

UltraTech Cement

BSE SENSEX
79,243

S&P CNX
24,045

CMP: INR11,717

TP: INR13,300 (+14%)

Buy



Bloomberg	UTCEM IN
Equity Shares (m)	289
M.Cap.(INRb)/(USDb)	3382.6 / 40.5
52-Week Range (INR)	11876 / 7941
1, 6, 12 Rel. Per (%)	10/1/15
12M Avg Val (INR M)	3320

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	757	902	1,014
EBITDA	148	181	213
Adj. PAT	83	102	123
EBITDA Margin (%)	20	20	21
Adj. EPS (INR)	288	346	419
EPS Gr. (%)	18	20	21
BV/Sh. (INR)	2,329	2,772	3,190

Ratios

Net D:E	(0.0)	(0.1)	(0.1)
RoE (%)	13.0	13.7	14.2
RoCE (%)	12.3	13.0	13.6
Payout (%)	15.6	15.9	6.7

Valuations

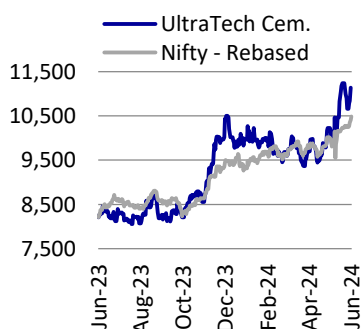
P/E (x)	40.7	33.8	28.0
P/BV (x)	5.0	4.2	3.7
EV/EBITDA(x)	22.3	18.5	15.3
EV/ton (USD)	244	217	196
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	1.3	2.1	2.7

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	60.0	60.0	60.0
DII	14.3	13.8	17.1
FII	18.4	18.9	15.4
Others	7.3	7.3	7.5

FII Includes depository receipts

Stock's performance (one-year)



Journey of growth, scale and leadership

- UltraTech Cement (UTCEM) is maintaining its leadership position in the Indian cement industry, with its long-term expansion strategy in key markets. UTCEM's domestic grey cement capacity CAGR stood at 10% over FY14-24, leading to a significant gain in market share (up 10pp over FY14-24) to ~26% by FY24. UTCEM expanded its capacity with a mix of organic and inorganic routes. In the last decade, the company added 104.2mtpa of capacity (including acquisition of Kesoram Industries or KSI, pending for certain approvals), of which 60.5mtpa (~58%) was through acquisitions.
- Over the year, the company balanced out its pan-India presence with all-round capacity expansions. Earlier (FY19), UTCEM had higher concentration in the West, Central and North regions. However, the company's consistent organic capacity expansions (under Phase I, II and III) and recent strategic acquisitions are balancing its overall market presence.
- The company is targeting cost savings of INR200-300/t over the next three years. Cost savings would be achieved through an increase in green power and alternative fuel share, a reduction in clinker factor, savings in logistics costs through utilizing larger scale of operation, and operating leverage with higher volume.
- We estimate a CAGR of 18%/20% in consolidated EBITDA/adjusted PAT over FY24-27. We have included KSI in our earnings estimates from FY26 (as of now acquisition is pending for certain approvals and expected to complete in 2HFY25). UTCEM's healthy operating performance with a large scale of operation and its leadership position in the industry warrant higher multiples. The stock currently trades at 18.5x FY26E EV/EBITDA. We value the stock at 20x Jun'26E EV/EBITDA to arrive at a TP of INR13,300. **Reiterate BUY.**

All-round growth; maintaining leadership position

- UTCEM's domestic grey cement capacity/volume CAGRs at 10%/11% over FY14-24 exceeded that of the industry (at 5% each). As a result, UTCEM's market share has increased significantly, to ~26% in FY24 from ~16% in FY14. It expanded the capacity with a mix of organic and inorganic routes.
- UTCEM is expanding domestic grey cement capacity (under Phase II & III) to reach 183.5mtpa organically and 194.3mtpa, including KSI acquisition (pending for certain approvals), by FY27-end vs. 147.3mtpa currently. Also, the company has enough organic opportunities to reach 200mtpa of grey cement capacity in the medium term.
- The board has approved a non-controlling financial investment to purchase a ~23% stake in ICEM (acquired 19.44% stake at INR267/share and balance 3.4% stake is acquiring at INR285/share). The stake acquisition is from a large investor and the management did not comment anything on any potential deal with ICEM's promoters. At these prices, ICEM EV/t (one-year forward) works out to be USD90/t.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Cost savings to help improve profitability

