Stock Update

Result Update

MIRAE ASSET Sharekhan

UltraTech Cement Ltd

Foraying into cables and wires

Cement	Sharekhan code: ULTRACEMCO
Reco/View: Buy ↔	CMP: Rs. 10,338 / Price Target: Rs. 13,000 ↔

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS	Positive	↔	Positive
RQ	Positive	↔	Positive
RV	Neutral	↔	Neutral

Summary

- We maintain a Buy rating with an unchanged price target of Rs. 13,000, on robust growth prospects for the next three years, led by capacity expansion and diversification initiative.
- UltraTech's cement capacity will reach 182.8 MT by FY25-end, accounting for ~28% of India's total capacity. By FY27, the company aims to increase its capacity to 209 MT both organically and inorganically.
- Company is expanding footprint in the construction value chain by entering the cables and wires segment with an investment of Rs. 1,800 crore.
- Company expects the C&W business to achieve asset turnover of 5-7x, ROCE of 20%, IRR of 25%, and margins in line with industry standards by FY31.

UltraTech Cement's capacity expansion remains a cornerstone of its growth strategy. By FY25, its cement capacity is projected to reach 182.8 million tonnes (28% of India's total cement capacity) with plans to scale it to 209 million tonnes by FY27, through both organic and inorganic growth. UltraTech is expanding its presence across the construction value chain by entering the cables & wires (C&W) segment at an investment of Rs. 1,800 crore, by leveraging synergies with its existing residential market, which accounts for 85% of wire demand and 65% of cement demand. Residential realty segment's reliance on contractors and electricians offers UltraTech a competitive edge, through established relationships. The C&W industry has demonstrated robust growth, with a CAGR of 13-14% from FY19 - FY24, and a double-digit CAGR is expected to persist. UltraTech's manufacturing facility in Bharuch, Gujarat located, less than 100 km from copper sources, is slated to commence operations by December 2026. The C&W business is expected to generate 60% revenue from wires and 40% from cables, asset turnover ratio of 5-7x and working capital is expected to remain minimal. UltraTech targets an ROCE of 20%, with margins aligning with industry benchmarks by FY31. The company has no plans for further diversification beyond C&W and does not expect pricing pressure to disrupt the industry.

- **Growth leader in cement:** UltraTech is capitalising on India's long-term cement demand surge, driven by real estate and infrastructure, with current per capita consumption at ~295 kg—well below the 500 kg of mature markets—indicating substantial growth potential. By FY25, its cement capacity will reach 182.8 million tonnes, representing ~28% of India's total, and is targeted to expand to 209 million tonnes by FY27 through organic and inorganic strategies.
- **C&W synergy play:** UltraTech is venturing into the C&W segment with a Rs. 1,800 crore investment, expanding its Building Products Division to capture more of the construction value chain. This move leverages strong synergies with its cement business, as ~85% of wire demand and ~65% of cement demand stem from the residential segment, the network of UltraTech Business Solutions (UBS) stores and 135,000+ touchpoints gives it a competitive advantage. The C&W market's robust 13-14% CAGR growth from FY19-FY24 and is expected to continue double digit growth, fueled by residential and infrastructure demand (e.g., metro, EV projects), aligns seamlessly with UltraTech's existing ecosystem.
- **Execution and financial outlook:** Set to begin production by December 2026 at a Bharuch, Gujarat facility with an expected capacity of 3.5-4 mn km. UltraTech's C&W business targets a 60% wire/40% cable revenue mix, and expected a 5-7x asset turnover and ~20% return on capital, with minimal working capital akin to its cement operations and margin in line with the industry. The company stated no diversification beyond C&W business and a market outlook suggesting stable pricing, UltraTech is poised to establish a foothold in this high-growth segment without diluting its core focus.

