# UltraTech Cement Limited

Cement

BUY
Target Price
13,510

## Operating Performance Largely Inline; Retain BUY

**Est. vs. Actual for Q4FY25: Revenue** – BEAT; **EBITDA Margin** – INLINE; **PAT** – MISS

**Change in Estimates post Q4FY25 (Abs.)**

**FY26E/FY27E: Revenue:** 1%/1%; **EBITDA:** -2%/-1%; **PAT:** -8%/-8%

**Recommendation Rationale**

- **Capacity expansion to drive volume growth:** The company's capacity expansion is on track. Its total grinding capacity in India stands at 183 mtpa after acquiring India Cement's assets. It plans to add 12 mtpa in FY26 and another 15 mtpa in FY27, raising its cement manufacturing capacity to 209 mtpa, including Kesoram's 10.8.mtpa Following the second and third phases of expansion, consolidated grinding capacity will reach 216 mtpa. With expanded capacity and scale, the company is positioned to strengthen its market leadership, targeting a market share increase from 25% to 28%. We project volume growth at an 11% CAGR over FY24–27E.
- **EBITDA margins to improve on lower cost & efficiency gain:** During the quarter, the overall cost of production fell by 5% YoY and 3% QoQ to Rs 4,497 per tonne, driven by efficiency gains and operating leverage benefits. In FY25, total efficiency improvements saved Rs 86 per tonne. The company projects a total cost reduction of Rs 200–300 per tonne over the next 2–3 years. Additionally, a higher blending ratio, increased sales of premium products, and greater use of green energy are expected to support margin expansion. We forecast the company's EBITDA margin to rise to 22% by FY27, led by higher volumes, better realisations, and continued cost optimisation.
- **Sector consolidation to benefit large players:** Between 2013 and 2024, large players grew their market share from 46% to 57%. By FY27–28, it is expected to rise further to 65%–70%. As consolidation and capacity expansion among top players accelerate, market share gains will continue, supporting stronger cement pricing, better economies of scale, and improved supply chain efficiency. As the country's leading player, the company is well-positioned to capitalize on this trend over the medium to long term. Cement demand in its core regions is expected to stay strong, driven by higher infrastructure spending, growth in affordable and rural housing, increased private Capex, and a robust real estate market. We expect the company to maintain double-digit growth over this period.

**Sector Outlook: Positive**

**Company Outlook & Guidance:** The management has guided for double-digit volume growth for the company in FY26. Given the government's focus on infrastructure and housing projects, along with increased rural and urban demand, a sustainable volume growth of 7–8% is expected for the industry going forward. Pricing remains dynamic and will be determined by market forces.

**Current Valuation: 19xFY27E EV/EBITDA (Earlier Valuation: 19x FY27E EV/EBITDA)**.

**Current TP: Rs 13,510/share (Earlier TP: Rs 13,510/share)**

**Recommendation:** We **maintain** our **BUY** recommendation on the stock.

**Alternative BUY Ideas from our Sector Coverage: Dalmia Bharat (TP-2,260/share), ACC Ltd (TP-2420/share)**

## Financial Performance

UTCL reported a good set of numbers during the quarter. Volume/Revenue/EBITDA was above expectations, and PAT was below expectations, led by a higher realisation, better volume growth and controlled cost QoQ. The revenue/volume/EBITDA/PAT grew by 13%/17%/12%/10% respectively YoY. The company reported a profit of Rs 2,482 Cr against Rs 2,258 Cr in Q4FY24 (below expectations) owing to higher depreciation, finance cost and lower other income. The company recorded an EBITDA margin of 20% (vs. our estimates of 20.4%) against 20.1% YoY. The quarter's volume stood at 41.02 mntpa (Grey & White Cement), up 17% YoY including cement sales from Kesoram and India Cement assets. Excluding acquired assets, operating EBITDA/mt was Rs 1,270/mt, up 7% YoY and 32% QoQ. On a consolidated basis UTCL's EBITDA/tonne stood at Rs 1,126, down 4% YoY but up 18% QoQ, and it reported blended realisation/tonne of Rs 5,662, down 3% YoY and flattish QoQ. Cement realisation was higher by 1.6% at Rs 5,052 QoQ. The company's cost/tonne declined by 5%/3% QoQ/YoY to Rs 4,497, which was led by lower power/fuel, freight cost, and other expenses cost YoY/QoQ.

