



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

Systematix

Institutional Equities

UltraTech Cement Ltd

23 January 2025

Volume recovery powers growth; maintain BUY

RESULT UPDATE

Sector: Cement Rating: BUY

CMP: Rs 11,422 Target Price: Rs 12,660

Stock Info

Sensex/Nifty	76,520/ 23,205
Bloomberg	UTCEM IN
Equity shares (mn)	289
52-wk High/Low	Rs.12,145/ 9,250
Face value	Rs.10
M-Cap	Rs.3,297Bn/ USD 38Bn
3-m Avg traded value	USD 36Mn

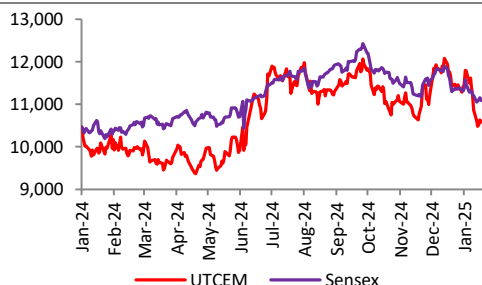
Financial Snapshot (Rs bn)

Y/E Mar	FY24	FY25E	FY26E
Sales	709	810	951
EBITDA	130	141	181
PAT	70	78	106
EPS (Rs)	244.3	272.6	369.0
PE (x)	46.7	41.9	31.0
EV/EBITDA (x)	25.7	23.6	18.2
RoE (%)	12.3	12.5	15.2
RoCE (%)	14.1	14.5	17.8
Dividend yield (%)	0.5	0.5	0.6

Shareholding pattern (%)

	Dec-24	Sep-24	Jun-24
Promoter	60.0	60.0	60.0
-Pledged			
FII	17.0	18.0	18.2
DII	15.2	14.0	13.8
Others	7.8	7.8	8.0

Stock Performance (1-year)



Ultratech reported a strong revenue of Rs172bn; largely in line with our expectations, while EBITDA/PAT beat our estimates marginally. Consolidated Revenue was up by 2.7% YoY (+10.0% QoQ) to Rs171.9bn in line with our est. of Rs170.8bn owing to robust volume growth and stable realizations. Volume grew 11.2% YoY (+9.1% QoQ) to 30.4mt (in line with our est. of 30.1mt). Blended Realization/tn dipped 7.6% YoY and improved 0.8% QoQ to Rs5,661 in line with our estimates. EBITDA was down by 11.3% YoY but improved 43.1% QoQ to Rs28.9bn; vs our est of Rs27.5bn. EBITDA/tn was down 20.2% YoY (+31.2% QoQ) to Rs951. Power and Fuel cost/tn declined 14.3% YoY while Freight and other cost/tn fell 5.3% and 5.8% YoY aiding some EBITDA/tn recovery. Adj. PAT was down 16.7% YoY (+78.1% QoQ) to Rs14.8bn, vs our estimate of Rs14.1bn. PAT margin contracted to 8.6%. Lead distance reduced to 377 kms in Q3FY25 from 397 kms in Q3FY24. We forecast a strong 16%/18%/23% CAGR in revenue/EBITDA/PAT over FY24-26E. We maintain BUY on the stock with a TP of Rs 12,660 based on 20x FY26E EV/EBITDA. We expect acquisition of Kesoram and India Cement to substantially augment growth.

Key updates during the quarter: During the quarter, The India Cements Limited became a subsidiary of the Company adding 14.45 mtpa in grey cement capacity. The company increased its renewable energy capacity to 752 mw from 612 mw. The company targets to reach 2.1 GW of renewable energy capacity by the end of FY27, which will support about 30% of its power requirements.

Capex: UltraTech's plans remain focused on return-driven initiatives, with organic growth projects progressing well across all sites. The company aims to add 10-15 MTPA of organic capacity by FY26, with a planned Capex of ₹80-90 bn for FY26. This includes ₹4-5 bn allocated for Kesoram, which will be absorbed into UltraTech's overall Capex outlay for the year. The investments will encompass upgrades, WHRS, and renewable energy projects, aligning with the company's focus on return optimization. Additionally, the team is assessing Capex requirements for newly acquired assets. Capex in FY27 is expected to taper as the company transitions to the completion phase of its organic growth initiatives.

Valuation & outlook: UltraTech Cement continues to demonstrate robust operational performance and strategic advancements. The company is progressing steadily with its integration of recently acquired assets, aiming to align their operational efficiency with UltraTech's over the next 12 months. Cement prices have risen marginally, up 1.5% from the Q3FY25 average, and capacity utilization is projected to reach 80–85% in the coming fiscal year. While near-term headwinds in pricing and demand persist, we maintain a positive outlook on UTCEM's long-term growth potential, driven by its strong market leadership, disciplined cost management, and ambitious capacity expansion plans. We reiterate a BUY rating on the stock, with a target price of Rs 12,660, based on a 20x EV/EBITDA multiple for FY26E.

