

Axis Annual Report Analysis 2024



UltraTech Cement Ltd

Well-positioned to Capitalize on Demand Tailwinds; Maintain BUY

Summary

In FY24, UltraTech Cement recorded a net revenue of Rs 70,908 Cr and expanded its cement production capacity by 13.81 MTPA to 147 MTPA. In FY25 up to Jun'24, UltraTech added 8.7 MTPA capacity across several locations. The company reported an EBITDA of Rs 13,586 Cr in FY24, which was 5% higher than the previous year's EBITDA. Higher operating profits were attributed to lower input costs and increased volume during the year. Operating costs were down 2%, and volume growth stood at 13% at 119 MTPA (both Grey and White).

The company continued to focus on ensuring demand sustainability and made significant strides in decarbonization, energy transition, water management, biodiversity, and energy management. It added 68 MW of WHRS capacity during the year, bringing the total WHRS capacity to 278 MW. The company significantly increased its renewable energy capacity by 77% and WHRS capacity by 32% in FY24 compared to FY23. It aims to reach 1,000 MW of green energy sooner. The company has substantially reduced its net debt/equity as well as net debt/EBITDA from 0.65x and 2.83x in FY18-19 to 0.05x and 0.20x in FY24.

Key Highlights

- **Capacity Expansion Work on Track:** The capacity expansion program is currently underway at 16 locations across India, which will add another 34 MTPA. Along with ongoing capacity expansion, the company will also add 10.75 MTPA of Kesoram Cement assets, bringing the total cement capacity to nearly 200 MTPA on a consolidated basis.
- **Improvement in EBITDA/Tonne:** During the year, EBITDA per tonne improved by 8% to Rs 1,089 per tonne, driven by higher volume and lower operating costs.
- **Continues to Work on Increasing the Share of Blended and Premium Products:** In FY24, the company's trade mix was 67%, with blended cement sales at 69%. Sales of premium cement improved to 24% of trade sales, up 11% YoY. The company is continuously working on increasing its share of blended and premium products in its product mix, which should enhance overall profitability.

Key competitive strengths: a) Industry-leading brand; b) Extensive distribution network; c) Integrated operations; d) Experienced and reputed management

Strategies implemented during FY24: a) Capacity expansion in line with growing demand; b) Maintained strong market position; c) Ensured cost competitiveness; d) Maintained profitable growth; e) Increased share of premium products

Growth drivers: a) Housing ; b) Infrastructure; c) Industrial & Commercial

Key focus areas for the company in FY24 include: a) Capacity expansion; b) Sustainability; c) Low capex & High ROCE; d) Innovation

Outlook & Recommendation

The industry is facing short-term challenges on account of higher competitive intensity, soft demand, and lower cement prices. However, we remain positive on the company from a medium to long-term perspective as its demand drivers remain intact. The industry is undergoing consolidation, and UltraTech, being the largest player with an estimated market share of 24%-25%, is expected to be a major beneficiary of this consolidation, benefiting from economies of scale, improved operating parameters, and supply chain efficiencies.

We expect the company to grow its volume/revenue/EBITDA/APAT at 11%/11%/20%/23% CAGR over FY24-FY26E respectively. This growth will be driven by robust demand, upcoming new capacity, ramping up of recently commissioned capacity, the benefit of lower commodity prices, a higher blending ratio, and an increasing share of green energy. **We value the stock at 19.5x FY26 EV/EBITDA, arriving at a target price of Rs 12,450 per share, implying an upside potential of 10% from the CMP.**

Key Financials

(Rs Cr)	FY23	FY24	FY25E	FY26E
Net Sales	63,240	70,908	75,336	86,910
EBITDA	10,620	12,968	14,385	18,694
Net Profit	5,083	7,147	7,997	10,789
EPS (Rs)	175	248	277	374
PER (x)	57	46	41	30
EV/EBITDA (x)	27	25	23	17
P/BV (x)	5.5	5.4	4.9	4.3
ROE (%)	9%	12%	12%	14%

Source: Axis Securities Research

(CMP as of 09th Aug, 2024)

CMP (Rs)	11,300
Upside /(Downside (%))	10
High/Low (Rs)	12077/9410
Market cap (Cr)	3,25,216
Avg. daily vol. (6m) Shrs.	4,00,000
No. of shares (Cr)	28.9

Shareholding (%)

	Dec-23	Mar-24	June-24
Promoter	60.0	60.0	60.0
FIIs	18.2	17.7	18.2
MFs / UTI	12.5	12.2	11.8
Banks / FIs	0.0	0.1	0.0
Others	9.4	10.0	10.0

Financial & Valuations

Y/E Mar (Rs. Cr)	FY24	FY25E	FY26E
Net Sales	70,908	75,336	86,910
EBITDA	12,968	14,385	18,694
Net Profit	7,147	7,997	10,789
EPS (Rs.)	248	277	374
PER (x)	46	41	30
EV/EBITDA (x)	25	23	17
P/BV (x)	5.4	4.9	4.3
ROE (%)	12%	12%	14%

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	0	0
EBITDA	0	0
PAT	0	0

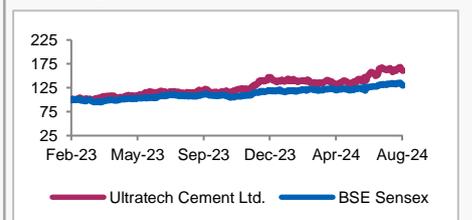
ESG disclosure Score**

Environmental Disclosure Score	60
Social Disclosure Score	43
Governance Disclosure Score	94
Total ESG Disclosure Score	65
Sector Average	50

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance



Source: Ace Equity

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Company Overview

UltraTech Cement Limited is the cement flagship company of the Aditya Birla Group. It is a \$5.9 Bn building solutions company and the largest manufacturer of grey cement, ready-mix concrete (RMC), and white cement in India. Excluding China, it is the third-largest cement manufacturer in the world. UltraTech is unique in being the only cement company globally (outside China) with over 150 MTPA of cement production capacity in a single country.

The company's operations extend to the United Arab Emirates, Bahrain, Sri Lanka, and India. On a consolidated basis, UltraTech has a grey cement capacity of 147 MTPA. It boasts a network of over 138,000 retailers and dealers across India, with a market reach of more than 80% of the country. In the white cement segment, UltraTech markets its products under the brand name Birla White. The company operates one white cement plant and three Wall Care putty units, with a combined capacity of 2 MTPA.

With 307 ready-mix concrete plants across 134 cities, UltraTech is the largest producer of concrete in India. The company also offers a range of specialty concretes to meet specific customer needs. Its Building Products business is a center of innovation, providing a range of scientifically engineered products for modern construction.

FY24-Performance Round-up

- **Sales:** In FY24, the company recorded net revenues of Rs 70,908 Cr, marking a 12% YoY increase. Capacity utilization stood at 84% for the year. Over the past 5 years, revenue has grown at a CAGR of 14%.
- **Operating Profits:** The company reported an EBITDA of Rs 13,586 Cr in FY24, which was 5% higher than the previous year's EBITDA. Higher operating profits were attributed to lower input costs and higher volume during the year. Operating costs were down 2%, and volume growth was up 13% at 119 MTPA (both Grey and White). Over the past 5 years, EBITDA has grown at a CAGR of 14%.
- **Net Profit:** PAT improved by 38%, reaching Rs 7,005 Cr, mainly due to higher volume and lower operating costs during the year. Over the past 5 years, profit has grown at a CAGR of 18%.
- **Blended Realization:** During the year, blended realization declined by 0.4% to Rs 5,960 due to higher competitive intensity, while cement realization was down 3% YoY.
- **Cost/Tonne:** During the year, the company's cost per tonne decreased by 2% to Rs 4,867, primarily due to a 12% decline in power/fuel costs per tonne to Rs 1,536.
- **RMC Business:** The company's RMC revenue grew sharply by 34% to Rs 5,245 Cr as demand for Ready Mix Concrete saw a notable increase. As of 31st March, the company operated 316 plants across more than 139 cities. It is the largest RMC player in India, offering 24 specialty concretes tailored to specific applications.
- **Dividend:** The directors have recommended a dividend of Rs 70 per share of Rs 10 each for the year ended 31st March 2023, totalling Rs 2,021 Cr. The recommended dividend aligns with the company's dividend policy.
- **Borrowings:** During the year, the company's overall borrowings reduced by 7.5% to Rs 8,075 Cr. Loan repayments were made using free cash flows generated during the year. These measures have resulted in an improved Net Debt/Equity ratio and Net Debt/EBITDA ratio.

