

UltraTech Cement | BUY

Expanding into wires and cables segment

The board of UltraTech Cement has announced the company's entry into the wires and cables segment with a planned capex outlay of INR 18bn over the next 2 years. The plant will be set up near Bharuch, Gujarat, and the company aims to commission it by Dec'26. On full ramp-up, we estimate potential EBITDA accretion of 4-5% on FY27E EBITDA base. Given the group's growth ambitions and UltraTech's robust cashflow generation (OCF of ~INR 290bn over FY26E-27E), we also don't rule out the possibility of the group entering into other building solution segments in future. Though capex intensity is low and unlikely to stretch the balance sheet, the investment into a non-cement business is likely to raise concerns over capital allocation. We maintain BUY with Mar'26E TP of INR 13,000 based on 19x FY27E EV/E as UltraTech's return ratios are poised to improve structurally over the next 3-4 years owing to i) rising asset turnover; ii) low cost of expansions; and iii) rising profitability.

- **Forays into wires & cables segment:** UltraTech proposes to extend its footprint in the construction value chain through the wires and cables segment with a planned capex outlay of INR 18bn over the next 2 years. The capex is expected to be financed through a mix of internal accruals and debt. The plant will be set up near Bharuch, Gujarat, and the company aims to commission it by Dec'26. The wires and cables industry has witnessed revenue CAGR of ~13% over FY19-24. UltraTech aims to meet the growing demand for wires and cables across various sectors, including residential, commercial, infrastructure, and industrial applications.
- **Is there right to win for UltraTech?** UltraTech proposes to leverage its extensive manufacturing expertise coupled with its connect with end-consumers, thereby targeting the highest share of the customer wallet. The company is likely to capitalise on its strong relationships with real estate players (in the B2B segment), distribution reach through UltraTech Building Solutions outlets (>4,400 outlets as of Dec'24, already selling some non-cement products such as construction chemicals, dry mortars, waterproofing, etc.), and better management of the key raw material (copper) through group company Hindalco. This industry typically has asset turnover of 4x-5x, EBITDA margin of ~10-12% and return ratio of 15-20%. Accordingly, on full ramp-up, this would imply potential EBITDA accretion of ~4-5% on FY27E EBITDA base.
- **Targeting to strengthen its position as a comprehensive building solutions provider:** We estimate FCF generation of >INR 100bn for the company even after factoring in cement growth capex of INR 90bn p.a. over FY26E-27E. UltraTech aims to strengthen its position as a comprehensive building solutions provider. Earlier, the group had announced its entry into the paints segment through Grasim. Given the group's growth ambitions and UltraTech's robust cashflow generation, we don't rule out the possibility of the group entering into other building solution segments in future. Though capex intensity is low and unlikely to stretch the balance sheet (net debt of INR166bn as of Dec'24), the investment into a non-cement business is likely to raise concerns over capital allocation.



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We acknowledge the contribution of **Akshaan Agrawal** (akshaan.agrawal@jmfl.com) in preparation of this report

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	13,000
Upside/(Downside)	18.6%
Previous Price Target	13,000
Change	0.0%

Key Data – UTCEN IN

Current Market Price	INR10,964
Market cap (bn)	INR3,165.4/US\$36.3
Free Float	37%
Shares in issue (mn)	288.7
Diluted share (mn)	288.7
3-mon avg daily val (mn)	INR3,654.2/US\$41.9
52-week range	12,145/9,250
Sensex/Nifty	74,602/22,548
INR/US\$	87.2

Price Performance

%	1M	6M	12M
Absolute	-2.9	-3.3	9.6
Relative*	-0.8	5.1	7.5

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	6,23,380	6,98,100	7,29,787	8,50,738	9,60,875
Sales Growth (%)	20.6	12.0	4.5	16.6	12.9
EBITDA	1,06,198	1,29,686	1,27,793	1,72,093	2,08,636
EBITDA Margin (%)	16.8	18.3	17.2	19.9	21.4
Adjusted Net Profit	50,639	70,770	63,320	83,223	1,08,839
Diluted EPS (INR)	175.4	245.1	219.3	282.4	369.4
Diluted EPS Growth (%)	-10.6	39.8	-10.5	28.8	30.8
ROIC (%)	9.6	12.5	9.8	11.2	12.8
ROE (%)	9.7	12.4	10.1	11.8	13.7
P/E (x)	62.5	44.7	50.0	38.8	29.7
P/B (x)	5.8	5.3	4.9	4.3	3.9
EV/EBITDA (x)	30.1	24.7	25.9	19.3	15.7
Dividend Yield (%)	0.3	0.6	0.6	0.8	1.0

