Stock Update

Result Update

MIRAE ASSET Sharekhan

UltraTech Cement Ltd

Focus on cost optimization, capacity expansion

Cement	Sharekhan code: ULTRACEMCO
Reco/View: Buy ↔	CMP: Rs. 12,574 | Price Target: Rs. 14,200 ↑

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- Consolidated revenue of Rs. 21,275.45 crore in Q1FY26, marking a 13.1% y-o-y growth. EBITDA increased by 46.2% y-o-y to Rs. 4,410.34 crore, while volumes grew by 9.7% y-o-y to 36.83 mnt, driven by robust government infrastructure spending.
- Double-digit volume growth eyed in FY26, supported by recent capacity addition of 3.5 MTPA and an additional 10 MTPA capacity expected to be commissioned soon.
- FY26 capex spend estimated at Rs. 10,000 crore and company aims to increase its total capacity from 192.3 MTPA to 217.6 MTPA by FY27.
- We maintain a Buy rating, with a revised target price (TP) of Rs. 14,200, backed by its strong growth outlook over the next three years.

UltraTech Cement (UltraTech) reported consolidated revenue of Rs. 21,275.45 crore in Q1FY26, registering a 13.1% y-o-y growth. Consolidated operating profit stood at Rs. 4,410.34 crore, up 46.2% y-o-y. Consolidated volumes grew 9.7% y-o-y to 36.83 mnt during the quarter, supported by strong government-led infrastructure spending. Realisation/tonne rose by 3.0% y-o-y to Rs. 5,777 and cost/tn reduced by 2.7% y-o-y to Rs. 4579.2, which helped improve EBITDA/tonne by 33.2% y-o-y to Rs. 1,197. India Cements' integration is progressing well. The company aims to significantly improve its operating cost structure of India cement by FY28 through investments in Waste Heat Recovery Systems (WHRS), preheater modifications, cooler upgrades, and alternate fuel technologies. It targets achieving an EBITDA per tonne of Rs. 1,000 and increasing the RE contribution for India Cement from 3% to 86% by FY28.The capex plan will be funded through internal accruals and debt, with the company targeting debt of below Rs. 50 crore for India Cement by the end of the capex program. UltraTech expects double-digit volume growth in FY26, supported by a recent capacity addition of 3.6 MTPA and another 10 MTPA expected to commission soon. The company has earmarked a capex of Rs. 10,000 crore for FY26.

Key positives

- Clinker conversion factor improved from 1.44 in Q1FY25 to 1.49 in Q1FY26, indicating better production efficiency.
- Lead distance reduced from 386 km in Q1FY25 to 370 km in Q1FY26, contributing to cost savings and improved logistics efficiency.

Management Commentary

- The company is actively planning its next phase of organic growth, anticipating sustained strong cement demand in India, of 5–8% over the next 10–15 years, driven by continued infrastructure development and overall economic expansion.
- Prices in South India improved despite the monsoon. Realisations rose the most in the South and East, followed by the North and West, with the East continuing to see gains.
- The company noted a decline in finance costs due to interest rate resets, with further reductions expected going forward.
- The company mentioned that for UltraTech brand there was 2.2% sequential increase in realization.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 14,200: 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. Pricing environment is also expected to improve. Hence, we maintain a Buy rating on the stock, with a revised price target (PT) of Rs. 14,200. The stock trades at an EV/EBITDA of 21.4x/17.6x 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.

Valuation (Consolidated) Rs cr

Particulars	FY24	FY25	FY26E	FY27E
Revenue	70,908	75,955	87,547	99,904
OPM (%)	18.29	16.53	20.45	21.73
Adjusted PAT	7,077	6,137	9,103	12,187
y-o-y growth (%)	NA	-13.29	48.34	33.87
Adjusted EPS (Rs.)	247	208	309	414
P/E (x)	50.98	60.38	40.70	30.41
P/B (x)	0.21	5.01	4.64	4.03
EV/EBITDA (x)	27.99	30.82	21.37	17.56
RoNW (%)	12.0	9.1	11.8	14.2
RoCE (%)	18.4	13.0	18.3	20.1

Source: Company; Mirae Asset Sharekhan estimates

3R MATRIX

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

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

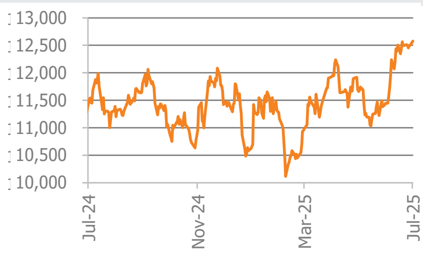
Company details

Market cap:	Rs. 3,70,440 cr
52-week high/low:	Rs. 12,712/10,053
NSE volume: (No of shares)	3.42 lakh
BSE code:	532538
NSE code:	ULTRACEMCO
Free float: (No of shares)	12.0 cr

Shareholding (%)

Promoters	59.2
FII	15.2
DII	16.8
Others	8.7

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	9.9	5.4	17.9	9.2
Relative to Sensex	9.5	1.9	9.5	7.1

