Ultratech Cement

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Operator: Good morning and welcome to the UltraTech Cement Limited earnings conference call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participants' lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star 0 on your touchtone phone. Please note that this call is being recorded. I now hand the conference over to Mr. Atul Daga, Business Head and CFO of UltraTech Cement Limited. Thank you, and over to you, sir.

Management: Thank you so much. Good evening and good afternoon, ladies and gentlemen. Once again, a very warm welcome to yet another call on a Saturday evening for UltraTech for the Q3 FY26 results. Before I begin, let me assure you we will not make this a habit of spoiling your Saturdays, but this Saturday is worth spending time on. Let me get to the core topic for discussion: demand. That is the most important aspect of our business. Everything else becomes secondary and falls in line. As we see the progress, government focus on infrastructure is translating into a robust pipeline of new projects nationwide, with several marquee investments announced across every region translating into solid demand. You must have all read about it in the media at different points in time, but let me put it into perspective.

Region by region: in the North, Punjab is taking extensive road development initiatives, spending about 16,000 crores in its markets. New corridors have been announced in the Delhi Metro for about 12,000 crores. Uttar Pradesh is developing a 1,575-kilometer metro network across major cities; of course, that goes through 2047. It is a long-horizon, multi-city infrastructure pipeline indicating sustained demand and significant opportunities for cement. Highway projects continue with investment in road connectivity and logistics corridors across the state, like the four-lane greenfield highway project between Barabanki and Mustafabad.

Moving to West India, Maharashtra is seeing a significant pipeline of large transport and mobility projects, signaling strong multi-year demand for cement and construction materials. Mega projects like the Uttan-Virar Sea Link at about 58,000 crores, Mumbai Metro expansions, Pune Metro multiple lines, and road concretization in Mumbai are underway. There is central clearance for the Pune-Chhatrapati Sambajinagar Expressway spanning 245 kilometers. There is a particular focus on improving connectivity for rural communities with nearly 350 kilometers of state highways, 2,577 kilometers of rural roads, and slum rehabilitation initiatives. All of these are going to boost urban cement demand. Expressways and ring roads in Nashik, Bhadravan, Bhandara, and Gadchiroli add further to the demand. Gujarat's nine high-speed corridors covering about 800 kilometers are fast-tracking connectivity. The Cabinet has approved two major highway projects worth over 20,000 crores, including the Nashik-Solapur highway, signaling continued momentum in India's integrated high-speed connectivity push under the PM Gati Shakti.

Stepping down into South India, Bangalore is undergoing a major mobility transformation with the metro network set to expand from 96 kilometers to 175 kilometers by the end of December 2027. The Karnataka government has unveiled an urban infrastructure program which will have the longest 40-kilometer twin tunnel, a 41-kilometer double-decker metro, and 110-kilometer elevated corridors. The Center has approved a 10,000 crore expansion of four key highways measuring about 273 kilometers, which will improve connectivity across Telangana. New Mangalore Port has announced capacity expansion to handle 100 million tons by 2047.

We cannot forget the Eastern corridor. West Bengal has its own challenges but is planning its largest road initiatives, an 8,487 crore program involving 15,000 kilometers of rural roads and 5,119 kilometers of urban roads. Bihar is rolling out three major Ganga road projects worth 17,000 crores: Digha-Shiverpur and Bihta-Koilwar at 35 kilometers, Munger at 42 kilometers, and Sultanganj-Bhagalpur at 41 kilometers. I am not advocating or speaking on behalf of NHAI, but this is what the story surfacing is. In Chhattisgarh, the Center has approved 774 kilometers of roads covering over 2,000 kilometers under PMGSY-IV. The state has already completed 8,753 roads and bridges under the same phase. Major rail expansions across Maharashtra, Chhattisgarh, Gujarat, and Madhya Pradesh reflect the scale and diversity of investment underway.

To give you perspective, roads and highways require approximately 350-900 tons per kilometer. With thousands of kilometers under construction or planned across all regions, this is going to be huge. Elevated metros require 11,000 metric tons per kilometer, while underground metros require anywhere between 17,000 to 19,000 metric tons per kilometer. Railways require 9,200 metric tons of cement. Ports and airports require 250 kilograms per square foot. Regarding housing, low-income housing programs, affordable housing, and rural connectivity projects sustain steady demand. With a strong project pipeline, demand for cement will remain continuous and as strong as possible. Infrastructure is seeing the next big wave of growth. This implies more jobs, more demand for housing, and more social infrastructure like schools, hospitals, and commercial complexes.

