

B&K

1QFY26 Result Update

UltraTech Cement

Healthy performance in line with expectations

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CMP (Rs): 12,577

Market cap. (Rs bn): 3,706

Target price (Rs): 13,275

Maintain Hold

Performance summary/What stood out

UltraTech Cement's (UTCEM) quarterly performance was broadly in line with expectations. While sales volumes came in slightly below estimates, EBITDA/tonne was marginally ahead, supported by better realisations.

- ▶ **Financial performance:** Net sales grew by ~13.1% YoY to Rs 212 bn (-2.2%/-1.1% below B&K/consensus estimates). EBITDA grew by ~46.2% YoY to Rs 44 bn (broadly in line with B&K/consensus estimates) whereas, EBITDA margin expanded by ~470 bps YoY to ~20.7%. Adjusted PAT stood at Rs 23 bn (up from Rs 16 bn in 1QFY25), in line with B&K estimates.
- ▶ **Operating performance:** Sales volume grew by ~9.7% YoY to 36.8 MT (including 2.18 MT India Cements) in 1QFY26, whereas core volume grew by ~2% YoY. Blended realisation increased by ~2.7% QoQ to Rs 5,777/tonne, which was impressive. EBITDA/tonne improved by Rs 72 QoQ to Rs 1,197 (up from Rs 1,179 B&Ke). Operating cost increased by ~1.8% QoQ to Rs 4,579/tonne. Employee cost increased by ~10.3% QoQ to Rs 264/tonne, other expenses increased by ~5.2% QoQ to Rs 696/tonne, RM+P&F cost increased by ~1.0% QoQ to Rs 2,357/tonne, whereas freight cost remained flattish QoQ to Rs 1,262/tonne.

Outlook and Valuation

UTCEM's 1QFY26 results were broadly in line with B&K and street expectations. Volume growth outlook remains strong, backed by organic expansion, contribution from recent acquisitions, and improving demand trends. Sequential profitability improved, led by a sharp turnaround in acquired assets and pan-India scale benefits. Cement prices have remained resilient despite seasonality, while cost-saving initiatives and better asset integration (Kesoram, India Cements) are expected to support margins. The company is well-positioned to benefit from rising rural/urban housing demand and robust infrastructure push. Ongoing capacity additions, both organic and inorganic, will further strengthen its market leadership. Despite strong fundamentals and long-term growth visibility, rich valuations limit near-term upside. We maintain our Hold rating with an unchanged target price of Rs 13,275 (19x FY27E EV/EBITDA).

What has changed in estimates

No meaningful change in estimates.

Financial highlights (Consolidated)

(Rs mn)	1QFY25	1QFY26	YoY (%)	4QFY25	QoQ (%)
Net Sales	1,88,186	2,12,755	13.1	2,30,633	(7.8)
EBITDA	30,171	44,103	46.2	46,184	(4.5)
EBITDA margin (%)	16.0	20.7	470 bps	20.0	70 bps
Other income	1,685	1,802	7.0	1,021	76.5
Interest	3,258	4,333	33.0	4,750	(8.8)
Depreciation	9,179	11,068	20.6	11,246	(1.6)
PBT	18,567	30,078	62.0	31,008	(3.0)
Tax	3,633	7,869	116.6	6,261	25.7
Reported PAT	14,948	22,259	48.9	24,820	(10.3)
Adjusted PAT	15,829	22,643	43.0	24,914	(9.1)
Adjusted EPS (Rs)	54.8	78.5	43.0	86.3	(9.10)

Key variables

	Improvement on (%)		
	B&K est.	Consensus	
Net Sales	(2.2)	(1.0)	
EBITDA	(1.4)	0.0	
Adjusted PAT	0.1	0.0	
Valuations			
	FY25	FY26E	FY27E
P/E (x)	61.4	41.5	33.3
P/B (x)	5.2	4.7	4.2
EV/EBITDA (x)	30.8	21.5	17.9
Key Ratio			
RoE (%)	9.2	12.0	13.4
Liquidity Ratio			
Net D/E (x)	0.3	0.2	0.1

