

Lower realization impacted profitability, 2HFY25 outlook promising

Q2FY25 Result Update | Sector: Cement | October 23, 2024

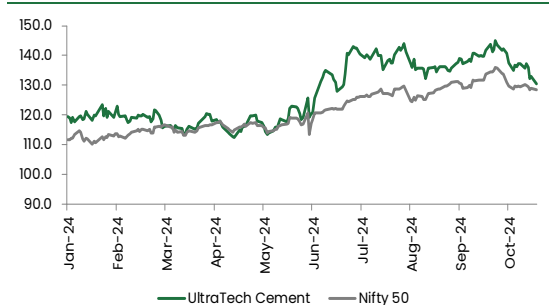
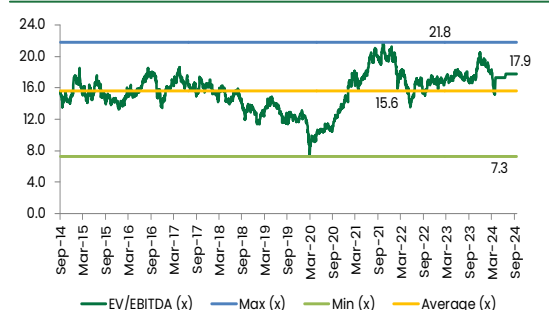
ACCUMULATE

CMP (Rs)	10,716
Target Price (Rs)	11,446
Potential Upside	6.8%
Sensex	80,308
Nifty	24,485

Key Stock data	
BSE Code	532538
NSE Code	ULTRACEMCO
Bloomberg	UTCEM:IN
Shares o/s, Cr (FV 10)	28.9
Market Cap (Rs Cr)	3,29,773
3M Avg Volume	3,07,915
52 week H/L	12,138/8,148

Shareholding Pattern

(%)	Mar-24	Jun-24	Sep-24
Promoter	60.0	60.0	60.0
FII	17.7	18.2	18.0
DII	14.8	13.8	14.1
Others	7.5	8.0	7.9

1 year relative price performance

1 year Forward EV/EBITDA (x)

Research Analyst
Vinay Kalani

vinay.kalani1@religare.com

Muted topline growth: For Q2FY25, UltraTech Cement reported revenue of ₹15,635 crore, marking a decline of 2.4% YoY and 13.5% QoQ on the back muted volumes and lower price realisation. Weak government capex and monsoon led to 12.9% QoQ decline in sales volume, while on annualised basis it reported only sub 4% volume growth reaching 27.8 MT. Due to high competitive intensity price realization continue to remain under, seeing 6.4% decline on annualised basis reaching ₹5,656 per ton.

Weakest EBITDA/tonne in last seven years: UltraTech's gross profits declined by 5.9% YoY and 14.3% QoQ to ₹12,718 crore, with a margin of 81.3%, reflecting a decline of 308bps YoY and 81bps QoQ. Weak price realizations, higher employee cost (due to annual increment and one-time bonus) and also increase in other expense due to plant maintenance resulted in muted EBITDA margins (12.9% for Q2FY25). Based on these factors, EBITDA/tonne has fallen to seven year low levels of ₹725 per tonne seeing 24% decline both on QoQ and YoY basis. Lower realization also impacted PAT which fell to ₹825 crore seeing a decline of 35.6% YoY and 51.3% QoQ basis.

Efficiency improvement programme on track: The company anticipates achieving cost improvements through a comprehensive efficiency enhancement program. This initiative includes increasing the Waste Heat Recovery System (WHRS) capacity from 278 MW to 450 MW, expanding renewable energy (RE) capacity from 612 MW in FY24 to 681 MW, and ultimately reaching 1.8 GW by FY27. Additionally, the carbon capture (CC) ratio is projected to improve from 1.44 to 1.54 by FY27, while the alternative fuel ratio (AFR) is expected to rise from 5% to 15% during the same period. The lead distance is set to increase to 360 km by FY27, further contributing to operational efficiency and leveraging opportunities for enhanced performance.

