

UltraTech Cement

BSE SENSEX

61,761

S&P CNX

18,266



Bloomberg	UTCEM IN
Equity Shares (m)	288
M.Cap.(INRb)/(USDb)	2227.2 / 27.1
52-Week Range (INR)	7825 / 5158
1, 6, 12 Rel. Per (%)	-4/11/12
12M Avg Val (INR M)	2789

Financial Snapshot (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	632	686	749
EBITDA	106	136	155
Adj. PAT	51	69	81
EBITDA Margin (%)	17	20	21
Adj. EPS (INR)	175	240	282
EPS Gr. (%)	(11)	37	18
BV/Sh. (INR)	1,882	2,081	2,321

Ratios

Net D:E	0.0	(0.0)	(0.1)
RoE (%)	9.7	12.1	12.8
RoCE (%)	9.0	11.2	12.1
Payout (%)	21.7	16.7	14.9

Valuations

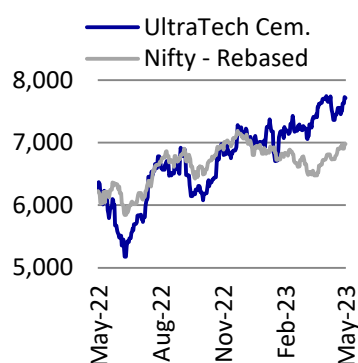
P/E (x)	44.0	32.2	27.4
P/BV (x)	4.1	3.7	3.3
EV/EBITDA(x)	21.1	16.2	13.9
EV/ton (USD)	216	205	171
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	1.3	2.5	2.9

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	60.0	60.0	60.0
DII	17.1	17.6	16.4
FII	15.4	14.8	14.1
Others	7.5	7.7	9.5

FII Includes depository receipts

Stock's performance (one-year)


CMP: INR7,715
TP: INR8,600 (+11%)
Buy

Volume growth robust; gaining market share

Capacity expansion continues to drive leadership position

- UltraTech Cement (UTCEM)'s domestic grey cement capacity/volume CAGR at 10%/11% over FY14-23 exceeded that of industry (at 5% each) over the same period. This resulted in a considerable market share gain to ~26% in FY23 from ~16% in FY14. In FY23, UTCEM's volume growth of 14% YoY exceeded that of industry at ~10% YoY.
- UTCEM commissioned 12.4mtpa grey cement capacity and 8.1mtpa clinker capacity (part of phase-I expansion) in FY23, spread across North, East, West and Central India. In Apr'23 it commissioned 2.2mtpa grinding capacity at Patliputra, Bihar (brownfield expansion and part of Phase-I). Currently, its total domestic grey cement capacity has increased to 129.2mtpa and clinker capacity has risen to 86.2mtpa. Remaining capacity under Phase -1 expansion ~2mtpa is under trial-run and will be commissioned in 1QFY24.
- The company is also working on phase-II expansion of 22.6mtpa that will entail a capex of INR128.9b (capex/t of USD76). This expansion will be completed by 1HFY26E. Post-completion of this expansion, UTCEM's total domestic grey cement capacity will be at 154mtpa.
- During FY23-25E, UTCEM's capacity/volume CAGR is likely to be at 10%/8%, surpassing that of industry at 7% each. We expect the company to increase its market share to 26.5% by FY25, +60bp from FY23 levels. Reiterate BUY.

Superior profitability v/s peers is a result of improved realization and cost efficiency

- UTCEM's grey cement realization posted a 5.6% CAGR over FY19-23 v/s 4.3% for the industry (under MOFSL cement coverage). Its EBITDA/t clocked 4% CAGR over FY19-23 v/s a decline of ~1% for the industry over the same period.
- Better profitability against peers was driven by improved realization and cost reduction initiatives such as – 1) increased green energy share (~25% in FY23 v/s 7% in FY19); 2) logistics cost optimization through rationalizing market-mix (increased share of split location Grinding units); 3) synergies arising out of the integration of acquired assets; 4) reduction in clinker factor (70.9% in FY23 v/s 76.2% in FY19); 4) drop in power consumption and 5) process optimization through automation at various levels etc.
- Margins are expected to further improve due to: a) increasing usage of alternative raw material/fuel (clinker factor/TSR near-term target of 70%/10%) and b) higher green power mix – expanding WHRS/other renewable power capacities to 324MW/600MW from 210MW/345MW by FY24E and targeting green power share of 34% by FY24E v/s 25% currently.