Detailed highlights

P&L and Key metrics

- ▶ **Net sales** grew by ~13.1% YoY to Rs 212 bn (-2.2%/-1.1% below B&K/consensus estimates) driven by healthy volume growth and improved blended realisation.
- ▶ During the quarter, **consolidated sales volume** grew by ~9.7% YoY to 36.8 MT (incl. 2.18 MT India Cements). On a like-to-like basis, the company's standalone volume grew by ~2% YoY. **Blended realisation** increased by ~2.7% QoQ to Rs 5,777/tonne; grey cement realisation up by ~2.2% QoQ.
- ▶ In 1QFY26, trade/non-trade shares stood at ~66.3%/33.7%. Premium product mix stood at ~33.8%.
- ▶ Cement prices remained resilient with positive bias during the month of July, despite monsoon being impressive. Higher realisations were witnessed mainly in the South/East and moderate in the North/West markets.
- ▶ **EBITDA** grew by ~46.2% YoY to Rs 44 bn (-1.4% below B&Ke), whereas **EBITDA margin** expanded by ~470 bps YoY to ~20.7%. Furthermore, **EBITDA/tonne** improved by Rs 72 QoQ to Rs 1,197 (up from Rs 1,179 B&Ke).
- ▶ **Operating costs** increased by ~1.8% QoQ to Rs 4,579/tonne, mainly due to higher employee costs and other expenses.
- ▶ **Employee costs** increased by ~10.3% QoQ (Rs 264/tonne), other **expenses** increased by ~5.2% QoQ (Rs 696/tonne), **RM+P&F** increased by ~1.0% QoQ (Rs 2,357/tonne). However, **freight cost** remained flattish QoQ (Rs 1,262/tonne) led by reduced lead distance to 370 kms (down from 384 kms in 1QFY25).
- ▶ During the quarter, the clinker conversion improved to 1.49x (versus 1.44x in 1QFY25), Fuel cost/Kcal increased to 1.78/Kcal (versus 1.73 Kcal in 4QFY25). Power mix stood at captive thermal power/state grid/RE/WHRS at ~38%/22%/19%/~20%, respectively. Road/Rail/Sea mix stood at ~74%/24%/2% and Direct sales/Depot sales stood at ~60.1%/39.9%, respectively.
- ▶ **Adjusted PAT** stood at Rs 23 bn (versus Rs 16 bn in 1QFY25), in line with our estimates despite higher depreciation/interest.

Balance Sheet

- ▶ During the quarter, **gross debt** declined to Rs 228 bn (versus Rs 230 bn in FY25); **net debt** declined to Rs 163 bn (versus Rs 176 bn).
- ▶ Average borrowing cost at ~7%; likely to fall ahead with interest rate cuts.
- ▶ The company spent a capex worth of Rs 20 bn during 1QFY26. Further, the management has guided Rs 100 bn capex for FY26E.
- ▶ India Cements' efficiency capex to be funded separately via internal accruals/debt.

Conference call highlights

- ▶ **Industry outlook**
 - ▶ The cement industry witnessed modest demand growth of ~4.3% YoY in FY25. For FY26E, the sector is expected to see improved growth from a low base and higher state-led government capex (mainly in Bihar, Andhra Pradesh, Gujarat and Maharashtra).
- ▶ **Demand/sales volume:** Management guides for double-digit volume growth for FY26E, supported by organic capacity additions, strong infra push and robust housing demand.
- ▶ **Cement prices/realisation:** Cement prices are expected to remain stable, aided by steady underlying demand.
- ▶ **Cost optimisation initiatives:** UTCEM remains committed to its cost-saving targets of ~Rs 250-300/tonne by FY27E through: a) reducing lead distance to 343 kms (from 370 kms in 1QFY25), b) increasing alternative fuel mix to ~15% and c) improving clinker ratio to 1.54x (from earlier 1.49x). Further, India Cements to benefit from modernisation (WHRS, pre-heaters and alternative fuels).