Source: Company data, JM Financial. Note: Valuations as of 25/Feb/2025

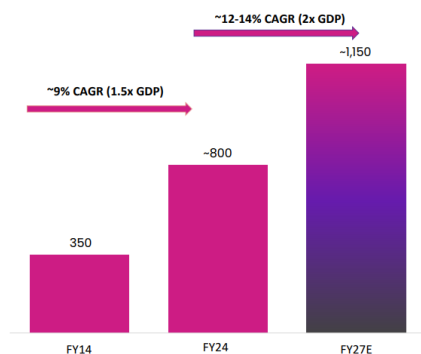
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Bloomberg - JMFR <GO>,
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S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Indian Cable & Wire industry is poised for sustained growth

Indian Cable & Wire industry projected to grow near ~2x GDP (vs ~1.5x GDP historically)

Indian Cable & Wire Market (₹ Bn):



Source: Industry Reports, Company Estimates

Source: Polycab PPT, JM Financial

Key Demand Drivers:

**Robust Domestic Demand**

- Government's thrust on infrastructure
- Energy transition boosting demand for power transmission
- Real estate upcycle
- High demand from sunrise industries (Data Centers, EV, Railways, Metro, etc.)

Exports Opportunity

- China + 1 supply alternative
- Global C&W is ~\$250Bn market, growing at 7%+ CAGR, driven by Renewables, Power, Oil & Gas
- Global annual grid capex is expected to rise from \$290 Bn in 2022 to \$845 Bn in 2030 to replace ageing infrastructure

**Organized Players To Dominate**

- Focus on safety, GST regime, complex C&W applications to drive shift towards organized players
- Shift towards higher voltage products to benefit large players

Exhibit 2. A snapshot of UltraTech Building Solutions (UBS) outlets

UltraTech Building Solutions

One-stop building solution for the retail customer



4,236 UltraTech Building Solutions outlets

Helps to increase the share of customer wallet to 60%+

Benefits for Home Builders

- Convenience, trust empowerment

Benefits for Dealers

- Increase in earning capacity
- Better fit with aspirations of new generation

Business partners at UltraTech Building Solutions stores



Services through UBS Outlets



Types of Categories Sold



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UltraTech Building Products

Dry Mix



Synergy

- In line with our vision 'To be THE LEADER in Building Solutions'
- Forward integration of the cement business
- Value-added products

Environment friendly

- Environment (M-Sand helping conserve sand beds; less water needed in curing)
- Society (Homogenous end product; batchwise consistency; IS&EN standards-compatible; construction speed faster; material and cost savings; skill training for masons / contractors)
- Economics (Helping channel partners and masons / contractors in increasing earnings)
- Certification (Certified as per Indian Green Building Council standards)

Waterproofing



Portfolio breadth and depth

Product Basket	Dry Mix	Water proofing	Total
Categories	5	1	6
Products	22	9	31
Variants	77	11	88

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Source: Company, JM Financial

Exhibit 3. Annual analysis

Key Assumptions	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR (%)	
									FY20-25E	FY25E-27E
Capacity (mt)	115	118	121	135	148	179	201	216	9.3	9.9
Volumes (mt)	82	86	94	106	119	131	152	169	9.7	13.5
Utilisation (%)	77	74	78	83	80	73	75	78		
Blended Realisation (INR/tn)	5,038	5,118	5,502	5,895	5,864	5,569	5,610	5,687	2.0	1.1
EBITDA/tn (INR/tn)	1,144	1,338	1,225	1,004	1,089	975	1,135	1,235	(3.1)	12.5
P&L (INR bn)										
Revenue	421	447	526	632	709	742	864	976	12.0	14.7
EBITDA	94	116	115	106	130	128	172	209	6.3	27.8
Adj. Net Profit	38	56	57	51	71	63	83	109	10.5	31.1
Balance Sheet (INR bn)										
Equity	391	442	504	544	603	647	760	836		
Net Debt	169	67	39	27	28	147	151	112		
Net Debt: EBITDA	1.8	0.6	0.3	0.3	0.2	1.1	0.9	0.5		
Net Debt: Equity	0.4	0.2	0.1	0.0	0.0	0.2	0.2	0.1		
Cash Flow (INR bn)										
OCF before NWC change	65	87	93	74	104	102	129	158		
Change in NWC	5	23	(5)	(3)	(5)	(2)	(1)	(1)		
Capex	(17)	(18)	(56)	(61)	(89)	(190)	(90)	(90)		
FCF	53	91	32	10	10	(90)	38	66		
Return ratios (%)										
RoE	11.4	13.4	12.0	9.7	12.3	10.1	11.8	13.6		
RoCE	8.6	11.6	10.4	8.9	11.2	8.6	10.2	12.1		
RoIC	9.3	11.0	10.8	9.3	12.3	10.1	11.6	13.1		
Valuations (x)										
PE					44.7	50.0	38.8	29.7		
EV/EBITDA					25.1	25.5	19.6	16.2		
EV/tn (USD)					252	217	196	181		

