

UltraTech Cement

Industry-leading volume growth continues

We maintain BUY on UltraTech (UTCEM) with an unchanged target price of INR 10,110 (16.5x Sep-25E consolidated EBITDA). We continue to like UTCEM for its robust growth and margin outlook and balance sheet management. It delivered industry-leading 16% YoY volume growth YoY. NSR rose 1% QoQ. Opex rose 3% QoQ on op-lev loss and higher employee/maintenance costs. Unit EBITDA, thus, declined by INR 62 per MT QoQ to INR 956 per MT. Cool-off in fuel and freight costs cushioned the margin decline QoQ. The company noted that Q3 realisation has gone up 5% QoQ and expects further fuel cost reduction in Q3. It is also bolstering its green power capability, reducing its clinker factor. Its phase-2 expansion of ~24.4mn MT is on track for commissioning during FY25/26E.

- **Q2FY24 performance:** UTCEM's consolidated revenue grew 15% YoY, riding on industry-leading 16% volume growth (grey by 16%, white/putty by 11%). Blended NSR rose 1% QoQ (flat YoY), mainly on higher incentives. Share of trade sales stood flattish at ~67%. The share of premium cement sales went to 22% vs 19% YoY. Opex rose 3% QoQ on higher employee (includes INR 700mn one-off) and elevated maintenance expense, while volumes fell QoQ. Energy/freight costs reduced INR 66/53 per MT QoQ cushioning the impact. Unit EBITDA thus contracted INR 62 per MT QoQ. Consolidated EBITDA/APAT thus went up 37/70% YoY.
- **Con call KTAs, Capex updates and outlook:** UTCEM highlighted that Q3 cement prices are currently ~5% higher QoQ. It expects fuel cost to further come off ~5% QoQ in Q3, owing to its low-cost inventory. Capex programs remain on track and it maintained its FY24E Capex guidance of INR 60-70bn (INR 40bn spent in H1). Of the 4mn MT planned debottlenecking, UTCEM added 1.2mn MT in Magdalla SGU in Gujarat. During Q2, UTCEM added 30/83MW WHRS/Solar capacity. As per earlier guidance, another 40MW WHRS is expected in H2FY24. By H1FY26, UTCEM plans to increase its WHRS/renewal power capacities to 425/1200MW. These would expand green power share to 50%+ by FY26 end vs 20% in FY23. We have cut the FY24E EBITDA estimate by 4% but maintain our FY25/26E EBITDA estimates.

Consolidated quarterly/annual financial summary

YE Mar (INR bn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Sales (mn MT)	26.7	23.1	15.5	30.0	(10.9)	94.0	105.7	119.4	128.8	144.2
NSR (INR/MT)	5,999	6,014	(0.2)	5,920	1.3	5,595	5,983	6,025	6,025	6,067
EBITDA (INR/MT)	956	808	18.3	1,018	(6.1)	1,225	1,005	1,155	1,231	1,285
Net Sales	160.1	138.9	15.3	177.4	-9.7	526.0	632.4	719.5	776.3	874.7
EBITDA	25.5	18.7	36.7	30.5	-16.3	115.1	106.2	137.9	158.7	185.3
APAT	12.8	7.6	69.6	16.9	-24.1	56.7	50.6	76.2	91.3	110.1
AEPS (INR)	44.4	26.2	69.6	58.5	-24.1	196.3	175.4	263.8	316.2	381.2
EV/EBITDA (x)						21.5	23.3	17.7	15.1	12.7
EV/MT (INR bn)						20.41	18.41	17.16	15.58	14.11
P/E (x)						43.4	48.5	32.3	26.9	22.3
RoE (%)						12.0	9.7	13.3	14.2	15.3

Source: Company, HSIE Research

BUY

CMP (as on 19 Oct 2023)	INR 8,519
Target Price	INR 10,110
NIFTY	19,625

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 10,110	INR 10,110
	FY24E	FY25E
EBITDA %	(4.4)	0.2

KEY STOCK DATA

Bloomberg code	UTCEM IN
No. of Shares (mn)	289
MCap (INR bn) / (\$ mn)	2,459/30,070
6m avg traded value (INR mn)	2,560
52 Week high / low	INR 8,751/6,250

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	2.3	13.3	33.1
Relative (%)	4.5	3.2	22.1

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	59.96	59.96
FIs & Local MFs	16.05	15.15
FPIs	16.33	17.17
Public & Others	7.65	7.50
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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