Capacity expansion plans progressing as scheduled: The company's capital expenditure plans are progressing as scheduled, with a target capacity of approximately 200 million metric tons by FY27. This growth will be driven by several initiatives, including the ongoing Phase 2 expansion of 24.2 million metric tons, the upcoming Phase 3 expansion of 22 million metric tons, and the acquisition of Kesoram and India Cement assets. Additionally, further brownfield expansion efforts will contribute to this capacity increase. As a result, we anticipate a compound annual growth rate (CAGR) of 9.9% in volume for the company from FY24 to FY27.

Outlook & Valuations: While H1FY25 saw comparatively lower demand first due to elections and also due to lower capex expenditure by central government. But looking ahead in H2FY25, we expect sector growth to see upward thrust as government once again picks up their infrastructure spending and also aided by private capex from real estate and construction etc. UltraTech, as a leader, will benefit from these trends through organic expansion, improving volumes, utilization, and product mix, and inorganic growth via acquisitions. We expect revenue and EBITDA to grow at a CAGR of 13.57% and 19.4% over FY25-26E. Given its strong position and financials, we assign an EV/EBITDA multiple of 18.5x on FY26E EBITDA, slightly above its 10-year average. Consequently, we revise our rating to **Accumulate** (from Hold) with a target price to **₹11,446**.

Financial Summary - consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net revenue	63,240	70,908	78,524	91,464
EBITDA	10,617	12,969	15,182	18,492
EBITDAM (%)	16.8	18.3	19.3	20.2
APAT	5,074	7,004	8,642	10,868
APATM (%)	8.0	9.9	11.0	11.9
EPS (Rs)	175.7	242.6	299.3	376.4
EV/EBITDA (x)	30.5	25.0	21.4	17.7
RoE (%)	9.3	11.6	12.9	14.4

Source : RBL Research

Key Highlights

- Ultratech is well on its path to achieve its capacity targets, YTD they have added 9.9MN MT of new grey cement capacity and 8MN MT is expected to be commissioned in 2H taking the total capacity to 157 mn mt by FY25. On track to reach 183mnmt capacity by FY27 excluding Kesoram and India cements.
- The acquisition of Kesoram is in its final stages, with an NCLT hearing scheduled for October 25, 2024, and expected completion by Q4 FY25. For India Cements, CCI approval is pending before launching an open offer.
- Company in next 3 years has targeted to reduce total cost by Rs250 - 300/ton on the back of operational efficiency. To do so they have taken following measures like reducing fuel and cost by increasing WHRS capacity and increasing renewable share.
- Demand during HIFY25 was impacted but from August to September the green shoots are visible as government increases their spending.
- Trade share in Q2FY25 was ~68%; premium cement constituted ~24% of trade share while blended share stood at ~71%.
- Road/rail/sea mix stood at 71%/27%/2%.
- Realizations fell by 0.7% QoQ, but current prices are approximately 2% higher than the average for Q2 FY25. Management anticipates a price increase in the near future.

Net sales declined 2.4% YoY and 13.5% QoQ due to lower volumes and realizations

Lower volumes and prices realizations also impacted EBITDA margins

Blended realizations continue to be under pressure, as the demand remain sluggish and competition intensifies

P&L Account Quarterly – consolidated

Particulars, Rs cr	Q2FY25	Q2FY24	Y-o-Y (%)	Q1FY25	Q-o-Q (%)
Net Sales	15,635	16,012	(2.4)	18,070	(13.5)
Cost of Raw Materials	2,570	2,348	9.4	2,767	(7.1)
Purchase of Finished Goods	474	425	11.6	439	7.9
(Increase) / Decrease In Stocks	(127)	(279)	(54.4)	17	-
Total Raw material cost	2,917	2,494	16.9	3,224	(9.5)
Gross Profit	12,718	13,518	(5.9)	14,846	(14.3)
Gross Margins %	81.3	84.4	-308bps	82.2	-81bps
Employee Cost	914	812	12.5	738	23.8
Power & Fuel	3,838	4,385	(12.5)	4,494	(14.6)
Freight & Forwarding	3,584	3,512	2.0	4,181	(14.3)
Other Expense	2,365	2,258	4.8	2,393	(1.2)
Total Expenditure	13,616	13,461	1.2	15,030	(9.4)
EBITDA	2,018	2,551	(20.9)	3,039	(33.6)
EBITDA Margins (%)	12.9	15.9	-302bps	16.8	-391bps
Depreciation	904	798	13.3	843	7.3
EBIT	1,114	1,753	(36.4)	2,197	(49.3)
Other Income	221	167	32.1	166	33.2
Interest	317	234	35.6	256	24.1
PBT	1,018	1,686	(39.6)	2,107	(51.7)
Shares of profits	(1)	3.5	-	35.4	-
PBT	1,017	1,690	(39.8)	2,142	(52.5)
Tax	191	409	(53.2)	447	(57.2)
PAT	825	1,280	(35.6)	1,695	(51.3)
PAT Margin (%)	5.3	8.0	-272bps	9.4	-410bps
EPS	28.6	44.4	(35.6)	58.7	(51.3)

