

CMP: INR 12,000

Rating: BUY

Target: INR 14,466

Stock Info

BSE	532538
NSE	ULTRACEMCO
Bloomberg	UTCEM:IN
Sector	Cement
Face Value (INR)	10
Equity Capital (INR mn)	2950
Mkt Cap (INR bn)	3,509
52w H/L (INR)	13,110 / 10,325
Avg Yearly Volume (in 000')	319

Shareholding Pattern %

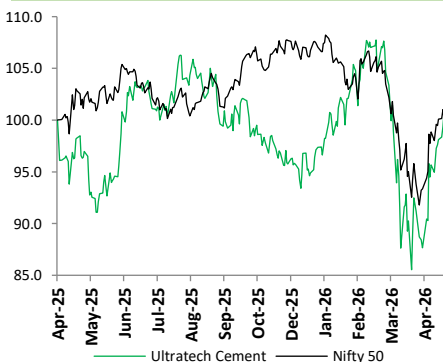
(As on September, 2024)

Promoters	59.3
DII	18.4
FII	13.6
Public & Others	8.7

Stock Performance (%) 1m 6m 12m

ULTRACEMCO	11.7%	0.6%	-1%
NIFTY	7.9%	-7.1%	-1%

ULTRACEMCO vs Nifty



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UltraTech Cement delivered a strong Q4FY26 with Net Sales of INR 2,57,995 Mn, up 11.9% YoY and 18.2% QoQ. Volumes grew 2.9% YoY and 9.1% QoQ to 42 MT, while blended realization improved 8.7% YoY and 8.3% QoQ to INR 6,083/t, supported by brand migration completion, better trade mix and premiumization.

EBITDA came in at INR 56,003 Mn, up 21.3% YoY and 43.0% QoQ, with margins expanding 168 bps YoY to 22% (+377 bps QoQ). EBITDA/t was INR 1,321, up 17.8% YoY and a sharp 31.1% QoQ from INR 1,007, the standout metric of the quarter, reflecting operating leverage on higher volumes with contained costs. Total cost/ton rose just 6.4% YoY to INR 4,763, with fuel cost/ton largely stable at INR 1,277 (+0.7% YoY) on the back of improved renewable mix and long-term contracts.

PAT stood at INR 30,000 Mn, up 21.2% YoY and 73.5% QoQ, with PAT margins expanding 90 bps YoY to 11.6% (+371 bps QoQ). EPS came in at INR 103.92 vs INR 85.73 in Q4FY25. Overall, a clean beat the Q4 EBITDA/t recovery validates that acquired asset integration and the cost efficiency programmed are now firmly reflecting in P&L outcomes.

Scale Compounding into a Structurally Growing Market- UltraTech crossed 200 MTPA in FY26 largest cement company outside China, only one to achieve this within a single country. The 150 to 200 MT leg was done in under two years, a full year ahead of schedule, with 242.5 MTPA already committed by FY28. At this scale, unit economics work structurally differently fixed costs spread over a larger base, raw material sourcing is cheaper, logistics network is denser, and regional pricing influence is stronger. With India's structural demand drivers (PMAY, highway execution, urban infra) firmly intact and the company targeting double-digit volume growth in FY27, UltraTech is best positioned to capture disproportionate share of a multi-year demand upcycle. The 19% YoY UltraTech brand volume growth in Q4 already demonstrates that this is not a milestone, it is a moat.

Acquired Assets Moving from Drag to Earnings Driver The ICL and Kesoram acquisitions which were an overhang for two years are now turning into a meaningful re-rating catalyst. ICL at INR 670/ton combined economics in Q4 with a clear, funded path to INR 1,000/ton by FY28 (via INR 200/ton residual cost efficiencies + operating leverage + price improvements) represents significant embedded EBITDA accretion that is not yet fully in consensus numbers. These two assets are 13% of consolidated capacity and are effectively moving from integration cost centres to earnings contributors through FY27-28 a multi-quarter tailwind that is visible, quantifiable, and management has consistently delivered ahead of schedule.

