

The UltraTech Board has approved acquisition of ~33% stake from the promoters & associates of India Cements (ICL) at Rs390/sh (EV: US\$121/t; outflow: Rs19bn), subject to regulatory approvals. This combined with the 23% stake acquired in Jun-24 ([link](#)), takes UltraTech's total stake to 56% (EV: US\$108/t). Besides this, UltraTech has made an open offer for 26% equity stake at Rs390/sh. It is significantly strengthening its position, and we expect its capacity market share to more than double in the South, to ~25% by FY27E. UltraTech India's grey cement capacity is likely to cross 200mt by FY27E (~12% CAGR). This will help the company achieve industry-leading volume growth, despite its large scale, and the lower opex/capex would boost return ratios. The industry profitability could remain capped in the near term, in our view, owing to fight for market share; we expect this to continue for another 4-6 quarters. However, consolidation will help inject price discipline and is likely to generate significantly better profitability/return ratios in the longer term. We maintain BUY on the stock, and Jun-25E TP at Rs12,800/sh, based on 20x EV/E.

UltraTech Cement: Financial Snapshot (Consolidated)					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	632,400	709,081	766,240	892,549	983,507
EBITDA	106,198	129,686	146,782	182,694	212,368
Adj. PAT	50,639	70,770	80,060	104,835	126,573
Adj. EPS (Rs)	175.4	242.6	272.8	355.8	429.6
EBITDA margin (%)	16.8	18.3	19.2	20.5	21.6
EBITDA growth (%)	(7.8)	22.1	13.2	24.5	16.2
Adj. EPS growth (%)	(29.5)	38.3	12.4	30.4	20.7
RoE (%)	9.7	12.3	12.1	13.9	15.0
RoIC (%)	9.3	12.3	12.2	13.8	15.3
P/E (x)	66.5	47.6	43.0	32.8	27.2
EV/EBITDA (x)	32.0	26.2	23.8	18.9	16.1
P/B (x)	6.2	5.6	4.8	4.3	3.9
FCFF yield (%)	0.8	0.4	0.7	1.7	2.3

Source: Company, Emkay Research

Deal contours: The Board of UltraTech has approved purchase of 32.72% equity stake of the promoters and their associates in ICL, at Rs390/sh (EV: US\$121/t; Exhibits 1&2). In our [note](#), we had mentioned that UltraTech is unlikely to restrict its financial investment in ICL; this is a precursor to increasing its stake and converting it into a strategic acquisition ahead. The transaction is subject to approval from the CCI, and is expected to be consummated within six months. India Cements has clinker/cement capacity of 11.5mt/14.5mt, respectively.

Strengthening position, particularly in TN; a step to >200mt capacity by FY27E
Given the limited availability of limestone in TN, the said transaction is an endeavor to extend the UltraTech footprint, particularly in the state. Assuming 70/75% utilization with EBITDA/t of Rs1,000/1,200 in FY26E/FY27E (UltraTech has a good track record of turning around the acquired assets), the implied valuation stands at 13.5x/10.5x EV/E, 30-35% discount to what UltraTech is currently trading at. These assets are likely to generate EBITDA of Rs10-13bn in FY26/FY27E, which would be ~5-6% of our current estimates (currently not factored into our estimates). On acquisition of Kesoram/ICL and based on the on-going expansions, UltraTech India's grey cement capacity is likely to increase to 209mt (vs 150mt now) by FY27E (~12% CAGR).

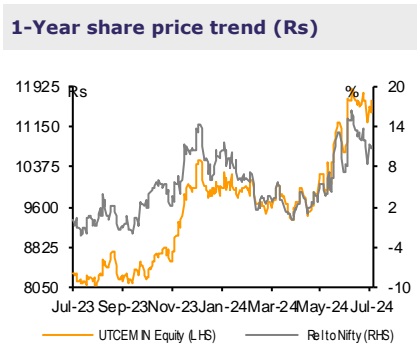
Top groups gaining mkt share; UltraTech's FY27E share at >20% in the South
Building in the already announced expansions/acquisitions, we estimate that Top-5 group capacity market shares are likely to increase, from 40% in FY24 to ~58% by FY27E, with the biggest delta to be driven by UltraTech (~1,450bps) and the Adani Group (~275bps). We estimate that UltraTech capacity market share would increase, from 11% in FY24 to 25% by FY27E, in line with its capacity market share of >20% in other regions.