Sanjeev Kumar Singh - Research analyst (Sanjeev.Singh@MotilalOswal.com)

Mudit Agarwal - Research analyst (Mudit.Agarwal@MotilalOswal.com)

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

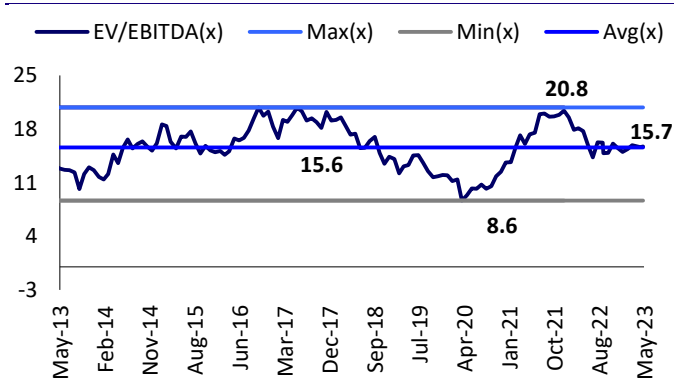
 Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Fuel price reduction to result in margin improvement

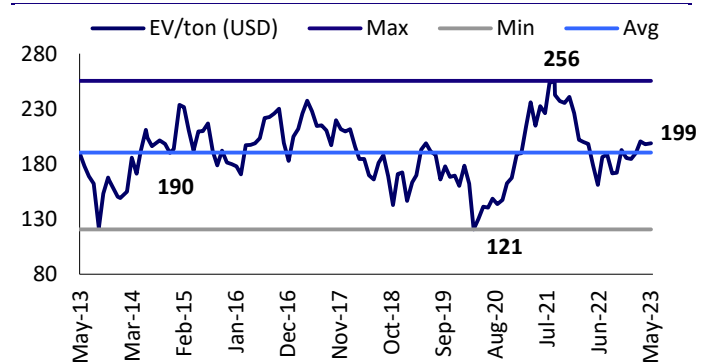
- Imported coal/petcoke prices have corrected in the past few months. Imported petcoke price declined 4-6% MoM in May'23 to USD135-USD137/t while domestic petcoke price fell 11% MoM to INR14,639/t. Further, imported coal (South African and US) prices dipped 6-8% MoM in May'23 to USD122-151/t.
- We believe that at the current fuel prices, consumption cost will be at INR1.58-1.6/kcal for imported petcoke, INR1.76/kcal for South African coal, INR1.89/kcal for the US coal, and INR1.9/kcal for domestic petcoke.
- A major benefit of the reduction in fuel prices will reflect in 1HFY24E and we should see a fuel cost decline of INR165/t in 1QFY24E and a further reduction of INR150/t in 2QFY24E.

Top of the pack: Reiterate BUY

- We estimate UTCCEM's consolidated volume to report ~8% CAGR over FY23-25. We further estimate its EBITDA/t at INR1,173/INR1,245 in FY24/FY25 v/s an EBITDA/t of INR1,000 in FY23 (EBITDA/t was at INR1,225 in FY22).
- UTCCEM's net debt has declined notably to INR27b as of Mar'23 from INR77.2b in Dec'22. It has been generating strong cash flows and we estimate cumulative OCF/FCF to be at INR238b/INR121b over FY24-25. We estimate the company to become net cash positive in FY24.
- The stock trades at 16.2x/13.9x FY23E/FY24E EV/EBITDA (v/s its 10-year one-year average EV/EBITDA of 15.7x). We value UTCCEM at 15.5x FY25E EV/EBITDA to arrive at our TP of INR8,600 (implying EV/t of USD200). We maintain our **BUY** rating on the stock.

