.2		
RoCE	7.6	6.8	8.6	11.6	10.4	8.9	13.0	14.0	15.2	-	
RoIC	9.1	7.4	9.3	11.0	10.8	9.3	13.6	14.6	15.7		
Valuations (x)											
PER						46.8	29.6	25.2	21.4		
EV/EBITDA						22.6	16.7	14.6	12.7		
EV/ton (USD)						212	203	181	168		

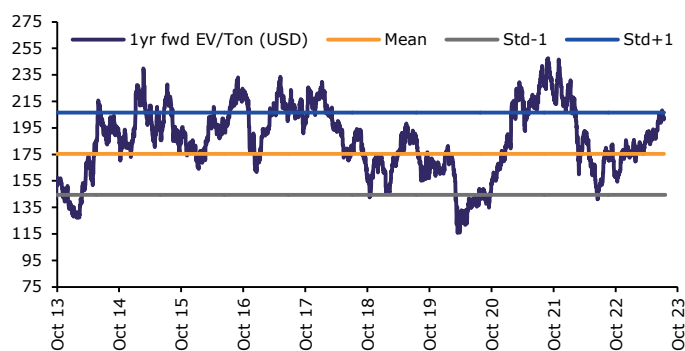
Source: Company, Emkay Research

Exhibit 7: Annual analysis on a per-ton basis

(Rs/ton)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Blended realization	4,795	4,815	5,038	5,118	5,502	5,895	5,933	6,084	6,226
% YoY	2.0	0.4	4.6	1.6	7.5	7.1	0.6	2.5	2.3
Raw material cost	813	855	767	820	847	919	930	953	983
Power & fuel cost	981	1,103	1,029	964	1,291	1,749	1,577	1,593	1,624
Freight cost	1,132	1,158	1,181	1,162	1,246	1,325	1,331	1,372	1,396
Staff cost	280	270	305	272	270	259	252	253	249
Other expenses	706	619	691	618	717	725	744	748	758
% YoY	(5.6)	(12.3)	11.6	(10.6)	15.9	1.2	2.6	0.6	1.3
Total Operating Cost	3,911	4,005	3,973	3,836	4,371	4,976	4,834	4,919	5,010
Other operating income	68	79	79	56	95	85	83	84	84
Blended EBITDA	951	889	1,144	1,338	1,225	1,004	1,183	1,250	1,300
% YoY	(2.6)	(6.6)	28.7	17.0	(8.5)	(18.0)	17.8	5.6	4.0

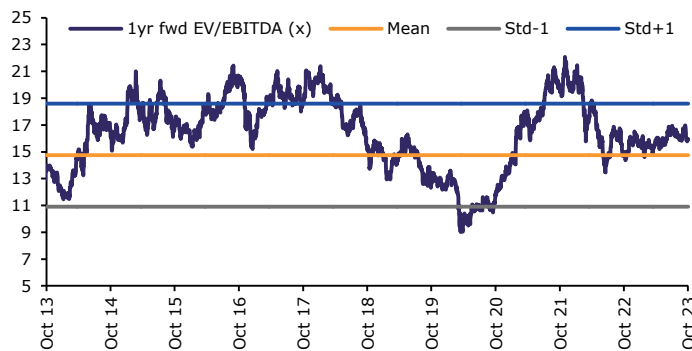
Source: Company, Emkay Research

Exhibit 8: One-year forward EV/ton



Source: Bloomberg, Emkay Research

Exhibit 9: One-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

UltraTech Cement: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	5,25,988	6,32,400	7,21,662	7,89,379	8,76,901
Revenue growth (%)	17.6	20.2	14.1	9.4	11.1
EBITDA	1,15,143	1,06,198	1,41,902	1,59,896	1,80,603
EBITDA growth (%)	(0.5)	(7.8)	33.6	12.7	13.0
Depreciation & Amortization	27,148	28,880	32,120	33,463	34,933
EBIT	87,996	77,318	1,09,782	1,26,433	1,45,670
EBIT growth (%)	(0.8)	(12.1)	42.0	15.2	15.2
Other operating income	8,908	9,020	10,012	10,813	11,678
Other income	5,078	5,031	6,151	7,014	8,135
Financial expense	9,447	8,227	8,598	7,239	5,363
PBT	83,627	74,122	1,07,335	1,26,207	1,48,441
Extraordinary items	15,179	0	0	0	0
Taxes	27,079	23,429	27,156	31,930	37,556
Minority interest	(118)	54	60	65	72
Income from JV/Associates	0	0	0	0	0
Reported PAT	71,844	50,639	80,120	94,211	1,10,814
PAT growth (%)	35.0	(29.5)	58.2	17.6	17.6
Adjusted PAT	56,665	50,639	80,120	94,211	1,10,814
Diluted EPS (Rs)	248.9	175.4	277.5	326.3	383.9
Diluted EPS growth (%)	35.0	(29.5)	58.2	17.6	17.6
DPS (Rs)	38.0	55.5	65.3	76.8	0.0
Dividend payout (%)	15.3	31.6	23.5	23.5	0.0
EBITDA margin (%)	21.9	16.8	19.7	20.3	20.6
EBIT margin (%)	16.7	12.2	15.2	16.0	16.6
Effective tax rate (%)	32.4	31.6	25.3	25.3	25.3
NOPLAT (pre-IndAS)	59,502	52,880	82,007	94,445	1,08,815
Shares outstanding (mn)	288.7	288.7	288.7	288.7	288.7