Consolidation: Near-term pain; long-term gain, in our view
Profitability could remain capped in the near term, as companies may look to improve utilization given acquired assets are operating at low utilization levels. We expect this scenario (ramp up of assets, consolidation) to continue for another 4-6 quarters at least. We believe consolidation will be positive for price discipline/improvement, and can generate significantly better profitability/return ratios in the longer term. The potential acquisition candidate is also likely to see a further re-rating.

Target Price – 12M	Jun-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	9.7
CMP (26-Jul-24) (Rs)	11,673.1

Stock Data	Ticker
52-week High (Rs)	12,078
52-week Low (Rs)	7,941
Shares outstanding (mn)	288.7
Market-cap (Rs bn)	3,370
Market-cap (USD mn)	40,249
Net-debt, FY25E (Rs mn)	52,661
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	5,115.9
ADTV-3M (USD mn)	61.1
Free float (%)	-
Nifty-50	24,835
INR/USD	83.7
Shareholding, Jun-24	
Promoters (%)	60.0
FPIs/MFs (%)	18.1/14.4

Price Performance			
(%)	1M	3M	12M
Absolute	4.8	20.3	39.8
Rel. to Nifty	0.7	8.6	11.3



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Story in Charts

Exhibit 1: UltraTech needs total cash outflow of ~Rs90bn, assuming 100% tendering in an open offer

Cash outflow (Rs mn)	Damani & others (I)	Promoters & associates (II)	Open offer (III)*	Total (I+II)	Total (I+II+III)*
No. of shares (mn)	71	101	81	172	253
Stake in ICL (%)	23%	33%	26%	56%	82%
Average Price (Rs/sh)	268	390	390	340	356
Cash Outflow	18,921	39,543	31,424	58,463	89,887

Source: Company, Emkay Research; *assuming 100% tendering in an open offer

Exhibit 2: UltraTech's ICL acquisition's EV/t (in US\$ terms) may fall to US\$112, combining all transactions

EV (US\$/t)	Damani & others (I)	Promoters & associates (II)	Open offer (III)*	Total (I+II)	Total (I+II+III)*
ICL Capacity (mt)	14.5	14.5	14.5	14.5	14.5
Average Price (Rs/sh)	268	390	390	340	356
Equity value (Rs mn)	83,050	120,857	120,857	105,338	110,289
Net debt - Mar-24 (Rs mn)	25,267	25,267	25,267	25,267	25,267
Enterprise Value (Rs mn)	108,317	146,123	146,123	130,604	135,555
US\$/t	90	121	121	108	112

Source: Company, Emkay Research; *assuming 100% tendering in an open offer; Note: we have not factored in any requirement of upgradation capex on ICL plants for our calculation

Exhibit 3: Divestment in the Indian cement industry has averaged at an EV of US\$100/t in the past decade

