

Company Update Post Entry Into Wire & Cable Business

Change in Estimates Post the Adani Infra Deal

FY25E/FY26E/FY27E: Revenue: 0%/0%/0%; **EBITDA:** 0%/0%/0%; **PAT:** 0%/0%/0%

Recommendation Rationale

- **Entry into the Wire & Cable business:** UTCL has entered the wire and cable business with a capital investment of Rs 1,800 Cr. The plant will be set up in Bharuch, Gujarat, with commercial operations expected to commence by December 2026. The company aims to cater to the growing demand for wires and cables across residential, commercial, infrastructure, and industrial applications. The wires and cables industry has witnessed a revenue CAGR of around 13% between FY19 and FY24. With a shift from the unorganised to the organised market, the outlook remains robust, presenting an attractive opportunity for a new trusted player in the sector. Management indicated that the C&W segment is a strategic fit, as it is a 'behind-the-wall' product and, like cement, is not a frequent repeat purchase.
- **Focus on Cement business to continue:** The company will continue to prioritise its core cement business, with total capital employed in the segment expected to reach Rs 1,00,000 Cr by FY27. Management has reiterated that it has no plans to enter any other building materials business. Additionally, its investment in the wire and cable segment will remain capped at Rs 1,800 Cr.
- **Investment in the Wire & Cable business to be ROCE accretive:** The Wire & Cable business to fetch ROCE of 25% upon full ramp-up by FY30-31, driven by an expected asset turnover of 5-7x. Additionally, working capital requirements are expected to remain minimal.

Sector Outlook: Positive

Current Valuation: 18.5x FY27E EV/EBITDA (Earlier Valuation: 18.5x FY27E EV/EBTDA)

Current TP: Rs 13,510/share (Earlier TP: Rs 13,510/share)

Recommendation: We maintain our **BUY** rating on the stock.

Outlook: The management highlighted that the Wire & Cable business is a strategic fit with its cement operations due to several factors: a) its strong brand presence in the market, b) an existing network of 4,500 UBS (UltraTech Building Solution) stores already selling wires of other brands, c) a well-established connection with the influencer community, including contractors and technical teams, and d) the fact that approximately 85% of wire sales come from the housing segment, where UTCL has a strong presence, particularly among urban real estate developers.

While the Rs 1,800 Cr investment in the W&C business is relatively small compared to the expected OCF generation of Rs 30,000-35,000 Cr over FY25-FY27 from the cement business, it raises concerns among investors due to diversification into an unrelated line of business.

Valuation & Recommendation: We remain positive on the growth prospects of the cement business and expect the company to achieve a Volume/Revenue/EBITDA/PAT CAGR of 11%/11%/19%/28% over FY24-FY27E. This growth will be driven by capacity expansion, market share gains, operational efficiencies, and benefits from industry consolidation. The stock is currently trading at 14x FY27E EV/EBITDA, and with the recent correction in stock price, valuations have turned reasonable. We maintain our BUY rating with a target price of Rs 13,510 per share, implying an upside potential of 33% from the current market price.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (x)	PE (x)	ROE (%)	ROCE (%)	EV/EBITDA (x)
FY25E	73,356	12,683	6,913	239	42	11	12	24
FY26E	85,403	17,720	10,108	349	29	14	16	17
FY27E	96,282	21,328	12,812	443	23	15	18	14

Source: Company, Axis Securities Research

(CMP as of 28th February, 2025)

CMP (Rs)	10,128
Upside /Downside (%)	33%
High/Low (Rs)	12,145/9,250
Market cap (Cr)	2,92,412
Avg. daily vol. (6m) Shrs.	4,00,000
No. of shares (Cr)	28.9

Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	60.0	60.0	60.0
FIs	18.2	18.0	17.0
MFs / UTI	11.8	11.6	12.3
Banks / FIs	0.0	0.1	0.1
Others	10.0	10.3	10.6

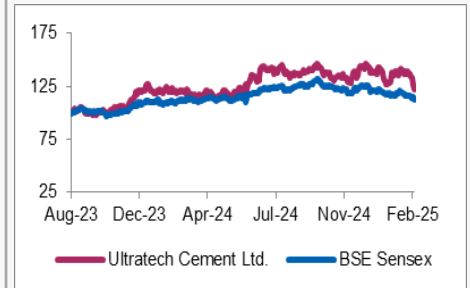
Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	73,356	85,403	96,282
EBITDA	12,683	17,720	21,328
Net Profit	6,913	10,108	12,812
EPS (Rs)	239	349	443
PER (x)	42	29	23
EV/EBITDA (x)	4.5	4.0	3.4
P/BV (x)	24	17	14
RoE (%)	11%	14%	15%

Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Sales	0%	0%	0%
EBITDA	0%	0%	0%
PAT	0%	0%	0%

Relative Performance



Source: Ace Equity

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Management Concall Highlight

- UTCL evaluated various building material segments, including pipes, tiles, wood adhesives, sanitary fittings, lights & fans (FMEG), and furniture, but found them lacking strategic synergy. The consumer durables business, such as air conditioners, was also ruled out as it fell outside the company's core competency.
- As part of its adjacency strategy, UTCL has been expanding its building products division, which already offers nearly 90 SKUs, including dry mortars, waterproofing agents, and AAC blocks. The Wire & Cable business emerged as a strategic fit due to its 'behind-the-wall' nature and low-frequency purchase cycle, similar to cement.
- The company expects a 60:40 revenue split between wires and cables, though capex allocation is harder to determine due to shared facilities and infrastructure. To support this venture, UTCL has begun assembling a dedicated management and sales team for the Wire & Cable business.
- The plant's location, approximately 100 km from Hindalco, ensures proximity to a key raw material source. Copper, which accounts for about 60% of the total raw materials in wire and cable manufacturing, will be sourced efficiently, providing a cost advantage.

Key Risks to Our Estimates and TP

- Lower Cement prices and Demand to impact performance
- A rise in commodity prices may impact margins

Change in Estimates

	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	85403	96282	85403	96,282	0%	0%
EBITDA	17720	21328	17720	21,238	0%	0%
PAT	10108	12812	10108	12,812	0%	0%

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Net sales	70908	73356	85403	96282
Other operating income	0	0	0	0
Total income	70908	73356	85403	96282
Raw Material	11903	13741	15390	16929
Power & Fuel	18283	17327	19059	21060
Freight & Forwarding	15881	16492	18389	20412
Employee benefit expenses	3038	3364	3633	3996
Other Expenses	8836	9749	11211	12556
EBITDA	12968	12683	17720	21328
Other income	617	820	769	770
PBIDT	13585	13504	18489	22098
Depreciation & Amortisation	3145	3583	4353	4765
Interest & Fin Chg.	968	1335	1365	1140
E/o income / (Expense)	-72	0	0	0
Associates	22	9	9	9
Pre-tax profit	9566	8595	12780	16203
Tax provision	2418	1694	2684	3403
Minority Interests	-1	12	12	12
APAT	7147	6913	10108	12812
Other Comprehensive Income	0	0	0	0
APAT after Comprehensive Income	7147	6913	10108	12812

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Total assets	100802	113047	122382	131446
Net Block	62906	77662	82276	86659
CWIP	6783	6783	6783	6783
Investments	5485	2985	5985	8985
Wkg. cap. (excl cash)	11825	11890	13444	14985
Cash / Bank balance	783	745	828	899
Other Assets	13021	12982	13066	13136
Total Liabilities	100802	113047	122382	131446
Equity capital	289	289	289	289
Reserves	59939	65097	73449	84505
Minority Interests	56	68	80	91
Borrowings	11403	18203	18203	15203
Def tax Liabilities	6448	6448	6448	6448
Other Liabilities and Provision	22668	22943	23914	24910

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Profit before tax	9422	8595	12780	16203
Depreciation	3145	3583	4353	4765
Interest Expenses	968	1335	1365	1140
Non operating/ EO item	-506	-820	-769	-770
Change in W/C	-481	248	-666	-615
Income Tax	1651	1694	2684	3403
Operating Cash Flow	10898	11247	14379	17319
Capital Expenditure	-9006	-18339	-8967	-9147
Investments	55	2500	-3000	-3000
Others	162	820	769	770
Investing Cash Flow	-8788	-15019	-11199	-11377
Borrowings	440	7000	0	-3000
Interest Expenses	-853	-1335	-1365	-1140
Dividend paid	-1094	-1732	-1732	-1732
Others	-417	-200	0	0
Financing Cash Flow	-1926	3733	-3097	-5872
Change in cash	184	-38	83	71
Opening Cash	370	554	515	599
Closing Cash	554	515	599	669

