BUY
TP: Rs 14,556 | ⮝ 16%

ULTRATECH CEMENT | Cement | 22 July 2025

Cost savings remains key focus beyond growth; maintain BUY

- **Healthy YoY volume growth aids double digit 12% revenue growth despite dent in realisations; capacity utilisation robust at ~79%**
- **Operating cost per tonne fell to 7% YoY, offsetting weak realisations. EBITDA/t rebound to ~Rs 1,208 despite early monsoon scenario**
- **Maintain earnings, introduce FY28 earnings with 12% EBITDA growth. Value UTCEM at 18x EV/EBITDA and revise TP to Rs 14,556, retain BUY**

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Growth maintained: UTCEM reported a 12% YoY revenue growth (-7% QoQ) at ~Rs 196.3bn in Q1FY26, driven by healthy volume growth (including India Cements contribution). Volumes (ex-white cement of 0.47mn mnt) were 34.8mn mnt, reflecting a robust ~14.0% YoY growth (-5% QoQ), driven by pan-India presence and contributions from Kesoram (1.58 mnt) and India Cements (2.18 mnt). Grey cement realisation fell ~3% YoY (+3% QoQ) to Rs 4,878/t, given UTCEM's regional mix, with price hikes concentrated in the southern and eastern regions. Capacity utilisation remained strong at ~79%, despite early monsoons.

Cost savings of 7% commendable: Operating costs/tonne fell ~7%/2% YoY/QoQ to Rs 4,439/t, off setting realisation drop. Energy costs (adjusted for raw material costs) fell 6%/2% YoY/QoQ to Rs 2,265/t, as fuel rate declined to Rs 1.78/kcal vs Rs 2.00/kcal YoY and a higher green energy share (38% vs 28% YoY). Logistics costs dropped 7%/5% YoY/QoQ to Rs 1,158/t, aided by a reduction in primary lead distance to 370 km from 386 km YoY. Other expenses savings were flat YoY. Effectively, this helped EBITDA margin to stay elevated at 21.4% vs 17% and EBITDA/tn at Rs1,208 vs Rs979 in Q1FY26.

Expansion on course: UTCEM's capacity reached 186mt with 3.5mt commissioned in Q1FY26. An additional ~10 mt is slated for commissioning by Q4FY26, targeting 209mt by FY27. Kesoram integration is nearly complete, with financial consolidation in FY25. Brownfield expansion opportunities for India Cements are identified for Phase 4 and 5 capex plans.

Valuation outlook: We maintain our FY26/FY27 EBITDA and PAT, given UTCEM's healthy performance. Our FY25-FY28E Revenue/EBITDA/PAT CAGR is baked in at 14%/28/28%. UTCEM is well geared for short-term industry challenges and is focused on cost savings, which is the correct strategy. Recovery in FY27 will continue as we introduce our FY28 earnings with 12%/11% EBITDA/PAT growth. Given the effective cost management, healthy growth and a strong balance sheet, we assign UTCEM 18x multiple (earlier 17x) 1YF EV/EBITDA to arrive at TP of Rs14,556 (from Rs 13,919) and maintain our BUY rating on the stock.

Key changes

Target	Rating
▲	◄►

Ticker/Price	UTCEM IN/Rs 12,577
Market cap	US$ 42.1bn
Free float	40%
3M ADV	US$ 38.7mn
52wk high/low	Rs 12,714/Rs 10,048
Promoter/FPI/DII	60%/15%/17%

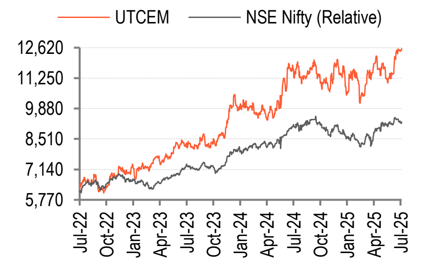
Source: NSE | Price as of 21 Jul 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	7,18,950	8,51,131	9,69,109
EBITDA (Rs mn)	1,20,959	1,84,444	2,26,349
Adj. net profit (Rs mn)	62,267	92,020	1,17,715
Adj. EPS (Rs)	215.7	318.8	407.8
Consensus EPS (Rs)	215.7	309.9	400.1
Adj. ROAE (%)	9.7	12.6	14.6
Adj. P/E (x)	58.3	39.5	30.8
EV/EBITDA (x)	29.7	19.1	15.8
Adj. EPS growth (%)	(1.4)	47.8	27.9