- The company is targeting cost savings of INR200-300/t over the next three years. It has given a detailed cost saving guidance of – i) INR80/t through an increase in the green power share; ii) INR30/t by higher alternative fuel share; iii) INR60/t by a reduction in clinker factor and higher blended cement share, iv) INR75/t by savings in logistics costs through utilizing larger scale of operation and logistic optimization; and v) INR40/t from other operational efficiency, including positive operating leverage with higher volume.
- UTCCEM aims to increase its WHRS capacity to 465MW by FY27E vs. 278MW currently. Apart from that, it is participating in a hybrid solar-wind project, which will help to increase other RE capacity to 1.5GW by FY27E (from 612MW currently). After the completion of these projects, green energy will fulfill +60% of total power requirements (25% from WHRS and 35% from other RE) on increased capacity. It has a long-term target (by FY30E) of increasing its share of green power to ~85%.
- We estimate UTCCEM's capacity utilization to be at the optimum level of ~82-86% and consol. volume CAGR at ~12% over FY24-27. We estimate its EBITDA/t at INR1,150/INR1,190/INR1,275 in FY25/FY26/FY27 vs. INR1,090 in FY24. We have factored in the acquisition of KSI cement asset in our estimates from FY26.

View and valuation

- UTCCEM's consolidated net debt increased to INR217b after a slew of acquisitions in FY19-20. However, with successful integrations and a rapid scale-up in capacity utilization in acquired assets, UTCCEM not only reduced its net debt (INR27.8b as of Mar'24), but also expanded its domestic grey cement capacity to 140.8mtpa in FY24 from 109mtpa in FY19 while maintaining its leadership position in the industry. We believe the low-cost expansion (all Phase - I, II and III expansions entail capex of ~USD70/t) and faster execution will improve return ratios. We estimate the company's ROE to increase to 14% by FY26-27 vs. 12% in FY24.
- In our previous company update, we highlighted the company's [valuation premium is supported by growth plans](#). We continue to believe in the company's ability to gain market share, driven by its extensive operations, nationwide presence, and robust brand equity.
- UTCCEM's healthy operating performance with a large scale of operation and its leadership position in the industry warrant higher multiples. The stock currently trades at 18.5x FY26E EV/EBITDA. We value the stock at 20x Jun'26E EV/EBITDA to arrive at a TP of INR13,300. **Reiterate BUY.**

Story in charts

Exhibit 1: UTCEM’s region-wise capacity (mtpa) and capacity share currently (Jun’26)

Region	Cement Capacity currently	Regional mix (%)	Industry capacity	Capacity share in the industry
North	33.3	23	~128	26%
Central	28.4	19	~86	33%
East	30.3	21	~144	21%
West	32.2	22	~83	39%
South	23.2	16	~194	12%
All India	147.4		~634	23%

