

UltraTech Cement

BSE SENSEX 73,198 S&P CNX 22,125



	UTCEM IN
Bloomberg Equity Shares (m)	289
M.Cap.(INRb)/(USD\$b)	2924.1 / 33.4
52-Week Range (INR)	12145 / 9250
1, 6, 12 Rel. Per (%)	-7/2/3
12M Avg Val (INR M)	3990

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	737	910	1,014
EBITDA	124	170	205
Adj. PAT	63	86	109
EBITDA Margin (%)	17	19	20
Adj. EPS (INR)	219	293	371
EPS Gr. (%)	(10)	33	27
BV/Sh. (INR)	2,257	2,646	2,927

Ratios

Net D:E	0.3	0.3	0.2
RoE (%)	10.1	12.0	13.3
RoCE (%)	9.4	10.6	11.7
Payout (%)	22.8	23.9	24.3

Valuations

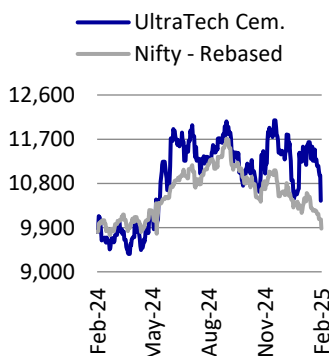
P/E (x)	46.1	34.6	27.3
P/BV (x)	4.5	3.8	3.5
EV/EBITDA(x)	24.0	18.1	15.0
EV/ton (USD)	191	175	162
Div. Yield (%)	0.5	0.7	0.9
FCF Yield (%)	1.2	0.7	2.5

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	60.0	60.0	60.0
DII	15.2	14.3	13.8
FII	17.7	18.6	18.9
Others	7.1	7.1	7.3

FII includes depository receipts

Stock's performance (one-year)



CMP: INR10,128 TP: INR13,700 (+35%) Buy

Exploring growth in the construction chain...

...cables and wires offer immediate adjacencies

While UTCEM is venturing into a new business segment—Cables and Wires (C&W)—its core business remains grey cement. The company aims to expand its consumer reach and has identified C&W as a strategic fit, given its immediate adjacencies to the existing core construction value chain. At the same time, the company continues to strengthen its leadership position in cement through both organic and inorganic expansions beyond FY27. We reiterate our BUY rating on the stock.

Highlights from the management commentary

Cement, RMC, and white cement businesses remain in focus

- Grey cement is the core business and will remain in its high-growth phase. Cement demand continues to be strong, backed by infrastructure development and the real estate segment. India's per capita cement consumption stood at 295kg in FY24, while cement consumption in Western countries peaked at 600-700kg/capita before settling at ~500kg.
- UTCEM's domestic grey cement capacity is expected to reach 182.8mtpa by FY25-end, accounting for ~28% of the industry's capacity. The capacity will further grow to ~209mtpa by end-FY27. UTCEM is growing ahead of the industry and will continue to grow through a mix of organic and inorganic expansions.
- Cement consumption through RMC is less than 5% of the total consumption, but this is expected to grow rapidly. UTCEM is the largest player in the RMC segment, with 348 operational RMC plants. The company is also an established player in the white cement segment.

Why C&W?

- UTCEM aims to capture a higher wallet share from consumers. The Building Product Division (BPD) has five stages: design, construct, enable, decorate, and service. In the construction materials segment, the company already offers 90 SKUs. UTCEM has evaluated multiple business categories, such as sanitary fittings, lighting, fans, and pipes, but determined that most of them were not the right fit and dropped those product categories.
- C&W emerged as a strategic fit, complementing the company's/group's existing product offerings. It believes that ~85% of the wire consumption comes from the residential segment, while ~65% of cement demand also originates from this segment. In the residential market, ~35% of cement demand is driven by the rural market, which UTCEM can leverage through its extensive relationships with individual house builders and contractors. It already sells many products through UltraTech Building Solutions (UBS). Urban housing contributes to ~30% of cement demand, where the builders' community decides which products will be used.

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

- UTCEM believes it will be easy to make inroads into this market. Cable demand is infrastructure-driven, and with UTCEM already present in many projects, it sees a strong opportunity for growth in this segment. The C&W plant will be commissioned on or before Dec'26. UTCEM's strong connections with large EPC contractors were a key reason for incorporating this brand into the company.