Revenue growth was driven by higher volume, better capacity utilization and stable realization. EBITDA margin was higher owing to lower operating cost and supported by higher volume. The PAT grew at a CAGR of 18% in last 5 years.

Key Subsidiary Performance Analysis

Particulars (Rs Cr)	FY23	FY24	Change	Comments/Analysis
Revenue				
UltraTech Cement Lanka (Pvt.) Limited	468	493	5%	N.A.
Star Cement Co LLC, Dubai	671	714	6%	N.A.
Arabian Cement Industry LLC, Abu Dhabi	618	654	9%	N.A.
Star Cement Co LLC, Ras Al Khaimah	861	1011	17%	N.A.
Al Nakhla Crushers LLC, Fujairah	108	114	5.5%	N.A.
UltraTech Cement Bahrain Company WLL, Bahrain	251	246	-2%	N.A.
Star Super Cement Industries LLC	589	892	51%	N.A.
Net Worth				
UltraTech Cement Lanka (Pvt.) Limited	39	38	-1%	N.A.
UltraTech Cement Middle East Investment Ltd.	2012	2022	5%	N.A.
Star Cement Co LLC, Dubai	(483)	(532)	-10%	N.A.
Star Cement Co LLC, Ras Al Khaimah	404	501	24%	N.A.
Al Nakhla Crushers LLC, Fujairah	194	231	37%	N.A.
UltraTech Cement Bahrain Company WLL, Bahrain	297	302	17%	N.A.
Star Super Cement Industries LLC	130	190	46%	N.A.
PAT				
UltraTech Cement Lanka (Pvt.) Limited	47	-4	NA	N.A.
Arabian Cement Industry LLC, Abu Dhabi	133	64	52%	N.A.
Star Cement Co LLC, Ras Al Khaimah	(189)	90	NA	N.A.
Star Super Cement Industries LLC	70	56	-20%	N.A.
UltraTech Cement Bahrain Company WLL, Bahrain	26	22.5	-13.5%	N.A.

Source: Company; Axis Securities Research

Cost Optimization Measures

- **Power/Fuel Cost:** In FY24, power and fuel costs declined by 12% YoY to Rs 1,536 per tonne, attributed to softness in fuel prices. The company is working on increasing the use of green energy and alternate fuels in its kiln to reduce the per-tonne cost of power and fuel and minimize carbon footprints.
- **Freight/Forwarding Cost:** Freight and forwarding costs stood at Rs 1,334 per tonne in FY24, compared to Rs 1,325 in FY23. Logistics costs increased slightly due to seasonal surcharges on rail freight. During the year, the Rail, Road, and Sea mix was 69:29:2. Digital adoption at the grassroots level is aiding in qualitative real-time decision-making for logistics operations.
- **Raw Material Cost:** Input material costs increased by 3%, from Rs 600 per tonne in FY23 to Rs 617 per tonne in FY24. The company is continuously working to increase the proportion of blended and premium products in its product mix, which is expected to enhance overall profitability.
- **Other Expenses:** Other expenses increased by 15% to Rs 8,835 Cr during the year, driven by higher spending on branding and promotion, as well as the commissioning of new capacity.

During the year overall cost of production declined by 2% primarily lead by lower power/fuel cost . Its working on many initiatives to take down the cost further lower.

Key Growth Drivers

Infrastructure Push by the Government

The Government of India is consistently investing in infrastructure to drive the country's development agenda. It has allocated Rs 11.11 Tn as capital expenditure for Budget 2024-25, marking a 10% increase from FY24 budget estimates. This consistent rise in capital spending is a positive indicator for cement consumption in the coming years. Initiatives such as the National Infrastructure Pipeline and PM GatiShakti are expected to drive construction activities, fueling higher demand for cement. Continued momentum is anticipated in urban infrastructure, Bharatmala, and Indian Railways.

Housing Rebound

There is a renewed focus on low-cost housing, with plans to construct 3 Cr new houses over the next 5-7 years. This initiative aims to support affordable housing, particularly in rural areas. The real estate sector is projected to more than double, becoming a \$1 trillion+ industry by 2030.

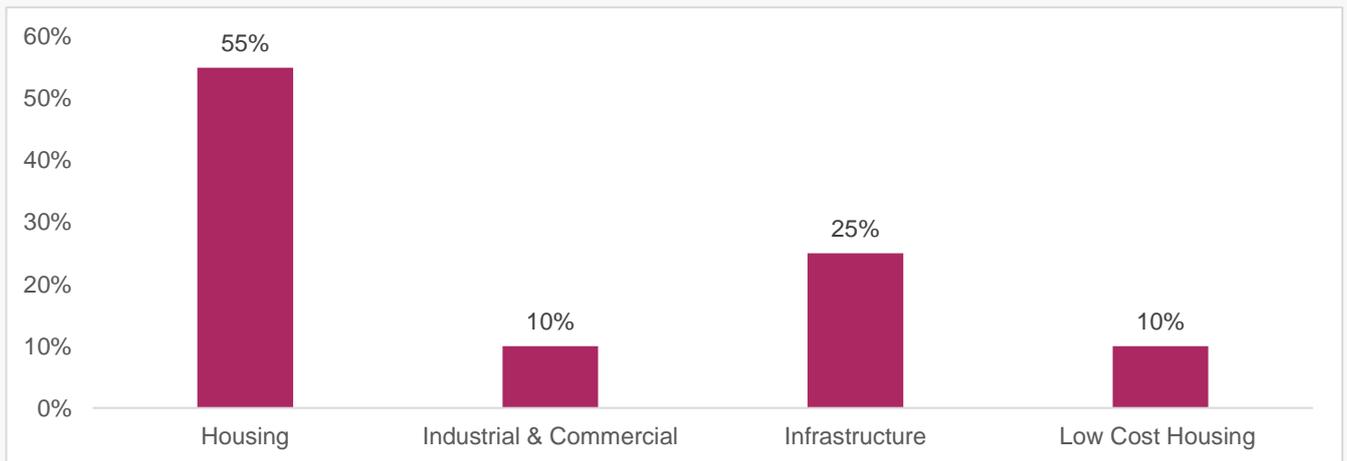
Industrialization

The rapid pace of industrialization in India is expected to significantly drive the growth of the cement industry. Increased industrial activities lead to higher demand for the construction of factories, warehouses, and other infrastructure. With growth in manufacturing, infrastructure, and transportation sectors, there has been a notable increase in cement demand.

Commercial Real Estate

The expansion of the construction industry in India, especially in the commercial sector, has led to increased demand for cement. As the economy grows and urbanization accelerates, the demand for commercial buildings such as offices, malls, hotels, and hospitals has surged. This trend is expected to keep cement demand at elevated levels.

Exhibit 1: Cement consumption trend segment-wise: Housing remains the largest cement consumer



Source: Company, Axis Securities ResearchResearch

Key Operational Activities During the Year

Cement Capacity Expansion

In FY24, the company expanded its cement production capacity by 13.81 MTPA to 147 MTPA. In FY25, up to June 2024, UltraTech added 8.7 MTPA of capacity across several locations. Of this total, 20.87 MTPA was added through greenfield and brownfield expansions alone.

Increase in Renewable Energy Capacity

UltraTech significantly increased its renewable energy capacity by 77% and WHRS capacity by 32% from FY23. As of FY24, the company's renewable energy capacity stands at 612 MW and WHRS capacity at 278 MW, achieving a 22% electricity substitution by green power mix in FY24.

