Educational Equity Research Report (as of August 2025)

UltraTech Cement Ltd

Pee Aar
The Financial People

Target: N/A	Holding Period: N/A	Educational Report

I Shaurya Sharma am initiating a research report on **UltraTech Cement Ltd**,It is engaged in the manufacturing and sale of Cement and Cement related product primarily across globe.

About the business

- UltraTech Cement Limited is an Indian multinational cement company based in Mumbai.
- It is the largest manufacturer of grey cement, ready-mix concrete (RMC) and white cement in India, and the fifth largest in the world, with an installed capacity of 152.70 million tonnes per annum and 119 million tonnes per annum sales volume.
- The company is the 3rd largest cement company in the world, excluding China. It is also the largest cement manufacturer in India with **a 28% share** of the grey cement capacity.

Company Snapshot

Mkt Cap	₹ 3,71,106 Cr
High/Low	₹13,102 / 10,048
Div Yield	0.61 %
P/E	53.6X
Face Value	₹ 10.0
ROE	9.29 %

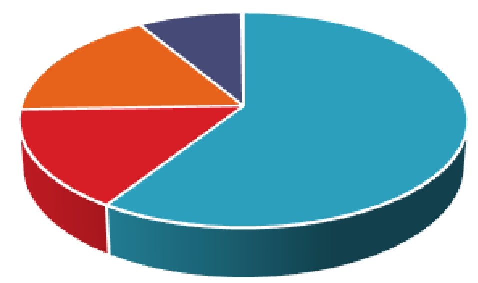
	Mar'21	Mar'22	Mar'23	Mar'24	Mar'25
Sales	44,725.80	52,598.83	63,239.98	70,908.14	75,955.13
EBITDA	12,187.68	12,193.83	11,117.52	13,536.56	13,193.09
Profit before tax	8,000.55	8,524.32	7,416.25	9,422.22	7,528.13
Tax	2,538.70	1,190.06	2,342.85	2,418.26	1,488.49
Net profit	5,463.10	7,344.31	5,063.96	7,005.00	6,039.11

Shareholding Pattern

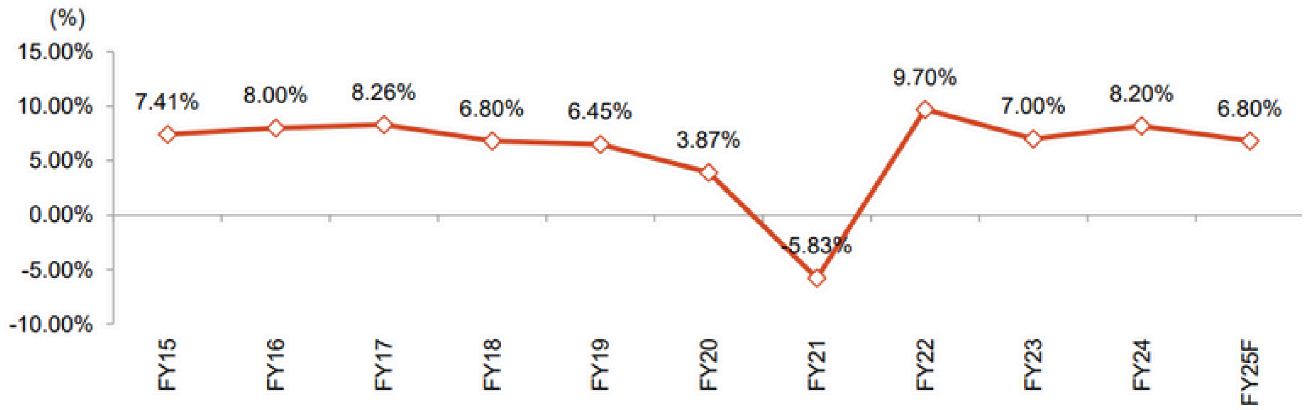
Promotors	59.23%
FIIs	15.23%
DIIs	16.85%
Public	8.48%
Government	0.05%
other	0.18%