Capex, working capital, and other opportunities

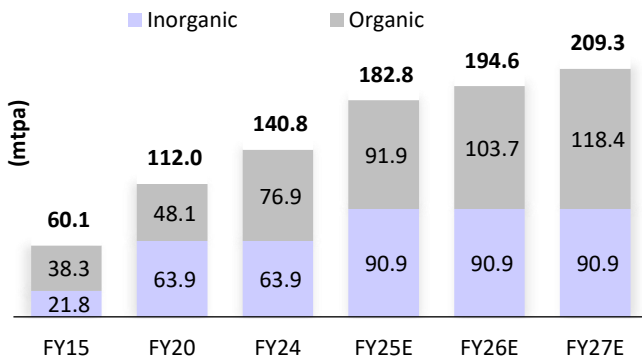
- The company is investing INR18.0b toward setting up its C&W capacity. The plant is expected to have a capacity of 3.5m-4.0m km and is expected to be commissioned by Dec'26. Key product categories will include wires, while in cables, the major product categories will be Low Tension, Control, Instrumentation, Flexible, Rubber, etc. As of now, the company is not exploring the HT, MVT, and EHV segments in cables.
- The capital employed in the cement division will reach INR1.0t by FY27, with capex in C&W being relatively small in comparison. The company expects initial operating profitability to be lower due to the gradual ramp-up, higher marketing and promotional spending, brand-building efforts, etc. However, it targets an RoCE of ~25% by FY31-32.
- Copper will be available near the plant (within a 100km range) and UTCEM will be able to manage working capital well. It believes that it will be able to operate this business with negative working capital, similar to its cement operations.
- EBITDA margin will be similar to what the industry is achieving at a full ramp-up phase (expected by FY30-31). Brand recognition, UBS network, B2B relationship, and access to end-users and influencers will provide an opportunity for a 'Right to Win'.
- It believes that the industry has the potential to absorb future capex plans of companies and can accommodate one more player. The revenue contribution is expected to be 60% from wires and ~40% from cables. Specialists who understand the business and technology of C&W will be hired.
- It highlighted that the UBS channel partners are excited to have UTCEM products on their shelves.

Valuation and view

- There are signs of recovery in cement demand after the festive season, and we anticipate industry volume to grow ~4% YoY in FY25, implying ~7-8% YoY growth in 4QFY25. This growth is expected to be driven by pent-up demand, a rebound in government spending, and robust demand in the real estate and housing sectors. Strong volume growth and improvements in clinker utilization (estimated to peak in 4QFY25) are expected to support price hikes across the industry. Being the largest player in the industry with a pan-India presence, we expect UTCEM to benefit from the cement demand recovery and price hikes.
- We estimate UTCEM's consol. revenue/EBITDA/PAT CAGR at ~17%/28%/32% over FY25-27. We estimate a consolidated volume CAGR of ~16%, aided by inorganic growth. We estimate its EBITDA/t at INR1,060/INR1,150 in FY26/FY27 vs. INR960 in FY25E (average of INR1,160 over FY20-24). We estimate the company's net debt to peak in FY26 at INR204b (vs. ~INR153b as of Dec'24). The net debt-to-EBITDA ratio is estimated at 1.2x/0.8x in FY26/FY27 (vs. 1.3x as of Dec'24 TTM). We reiterate our BUY rating with a TP of INR13,700, valuing at 20x FY27E EV/EBITDA.