Capacity Utilization

Cement production in FY24 increased by 12% YoY to 111.84 Mn tonnes, with capacity utilization at 84%. The total sales volume for grey cement stood at 117.20 MTPA.

Capex

The company spent Rs 8,878 Cr on various capital expenditures during the year. This expenditure was primarily for growth and maintenance capex, as well as Waste Heat Recovery Systems.

Depreciation

Depreciation increased to Rs 3,027 Cr, up by Rs 254 Cr, due to the capitalization of new capacities during the year.

Finance Cost

Finance costs rose to Rs 867 Cr from Rs 756 Cr, primarily due to increased interest rates.

The company increased its capacity by 13.81 mtpa during the year. The company incurred Rs 8,878 cr on capex during the year on capacity expansion program. It also achieved major milestone in Green energy capacity during the year

Strategies Implemented Duing FY24

Capacity Expansion in Line with Growing Demand:

During the year, the company added 13.4 MTPA of grinding units to align with its strategy of meeting growing demand. These capacity expansion projects have enhanced the company's ability to serve customers across remote parts of the country, improving reach and efficiencies at scale. The company exited FY24 with a consolidated grey cement production capacity of 147.3 MTPA.

Maintained Strong Market Position:

The company maintained its leadership position in the cement industry, selling 119 MTPA of cement during the year, the highest since its inception, and gaining market share across key markets. The company's market share in the Indian cement industry stood at 25%.

Profitable Growth:

In line with its strategy of profitable growth, the company achieved a net profit growth of 38% YoY, reaching Rs 7,004 Cr. With its capacity expansion program and improved cement demand, the company is expected to grow its profitability better than the industry average.

Increased Share of Premium Products:

Premium products now account for 24% of trade sales, up 11% YoY. The company is continuously working to increase its share of blended and premium products in its product mix, which is anticipated to enhance overall profitability.

In line with its strategy, the company focused on capacity expansion to strengthened its market position with focus on selling premium cement

Key Focus Areas Moving Forward

Capacity Expansion & Leadership:

The company is expanding its production capacity to reinforce its leadership position and address increasing demand. It plans to invest Rs 32,400 Cr over the next three years, aiming to increase grey cement capacity to 152.7 MTPA with the commissioning of new units. The ongoing expansion plan will raise total capacity to nearly 200 MTPA by FY27-28.

Higher capacity, larger customer focus, sustainability and better cost competitiveness to remain profitable and growing.

Customer Centricity:

The company aims to enhance customer reach by establishing bulk terminals and grinding units. Lead distances have been reduced to 400 km and are expected to decrease further with the completion of ongoing capacity expansion.

Cost Competitiveness:

The company seeks to achieve the lowest cost of production in micro-markets. It has implemented advanced cost-saving measures that have led to lower production costs and improved EBITDA margins during the year.

Sustainability:

The focus is on producing low-clinker products and increasing the use of alternative fuels. During the year, the company achieved a 5.12% thermal substitution rate (TSR) through alternative fuels in kilns and a 1.3% reduction in the overall clinker factor.

Low Capex & High ROCE:

The company prioritizes investments that enhance returns on capital employed. It has launched several low-capex projects, resulting in improved ROCE and strong financial performance.

Corporate Social Responsibility

During the year the company spent Rs 136 Cr against Rs 116 Cr spent last year on Corporate Social Responsibility. To create a positive impact on the local communities where it operates, it has undertaken several initiatives. The total amount required to be spent during the year was Rs 150 Cr.

Business Outlook

Infrastructure and Planning:

There is a concerted focus on the integrated and coordinated planning and implementation of infrastructure projects, adhering to the principles of PM Gati Shakti. Priority is given to vital sectors such as drinking water, housing, sanitation, green energy, health, education, agriculture, and rural development to foster sustainable and inclusive advancement.

Cement Industry Capacity Expansion:

In response to increasing demand from the infrastructure and housing sectors, the Indian cement industry is expected to add new production capacities. Approximately 35-40 Mn tonnes of new capacity is projected to be commissioned in the next fiscal year, with 60-65% concentrated in the eastern and southern regions.

Demand and Utilization Projections:

For FY25, cement demand is projected to grow by ~7-8%, driven by increased construction activities across infrastructure and housing sectors. This growth is expected to lead to a steady increase in the cement industry's capacity utilization, rising from around 68% in FY23 to ~72% in FY25.

Govt keen focus on infra development, housing, robust real estate demand and IHB demand to keep Cement demand elevated in the medium to long term perspective.

Risks & Mitigation

The company's risk management process is designed to identify and mitigate risks that could significantly impact its business objectives while balancing risk management with opportunity maximization. The company's proactive approach to risk management helps maintain operational stability and supports continued growth despite external challenges.

Key Risks and Mitigation Strategies:

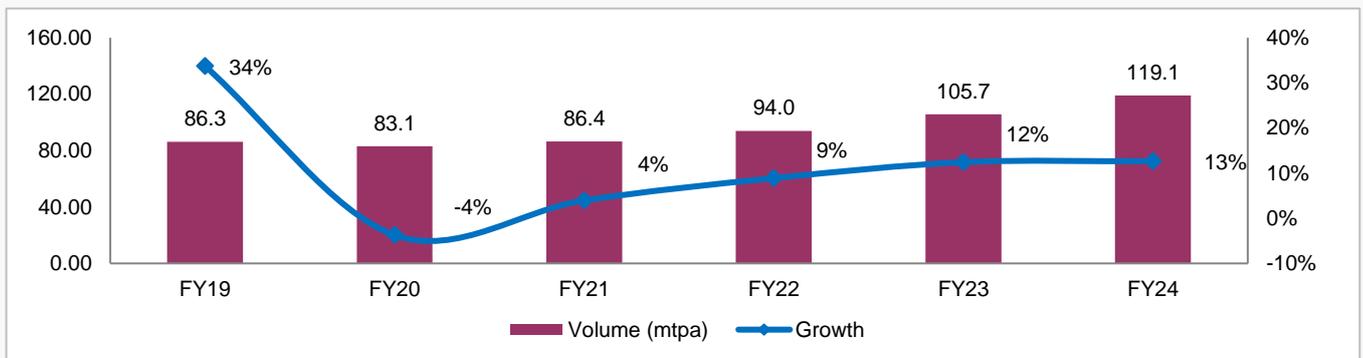
- **Economic Environment and Market Demand:** Economic slowdown and subdued infrastructural development could lead to reduced cement consumption.
- **Mitigation:** The company focuses on enhancing brand equity through innovative marketing, expanding the product portfolio, and adding value-added services. Engineering expertise and a commitment to quality serve as countermeasures against market fluctuations.
- **Inflation and Cost of Production:** The energy-intensive nature of the cement industry means that fluctuations in fuel prices and raw material costs can impact production costs.
- **Mitigation:** The company has implemented comprehensive procurement policies and just-in-time inventory systems. Strategic sourcing and adjustments to the input mix help mitigate risks related to raw material availability and cost fluctuations.
- **Climate and Sustainability:** Acute Physical Risks: Long-term changes in climate patterns such as floods, heatwaves, cyclones, and droughts may damage assets or disrupt the supply chain. Variations in temperature, precipitation patterns, and water stress can also impact operations.
- **Mitigation:** The company has disaster management plans, health and safety protocols, and communication strategies for extreme weather events. Rainwater harvesting systems and Zero Liquid Discharge (ZLD) plants are implemented at manufacturing sites to manage water resources effectively.
- **Information Technology:** Risks related to IT systems include data integrity issues and physical asset security. Risks can arise from system unavailability or data loss/manipulation.
- **Mitigation:** The company employs backup procedures, stores data at multiple locations, and upgrades systems regularly to meet security standards. Security policies are updated periodically, and users are educated on data protection practices to prevent breaches.

The company is exposed to many risks in its business operation and it has put in place mitigation measures to deal with these risks.