Source: Company, Axis Securities Research

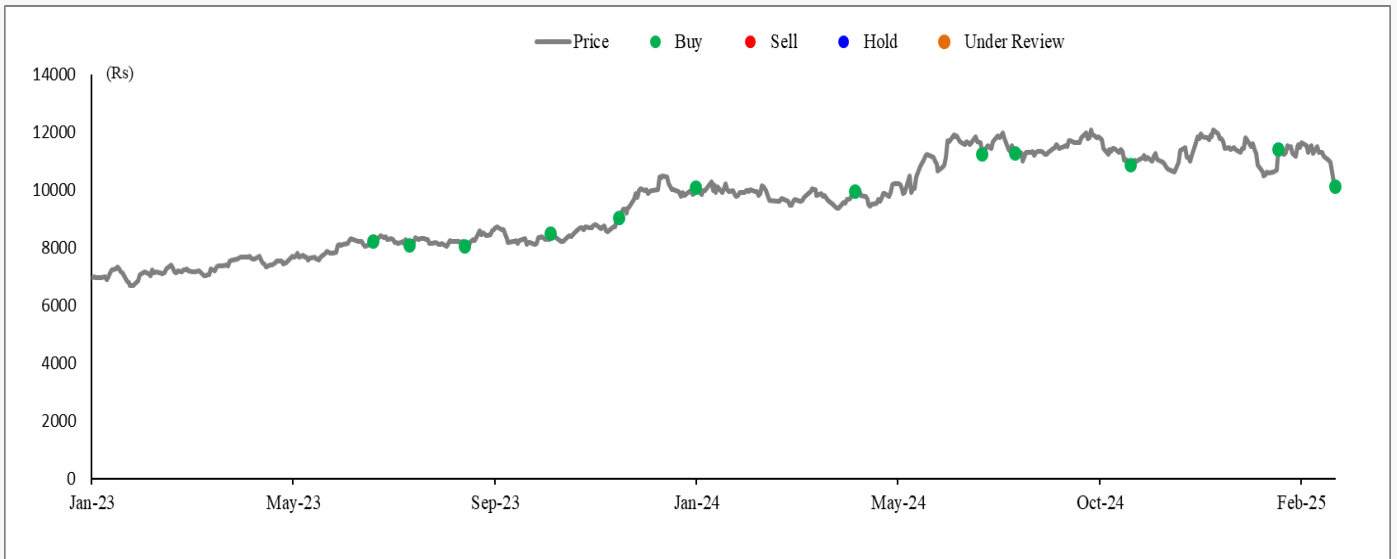
Ratio Analysis

(%)

Y/E March	FY24	FY25E	FY26E	FY27E
Operational Ratios				
Gross profit margin	35%	35%	38%	39%
EBITDA margin	18%	17%	21%	22%
PAT margin	10%	9%	12%	13%
Depreciation / G. block	4.5%	4.1%	4.5%	4.5%
Growth Indicator				
Sales growth	12%	3%	16%	13%
Volume growth	13%	9%	13%	10%
EBITDA growth	22%	-2%	40%	20%
PAT growth	39%	-2%	46%	27%
Efficiency Ratios				
Sales/Gross block (x)	1.02	0.84	0.883	0.909
Sales/Net block(x)	1.06	0.95	0.984	1.055
Working capital/Sales (x)	-0.06	-0.09	-0.037	0.004
Valuation Ratios				
PE (x)	41	42	29	23
P/BV (x)	4.8	4.5	4.0	3.4
EV/EBITDA (x)	23	24	17	14
EV/Sales (x)	4.2	4.2	3.6	3.1
MCap/ Sales (x)	4.1	4.0	3.4	3.0
EV/Tonne \$	231	182	173	158
Return Ratios				
ROE	12%	11%	14%	15%
ROCE	15%	12%	16%	18%
ROIC	16%	13%	17%	20%
Leverage Ratios				
Debt/equity (x)	0.2	0.3	0.2	0.2
Net debt/ Equity (x)	0.1	0.2	0.2	0.1
Net debt/EBITDA	0.4	1.1	0.6	0.2
Interest Coverage ratio (x)	11	7	10	15
Cash Flow Ratios				
OCF/Sales	15%	15%	17%	18%
OCF/EBITDA	84%	89%	81%	81%
FCF/Sales	3%	-10%	6%	8%
FCF/EBITDA	15%	-56%	31%	38%
OCF/Capital Employed	15%	14%	16%	18%
Payout ratio (Div/NP) (%)	28%	25%	17%	14%
AEPS (Rs.)	248	239	349	443
AEPS Growth (%)	41%	-4%	46%	27%
CEPS (Rs.)	357	363	501	608
DPS (Rs.)	70	60	60	60

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
22-Oct-24	BUY	12,000	Result Update
24-Jan-25	BUY	13,510	Result Update
03-Mar-25	BUY	13,510	Company Update

Source: Axis Securities Research

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