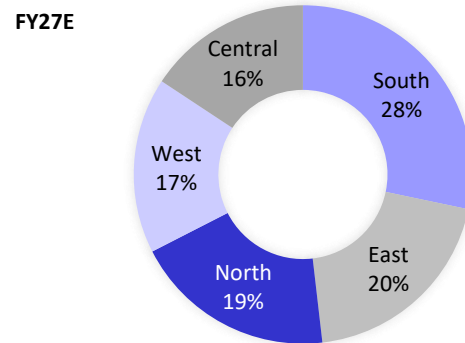
Story in charts

Exhibit 1: Cement capacity expansion – a mix of organic and inorganic modes



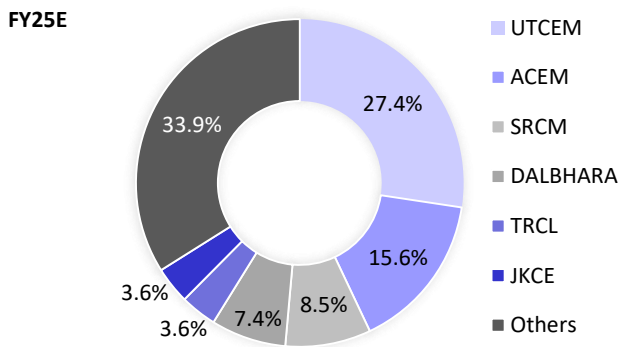
Source: MOFSL, Company

Exhibit 2: UTCЕМ balanced out its regional presence



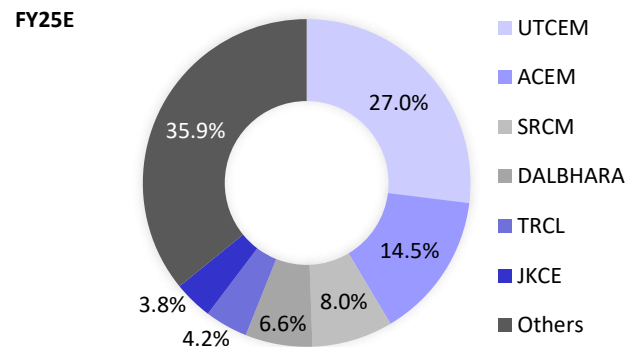
Source: MOFSL, Company

Exhibit 3: UTCЕМ cement capacity share vs. peers in FY25E



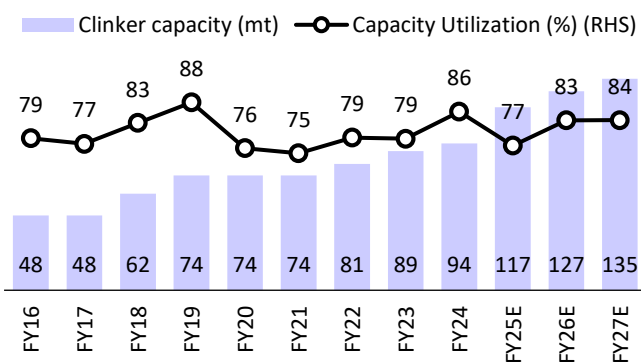
Source: MOFSL, Company; ACEM’s consolidated capacity includes Orient Cement

Exhibit 4: UTCЕМ market share vs. peers in FY25E



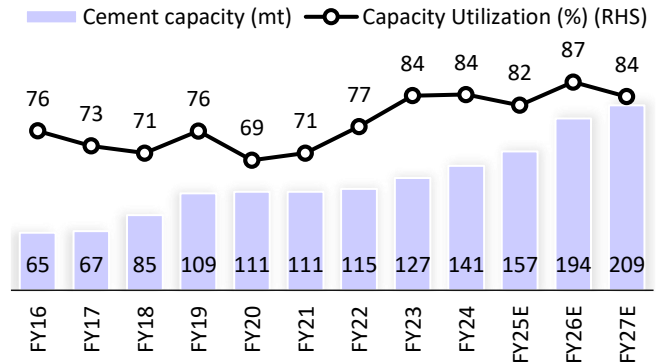
Source: MOFSL, Company; ACEM’s consolidated capacity includes Orient Cement

Exhibit 5: Clinker utilization to remain high...