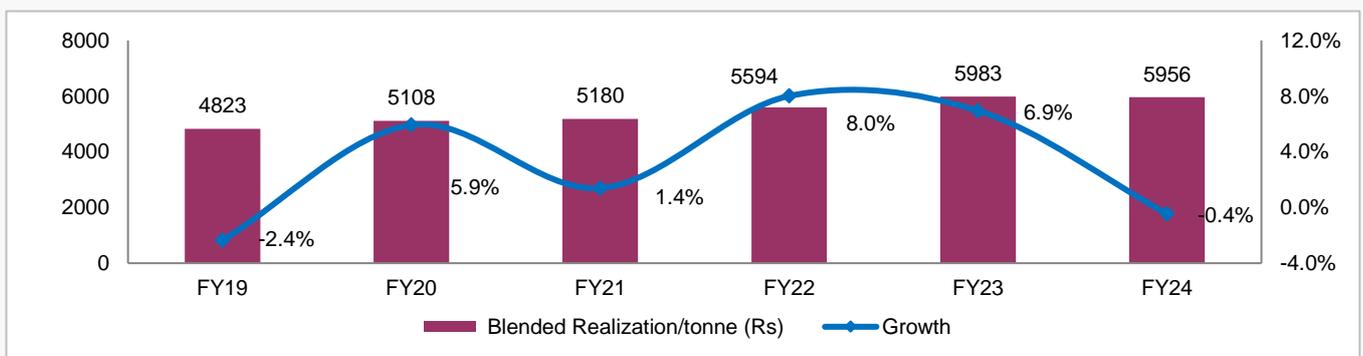
Profitability Analysis (Rs Cr)

Particulars	FY23	FY24	Change	Comments/Analysis
Sales	63,240	70,908	12%	The company is expected to grow its revenue at a CAGR of 11%, driven by stable realization and higher volume during FY24-26E.
Raw Materials/others	42,215	46,066	9%	Costs increased due to higher volume and a rise in RM costs during the year.
Gross Profits	21,025	24,841	18%	Gross profits were higher, led by increased volume and lower costs despite a decline in realization during the year.
Operating Expenses	10404	11,873	14%	Other operating expenses increased owing to higher sales volume, brand promotion, and a rise in staff costs YoY.
EBITDA	10,620	12,968	22%	Improvement in EBITDA was driven by higher volume and lower operating costs despite lower sales realization.
Interest	823	968	18%	Interest costs saw an increase as the cost of borrowing was higher.
PAT	5,083	7,005	38%	Profits were higher, led by increased volume and lower operating costs.
EPS	176	243	38%	EPS is in line with profits.

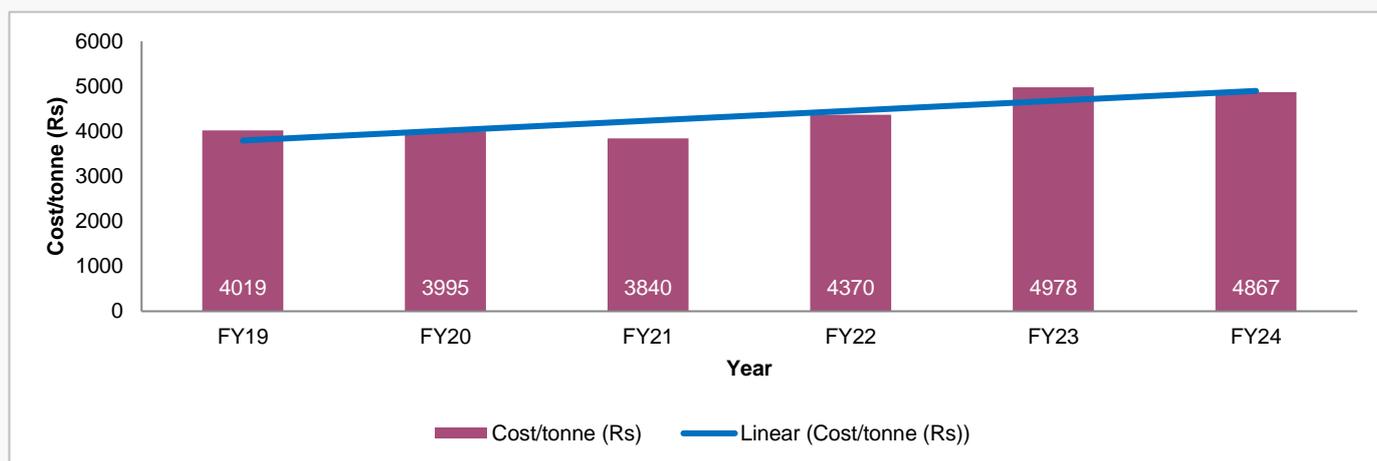
Source: Company; Axis Securities Research

Exhibit 2: Volume & Growth Trend


Source: Company, Axis Securities Research

Exhibit 3: Realization/Tonne and Growth Trend


Source: Company, Axis Securities Research

Exhibit 4: Cost/tonne Trend


Source: Company, Axis Securities Research

Growth Indicators (Rs Cr)

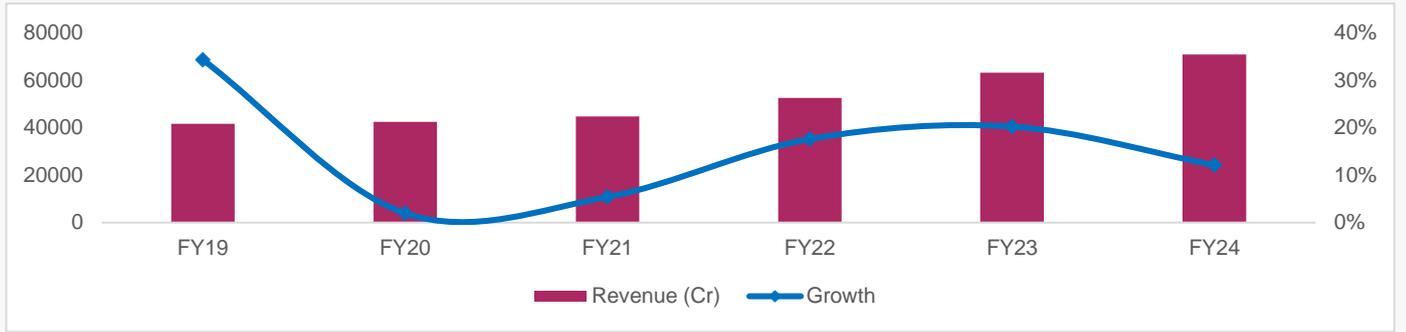
Particulars	FY23	FY24	Change	Comments/Analysis
Revenue	63,240	70,908	12%	Revenue increased owing to growth in sales volume and lower costs.
EBITDA	10,620	12,968	22%	The company is expected to grow its revenue at a CAGR of 11%, driven by stable realization and higher volume during FY24-26E.
PAT	5,083	7,005	38%	Improvement in EBITDA was led by higher volume and lower operating costs despite lower sales realization. The company is expected to grow its EBITDA at a CAGR of 20% during FY24-26E.
EPS	176	243	38%	Profits were higher owing to increased volume and lower costs. The company is expected to report a profit CAGR of 23% over FY24-26E, driven by higher sales and lower costs.
Volume	106	119	12%	EPS is in line with the profits.