Year	Target	Acquirer	Region	Capacity (mt)	EV/t (US\$)
Jul-24	India Cement (~33% stake from promoters & associates)	UltraTech	South	14.5	121
Jun-24	India Cement (Financial Investment, ~23% stake)	UltraTech	South	14.5	88
Jun-24	Penna Cement	Adani group	South	14.0	89
Apr-24	My Home Industries	Adani group	South	1.5	33
Apr-24	India Cement	UltraTech	South	1.1	35
Dec-23	Kesoram Industries	UltraTech	South	10.8	84
Aug-23	Sanghi Industries	Adani group	West	6.1	98
2022	ACC+Ambuja Cements	Adani group	Pan India	67.8	143
2021	Bhavya Cements	Anjani Portland	South	1.4	51
2020	Emami Cement	Nuvoco Vistas	East	8.3	79
2019	Murli Industries	Dalmia Bharat	West	2.9	54
2018	Binani Cement	UltraTech	North	8.6	111
2018	Century Cement	UltraTech	Central/West/East	11.4	85
2018	Kalyanpur Cement	Dalmia Bharat	East	1.1	44
2016	Lafarge Cement	Nirma Corp	East	11.0	102
2016	JPA group Gujarat	UltraTech	West	22.4	91
2016	Reliance Cement	Birla Corp	Central/West	5.5	105
2014	Jaypee Panipat Haryana	Shree Cements	North	1.5	32
2014	BMM	Sagar Cements	South	1.0	60
2014	Jaypee Bokaro Cement	Dalmia Bharat	East	2.1	68
2013	Jaypee Gujarat Plant	UltraTech	West	4.8	95
2013	Jayajothi Cements	Home Industries	South	3.2	52
2013	Adhunik Metals	Dalmia Bharat	East	1.5	88
2012	Calcom	Dalmia Bharat	East	1.7	21

Source: Company, Emkay Research

Exhibit 4: Potential acquisition candidates in the listed space, in our view

FY24	Capacity (mt)	EV/EBITDA (x)	EV/t (US\$)
NCL Industries	3.4	5.9	44
Sagar Cement	10.9	17.4	47
Saurashtra Cement	2.7	10.8	62
Mangalam Cement	4.4	14.7	81
Orient Cement	8.5	15.4	98
Nuvoco	25.0	10.0	79
Deccan Cement	1.8	13.0	81
Heidelberg	6.3	15.6	94
Star Cement	7.7	15.3	133
Shree Digvijay Cement	1.2	10.3	160
Total	71.7		

Source: Emkay Research

Exhibit 5: A few potential candidates in the unlisted space; the South could see higher consolidation

	Capacity (mt)	Region
Chettinad Cement	19.9	South
Zuari Industries	8.1	South
Bharthi Vicat	5.0	South/West
My Home Industries	6.8	South
Vadraj Cement	6.0	West
Total	45.8	

Source: Emkay Research

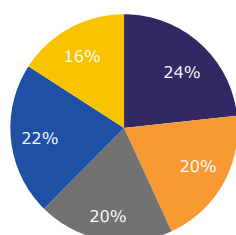
Exhibit 6: Nearly two-thirds of UltraTech's incremental capacity addition is targeted in the southern and eastern regions

Region (mt)	FY23	FY24	FY25E	FY26E	FY27E
North	26	33	33	38	41
Central	28	28	33	33	33
East	23	28	32	34	41
West	30	31	32	35	35
South	21	21	27	54*	59
All-India	127	141	157	194	209
Overseas	5	5	5	5	5
Overall	132	146	162	199	214

Source: Company, Emkay Research; Assuming the Kesoram and ICL acquisitions from FY26E