We are present across the country. Our RMC network covers 163 cities and is rapidly expanding. UltraTech is positioned to meet the demand like nobody else. We are witnessing unprecedented growth in new areas like data centers, GCCs, and renewable energy projects. As someone said, India has arrived. It is a market with a population of over 1.4 billion people, a young working class, and opportunities across the land bank for development. At UltraTech, we are fully geared up to capture these opportunities. Our approach remains rooted in disciplined execution and advancing our next phase of capacity expansion while ensuring every investment is backed by rigorous cost control and operational efficiency. In our fourth phase of expansion, a large part of the orders have already been placed. Work has commenced, and we will be on time.

Importantly, we are funding all our growth through internal accruals, maintaining a prudent balance sheet and a healthy leverage profile. This, combined with our pan-India network and deepening retail footprint, positions us to capture incremental demand at a rapid pace while safeguarding our margins. You would have seen our position at the end of this quarter; on a consolidated basis, we are at 1.08x net debt to EBITDA. I am confident we will reach the mark of 1x and be at 0.8-0.9x net debt to EBITDA by the end of this fiscal year.

Integration of recent acquisitions is progressing very well with rapid brand transition. Kesoram and India Cements are ahead of the initial plans, with brand conversion at Kesoram having reached 69% in December 2025. India Cements has already crossed 58% at the end of December 2025. For both these assets, we have begun our cost-improvement capex program, which will result in benefits reflecting in the P&L; from Q4 FY27. At Kesoram, we have already spent 263 crores out of a commitment of about 382 crores. At India Cements, we have committed 601 crores and spent 144 crores on the program.

Regarding other capex initiatives, the cable and wires segment is progressing as per plan. About 500 crores worth of orders have been placed, and we have spent 197 crores. 30% of the planned team is already on board, civil work has started, and we are on schedule to launch our product in Q3 FY27. Talking about our efficiency improvement program, we continue to deliver solid and measurable results. I am confident we will perform better than what we committed. We shall provide an exact quantification and financial impact with our annual results. However, you would have noticed the lead distance has dropped to 363 kilometers. The clinker-to-cement conversion factor has improved to 1.49.

The most important factor is having a strong demand pipeline. You will notice that in the January-March quarter, we will operate at more than 90% of our existing installed capacity, demonstrating growth in trade and non-trade markets. If demand is good, everything else falls in line; ultimately, it is about the bottom line. Quite often, everyone is focused on cement prices, which remained subdued post-September. October and November saw some softening in prices. However, with growing demand, we are witnessing improvements in prices in all segments across the country. There have been cost increases in pet coke and coal, a new labor code will have its impact, and there is rupee depreciation. All these will have an impact on the industry, and there is reason to pass on these cost escalations into prices. We are very confident of a bright future for the coming quarters. This story is far longer than just FY27. As India embarks on the next decade of development, UltraTech is proud to play a pivotal role in building the nation's future. We remain confident that our strategic initiatives and positive outlook will allow us to continue delivering growth faster than the industry. We welcome you to participate in our journey. Thank you, and over to you for questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Amit Kumar Murarka from Axis Capital. Please go ahead.

Amit Kumar - Axis Capital: Hi, good evening. Congratulations, Mr. Daga, for a great result. No one expected both a volume and margin beat, which is quite heartening to see. Regarding pricing, there is a lot of industry capacity addition coming through this year. What do you think the industry's stance will be in this high-expansion scenario?

Management: The reason I discussed the demand footprint and new initiatives is that I think cement will easily be absorbed. If demand remains strong, we will not see any problem with prices.

Amit Kumar - Axis Capital: Understood. Regarding India Cements, I see the EBITDA per ton was about 400. You had earlier guided for a 1,000 rupee exit in Q4 FY27. Will this improvement be through cost or will some pricing be required to achieve that?

Management: That was for Q4 FY27, one year down the line. The brand conversion that has already taken place has helped the performance. The remaining 40-45% of brand conversion needs to be completed, and prices are going up in the southern markets as well. Further, the capex program for efficiency improvement has begun. We need all factors—prices, efficiency, and capacity utilization—to deliver as planned.

Amit Kumar - Axis Capital: Understood. Lastly, could you provide the clinker-to-cement ratio for the quarter?

Management: It was 1.49.

Amit Kumar - Axis Capital: That is all from me. Thank you.

