

March 3, 2025

Event Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		ACCUMULATE	
Target Price	12,303		12,350	
Sales (Rs. m)	9,10,859	10,18,324	9,10,859	10,18,324
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,87,927	2,18,369	1,87,927	2,18,369
% Chng.	-	-	-	-
EPS (Rs.)	364.5	434.7	365.6	439.2
% Chng.	(0.3)	(1.0)	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	7,09,081	7,38,083	9,10,859	10,18,324
EBITDA (Rs. m)	1,29,686	1,30,784	1,87,927	2,18,369
Margin (%)	18.3	17.7	20.6	21.4
PAT (Rs. m)	70,050	69,750	1,07,396	1,28,080
EPS (Rs.)	242.6	236.7	364.5	434.7
Gr. (%)	38.3	(2.4)	54.0	19.3
DPS (Rs.)	70.0	75.4	83.0	91.3
Yield (%)	0.7	0.7	0.8	0.9
RoE (%)	12.2	11.1	15.5	16.3
RoCE (%)	14.6	12.3	16.3	17.9
EV/Sales (x)	4.2	4.3	3.5	3.1
EV/EBITDA (x)	22.9	24.4	16.9	14.3
PE (x)	41.7	42.8	27.8	23.3
P/BV (x)	4.9	4.6	4.1	3.6

Key Data

	ULTC.BO UTCEM IN
52-W High / Low	Rs.12,145 / Rs.9,250
Sensex / Nifty	73,198 / 22,125
Market Cap	Rs.2,924bn / \$ 33,414m
Shares Outstanding	289m
3M Avg. Daily Value	Rs.3885.37m

Shareholding Pattern (%)

Promoter's	60.00
Foreign	17.48
Domestic Institution	15.16
Public & Others	7.36
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(11.8)	(10.4)	2.4
Relative	(6.6)	0.8	1.4

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Leveraging strong brand equity for future growth

Quick Pointers:

- Mgmt. clarified W&C is the **only** category UTCEM will be entering for targeting growth beyond cement and no incremental capex till full ramp up by FY31.
- Mgmt. expects ~20-25% ROCE, 5-7x asset turnover, and EBITDA margins akin to industry on full ramp up. Wires to contribute ~60% of W&C revenue.

UTCEM has announced its foray into the wires and cables (W&C) segment to strengthen its construction value chain through UltraTech Building Solutions (UBS) stores. Mgmt. has evaluated almost all building material categories and clarified W&C is the only category UTCEM will be entering for targeting growth over cement; being only strategic extension to cement having strong relationships with the industry stakeholders. UTCEM believes it has developed several advantages over the last few decades which can be leveraged now for growth in W&C industry viz. a) Respected brand & UBS network, b) B2B relationships, c) access to end users and influencers, and d) pan India presence with over 135k touch points and 2000+ technical service team in building product division (BPD) business.

As per mgmt. estimates, W&C industry is over ~Rs977bn industry growing at 12-13% p.a. so, there should not be much pressure on industry pricing. It has proposed to invest Rs18bn over next two years to set up a manufacturing plant near Bharuch (Gujarat) which is expected to be commissioned by Dec'26 and ramp up would happen over next 3-4 years. Cement sector outlook remains robust and UTCEM continues to grow ahead of industry aided by ICEM and Kesoram deals. We have added W&C capex for FY26/27E and assuming 5x asset turn and ~10% margin, W&C EBITDA works out at ~4% of cons UTCEM EBITDA. The stock has fallen sharp 10% post this capex announcement fearing capital allocation inefficiencies but with mgmt. clarification we expect it to recover, which upgrades stock rating to 'BUY' from 'Accumulate' earlier with TP of Rs12,303 valuing at 18x EV of Sep'26E EBITDA. At CMP, stock is trading at EV of 16.9x/14.2x FY26/27E EBITDA.