Global Outlook

- Global growth was 3.3% in 2024, only slightly below the 3.5% of 2023, despite high inflation, geopolitical issues, and trade fragmentation.
- Global inflation dropped significantly from 6.6% in 2023 to 5.7% in 2024, aided by tight monetary policy and fewer supply chain issues.
- The United States led developed economies with 2.8% GDP growth, fueled by strong consumer and government spending.
- Growth was weaker in Europe and Asia. China's recovery was hesitant due to sluggish consumer demand and ongoing property sector stress.
- Investment stagnated, productivity gains stalled, and public debt remained a growing concern globally.
- Central banks in advanced economies began to move away from strictly restrictive policies, making financial conditions more supportive



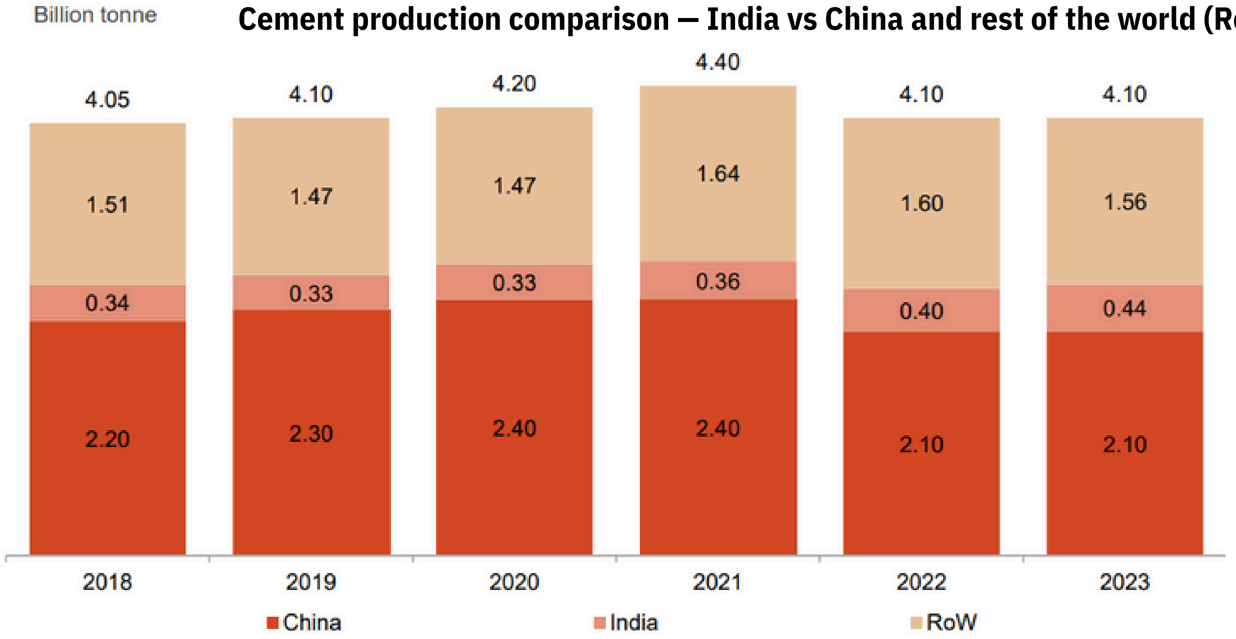
India's Economic Performance and Outlook



E: Estimate, F: Forecast
Source: RBI, NSO, CRISIL MI&A Research

- India's real gross domestic product (GDP) growth stood at 8.2% on-year for fiscal 2024, higher than the 7.0% in fiscal 2023.
- Construction, the most labour-intensive sector, saw strong growth in fiscal 2024 at 9.9% vs average 4.9% growth witnessed in pre-pandemic decade. This is attributable to infrastructure spending of the government and revival of housing

Cement production comparison — India vs China and rest of the world (RoW)



Country	Production in CY18 (million tonne)	Share (%)	Production in CY23 (million tonne)	Share (%)	CAGR 2018-23 (%)
China	2,200	53.80%	2,100	50.30%	-0.90%
India	335	8.20%	441	10.60%	5.60%
Vietnam	90	2.20%	110	2.60%	4.00%
United States	87	2.10%	91	2.20%	0.90%
Turkey	73	1.80%	79	1.90%	1.70%
Iran	58	1.40%	65	1.60%	2.30%
Brazil	53	1.30%	63	1.50%	3.50%
Others	1,193	29.30%	1,227	29.20%	0.50%
Total (rounded)	4,050		4,100		0.40%