Operator: Thank you. We have the next question from the line of Pulkit from Goldman Sachs. Please go ahead.

Pulkit - Goldman Sachs: Thank you for taking my questions. I echo the view that these are good numbers. On a lighter note, your opening remarks sounded like a budget speech. I do not see the plant-by-plant capacity addition guidance for Q4 and the next two years. How much capacity will be added in Q4, FY27, and FY28?

Management: We should have approximately 8-9 million tons more coming in this quarter. We expect 12 million tons in FY27, and the remaining balance will be in FY28.

Pulkit - Goldman Sachs: Perfect. Thank you so much.

Management: And Pulkit, I am very well entrenched in the private sector.

Pulkit - Goldman Sachs: Sure, thank you.

Operator: Thank you. We have the next question from the line of Jashwandeep Singh Chadda from Nomura. Please go ahead.

Jashwandeep Singh Chadda - Nomura: Hi, thank you for the opportunity and congratulations on a great set of numbers. The detail you gave on projects is better than most departments working on them. My first question is on rural demand. How has rural demand recovered in Q3, what are you seeing in Q4, and what are your expectations for the year ahead? Also, any expectations from the budget for the cement sector?

Management: Regarding the last question, I will not comment on that. On rural demand, a simple way to look at it is our trade ratios. If our trade ratios remain strong, rural demand is equally buoyant. We are not witnessing any depression in rural demand; Q4 should be solid.

Jashwandeep Singh Chadda - Nomura: Understood. Regarding cost savings, there was a target of 350 rupees per ton over the next couple of years. Could you give us a sense of how much of this has been realized and what is coming in future quarters?

Management: It is difficult to quantify this quarter-by-quarter because the July-September quarter is usually weak, so costs can go up, while January-March shows high delivery. It is best to see results on an annual basis. Regarding direction, we mentioned a base of 400 kilometers with a 25-kilometer lead reduction target, which would take us to 375 kilometers. We have already reached 363 kilometers. There are several other initiatives helping with efficiency. Similarly, we targeted a clinker conversion factor of 1.54, and we have reached 1.49. We are moving in line with the targets. Last year, we delivered about 86 rupees per ton on those quantified targets. I expect we should cross the 100 rupee mark on those efficiency programs this fiscal year.

Management: To add to that, the renewal energy share has gone to almost 41% and is likely to reach 60% going forward. Fundamentally, we are on track. While there may be quarterly fluctuations due to the cyclical nature of the industry, as a whole, we are on the right track.

Jashwandeep Singh Chadda – Nomura: Thank you. Any impact of increasing input costs in Q4?

Management: It is difficult to say where the dollar will be in Q4. However, we are managing our middle line well; our fuel cost remained at 18 per Kcal this quarter. I do not expect costs to go up significantly as raw material costs have matured. Maintenance costs, which typically spike in Q2, will be normal in Q4.

Jashwandeep Singh Chadda – Nomura: Understood, thank you.

Operator: Thank you. We have the next question from the line of Rahul Gupta from Morgan Stanley. Please go ahead.

Rahul Gupta – Morgan Stanley: Thank you. You talked about cost inflation and improved demand supporting cement prices. As infrastructure demand returns, it should drive non-trade segment pricing higher. Does that mean that even if cement prices move up, realization may remain under pressure over the next year because of the mix?

Management: Even if infrastructure demand increases, non-trade prices will also harden. We do not see any reason for a problem. In fact, over the last two or three quarters, the gap between non-trade and trade prices has narrowed dramatically.

Rahul Gupta – Morgan Stanley: This is very helpful, thank you.

Operator: Thank you. We have the next question from the line of Pinakin Pareek from HSBC. Please go ahead.

Pinakin Pareek – HSBC: Thank you. Congratulations on the numbers. Demand and pricing improved in January, but regarding the December quarter, despite multiple acquisitions in the South, pricing has not shown more stability as expected. What needs to change in the industry dynamics in the South for pricing to be more stable?

Management: More demand. Demand is opening up, and I stand by my statement that the South will be the new North. The North is getting stronger, but the South is witnessing large institutional demand from the Amaravati city project, data centers, and highways. The young population in these IT hubs will demand more housing and social infrastructure. We are looking at long-term stability and reliability for the sector.

Pinakin Pareek – HSBC: If institutional demand in the South starts coming up in a big way, can 2026 see a break from the historically volatile pricing?

Management: I think 2026 will be a fabulous year.