- Preparing to capture higher wallet share from consumer:** UTCEM has planned its foray into W&C business to grow beyond cement and efficiently capture missing links in the construction value chain. With a nominal capex of ~Rs 18bn over the next two years (working capital of ~Rs2bn), UTCEM can capture higher wallet share from existing consumers in housing as well as institutional business. The plant will be set up near Jhagadia in Gujarat, ~100km from group's copper facility which will lower its working capital requirement as well. The plant is expected to get commissioned by Dec'26 with a capacity of ~35-40 lakh Km.
- Leveraging existing UBS network:** UTCEM with its 4,432 UBS outlets of BPD spread across 135 locations in India provides one stop building solution for the retail customer. This network puts UTCEM in a leading position to capture the growth of India's W&C market. At present, UBS sells most of the other building materials such as sanitary fittings, water tanks, paints, wires etc. UTCEM is

also involved with most of India's transport infra projects which is expected to aid its cables business. We believe UTCEM can cover entire construction value chain (pipes) over the long term and can demerge the UBS portfolio in future.

- Can become a significant player in W&C industry:** As of FY24, total markets of W&C stand at Rs267bn and Rs710bn which is expected to grow at 13% over the next 5 years. Existing listed players in W&C segment contribute ~55% of industry revenue for FY24. If we compare capex, FY24 capex of four listed companies under PL coverage was just Rs22bn. Although existing listed players have lower margins than cement (8-13%) but their return ratios are much better (~25-30% ROCE) with relatively lower capex. Assuming 5x asset turn and 10% margins, UTCEM's W&C EBITDA works out at Rs9bn by FY29E (<4% of cons UTCEM EBITDA then). From UTCEM's size perspective, this investment is not going to move the needle materially, but an entry of big player can increase competition in W&C industry and hamper margins in the long run.

Exhibit 1: Revenue of W&C business for companies under PL coverage

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
KEI	35,017	41,235	37,159	53,491	65,090	75,413	91,239	1,09,031	1,31,252
Polycab	69,295	75,192	75,806	1,06,953	1,25,369	1,58,922	1,82,601	2,15,886	2,48,269
RR Kabel	22,577	22,488	25,202	41,113	49,585	58,296	65,944	81,843	1,00,280
Havells	32,346	29,942	31,802	46,451	55,326	63,176	69,809	83,073	97,195

Source: PL Estimates

Exhibit 2: EBIT Margin of W&C business for companies under PL coverage

(in %)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
KEI	10.5	10.7	11.0	9.1	8.8	10.8	11.4	11.4	11.4
Polycab	12.1	12.3	12.0	9.7	13.1	14.5	14.0	14.0	14.2
RR Kabel	7.5	8.9	9.0	7.8	7.1	8.6	8.7	8.8	8.8
Havells	16.1	16.3	12.7	11.6	9.5	11.3	12.0	12.5	12.5

Source: PL Estimates

Exhibit 3: Total capex of W&C companies under PL coverage

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
KEI	-1,220	-802	-231	-596	-915	-3,707	-5,200	-5,785	-4,081
Polycab	-2,814	-2,891	-1,911	5,330	-4,763	-8,433	-1,951	-7,852	-7,959
RR Kabel	-3,748	-1,005	-454	-809	-1,790	-2,029	-1,100	-1,900	-1,900
Havells	-4,996	-3,592	-1,536	-2,528	-6,022	-8,297	-7,726	-10,100	-10,100

Source: PL Estimates

Exhibit 4: Return ratios of W&C companies under PL coverage

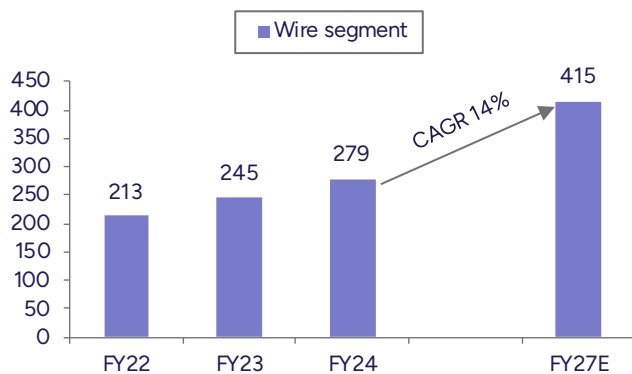
ROCE (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
KEI	31.37	29.43	21.53	24.21	26.23	27.47	26.69	27.03	28.10
Polycab	28.62	30.49	23.68	23.25	28.62	32.66	29.74	30.18	29.06
RR Kabel	30.95	15.36	14.58	18.30	16.03	22.64	19.14	28.13	29.74
Havells	28.88	21.62	30.26	27.51	22.64	24.92	24.20	27.13	29.17