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

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Fig 1 – Earnings call highlights

Parameter	Q1FY26	Q4FY25	Our view
Volumes and realisations	Consolidated volume growth of 9.7% YoY, including Kesoram, with total volumes at 34.64 mt (India Cements: 2.18 mt). UltraTech brand sales grew 6.5% YoY. Cement prices remained stable despite heavy monsoons, with 2.3% sequential realisation increase for UTCEM (ex ICEM). The East continues to see price gains, followed by other markets; North and West were stable at high levels. Rural markets expected to grow post-monsoon. Urban redevelopment in Mumbai and Pune remains robust, with Mumbai contributing ~3% of India's cement demand. Management targets double-digit volume growth for FY26 (including India Cements), supported by 3.5 mt commissioned in Q1FY26 and ~10 mt more by Q4FY26.	UltraTech posted a strong ~10% volume growth in Q4FY25, outpacing the industry's ~4%, boosted by Kesoram volumes. Organic growth (ex-acquisitions) was ~5-6%. ICEM hit a milestone, selling over 1 mt in March 2025 alone. Cement prices ticked up in Q4 and into April 2025, especially in South India, with UltraTech's standalone realisation rising 1.6% sequentially. Kesoram contributed 1.53 mt in Q4 and 6.87 mt for FY25. Looking ahead, heatwaves may slow volumes in April-May 2025, but demand outlook remains upbeat, driven by infrastructure and housing.	UTCEM will beat industry growth and try to maximise performance even in a challenging phase. UTCEM has maintained higher capacity utilisation despite demand weakness only indicating that utilisation rates will improve from hereon.
Margins	India Cements EBITDA/t was at ~Rs 400 but adjusting for marketing cost to UTCEM, it would be Rs 458, driven by better pricing and integration. Fuel costs increased slightly due to higher pet-coke prices but are range-bound. The clinker conversion factor improved to 1.49 from 1.44 in Q1FY25, enhancing efficiency. Lead distance reduced to 370 km from 386 km QoQ, yielding Rs. 24/t logistics savings (Rs1,158/t vs Rs1,182/t in Q4FY25). Other costs (handling, warehousing, rail-road mix) limited total savings. ICEM production costs above average, but expected to align with UTCEM by FY28 via capex (WHRS, preheater upgrades, alternate fuels). Renewable energy share to rise from 3% to 86% by FY28 (21 MW WHRS, 219 MW green power).	Organic EBITDA/t stood at Rs. 1,270, dipping slightly to Rs. 1,238 when including Kesoram's full-quarter results. ICEM reached EBITDA breakeven (Rs. 40/t) in Q4, aiming for Rs. 500/t in FY26, Rs. 800/t in FY27, and a four-digit figure by FY28. Kesoram's Q4 EBITDA/t was Rs 399, with FY25 at Rs. 112-115/t, targeting a four-digit mark by Q4FY26. Cost savings hit Rs 86/t, on track for >Rs. 300/t by FY27, thanks to better working capital, optimised raw mix, fuel efficiency, and logistics (freight: $37-40 of $121-122/t). Challenges include Tamil Nadu's Rs. 160/t royalty, stable but unpredictable petcoke prices, and potential ocean freight hikes from U.S. tariffs.	Management guided for cost savings of Rs 100-300 per tonne incrementally earlier and is on track with contributions by better clinker conversion ratio, higher usage of green energy, prudent churn in fuel mix and logistics cost savings. We expect UTCEM to meet the cost-savings guidance despite the ICEM and KSI asset acquisition, aiding higher utilisation levels even if prices stay range bound.
Capacity	Total capacity stood at 186 mt, with 3.5 mt commissioned in Q1FY26. Plans for ~10 mt more by Q4FY26, targeting 209 mt by FY27. Kesoram integration is nearly complete; but ICEM to remain a separate entity for now, with brownfield expansion opportunities identified for Phases 4 and 5. RMC plants exceeded 400 mark, supporting building products division. Phase 4 growth plan to be finalised by FY26-end, with Phase 5 planning underway.	UltraTech's capacity jumped to 184 mt from 140 mt, adding 42.6 mt through India Cements and Kesoram acquisitions. UTCEM accounted for ~57% of the industry's 30 mt capacity addition (industry total: 655 mt, up from 625 mt). Effective FY25, the capacity was 150 mt, reaching 158 mt by year-end, with Kukurdih Cement Works (Chhattisgarh) adding new capacity. Capacity utilisation averaged 79% for FY25, hitting 90% in Q4, with regional utilisation ranging from 85% to 97%.	Capacity expansion plans are on schedule. Both organic and inorganic growth would imply UTCEM is on track to reach >200mn tonnes by FY28.