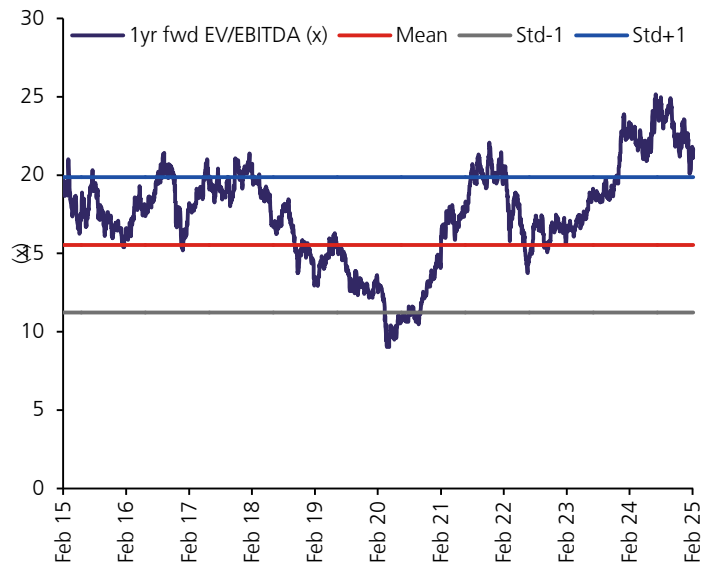
Source: Company, JM Financial

Exhibit 4. Annual analysis on per tonne basis

INR/tn	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Blended realisation	5,038	5,118	5,502	5,895	5,864	5,569	5,610	5,687
% YoY	4.6	1.6	7.5	7.1	(0.5)	(5.0)	0.8	1.4
Raw materials consumed	767	820	847	919	1,000	1,016	1,025	1,034
Power & fuel costs	1,029	964	1,291	1,749	1,536	1,337	1,221	1,225
Freight costs	1,181	1,162	1,246	1,325	1,334	1,299	1,284	1,275
Staff cost	305	272	270	259	255	272	268	261
Other expenses	691	618	717	725	742	759	764	744
Total OpEx	3,973	3,836	4,371	4,976	4,867	4,683	4,562	4,539
Other operating income	79	56	95	85	92	90	87	87
Blended EBITDA	1,144	1,338	1,225	1,004	1,089	975	1,135	1,235
% YoY	28.7	17.0	(8.5)	(18.0)	8.5	(10.5)	16.4	8.8