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	83,627	74,122	1,07,335	1,26,207	1,48,441
Others (non-cash items)	(212)	2,721	0	0	0
Taxes paid	(27,079)	(23,429)	(27,156)	(31,930)	(37,556)
Change in NWC	(8,984)	14,119	2,582	(4,192)	(1,589)
Operating cash flow	94,165	99,555	1,16,261	1,22,670	1,40,318
Capital expenditure	(52,356)	(72,855)	(65,834)	(73,411)	(77,844)
Acquisition of business	58,054	(1,065)	(5,000)	(5,000)	(5,000)
Interest & dividend income	5,078	5,031	6,151	7,014	8,135
Investing cash flow	10,777	(68,889)	(64,682)	(71,397)	(74,710)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(1,02,699)	(3,021)	(18,000)	(15,000)	(11,000)
Payment of lease liabilities	(2,227)	0	0	0	0
Interest paid	(9,447)	(8,227)	(8,598)	(7,239)	(5,363)
Dividend paid (incl tax)	(10,970)	(10,970)	(16,024)	(18,842)	(22,163)
Others	1,689	(545)	(1,960)	126	133
Financing cash flow	(1,21,425)	(22,762)	(44,582)	(40,955)	(38,393)
Net chg in Cash	(16,484)	7,904	6,997	10,317	27,215
OCF	94,165	99,555	1,16,261	1,22,670	1,40,318
Adj. OCF (w/o NWC chg.)	1,03,149	85,436	1,13,679	1,26,862	1,41,907
FCFF	41,809	26,700	50,428	49,259	62,474
FCFE	(60,889)	23,680	32,428	34,259	51,474
OCF/EBITDA (%)	81.8	93.7	81.9	76.7	77.7
FCFE/PAT (%)	(107.5)	46.8	40.5	36.4	46.5
FCFF/NOPLAT (%)	70.3	50.5	61.5	52.2	57.4

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	2,887	2,887	2,887	2,887	2,887
Reserves & Surplus	5,01,467	5,40,359	6,04,454	6,79,823	7,68,474
Net worth	5,04,353	5,43,245	6,07,341	6,82,710	7,71,361
Minority interests	(31)	556	616	681	753
Deferred tax liability (net)	60,169	62,536	60,516	60,577	60,637
Total debt	1,02,028	99,008	81,008	66,008	55,008
Total liabilities & equity	6,66,520	7,05,345	7,49,481	8,09,976	8,87,760
Net tangible fixed assets	4,25,922	4,36,434	4,85,105	5,23,845	5,67,824
Net intangible assets	1,17,168	1,17,168	1,17,168	1,17,168	1,17,168
Net ROU assets	11,786	11,786	11,786	11,786	11,786
Capital WIP	47,773	40,349	26,398	28,644	28,644
Goodwill	62,502	63,293	63,293	63,293	63,293
Investments [JV/Associates]	3,931	12,478	12,478	12,478	12,478
Cash & equivalents	63,019	71,988	83,985	99,302	1,31,518
Current assets (ex-cash)	1,37,565	1,60,310	1,83,502	2,04,604	2,33,345
Current Liab. & Prov.	1,71,595	2,08,459	2,34,233	2,51,143	2,78,295
NWC (ex-cash)	(34,031)	(48,149)	(50,731)	(46,539)	(44,951)
Total assets	6,66,520	7,05,345	7,49,481	8,09,976	8,87,760
Net debt	39,010	27,020	(2,977)	(33,295)	(76,510)
Capital employed	6,66,520	7,05,345	7,49,481	8,09,976	8,87,760
Invested capital	5,51,798	5,80,531	6,26,620	6,69,552	7,15,120
BVPS (Rs)	1,747.2	1,881.8	2,103.8	2,364.9	2,671.9
Net Debt/Equity (x)	0.1	0.0	0.0	0.0	(0.1)
Net Debt/EBITDA (x)	0.3	0.3	0.0	(0.2)	(0.4)
Interest coverage (x)	0.1	0.1	0.1	0.1	0.0
RoCE (%)	13.6	12.0	15.9	17.1	18.1