### Key Financials (Consolidated)

| (Rs Cr) | Q4FY25 | QoQ (%) | YoY (%) | Axis Est. | Variance |
|---|---|---|---|---|---|
| Net Sales | 23,063 | 34 | 13 | 22,510 | 2.5% |
| EBITDA | 4,618 | 60 | 12 | 4,586 | 1% |
| EBITDA Margin | 20.0% | 320bps | (10bps) | 20.4% | (40bps) |
| Net Profit | 2,482 | 69 | 10 | 2,737 | -9% |
| EPS (Rs) | 84.2 | 69 | 10 | 92.9 | -9% |

Source: Company, Axis Securities Research

(CMP as of 28th April, 2025)

| | |
|---|---|
| CMP (Rs) | 12,128 |
| Upside /Downside (%) | 11% |
| High/Low (Rs) | 12,341/9,408 |
| Market cap (Cr) | 3,56,998 |
| Avg. daily vol. (6m) Shrs. | 4,00,000 |
| No. of shares (Cr) | 29.5 |

### Shareholding (%)

| | Sep-24 | Dec-24 | Mar-25 |
|---|---|---|---|
| Promoter | 59.2 | 59.2 | 59.2 |
| FIIs | 15.2 | 15.2 | 15.2 |
| MFs / UTI | 13.8 | 13.8 | 13.8 |
| Banks / FIs | 0.3 | 0.3 | 0.3 |
| Others | 11.6 | 11.6 | 11.6 |

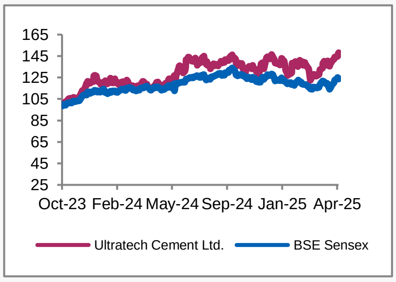
### Financial & Valuations

| Y/E Mar (Rs Cr) | FY25 | FY26E | FY27E |
|---|---|---|---|
| Net Sales | 74,546 | 86,672 | 96,824 |
| EBITDA | 12,571 | 17,360 | 21,006 |
| Net Profit | 6,294 | 9,270 | 11,799 |
| EPS (Rs) | 212 | 314 | 400 |
| PER (x) | 57 | 39 | 30 |
| P/BV (x) | 4.8 | 4.4 | 3.9 |
| EV/EBITDA (x) | 30 | 22 | 17 |
| ROE (%) | 8% | 11% | 13% |

### Change in Estimates (%)

| Y/E Mar | FY26E | FY27E |
|---|---|---|
| Sales | 1% | 1% |
| EBITDA | -2% | -1% |
| PAT | -8% | -8% |

### Relative performance




Source: Ace Equity

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## Outlook

The overall industry outlook remains positive, and we expect the company to grow its Volume/Revenue/EBITDA/APAT at 11%/11%/18%/22% CAGR over FY24–FY27E. This will be driven by robust demand, improvement in prices, upcoming new capacity, ramping up of recently commissioned capacity, the benefit of lower commodity prices, higher blending ratio, and increasing share of green energy.

## Valuation & Recommendation

We pencil in higher growth driven by an improvement in market share and efficiency gains as the Cement industry gets consolidated. The stock is currently trading at 17x FY27E EV/EBITDA which is at premium to its 10-year average EV/EBITDA multiple of 16x. We maintain our BUY rating on the stock with a TP of Rs 13,510/share, implying an upside potential of 11% from the CMP.