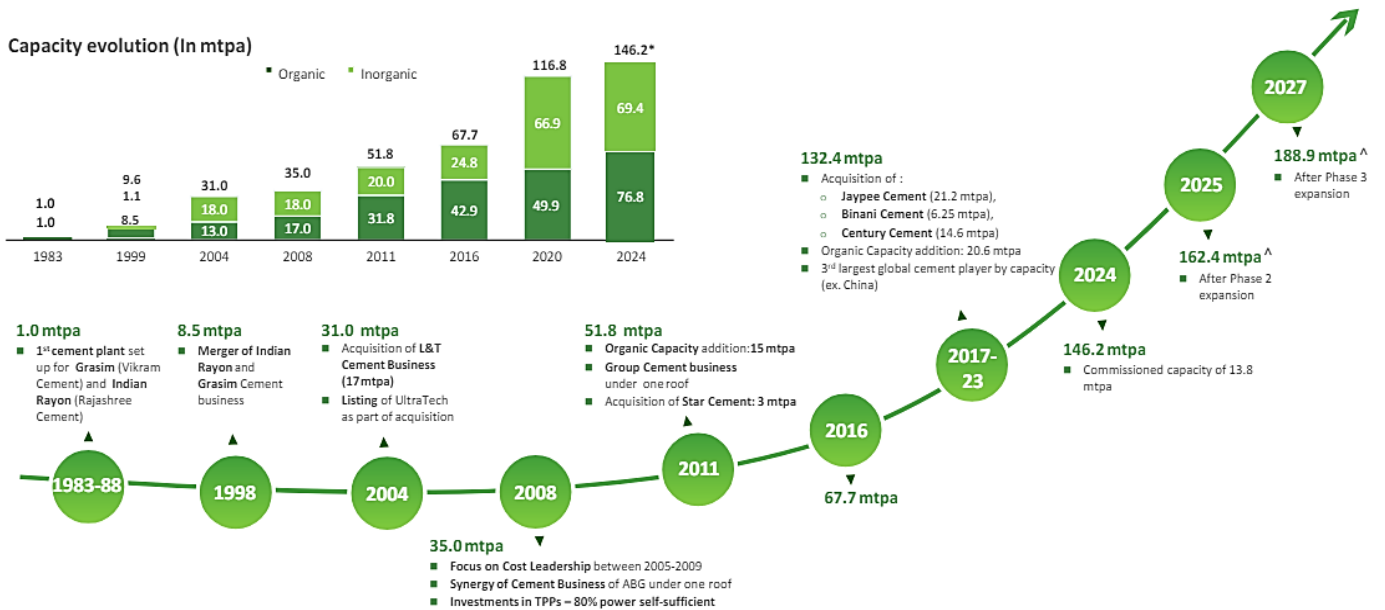
Source: Company, MOFSL

Exhibit 2: UTCEM’s region-wise capacity (mtpa) and capacity share by Mar’27E

Region	Cement Capacity Mar’27	Regional mix (%)	Industry capacity*	Capacity share in the industry
North	39.0	20%	~144	27%
Central	32.9	17%	~110	30%
East	41.0	21%	~178	23%
West	35.2	18%	~110	32%
South	46.3	24%	~225	21%
All India	194.4		~768	25%

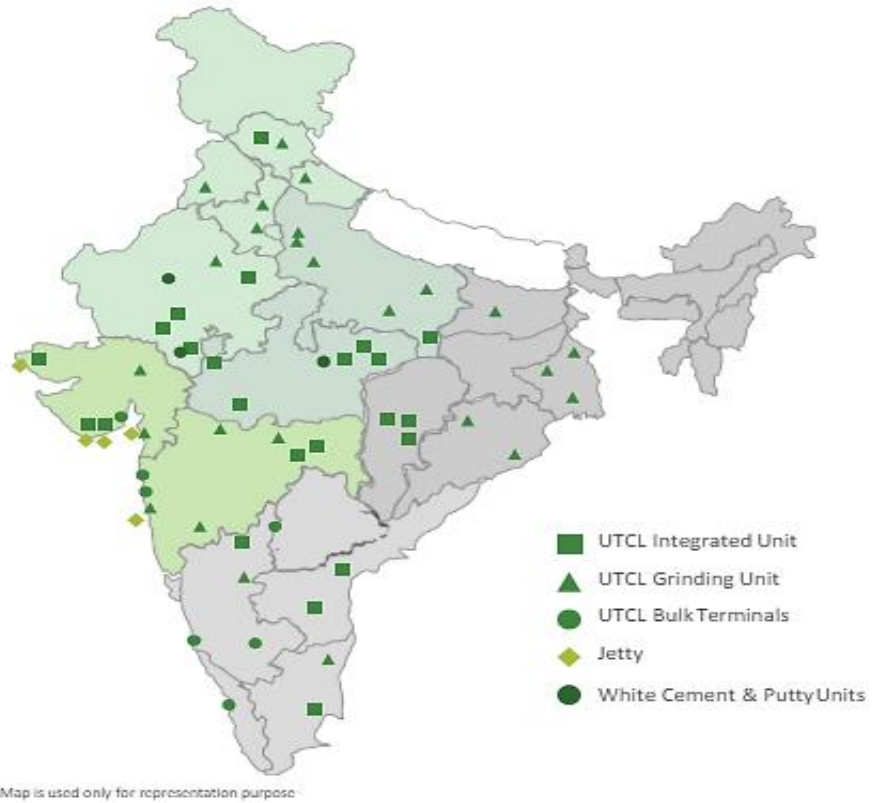
Source: Company, MOFSL; Note: * MOFSL estimate including KSI, pending acquisition for certain approvals

