UltraTech Cement

Expansions to drive volume growth; margin shines

BUY

CMP *(as on 21 Jul 2025)*	INR 12,574
Target Price	INR 12,800
NIFTY	25,091

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 12,600	INR 12,800
EBITDA change %	FY26E	FY26E
	3.7	*1.5*

KEY STOCK DATA	
Bloomberg code	UTCEM IN
No. of Shares (mn)	295
MCap (INR bn) / ($ mn)	3,706/42,945
6m avg traded value (INR mn)	3,993
52 Week high / low	INR 12,714/10,048

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	5.4	17.9	11.7
Relative (%)	1.9	9.5	9.7

SHAREHOLDING PATTERN (%)	Mar-25	Jun-25
Promoters	59.23	59.23
FIs & Local MFs	16.80	16.85
FPIs	15.71	15.72
Public & Others	8.26	8.20
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

We maintain BUY on UltraTech (UTCEM) with a revised target price of INR 12,800 (valuing it at 17x Mar-27E consolidated EBITDA). In Q1FY26, UTCEM's delivered 10% volume growth (sub-par +3% LTL), aided by India Cements (ICEM) consolidation. Unit EBITDA expanded INR 72/MT QoQ to INR 1,197/ MT on healthy pricing. We estimate ongoing cost reduction projects (for core operations) and new projects from margin enhancements of India Cements and Kesoram to beef up consolidated margin going ahead, leading to a 34% consolidated EBITDA CAGR during FY25-27E.

- **Q1FY26 performance:** Consolidated volume rose 10% YoY, driven by contributions from India Cements (ICEM). LTL volumes rose 3% YoY, which would be slightly below industry. Grey cement/blended NSR rose 2/3% QoQ, on strong uptick in south and east markets. While input/freight costs remained flattish QoQ, op-lev loss (10% vol decline QoQ) led to 2% QoQ blended opex rise. Share of low-cost green power increased to 40% vs 36/28% QoQ/YoY. Trade sales share stood flat at 66% QoQ and share of premium product increased to 34% vs 31/24% QoQ/YoY. Fuel cost rate inched up to INR 1.78/mnCal vs 1.73 QoQ. Cement to clinker (CC) ratio increased to a multi-year high of 1.49x. Blended unit EBITDA expanded INR 72 QoQ to INR 1,197/MT. The subsidiary ICEM reported 11% YoY volume growth with unit EBITDA of INR 361/MT vs loss of INR 201/31 YoY/QoQ.
- **Concall KTAs and outlook**: UTCEM has already announced capex to upgrade preheaters and install WHRS/RE power to reduce cost structures across Kesoram and ICEM assets. Its target to lower opex by INR 300/MT over the next 2-3 years, given the rising share of green power, increase in CC ratio and lead distance reduction, is on track. It achieved INR 86/MT cost reduction from these initiatives in FY25. Ongoing expansions will increase cement capacity by 14/15mn MT in FY26/27E. It will announce next round of expansions by end of FY26. We estimate UTCEM to deliver 11% volume CAGR during FY25-27E, led by ~9% core volume CAGR and the rest coming from gradual ramp-up of India Cements and Kesoram. We estimate consolidated EBITDA CAGR of 34%, further aided by margin expansion for core operations and acquired assets. We raise our EBITDA estimates for FY26/27E by 4/2% respectively, factoring in a healthy pricing outlook.

Consolidated quarterly/annual financial summary

YE Mar (INR bn)	Q1 FY26	Q1 FY25	*YoY (%)*	Q4 FY25	*QoQ (%)*	FY23	FY24	FY25	FY26E	FY27E
Sales (mn MT)	36.8	33.5	*9.9*	41.0	*(10.2)*	105.7	119.1	135.8	152.2	167.5
NSR (INR/MT)	5,777	5,617	*2.8*	5,622	*2.7*	5,981	5,954	5,592	5,648	5,727
EBITDA(INR/MT)	1,197	901	*33.0*	1,126	*6.4*	1,004	1,089	925	1,149	1,351
Net Sales	212.8	188.2	*13.1*	230.6	*-7.8*	632.4	709.1	759.6	859.6	959.1
EBITDA	44.1	30.2	*46.2*	46.2	*-4.5*	106.2	129.7	125.6	174.9	226.2
APAT	22.5	15.6	*44.4*	24.9	*-9.4*	50.6	70.6	61.1	84.9	120.8
AEPS (INR)	78.1	54.1	*44.4*	86.2	*-9.4*	175.4	244.5	207.4	288.1	409.9
EV/EBITDA (x)						30.1	24.6	26.2	21.8	16.6
EV/MT (INR bn)						23.83	21.50	17.38	18.74	17.25
P/E (x)						62.9	45.1	52.1	43.7	30.7
RoE (%)						*9.7*	*12.3*	*9.1*	*11.0*	*14.2*

Source: Company, HSIE Research

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