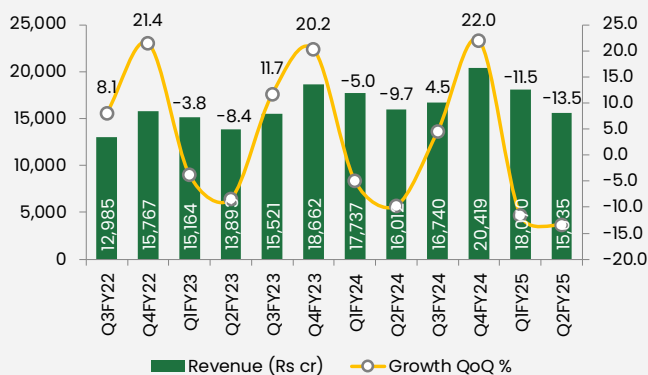
Source : RBL Research

Particulars, Rs cr	Q2FY25	Q2FY24	Y-o-Y (%)	Q1FY25	Q-o-Q (%)
Sales Volume (MT)	27.8	26.7	4.3	32.0	(12.9)
Blended Realization (Rs)	5,616	5,999	(6.4)	5,656	(0.7)
EBITDA/Ton (Rs)	725	956	(24.1)	951	(23.8)
Total Cost/Ton (Rs)	4,891	5,044	(3.0)	4,704	4.0
Fuel Cost/Ton (Rs)	1,378	1,643	(16.1)	1,406	(2.0)
Frieght & Forwarding/Ton (Rs)	1,287	1,316	(2.2)	1,309	(1.6)