Exhibit 3: UTCEM’s growth journey – mix of organic and inorganic expansion



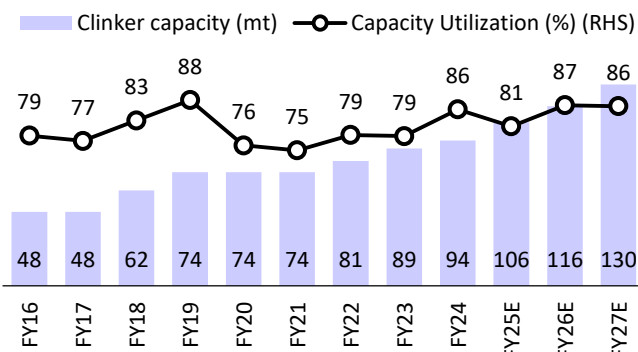
Source: MOFSL, Company; Note: * Capacity of 152.69mtpa as on May-24; ^ Excluding KSI capacity of 10.75 MTPA awaiting regulatory approvals

Exhibit 4: UTCEM India footprint



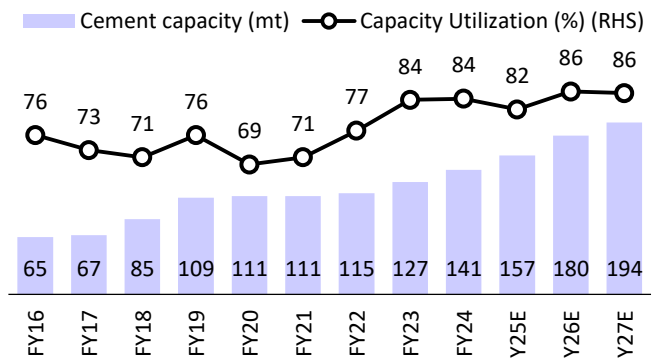
Source: MOFSL, Company

Exhibit 5: Estimate clinker utilization to remain high...



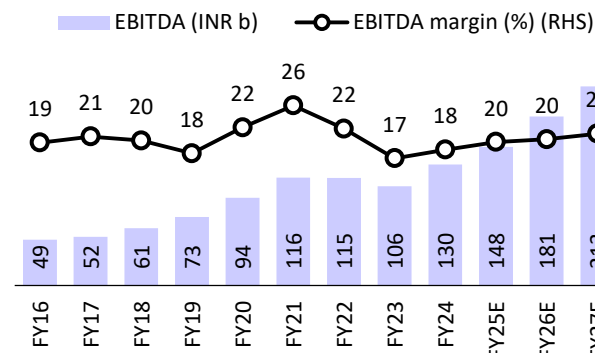
Source: MOFSL, Company;