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Con Call key takeaways

Costs:

- Pet coke usage reached 58% of the fuel mix in Q3 FY25.
- Fuel costs reduced to ₹1.76/kcal in Q3 FY25, down from ₹1.84/kcal in Q2.
- Expected further reduction to ~₹1.7/kcal, depending on spot market dynamics
- Improved clinker conversion ratio to 1.45 in Q3 FY25 compared to 1.44 in Q4 FY24, indicating operational efficiency.
- Achieved ₹964 EBITDA/ton, a 30% QoQ improvement, with further enhancements expected.

Prices:

- The company has benefited from a continuous increase in demand, which has boosted sentiments on cement prices.
- Q3 average prices increased 1.4% QoQ, with North and West seeing the best performance in terms of price improvement, exceeding 3%.
- In January, prices further improved in Central and West, with North remaining the star performer in terms of price increases and profitability.
- The company is evaluating low-hanging fruits in rebranding at the ICL units, which may impact pricing strategies.
- The management expects prices to go up further, indicating a potential price increase in the future.

Inorganic Additions:

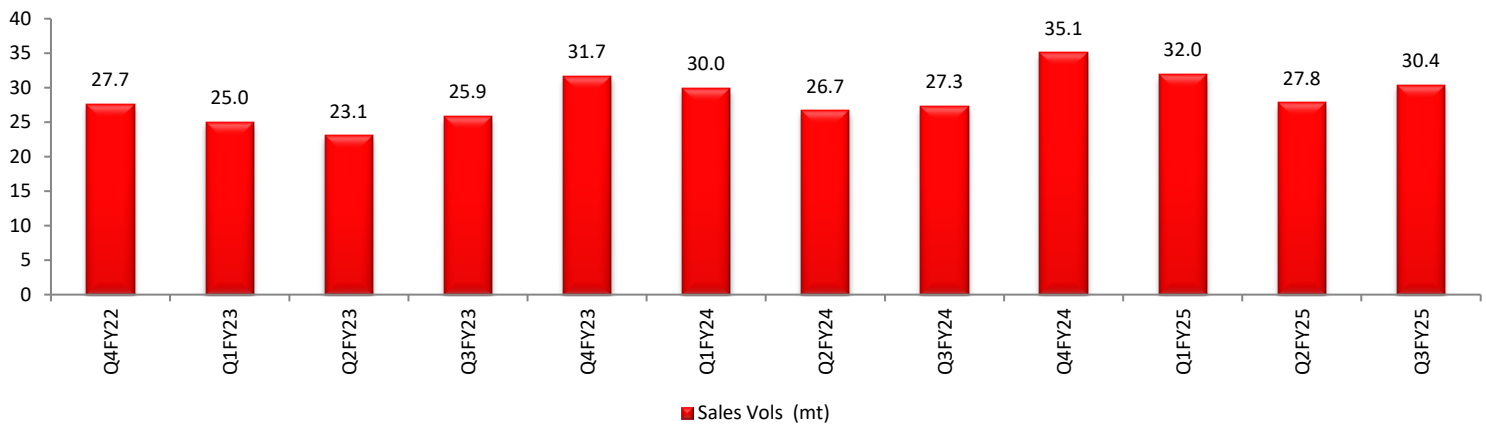
- The company has India Cement during the quarter with a total capacity of 14.45 mtpa at an acquisition cost of Rs120bn.
- The acquisition cost is below \$100 per ton, with the potential for further debt reduction through cash generation from non-core assets.
- The company expects to consolidate the assets of Kesoram within this financial year.