Parameter	Q1FY26	Q4FY25	Our view
Capex	Q1FY26 capex at Rs 20bn; FY26 guidance at Rs 100bn, including Rs 18bn for wires and cables (on track with orders placed, land leases finalised in Gujarat). India Cements' Rs 15 bn capex (FY26-FY27) for WHRS, preheater upgrades, and alternate fuels to be funded via debt and internal accruals, targeting <Rs. 500mn net debt by FY28. Kesoram integration capex (Rs 4-5 bn) nearing completion. Average finance costs were at 7% in Q1FY26, expected to decline with RBI rate cuts and refinancing of India Cements' borrowings to AAA rating. Intercompany eliminations (e.g., cement for RMC) at Rs 5bn.	UltraTech invested Rs 90 bn in organic capex during FY25 and plans Rs. 90-100 bn for FY26, including Rs 70 bn for expansions to hit 212 mt by FY27. For India Cements, a Rs 15 bn capex plan (Rs 10 bn for WHRS and efficiency upgrades) is set for FY26-FY27, with payoffs starting January 2027 and a payback period under 3 years. Kesoram's integration, post mine transfers in Telangana and Karnataka, involves Rs 4-5 bn over two years. A small cement putty facility acquisition is nearly finalised, and W&C business requires minimal capex.	Healthy cashflows and sharp focus on maintaining balance sheet health have been sustained despite aggressive capital expenditure plans. We keep a close watch on UTCEM's investment in Star Cement. Additionally, transition of the acquired assets will be a key task in FY26.

Source: Company, BOBCAPS Research | CCI: Competition Commission of India

Fig 2 – Key quarterly metrics

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Deviation (%)
Volumes (mn mt)	36.6	30.5	20.2	28.3	29.4	34.1	7.3
Cement realisations (Rs/t)	4,719	5,036	(6.3)	4,984	(5.3)	4,919	(4.1)
Operating costs (Rs/t)*	4,514	4,777	(5.5)	4,788	(5.7)	4,452	1.4
EBITDA/t (Rs)	1,259	979	28.7	982	28.3	1,278	(1.5)

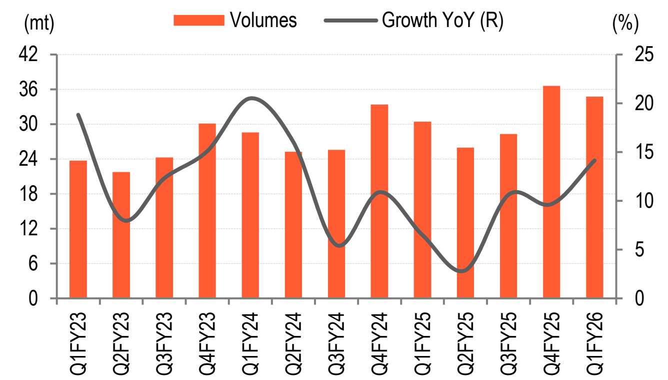
Source: Company, BOBCAPS Research | *Aggregate cost