Our Call

Valuation – Maintain Buy with an unchanged PT of Rs. 13,000: UltraTech is well poised to benefit from a good demand environment, led by the return of government capex and strong demand from the housing sector. The company remains on track concerning its capacity expansion plans through organic and inorganic routes. Industry consolidation and structural demand drivers provide operational profitability growth tailwinds. The pricing environment is also expected to improve. Hence, we maintain our Buy rating on the stock, with an unchanged price target (PT) of Rs. 13,000. The stock is currently trading at an EV/EBITDA of 19.2x/15.4x its FY2026E/FY2027E earnings, respectively.

Key Risks

A weak macro environment leading to lower cement demand and pressure on cement prices would negatively affect profitability.

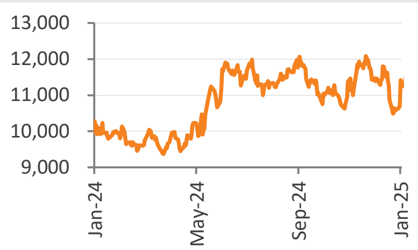
Company details

Market cap:	Rs. 2,98,455 cr
52-week high/low:	Rs. 12,144 / 9,250
NSE volume: (No of shares)	3.2 lakh
BSE code:	532538
NSE code:	ULTRACEMCO
Free float: (No of shares)	11.5 cr

Shareholding (%)

Promoters	60.0
FII	17.0
DII	15.2
Others	7.8

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-10.3	-8.0	-9.9	3.2
Relative to Sensex	-6.8	-0.6	0.6	1.9

Source: Mirae Asset Sharekhan Research, Bloomberg

Valuation (Standalone) Rs cr

Particulars	FY24	FY25E	FY26E	FY27E
Revenue	68,641	71,471	83,536	94,987
OPM (%)	19.4%	17.8%	19.6%	21.0%
Adjusted PAT	6,977	6,133	8,378	10,851
YoY growth (%)	40.9%	-12.1%	36.6%	29.5%
Adjusted EPS (Rs.)	241.7	212.5	290.2	375.9
P/E (x)	42.8	48.7	35.6	27.5
P/B (x)	5.1	4.7	4.2	3.7
EV/EBITDA (x)	23.5	25.0	19.2	15.4
RoNW (%)	11.8%	9.6%	11.7%	13.4%
RoCE (%)	12.4%	10.0%	12.4%	14.4%

Source: Company; Mirae Asset Sharekhan estimates

Outlook and Valuation

■ Sector View – Improving demand brightens the outlook

The Indian cement sector has witnessed a lot of consolidation in the last few years with a slew of inorganic acquisitions happening. Consolidation and the weak demand have put a pressure on the pricing environment. But with the return of government capex, the demand and pricing are expected to improve. The margins of the whole sector are expected to improve from here-on and will result in increase in profitability.

■ Company Outlook – Improving cement demand, prices and industry consolidation to aid the growth

UltraTech is expected to see improved demand from the infrastructure sector. Further, the real estate sector is seeing continued momentum. Management is optimistic about the volume growth trajectory going forward. The company's organic capacity expansion plans along with the acquisitions of India Cements (14.45 mtpa) and Kesoram (10.75 mtpa) would take its total cement capacity to 210 mtpa from 140 mtpa in FY24. The company is well-placed to benefit from rising cement demand over the next 4-5 years. Overall, the company's outlook regarding cement demand, profitability, and balance sheet is expected to remain favourable.