Exhibit 1: One-year forward EV/EBITDA ratio trend

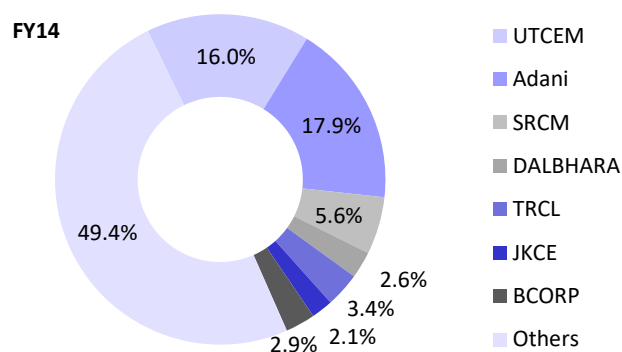
Source: Company, MOFSL

Exhibit 2: One-year forward EV/t trend

Source: Company, MOFSL

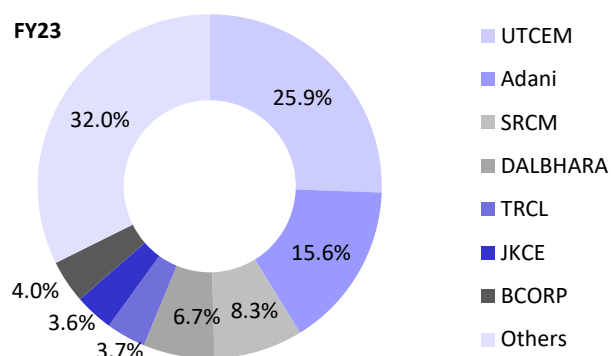
Story in charts

Exhibit 3: UTCCEM's FY14 market share stood at 16%...



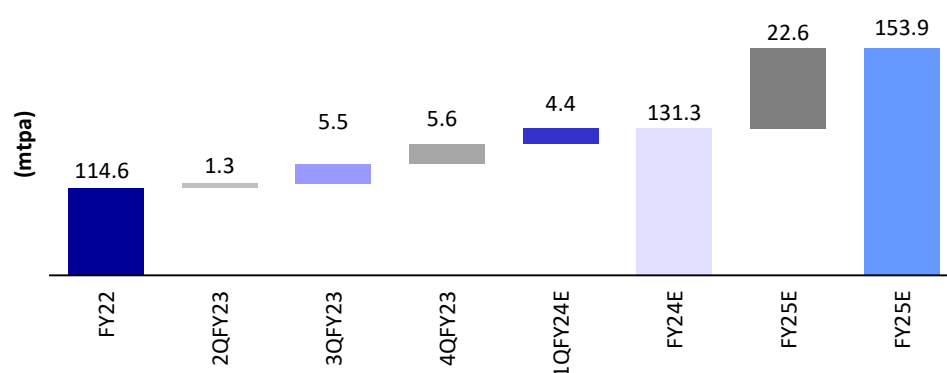
Source: Company, MOFSL

Exhibit 4: ...which has increased to ~26% by FY23



Source: Company, MOFSL

Exhibit 5: UTCCEM's capacity is estimated to report 10% CAGR over FY23-25



Source: MOFSL, Company; Note: capacity shown is India operation Gray Cement capacity

Exhibit 6: UTCCEM's region-wise capacity (mtpa) and capacity share in FY23

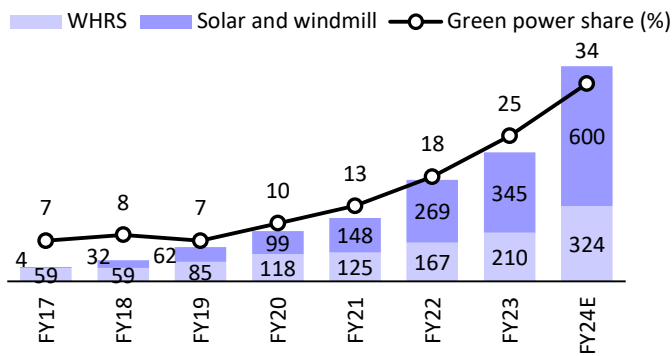
Region	Capacity as of Mar'23	Regional mix (%)	Industry capacity	Capacity share in the industry (%)
North	25.7	20	~114	23
Central	28.4	22	~79	36
East	22.9	18	~124	18
West	29.6	23	~80	37
South	20.5	16	~180	11
All India	127.0		~576	22