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	41.8	46.8	29.6	25.2	21.4
P/CE(x)	28.3	29.8	21.1	18.6	16.3
P/B (x)	4.7	4.4	3.9	3.5	3.1
EV/Sales (x)	4.7	3.8	3.3	3.0	2.7
EV/EBITDA (x)	20.9	22.6	16.7	14.6	12.7
EV/EBIT(x)	27.7	31.2	21.6	18.5	15.7
EV/IC (x)	4.4	4.1	3.8	3.5	3.2
FCFF yield (%)	1.7	1.1	2.1	2.1	2.7
FCFE yield (%)	(2.5)	1.0	1.4	1.5	2.2
Dividend yield (%)	0.5	0.7	0.8	0.9	0.0
DuPont-RoE split					
Net profit margin (%)	10.8	8.0	11.1	11.9	12.6
Total asset turnover (x)	0.8	0.9	1.0	1.0	1.0
Assets/Equity (x)	1.5	1.3	1.3	1.2	1.2
RoE (%)	12.0	9.7	13.9	14.6	15.2
DuPont-RoIC					
NOPLAT margin (%)	11.3	8.4	11.4	12.0	12.4
IC turnover (x)	1.0	1.1	1.2	1.2	1.3
RoIC (%)	10.8	9.3	13.6	14.6	15.7
Operating metrics					
Core NWC days	(23.6)	(27.8)	(25.7)	(21.5)	(18.7)
Total NWC days	(23.6)	(27.8)	(25.7)	(21.5)	(18.7)
Fixed asset turnover	0.7	0.8	0.9	0.9	0.9
Opex-to-revenue (%)	63.0	67.8	64.9	64.3	63.8

Source: Company, Emkay Research

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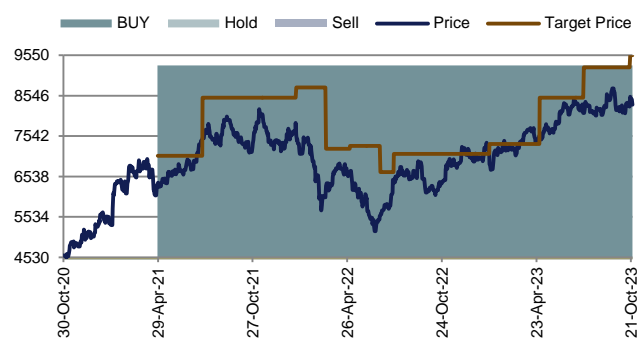
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RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
19-Oct-23	8,519	9,550	Buy	Dharmesh Shah
28-Sep-23	8,154	9,250	Buy	Dharmesh Shah
18-Sep-23	8,628	9,250	Buy	Dharmesh Shah
22-Jul-23	8,119	9,250	Buy	Dharmesh Shah
03-Jun-23	7,851	8,500	Buy	Dharmesh Shah
04-May-23	7,502	8,500	Buy	Dharmesh Shah
29-Apr-23	7,556	8,500	Buy	Dharmesh Shah
07-Apr-23	7,702	7,350	Buy	Dharmesh Shah
02-Mar-23	7,289	7,350	Buy	Dharmesh Shah
05-Feb-23	7,189	7,350	Buy	Dharmesh Shah
23-Jan-23	6,850	7,350	Buy	Dharmesh Shah
29-Dec-22	6,982	7,100	Buy	Dharmesh Shah
05-Dec-22	7,199	7,100	Buy	Dharmesh Shah
05-Nov-22	6,893	7,100	Buy	Dharmesh Shah
19-Oct-22	6,398	7,100	Buy	Dharmesh Shah
04-Oct-22	6,308	7,100	Buy	Dharmesh Shah
04-Sep-22	6,578	7,100	Buy	Dharmesh Shah
24-Jul-22	6,459	7,100	Buy	Dharmesh Shah
04-Jul-22	5,709	6,650	Buy	Dharmesh Shah
28-Jun-22	5,573	6,650	Buy	Dharmesh Shah
02-Jun-22	6,008	7,300	Buy	Dharmesh Shah
01-May-22	6,630	7,300	Buy	Dharmesh Shah
16-Mar-22	6,306	7,230	Buy	Dharmesh Shah
18-Jan-22	7,556	8,750	Buy	Dharmesh Shah
31-Dec-21	7,591	8,500	Buy	Dharmesh Shah
02-Dec-21	7,323	8,500	Buy	Dharmesh Shah
19-Oct-21	7,170	8,500	Buy	Dharmesh Shah
05-Sep-21	7,930	8,500	Buy	Dharmesh Shah
06-Aug-21	7,528	8,500	Buy	Dharmesh Shah
23-Jul-21	7,490	8,500	Buy	Dharmesh Shah
06-Jun-21	6,664	7,050	Buy	Dharmesh Shah
10-May-21	6,403	7,050	Buy	Dharmesh Shah
09-May-21	6,482	7,050	Buy	Dharmesh Shah
28-Apr-21	6,361	7,050	Buy	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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