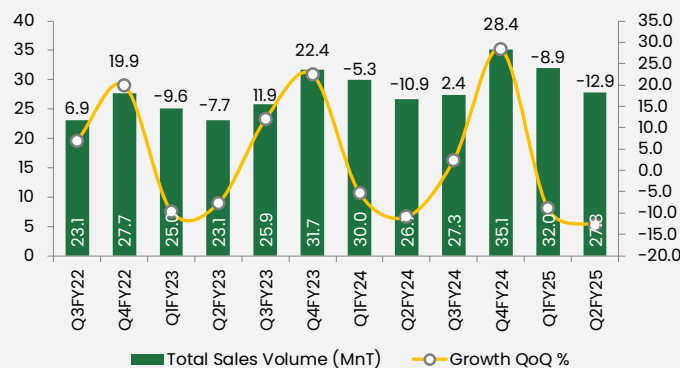
Source : RBL Research

Story in charts

Revenue de-grew by 2.4% YoY and 13.5% QoQ

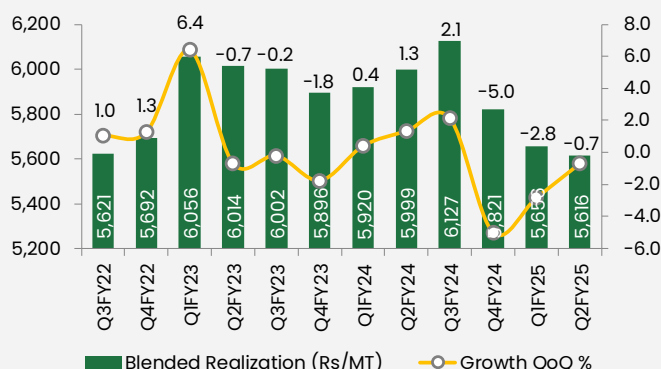


Sales Volumes increased by 4.3% YoY but saw a decline of 12.9% on QoQ basis

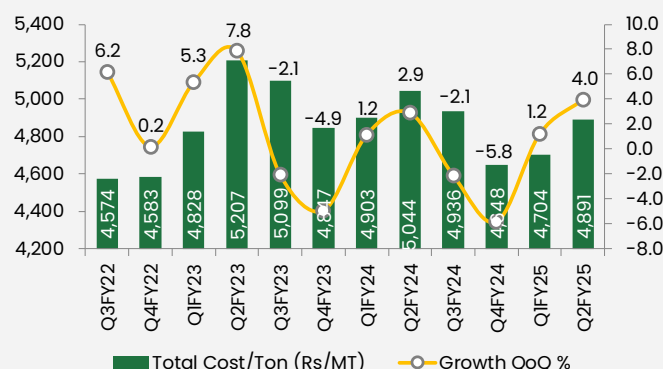


Source : RBL Research

Realization were flat on QoQ but declined 6.4% YoY

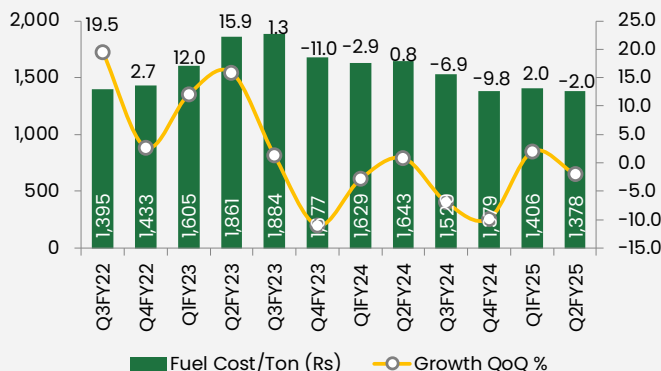


Total Cost/ton increased by 4% QoQ due to rise in employee cost

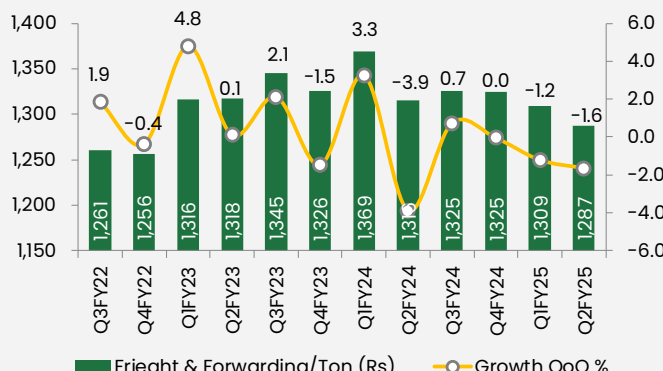


Source : RBL Research

Fuel Cost/ton declined by 16.1% YoY and 2% QoQ

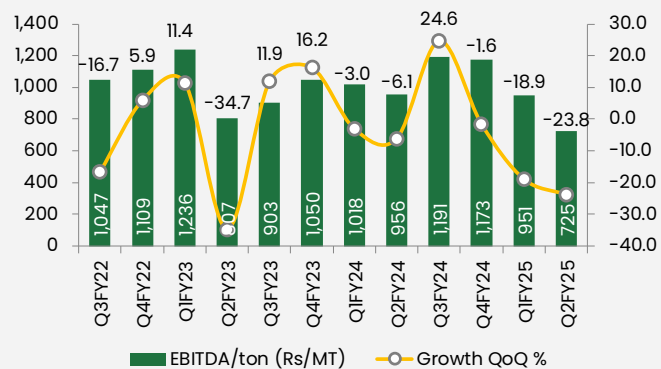


Friight Cost/ton declined by 2.2% YoY/1.6% QoQ

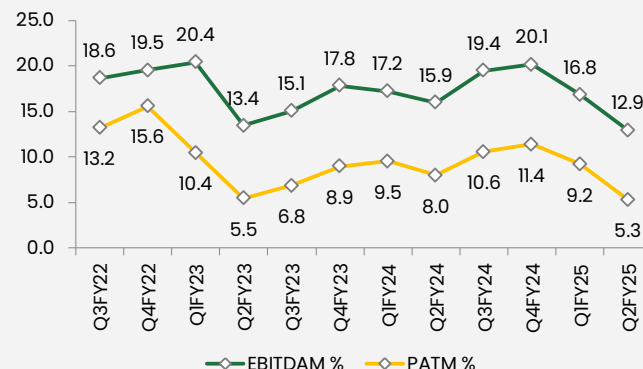


Source : RBL Research

EBITDA/ton declined by 24% YoY to 750 levels



EBITDA & PAT margin stood at 12.9% and 5.3% in Q2FY25



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net sales	63,240	70,908	78,524	91,464
Expenditure				
Cost of materials	8,934	10,252	11,307	13,079
Purchase of stock in trade	1,300	1,734	1,728	2,012
(Increase) / Decrease In Stocks	(518)	(83)	(92)	(108)
Total raw materials	9,715	11,903	12,943	14,984
Gross Profit	53,525	59,005	65,581	76,480
Gross Margins (%)	84.6	83.2	83.5	83.6
Employee cost	2,740	3,038	3,364	3,933
Power & Fuel	18,493	18,283	19,866	22,866
Freight & forwarding	14,009	15,881	17,354	19,939
Other expenses	7,666	8,835	9,815	11,250
Total expenditure	52,623	57,940	63,342	72,973
EBITDA	10,617	12,969	15,182	18,492
EBITDAM (%)	16.8	18.3	19.3	20.2
Depreciation	2,888	3,145	3,298	3,659
PBIT	7,729	9,823	11,884	14,833
Other income	503	617	707	823
Interest expenses	823	968	986	1,063