Source: Company; Axis Securities Research

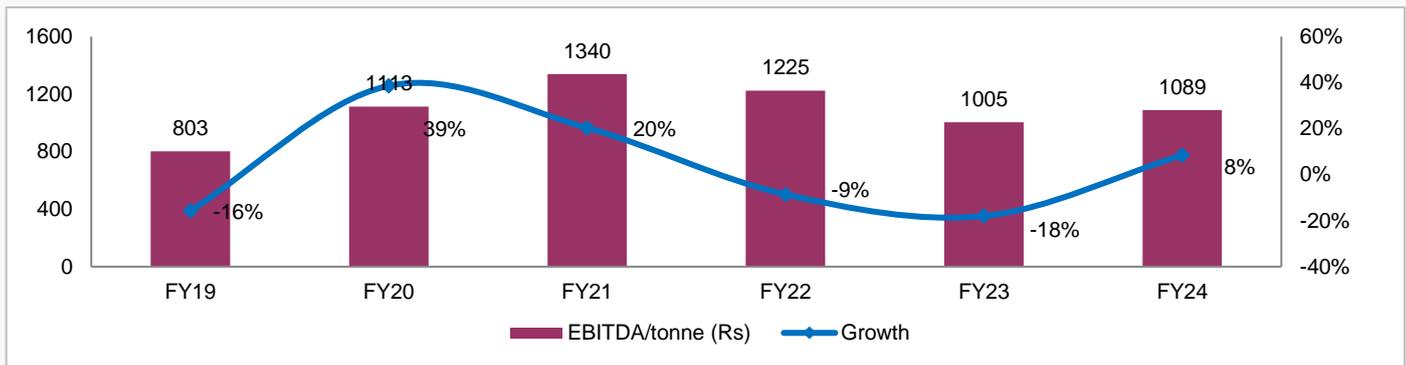
Profitability Margins

Particulars	FY23	FY24	Change	Comments/Analysis
GPM	33.2%	35%	180 bps	Margins were higher owing to lower power/fuel prices during the year. 18.3%
EBITDAM	16.8%	18.3%	150bps	The higher operating margin was attributable to lower operating costs. EBITDAM is expected to improve to 19% in FY25 driven by lower costs and better sales.
PATM	8.0%	10%	200bps	Profits were higher owing to higher sales and lower operating costs.

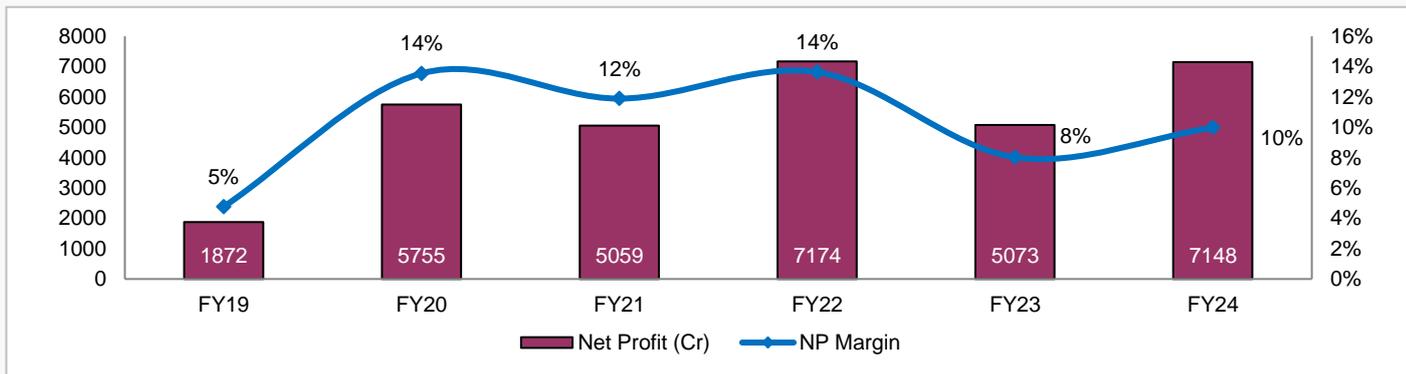
Source: Company; Axis Securities Research

Exhibit 5: Revenue and Revenue Growth Trend


Source: Company, Axis Securities Research

Exhibit 6: EBITDA/tonne Trend


Source: Company, Axis Securities Research

Exhibit 7: Net Profit and NPM Trend


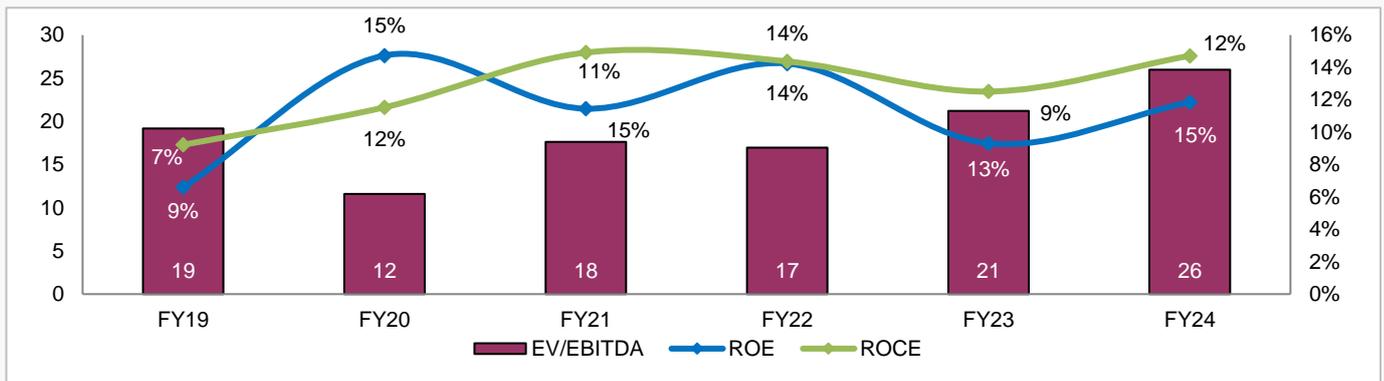
Source: Company, Axis Securities Research

Financial Ratios

Particulars	FY23	FY24	Change	Comments/Analysis
ROE	9.3%	12%	270 bps	ROE was higher owing to increased profits during the year.
ROCE	12.5%	14.7%	220 bps	ROCE was higher as the EBIT margin increased to 14.7% from 13% in FY23. We expect ROCE to Improve in FY24
Asset Turn	1.0	1.1	10bps	Increase due to higher sales during the year despite additions of fixed assets
Net Debt/Equity	0.5	0.5	-	Remained flat due to changes in debt levels and higher profit
EV/EBITDA	21.2	25	4.2	EV/EBITDA was higher owing to an increase in market capitalization.

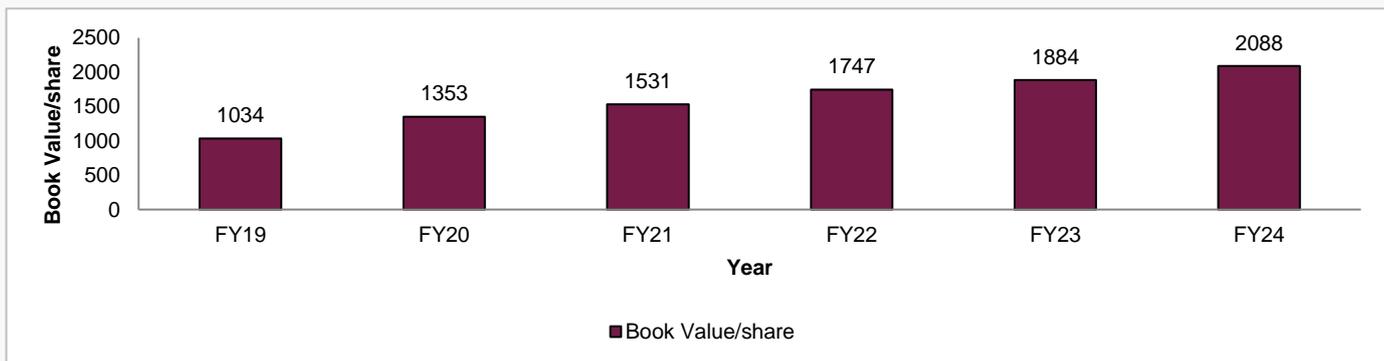
Source: Company; Axis Securities Research