Fig 3 – Quarterly performance

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Deviation (%)
Net Sales	**1,96,353**	**1,75,324**	**12.0**	**2,11,347**	**(7.1)**	**1,95,482**	**0.4**
Expenditure							
Change in stock	(1,357)	159	(955.3)	2,132	(163.7)	(216)	528.4
Raw material	29,273	25,820	13.4	30,244	(3.2)	28,350	3.3
purchased products	7,923	4,300	84.3	7,093	11.7	6,721	17.9
Power & fuel	42,932	43,378	(1.0)	45,419	(5.5)	41,757	2.8
Freight	43,961	41,465	6.0	48,804	(9.9)	45,987	(4.4)
Employee costs	8,468	7,055	20.0	8,308	1.9	8,110	4.4
Other exp	23,136	23,338	(0.9)	23,250	(0.5)	21,164	9.3
Total Operating Expenses	1,54,335	1,45,514	6.1	1,65,250	(6.6)	1,51,873	1.6
EBITDA	**42,018**	**29,810**	**41.0**	**46,097**	**(8.8)**	**43,610**	**(3.6)**
EBITDA margin (%)	21.4	17.0	440bps	21.8	(41bps)	22.3	(91bps)
Other Income	1,544	1,789	(13.7)	1,155	33.7	1,184	30.4
Interest	3,698	2,204	67.8	3,996	(7.4)	4,197	(11.9)
Depreciation	9,752	8,142	19.8	9,910	(1.6)	9,901	(1.5)
PBT	30,112	21,253	41.7	33,345	(9.7)	30,696	(1.9)
Non-recurring items	0	325	0.0	0	0.0	0	
PBT (after non recurring items)	30,112	21,578	39.5	33,345	(9.7)	30,696	(1.9)
Tax	7,794	4,495	73.4	6,524	19.5	6,907	12.8
Reported PAT	22,318	17,083	30.6	26,821	(16.8)	23,789	(6.2)
Adjusted PAT	**22,318**	**16,758**	**33.2**	**26,821**	**(16.8)**	**23,789**	**(6.2)**
NPM (%)	11.4	9.6	181bps	12.7	(132bps)	12.2	(80bps)
Adjusted EPS (Rs)	**77.3**	**58.1**	**33.2**	**92.9**	**(16.8)**	**82.4**	**(6)**

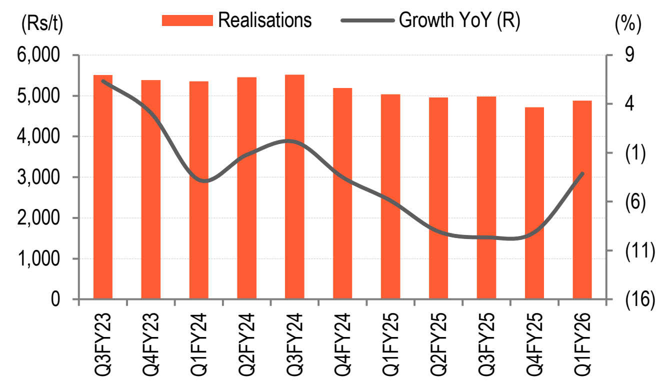
Source: Company, BOBCAPS Research

Fig 4 – Volume growth steady includes ICEM performance



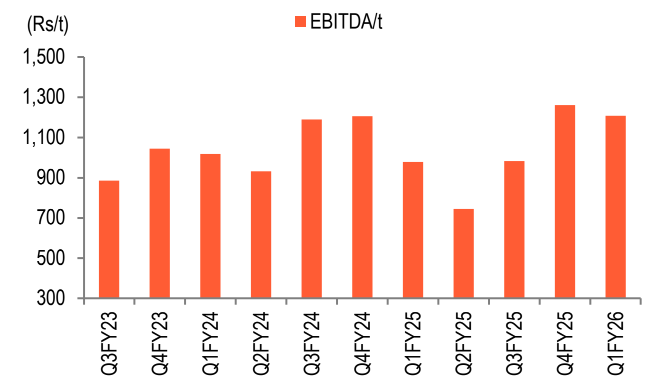
Source: Company, BOBCAPS Research

Fig 5 – Realisations decline as regionally diversified, price hikes largely in southern parts of the country



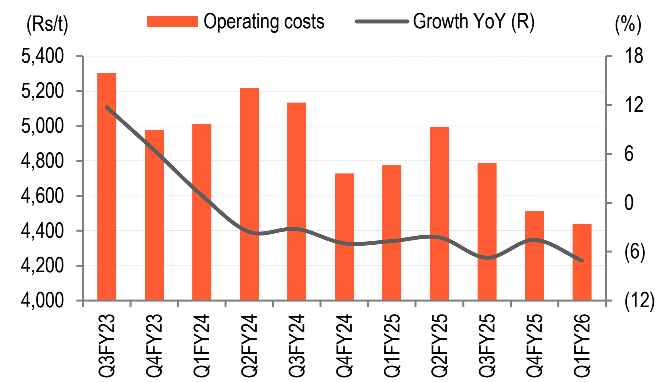
Source: Company, BOBCAPS Research

Fig 6 – EBITDA/tonne healthy despite weak realisations leaves room for improvement