GLOBAL

- Global cement production in 2023 stood at ~4.1 billion metric tonne. The production growth had remained steady almost over the previous six years, with the highest production of 4.4 billion metric tonne recorded in 2021
- China is the largest producer of cement globally, accounting for more than half of the overall cement production. A major portion of the cement produced in the country is consumed domestically. India comes a distant second, accounting for 7-11% of world's production
- During 2018-2023, developing nations such as India and Vietnam have been some of the fastest growing economies in terms of cement produced. During the period, cement production in India logged the highest compound annual growth rate (CAGR) of 5.6% among the top seven cement producing countries.

DOMESTIC

A. Capacity and Demand Dynamics

- Record Capacity Addition: The industry achieved a decadal high in organic capacity addition during FY25, adding nearly 30 million tonnes (MT). This elevated India's total installed capacity to 655 MT as of March 31, 2025.
- Future Expansion: The aggressive expansion plan continues, with an expected addition of 90 to 100 MT of capacity over the next two years.
- Current Demand: Cement demand has reached approximately 435 MT.
- Growth Outlook: The outlook for FY 2025–26 is optimistic, with the industry broadly expected to grow by around 8%.

B. Policy and Demand Drivers

- Government Focus: The continued strong momentum in demand is a direct result of government policies focused on:
- Affordable housing.
- Viksit Bharat@2047 Vision: The Union Budget 2025–26, which is core to the vision of a Developed India by 2047 (Viksit Bharat@2047), has allocated a massive ₹11.21 trillion for the infrastructure sector, providing a strong tailwind for cement demand.

C. Structural Cost Reduction and Sustainability

- Margin Enhancement: Cement firms are strategically focusing on structural cost reductions to enhance margins over the next two to three years.
- Sustainability as a Cost Lever: A key part of this strategy is the transition toward sustainable practices, including:
- Renewable energy adoption.
- Installation of Waste Heat Recovery (WHR) systems.
- Increased usage of Alternative Fuels and Raw Materials (AFR).
- Logistical Efficiencies: Costs will be further managed and reduced through:
- Higher rail penetration for bulk transport.
- Increasing adoption of Electric Vehicles (EV) and Compressed Natural Gas (CNG) for road logistics.

HISTORY

- UltraTech Cement started as the cement division of Larsen & Toubro (L&T) in 1983. In 2000, L&T decided to sell the business.
- In 2001, Grasim Industries acquired a 10% stake in L&T, eventually increasing it to 15% by 2002.
- In 2003, L&T demerged its cement business into a new company called UltraTech CemCo. As part of the deal, Grasim acquired an 8.5% stake from L&T and made an open offer. The deal was finalized in 2004, with Grasim obtaining management control and a 51% stake in the company, which was later renamed UltraTech Cement.

ADITYA BIRLA
GRASIM

COMPANY PROFILE

- UltraTech Cement holds the dominant position in the Indian cement industry, underlined by its massive scale and comprehensive geographical presence.
- As of March 31, 2025, the company reported a grey cement capacity of 183.36 Million Tonnes Per Annum (MPTA)
- This capacity grants UltraTech an estimated market share of approximately 22% of India's total installed capacity of roughly 500 million tons
- The operational footprint extends across India, comprising 35 Integrated Units (34 domestic, one overseas
- The sheer scale of UltraTech's operations—producing over 100 million tonnes annually—translates directly into significant cost advantages. Market analysis confirms that larger enterprises can achieve economies of scale, leading to a reduction in per-unit costs by 15-20% compared to smaller, newer entrants.12 This massive scale, coupled with a deep, established distribution network (20,000+ dealers) and a brand value exceeding $2 billion, establishes a formidable economic moat.