Exhibit 8: EV/EBITDA, ROE & ROCE Trend



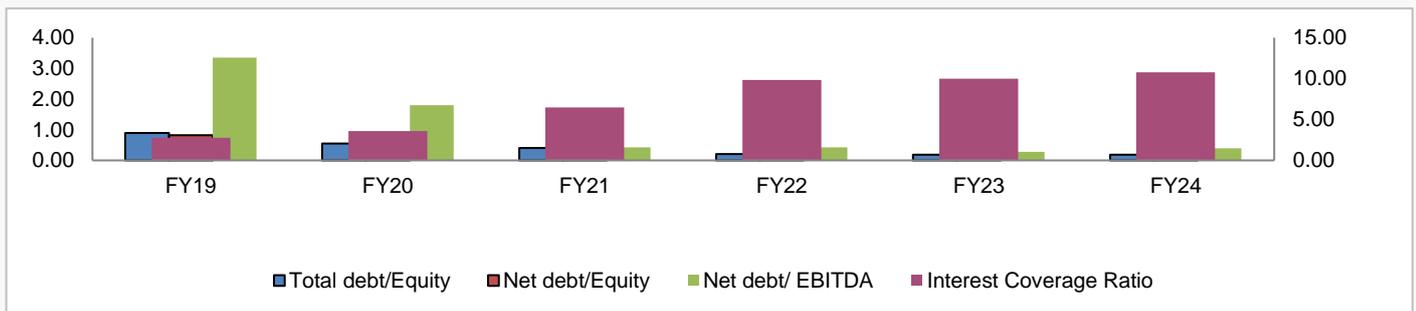
Source: Company, Axis Securities Research

Exhibit 9: Book Value (Rs)



Source: Company, Axis Securities Research

Exhibit 10: Leverage Ratio



Source: Company, Axis Securities Research

Key Balance Sheet Takeaways

Working Capital Management

During the year, the cash conversion cycle increased to 21 days in FY24 from 17 days in FY23. This was due to higher inventory days as the company purchased more fuel at lower prices. During the year, OCF to EBITDA was marginally lower at 84% compared to 85% in FY23, owing to higher working capital requirements.

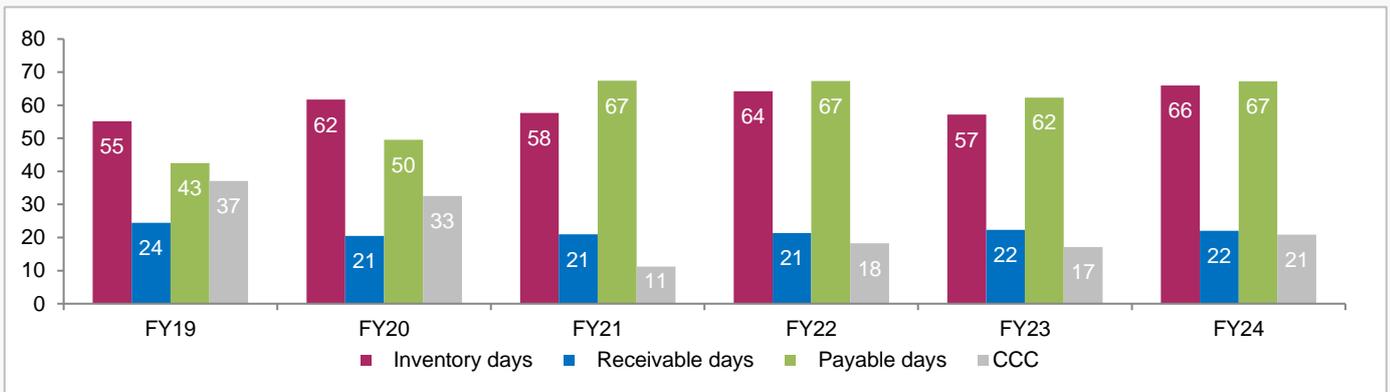
From FY19-FY24, the company generated a total OCF of Rs 56,680 Cr, with 45% of the total OCF (Rs 25,574 Cr) utilized towards the company's Capex for the capacity expansion program. While the CFO remained the major source of funding for the company, it generated FCF of Rs 30,491 Cr during FY19-FY24.

Cash Conversion Cycle

Particulars	FY23	FY24	Change	Comments/Analysis
Inventory Days	57	66	9	Decrease in days owing to higher purchase of fuel during the year.
Trade Receivables Days	22	22	0	Debtors Day maintained at last year's level
Trade Payables Days	62	67	-5	Decrease in days due to favourable terms with suppliers
Cash Conversion Cycle	17	21	4	Increased owing to higher inventory days during the year.

Source: Company; Axis Securities Research

Exhibit 11: Cash Conversion Cycle

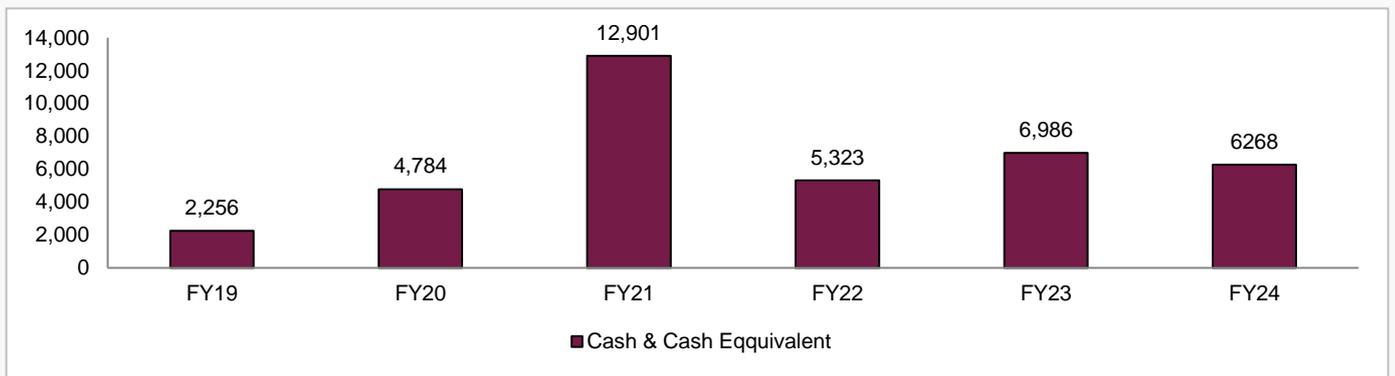


Source: Company, Axis Securities Research

Key Balance Sheet Takeaways (Contd...)

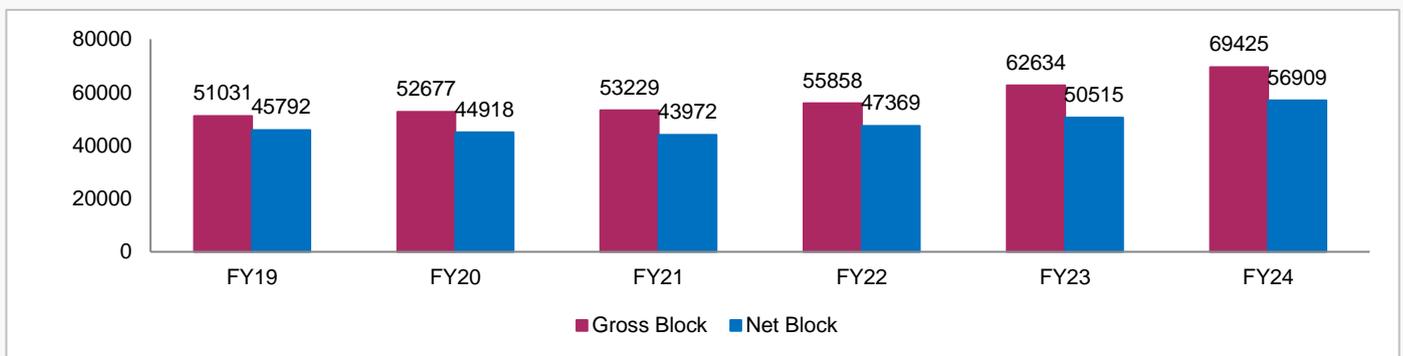
- Debt Levels:** The company reduced its long-term debt by 7.5% from Rs8,750 Cr to Rs8088 Cr during the year.
- Fixed capital formation:** Gross fixed capital formation improved from Rs 62,634 Cr in FY23 to Rs 69,425Cr in FY24, an improvement of 11% as the company is expanding its current capacity to sustain growth and to gain more market share
- Capex plans:** During the year, the company expanded its grinding capacity from 134 mtpa to 147 mtpa. The second phase of expansion is underway and expected to be completed by FY25-26 taking the total capacity to over 189 mtpa.
- Cash and liquidity position:** The cash/cash equivalent stood at Rs 6,267 Cras of 3^{1st}Mar'24compared to Rs 6,985 Cr in FY23 a decrease of 10% as the company spent more on capex during the year.