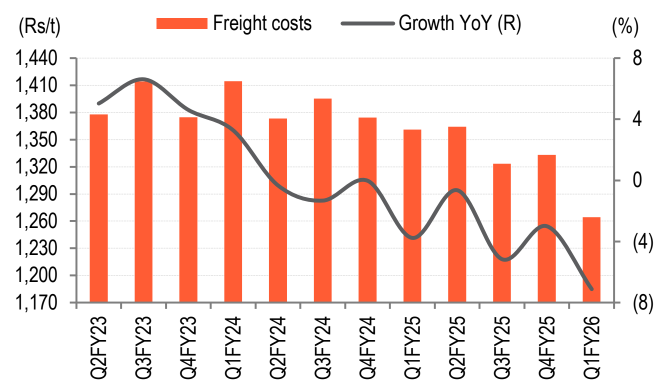
Source: Company, BOBCAPS Research

Fig 7 – Cost savings remains highlight of the quarter as clinker conversion ratio improves



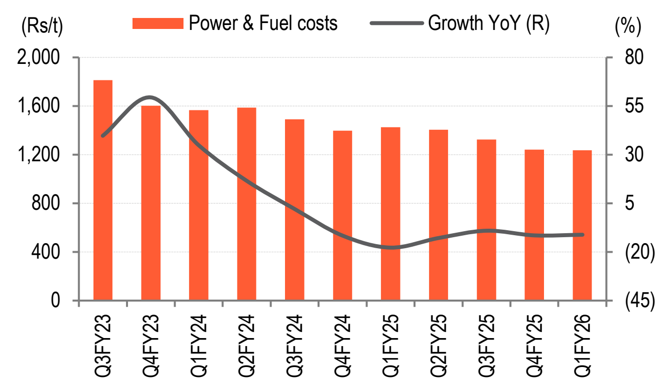
Source: Company, BOBCAPS Research

Fig 8 – Freight cost savings driven by rationalisation of lead distance



Source: Company, BOBCAPS Research

Fig 9 – Energy cost will be driven by power cost savings contributed by green energy



Source: Company, BOBCAPS Research

Valuation Methodology

We maintain our FY26/FY27 EBITDA and PAT, given UTCEM's healthy performance. Our FY25-FY28E Revenue/EBITDA/PAT CAGR is baked in at 14%/28/28%. UTCEM is well geared for short-term industry challenges and is focused on cost savings, which is the correct strategy. Recovery in FY27 will continue as we introduce FY28 earnings with 12%/11% EBITDA/PAT growth.

Additionally, cost savings guidance augurs well for providing a boost to EBITDA/t on a higher volume base in the next two years, even if prices stay under pressure. This helps offer added levers to enhance margins, even as it is positioned as a capacity leader. The acquisition of Kesoram Industries' cement assets will consolidate its presence in Telangana and Maharashtra. ICEM assets will help consolidate UTCEM's position deep in South India. Further, debt on balance sheet is in a manageable trajectory, though initially the book may be mildly stressed.

Given the effective cost management, healthy growth and a strong balance sheet, we assign UTCEM 18x multiple (earlier 17x) 1YF EV/EBITDA to arrive at TP of Rs14,556 (from Rs 13,919); maintain BUY rating on the stock. The stock trades at a replacement value of $248/tn (Rs20.8bn/mn tonne) which is the deserved premium for an large size pan-India presence efficiently managed company.

Fig 10 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	8,51,131	9,69,109	10,67,043	8,51,131	9,69,109		0.0	(0.0)	
EBITDA	1,84,444	2,26,349	2,53,707	1,84,444	2,26,349		(0.0)	0.0	
Adj PAT	92,020	1,17,715	1,30,888	92,020	1,17,715		(0.0)	(0.0)	
Adj EPS (Rs)	318.8	407.8	453.4	318.8	407.8		0.0	0.0	

Source: BOBCAPS Research

Fig 11 – Key assumptions

Parameter	FY25P	FY26E	FY27E	FY28E
Volumes (mt)	118.89	143.86	161.27	175.8
Realisations (Rs/t)	5,145	5,278	5,410	5,491
Operating costs (Rs/t)	4,883	4,726	4,692	4,710
EBITDA/t (Rs/t)	988	1,183	1,311	1,354