Exhibit 7: Capacity mix for UltraTech – FY24

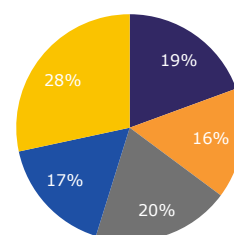
■ North ■ Central ■ East ■ West ■ South



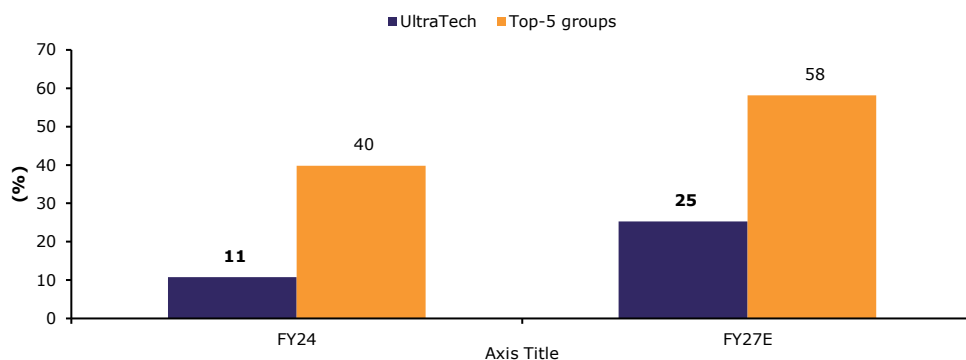
Source: Company, Emkay Research

Exhibit 8: Capacity mix for UltraTech – FY27

■ North ■ Central ■ East ■ West ■ South



Source: Company

Exhibit 9: UltraTech's capacity market share to more than double, to 25% in the South by FY27E

Source: Emkay Research

Exhibit 10: India Cements – Capacity break-up

Location	State	Clinker (mt)	Cement (mt)
Sankarnagar, Tirunelveli	TamilNadu	1.4	2.0
Sankari, Salem	TamilNadu	0.5	0.9
Chennai	TamilNadu	-	1.2
Dalavoi	TamilNadu	1.2	1.9
Cuddapah	Andhra Pradesh	1.5	1.4
Yerraguntala	Andhra Pradesh	0.7	0.7
Nalgonda	Andhra Pradesh	2.9	2.5
Tandur	Telangana	2.2	2.4
Mahi Cement	Rajasthan	1.1	1.5
Total		11.5	14.5

Source: Emkay Research; Note: India Cements sold 1.1mt GU in Parli, Maharashtra in Apr-24, to UltraTech

Exhibit 11: India Cements – Financials

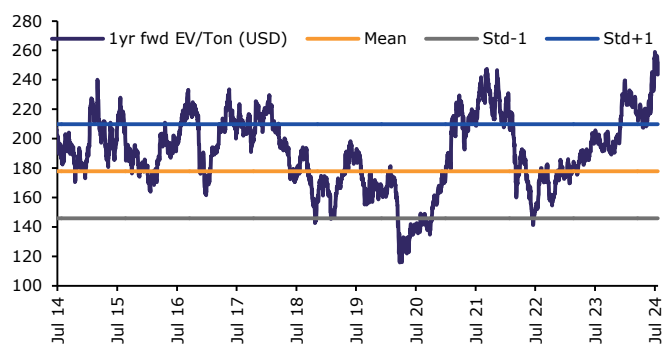
	FY22	FY23	FY24*
Capacity (mt)	15.5	15.5	15.5
Volumes (mt)	9.1	9.9	9.5
Utilization (%)	58.5	63.9	61.0
Per ton analysis (Rs)			
Realization/t	5,196	5,437	5,226
RM Consumed/t	834	947	978
Power & Fuel/t	1,683	2,453	1,942
Freight/t	1,177	1,166	1,070
Others/t	628	685	725
EBITDA/t	508	(176)	115
Revenue (Rs mn)	47,131	53,808	49,424
EBITDA (Rs mn)	4,611	(1,745)	1,090
Net Profit (Rs mn)	390	(1,886)	(2,025)

Source: Company, Emkay Research; Note: India Cements sold 1.1mt GU in Parli, Maharashtra in Apr-24, to UltraTech

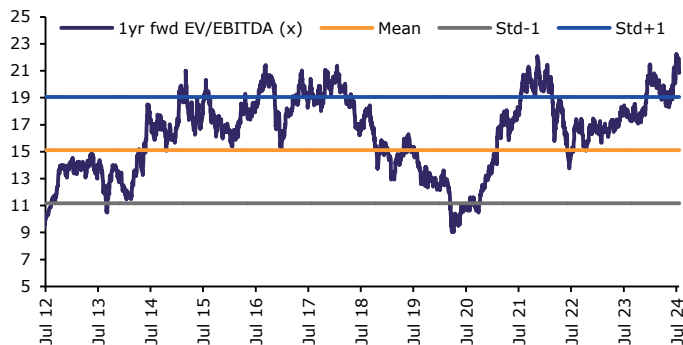
Exhibit 12: We maintain BUY on Ultratech, with TP of Rs12,800/share, based on Jun-26E EV/E of 20x