Largest Manufacturer of grey cement and Ready-Mix Concrete (RMC) in India

One of the largest white cement manufacturers in India

3rd Largest cement manufacturer in the world by capacity
(excluding China)

Business Segments and Product Portfolio

Product Category	Sub-Category / Product Type	Key Products / Features
1. Conventional Grey Cement	Core Cement Grades	Ordinary Portland Cement, Portland Pozzolana Cement, Portland Pozzolana Super, Composite Cement, Portland Slag Cement, Weather Plus.
2. White Cement	White Cement & Putty	White Cement, Wall care putty, and other value-added products.
3. Ready-Mix Concrete	Standard & Specialty Concrete	Tailor-made RMC solutions (27 specialty concretes) for specific applications.
	GreenPro Certified RMC (Enviroplus)	Enviroplus Supreme (up to 50% CO_2 reduction), Enviroplus Enhanced (up to 40% CO_2 reduction), Enviroplus Classic (up to 30% CO_2 reduction).
4. Greenvantage Products	Waterproofing Systems	Waterproofing products for robust construction.
	Binders and Adhesives	Plaster and mortar solutions.
	Plaster and Mortar	Industrial and precision grouts
	Grouts.Repair & Rehabilitation	Specialized solutions for concrete repair and maintenance.
	Flooring Screeds	Products for floor levelling and finishing

Business Segments and Product Portfolio

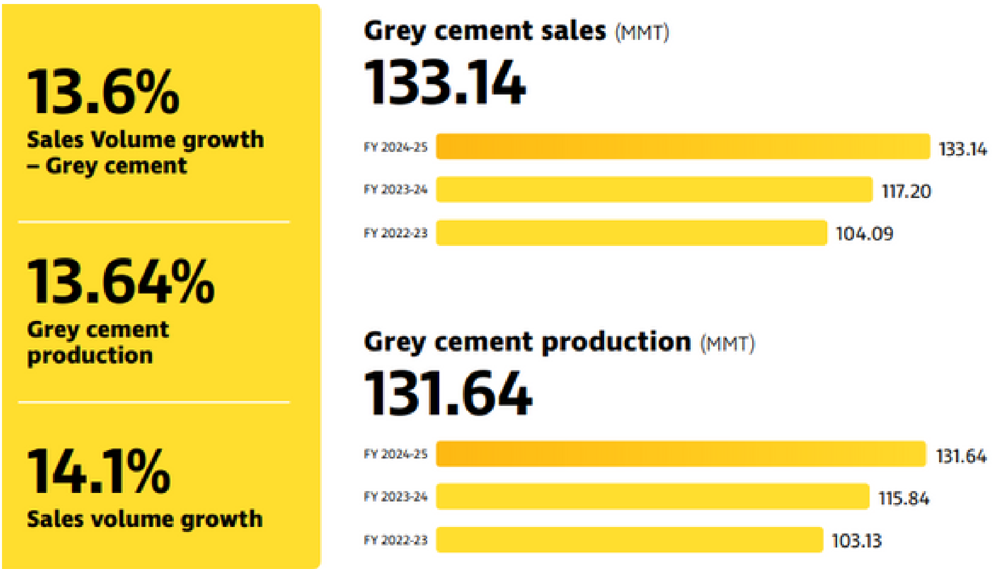
Product Category	Brand/Segmentation	Core Use Case	Strategic Positioning Theory
Grey Cement	OPC/PPC	Structural Construction, Infrastructure	Trust, Durability, Pan-India Availability (Commodity Leadership)
Ready Mix Concrete (RMC)	Custom Mixes	Large Urban Projects, High-Volume B2B	Operational Efficiency, B2B Strategic Integration, Logistics Reliability
White Cement	Birla White	Aesthetic, Decorative Finishes	Niche Value-Add, Brand Differentiation, Premium Pricing

BUSINESS SEGMENT PERFOMANCE ANALYSIS

- The company's primary business driver, the Grey Cement segment, remains the highest selling, dominating revenue and volume metrics
- Conversely, the Building Products Division represents the lowest selling segment in terms of established revenue, but holds the key to the company's future margin resilience and strategic narrative
- This segment, alongside the newly announced entry into Wires & Cables, is crucial for transforming UTCL from a heavy-industry material manufacturer into a comprehensive Building Solutions provider, leveraging its vast distribution infrastructure for differentiated returns