## Key Concall Highlights

- **Capacity Expansion:** The company's capacity expansion plan is progressing well. Its total grinding capacity currently stands at 183 Cr in India, following the acquisition of India Cement assets. The company plans to add a further 12 mtpa in FY26, and another 15 mtpa in FY27, bringing its total cement manufacturing capacity to 210 Cr in India, including Kesoram's 10.8 mtpa. After the 2nd and 3rd phases of expansion, its total grinding capacity will increase to 216 Cr on a consolidated basis. This expansion is expected to consolidate its market leadership position further and gain additional market share.
- **Volume:** The company has guided for double-digit volume growth in FY26, driven by better demand across its operating regions, including a positive shift in rural demand and sustained infrastructure and real estate demand. During the quarter, it registered a volume growth of 17% YoY. There was some softness in demand on the back of heat wave. The trade and non-trade mix for the quarter stood at 66.4%/33.6%. Premium cement constituted 31% of overall trade sales, up 29% YoY. The blended cement mix was 70% during the quarter, and the CC ratio was 1.46 12MFY25. Capacity utilisation was 89% during the quarter.
- **Pricing:** Grey cement prices were lower by 2% YoY and higher by 1.6% QoQ, as most regions experienced a rise in cement prices QoQ. Blended realisation during the quarter was flattish. Current prices are higher compared to Q4FY25 exit prices. The management expects cement prices to be better in FY26, however demand supply dynamics will determine the same. Prices have improved in South and other regions have also witnessed price increase in the month of April 2025.
- **Power/Fuel**: During the quarter, power and fuel costs per tonne decreased by 8% YoY. The pet coke consumption mix stood at 55%, and blended fuel consumption cost was $122 per tonne, lower by 3%/20% QoQ/YoY. On a KCAL basis, fuel cost stood at Rs 1.73, compared to Rs 1.76 in Q3FY25. The fuel mix included 55% pet coke, with the balance being coal and renewable energy/AFR.
- **WHRS & Renewable Energy:** Currently, the company's total Waste Heat Recovery System (WHRS) and renewable energy capacity stand at 342 MW and 1021 MW, respectively. The company aims to double its renewable power capacity by FY27 and is also increasing its WHRS capacity to 500 MW from the current 342 MW. UltraTech's total green energy capacity has now reached 1.363 GW, which will cover about 46% of UltraTech's current power needs. All these capacities are expected to come online by FY27, doubling the share of green power in total power consumption. This will significantly save overall power and fuel costs moving forward. Currently, the share of green power in overall power consumption stands at 35.7%, with the company aiming to increase this to 85% by FY30.
- **Freight:** During the quarter, freight cost decreased to Rs 1,262/tonne, down 5% YoY. The lead distance was 384 km, compared to 340 km in Q4FY24, due to improved operating efficiency. The company aims to reduce the lead distance further by 10 km moving forward.
- **Other Expenses:** On a YoY basis, cost declined by 15% per tonne to Rs 662/tonne due to operating leverage benefit.
- **RMC:** Currently, there are 395 RMC plants. The company expects healthy growth in the RMC business moving forward. During the quarter, RMC volume growth was robust at 19% YoY, reaching 3.98 million square meters.

- **Capex:** The total capex incurred in FY25 stood at Rs 9,428 Cr. The company expects to incur a Capex of Rs 9,000–10,000 Cr in FY26, covering both growth and maintenance capex. FY27 capex is pegged at the lower end. The company will also invest Rs 1,500 Cr over the next two years for efficiency gains at India Cement assets.
- **Debt/Cash**: The current gross debt stands at Rs 23,031 Cr, cash/cash equivalent at Rs 5,362 Cr, and net debt at Rs 17,669 Cr. On a QoQ basis, gross and net debt have increased.
- **OCF/FCF:** During the year, the company generated OCF of Rs 9,439 Cr, while FCF was negative by Rs 10,796 Cr owing to strategic investments of Rs 10,806 Cr.
- **Dividend:** The Board of Directors at their meeting held today have recommended a dividend of 775% at the rate of Rs 77.50 per equity share of face value of Rs 10 per share, aggregating Rs 2,283 Cr.

### Key Risks to Our Estimates and TP

- Lower realisation and demand in its key market and delay in capacity expansion.
- Higher input costs may impact margins.

### Change in Estimates

| | New | | Old | | % Change | |
|---|---|---|---|---|---|---|
| | FY26E | FY27E | FY26E | FY27E | FY26E | FY27E |
| Sales | 86,672 | 96,824 | 85,403 | 96,282 | 1% | 1% |
| EBITDA | 17,360 | 21,006 | 17,720 | 21,238 | -2% | -1% |
| PAT | 9,270 | 11,799 | 10,108 | 12,812 | -8% | -8% |