Outlook & Valuation: UltraTech's growth thesis remains intact post a strong Q4FY26. Capacity scale-up to 242.5 MTPA by FY28 is fully funded and on track, while ICL and Kesoram integration is ahead of schedule both now fully migrated to the UltraTech brand with a clear path to INR 1,000/ton EBITDA by FY28. The cost efficiency programme is tracking above the INR 300/ton committed target, and the improving renewable mix (43%) provides a structural fuel cost tailwind. Near-term West Asia-related headwinds on petcoke, bags and diesel are manageable given scale and supply contracts, with April price hikes already cushioning the impact. Financially, revenue and EBITDA are projected to grow at a CAGR of 16% and 20%, respectively, over FY26-FY28E. We recommend a "BUY" with a target price of INR 14,466.

Particulars (Mns)	FY24	FY25	FY26	FY27E	FY28E
Net revenue	7,09,081	7,59,551	8,85,115	10,24,698	11,88,383
EBITDA	1,29,686	1,25,580	1,70,202	2,10,473	2,44,094
EBITDAM (%)	18.3	16.5	19.2	20.5	20.5
APAT	70,040	60,402	81,884	1,17,501	1,36,279
APATM (%)	10	8	9	11	11
EPS (Rs)	243	205	278	399	462
EV/EBITDA (x)	27	30	22	18	15
RoE (%)	11.6	8.5	10.7	13.6	13.9

Source: Arihant Research, Company Filings

UltraTech Cement - Q4 & FY26 Concall Key Takeaways

Management Outlook & Guidance

Management entered FY27 with clear confidence. On volumes, UltraTech is targeting double-digit growth for FY27, ahead of the 7-8% sustainable long-term guidance, with industry volumes estimated to have grown 6.5% in FY26. Capacity will scale to 242.5 MTPA by FY28 with the blueprint beyond that already being drafted. On costs, the efficiency programme having delivered INR 185/ton in FY26, is now expected to exceed the INR 300/ton FY28 target, with FY27 itself seeing a meaningfully higher number. India Cements is on track for INR 1,000/ton EBITDA by FY28 (currently at INR 670/ton combined economics). April price hikes are seen as adequate to absorb current input cost pressures, though diesel escalation remains a wildcard. On capital allocation, CapEx will run at INR 80,000-100,000 Mn/year while keeping Net Debt/EBITDA below 1x; dividend payout direction is clearly upward (10% of profits in FY20 to 37% in FY26) though no explicit target was committed. Green energy target remains 85% of power needs by FY30 (currently 43%), with clinker conversion ratio targeted at 1.54x by FY28.

Financial Highlights - Q4FY26

- Revenue for Q4FY26 came in at INR 257,995 Mn, growth of 12% YoY/ growth of 18.2% QoQ as against expectation of INR 254,897 Mn
- Sales Volume was at 42 MnT (Including India cement) with growth of 2.9% YoY and growth of 9.1% QoQ, in line with expectation of 41.8 MnT.
- Realization stood at INR 5,7776083/T growth of 8.7% YoY/ growth of 8.3% QoQ.
- EBITDA margin at 22% increase of 168bps YoY / increase of 377 bps QoQ .
- EBITDA/ton at INR 1321/T increase of 17.8% YoY / Increase of 31% QoQ.
- PAT for the quarter is 30,000 Mn, increase of 21% YoY and 73% QoQ.
- PAT margin at 11.6%, increase of 90bps YoY and 371 bps QoQ.
- Dividend of INR 240/share (2400%) 3x last year's dividend, payout ratio jumped from 10% of profits in FY20 to 37% now.

Two one-offs weighed on the Q4 headline is one, a INR 900 Mn bag cost spike in March alone (prices surged INR 9 to INR 15/bag, INR 130/ton EBITDA impact) and a INR 130/ton non-cash FCY MTM hit on \$950M of fully-hedged borrowings marked at INR 94.85/USD at year-end, which is partially reversing as the rupee recovers.