Exhibit 6: ...so with cement capacity utilization



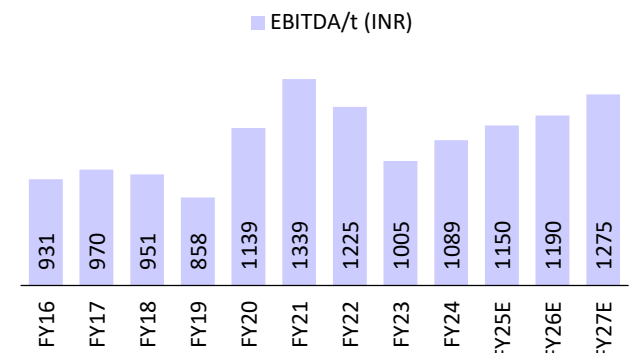
Source: MOFSL, Company

Exhibit 7: Estimate ~18% EBITDA CAGR over FY24-27



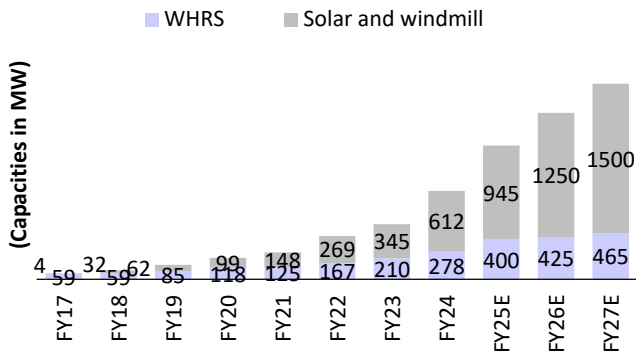
Source: MOFSL, Company

Exhibit 8: Estimate EBITDA/t to improve



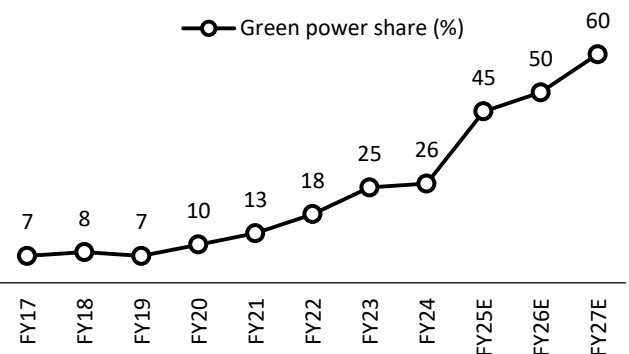
Source: MOFSL, Company

Exhibit 9: Increasing green power portfolio...