Source: Company, Axis Securities Research

### Result Review Q4FY25

| (Rs Cr) | Quarterly Performance | | | | |
|---|---|---|---|---|---|
| | Q4FY25 | Q3FY25 | Q4FY24 | % Chg QoQ | % Chg YoY |
| Net sales | 23,063 | 17,193 | 20,419 | 34% | 13% |
| Expenditure | 18,445 | 14,306 | 16,305 | 29% | 13% |
| EBITDA | 4,618 | 2,887 | 4,114 | 60% | 12% |
| Other income | 102 | 244 | 136 | -58% | -25% |
| Interest | 475 | 382 | 261 | 24% | 82% |
| Depreciation | 1,125 | 917 | 815 | 23% | 38% |
| PBT | 3,121 | 1,833 | 3,173 | 70% | -2% |
| Tax | 626 | 358 | 852 | 75% | -27% |
| Adjusted PAT | 2,482 | 1,470 | 2,258 | 69% | 10% |
| EBITDA margin (%) | 20.0% | 16.8% | 20.1% | 320bps | (10bps) |
| EPS (Rs) | 84.2 | 50.9 | 78.2 | 65% | 8% |

Source: Company, Axis Securities Research

### Volume/ Realisation / Cost Analyses

| (Rs Cr) | Quarterly Performance | | | | |
|---|---|---|---|---|---|
| | Q4FY25 | Q3FY25 | Q4FY24 | % Chg QoQ | % Chg YoY |
| Volume/mnt | 41.02 | 30.37 | 35.08 | 35% | 16.9% |
| Realisation/tonne (Rs) | 5,622 | 5,661 | 5,821 | -1% | -3% |
| Cost/tonne (Rs) | 4,497 | 4,711 | 4,648 | -5% | -3% |
| Raw material/tonne (Rs) | 1,060 | 1,085 | 1,086 | -2% | -2% |
| Staff Cost/tonne (Rs) | 239 | 280 | 214 | -15% | 12% |
| Power & Fuel/tonne (Rs) | 1,273 | 1,311 | 1,379 | -3% | -8% |
| Freight/tonne (Rs) | 1,262 | 1,255 | 1,325 | 1% | -4.7% |
| Other Expenses /tonne (Rs) | 662 | 780 | 644 | -15% | 3% |
| EBITDA/tonne (Rs) | **1,126** | **951** | **1,173** | 18% | -4% |

Source: Company, Axis Securities Research

# Financials (consolidated)

## Profit & Loss

(Rs Cr)

| Y/E March | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Net sales | **70908** | **74546** | **86672** | **96824** |
| Other operating income | 0 | 0 | 0 | 0 |
| Total income | **70908** | **74546** | **86672** | **96824** |
| | | | | |
| Raw Material | 11903 | 13693 | 15613 | 17019 |
| Power & Fuel | 18283 | 17841 | 19071 | 20788 |
| Freight & Forwarding | 15881 | 16977 | 19065 | 20781 |
| Employee benefit expenses | 3038 | 3524 | 4265 | 4692 |
| Other Expenses | 8836 | 9941 | 11297 | 12539 |
| | | | | |
| EBITDA | **12968** | **12571** | **17360** | **21006** |
| Other income | 617 | 736 | 770 | 775 |
| | | | | |
| PBIDT | 13585 | 13307 | 18130 | 21780 |
| Depreciation & Amortisation | 3145 | 3864 | 4520 | 5286 |
| Interest & Fin Chg. | 968 | 1504 | 1900 | 1583 |
| E/o income / (Expense) | -72 | 42 | 0 | 0 |
| Associates | 22 | -11 | 9 | 9 |
| Pre-tax profit | **9566** | **7886** | **11719** | **14920** |
| Tax provision | 2418 | 1592 | 2461 | 3133 |
| Minority Interests | -1 | 1 | 12 | 12 |
| APAT | **7147** | **6294** | **9270** | **11799** |
| Other Comprehensive Income | 0 | 0 | 0 | 0 |
| APAT after Comprehensive Income | **7147** | **6294** | **9270** | **11799** |