Source: Company, MOFSL

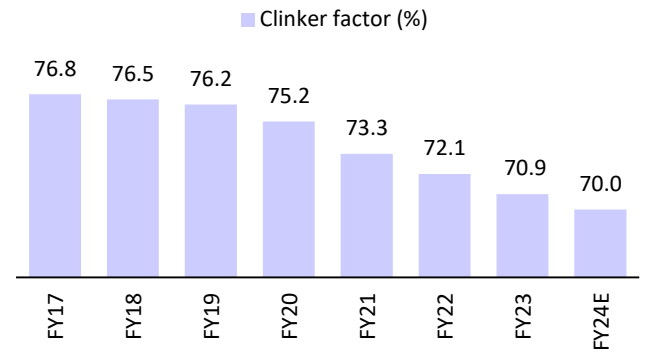
Exhibit 7: UTCCEM's region-wise capacity (mtpa) and capacity share in FY25E

Region	Capacity as of Mar'23	Regional mix (%)	Industry capacity	Capacity share in the industry (%)
North	31.9	21	~129	25
Central	34.7	23	~97	36
East	31.6	21	~157	20
West	29.6	19	~82	36
South	26.2	17	~200	13
All India	153.9		~664	23

Source: Company, MOFSL

Exhibit 8: Green power share increased to ~25% in FY23

Source: Company, MOFSL

Exhibit 9: Clinker factor declined to 70.9% in FY23

Source: Company, MOFSL

Exhibit 10: The industry's fuel cost is decreasing; hence, margin should improve

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24E	2QFY24E
Imported coal cost (INR/kcal)	3.3	3.5	3.5	2.8	2.1	1.9
Pet coke cost (INR/kcal)-imported	2.6	2.7	2.1	2.1	1.9	1.6
Pet coke cost (INR/kcal)-domestic	2.4	2.8	2.3	2.4	2.2	1.9
E-auction price (INR/kcal)	2.9	3.4	2.2	2.1	1.3	1.3
Coal cost (INR/t)-clinker	1,995	2,171	1,793	1,706	1,473	1,264
Coal cost (INR/t)-cement	1,425	1,551	1,281	1,218	1,052	903

Source: MOFSL, Industry, Bloomberg

Exhibit 11: UTCЕМ's realization clocked 5.6% CAGR over FY19-23, better than peers

Grey cement Realization (INR/t)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY19-FY23 CAGR (%)	FY23-FY25E CAGR (%)
UTCЕМ	4,364	4,670	4,804	5,126	5,421	5,371	5,431	5.6	0.1
SRCM	4,256	4,644	4,683	4,916	5,070	5,106	5,081	4.5	0.1
ACEM	4,525	4,719	4,929	5,105	5,231	5,261	5,311	3.7	0.8
ACC	4,643	4,801	4,909	5,044	5,167	5,082	5,142	2.7	-0.2
DALBHARA	4,911	4,921	4,815	4,946	5,163	5,078	5,138	1.3	-0.2
TRCL	4,549	4,718	5,224	5,359	5,419	5,321	5,366	4.5	-0.5
JKCE	4,001	4,527	4,495	4,774	4,974	4,974	5,074	5.6	1.0
BCORP	4,554	4,826	4,853	4,961	5,225	5,300	5,250	3.5	0.2
ICEM	4,391	4,455	4,844	5,018	5,303	5,253	5,153	4.8	-1.4
MOFSL Coverage	4,456	4,707	4,824	5,054	5,266	5,238	5,276	4.3	0.1

Source: MOFSL, Company; Note - FY23 numbers of SRCM, TRCL, JKCE, BCORP and ICEM are MOFSL estimates