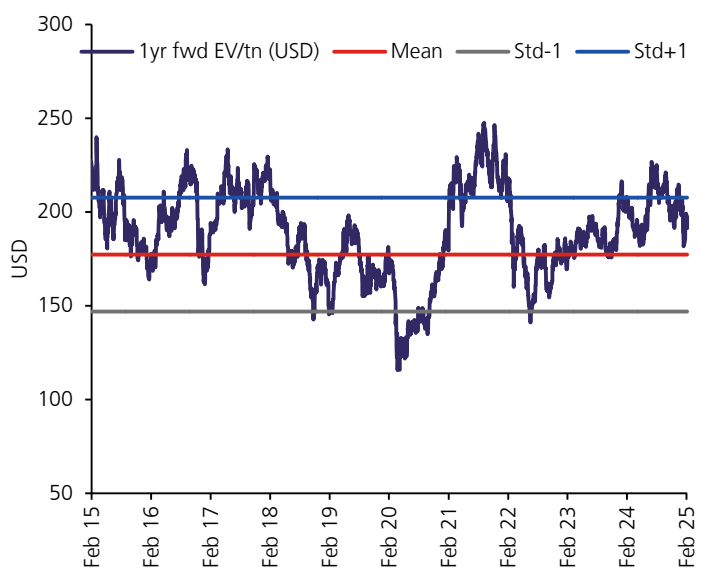
Source: Company, JM Financial

Exhibit 5. One-year forward EV / EBITDA



Source: Bloomberg, JM Financial

Exhibit 6. One-year forward EV/tn



Source: Bloomberg, JM Financial

Exhibit 7. We have BUY rating with TP of INR 13,000 based on 19x FY27 EV/E

EV/E method	
Mar27E EBITDA (INR bn)	209
EV/E multiple (x)	19.0
EV (INR bn)	3,975
Net debt (Mar26E)	151
Equity value	3,830
No. of shares (mn)	295
Mar'26 Target Price (INR)	13,000

Source: JM Financial; *including investment in Star Cement

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	6,23,380	6,98,100	7,29,787	8,50,738	9,60,875
Sales Growth	20.6%	12.0%	4.5%	16.6%	12.9%
Other Operating Income	9,020	10,981	11,750	13,160	14,739
Total Revenue	6,32,400	7,09,081	7,41,537	8,63,898	9,75,614
Cost of Goods Sold/Op. Exp	97,150	1,19,029	1,33,102	1,55,481	1,74,638
Personnel Cost	27,390	30,376	35,616	40,602	44,128
Other Expenses	4,01,662	4,29,991	4,45,026	4,95,722	5,48,212
EBITDA	1,06,198	1,29,686	1,27,793	1,72,093	2,08,636
EBITDA Margin	16.8%	18.3%	17.2%	19.9%	21.4%
EBITDA Growth	-7.8%	22.1%	-1.5%	34.7%	21.2%
Depn. & Amort.	28,880	31,453	36,635	47,367	52,798
EBIT	77,318	98,233	91,158	1,24,725	1,55,838
Other Income	5,031	6,170	7,426	7,901	8,166
Finance Cost	8,227	9,680	13,674	21,058	18,127
PBT before Excep. & Forex	74,122	94,722	84,910	1,11,568	1,45,877
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	74,122	94,722	84,910	1,11,568	1,45,877
Taxes	23,429	24,183	21,482	28,227	36,907
Extraordinary Inc./Loss(-)	0	-720	325	0	0
Assoc. Profit/Min. Int.(-)	54	-231	108	119	131
Reported Net Profit	50,639	70,050	63,645	83,223	1,08,839
Adjusted Net Profit	50,639	70,770	63,320	83,223	1,08,839
Net Margin	8.0%	10.0%	8.5%	9.6%	11.2%
Diluted Share Cap. (mn)	288.7	288.7	288.7	294.7	294.7
Diluted EPS (INR)	175.4	245.1	219.3	282.4	369.4
Diluted EPS Growth	-10.6%	39.8%	-10.5%	28.8%	30.8%
Total Dividend + Tax	10,970	20,208	19,093	24,967	32,652
Dividend Per Share (INR)	38.0	70.0	66.1	84.7	110.8

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profit before Tax	74,122	94,722	84,910	1,11,568	1,45,877
Depn. & Amort.	28,880	31,453	35,597	46,299	51,697
Net Interest Exp. / Inc. (-)	8,227	9,680	13,674	21,058	18,127
Inc (-) / Dec in WCap.	14,119	1,605	-5,529	3,602	766
Others	-2,364	-4,661	-7,209	-8,020	-8,297
Taxes Paid	-23,429	-24,183	-21,482	-28,227	-36,907
Operating Cash Flow	99,555	1,08,616	99,961	1,46,280	1,71,264
Capex	-72,855	-94,753	-1,90,000	-90,000	-90,000
Free Cash Flow	26,700	13,863	-90,039	56,280	81,264
Inc (-) / Dec in Investments	-1,065	-6,870	7,000	-5,000	-5,000
Others	5,031	6,170	7,426	7,901	8,166
Investing Cash Flow	-68,889	-95,454	-1,75,574	-87,099	-86,834
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-10,970	-20,208	-19,093	-24,967	-32,652
Inc / Dec (-) in Loans	-3,021	3,976	1,28,600	-10,000	-27,000
Others	-8,772	-594	-17,417	-20,878	-17,936
Financing Cash Flow	-22,762	-16,826	92,089	-55,845	-77,587
Inc / Dec (-) in Cash	7,904	-3,664	16,476	3,336	6,843
Opening Cash Balance	3,592	11,496	7,832	24,308	27,644
Closing Cash Balance	11,496	7,832	24,308	27,644	34,487