Source: Company, Axis Securities Research

## Balance Sheet

(Rs Cr)

| Y/E March | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| **Total assets** | **107148** | **133697** | **141725** | **148648** |
| Net Block | 69252 | 94610 | 99237 | 103149 |
| CWIP | 6783 | 6188 | 6188 | 6188 |
| Investments | 5485 | 2859 | 4859 | 9859 |
| Wkg. cap. (excl cash) | 11825 | 13780 | 16360 | 15358 |
| Cash / Bank balance | 783 | 1673 | 1084 | 591 |
| Misc. Assets | 13021 | 14586 | 13997 | 13504 |
| | | | | |
| **Capital employed** | **107148** | **133697** | **141725** | **148648** |
| Equity capital | 289 | 295 | 295 | 295 |
| Reserves | 59939 | 70412 | 77374 | 86865 |
| Minority Interests | 56 | 3187 | 3199 | 3211 |
| Borrowings | 11403 | 24102 | 24102 | 21102 |
| DefTax Liabilities | 6448 | 9579 | 9579 | 9579 |
| Other Liabilities and Provision | 29013 | 26123 | 27176 | 27596 |

Source: Company, Axis Securities Research

**Cash Flow** (Rs Cr)

| Y/E March | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| **Profit before tax** | **9422** | **7528** | **11719** | **14920** |
| Depreciation | 3145 | 4015 | 4520 | 5286 |
| Interest Expenses | 968 | 1651 | 1900 | 1583 |
| Non-operating/ EO item | -506 | -548 | -770 | -775 |
| Change in W/C | -481 | -671 | -984 | 1915 |
| Income Tax | 1651 | 1301 | 2461 | 3133 |
| **Operating Cash Flow** | **10898** | **10673** | **13925** | **19797** |
| Capital Expenditure | -9006 | -9129 | -9101 | -9198 |
| Investments | 55 | 3059 | -1500 | -4000 |
| Others | 162 | -9643 | 770 | 775 |
| **Investing Cash Flow** | **-8788** | **-15713** | **-9831** | **-12424** |
| Borrowings | 440 | 7341 | 0 | -3000 |
| Interest Expenses | -853 | -1479 | -1900 | -1583 |
| Dividend paid | -1094 | -2012 | -2284 | -2284 |
| Others | -417 | 1225 | 0 | 0 |
| **Financing Cash Flow** | **-1926** | **5076** | **-4184** | **-6866** |
| Change in Cash | 184 | -755 | -89 | 507 |
| Opening Cash | 370 | 554 | 467 | 378 |
| Closing Cash | **554** | **467** | **378** | **885** |

Source: Company, Axis Securities Research

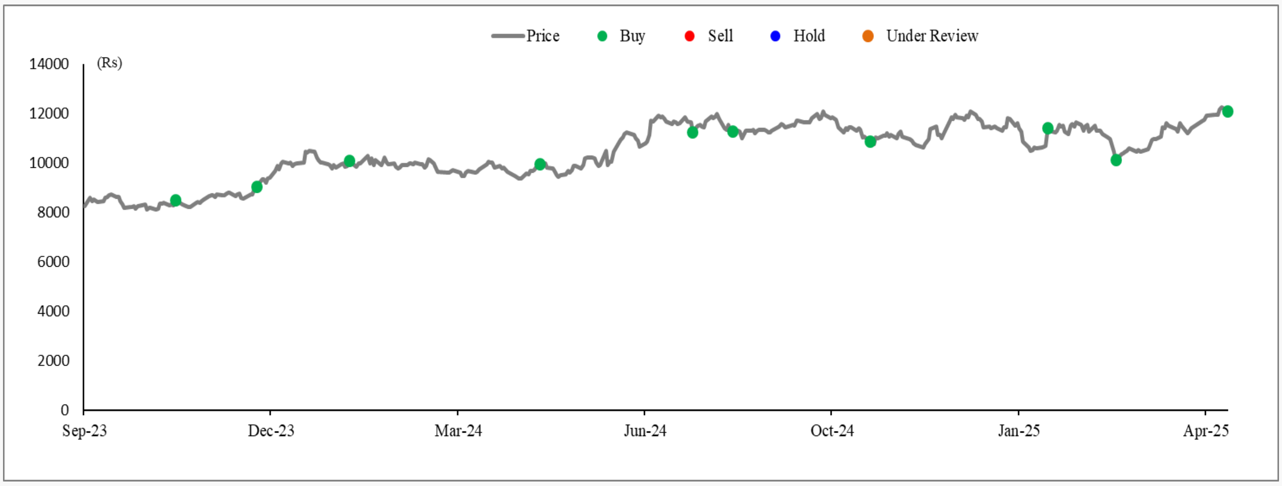
## Ratio Analysis

(%)