Exhibit 1: Result snapshot

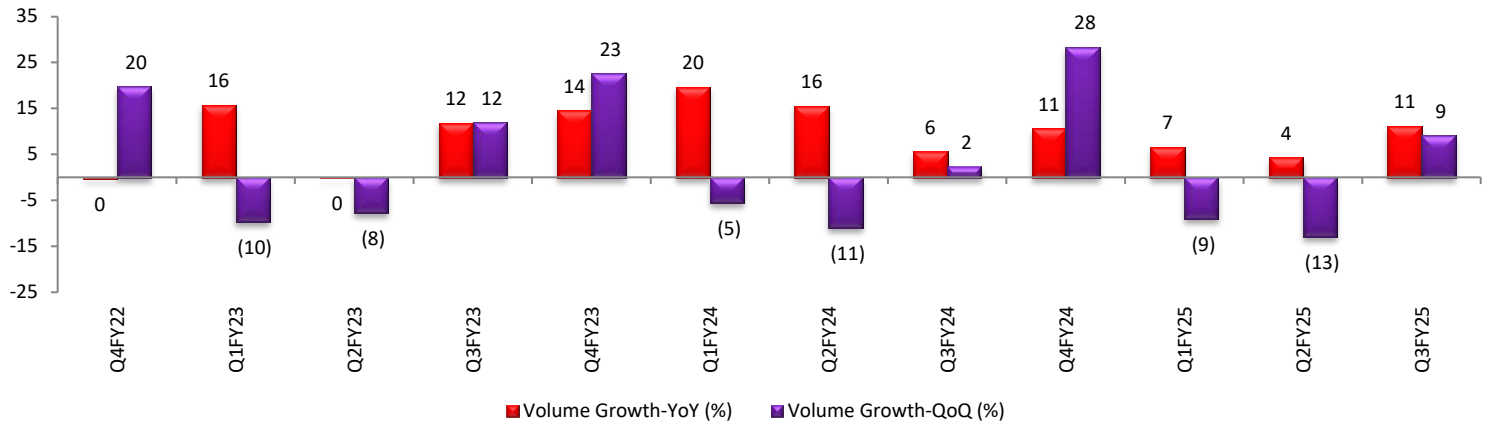
Particulars (Rs bn)	Q3FY25	Q3FY24	Q2FY25	YoY (%)	QoQ (%)	Our Estimates	Deviation (%)
Revenue (Incl.OOI)	171.9	167.4	156.3	2.7	10.0	170.8	0.7
EBITDA	28.9	32.5	20.2	(11.3)	43.1	27.5	5.0
<i>EBITDA Margin (%)</i>	<i>16.8</i>	<i>19.4</i>	<i>12.9</i>	<i>(265)bps</i>	<i>389bps</i>		
PBT	18.3	23.6	10.2	(22.2)	80.3		
Tax	3.6	5.8	1.9	(38.3)	87.0		
<i>Effective Tax Rate (%)</i>	<i>19.6</i>	<i>24.6</i>	<i>18.8</i>	<i>(509)bps</i>	<i>71bps</i>		
Recurring PAT	14.7	17.7	8.2	(17.0)	78.7	14.1	4.7
Extord. Items	-	-	-	-	-		
Reported PAT	14.8	17.7	8.3	(16.7)	78.1	14.1	5.0
<i>PAT Margin (%)</i>	<i>8.6</i>	<i>10.6</i>	<i>5.3</i>	<i>(200)bps</i>	<i>329bps</i>		
Blended Realization (Rs/tn)	5,661	6,127	5,616	(7.6)	0.8		
Total volumes (mt)	30.37	27.32	27.84	11.2	9.1		
<i>Capacity Utilization (%)</i>	<i>74</i>	<i>83</i>	<i>71</i>	<i>(916)bps</i>	<i>224bps</i>		
Blended EBITDA (Rs/tn)	951	1,191	725	(20.2)	31.2		
Per ton cost (Rs)	Q3FY25	Q3FY24	Q2FY25	YoY (%)	QoQ(%)		
Raw Material Cost	1,085	972	1,048	11.7	3.6		
Staff Cost	280	281	328	(0.6)	(14.7)		
Power and Fuel Cost	1,311	1,529	1,378	(14.3)	(4.9)		
Freight Cost	1,255	1,325	1,287	(5.3)	(2.5)		
Other Expenditure	780	828	849	(5.8)	(8.2)		
Total Cost	4,711	4,936	4,891	(4.6)	(3.7)		