Source: PL Estimates

Other Conference Call Highlights:

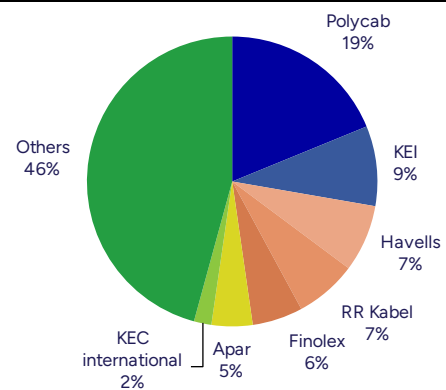
- Per capita cement consumption in India is 295kg Vs 600-700kg in the western world before those countries matured at 500kg.
- India's cement usage under RMC is still ~5% and is set to grow faster, similar to the developed world.
- UTCEM's grey cement capacity will be 182.8mt by end FY25 – 28% of industry capacity and by end FY27 it will be ~209mtpa.
- Mgmt. evaluated almost all adjacencies to capture the construction value chain (design, construct, electrify, decorate, and service) and decided on W&C as the best fit.
- Evaluated pipes, tiles, wood adhesives, lights & fans, furniture, faucets, etc., but considered only cables and wires as a strategic extension.
- At present, there are 90SKUs under BPD business which is selling mortars, waterproofing solutions etc.
- W&C has various similarities to cement: not repeat purchase, not discretionary spend, 85% residential consumers (65% cement). UTCEM has strong relationship with contractors, influencers who help IHB segment.
- Cables go into the infrastructure sector – metro, rail, EV, and the residential sector as well.
- Wires will work on distribution model akin to industry and cables on mix of distribution/institutions.
- New product expected revenue mix for wire: cable would be ~60:40, but as facilities are common, would be difficult to break down the capex share.

Exhibit 5: Wire segment to grow more than 14% over FY24-27E



Source: PL

Exhibit 6: Listed players account for ~54% market share



Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	7,09,081	7,38,083	9,10,859	10,18,324
YoY gr. (%)	12.1	4.1	23.4	11.8
Cost of Goods Sold	1,19,029	1,14,479	1,39,888	1,55,602
Gross Profit	5,90,052	6,23,604	7,70,971	8,62,722
Margin (%)	83.2	84.5	84.6	84.7
Employee Cost	30,376	34,323	36,931	39,728
Other Expenses	4,29,991	4,58,497	5,46,114	6,04,624
EBITDA	1,29,686	1,30,784	1,87,927	2,18,369
YoY gr. (%)	22.1	0.8	43.7	16.2
Margin (%)	18.3	17.7	20.6	21.4
Depreciation and Amortization	31,453	34,695	41,359	48,132
EBIT	98,233	96,090	1,46,567	1,70,237
Margin (%)	13.9	13.0	16.1	16.7
Net Interest	9,680	14,352	17,210	14,167
Other Income	6,170	8,908	12,223	13,082
Profit Before Tax	94,002	90,645	1,41,581	1,69,152
Margin (%)	13.3	12.3	15.5	16.6
Total Tax	24,183	20,906	34,197	41,085
Effective tax rate (%)	25.7	23.1	24.2	24.3
Profit after tax	69,820	69,739	1,07,384	1,28,068
Minority interest	(10)	(11)	(11)	(12)
Share Profit from Associate	220	-	-	-
Adjusted PAT	70,050	69,750	1,07,396	1,28,080
YoY gr. (%)	38.3	(0.4)	54.0	19.3
Margin (%)	9.9	9.5	11.8	12.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	70,050	69,750	1,07,396	1,28,080
YoY gr. (%)	38.3	(0.4)	54.0	19.3
Margin (%)	9.9	9.5	11.8	12.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	70,050	69,750	1,07,396	1,28,080
Equity Shares O/s (m)	289	295	295	295
EPS (Rs)	242.6	236.7	364.5	434.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	7,69,350	8,44,350	10,79,347	11,59,347
Tangibles	7,69,350	8,44,350	10,79,347	11,59,347
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,04,029	2,38,723	2,80,083	3,28,215
Tangibles	2,04,029	2,38,723	2,80,083	3,28,215
Intangibles	-	-	-	-
Net fixed assets	5,65,321	6,05,627	7,99,264	8,31,132
Tangibles	5,65,321	6,05,627	7,99,264	8,31,132
Intangibles	-	-	-	-
Capital Work In Progress	94,961	2,71,488	1,33,491	1,34,491
Goodwill	63,455	63,455	63,455	63,455
Non-Current Investments	42,297	42,297	42,297	42,297
Net Deferred tax assets	(64,429)	(64,429)	(64,429)	(64,429)
Other Non-Current Assets	10,354	10,354	10,354	10,354
Current Assets				
Investments	54,848	-	-	-
Inventories	83,297	84,930	99,820	1,11,597
Trade receivables	42,782	44,487	54,901	61,378
Cash & Bank Balance	7,832	6,292	9,095	11,509
Other Current Assets	19,482	19,482	19,482	19,482
Total Assets	10,08,020	11,71,803	12,55,550	13,09,086
Equity				
Equity Share Capital	2,887	2,947	2,947	2,947
Other Equity	5,99,388	6,46,909	7,29,852	8,31,035
Total Networkth	6,02,275	6,49,855	7,32,799	8,33,982
Non-Current Liabilities				
Long Term borrowings	1,02,984	2,12,984	1,99,984	1,39,984
Provisions	6,706	6,706	6,706	6,706
Other non current liabilities	35	35	35	35
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	84,783	90,997	1,04,811	1,17,177
Other current liabilities	1,34,370	1,34,370	1,34,370	1,34,370
Total Equity & Liabilities	10,08,020	11,71,803	12,55,550	13,09,086