Pinakin Pareek – HSBC: Got it, thank you.

Operator: Thank you. We have the next question from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah – Investec: Hi, thanks for the opportunity. Could you spell out the industry demand growth for Q3 and for the nine-month period?

Management: For Q3, we expect all-India demand growth was between 9-10%. For the nine-month period, it would be around 6.5-7%.

Ritesh Shah – Investec: Regarding the sourcing of fly ash and slag, what is the nature of the contracts, and how is the pricing trending?

Management: Power plant and steel plant capacities are increasing, so there is enough supply. We have a mix of long-term and short-term domestic and import sourcing. We are fully secure.

Ritesh Shah – Investec: Is there any limiting factor to improving our clinker factor?

Management: No, none whatsoever.

Ritesh Shah – Investec: Regarding India Cements, is there any update on non-core asset sales or the merger timeline?

Management: Regarding non-core assets, they are essentially land parcels. We recently sold the mining company in Indonesia and realized the funds, which helped keep debt under control. There are a couple of large land parcels under discussion. I expect further generation of at least 500 crores. Regarding the legal structure, there is an Enforcement Directorate case attached to some of the company's assets, including properties in Hyderabad. We are seeking legal opinion on the implications before making further decisions.

Ritesh Shah – Investec: For India Cements, did you indicate 144 crores spent out of 601 crores?

Management: Correct.

Ritesh Shah – Investec: And of the non-core asset sales, how much has been realized so far?

Management: Close to 200-250 crores.

Operator: Thank you. We have the next question from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain – Ambit Capital: Thank you. Just a clarification on capex. You mentioned 12 million tons next year and the balance in FY28. Does that mean the entire 22 million tons currently announced will be commissioned by FY28?

Management: Yes.

Satyadeep Jain – Ambit Capital: So you are not expecting anything to spill over into FY29?

Management: No, FY29 is too far. At most, a project might experience a quarter's delay. We will provide a quarterly projection for when we expect capacities to commission.

Satyadeep Jain – Ambit Capital: On power costs, captive power costs have been declining. What is driving that?

Management: It is the average cost of power and fuel efficiency. Our fuel efficiency has improved, and our power cost went from 7.1 to 6.5. There is also the impact of the coal mix.

Operator: Thank you. We have the next question from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain – Macquarie: Good evening, sir. The numbers are fantastic. Given that most demand drivers are infrastructure-led, do you see a change in the product mix from PPC to OPC?

Management: We could see infrastructure demand converting to non-OPC products. There is strong advocacy, and a gradual conversion is happening. Most institutional players do the mixing at the project site, but some have started accepting blended products from the manufacturer. RMC accounts for about 3% of our total cement volumes and is growing rapidly. Bulk cement is also increasing significantly, which helps institutional margins.

Ashish Jain – Macquarie: If onsite blending is increasing, does that mean we have surplus supply?

Management: No, it is going up because of RMC and the slow conversion happening due to advocacy.

Ashish Jain – Macquarie: All right, thank you.

Operator: We have the next question from the line of Indrajit Agrawal from CLSA. Please go ahead.

Indrajit Agrawal – CLSA: Hi, thanks for the question. What is the spot pet coke price compared to the Q3 level?

Management: It is ranging between 117-119.

Indrajit Agrawal – CLSA: In Q3, regarding the 3% sequential price decline, how was that split between trade and non-trade?

Management: The non-trade drop was sharper.

Indrajit Agrawal – CLSA: Thank you.

Operator: Thank you. We have the next question from the line of Raashi Chopra from Citigroup. Please go ahead.

Raashi Chopra – Citigroup: Thank you. Regarding pricing, where are we compared to Q3 currently?

Management: We are up roughly 3-4 rupees on a naked cement realization basis. If the realization is up 3-4 rupees, market prices are up around 6-8 rupees.

Raashi Chopra - Citigroup: You mentioned being able to pass on higher costs.

Management: We are effectively sold out. If I am in a sold-out position, I have to service my highest-paying customers.

Raashi Chopra - Citigroup: What will the total Indian capacity be by the end of FY26, FY27, and FY28?

Management: It should reach 235 million tons by FY28. For FY26, it should be around 198-199 million tons, followed by 12 million tons more in FY27.

Raashi Chopra - Citigroup: In Q2, you indicated India Cements' EBITDA per ton was 755. What is that number this quarter?

Management: It would be around 600 rupees this quarter.

Raashi Chopra - Citigroup: And you expect full branding to be achieved by June 2026?