- ▶ **Profitability guidance:** India Cements' EBITDA/tonne guided to reach Rs 1,000 by FY28E versus Rs 400 in 1QFY26.
- ▶ **Cables & Wires segment:** Rs 18.0 bn capex are on track; operations begin in Gujarat. Expected to be margin-accretive like RMC/building products.
- ▶ **Capacity expansion plans**
 - ▶ Installed capacity to reach 211-212 mtpa in 15-18 months (10.6/14.7 mtpa by FY26/27E, respectively).
 - ▶ Phase IV capacity expansion plans are expected to be announced in the coming quarters, while Phase V is also in the planning stage.
 - ▶ Exploring brownfield/greenfield expansion, including India Cements sites.

Fig: 1 Cement capacity to reach 212/217 mtpa by FY27E



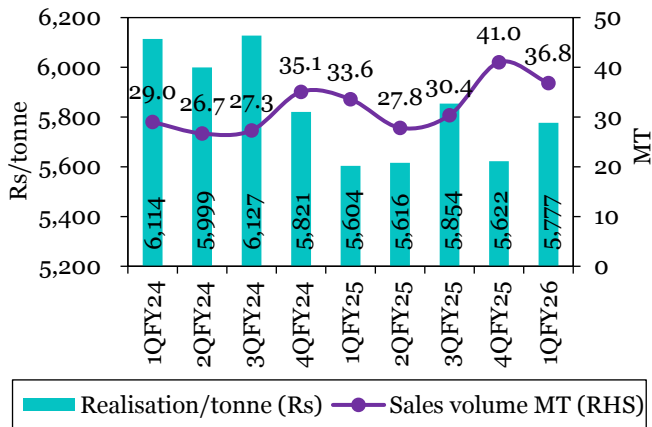
Source: Company, Investor Presentation

Fig: 2 Organic plans are on track

	Particulars	Unit	Project	Cement Capacity (Mtpa)	
	Capacity as at March-25			183.4	
Commissioned till date	Nagpur, Maharashtra (Debottlenecking)	GU	B	0.6	
	Panipat, Haryana (Debottlenecking)	GU	B	0.4	
	Jhajjar, Haryana (Debottlenecking)	GU	B	0.4	
	Banswara, Rajasthan (Debottlenecking)*	IU	B	0.3	
	Maihar, Madhya Pradesh (Phase II)	IU	B	1.8	
	Patratu, Jharkhand	GU	B	2.5	
	Shahjahanpur, Uttar Pradesh	GU	G	1.8	
	Nathdwara, Rajasthan	IU	B	1.2	
	Dhule, Maharashtra (Phase II)	GU	B	0.6	
	Visakhapatnam, Andhra Pradesh	GU	G	3.3	
	Parli, Maharashtra	GU	B	1.2	
	Panvel, Maharashtra	BT	B	1.0	
	Capacity addition in FY26 (Excl. BT)				14.1
		To be commissioned in FY27			
	Aligarh, Uttar Pradesh	GU	B	2.7	
	Bihar	GU	G	3.3	
	West Bengal	GU	G	3.3	
	APCW, Andhra Pradesh	IU	B	2.7	
	Andhra Pradesh	IU	G	2.7	
	Gujarat	BT	G	1.2	
	Karnataka	BT	G	1.2	
	Assam	BT	G	1.2	
	Tamil Nadu	BT	G	1.8	
Capacity addition in FY27 (Excl. BT)				14.7	