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	94,222	90,645	1,41,581	1,69,152
Add. Depreciation	31,453	34,695	41,359	48,132
Add. Interest	9,680	14,352	17,210	14,167
Less Financial Other Income	6,170	8,908	12,223	13,082
Add. Other	(5,064)	(8,908)	(12,223)	(13,082)
Op. profit before WC changes	1,30,291	1,30,784	1,87,927	2,18,369
Net Changes-WC	(4,811)	2,875	(11,489)	(5,888)
Direct tax	(16,505)	(20,906)	(34,197)	(41,085)
Net cash from Op. activities	1,08,975	1,12,753	1,42,241	1,71,396
Capital expenditures	(88,841)	(2,51,527)	(97,000)	(81,000)
Interest / Dividend Income	-	-	-	-
Others	959	8,908	12,223	13,082
Net Cash from Inv. activities	(87,881)	(2,42,619)	(84,777)	(67,918)
Issue of share cap. / premium	(825)	-	-	-
Debt changes	1,047	1,10,000	(13,000)	(60,000)
Dividend paid	(10,944)	(22,229)	(24,452)	(26,897)
Interest paid	(8,535)	(14,352)	(17,210)	(14,167)
Others	-	-	-	-
Net cash from Fin. activities	(19,257)	73,419	(54,662)	(1,01,065)
Net change in cash	1,838	(56,447)	2,802	2,414
Free Cash Flow	20,135	(1,38,774)	45,241	90,396