Exhibit 12: UTCCEM's blended cost/t reported 5.5% CAGR over FY19-23

Blended Cost/t (INR)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY19-FY23 CAGR (%)	FY23-FY25E CAGR (%)
UTCCEM	3,999	4,015	3,837	4,370	4,957	4,751	4,772	5.5	-1.9
SRCM	3,230	3,132	3,142	3,668	4,102	3,932	3,846	6.2	-3.2
ACEM	3,902	3,959	3,858	3,990	4,431	4,260	4,221	3.2	-2.4
ACC	4,497	4,585	4,428	4,552	5,258	4,908	4,863	4.0	-3.8
DALBHARA	4,037	3,923	3,550	3,991	4,367	4,167	4,134	2.0	-2.7
TRCL	3,694	3,777	3,729	4,251	4,711	4,374	4,316	6.3	-4.3
JKCE	4,234	4,381	4,136	4,533	5,032	4,820	4,820	4.4	-2.1
BCORP	4,103	4,091	4,045	4,466	5,037	4,845	4,722	5.3	-3.2
ICEM	4,011	4,058	4,079	4,688	5,684	4,865	4,605	9.1	-10.0
JKLC	3,589	3,671	3,635	4,008	4,985	4,794	4,777	8.6	-2.1
MOFSL Coverage	3,939	3,961	3,815	4,233	4,810	4,564	4,525	5.1	-3.0

Source: MOFSL, Company; Note – FY23 numbers of SRCM, TRCL, JKCE, BCORP, ICEM and JKLC are MOFSL estimates

Exhibit 13: EBITDA/t is estimated to be better than peers over FY23-FY25

Blended EBITDA/t (INR)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY19-FY23 CAGR (%)	FY23-FY25E CAGR (%)
UTCCEM	858	1,139	1,339	1,225	1,000	1,173	1,246	3.9	11.6
SRCM	1,007	1,448	1,514	1,247	946	1,166	1,227	-1.6	13.9
ACEM	779	891	1,158	1,184	869	1,078	1,162	2.7	15.7
ACC	721	834	972	1,039	497	774	882	-8.9	33.2
DALBHARA	1,040	1,092	1,334	1,093	901	1,017	1,109	-3.5	10.9
TRCL	910	992	1,552	1,162	741	981	1,085	-5.0	21.0
JKCE	822	1,209	1,301	1,108	848	1,034	1,112	0.8	14.5
BCORP	695	979	1,023	781	475	734	807	-9.1	30.4
ICEM	513	531	906	508	(199)	553	703	n/a	n/a
JKLC	430	732	799	758	686	797	864	12.4	12.2
MOFSL Coverage	833	1,057	1,256	1,127	810	1,037	1,123	-0.7	17.7

Source: MOFSL, Company; Note – FY23 numbers of SRCM, TRCL, JKCE, BCORP, ICEM and JKLC are MOFSL estimates

Financials and valuations

Consolidated Income Statement

	(INR m)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	3,09,786	4,16,088	4,24,299	4,47,258	5,25,988	6,32,400	6,86,325	7,48,561
Change (%)	22.1	34.3	2.0	5.4	17.6	20.2	8.5	9.1
Raw Materials	52,888	69,831	65,181	70,858	79,650	97,150	1,10,742	1,22,482
Employees Cost	18,102	22,911	25,199	23,530	25,347	27,390	29,261	31,261
Other Expenses	1,77,344	2,49,877	2,40,141	2,37,191	3,05,848	4,01,662	4,10,386	4,39,795
Total Expenditure	2,48,335	3,42,619	3,30,520	3,31,579	4,10,845	5,26,201	5,50,389	5,93,538
As a percentage of Sales	80.2	82.3	77.9	74.1	78.1	83.2	80.2	79.3
EBITDA	61,452	73,469	93,779	1,15,679	1,15,144	1,06,199	1,35,936	1,55,023
Margin (%)	19.8	17.7	22.1	25.9	21.9	16.8	19.8	20.7
Depreciation	18,479	24,507	27,227	27,002	27,148	28,880	33,149	36,321
EBIT	42,972	48,962	66,552	88,677	87,996	77,319	1,02,787	1,18,701
Int. and Finance Charges	12,376	17,779	19,917	14,857	9,447	8,227	7,312	6,046
Other Income	5,886	4,634	6,511	7,342	5,078	5,031	4,972	5,373
PBT bef. EO Exp.	36,482	35,818	53,146	81,162	83,627	74,122	1,00,446	1,18,028
EO Items	-3,466	-1,139	19,788	-2,607	0	0	0	0
PBT after EO Exp.	33,016	34,679	72,934	78,555	83,627	74,122	1,00,446	1,18,028
Total Tax	10,770	10,681	15,413	25,387	11,901	23,429	31,192	36,662
Tax Rate (%)	32.6	30.8	21.1	32.3	14.2	31.6	31.1	31.1
Minority Interest	24	-37	-32	-34	-118	54	54	54
Reported PAT	22,222	24,035	57,553	53,202	71,844	50,640	69,200	81,312
Adjusted PAT	24,557	24,823	41,946	54,967	56,665	50,640	69,200	81,312
Change (%)	-9.5	1.1	69.0	31.0	3.1	-10.6	36.7	17.5
Margin (%)	7.9	6.0	9.9	12.3	10.8	8.0	10.1	10.9