Ready-Mix Concrete (RMC)

- The RMC segment is a primary contributor to high returns and vertical integration.
- UTCL holds the leading position in the Indian RMC market
- The segment is characterized by strong capital efficiency, with RMC operations yielding a high Return on Capital Employed (ROCE) of 30%.18 This high return validates the strategic importance of RMC, as it translates the company's vast production scale into specialized, project-ready solutions.
- Operations span 397 plants across 158 cities 18, facilitating its role in large, complex urban and infrastructure projects
- .The segment demonstrated rapid growth, reporting a 20% year-over-year volume increase and generating ₹1,826 Crores in revenue (a 23% YoY increase) in Q1 FY26.1



BUSINESS SEGMENT PERFOMANCE ANALYSIS

White Cement and Wall Care Putty

- This category supports premium branding and margin expansion by catering to aesthetic and finishing needs in construction.
- UTCL is the market leader in White Cement and Putty, operating one White Cement unit and three Wall Care putty units, with a combined capacity of 2.6 MTPA
- The recent acquisition of Wonder WallCare strengthens this position, securing access to high-quality raw material reserves and scaling up capacity in the highly competitive putty manufacturing market.
- This segment is critical for utilizing the established brand trust to capture a higher share of the individual home builder’s expenditure.

UltraTech Building Solutions (UBS) Network

- The UBS retail network is the indispensable link connecting the various product segments to the final customer, especially in semi-urban and rural markets.
- The physical footprint expanded significantly, comprising 4,615 outlets across 23 states
- Crucially, the UBS strategy focuses on deep market penetration: over 75% of these outlets are strategically situated in rural and Tier 3 geographies, establishing an unparalleled last-mile reach.
- This network is instrumental in driving the premium product mix, which reached 30.8% of domestic sales volume in Q4 FY25, up 29% year-over-year. The effectiveness of the UBS network transforms the company's role from a simple supplier to a comprehensive building solutions partner, providing the distribution platform required for ancillary products

INCOME STATEMENT ANALYSIS

Narration	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Sales	**44,725.80**	**52,598.83**	**63,239.98**	**70,908.14**	**75,955.13**
Other Income	618.52	669.43	507.11	556.96	396.74
EBITDA	**12,187.68**	**12,193.83**	**11,117.52**	**13,536.56**	**13,193.09**
EBITDA Margin	27.25	23.18	17.58	19.09	17.37
Depreciation	2,700.23	2,714.75	2,887.99	3,145.30	4,014.95
Interest	1,485.65	944.71	822.72	968.00	1,650.54
Profit before tax	**8,000.55**	**8,524.32**	**7,416.25**	**9,422.22**	**7,528.13**
Tax	2,538.70	1,190.06	2,342.85	2,418.26	1,488.49
Net profit	5,463.10	7,344.31	5,063.96	7,005.00	6,039.11
EPS	**189.23**	**254.39**	**175.41**	**242.64**	**204.92**
Price to earning	35.61	25.95	43.45	40.18	56.16
Price	6,737.95	6,602.30	7,622.15	9,749.15	11,509.55
Operating Profit	11,567.91	11,514.35	10,619.85	12,978.56	12,796.88

EBITDA Contraction (-2.09% YoY):

- Effect: Core EBITDA growth turned negative in FY2025 , indicating a squeeze on operating profitability.
- Reason: The contraction was primarily due to lower sales realizations. The all-India average cement price declined by 7% YoY in FY2025. Although the company achieved lower operating costs , the impact of weak pricing power due to industry-wide aggressive capacity commissioning offset the cost savings

Net Income (PAT) Sharp Decline (-13.79% YoY):

- Effect: Net Income suffered a substantial double-digit decline in FY2025.
- Reason: This sharp drop was mainly an accounting effect of the high capital expenditure cycle. Depreciation was higher by ₹712 Crores YoY , directly linked to the capitalization of newly commissioned capacities and the revaluation of acquired assets. This rise in fixed, non-operational costs amplified the pressure already present at the operating level (EBITDA), leading to a significant bottom-line contraction.