Source: Company, Systematix Institutional Research

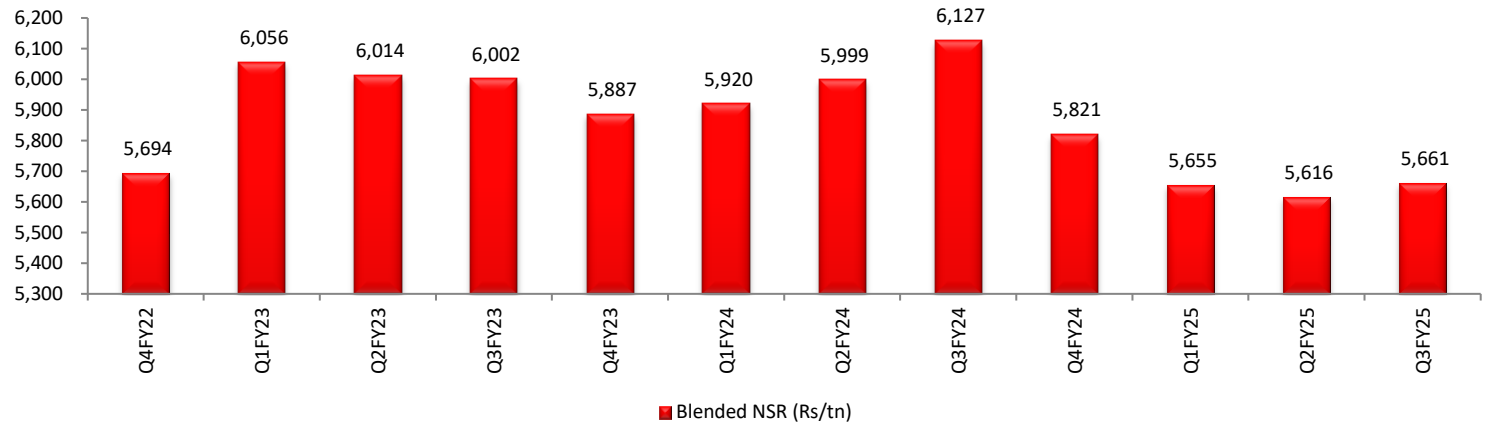
Exhibit 2: Quarterly sales volumes



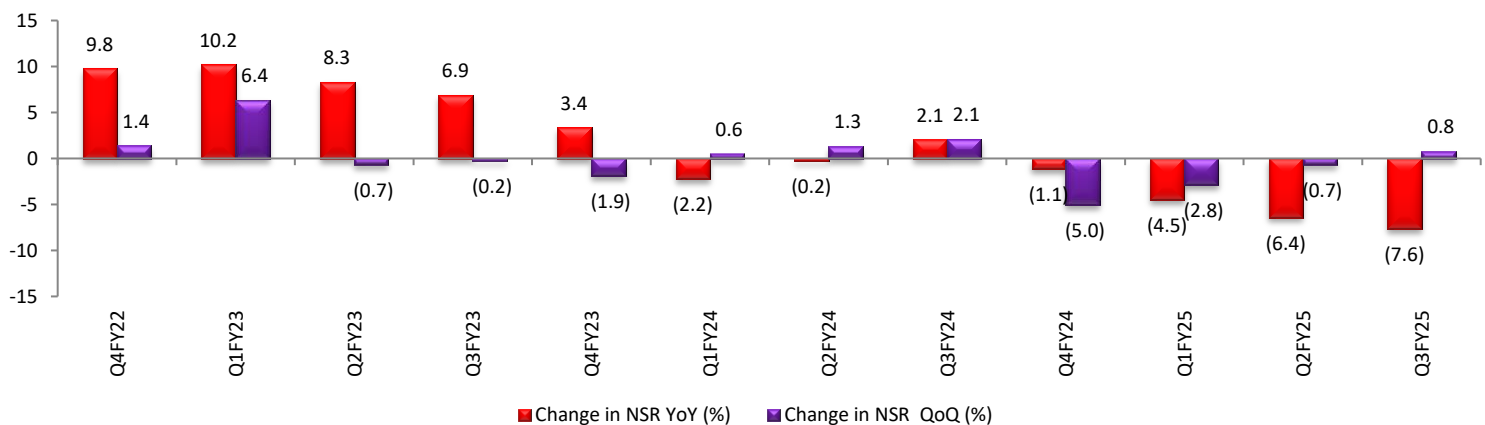
Source: Company, Systematix Institutional Research

Exhibit 3: Change in volumes YoY and QoQ

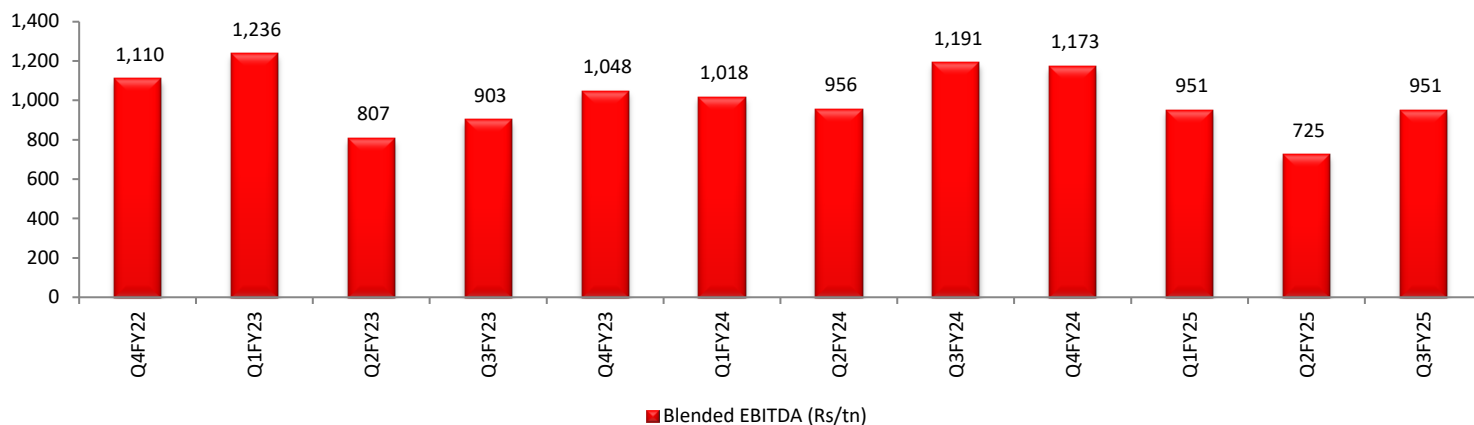
Source: Company, Systematix Institutional Research