Source: Mirae Asset Sharekhan Research, Bloomberg

Results (Consolidated) Rs cr

Particulars	Q1FY2026	Q1FY2025	y-o-y (%)	Q4FY2025	q-o-q (%)
Net Sales	**21,275.5**	**18,818.6**	**13.1**	**23,063.3**	**-7.8**
Operating Profit	**4,410.3**	**3,017.1**	**46.2**	**4,618.4**	**-4.5**
Other Income	180.2	168.5	7.0	102.1	76.5
EBITDA	4,590.6	3,185.6	44.1	4,720.6	-2.8
Interest	433.3	325.8	33.0	475.0	-8.8
Depreciation	1,106.8	917.9	20.6	1,124.6	-1.6%
PBT	**3,007.8**	**1,856.7**	**62.0**	**3,100.8**	**-3.**
Tax	786.9	363.3	116.6	626.1	25.7
Reported PAT	**2,220.9**	**1,493.5**	**48.7**	**2,474.8**	**-10.3**
Exceptional items	(38.4)	(88.1)	NA	(9.4)	NA
Adj. PAT	**2,264.3**	**1,582.9**	**43.0**	**2,491.4**	**-9.1**
Margins			**Bps**		**Bps**
OPM	20.7%	16.0	470	20.0%	70
PATM	10.6%	8.4	223	10.8%	-16
Tax Rate	26.2%	19.6	660	20.2%	597

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Improving demand brightens outlook

The Indian cement has witnessed a lot of consolidation in the last few years with a slew of inorganic acquisitions happening. The 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.

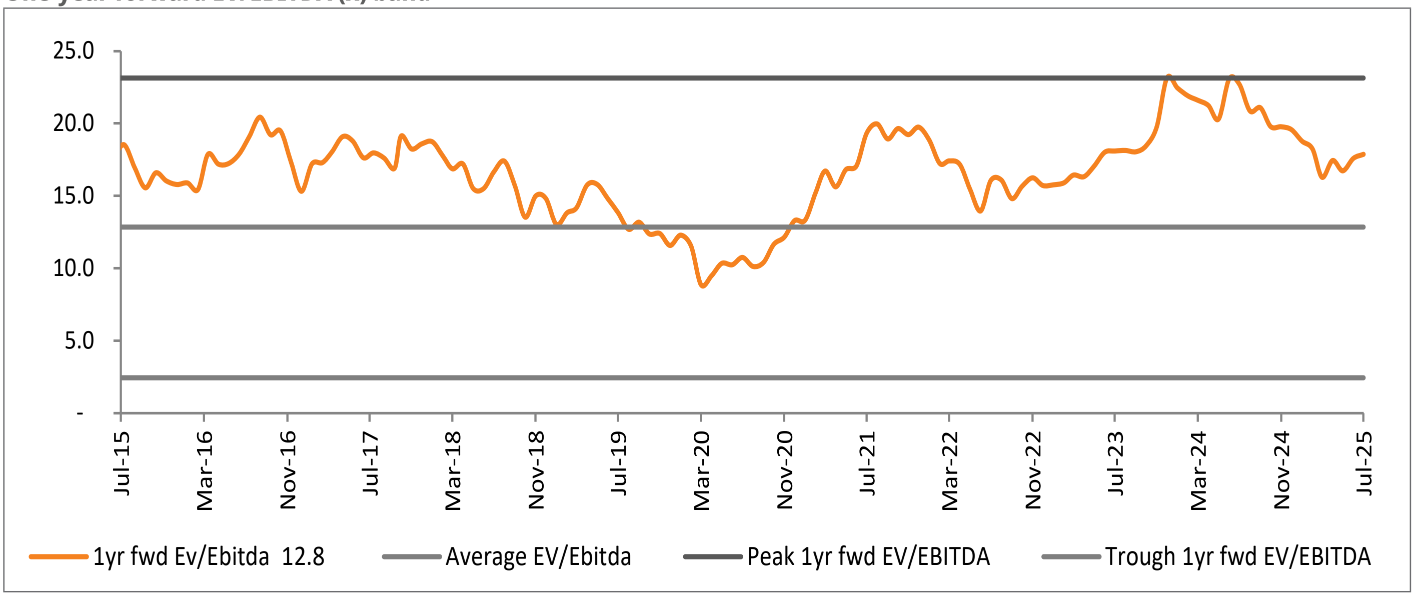
■ Company Outlook – Varied growth tailwinds ahead

UltraTech is well-positioned to benefit from improving cement demand, firm pricing, and ongoing industry consolidation. Demand from infrastructure and sustained momentum in the real estate sector are expected to drive volume growth. Management remains optimistic, supported by ongoing organic expansion and acquisitions (India Cements and Kesoram), which will raise capacity from 192.3 MTPA to 217 MTPA by FY27. Overall, the outlook for demand, profitability, and balance sheet remains favourable over the next 4–5 years.

■ Valuation – Maintain Buy with an revised PT of Rs. 14,200

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. Pricing environment is also expected to improve. Hence, we maintain a Buy rating on the stock, with a revised price target (PT) of Rs. 14,200. The stock trades at an EV/EBITDA of 21.4x/17.6x its FY2026E/FY2027E earnings, respectively.

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 192 million tons. 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	Life Insurance Corp of India	2.45
2	ICICI Prudential Asset Management	2.27
3	Vanguard Group Inc/The	1.72
4	Blackrock Inc	1.52
5	SBI Funds Management Ltd	1.51
6	Pilani Investment & Industries Cor	1.50
7	Republic of Singapore	1.48
8	Kotak Mahindra Asset Management Co	1.09
9	Nippon Life India Asset Management	0.77
10	Axis Asset Management Co Ltd/India	0.75

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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