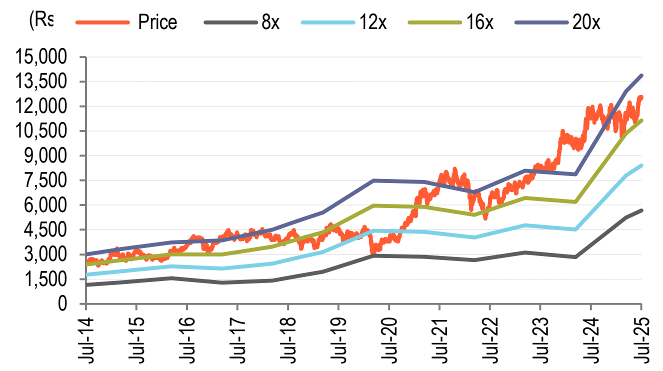
Source: Company, BOBCAPS Research

Fig 12 – Valuation summary

Business (Rs mn)	FY26E
Target EV/EBITDA (x)	18
EBITDA	233,188.0
Target EV	**40,83,134**
Total EV	40,83,134
Net debt	(118,040)
Target market capitalisation	420,1174
Target price (Rs/sh)	**14,556**
Weighted average shares (mn)	288.7

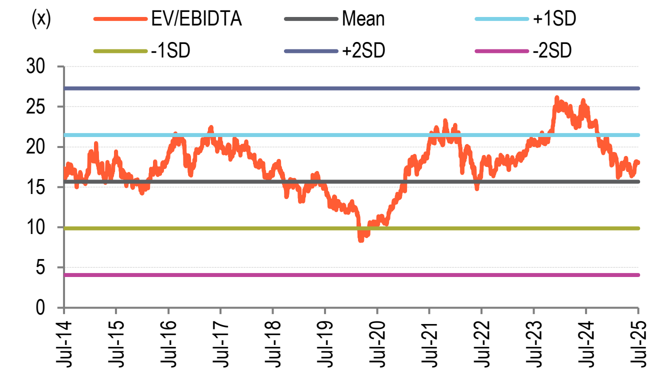
Source: Company, BOBCAPS Research Note: Valuations based on 1-year forward earnings (December 2027)

Fig 13 – EV/EBITDA band: Valuations to stay elevated for the largest cement company and top brand



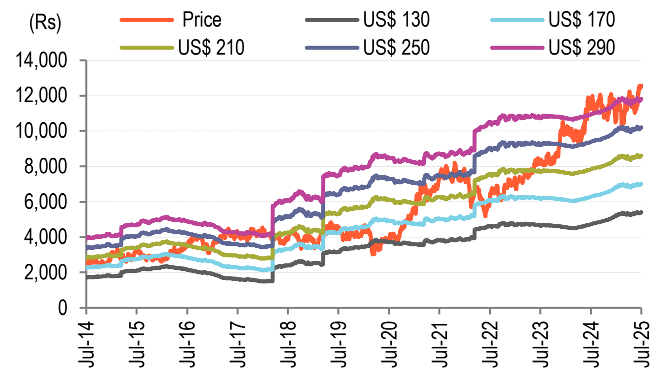
Source: Company, Bloomberg, BOBCAPS Research

Fig 14 – EV/EBITDA 1YF: Forward earnings ahead of mean valuations, factoring in better earnings/growth



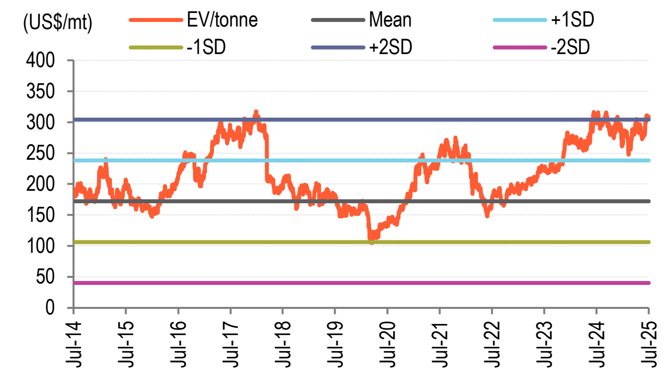
Source: Company, Bloomberg, BOBCAPS Research