PBT	7,409	9,472	11,604	14,593
Tax	2,343	2,418	2,963	3,726
Reported PAT	5,067	7,054	8,642	10,868
Exceptional item/ Share of Profits	7	(50)	-	-
PAT (after Exceptional)	5,074	7,004	8,642	10,868
PAT Margin (%)	8.0	9.9	11.0	11.9
EPS	175.7	242.6	299.3	376.4

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	289	289	289	289
Reserves & Surplus	54,036	59,939	66,560	75,406
Total Shareholder's Fund	54,325	60,227	66,848	75,695
Minority Interest	56	56	56	56
Long term borrowings	5,356	5,308	5,497	6,403
Short term borrowing	4,544	4,991	5,104	5,031
Total Debt	9,901	10,298	10,601	11,433
Deferred tax liabilities	7,627	8,431	8,324	8,689
Long term provision	621	671	743	865
Other long term liabilities	1,334	1,187	1,314	1,530
Total	9,582	10,288	10,380	11,085
Current Liabilities				
Trade payables	7,209	8,478	9,251	9,773
Short term provisions	204	258	285	332
Other current liabilities	10,107	11,196	12,014	13,720
Total	17,521	19,932	21,550	23,825
Total liabilities	91,384	1,00,802	1,09,435	1,22,093
Application of Assets				
Net Block	59,584	62,906	69,194	76,110
Current work in process	4,035	6,783	6,783	6,783
Non current investment	1,460	2,764	3,926	5,488
Tax assets	409	461	511	595
Long term loans and advances	9	8	9	11
Other non-current assets	5,147	4,721	5,229	6,090
Total	70,644	77,644	85,651	95,077
Current Assets				
Current investments	5,837	5,485	5,889	6,860
Inventories	6,612	8,330	8,605	9,522
Trade receivables	3,867	4,278	4,738	5,518
Cash balance	370	554	(420)	(637)
Bank balance	779	230	230	230
Short term loans and advances	8	9	10	11
Other current assets	3,267	4,273	4,732	5,512
Total	20,740	23,158	23,784	27,017
Total assets	91,384	1,00,802	1,09,435	1,22,093