Exhibit 4: Quarterly NSR

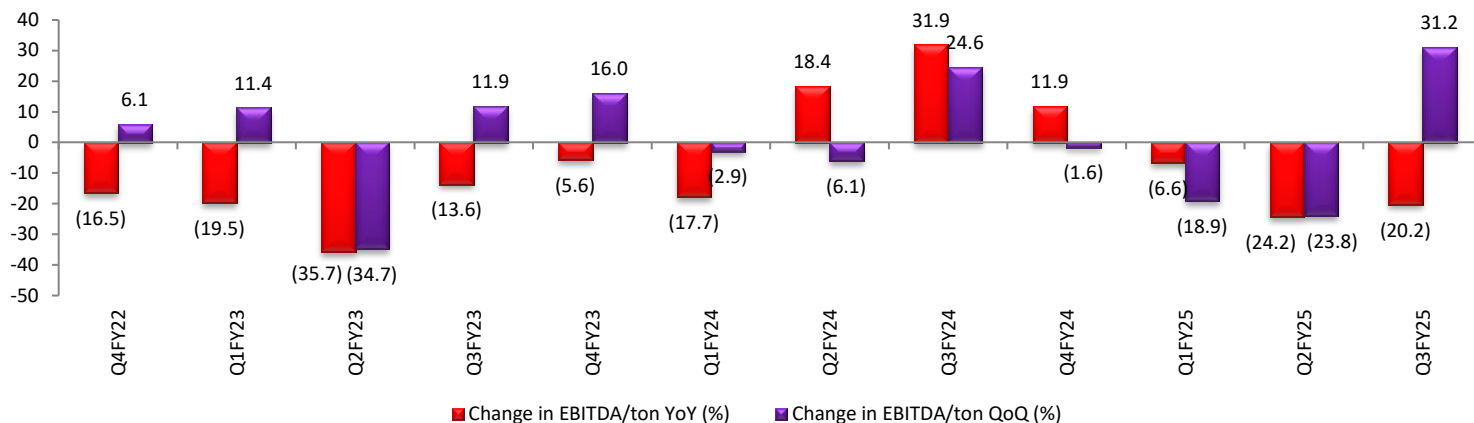
Source: Company, Systematix Institutional Research

Exhibit 5: Change in NSR YoY and QoQ

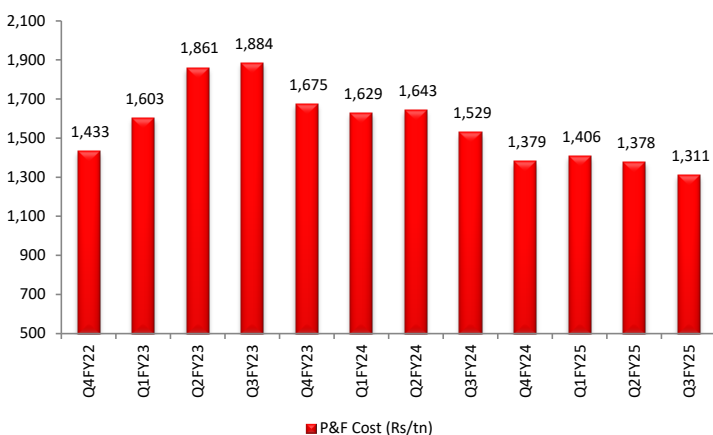
Source: Company, Systematix Institutional Research

Exhibit 6: Blended EBITDA/tn recovered owing to stabilizing demand and price hikes

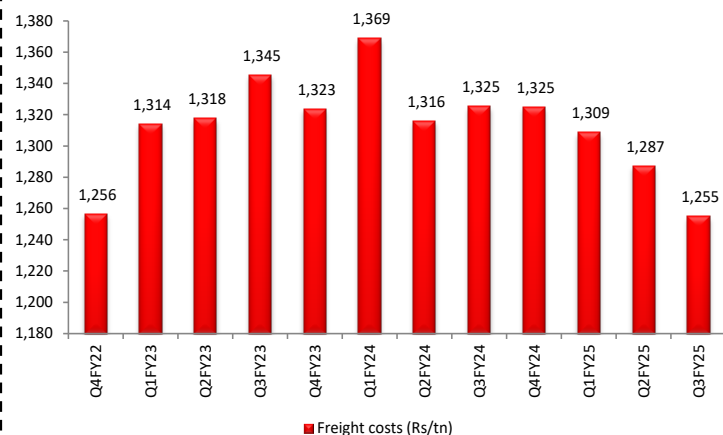
Source: Company, Systematix Institutional Research

Exhibit 7: Blended EBITDA/tn declined 20.2%YoY but improved 31.2% QoQ

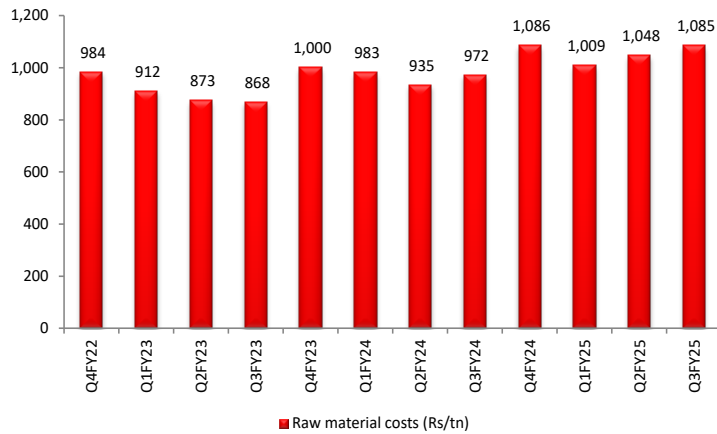
Source: Company, Systematix Institutional Research