Fig 15 – EV/tonne: Replacement cost at valuations for industry leader



Source: Company, Bloomberg, BOBCAPS Research

Fig 16 – EV/tonne 1YF: Valuations to stay elevated



Source: Company, Bloomberg, BOBCAPS Research

Key risks

Key downside risks to our estimates:

- Increasing competitive intensity and capacity addition may have a negative impact on the cement sector pricing and could be detrimental for the industry and UTCEM.
- Delays in the implementation of capex plans could hamper growth.
- Energy cost spikes due to global uncertainties could dampen profitability.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25P	FY26E	FY27E	FY28E
Total revenue	**6,75,357**	**7,18,950**	**8,51,131**	**9,69,109**	**10,67,043**
EBITDA	1,19,593	1,20,959	1,84,444	2,26,349	2,53,707
Depreciation	(30,274)	(37,391)	(43,519)	(50,047)	(60,056)
EBIT	95,940	91,964	1,50,533	1,86,560	2,04,630
Net interest inc./(exp.)	(8,668)	(14,653)	(17,952)	(17,531)	(16,917)
Other inc./(exp.)	6,622	8,396	9,609	10,257	10,979
Exceptional items	(720)	(881)	0	0	0
EBT	86,552	76,430	1,32,581	1,69,028	1,87,713
Income taxes	(24,111)	(15,044)	(40,562)	(51,313)	(56,825)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**62,441**	**61,386**	**92,020**	**1,17,715**	**1,30,888**
Adjustments	(720)	(881)	0	0	0
Adjusted net profit	**63,161**	**62,267**	**92,020**	**1,17,715**	**1,30,888**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25P	FY26E	FY27E	FY28E
Accounts payables	1,28,281	1,36,465	1,48,326	1,65,022	1,96,459
Other current liabilities	94,541	85,187	78,320	80,400	82,480
Provisions	8,878	9,393	9,946	10,542	11,184
Debt funds	80,873	2,03,604	1,03,957	73,113	78,298
Other liabilities	64,250	81,976	83,426	84,876	86,326
Equity capital	2,887	2,947	2,887	2,887	2,887
Reserves & surplus	5,81,457	6,93,831	7,60,522	8,47,842	9,46,646
Shareholders' fund	5,84,344	6,96,778	7,63,408	8,50,729	9,49,533
Total liab. and equities	**9,61,168**	**12,13,403**	**11,87,382**	**12,64,681**	**14,04,280**
Cash and cash eq.	23,539	54,975	1,40,698	1,81,154	2,26,339
Accounts receivables	34,965	43,778	54,159	64,321	73,744
Inventories	80,358	85,668	1,03,750	1,20,786	1,35,915
Other current assets	83,962	96,719	1,08,188	1,09,270	1,20,197
Investments	71,397	1,18,050	71,397	71,397	71,397
Net fixed assets	4,55,902	6,10,299	6,72,200	6,67,450	6,82,069
CWIP	1,85,035	1,77,155	10,000	23,000	67,000
Intangible assets	26,010	26,760	26,991	27,304	27,617
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**9,61,168**	**12,13,403**	**11,87,382**	**12,64,681**	**14,04,280**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25P	FY26E	FY27E	FY28E
Cash flow from operations	**1,42,237**	**88,004**	**1,03,567**	**1,60,304**	**1,91,074**
Capital expenditures	(1,64,673)	(1,84,657)	61,504	(58,610)	(1,18,989)
Change in investments	42,860	(72,652)	16,652	(30,000)	(40,000)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(1,21,813)**	**(2,57,310)**	**78,156**	**(88,610)**	**(1,58,989)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(20,567)	1,22,731	(99,648)	(30,843)	5,185
Interest expenses	9	10	10	10	10
Dividends paid	(10,807)	(25,210)	(26,293)	(30,395)	(32,083)
Other financing cash flows	3,342	77,221	(60)	0	0
Cash flow from financing	**(28,032)**	**1,74,742**	**(1,26,000)**	**(61,238)**	**(26,899)**
Chg in cash & cash eq.	**(7,608)**	**5,436**	**55,723**	**10,456**	**5,186**
Closing cash & cash eq.	**23,539**	**54,975**	**1,40,698**	**1,81,154**	**2,26,339**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25P	FY26E	FY27E	FY28E
Reported EPS	216.3	212.7	318.8	407.8	453.4
Adjusted EPS	218.8	215.7	318.8	407.8	453.4
Dividend per share	32.0	77.5	75.0	90.0	95.0
Book value per share	2,024.4	2,413.9	2,644.8	2,947.3	3,289.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25P	FY26E	FY27E	FY28E
EV/Sales	5.3	5.0	4.1	3.7	3.5
EV/EBITDA	30.0	29.7	19.1	15.8	14.6
Adjusted P/E	57.5	58.3	39.5	30.8	27.7
P/BV	6.2	5.2	4.8	4.3	3.8