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Shareholders' Fund	5,43,245	6,02,275	6,46,826	7,59,082	8,35,270
Share Capital	2,887	2,887	2,887	2,947	2,947
Reserves & Surplus	5,40,359	5,99,388	6,43,939	7,56,135	8,32,323
Preference Share Capital	0	0	0	0	0
Minority Interest	556	559	668	787	918
Total Loans	99,008	1,02,984	2,31,584	2,43,584	2,16,584
Def. Tax Liab. / Assets (-)	62,536	64,429	60,577	60,637	60,698
Total - Equity & Liab.	7,05,345	7,70,247	9,39,655	10,64,090	11,13,469
Net Fixed Assets	6,69,029	7,29,679	8,76,322	9,96,023	10,34,326
Gross Fixed Assets	7,37,926	8,02,389	9,59,851	11,35,111	12,41,780
Intangible Assets	63,293	63,455	63,455	63,455	63,455
Less: Depn. & Amort.	1,72,539	2,03,992	2,39,589	2,85,888	3,37,585
Capital WIP	40,349	67,828	92,605	83,345	66,676
Investments	72,970	82,490	83,250	88,250	93,250
Current Assets	1,71,806	1,95,802	2,21,565	2,58,487	2,95,394
Inventories	66,118	83,297	90,352	1,05,329	1,19,358
Sundry Debtors	38,670	42,782	45,271	52,774	59,606
Cash & Bank Balances	11,496	7,832	24,308	27,644	34,487
Loans & Advances	53,870	60,241	59,983	71,089	80,292
Other Current Assets	1,651	1,651	1,651	1,651	1,651
Current Liab. & Prov.	2,08,459	2,37,724	2,41,481	2,78,669	3,09,501
Current Liabilities	72,093	84,783	79,398	91,226	1,01,903
Provisions & Others	1,36,366	1,52,941	1,62,084	1,87,444	2,07,598
Net Current Assets	-36,654	-41,922	-19,917	-20,183	-14,106
Total - Assets	7,05,345	7,70,247	9,39,655	10,64,090	11,13,469

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin	8.0%	10.0%	8.5%	9.6%	11.2%
Asset Turnover (x)	0.9	1.0	0.9	0.9	0.9
Leverage Factor (x)	1.3	1.3	1.4	1.4	1.4
RoE	9.7%	12.4%	10.1%	11.8%	13.7%

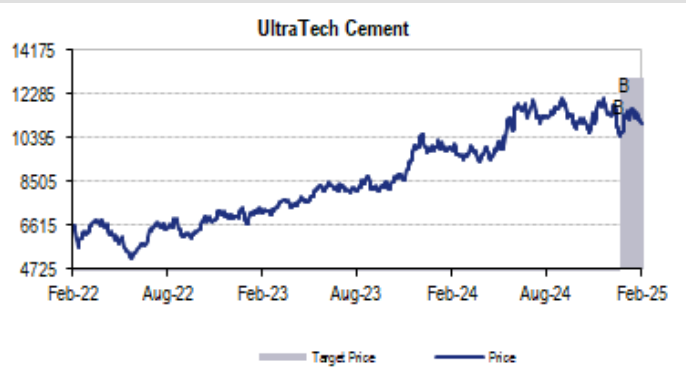
Key Ratios					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)	1,881.8	2,086.2	2,240.6	2,576.1	2,834.7
ROIC	9.6%	12.5%	9.8%	11.2%	12.8%
ROE	9.7%	12.4%	10.1%	11.8%	13.7%
Net Debt/Equity (x)	0.0	0.0	0.2	0.2	0.1
P/E (x)	62.5	44.7	50.0	38.8	29.7
P/B (x)	5.8	5.3	4.9	4.3	3.9
EV/EBITDA (x)	30.1	24.7	25.9	19.3	15.7
EV/Sales (x)	5.1	4.5	4.5	3.8	3.4
Debtor days	22	22	22	22	22
Inventory days	38	43	44	45	45
Creditor days	50	53	47	48	48

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
14-Jan-25	Buy	13,000	
23-Jan-25	Buy	13,000	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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