Exhibit 8: P&F Cost/tn down by 14.3% YoY & up 4.9% QoQ

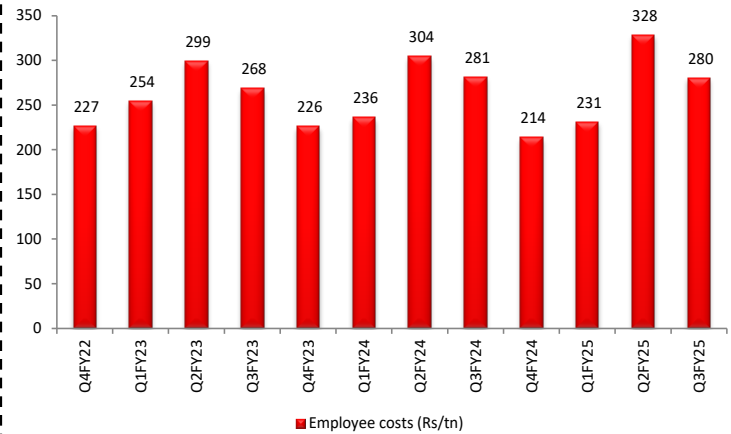
Source: Company, Systematix Institutional Research

Exhibit 9: Freight Cost/tn fell 5.3% YoY and 2.5% QoQ

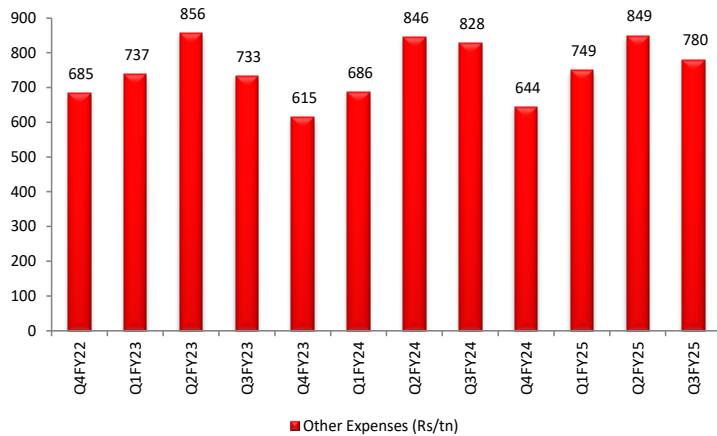
Source: Company, Systematix Institutional Research

Exhibit 10: RM Cost/tn increased 11.1% YoY and 3.6% QoQ

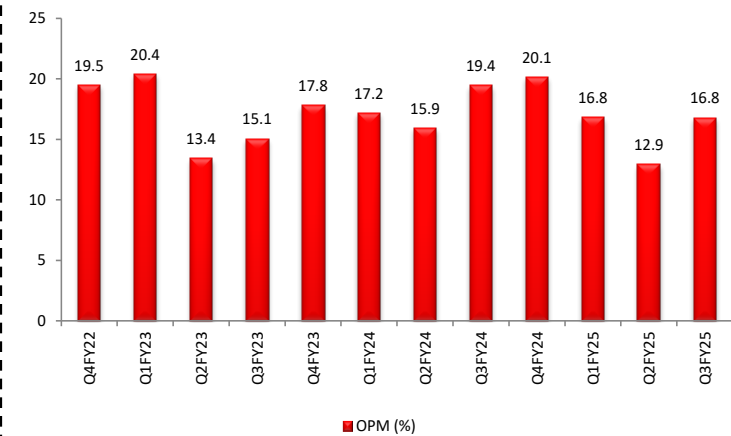
Source: Company, Systematix Institutional Research

Exhibit 11: Employee Cost/tn was down 0.6% and 14.7% QoQ

Source: Company, Systematix Institutional Research

Exhibit 12: Other expenses/tn declined 5.8% YoY and 8.2% QoQ

Source: Company, Systematix Institutional Research

Exhibit 13: Margin stood at 16.8% in Q3FY25 vs 19.4% in Q3FY24

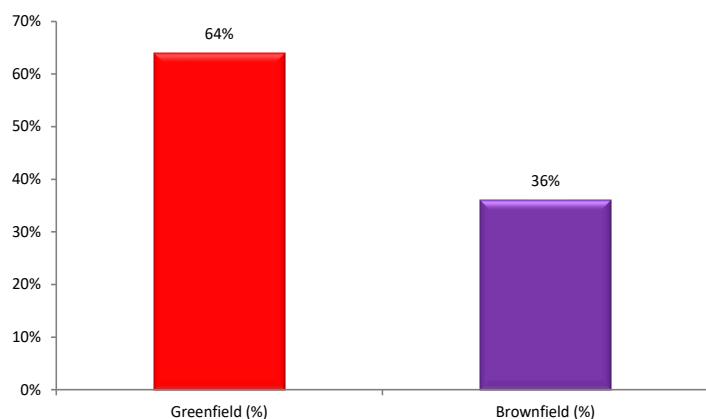
Source: Company, Systematix Institutional Research

Exhibit 14: Capacity Expansion Plans for FY25E

Location	Unit	Project	Cement Capacity (MTPA)	Expected Timeline
Capacity as at Mar-24			140.8	
Karur, Tamil Nadu	GU	G	2.7	Commissioned
Kukurdih, Chhattisgarh	IU	G	2.7	Commissioned
Jharsuguda, Odisha	GU	B	0.4	Commissioned
APCW, Andhra Pradesh	IU	B	1.8	Commissioned
Arakkonam, Tamil Nadu	GU	B	1.2	Commissioned
Kukurdih, Chhattisgarh	GU	B	0.6	Commissioned
Karur, Tamil Nadu	GU	B	0.6	Q4 FY25
Sonar Bangla, West Bengal	GU	B	0.6	Q4 FY25
Durgapur, West Bengal	GU	B	0.6	Q4 FY25
Maihar, Madhya Pradesh	IU	B	4.5	Q4 FY25
Lucknow, Uttar Pradesh	BT	G	1.8	Q4 FY25
Panvel, Maharashtra	BT	B	1.0	Q4 FY25
Cement Capacity by FY25 (excl. BT)			157.5	