EV/E valuation	
Jun-26E EBITDA (Rs bn)	190
EV/E (x)	20
Enterprise Value (Rs bn)	3,797
Net debt (Jun-26E; Rs bn)	45
Investments in India Cements, 20% discount to CMP (Rs bn)	20
Equity value (Rs bn)	3,772
No. of shares (mn)	295
Jun-26E Target Price (Rs/share)	12,800

Source: Emkay Research

Exhibit 13: One-year forward EV/ton

Source: Bloomberg, Emkay Research

Exhibit 14: One-year forward EV/EBITDA

Source: Bloomberg, Emkay Research

Exhibit 15: Annual Financials

Key Assumptions	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR (%)	
										FY19-24	FY24-27E
Capacity (mt)	100	115	118	121	135	148	175	187	202	8.2	10.8
Volumes (mt)	76	82	86	94	106	119	131	151	163	9.3	11.1
Utilization (%)	82	77	74	78	83	80	75	81	81		
Blended Realization (Rs/ton)	4,815	5,038	5,118	5,502	5,895	5,864	5,756	5,825	5,933	4.0	0.4
EBITDA/ton (Rs)	889	1,144	1,338	1,225	1,004	1,089	1,120	1,210	1,300	4.2	6.1
P&L (Rs bn)											
Revenue	374	421	447	526	632	709	766	893	984	13.7	11.5
EBITDA	68	94	116	115	106	130	147	183	212	13.8	17.9
Adj. Net Profit	24	38	56	57	51	71	80	105	127	23.8	21.4
Balance Sheet (Rs bn)											
Equity	284	391	442	504	544	603	717	795	890		
Net Debt	196	169	67	39	27	28	53	22	(25)		
Net Debt: EBITDA	2.9	1.8	0.6	0.3	0.3	0.2	0.4	0.1	(0.1)		
Net Debt: Equity	0.7	0.4	0.2	0.1	0.0	0.0	0.1	0.0	(0.0)		
Cash Flow (Rs bn)											
OCF before NWC change	47	65	87	93	74	104	119	143	164		
Change in NWC	(9)	5	23	(5)	(3)	(5)	(1)	(1)	(1)		
Capex	(15)	(17)	(18)	(56)	(61)	(89)	(90)	(90)	(90)		
FCF	23	53	91	32	10	10	28	52	73		
Return ratios (%)											
RoE	8.9	11.4	13.4	12.0	9.7	12.3	12.1	13.9	15.0		
RoCE	6.8	8.6	11.6	10.4	8.9	11.2	10.6	12.7	14.2	-	
RoIC	7.4	9.3	11.0	10.8	9.3	12.3	12.2	13.8	15.3		
Valuations (x)											
PER (x)							43.0	32.8	27.2		
EV/EBITDA (x)							23.6	19.1	16.3		
EV/ton (US\$)							239	222	203		

Source: Company, Emkay Research

Exhibit 16: Annual analysis on a per-ton basis

(Rs/ton)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Blended Realization	4,815	5,038	5,118	5,502	5,895	5,864	5,756	5,825	5,933
YoY (%)	0.4	4.6	1.6	7.5	7.1	(0.5)	(1.9)	1.2	1.9
Raw-Material cost	855	767	820	847	919	1,000	1,001	1,013	1,025
Power and Fuel cost	1,103	1,029	964	1,291	1,749	1,536	1,430	1,400	1,420
Freight cost	1,158	1,181	1,162	1,246	1,325	1,334	1,320	1,313	1,308
Staff cost	270	305	272	270	259	255	246	235	237
Other expenses	619	691	618	717	725	742	730	739	730
Total Operating Cost	4,005	3,973	3,836	4,371	4,976	4,867	4,726	4,700	4,720
Other Operating Income	79	79	56	95	85	92	90	85	86
Blended EBITDA	889	1,144	1,338	1,225	1,004	1,089	1,120	1,210	1,300
YoY (%)	(6.6)	28.7	17.0	(8.5)	(18.0)	8.5	2.8	8.0	7.5