| Y/E March | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| **Operational Ratios** | | | | |
| Gross profit margin | 35% | 35% | 38% | 39% |
| EBITDA margin | 18% | 17% | 20% | 22% |
| PAT margin | 10% | 8% | 11% | 12% |
| Depreciation / G. block | 4.1% | 3.9% | 4.2% | 4.5% |
| | | | | |
| **Growth Indicator** | | | | |
| Sales growth | 12% | 5% | 16% | 12% |
| Volume growth | 13% | 10% | 14% | 9% |
| EBITDA growth | 22% | -3% | 38% | 21% |
| PAT growth | 39% | -11% | 47% | 27% |
| | | | | |
| **Efficiency Ratios** | | | | |
| Sales/Gross block (x) | 1.02 | 0.75 | 0.800 | 0.824 |
| Sales/Net block(x) | 1.02 | 0.84 | 0.841 | 0.902 |
| Working capital/Sales (x) | -0.06 | -0.12 | -0.076 | -0.047 |
| | | | | |
| **Valuation Ratios** | | | | |
| PE (x) | 49 | 57 | 39 | 30 |
| P/BV (x) | 5.8 | 4.8 | 4.4 | 4.0 |
| EV/Ebitda (x) | 27 | 30 | 22 | 18 |
| EV/Sales (x) | 5.0 | 5.1 | 4.3 | 3.8 |
| MCap/ Sales (x) | 4.9 | 4.8 | 4.1 | 3.7 |
| EV/Tonne $ | 276 | 224 | 214 | 195 |
| | | | | |
| **Return Ratios** | | | | |
| ROE | 12% | 8% | 11% | 13% |
| ROCE | 15% | 11% | 13% | 15% |
| ROIC | 16% | 11% | 14% | 16% |
| | | | | |
| **Leverage Ratios** | | | | |
| Debt/equity (x) | 0.2 | 0.3 | 0.3 | 0.2 |
| Net debt/ Equity (x) | 0.1 | 0.3 | 0.2 | 0.1 |
| Net debt/Ebitda | 0.4 | 1.6 | 1.0 | 0.5 |
| Interest Coverage ratio (x) | 11 | 6 | 7 | 10 |
| | | | | |
| **Cash Flow Ratios** | | | | |
| OCF/Sales | 15% | 14% | 16% | 20% |
| OCF/Ebitda | 84% | 85% | 80% | 94% |
| FCF/Sales | 3% | 2% | 6% | 11% |
| FCF/EBITDA | 15% | 12% | 28% | 50% |
| OCF/Capital Employed | 15% | 12% | 13% | 18% |
| | | | | |
| Payout ratio (Div/NP) (%) | 28% | 37% | 25% | 19% |
| AEPS (Rs.) | 248 | 212 | 314 | 400 |
| AEPS Growth (%) | 41% | -14% | 48% | 27% |
| CEPS (Rs.) | 357 | 343 | 468 | 579 |
| DPS (Rs.) | 70 | 78 | 78 | 78 |

Source: Company, Axis Securities Research

# UltraTech Cement Price Chart and Recommendation History




| Date | Reco | TP | Research |
|---|---|---|---|
| 20-Oct-23 | BUY | 9,680 | Result Update |
| 02-Dec-23 | BUY | 10,850 | Company Update |
| 22-Jan-24 | BUY | 11,100 | Result Update |
| 30-Apr-24 | BUY | 11,100 | Result Update |
| 22-Jul-24 | BUY | 12,400 | Result Update |
| 12-Aug-24 | BUY | 12,450 | AAA |
| 22-Oct-24 | BUY | 12,000 | Result Update |
| 24-Jan-25 | BUY | 13,510 | Result Update |
| 03-Mar-25 | BUY | 13,510 | Company Update |
| 29-Apr-25 | BUY | 13,510 | Result Update |
| | | | |

*Source: Axis Securities Research*

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|---|---|
| BUY | More than 10% |
| HOLD | Between 10% and -10% |
| SELL | Less than -10% |
| NOT RATED | We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation. |
| UNDER REVIEW | We will revisit our recommendation, valuation and estimates on the stock following recent events |
| NO STANCE | We do not have any forward-looking estimates, valuation or recommendation for the stock |

Note: Returns stated in the rating scale are our internal benchmark.