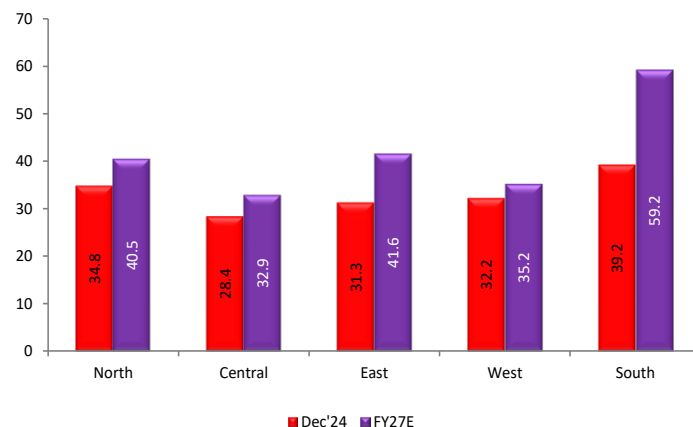
Source: Company, Systematix Institutional Research

Exhibit 15: Phase II - green field (64%) and brownfield (36%)



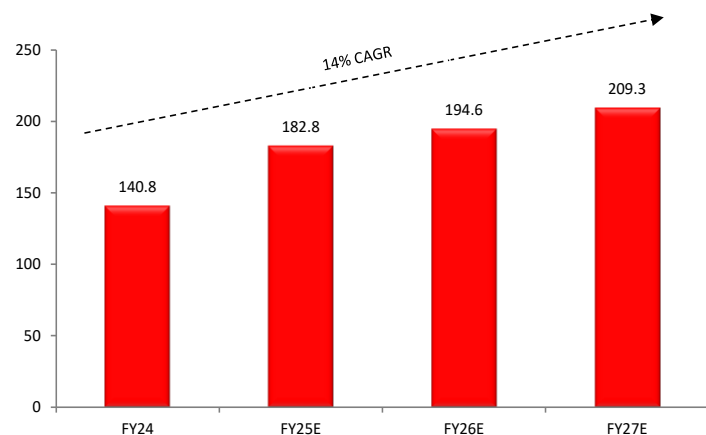
Source: Company, Systematix Institutional Research

Exhibit 16: Regional mix change by FY27E



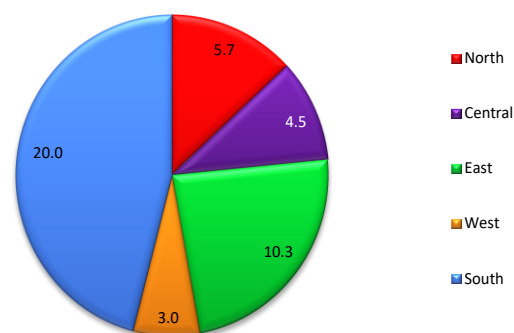
Source: Company, Systematix Institutional Research

Exhibit 17: Targets 200mtpa capacity in India by Mar'27



Source: Company, Systematix Institutional Research

Exhibit 18: Major inorganic capacity additions in South



Source: Company, Systematix Institutional Research

Exhibit 19: UltraTech valued on EV/EBITDA (FY26E)

	EBITDA (Rs bn)	Multiple (X)	Enterprise Value (Rs bn)
Cons. EBITDA	185	20	3,628
Less: Net Debt & CWIP			(28)
Equity value			3,655
Target price per share			12,660

Source: Company, Systematix Institutional Research

Exhibit 20: Key assumptions table

Particulars	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Cement sales volume (mt)	81	85	106	106	119	136	158
Grey cement Realisation (Rs/tn)	4,233	4,751	4,979	5,378	5,318	5,318	5,425
Blended Realisation (Rs/ton)	5,236	5,274	4,952	5,983	5,956	5,947	6,011
EBITDA (incl. other income) (Rs/tn)	1,141	1,364	1,084	1,005	1,089	1,037	1,146
Per ton cost							
Raw material	804	836	750	919	1,000	1,046	1,058
Employee cost	311	277	239	259	255	260	265
Power & Fuel	1,051	982	1,143	1,749	1,536	1,516	1,466
Freight	1,201	1,184	1,103	1,325	1,334	1,324	1,304
Other expense	727	630	634	725	742	764	772
Total Cost	4,095	3,910	3,868	4,978	4,867	4,910	4,865