Exhibit 12: Cash & Cash Equivalent (Rs Cr)



Source: Company, Axis Securities Research

Exhibit 13: Gross & Net Block (Rs Cr)



Source: Company, Axis Securities Research

Forex Analysis

- Foreign currency risk is the risk of impact related to fair value or future cash flows of an exposure in foreign currency, which fluctuates due to changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to foreign currency borrowings, import of fuels, raw materials & spare parts, capital expenditure, exports of cement and the company's net investments in foreign subsidiaries.
- The company evaluates exchange rate exposure arising from foreign currency transactions. It follows established risk management policies and standard operating procedures and uses derivative instruments like foreign currency swaps and forwards to hedge exposure to foreign currency risk.

Particulars (Rs Cr)	FY23	FY24	Change	Comments/Analysis
USD	0.41	0.45	10%	Trade Receivables
USD	37.91	40.34	6%	Trade Payables
Euro	0.40	0.15	-62%	Trade Payables
Others	0.15	-	-	Trade Payables
USD	40	45	12%	Borrowings
USD	34.92	20.92	-40%	Investments
LKR	0.65	0.65	-	Investments

Contingent Liability Analysis

Particulars (Rs Cr)	FY23	FY24	Change	Comments/Analysis
Excise Duty and Service Tax Matters	1,646	1552	-6%	Related to the valuation matter (Rule 8 vs. Rule 4), Denial of Cenvat credit on Input Service Distributor and others
GST/ Sales-tax / VAT / Entry Tax Matters	1,062	1152	8%	Related to stock transfer treated as interstate sales, Demand for freight component and levy of purchase tax on exempted supply, Demand of Entry Tax and others
Royalty on Limestone/ Marl / Shale	382	391	2%	Based on the fixed conversion factor on limestone, the royalty rate difference on Marl and additional royalty on mines transfer
Land Related Matters	281	281	0%	Demand for Higher Compensation
Electricity Duty / Energy Development Cess	270	285	5.5%	Related to electricity duty, Minimum power consumption, Energy development cess and denial of electricity duty exemption
Customs	265	301	13.6%	Related to classification dispute
Stamp duty	358	347	-3%	Related to stamp duty on name change
Others	367	440	20%	Related to Fly ash matters, claims raised by vendor/supplier, Road Tax matters, Income Tax matters and other
Total	4,631	4749		Any adverse decision may lead to financial implication

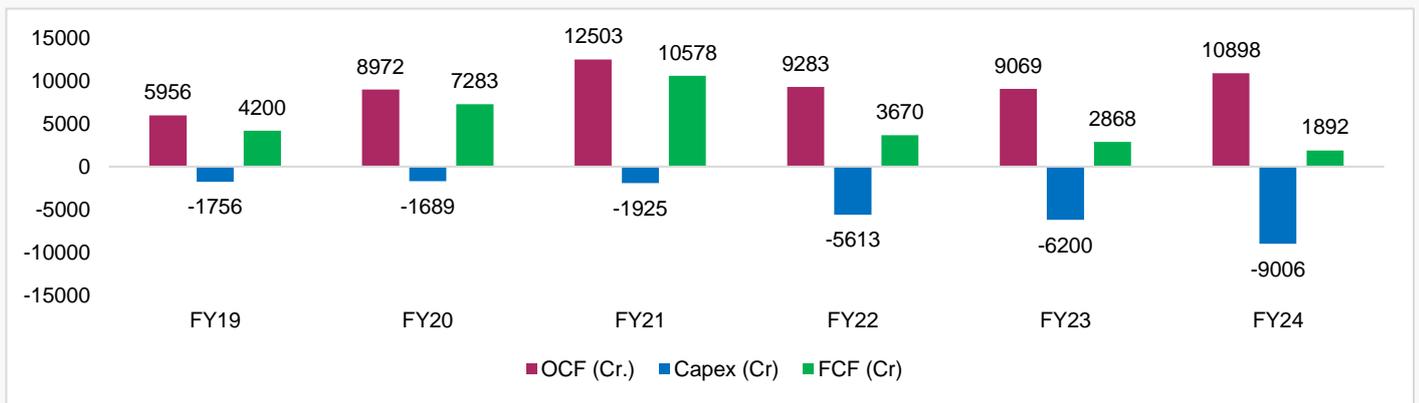
Source: the company, Axis Securities Research

Key Cash Flow Takeaways

Particulars (RsCr)	FY23	FY24	Change	Comments/Analysis
PBT	7,416	9,422	27%	Profitability was higher due to higher sales and lower costs.
Non-cash expenses				
Depreciation	2,888	3,145	9%	Increase in depreciation owing to capitalization of new assets
Finance Cost	823	968	18%	Increased owing to increase in finance cost.
Others	-597	-408	-31%	
Working Capital Adjustments	-337	-481	-42%	Increase in working capital due to increase in inventories during the year.
CFO	9,069	10,898	20%	Cash from operations was higher owing to higher profits during the year.
CFI	-7,187	-8788	22%	Increased owing to capex during the year.
CFF	-1,631	-1925	18%	Increased due to repayment of loan.
Capex	-6105	-8878	-45%	Increased due to the capacity expansion plan
Free Cash Flow Generation	2,868	1892	-34%	Reduced owing to higher Capex during the year.

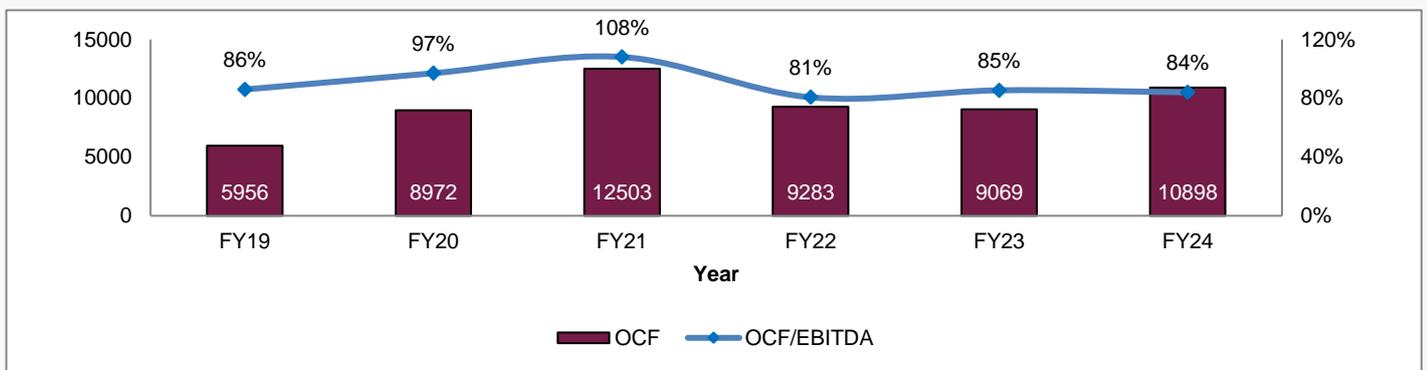
Source: Company; Axis Securities Research

Exhibit 14: OCF, Capex, FCF Trend (in Cr)



Source: Company, Axis Securities Research

Exhibit 15: OCF, EBITDA & Conversion ratio trend (Cr)



Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar	FY23	FY24	FY25E	FY26E
Net sales	63240	70908	75336	86910
Other operating income	0	0	0	0
Total income	63240	70908	75336	86910
Raw Material	9715	11903	13042	14672
Power & Fuel	18491	18283	18044	20029
Freight & Forwarding	14009	15881	16868	18892
Employee benefit expenses	2739	3038	3225	3483
Other Expenses	7666	8836	9772	11140
EBITDA	10620	12968	14385	18694
Other income	503	617	636	652
PBITD	11123	13585	15021	19346
Depreciation	2888	3145	3416	3937
Interest & Fin Chg.	823	968	1007	941
E/o income / (Expense)	0	-72	0	0
Associates	4	22	21	21
Pre-tax profit	7416	9566	10619	14488
Tax provision	2343	2418	2618	3694
Minority Interests	9	-1	-4	-4
PAT	5083	7147	7997	10789
OCI	0	0	0	0
APAT	5083	7147	7997	10789

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar	FY23	FY24	FY25E	FY26E
Total assets	91387	100802	107218	117318
Net Block	59584	62906	68003	73626
CWIP	4035	6783	6783	6783
Investments	5837	5485	6685	9485
Wkg. cap. (excl cash)	9329	11825	12134	13801
Cash / Bank balance	1150	783	688	693
Misc. Assets	11452	13021	12925	12930
Capital employed	91387	100802	107218	117318
Equity capital	289	289	289	289
Reserves	54036	59939	66212	75278
Minority Interests	56	56	52	48
Borrowings	11058	11403	11203	11203
Def Tax Liabilities	6260	6448	6448	6448
Other Liabilities and Provision	19689	22668	23015	24053

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E Mar	FY23	FY24	FY25E	FY26E
Profit before tax	7416	9422	10619	14488
Depreciation	2888	3145	3416	3937
Interest Expenses	823	968	1007	941
Non-operating/ EO item	-597	-506	-636	-652
Change in W/C	-337	-481	133	-634
Income Tax	1124	1651	2618	3694
Operating Cash Flow	9069	10898	11921	14387
Capital Expenditure	-6200	-9006	-8513	-9560
Investments	-1808	55	-1200	-2800
Others	821	162	636	652
Investing Cash Flow	-7187	-8788	-9077	-11708
Borrowings	826	440	0	0
Interest Expenses	-702	-853	-1007	-941
Dividend paid	-1091	-1094	-1732	-1732
Others	-664	-417	-200	0
Financing Cash Flow	-1631	-1926	-2939	-2673
Change in Cash	250	184	-96	5
Opening Cash	121	370	554	458
Closing Cash	370	554	458	463

Source: Company, Axis Securities Research

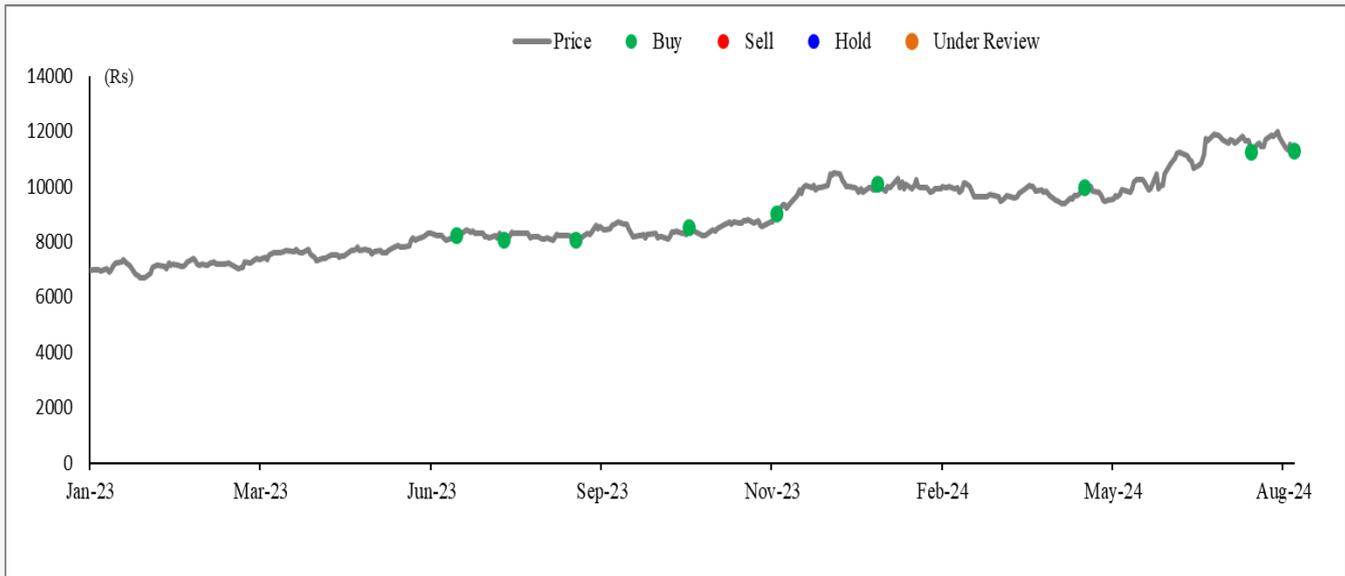
Ratio Analysis

(%)

Y/E Mar	FY23	FY24	FY25E	FY26E
Operational Ratios				
Gross profit margin	33%	35%	36%	38%
EBITDA margin	17%	18%	19%	22%
PAT margin	8%	10%	11%	12%
Depreciation / G. block	4.5%	4.5%	4.4%	4.5%
Growth Indicator				
Sales growth	20%	12%	6%	15%
Volume growth	12%	13%	10%	13%
EBITDA growth	-8%	22%	11%	30%
PAT growth	-29%	39%	13%	35%
Efficiency Ratios				
Sales/Gross block (x)	1.01	1.02	0.97	0.993
Sales/Net block(x)	1.02	1.06	1.04	1.120
Working capital/Sales (x)	-0.05	-0.06	-0.04	0.005
Valuation Ratios				
PE (x)	57	46	41	31
P/BV (x)	5.3	5.5	5.0	4.4
EV/Ebitda (x)	27	26	23	18
EV/Sales (x)	4.6	4.8	4.5	3.8
MCap/ Sales (x)	4.5	4.7	4.4	3.8
EV/Tonne \$	264	274	226	155
Return Ratios				
ROE	9%	12%	12%	14%
ROCE	13%	15%	15%	18%
ROIC	14%	16%	17%	21%
Leverage Ratios				
Debt/equity (x)	0.2	0.2	0.2	0.1
Net debt/ Equity (x)	0.1	0.1	0.1	0.0
Net debt/Ebitda	0.4	0.4	0.3	0.1
Interest Coverage ratio (x)	10	11	12	16
Cash Flow Ratios				
OCF/Sales	14%	15%	16%	17%
OCF/Ebitda	85%	84%	83%	77%
FCF/Sales	5%	3%	5%	6%
FCF/EBITDA	27%	15%	24%	26%
OCF/Capital Employed	14%	15%	15%	17%
Payout ratio (Div/NP) (%)	22%	28%	22%	16%
AEPS (Rs.)	175	248	277	374
AEPS Growth (%)	-30%	41%	12%	35%
CEPS (Rs.)	276	357	395	510

Source: Company, Axis Securities Research

UltraTech Cement Price Chart and Recommendation History



Date	Reco	TP	Research
30-Jun-23	BUY	9,350	Initiating Coverage
24-Jul-23	BUY	9,520	Result Update
28-Aug-23	BUY	9,520	Result Update
20-Oct-23	BUY	9,680	Result Update
02-Dec-23	BUY	10,850	Company Update
22-Jan-24	BUY	11,100	Result Update
30-Apr-24	BUY	11,100	Result Update
22-Jul-24	BUY	12,400	Result Update
12-Aug-24	BUY	12,450	AAA

Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
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