Management: We should be on time. We have already crossed the 70% mark for Kesoram and around 55% for India Cements.

Operator: Thank you. We have the next question from the line of Siddharth Mehra from Kotak Securities. Please go ahead.

Siddharth Mehra - Kotak Securities: Thank you. What is UltraTech's market share for this quarter and where do you aspire for it to be in two to three years?

Management: We do not have a specific published number for market share, but since our capacity utilization has been higher than the industry, there is an evident gain. We expect to keep growing in line with India's growth story.

Siddharth Mehra - Kotak Securities: Regarding consolidation, are there additional targets you are considering to have better control over industry dynamics?

Management: It is highly opportunistic. We would examine opportunities if they come to the table, but nothing is currently in progress.

Operator: Thank you. We have the next question from the line of Harsh Mittal from MK Global Financial Services. Please go ahead.

Harsh Mittal - MK Global Financial Services: What have been the clinker capacity additions in FY26 to date and what is planned for Q4?

Management: We have added two lines, each at 10,000 TPD, which translates to about 3.5 million tons per year each. One is in Rajasthan, so that is 7 million tons of capacity.

Harsh Mittal - MK Global Financial Services: And what was the premium product share this quarter?

Management: The premium share was 36%.

Operator: Thank you. We have the next question from the line of Ankur Purushottam from Cognito Advisors. Please go ahead.

Ankur Purushottam – Cognito Advisors: EBITDA is up considerably while some costs have moved. Logistics and fuel costs went down, while raw material costs went up. Is the increase in EBITDA entirely out of operating leverage? What is the trajectory for the next 15 months?

Management: Operating leverage is playing a positive role. While prices were a dampener, volumes provided operating leverage and efficient cost management. The raw material cost increase is linked to the clinker conversion ratio, which gives us partial benefits on the power and fuel side. We definitely expect increasing EBITDA per ton over the next 15 months.

Operator: Thank you. We have the next question from the line of Giriraj Daga from Yes Securities. Please go ahead.

Giriraj Daga – Yes Securities: These are superb numbers. Regarding employee costs, is this quarter a one-off? And can we expect an EBITDA per ton of 1,100 to 1,200 for Q4?

Management: We will do much better in Q4 than we did this quarter, though I will not give a specific number. Regarding employee costs, annual compensation increases and support for new capacity additions are reflected there. If you look at Q3 compared to Q2, you will not see a dramatic move beyond that.

Operator: Thank you. We have the next question from the line of Naveen Sahadeo from ICICI Securities. Please go ahead.

Naveen Sahadeo – ICICI Securities: Congratulations on the volume growth. In your other operating income, the difference between net revenues and net sales increased sequentially by almost 88 crores. Was there any one-off in incentives?

Management: New incentives kick in while old ones get exhausted. For instance, our Dhar Line 1 incentive ended, while Dhar Line 2 kicked in. Incentives also fluctuate based on volumes moving from plants to specific markets.

Naveen Sahadeo – ICICI Securities: Regarding India Cements, freight costs dropped significantly by over 27% quarter-on-quarter. Is this the new normal due to brand transition?

Management: It is a combination factors, and when the brand transition is fully completed, you will see the real benefit. This is not a one-off.

Operator: Thank you. We have the next question from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah – Dolat Capital: What was the nine-month capex, and what is the guidance for FY26, FY27, and FY28?

Management: The nine-month capex was 7,200 crores. We expect to spend 2,500-2,800 crores in this quarter, bringing the total for the fiscal year to around 9,500-10,000 crores.

Shravan Shah - Dolat Capital: In FY27, when we add 12 million tons, will 5-6 million tons be added in the first half?

Management: It depends on multiple moving parts, but we can estimate around 4-5 million tons in the first half.

Shravan Shah - Dolat Capital: What is the demand expectation for Q4?

Management: Targeting 9-10% might be optimistic given the high base of last year, but we expect robust demand.

Shravan Shah - Dolat Capital: Is the 1.54 clinker-to-cement ratio target for FY28?

Management: Yes, between FY27 and FY28.

Shravan Shah - Dolat Capital: And the 3-4 rupee price hike is an average across trade and non-trade?

Management: Yes, that is the average.

Operator: Thank you very much. Ladies and gentlemen, as there are no further questions, this concludes the question-and-answer session. On behalf of UltraTech Cement Limited, that concludes this conference. Thank you for joining us today. You may now disconnect your lines.