Operational Highlights

- Capacity Milestone - UltraTech crossed 200 MTPA in India, the first company globally outside China to achieve this within a single country, completing the 150 to 200 MT journey in under 2 years and a full year ahead of schedule.
- Brand Migration - 100% transition for both India Cements and Kesoram completed by March '26, one quarter ahead of schedule. Non-UltraTech volumes fell to just 0.39 MT in Q4 (vs 7.34 MT for full FY26). UltraTech brand grew 19% YoY in volumes.
- Acquired Assets - ICL's EBITDA/ton trajectory improved every quarter: INR 305 (Q3) to INR 497 (Q4), with combined economics at INR 670/ton after including the INR 176/ton markup sitting in UltraTech standalone via the tolling arrangement. ICL declared a INR 600 Mn profit in Q4, first time in years. Kesoram is already at INR 1,000+ EBITDA/ton, in line with South India peers. ICL merger not imminent, legacy legal cases need resolution first.
- Cost & Logistics - Lead distance reduced to 367 km; bulk terminal network expanding. Fuel cost at INR 1.77/kcal in Q4, expected to inch to INR 1.80 in Q1 FY27. Domestic coal mix and long-term contracts (now turning favorable after two unfavorable years) provide a buffer vs peer.
- Demand - Capacity utilization running at 80-95%+ across the network; trade mix stable at 66-67%, signaling rural demand remains intact. Q4 infrastructure dip was temporary (Gujarat HSR project completion), not structural.

Key Risks

- Packaging bags: Stabilized at INR 13-14/bag post-March spike; 150+ suppliers give a structural sourcing edge
- Petcoke/fuel: Rising prices manageable in Q1 via contracts and inventory; July-September could see more pressure
- Diesel: Unquantified not in current guidance; key monitorable for Q1 FY27
- FCY MTM: Rupee volatility will continue to create quarterly noise on EBITDA; \$950M borrowings are fully hedged operationally

Other Notes

- Wires & Cables: INR 8,000 Mn of INR 18,000 Mn Capex spent; launch expected early Q3 FY27. No other adjacency investments planned
- UAE Operations: EBITDA stable at INR 2,670-2,780 Mn /quarter; utilization recovering post-conflict; zero bag cost exposure (all bulk sales)

Q4FY26 - Quarterly Performance (Consolidated)

Particulars	Q4FY26	Q4FY25	Y-o-Y %	Q3FY26	Q-o-Q %
Net Sales	2,57,995	2,30,630	12	2,18,297	18
Cost of Raw Materials	40,742	35,293	15	36,778	11
Purchase of Finished Goods	8,078	5,833	38	5,943	36
(Increase) / Decrease In Stocks	1,937	2,357	(18)	1,306	-
Total Raw material cost	50,757	43,484	17	44,027	15
Gross Profit	2,07,238	1,87,146	11	1,74,270	19
Gross Margins %	80%	81%	-82bps	80%	49bps
Employee Cost	10,844	9,815	10	10,414	4
Power & Fuel	54,164	52,236	4	48,747	11
Frieght & Forwarding	56,353	51,762	9	47,577	18
Other Expense	29,873	27,146	10	28,380	5
Total Expenditure	2,01,992	1,84,443	10	1,79,144	13
EBITDA	56,003	46,187	21.3	39,152	43.0
EBITDA Margins (%)	22%	20%	168bps	18%	377bps
Depreciation	12,081	11,246	7	11,819	2
EBIT	43,922	34,942	26	27,333	61
Other Income	876	1,021	(14)	1,356	(35)
Interest	4,869	4,750	3	4,922	(1)
PBT	39,929	31,212	28	23,767	68
Shares of profits	-123	-201	(39)	-937	(87)
PBT	39,805	31,011	28	22,830	74
Tax	9,805	6,261	57	5,536	77
PAT	30,000	24,751	21	17,294	73
PAT Margin (%)	11.6%	10.7%	90bps	7.9%	371bps
EPS	103.92	85.73	21	59.91	73

Particulars (Rs Mn)	Q4FY26	Q4FY25	Y-o-Y %	Q3FY26	Q-o-Q %
Sales Volume (MT)	42	41	3	39	9
Blended Realization (Rs)	6,083	5,598	9	5,616	8
EBITDA/Ton (Rs)	1,321	1,121	18	1,007	31
Total Cost/Ton (Rs)	4,763	4,477	6	4,609	3
Fuel Cost/Ton (Rs)	1,277	1,268	1	1,254	2
Frieght & Forwarding/Ton (Rs)	1,329	1,256	6	1,224	9