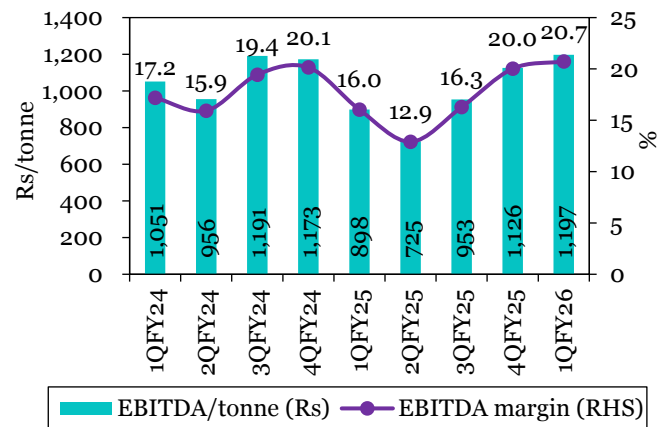
Source: Company, Investor Presentation

Fig 3: Blended realisation and Sales volume trend



Source: Company, B&K Research

Fig 4: Blended EBITDA/tonne trend



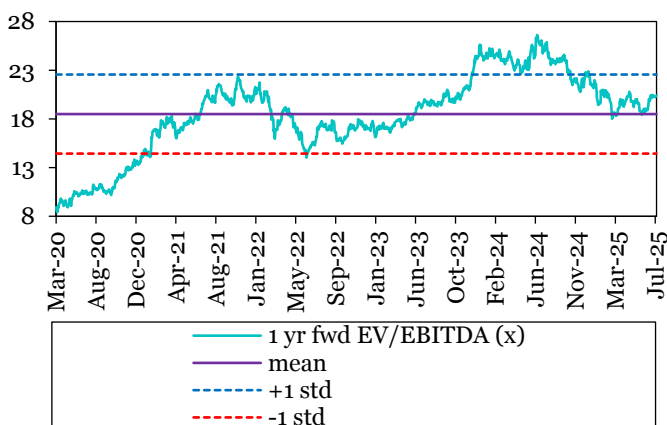
Source: Company, B&K Research

Fig 5: Cost dynamic and operating performance

(Rs/tonne)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
Consumption of raw material	962	1,048	1,055	1,060	1,037	(2.2)	7.8
Staff cost	232	328	293	239	264	10.3	13.7
Power & fuel	1,426	1,378	1,411	1,273	1,320	3.7	(7.4)
Freight on sales	1,319	1,287	1,329	1,262	1,262	0.0	(4.3)
Other expense	767	849	813	662	696	5.2	(9.3)
Total operating cost	4,706	4,891	4,901	4,497	4,579	1.8	(2.7)
EBITDA/tonne	898	725	953	1,126	1,197	6.4	33.3