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25P	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	72.1	80.3	69.4	69.6	69.7
Interest burden (PBT/EBIT)	91.0	84.1	88.1	90.6	91.7
EBIT margin (EBIT/Revenue)	14.2	12.8	17.7	19.3	19.2
Asset turnover (Rev./Avg TA)	73.6	66.1	70.9	79.0	80.0
Leverage (Avg TA/Avg Equity)	1.6	1.7	1.6	1.5	1.5
Adjusted ROAE	11.3	9.7	12.6	14.6	14.5

Ratio Analysis

Y/E 31 Mar	FY24A	FY25P	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	11.7	6.5	18.4	13.9	10.1
EBITDA	20.4	1.1	52.5	22.7	12.1
Adjusted EPS	28.5	(1.4)	47.8	27.9	11.2
Profitability & Return ratios (%)					
EBITDA margin	17.4	16.5	21.3	23.0	23.5
EBIT margin	14.2	12.8	17.7	19.3	19.2
Adjusted profit margin	9.4	8.7	10.8	12.1	12.3
Adjusted ROAE	11.3	9.7	12.6	14.6	14.5
ROCE	13.6	10.7	15.6	19.0	19.3
Working capital days (days)					
Receivables	19	22	23	24	25
Inventory	43	43	44	45	46
Payables	83	82	80	80	87
Ratios (x)					
Gross asset turnover	1.0	0.9	0.9	1.0	1.0
Current ratio	1.0	1.2	1.7	1.9	1.9
Net interest coverage ratio	11.1	6.3	8.4	10.6	12.1
Adjusted debt/equity	0.1	0.3	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

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Note: Recommendation structure changed with effect from 21 June 2021

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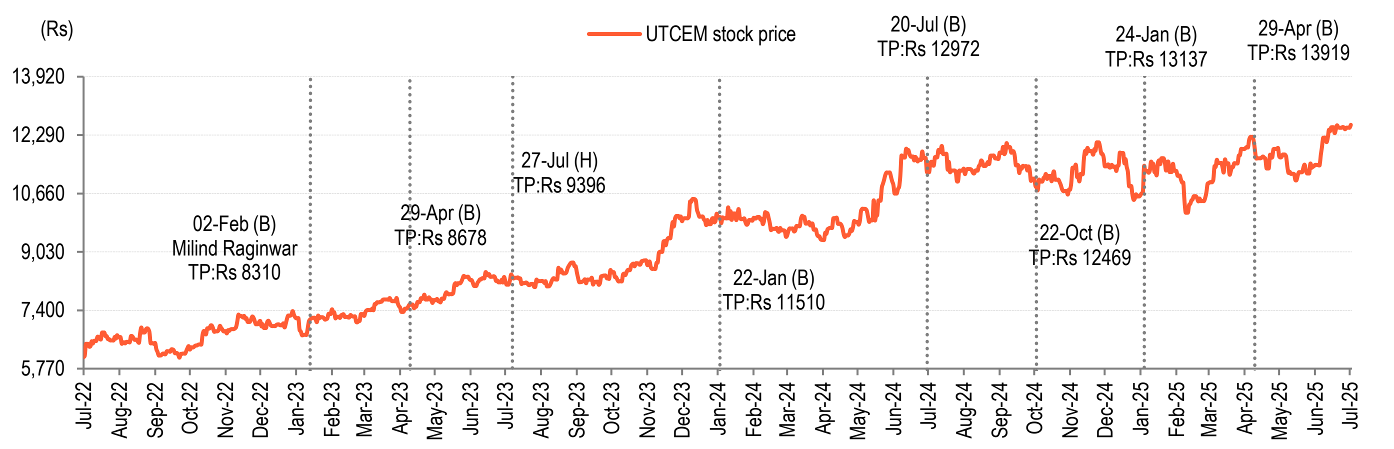

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