Consolidated Balance Sheet

	(INR m)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	2,746	2,746	2,886	2,887	2,887	2,887	2,887	2,887
Total Reserves	2,61,066	3,34,738	3,88,269	4,38,860	5,01,466	5,40,359	5,98,011	6,67,198
Net Worth	2,63,812	3,37,484	3,91,155	4,41,747	5,04,353	5,43,245	6,00,898	6,70,085
Minority Interest	160	122	75	57	-31	556	610	665
Total Loans	1,94,802	2,53,370	2,28,979	2,04,878	1,02,028	99,008	79,008	69,008
Deferred Tax Liabilities	31,827	63,856	49,120	60,407	60,332	62,601	71,848	82,717
Capital Employed	4,90,601	6,54,832	6,69,329	7,07,089	6,66,683	7,05,411	7,52,364	8,22,474
Gross Block	4,30,455	5,71,407	6,02,798	6,14,319	6,41,922	7,10,926	7,72,641	8,54,369
Less: Accum. Deprn.	43,665	68,172	95,399	1,22,401	1,49,549	1,78,428	2,11,578	2,47,899
Net Fixed Assets	3,86,790	5,03,235	5,07,400	4,91,918	4,92,374	5,32,497	5,61,063	6,06,470
Goodwill on Consolidation	10,363	62,989	62,525	62,199	62,502	63,293	63,293	63,293
Capital WIP	15,112	11,486	9,095	16,867	47,847	40,404	34,277	14,277
Current Investment	39,491	15,165	42,437	1,08,939	49,633	58,366	58,366	58,366
Non-current Investment	14,978	14,048	16,850	12,842	13,725	14,604	14,604	14,604
Curr. Assets, Loans, and Adv.	1,04,677	1,58,335	1,44,307	1,59,034	1,71,938	2,04,460	2,37,471	2,89,743
Inventory	32,676	40,990	41,483	40,180	55,956	66,118	72,550	79,075
Account Receivables	22,206	27,870	22,383	25,717	30,716	38,670	43,187	47,019
Cash and Bank Balance	2,191	7,397	5,392	20,076	3,592	11,496	33,782	75,918
Loans and Advances	47,604	82,079	75,049	73,061	81,674	88,175	87,953	87,730
Curr. Liability and Prov.	80,904	1,10,548	1,19,152	1,52,307	1,71,595	2,08,459	2,16,957	2,24,526
Account Payables	23,849	31,671	35,014	46,993	58,628	72,093	78,240	85,335
Other Current Liabilities	50,526	71,206	76,240	96,441	1,04,309	1,28,080	1,30,424	1,30,891
Provisions	6,529	7,671	7,898	8,873	8,658	8,286	8,293	8,300
Net Current Assets	23,773	47,787	25,155	6,727	343	-3,999	20,514	65,216
Deferred Tax assets	94	121	60	72	164	66	66	67
Net Assets held for sale	0	0	5,808	7,526	95	180	180	180
Appl. of Funds	4,90,601	6,54,832	6,69,329	7,07,089	6,66,683	7,05,411	7,52,364	8,22,474