■ Valuation – Maintain BUY with an unchanged PT of Rs. 13,000

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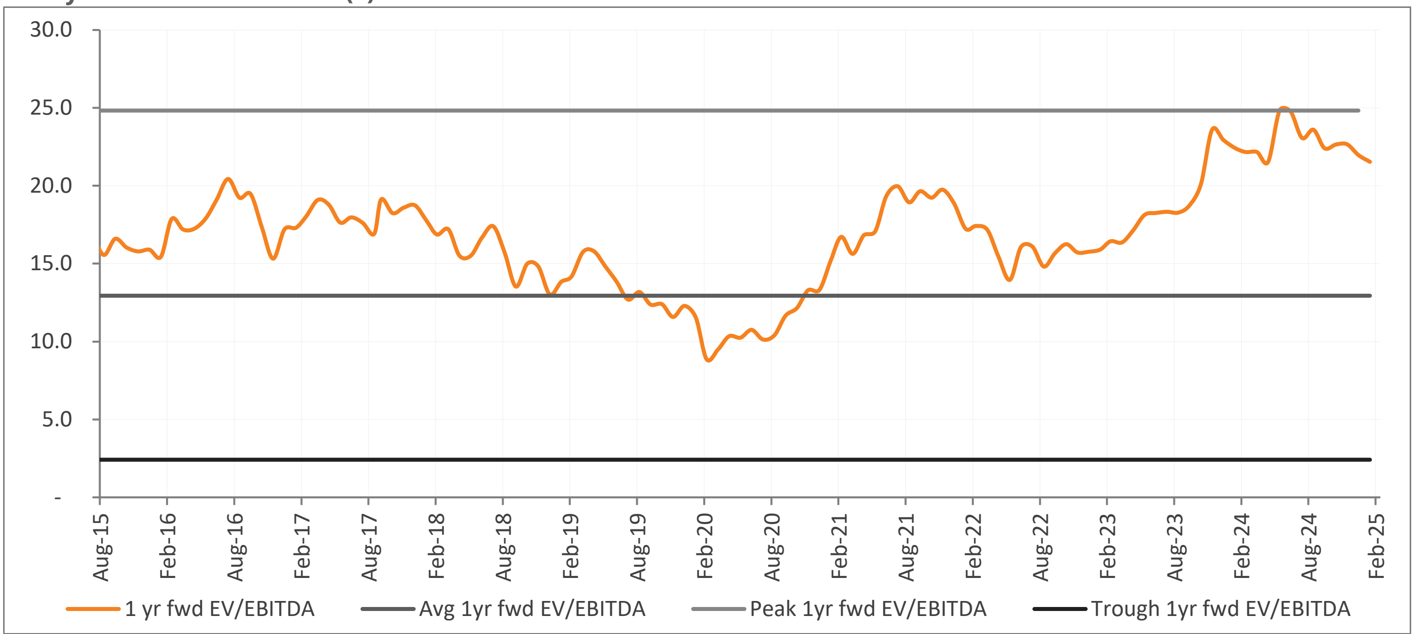
One-year forward EV/EBITDA (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Ultratech Cement, part of the Aditya Birla Group, is India's largest cement manufacturer. Founded in 1999, the company has a significant market share in the Indian cement industry. It operates multiple cement plants across India and has an annual production capacity of over 165 million tonnes. Ultratech is known for its sustainable practices, innovative technologies, and commitment to quality. The company serves construction, infrastructure, and industrial sectors, providing various cement products for residential, commercial, and industrial applications.

Investment theme

UltraTech is India's largest cement company. We expect UltraTech to report industry-leading volume growth on account of timely capacity expansion (inorganic and organic expansions) and a revival in demand (demand pick-up in infrastructure and urban housing along with continued demand emanating from the rural housing segment). We expect the company to be the biggest beneficiary of industry consolidation, being a market leader, and timely scaling up capacities and profitability in the shortest possible time.

Key Risks

- Slowdown in government spending on infrastructure and increased essential input costs led by pet coke and diesel prices.
- Slowdown in the housing sector, especially affordable housing projects.
- Inability to improve capacity utilisation and profitability of acquired units.

Additional Data

Key management personnel

Name	Designation
KC Jhanwar	Managing Director
Atul Daga	Executive Director and CFO
Sanjeeb K. Chatterjee	Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	ICICI Prudential Asset Management	2.01
2	Life Insurance Corp of India	1.98
3	Vanguard Group Inc/The	1.66
4	Blackrock Inc	1.63
5	SBI Funds Management Ltd	1.50
6	Republic of Singapore	1.44
7	Pilani Investment & Industries Cor	1.21
8	Kotak Mahindra Asset Management Co	1.06
9	JP MORGAN CHASE & CO	0.86
10	UTI Asset Management Co Ltd	0.70

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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