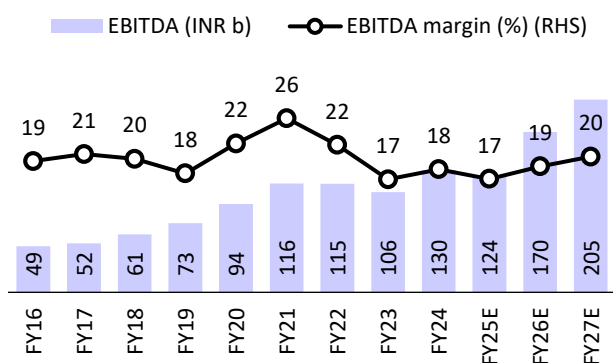
Source: MOFSL, Company

Exhibit 6: ...as with cement capacity utilization



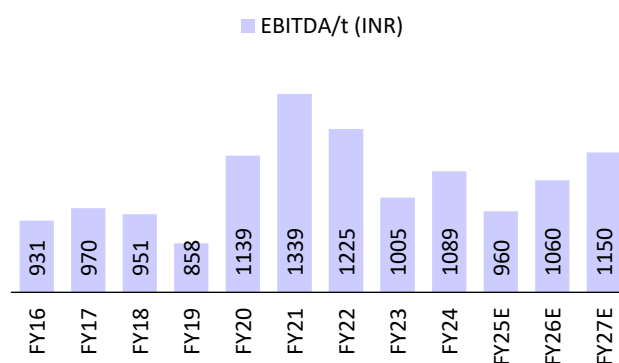
Source: MOFSL, Company

Exhibit 7: Estimate ~28% EBITDA CAGR over FY25-27



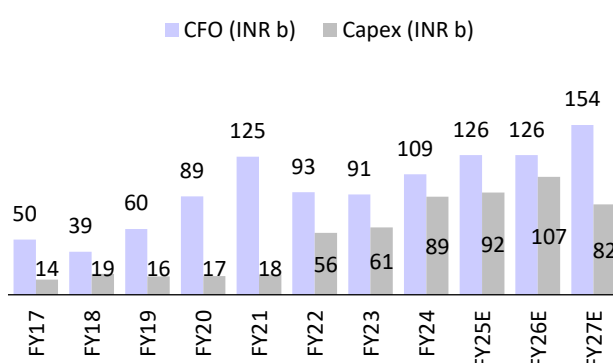
Source: MOFSL, Company

Exhibit 8: Estimate EBITDA/t to improve gradually



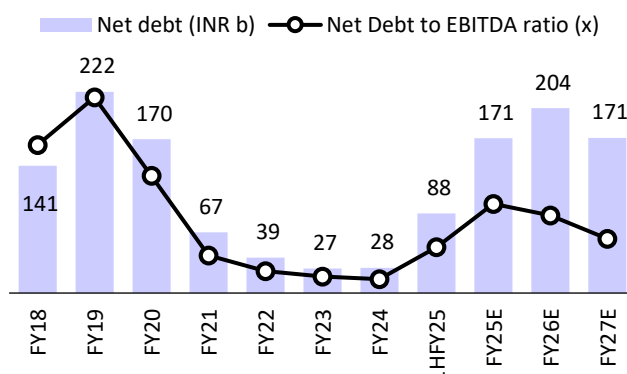
Source: MOFSL, Company

Exhibit 9: Strong cash flow generation supports capex plans



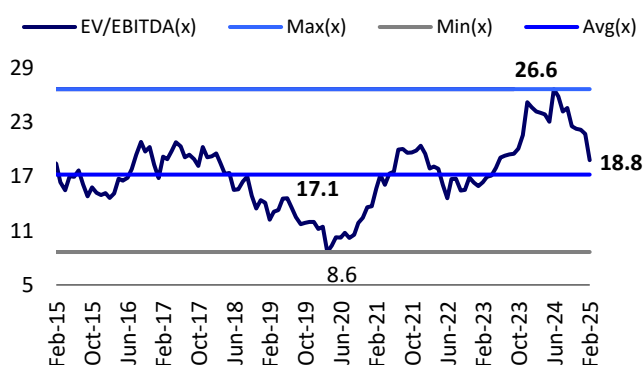
Source: Company, MOFSL

Exhibit 10: Net debt and net debt-to-EBITDA ratio



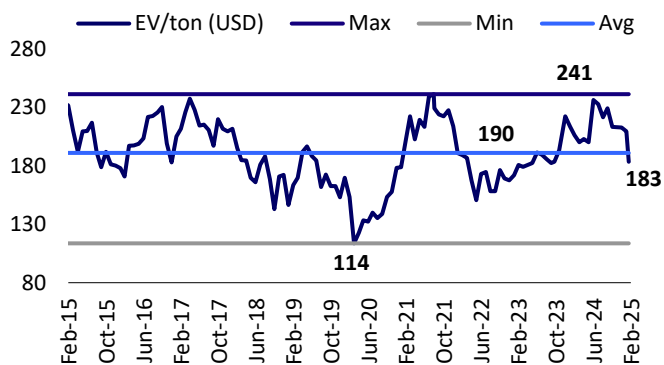
Source: Company, MOFSL

Exhibit 11: One-year forward EV/EBITDA ratio trend



Source: Company, MOFSL

Exhibit 12: 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	7,37,049	9,10,368	10,13,964
Change (%)	2.0	5.4	17.6	20.2	12.1	3.9	23.5	11.4
Raw Materials	65,181	70,858	79,650	97,150	1,19,029	1,32,471	1,58,406	1,76,221
Employees Cost	25,199	23,530	25,347	27,390	30,376	34,330	41,855	45,257
Other Expenses	2,40,141	2,37,191	3,05,848	4,01,662	4,29,991	4,46,104	5,39,723	5,87,971
Total Expenditure	3,30,520	3,31,579	4,10,845	5,26,201	5,79,396	6,12,905	7,39,984	8,09,449
% of Sales	77.9	74.1	78.1	83.2	81.7	83.2	81.3	79.8
EBITDA	93,779	1,15,679	1,15,144	1,06,199	1,29,686	1,24,143	1,70,384	2,04,515
Margin (%)	22.1	25.9	21.9	16.8	18.3	16.8	18.7	20.2
Depreciation	27,227	27,002	27,148	28,880	31,453	36,666	45,571	51,440
EBIT	66,552	88,677	87,996	77,319	98,233	87,478	1,24,813	1,53,075
Int. and Finance Charges	19,917	14,857	9,447	8,227	9,680	15,950	23,842	23,821
Other Income	6,511	7,342	5,078	5,031	6,170	9,006	10,220	11,392
PBT bef. EO Exp.	53,146	81,162	83,627	74,122	94,722	80,534	1,11,192	1,40,646
EO Items	19,788	-2,607	0	0	-720	325	0	0
PBT after EO Exp.	72,934	78,555	83,627	74,122	94,002	80,859	1,11,192	1,40,646
Total Tax	15,413	25,387	11,901	23,429	24,183	17,256	25,001	31,343
Tax Rate (%)	21.1	32.3	14.2	31.6	25.7	21.3	22.5	22.3
Minority Interest	-32	-34	-118	54	-231	0	0	0
Reported PAT	57,553	53,202	71,844	50,640	70,050	63,603	86,191	1,09,304