Source: Company, MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	89.4	90.4	145.3	190.4	196.3	175.4	239.7	281.7
Cash EPS	156.7	179.6	239.7	284.0	290.3	275.4	354.5	407.5
BV/Share	960.7	1,228.8	1,355.2	1,530.4	1,747.2	1,881.8	2,081.5	2,321.1
DPS	9.5	10.5	11.5	37.0	38.0	38.0	40.0	42.0
Payout (%)	12.7	14.0	9.1	19.4	19.4	21.7	16.7	14.9
Valuation (x)								
P/E ratio		85.4	53.1	40.5	39.3	44.0	32.2	27.4
Cash P/E ratio		43.0	32.2	27.2	26.6	28.0	21.8	18.9
P/BV ratio		6.3	5.7	5.0	4.4	4.1	3.7	3.3
EV/Sales ratio		5.6	5.6	5.1	4.3	3.5	3.2	2.9
EV/t (USD)		260	262	251	241	216	205	171
EV/EBITDA ratio		31.8	25.5	19.8	19.6	21.1	16.2	13.9
Dividend Yield (%)		0.1	0.1	0.5	0.5	0.5	0.5	0.5
FCF per share		156.9	249.4	369.4	127.4	102.6	194.6	224.9
Return Ratios (%)								
RoE	9.7	8.3	11.5	13.2	12.0	9.7	12.1	12.8
RoCE	8.4	7.1	9.5	10.3	12.7	9.0	11.2	12.1
RoIC	8.2	6.4	8.5	10.2	13.4	9.1	11.6	12.6
Working Capital Ratios								
Inventory (Days)	38	36	36	33	39	38	39	39
Debtor (Days)	26	24	19	21	21	22	23	23
Creditor (Days)	28	28	30	38	41	42	42	42
Leverage Ratio (x)								
Current Ratio	1.3	1.4	1.2	1.0	1.0	1.0	1.1	1.3
Interest Coverage Ratio	3.5	2.8	3.3	6.0	9.3	9.4	14.1	19.6
Net Debt/Equity ratio	0.6	0.7	0.5	0.2	0.1	0.1	0.0	-0.1

Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	33,015	34,685	52,423	78,576	83,627	74,122	1,00,446	1,18,028
Depreciation	18,479	24,507	27,022	27,002	27,148	28,880	33,149	36,321
Interest and Finance Charges	12,328	17,779	19,917	14,857	9,447	8,227	7,312	6,046
Direct Taxes Paid	-8,429	-7,101	-8,914	-12,910	-15,549	-11,243	-21,946	-25,794
(Inc.)/Dec. in WC	-12,477	-6,957	4,503	23,264	-4,730	-3,370	-2,227	-2,566
CF from Operations	42,916	62,913	94,949	1,30,789	99,943	96,617	1,16,734	1,32,037
Others	-4,042	-3,352	-5,929	-5,785	-7,110	-5,932	-4,972	-5,373
CF from Operations incl. EO	38,874	59,561	89,020	1,25,004	92,832	90,685	1,11,762	1,26,664
(Inc.)/Dec. in FA	-18,828	-16,482	-17,037	-18,389	-56,062	-61,056	-55,588	-61,729
Free Cash Flow	20,047	43,079	71,983	1,06,615	36,771	29,629	56,174	64,935
(Pur.)/Sale of Investments	36,777	26,614	-26,266	-70,949	76,888	-13,642	0	0
Others	621	1,007	1,210	774	1,744	2,827	4,972	5,373
CF from Investments	18,570	11,138	-42,094	-88,565	22,570	-71,871	-50,617	-56,355
Issue of Shares	157	52	27	70	44	47	0	0
Inc./(Dec.) in Debt	-42,069	-46,482	-26,663	-25,149	-1,12,232	-3,632	-20,000	-10,000
Interest Paid	-12,050	-16,854	-19,445	-14,805	-2,227	-1,894	-7,312	-6,046
Dividend Paid	-3,340	-3,462	-3,800	-3,748	-10,650	-10,913	-11,548	-12,125
Others	0	-827	-31	68	87	81	0	0
CF from Fin. Activity	-57,302	-67,572	-49,911	-43,565	-1,24,979	-16,310	-38,860	-28,171
Inc./Dec. in Cash	142	3,127	-2,985	-7,125	-9,577	2,504	22,286	42,137
Opening Balance	629	1,286	8,377	27,201	13,169	8,992	11,496	33,782
Closing Balance	772	4,412	5,392	20,076	3,592	11,496	33,782	75,918

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NOTES

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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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Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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