Source: Arihant Research, Company Filings

Profit & Loss A/C					
Particulars (INR Mns)	FY24	FY25	FY26	FY27E	FY28E
Net sales	7,09,081	7,59,551	8,85,115	10,24,698	11,88,383
Growth %	121	71	165	158	160
Expenditure					
Cost of materials	1,02,524	1,18,217	1,45,684	1,43,458	1,66,374
Purchase of stock in trade	17,339	18,697	25,166	29,134	33,788
Changes in Inventories	-834	123	1,034	1,196	1,388
Total raw materials	1,19,029	1,37,037	1,71,884	1,73,789	2,01,550
Gross Profit	5,90,052	6,22,514	7,13,232	8,50,909	9,86,834
Gross Margins %	83	82	81	83	83
Employee cost	30,376	36,046	41,624	51,235	59,419
Power & Fuel	1,82,833	1,84,190	1,95,972	2,35,681	2,73,328
Frieght & forwarding	1,58,807	1,74,598	1,91,691	2,25,434	2,61,444
Other expenses	88,351	1,02,100	1,13,742	1,28,087	1,48,548
Total expenditure	5,79,396	6,33,972	7,14,913	8,14,225	9,44,289
EBITDA	1,29,686	1,25,580	1,70,202	2,10,473	2,44,094
EBITDAM (%)	18	17	19	21	21
Depreciation	31,453	40,150	46,445	40,988	47,535
PBIT	98,233	85,430	1,23,758	1,69,485	1,96,559
Other income	6,170	7,442	5,775	10,247	11,884
Interest expenses	9,680	16,505	18,717	23,671	27,452
PBT	94,722	76,367	1,10,816	1,56,062	1,80,991
Tax	24,183	14,885	27,388	38,571	44,732
Reported PAT	70,540	61,482	83,427	1,17,491	1,36,259
Exceptional item/ Share of Profits	-500	-1,080	-1,544	10	20
PAT (after Exceptional)	70,040	60,402	81,884	1,17,501	1,36,279
PAT Margin %	10	8	9	11	11
EPS	243	205	278	399	462

Source: Arianth Research, Company Filings

Balance Sheet (Consolidated)

Particulars (INR Mns)	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	2,887	2,947	2,947	2,947	2,947
Share Warrants	-	-	-	-	-
Reserves & Surplus	5,99,388	7,04,115	7,65,371	8,62,254	9,77,925
Total Shareholder's Fund	6,02,275	7,07,062	7,68,318	8,65,201	9,80,872
Minority Interest	559	31,866	31,866	31,866	31,866
Long term borrowings	53,078	1,57,808	1,50,188	2,35,681	2,73,328
Short term borrowing	49,906	72,502	77,618	1,02,470	1,18,838
Deferred tax liabilities	84,313	1,15,690	1,23,232	1,12,717	1,30,722
Loans & advances	-	-	-	-	-
Long term provision	6,706	8,921	9,350	10,824	12,553
Other long term liabilities	11,865	11,865	9,881	11,439	13,266
Total	1,02,883	1,36,476	1,42,462	1,34,980	1,56,541
Current Liabilities	-	-	-	-	-
Trade payables	84,783	93,275	1,02,367	1,20,718	1,40,001
Other current liabilities	1,11,961	1,34,475	1,30,452	1,53,705	1,78,257
Total	1,99,319	2,31,251	2,36,367	2,78,531	3,23,023
Total liabilities	10,08,020	13,36,965	14,06,820	16,48,728	18,84,469
Application of Assets	-	-	-	-	-
Net Block	5,01,542	7,60,608	8,07,498	8,87,781	9,76,093
Current work in process	67,828	61,883	82,759	82,759	82,759
Goodwill on consolidation	63,455	76,818	-	-	-
Non current investment	27,642	22,974	30,039	51,235	71,303
Tax Assets	4,610	9,810	3,917	4,534	5,259
Long term loans and advances	83	162	172	199	231
Other non-current assets	47,215	59,249	52,445	60,715	70,414
Total	7,12,374	9,91,504	9,76,829	10,87,224	12,06,058
Current investments	54,848	28,591	37,356	51,235	59,419
Inventories	83,297	95,630	96,943	1,06,681	1,23,722
Trade receivables	42,782	58,903	60,288	69,795	80,944
Cash balance	5,535	4,672	74,925	1,70,130	2,46,307
Bank balance	2,296	12,061	12,061	12,061	12,061
Short term loans and advances	89	100	134	155	180
Other current assets	42,735	36,835	43,266	50,089	58,091
Total	2,31,583	2,36,791	3,24,972	4,60,146	5,80,724
Total assets	9,53,119	12,36,652	13,06,502	15,48,410	17,84,151