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Profit before tax	7,416	9,422	11,604	14,593
Add: Depreciation	2,888	3,145	3,298	3,659
Add: Interest cost	823	968	986	1,063
Less: Interest Income	272	(241)	(353)	(412)
Others	(870)	(266)	-	-
Profit before WC	10,530	13,029	15,535	18,903
Changes in working capital	(337)	(481)	(43)	(447)
Cash from Operations	10,193	12,548	15,492	18,456
Less: Taxes	(1,124)	(1,651)	(2,963)	(3,726)
Cash flow from Operations	9,069	10,898	12,530	14,730
Net cash used in Investing				
Purchase of fixed assets	(6,219)	(9,006)	(9,586)	(10,575)
Purchase of investments	(8,088)	386	(1,567)	(2,532)
Sales of fixed assets	95	122	-	-
Sales of investments	7,156	-	-	-
Dividend Inc/Int.Rec.	283	161	353	412
Others	(413)	(451)	-	-
Cash flow from investing	(7,187)	(8,788)	(10,799)	(12,696)
Cash flow from Financing				
Proceeds from Equity shares	5	2	-	-
Proceeds of borrowings	1,032	1,399	302	832
Sales of borrowings	(579)	(1,069)	-	-
Dividend (Incl dividend tax)	(1,091)	(1,094)	(2,021)	(2,021)
Interest cost	(702)	(853)	(986)	(1,063)
Others	(296)	(310)	-	-
Cash flow from Financing	(1,631)	(1,926)	(2,704)	(2,252)
Net cash Inflow/Outflow	250	184	(974)	(217)
Opening cash	121	370	554	(420)
Closing Cash	370	554	(420)	(637)

Source : RBL Research

Key ratios – consolidated

Particulars	FY23	FY24	FY25E	FY26E
Per share Data				
EPS (Rs)	175.7	242.6	299.3	376.4
Book value per share (Rs)	1881.8	2086.2	2315.6	2622.0
Dividend per share (Rs)	37.8	37.9	70.0	70.0
Dividend Payout (%)	21.5	15.6	23.4	18.6
Dividend Yield %	0.3	0.3	0.6	0.6
Profitability Ratios				
EBITDAM(%)	16.8	18.3	19.3	20.2
PBTM (%)	11.7	13.4	14.8	16.0
NPM (%)	8.0	9.9	11.0	11.9
RoE (%)	9.3	11.6	12.9	14.4
RoCE (%)	12.0	13.9	15.3	17.0
Efficiency Data				
Debt-Equity Ratio	0.2	0.2	0.2	0.2
Interest Cover Ratio	9.4	10.1	12.1	14.0
Fixed Asset Ratio	0.9	0.9	0.9	0.8
Debtors (Days)	22.3	22.0	22.0	22.0
Inventory (Days)	38.2	42.9	40.0	38.0
Payable (Days)	41.6	43.6	43.0	39.0
WC (Days)	18.9	21.3	19.0	21.0
Valuation				
P/E (x)	62.0	44.9	36.4	29.0
P/BV (x)	5.8	5.2	4.7	4.2
EV/EBITDA (x)	30.5	25.0	21.4	17.7
EV/Sales (x)	5.1	4.6	4.1	3.6

Source : RBL Research

Research Team

Name	Email ID
Ajit Mishra	ajit.mishra@religare.com
Gaurav Arora	gaurav.arora3@religare.com
Abhijeet Banerjee	abhijeet.banerjee@religare.com
Gaurav Sharma	gauravsharma2@religare.com
Ashwani Harit	ashwani.harit@religare.com
Divya Parmar	divya.parmar@religare.com
Vinay Kalani	vinay.kalanil@religare.com
Aniket Varshney	aniket.varshney@religare.com

Rating Methodology

Ratings	Upside
Buy	More than 15%
Accumulate	5% - 15%
Hold	0%- 5%
Sell	Below 0%

Note: RBL Investment ratings (All ratings based on absolute return; All ratings and target price refers to 12 month performance horizon, unless mentioned otherwise).

Before you use this research report, please ensure to go through the disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 and Research Disclaimer at the following link: <https://www.religareonline.com/disclaimer>

Specific analyst(s) specific disclosure(s) inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations,

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

2014 is/are as under:

Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

Nature of Interest (if answer to F (a) above is Yes :

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

Copyright in this document vests exclusively with RBL. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose, without prior written permission from RBL. We do not guarantee the integrity of any emails or attached files and are not responsible for any changes made to them by any other person.

Research Disclaimer: <https://www.religareonline.com/disclaimer>