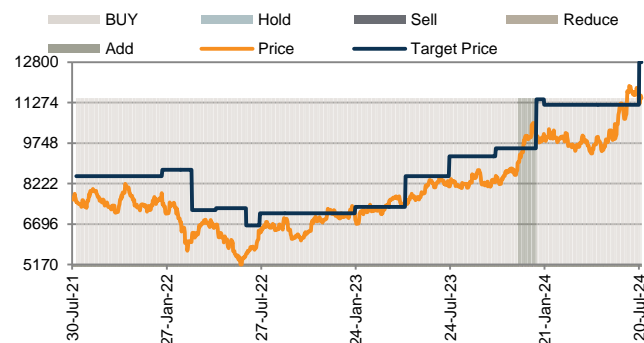
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
20-Jul-24	11,258	12,800	Buy	Dharmesh Shah
01-Jul-24	11,905	11,200	Buy	Dharmesh Shah
27-Jun-24	11,717	11,200	Buy	Dharmesh Shah
10-Jun-24	10,826	11,200	Buy	Dharmesh Shah
29-Apr-24	9,964	11,200	Buy	Dharmesh Shah
01-Apr-24	9,954	11,200	Buy	Dharmesh Shah
04-Mar-24	9,978	11,200	Buy	Dharmesh Shah
20-Jan-24	9,997	11,200	Buy	Dharmesh Shah
05-Jan-24	10,016	11,400	Buy	Dharmesh Shah
30-Nov-23	9,004	9,550	Add	Dharmesh Shah
30-Nov-23	9,004	9,550	Buy	Dharmesh Shah
30-Nov-23	9,004	9,550	Buy	Dharmesh Shah
29-Oct-23	8,210	9,550	Buy	Dharmesh Shah
19-Oct-23	8,519	9,550	Buy	Dharmesh Shah
28-Sep-23	8,154	9,250	Buy	Dharmesh Shah
18-Sep-23	8,628	9,250	Buy	Dharmesh Shah
22-Jul-23	8,119	9,250	Buy	Dharmesh Shah
03-Jun-23	7,851	8,500	Buy	Dharmesh Shah
04-May-23	7,502	8,500	Buy	Dharmesh Shah
29-Apr-23	7,556	8,500	Buy	Dharmesh Shah
07-Apr-23	7,702	7,350	Buy	Dharmesh Shah
02-Mar-23	7,289	7,350	Buy	Dharmesh Shah
05-Feb-23	7,189	7,350	Buy	Dharmesh Shah
23-Jan-23	6,850	7,350	Buy	Dharmesh Shah
29-Dec-22	6,982	7,100	Buy	Dharmesh Shah
05-Dec-22	7,199	7,100	Buy	Dharmesh Shah
05-Nov-22	6,893	7,100	Buy	Dharmesh Shah
19-Oct-22	6,398	7,100	Buy	Dharmesh Shah
04-Oct-22	6,308	7,100	Buy	Dharmesh Shah
04-Sep-22	6,578	7,100	Buy	Dharmesh Shah
24-Jul-22	6,459	7,100	Buy	Dharmesh Shah
04-Jul-22	5,709	6,650	Buy	Dharmesh Shah
28-Jun-22	5,573	6,650	Buy	Dharmesh Shah
02-Jun-22	6,008	7,300	Buy	Dharmesh Shah
01-May-22	6,630	7,300	Buy	Dharmesh Shah
16-Mar-22	6,306	7,230	Buy	Dharmesh Shah
18-Jan-22	7,556	8,750	Buy	Dharmesh Shah
31-Dec-21	7,591	8,500	Buy	Dharmesh Shah
02-Dec-21	7,323	8,500	Buy	Dharmesh Shah
19-Oct-21	7,170	8,500	Buy	Dharmesh Shah
05-Sep-21	7,930	8,500	Buy	Dharmesh Shah
06-Aug-21	7,528	8,500	Buy	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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