Adjusted PAT	41,946	54,967	56,665	50,640	70,572	63,345	86,191	1,09,304
Change (%)	69.0	31.0	3.1	-10.6	39.4	-10.2	36.1	26.8
Margin (%)	9.9	12.3	10.8	8.0	10.0	8.6	9.5	10.8

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	6,48,556	7,76,791	8,59,575
Net Worth	3,91,155	4,41,747	5,04,353	5,43,245	6,02,275	6,51,443	7,79,738	8,62,522
Minority Interest	75	57	-31	556	559	21,671	21,671	21,671
Total Loans	2,28,979	2,04,878	1,02,028	99,008	1,02,984	2,54,754	2,88,592	2,53,592
Deferred Tax Liabilities	49,120	60,407	60,332	62,601	64,478	72,617	83,806	97,542
Capital Employed	6,69,329	7,07,089	6,66,683	7,05,411	7,70,296	10,00,485	11,73,807	12,35,327
Gross Block	6,01,997	6,08,332	6,33,795	7,00,914	7,62,404	10,33,337	12,08,975	13,06,858
Less: Accum. Deprn.	94,597	1,16,414	1,41,421	1,68,417	1,97,083	2,57,089	3,02,660	3,54,099
Net Fixed Assets	5,07,400	4,91,918	4,92,374	5,32,497	5,65,321	7,76,248	9,06,316	9,52,759
Goodwill on Consolidation	62,525	62,199	62,502	63,293	63,455	69,470	69,470	69,470
Capital WIP	9,095	16,867	47,847	40,404	68,112	71,367	83,867	67,867
Current Investment	42,437	1,08,939	49,633	58,366	54,848	34,848	34,848	34,848
Non-Current Investment	16,850	12,842	13,725	14,604	27,642	41,072	41,072	41,072
Curr. Assets, Loans & Adv.	1,44,307	1,59,034	1,71,938	2,04,460	2,28,444	2,60,419	3,01,285	3,42,101
Inventory	41,483	40,180	55,956	66,118	83,297	86,583	1,06,943	1,25,009
Account Receivables	22,383	25,717	30,716	38,670	42,782	44,469	54,926	69,450
Cash and Bank Balance	5,392	20,076	3,592	11,496	7,832	8,129	8,749	6,574
Loans and Advances	75,049	73,061	81,674	88,175	94,533	1,21,238	1,30,667	1,41,069
Curr. Liability & Prov.	1,19,152	1,52,307	1,71,595	2,08,459	2,37,724	2,53,138	2,63,250	2,72,991
Account Payables	35,014	46,993	58,628	72,093	84,783	88,127	1,08,851	1,21,237
Other Current Liabilities	76,240	96,441	1,04,309	1,28,080	1,43,660	1,55,724	1,45,107	1,42,456
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	7,281	38,035	69,111
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	10,00,485	11,73,807	12,35,327