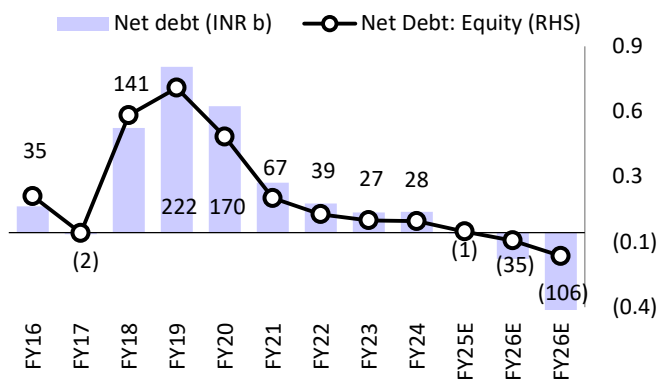
Source: MOFSL, Company

Exhibit 10: ...to drive higher green power share



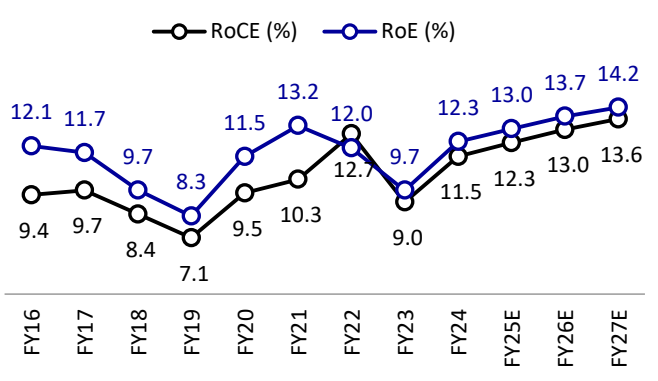
Source: MOFSL, Company

Exhibit 11: Estimate UTCEM to be net cash in FY25-26



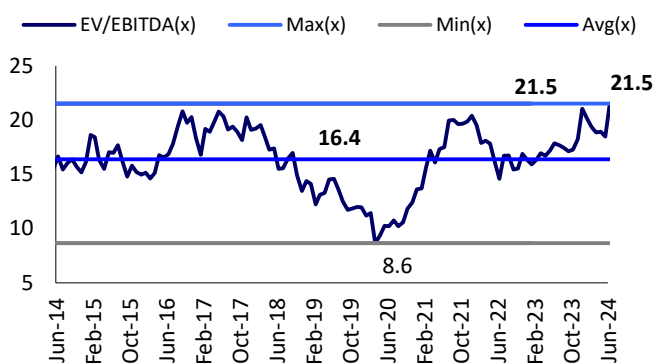
Source: Company, MOFSL

Exhibit 12: Return ratios to improve during FY25-27E



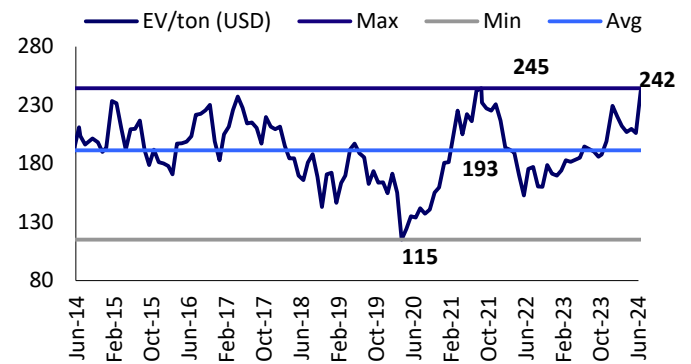
Source: Company, MOFSL

Exhibit 13: One-year forward EV/EBITDA ratio trend



Source: Company, MOFSL

Exhibit 14: One-year forward EV/t trend



Source: Company, MOFSL

Financials and Valuations

Consolidated - Income Statement

(INR M)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	4,24,299	4,47,258	5,25,988	6,32,400	7,09,081	7,57,402	9,02,237	10,14,296
Change (%)	2.0	5.4	17.6	20.2	12.1	6.8	19.1	12.4
Raw Materials	65,181	70,858	79,650	97,150	1,19,029	1,30,443	1,52,742	1,72,106
Employees Cost	25,199	23,530	25,347	27,390	30,376	31,520	36,375	38,251
Other Expenses	2,40,141	2,37,191	3,05,848	4,01,662	4,29,991	4,47,019	5,32,051	5,90,681
Total Expenditure	3,30,520	3,31,579	4,10,845	5,26,201	5,79,396	6,08,983	7,21,168	8,01,038
% of Sales	77.9	74.1	78.1	83.2	81.7	80.4	79.9	79.0
EBITDA	93,779	1,15,679	1,15,144	1,06,199	1,29,686	1,48,419	1,81,069	2,13,259
Margin (%)	22.1	25.9	21.9	16.8	18.3	19.6	20.1	21.0
Depreciation	27,227	27,002	27,148	28,880	31,453	34,444	42,988	48,259
EBIT	66,552	88,677	87,996	77,319	98,233	1,13,976	1,38,082	1,65,000
Int. and Finance Charges	19,917	14,857	9,447	8,227	9,680	9,561	9,228	8,633
Other Income	6,511	7,342	5,078	5,031	6,170	6,719	7,592	8,566
PBT bef. EO Exp.	53,146	81,162	83,627	74,122	94,722	1,11,134	1,36,446	1,64,933
EO Items	19,788	-2,607	0	0	-720	0	0	0
PBT after EO Exp.	72,934	78,555	83,627	74,122	94,002	1,11,134	1,36,446	1,64,933
Total Tax	15,413	25,387	11,901	23,429	24,183	28,109	34,414	41,549
Tax Rate (%)	21.1	32.3	14.2	31.6	25.7	25.3	25.2	25.2
Minority Interest	-32	-34	-118	54	-231	0	0	0
Reported PAT	57,553	53,202	71,844	50,640	70,050	83,025	1,02,031	1,23,385
Adjusted PAT	41,946	54,967	56,665	50,640	70,572	83,025	1,02,031	1,23,385
Change (%)	69.0	31.0	3.1	-10.6	39.4	17.6	22.9	20.9
Margin (%)	9.9	12.3	10.8	8.0	10.0	11.0	11.3	12.2