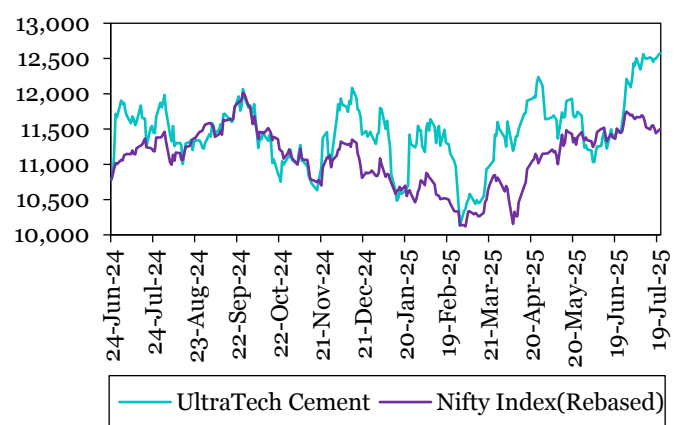
Source: Company, B&K Research

One-year forward EV/EBITDA



Source: B&K Research

Relative performance

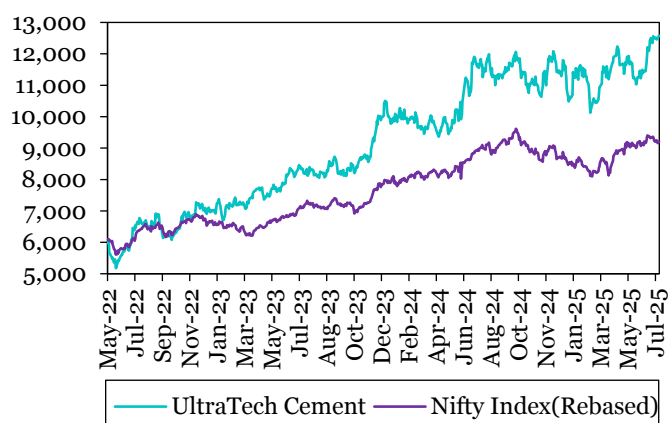


Source: B&K Research

Major shareholders (%)

	Dec-24	Mar-25	Change
Promoters	60.0	59.2	(0.8)
GOI	0.1	0.1	0.0
FII's	17.7	15.9	(1.8)
MFs	12.3	13.8	1.5
BFSl's	2.9	3.0	0.1
Public & Others	7.1	8.0	0.9

Relative to Sensex 3 Years



Financial Summary (Consolidated)

Income Statement

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E
Net sales	698,095	749,360	889,784	975,493
<i>Growth (%)</i>	<i>12.0</i>	<i>7.3</i>	<i>18.7</i>	<i>9.6</i>
Raw material	(485,774)	(495,827)	(506,675)	(543,713)
Gross profit	212,321	253,533	383,110	431,781
Employee cost	(30,376)	(36,046)	(35,304)	(37,776)
Other expenditure	(63,246)	(102,104)	(179,196)	(194,323)
Other operating income	10,986	10,190	10,423	11,995
EBITDA	129,686	125,573	179,032	211,677
<i>Growth (%)</i>	<i>22.1</i>	<i>(3.2)</i>	<i>42.6</i>	<i>18.2</i>
Depreciation	(31,453)	(40,150)	(42,795)	(45,326)
Other income	6,170	7,442	6,839	6,917
EBIT	104,402	92,865	143,077	173,268
Finance cost	(9,680)	(16,505)	(26,787)	(24,405)
Exceptional income/(expense)	(500)	(1,080)	-	-
Profit before tax	94,222	75,280	116,291	148,863
Tax (current + deferred)	(24,183)	(14,885)	(26,241)	(36,114)
Profit/(loss) for the year	70,040	60,395	90,050	112,749
P/L of JV/A, minority interest	10	5	(650)	(1,492)
Reported profit/(loss)	70,050	60,400	89,400	111,257
Adjusted net profit/(loss)	70,050	60,400	89,400	111,257

Balance Sheet

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E
Share Capital	2,887	2,947	2,947	2,947
Reserves & surplus	599,389	704,116	780,255	872,359
Shareholders' funds	602,275	707,063	783,202	875,305
Minority interest	559	31,866	31,216	29,724
Long-term borrowings	53,078	157,808	144,892	106,883
Other non-current liabilities	83,049	116,581	113,316	113,116
Total non-current liab.	136,126	274,388	258,208	219,998
Short-term borrowings	55,400	72,502	52,322	54,542
Trade payables	84,783	93,275	110,754	121,422
Other current liabilities	128,876	157,873	150,068	140,083
Total current liabilities	269,060	323,650	313,144	316,047
Total (Equity & Liab.)	1,008,021	1,336,967	1,385,770	1,441,075
Fixed assets (net block)	633,433	931,166	962,536	992,586
Non-current investments	27,642	22,974	22,974	22,974
Other non-current assets	115,362	145,459	147,890	148,796
Non-current assets	776,436	1,099,600	1,133,400	1,164,357
Cash and cash equivalents	7,832	16,733	8,644	20,033
Inventories	83,297	95,630	112,744	120,744
Trade receivables	42,782	58,903	63,382	64,142
Other current assets	97,674	66,102	67,600	71,800
Current assets	231,585	237,367	252,370	276,719
Total (Assets)	1,008,021	1,336,967	1,385,770	1,441,075