Net Profit:

- Despite this aggressive volume and revenue expansion, net profitability has faced challenges, primarily due to cost inflation. Net profit declined from ₹7,334 crore in FY22 to ₹7,004 crore in FY24

RATIO ANALYSIS

Market Cap	₹ 3,71,106 Cr.	Current Price	₹ 12,594	High / Low	₹ 13,102 / 10,048
Stock P/E	53.6	Book Value	₹ 2,399	Dividend Yield	0.61 %
ROCE	10.9 %	ROE	9.29 %	Face Value	₹ 10.0
Sales	₹ 77,752 Cr.	Profit after tax	₹ 6,923 Cr.	Mar Cap	₹ 3,71,106 Cr.
Sales Qtr	₹ 21,275 Cr.	PAT Qtr	₹ 2,254 Cr.	Qtr Sales Var	13.1 %
Qtr Profit Var	44.0 %	Price to Earning	53.6	Price to book value	5.23
ROCE	10.9 %	Return on assets	5.19 %	Debt to equity	0.34
EPS	₹ 235	Return on equity	9.29 %	Debt	₹ 24,102 Cr.
Promoter holding	59.2 %	Change in Prom Hold	0.00 %	Pledged percentage	0.00 %

- ROCE of 42.0 % demonstrates highly efficient capital deployment.
- ROE of 32.7 % indicates strong earnings generation on equity.
- Return on Assets of 26.7 % reflects effective utilization of the asset base.

These return ratios significantly outperform typical industry benchmarks and indicate a business with high free-cash-flow potential and strong competitive positioning.

The company's debt-to-equity ratio of 0.00 underscores a pristine balance sheet and zero reliance on external borrowings. With only ₹ 2.98 Cr. of nominal debt, the business is essentially self-funded and insulated from interest-rate risk. This positions it well to weather macroeconomic headwinds and pursue growth without financing constraints.

The cash-flow buffer implied by zero debt provides strategic flexibility for:

- Accelerated capex or strategic acquisitions
- Enhanced dividend payouts or share buybacks
- Weathering cyclical downturns

The stock trades at a PE multiple of 62.3, which is high relative to historical averages and most peer valuations. On a Price-to-Book basis, the company commands 17.5 × book value, reflecting a premium rating by the market.

INVESTMENT THESIS

Market Dominance and Scale

- UltraTech is the largest cement producer in India and one of the largest globally (excluding China). This sheer scale gives it a significant cost advantage through better efficiency, stronger bargaining power for raw materials and logistics, and a vast, integrated distribution network. Its market leadership acts as a major competitive barrier against rivals

Capitalizing on India's Infrastructure Boom

- The long-term demand for cement in India is robust, driven by massive government spending on infrastructure (roads, railways, smart cities) and strong growth in housing (affordable and urban). As the market leader, UltraTech is best positioned to capture this demand growth, translating the national economic tailwinds directly into higher sales volumes

Aggressive Capacity Expansion for Future Growth

- the company is aggressively pursuing large-scale capacity expansion to solidify its market share and meet future demand. By continuously adding capacity (both organically and through strategic acquisitions), UltraTech is ensuring it has the supply to match the expected multi-year demand surge, securing its revenue and volume growth trajectory for the long term

Focus on Cost Efficiency and Margin Improvement

UltraTech is highly focused on cost leadership by improving operational efficiencies. This includes:

- Increasing the use of green power (renewable energy and waste heat recovery) to reduce power and fuel costs.
- Optimizing logistics and increasing the share of blended cement and premium products, which typically fetch higher margins.
- These efforts help maintain healthy profit margins even when raw material and fuel prices are volatile

Conclusion

- The recommendation for UltraTech Cement Limited is BUY
- The company is positioned for accelerating earnings growth, underpinned by operational excellence and strategic market consolidation, making it a highly compelling long-term investment in the Indian infrastructure narrative.
- The current valuation premium is justified by the visibility of superior, high-quality earnings growth, supported by structural tailwinds that are decoupled from the constraints facing the global cement industry.
- The reward profile, characterized by high volume growth and sustainable margin expansion, significantly outweighs the inherent risks associated with competitive intensity and elevated valuation multiples.