Source: Company, Systematix Institutional Research

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	5,25,990	6,32,400	7,09,081	8,09,624	9,51,285
Growth (%)	17.6	20.2	12.1	14.2	17.5
Total Expenditure	4,10,845	5,26,201	5,79,396	6,68,480	7,69,908
EBIDTA	1,15,145	1,06,199	1,29,686	1,41,144	1,81,377
Growth (%)	(0.5)	(7.8)	22.1	8.8	28.5
EBIDTA %	21.9	16.8	18.3	17.4	19.1
Depreciation	27,148	28,880	31,453	32,448	35,804
EBIT	87,998	77,319	98,233	1,08,696	1,45,573
EBIT Margin (%)	16.7	12.2	13.9	13.4	15.3
Other income	5,078	5,031	6,170	6,182	6,194
Interest	9,447	8,227	9,680	9,196	8,736
EBT	83,629	74,122	94,722	1,05,682	1,43,031
Tax	11,901	23,429	24,183	26,981	36,516
Effective tax rate (%)	14.2	31.6	25.5	25.5	25.5
Adjusted PAT	71,728	50,694	70,540	78,701	1,06,515
Growth (%)	28.6	(29.3)	39.1	11.6	35.3
Net Margin (%)	13.6	8.0	9.9	9.7	11.2
PAT after MI	71,745	50,640	70,050	78,212	1,06,026
Growth (%)	34.9	(29.4)	38.3	11.7	35.6

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity share capital	2,887	2,887	2,887	2,887	2,887
Reserves & surplus	5,01,435	5,40,915	5,99,947	6,57,743	7,41,611
Shareholders Funds	5,04,322	5,43,802	6,02,834	6,60,630	7,44,498
Net Deferred Taxes	60,332	62,601	64,478	64,478	64,478
Total Liabilities	6,66,683	7,05,411	7,70,296	8,17,171	8,91,876
Gross Block	6,37,518	7,06,521	7,70,798	8,52,609	9,38,739
Less: Acc Depreciation	1,45,144	1,74,024	2,05,477	2,37,924	2,73,729
Net block	4,92,374	5,32,497	5,65,321	6,14,684	6,65,010
Capital WIP	47,847	40,404	68,112	61,301	55,171
Investment	63,358	72,770	82,490	83,990	85,490
Current Assets	2,34,700	2,68,199	2,92,098	3,27,812	4,02,960
Inventories	55,956	66,118	83,297	81,799	96,112
Sundry Debtors	30,716	38,670	42,782	48,848	57,395
Cash and Bank	3,592	11,496	7,832	2,973	21,309
Loans and Advances	2,902	169	172	177	183
Other current assets	1,41,534	1,51,746	1,58,014	1,94,015	2,27,962
Current Liab & Prov	1,71,595	2,08,459	2,37,724	2,70,616	3,16,754
Miscellaneous Exps	0	0	0	0	0
Total Assets	6,66,683	7,05,411	7,70,296	8,17,171	8,91,876

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT (Ex-Other income)	83,644	74,163	94,222	99,500	1,36,837
Depreciation	27,148	28,880	31,453	32,448	35,804
Interest Provided	9,447	8,227	9,680	9,196	8,736
Other Non-Cash items	-7,127	-5,892	-5,064	0	0
Chg in working cap	-4,730	-3,450	-4,810	-7,682	-10,673
Tax paid	-15,549	-11,243	-16,505	-26,981	-36,516
Operating Cashflow	92,832	90,685	1,08,976	1,06,481	1,34,188
Capital expenditure	-56,062	-61,056	-88,841	-74,999	-80,000
Free Cash Flow	36,771	29,629	20,136	31,481	54,188
Other income	1,129	-5,934	-193	6,182	6,194
Investments	77,502	-4,881	1,153	-1,500	-1,500
Investing Cashflow	78,632	-10,815	959	4,682	4,694
Equity Capital Raised	-782	-1,018	-825	0	0
Loans Taken / (Repaid)	-1,03,286	3,270	1,679	-10,921	-9,163
Interest Paid	-10,262	-7,649	-9,167	-9,196	-8,736
Dividend paid (incl tax)	-10,650	-10,913	-10,944	-20,905	-22,647
Financing Cashflow	-1,24,979	-16,310	-19,257	-41,023	-40,546
Net chg in cash	-9,577	2,504	1,838	-4,859	18,336
Opening cash position	13,169	8,992	5,994	7,832	2,973
Closing cash position	3,592	11,496	7,833	2,973	21,309

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
Profitability (%)					
EBITDA Margin	21.9	16.8	18.3	17.4	19.1
Per Share Data (Rs)					
EPS	248.5	175.6	244.3	272.6	369.0
CEPS	342.5	275.6	353.3	385.0	493.0
BVPS	1,747.1	1,883.7	2,088.2	2,288.4	2,578.9
DPS	38.0	45.0	55.0	60.0	65.0
Valuations (x)					
PER	46.0	65.0	46.7	41.9	31.0
EV/EBITDA	29.1	31.3	25.7	23.6	18.2
P/BV	6.5	6.1	5.5	5.0	4.4
EV / Sales	6.4	5.3	4.7	4.1	3.5
EV / EBITDA	29.1	31.3	25.7	23.6	18.2
Dividend Yield (%)	0.3	0.4	0.5	0.5	0.6
Gearing Ratio (x)					
Net Debt/ Equity	0.1	0.1	0.1	0.1	0.0
EV/Tonne (Con)	367	306	271	241	219

Source: Company, Systematix Institutional Research

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