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	219.4	292.5	370.9
Cash EPS	239.7	284.0	290.3	275.4	353.4	346.4	447.2	545.5
BV/Share	1,355.2	1,530.4	1,747.2	1,881.8	2,086.2	2,256.5	2,646.2	2,927.1
DPS	11.5	37.0	38.0	38.0	70.0	50.0	70.0	90.0
Payout (%)	9.1	19.4	19.4	21.7	28.6	22.8	23.9	24.3
Valuation (x)								
P/E	69.6	53.1	51.5	57.7	41.4	46.1	34.6	27.3
Cash P/E	42.2	35.6	34.8	36.7	28.6	29.2	22.6	18.5
P/BV	7.5	6.6	5.8	5.4	4.8	4.5	3.8	3.5
EV/Sales	7.3	6.7	5.6	4.6	4.1	4.2	3.5	3.1
EV/Ton (Cap-USD)	293	276	269	242	217	191	175	162
EV/EBITDA	32.3	24.7	24.8	26.7	21.7	24.0	18.1	15.0
Dividend Yield (%)	0.1	0.4	0.4	0.4	0.7	0.5	0.7	0.9
FCF per share	249.4	369.4	127.4	102.6	69.7	117.4	67.4	243.6
Return Ratios (%)								
RoE	11.5	13.2	12.0	9.7	12.3	10.1	12.0	13.3
RoCE	9.5	10.3	12.7	9.0	11.5	9.4	10.6	11.7
RoIC	8.5	10.2	13.4	9.1	11.8	9.0	10.0	11.0
Working Capital Ratios								
Inventory (Days)	36	33	39	38	43	43	43	45
Debtor (Days)	19	21	21	22	22	22	22	25
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	5.5	5.2	6.4
Net Debt/Equity	0.5	0.2	0.1	0.1	0.1	0.3	0.3	0.2

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	80,859	1,11,192	1,40,646
Depreciation	27,022	27,002	27,148	28,880	31,453	60,006	45,571	51,440
Interest & Finance Charges	19,917	14,857	9,447	8,227	9,680	15,950	23,842	23,821
Direct Taxes Paid	-8,914	-12,910	-15,549	-11,243	-16,505	-9,117	-13,812	-17,607
(Inc)/Dec in WC	4,503	23,264	-4,730	-3,370	-4,811	-12,430	-30,134	-33,251
CF from Operations	94,949	1,30,789	99,943	96,617	1,13,819	1,35,267	1,36,658	1,65,049
Others	-5,929	-5,785	-7,110	-5,932	-4,844	-9,006	-10,220	-11,392
CF from Operating incl EO	89,020	1,25,004	92,832	90,685	1,08,975	1,26,261	1,26,438	1,53,657
(Inc)/Dec in FA	-17,037	-18,389	-56,062	-61,056	-88,841	-92,362	-1,06,570	-81,883
Free Cash Flow	71,983	1,06,615	36,771	29,629	20,135	33,899	19,868	71,774
(Pur)/Sale of Investments	-26,266	-70,949	76,888	-13,642	-653	97,230	4,920	0
Others	1,210	774	1,744	2,827	1,612	-2,73,329	50,414	11,392
CF from Investments	-42,094	-88,565	22,570	-71,871	-87,881	-2,68,461	-51,236	-70,491
Issue of Shares	27	70	44	47	19	0	0	0
Inc/(Dec) in Debt	-26,663	-25,149	-1,12,232	-3,632	-6,240	1,51,770	-9,003	-35,000
Interest Paid	-19,445	-14,805	-2,227	-1,894	-2,252	-15,950	-23,842	-23,821
Dividend Paid	-3,800	-3,748	-10,650	-10,913	-10,944	-14,435	-20,627	-26,520
Others	-31	68	87	81	161	21,112	-21,112	0
CF from Fin. Activity	-49,911	-43,565	-1,24,979	-16,310	-19,257	1,42,497	-74,582	-85,341
Inc/Dec of Cash	-2,985	-7,125	-9,577	2,504	1,838	297	620	-2,175
Opening Balance	8,377	27,201	13,169	8,992	5,994	7,832	8,129	8,749
Closing Balance	5,392	20,076	3,592	11,496	7,832	8,129	8,749	6,574

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

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

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