Cash Flow

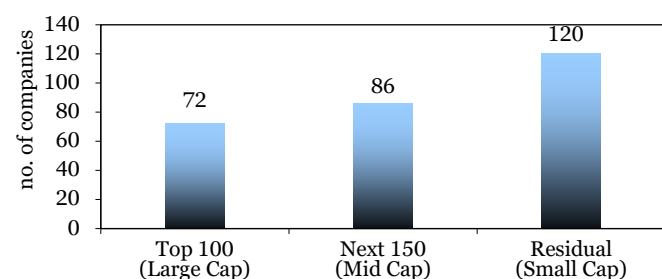
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E
Profit before tax	94,222	75,280	116,291	148,863
Depreciation	31,453	40,150	42,795	45,326
Change in working capital	(6,976)	19,535	(21,448)	(12,492)
Total tax paid	(22,289)	15,830	(26,241)	(36,114)
Others	4,226	16,505	26,787	24,405
CF from operations (a)	100,637	167,300	138,183	169,988
Capital expenditure	(91,560)	(338,301)	(74,164)	(75,376)
Change in investments	(6,481)	30,925	2,859	-
Others	7,014	(19,103)	(274)	(892)
CF from investing (b)	(91,026)	(326,479)	(71,579)	(76,268)
Free cash flow	9,077	(171,001)	64,018	94,612
Equity raised/(repaid)	29	31	-	-
Debt raised/(repaid)	9,470	121,832	(33,096)	(35,789)
Dividend (excl. tax)	(10,951)	(22,373)	(13,261)	(19,154)
Others	(11,823)	68,592	(28,336)	(27,388)
CF from financing (c)	(13,275)	168,081	(74,693)	(82,332)
Net chg in cash (a+b+c)	(3,665)	8,902	(8,089)	11,389

Key Ratios

Y/E Mar (%)	FY24	FY25	FY26E	FY27E
Adjusted EPS (Rs)	237.7	205.0	303.4	377.6
<i>Growth</i>	<i>38.3</i>	<i>(13.8)</i>	<i>48.0</i>	<i>24.4</i>
Book NAV/share (Rs)	2,039.7	2,396.7	2,655.1	2,967.6
Dividend payout ratio	15.6	37.0	14.8	17.2
Gross margin	30.4	33.8	43.1	44.3
EBITDA margin	18.6	16.8	20.1	21.7
EBIT margin	15.0	12.4	16.1	17.8
Tax rate	25.7	19.8	22.6	24.3
RoCE	13.7	9.9	12.9	15.0
RoE	12.3	9.2	12.0	13.4
RoIC (post-tax)	12.8	9.4	11.5	13.0
Net debt/equity (x)	0.1	0.3	0.2	0.1
Net debt/EBITDA (x)	0.4	1.5	0.9	0.5
Fixed asset turnover (x)	0.7	0.6	0.7	0.7
Net working capital days	(19.6)	(42.0)	(24.9)	(14.7)

Valuations

Y/E (x)	FY24	FY25	FY26E	FY27E
P/E	52.9	61.4	41.5	33.3
P/B	6.2	5.2	4.7	4.2
Dividend yield (%)	0.3	0.6	0.4	0.5
OCF yield (%)	2.7	4.5	3.7	4.6
EV/EBITDA	28.8	30.8	21.5	17.9
EV/Sales	5.3	5.2	4.3	3.9

B&K Universe Profile – by AMFI Definition**B&K Investment Ratings**

	LARGE CAP (Market Cap > US\$ 2 bn)	MID & SMALL CAP (Market Cap < US\$ 2 bn)
BUY	>+15%	>+20%
HOLD	+15% to -10 %	+20% to -15 %
SELL	<-10%	<-15%

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