Consolidated - Balance Sheet

(INR M)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	2,886	2,887	2,887	2,887	2,887	2,887	2,947	2,947
Total Reserves	3,88,269	4,38,860	5,01,466	5,40,359	5,99,388	6,69,421	8,13,735	9,17,966
Net Worth	3,91,155	4,41,747	5,04,353	5,43,245	6,02,275	6,72,308	8,16,681	9,20,913
Minority Interest	75	57	-31	556	559	559	559	559
Total Loans	2,28,979	2,04,878	1,02,028	99,008	1,02,984	92,984	96,594	81,594
Deferred Tax Liabilities	49,120	60,407	60,332	62,601	64,478	75,392	88,735	1,04,834
Capital Employed	6,69,329	7,07,089	6,66,683	7,05,411	7,70,296	8,41,243	10,02,570	11,07,901
Gross Block	6,02,798	6,14,319	6,41,922	7,10,926	7,75,203	8,70,929	10,38,828	11,19,581
Less: Accum. Deprn.	95,399	1,22,401	1,49,549	1,78,428	2,09,881	2,44,325	2,87,313	3,35,571
Net Fixed Assets	5,07,400	4,91,918	4,92,374	5,32,497	5,65,321	6,26,604	7,51,515	7,84,010
Goodwill on Consolidation	62,525	62,199	62,502	63,293	63,455	63,455	63,455	63,455
Capital WIP	9,095	16,867	47,847	40,404	68,112	68,466	68,466	80,466
Current Investment	42,437	1,08,939	49,633	58,366	54,848	54,848	54,848	54,848
Non-Current Investment	16,850	12,842	13,725	14,604	27,642	27,642	27,642	27,642
Curr. Assets, Loans & Adv.	1,44,307	1,59,034	1,71,938	2,04,460	2,28,444	2,50,613	3,11,966	3,86,529
Inventory	41,483	40,180	55,956	66,118	83,297	83,479	99,398	1,11,727
Account Receivables	22,383	25,717	30,716	38,670	42,782	45,431	53,491	59,920
Cash and Bank Balance	5,392	20,076	3,592	11,496	7,832	27,027	64,259	1,19,921
Loans and Advances	75,049	73,061	81,674	88,175	94,533	94,676	94,819	94,961
Curr. Liability & Prov.	1,19,152	1,52,307	1,71,595	2,08,459	2,37,724	2,50,583	2,75,522	2,89,249
Account Payables	35,014	46,993	58,628	72,093	84,783	90,561	1,07,879	1,21,277
Other Current Liabilities	76,240	96,441	1,04,309	1,28,080	1,43,660	1,50,736	1,58,352	1,58,675
Provisions	7,898	8,873	8,658	8,286	9,281	9,286	9,292	9,297
Net Current Assets	25,155	6,727	343	-3,999	-9,280	30	36,444	97,280
Deferred Tax assets	60	72	164	66	49	50	50	51
Net Assets held for sale	5,808	7,526	95	180	149	149	149	149
Appl. of Funds	6,69,329	7,07,089	6,66,683	7,05,411	7,70,296	8,41,244	10,02,570	11,07,901