Source: Arianth Research, Company Filings

Cash Flow Statement (consolidated)

Particulars (Mns)	FY24	FY25	FY26	FY27E	FY28E
Profit before tax	94,222	75,287	1,09,272	1,56,072	1,81,011
Add: Depreciation	31,453	40,150	46,445	40,988	47,535
Add: Interest cost	9,680	16,505	18,717	23,671	27,452
Less: Interest Income	-2,409	-2,932	-2,888	-5,123	-5,942
Less: Dividend Income	-	-	-	-	-
Others	-2,655	-2,559	-3,000	-3,000	-3,000
Profit before WC	1,30,291	1,26,452	1,68,546	2,12,607	2,47,056
Changes in working capital	-4,811	-6,711	14,627	-324	19,383
Cash from Operations	1,25,481	1,19,741	1,83,173	2,12,283	2,66,439
Less: Taxes	-16,505	-13,006	-27,388	-38,571	-44,732
Net cash used in Investing	-	-	-	-	-
Purchase of fixed assets	-90,056	-91,293	-37,392	-1,21,271	-1,35,847
Purchase of investments	3,855	41,096	-15,830	-35,075	-28,252
Sales of fixed assets	1,215	1,787	-	-	-
Dividend Inc/Int.Rec.	1,614	3,428	2,888	5,123	5,942
Others	-4,510	-1,20,063	-	-	-
Cash flow from investing	-87,881	-1,65,045	-50,335	-1,51,223	-1,58,157
Cash flow from Financing	-	-	-	-	-
Proceeds from Equity shares	19	20	-	-	-
Proceeds of borrowings	13,986	94,096	-2,503	1,10,344	54,016
Sales of borrowings	-10,687	-5,503	-	10	20
Dividend (Incl dividend tax)	-10,944	-20,117	-20,628	-20,628	-20,628
Interest cost	-8,535	-14,790	-18,717	-23,671	-27,452
Others	-3,095	-2,949	-	-	-
Cash flow from Financing	-19,257	50,758	-41,848	66,056	5,957
Net cash Inflow/Outflow	1,838	-7,552	63,602	88,545	69,506
Opening cash	3,703	5,535	4,672	74,925	1,70,130
Closing cash	5,535	4,672	74,925	1,70,130	2,46,307
Exchange gain/loss	-5	38	-	10	20
Closing Cash	5,535	4,672	74,925	1,70,130	2,46,307

Source: Arihant Research, Company Filings

Ratio Analysis

Particulars	FY24	FY25	FY26	FY27E	FY28E
Per share Data					
EPS (Rs)	242.6	205.0	277.9	398.7	462.5
Book value per share (Rs)	2086.2	2399.4	2607.3	2936.1	3328.6
Dividend per share (Rs)	37.9	68.2	70.0	70.0	70.0
Dividend Payout (%)	15.6	33.3	25.2	17.6	15.1
Dividend Yield %	0.3	0.6	0.6	0.6	0.6
Profitability Ratios					
EBITDAM(%)	18.3	16.5	19.2	20.5	20.5
PBTM (%)	13.4	10.1	12.5	15.2	15.2
NPM (%)	9.9	8.0	9.3	11.5	11.5
RoE (%)	11.6	8.5	10.7	13.6	13.9
RoCE (%)	13.9	9.1	12.4	14.1	14.3
Efficiency Data					
Debt-Equity Ratio	0.2	0.3	0.3	0.4	0.4
Interest Cover Ratio	10.1	5.2	6.6	7.2	7.2
Fixed Asset Ratio	0.7	1.0	0.9	0.9	0.8
Debtors (Days)	22.0	28.3	24.9	24.9	24.9
Inventory (Days)	42.9	46.0	40.0	38.0	38.0
Payable (Days)	43.6	44.8	42.2	43.0	43.0
WC (Days)	21.3	29.4	22.6	19.9	19.9
Valuation					
P/E (x)	49.5	58.5	43.2	30.1	25.9
P/BV (x)	5.8	5.0	4.6	4.1	3.6
EV/EBITDA (x)	27.4	29.9	21.6	17.5	15.0
EV/Sales (x)	5.0	4.9	4.2	3.6	3.1

Source: Arihant Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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