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	1,98,059	1,75,324	1,49,052	1,63,284
YoY gr. (%)	9.4	1.7	(3.9)	1.2
Raw Material Expenses	36,172	30,278	26,606	30,133
Gross Profit	1,61,888	1,45,046	1,22,447	1,33,151
Margin (%)	81.7	82.7	82.2	81.5
EBITDA	40,202	29,810	19,327	27,783
YoY gr. (%)	24.4	2.5	(17.8)	(11.8)
Margin (%)	20.3	17.0	13.0	17.0
Depreciation / Depletion	7,857	8,142	8,501	8,565
EBIT	32,345	21,668	10,826	19,218
Margin (%)	16.3	12.4	7.3	11.8
Net Interest	2,268	2,204	2,824	3,420
Other Income	1,542	1,789	1,817	2,061
Profit before Tax	30,899	21,578	9,819	17,859
Margin (%)	15.6	12.3	6.6	10.9
Total Tax	8,380	4,495	1,850	3,516
Effective tax rate (%)	27.1	20.8	18.8	19.7
Profit after Tax	22,520	17,083	7,969	14,344
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	23,764	16,501	7,969	14,344
YoY gr. (%)	43.4	(3.2)	(33.9)	(16.5)
Margin (%)	12.0	9.4	5.3	8.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	22,520	17,083	7,969	14,344
YoY gr. (%)	35.8	0.2	(33.9)	(16.5)
Margin (%)	11.4	9.7	5.3	8.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	22,520	17,083	7,969	14,344
Avg. Shares O/s (m)	289	289	289	289
EPS (Rs)	82.3	57.2	27.6	49.7

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	242.6	236.7	364.5	434.7
CEPS	351.6	354.5	504.8	598.0
BVPS	2,086.2	2,205.4	2,486.9	2,830.3
FCF	69.7	(471.0)	153.5	306.8
DPS	70.0	75.4	83.0	91.3
Return Ratio(%)				
RoCE	14.6	12.3	16.3	17.9
ROIC	11.9	9.5	12.5	13.7
RoE	12.2	11.1	15.5	16.3
Balance Sheet				
Net Debt : Equity (x)	0.1	0.3	0.3	0.2
Net Working Capital (Days)	21	19	20	20
Valuation(x)				
PER	41.7	42.8	27.8	23.3
P/B	4.9	4.6	4.1	3.6
P/CEPS	28.8	28.6	20.1	16.9
EV/EBITDA	22.9	24.4	16.9	14.3
EV/Sales	4.2	4.3	3.5	3.1
Dividend Yield (%)	0.7	0.7	0.8	0.9

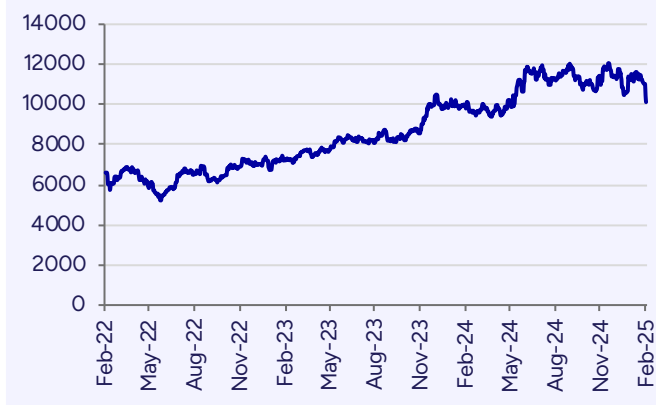
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Total volume (mn te)	115	123	148	162
Blended Real. (Rs/te)	5,864	5,781	5,930	6,069
Blended EBITDA/tonne (Rs)	1,000	945	1,146	1,236

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	24-Jan-25	Accumulate	12,350	11,421
2	08-Jan-25	Accumulate	12,145	11,404
3	22-Oct-24	Accumulate	12,401	10,869
4	07-Oct-24	Accumulate	13,084	11,450
5	20-Jul-24	Accumulate	11,848	11,275
6	07-Jul-24	Accumulate	12,135	11,690
7	30-Apr-24	BUY	11,608	9,964
8	09-Apr-24	BUY	11,332	9,864
9	11-Mar-24	BUY	11,328	9,673

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,878	2,001
2	Ambuja Cement	BUY	628	522
3	Dalmia Bharat	Accumulate	1,988	1,799
4	Hindalco Industries	BUY	696	604
5	Jindal Stainless	Accumulate	715	649
6	Jindal Steel & Power	Accumulate	847	792
7	JSW Steel	Hold	919	932
8	National Aluminium Co.	Accumulate	205	183
9	NMDC	Accumulate	70	64
10	Nuvoco Vistas Corporation	Hold	339	353
11	Shree Cement	Hold	26,190	27,796
12	Steel Authority of India	Hold	107	106
13	Tata Steel	Accumulate	145	129
14	Ultratech Cement	Accumulate	12,350	11,421

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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