Financials and Valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	145.3	190.4	196.3	175.4	244.5	287.6	346.3	418.7
Cash EPS	239.7	284.0	290.3	275.4	353.4	406.9	492.2	582.5
BV/Share	1,355.2	1,530.4	1,747.2	1,881.8	2,086.2	2,328.8	2,771.6	3,190.0
DPS	11.5	37.0	38.0	38.0	70.0	45.0	55.0	65.0
Payout (%)	9.1	19.4	19.4	21.7	28.6	15.6	15.9	6.7
Valuation (x)								
P/E	80.6	61.5	59.7	66.8	47.9	40.7	33.8	28.0
Cash P/E	48.9	41.3	40.3	42.5	33.1	28.8	23.8	20.1
P/BV	8.6	7.7	6.7	6.2	5.6	5.0	4.2	3.7
EV/Sales	7.9	7.5	6.3	5.3	4.7	4.4	3.7	3.2
EV/Ton (Cap-USD)	363	352	336	305	273	244	217	196
EV/EBITDA	37.7	29.6	29.3	31.6	25.7	22.3	18.5	15.3
Dividend Yield (%)	0.1	0.3	0.3	0.3	0.6	0.4	0.5	0.6
FCF per share	249.4	369.4	127.4	102.6	69.7	156.0	237.8	305.0
Return Ratios (%)								
RoE	11.5	13.2	12.0	9.7	12.3	13.0	13.7	14.2
RoCE	9.5	10.3	12.7	9.0	11.5	12.3	13.0	13.6
RoIC	8.5	10.2	13.4	9.1	11.8	12.8	13.7	14.8
Working Capital Ratios								
Inventory (Days)	36	33	39	38	43	40	40	40
Debtor (Days)	19	21	21	22	22	22	22	22
Creditor (Days)	30	38	41	42	44	44	44	44
Leverage Ratio (x)								
Current Ratio	1.2	1.0	1.0	1.0	1.0	1.0	1.1	1.3
Interest Cover Ratio	3.3	6.0	9.3	9.4	10.1	11.9	15.0	19.1
Net Debt/Equity	0.5	0.2	0.1	0.1	0.1	0.0	0.0	-0.1

Consolidated - Cash Flow Statement

(INR M)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	52,423	78,576	83,627	74,122	94,002	1,11,134	1,36,446	1,64,933
Depreciation	27,022	27,002	27,148	28,880	31,453	34,444	42,988	48,259
Interest & Finance Charges	19,917	14,857	9,447	8,227	9,680	9,561	9,228	8,633
Direct Taxes Paid	-8,914	-12,910	-15,549	-11,243	-16,505	-17,196	-21,072	-25,450
(Inc)/Dec in WC	4,503	23,264	-4,730	-3,370	-4,811	9,885	817	-5,173
CF from Operations	94,949	1,30,789	99,943	96,617	1,13,819	1,47,828	1,68,407	1,91,201
Others	-5,929	-5,785	-7,110	-5,932	-4,844	-6,719	-7,592	-8,566
CF from Operating incl EO	89,020	1,25,004	92,832	90,685	1,08,975	1,41,109	1,60,814	1,82,636
(Inc)/Dec in FA	-17,037	-18,389	-56,062	-61,056	-88,841	-96,081	-90,740	-92,753
Free Cash Flow	71,983	1,06,615	36,771	29,629	20,135	45,028	70,074	89,882
(Pur)/Sale of Investments	-26,266	-70,949	76,888	-13,642	-653	0	0	0
Others	1,210	774	1,744	2,827	1,612	6,719	-69,566	8,566
CF from Investments	-42,094	-88,565	22,570	-71,871	-87,881	-89,362	-1,60,306	-84,187
Issue of Shares	27	70	44	47	19	0	60	0
Inc/(Dec) in Debt	-26,663	-25,149	-1,12,232	-3,632	-6,240	-10,000	3,610	-15,000
Interest Paid	-19,445	-14,805	-2,227	-1,894	-2,252	-9,561	-9,228	-8,633
Dividend Paid	-3,800	-3,748	-10,650	-10,913	-10,944	-12,991	-16,207	-19,153
Others	-31	68	87	81	161	0	58,488	0
CF from Fin. Activity	-49,911	-43,565	-1,24,979	-16,310	-19,257	-32,552	36,724	-42,786
Inc/Dec of Cash	-2,985	-7,125	-9,577	2,504	1,838	19,195	37,232	55,662
Opening Balance	8,377	27,201	13,169	8,992	11,496	13,334	32,529	69,760
Closing Balance	5,392	20,076	3,592	11,496	13,334	32,529	69,760	1,25,422

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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