



28<sup>th</sup> March, 2024

BSE Limited  
Corporate Relationship Department  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai 400 001.  
Tel.: 22721233/4  
Fax: 022 2272 2039  
**Scrip Code: 532538**

The Manager  
Listing Department  
The National Stock Exchange of India Limited  
"Exchange Plaza", Bandra-Kurla Complex,  
Bandra (East), Mumbai 400 051.  
Tel.: 26598236  
Fax: 2659 8237 / 38.  
**Scrip Code: ULTRACEMCO**

**Sub:** Affirmation of credit rating

**Ref.:** a) Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")  
b) ISIN: INE481G01011

---

Dear Sirs,

We write to inform that India Ratings has affirmed its IND AAA'/Stable issuer rating of the Company's Non-convertible debentures.

Copy of the press release issued is attached.

This is for your information and records, please.

Thanking You,

Yours faithfully  
For UltraTech Cement Limited

Sanjeeb Kumar Chatterjee  
Company Secretary and Compliance Officer

Encl. a/a.

Luxembourg Stock Exchange  
BP 165 / L – 2011 Luxembourg  
Scrip Code:  
US90403E1038 and US90403E2028

Singapore Exchange  
11 North Buona Vista Drive,  
#06-07 The Metropolis Tower 2,  
Singapore 138589  
ISIN Code:  
US90403YAA73 and USY9048BAA18



**UltraTech Cement Limited**

Registered Office : Ahura Centre, B – Wing, 2<sup>nd</sup> Floor, Mahakali Caves Road, Andheri (East), Mumbai 400 093, India  
T: +91 22 6691 7800 / 2926 7800 | F: +91 22 6692 8109 | W: www.ultratechcement.com/www.adityabirla.com | CIN : L26940MH2000PLC128420

## India Ratings Affirms UltraTech Cement and its NCDs at 'IND AAA'/Stable

Mar 28, 2024 | Cement & Cement Products

India Ratings and Research (Ind-Ra) has taken the following rating actions on Ultratech Cement Limited (UCL) and its debt instruments:

### Details of Instruments

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating Assigned along with Outlook	Rating Action
Long-term Issuer Rating						IND AAA/Stable	Affirmed
Non-convertible debentures	INE481G07190	22 August 2016	7.53	21 August 2026	INR5	IND AAA/Stable	Affirmed
Commercial paper	-	-	-	Up to 12 months	INR50	IND A1+	Affirmed
Non-fund-based limits <sup>^</sup>	-	-	-	-	INR146.5 (reduced from INR176.24)	IND A1+	Affirmed
Fund-based limits	-	-	-	-	INR9.5	IND AAA/Stable/IND A1+	Affirmed
Fund-based limits					INR19	IND AAA/Stable/IND A1+	Assigned
Short-term loans	-	-	-	-	INR2.75	IND A1+	Affirmed
Proposed bank limits					INR0.86	IND AAA/Stable/IND A1+	Affirmed

<sup>^</sup>includes a sub-limit of INR2.5 billion of the short-term loan

### Analytical Approach

Ind-Ra continues to take a consolidated view of UCL and [its subsidiaries](#) while arriving at the ratings, as all the companies operate in the cement and related space and have strong operational and strategic linkages among them.

### Detailed Rationale of the Rating Action

The affirmation reflects UCL's continued strong business profile with the leadership position in the Indian cement industry and a diversified presence across all five regions in the country. The ratings also reflect the company's healthy consolidated operational performance with growth in volumes and recovery in profitability in 9MFY24 and Ind-Ra's expectation of continued growth and healthy profitability in the near-to-medium term. The affirmation also reflects a strong financial profile with a low net leverage ratio and strong liquidity, which is likely to remain despite the ongoing and planned capex.

### List of Key Rating Drivers

#### Strengths

- Leadership position in cement industry
- Strong geographical diversification with pan-India presence
- Organic and inorganic expansions and presence in growth regions to drive outperformance
- Recovery in profitability in FY24; Absolute EBITDA to grow even as pricing pressure
- Credit profile to remain strong despite sizeable capex and inorganic expansion
- Successful track record of integration with acquired assets provides visibility for turnaround of Kesoram Industries Ltd (KIL)

#### Weakness

- Susceptible to volatility in input prices and industry cyclicality

### Detailed Description of Key Rating Drivers

**Leadership Position in Cement Industry:** UCL has a dominant market position globally (third-largest excluding China) and is the largest cement manufacturer in India. It had a domestic grey cement capacity of 133 million tonnes per annum (mnt) at end-December 2023 (end-December 2022: 121.4mnt) which is around 22% of the domestic market and over 70% higher than its closest competitor. Also, it has a strong distribution network consisting of over 129,000 channel partners, enabling penetration into its target markets. The company has grown through organic and inorganic routes, including acquisition of the assets of Jaypee Associates Limited, Century Textiles and Industries Limited (Century Textiles) and Binani Cement Limited (subsequently renamed UltraTech Nathdwara Cement Limited), doubling its capacity in the past seven years. UCL plans to gradually increase its capacity to 157.4mnt by FY25 and to 179.3mnt by FY27, which is likely to aid its market position over the medium term. Furthermore, the proposed acquisition of KIL's cement business will strengthen UCL's market position. UCL is also a leading player in the white cement/wall putty segment with a total capacity of 2mnt. Additionally, the company is backward integrated with adequate limestone reserves in its captive mines and captive coal blocks in Madhya Pradesh.

**Strong Geographical Diversification with Pan-India Presence:** UCL is one of the three groups in the Indian cement industry to have a pan-India manufacturing presence, with no region accounting for more than 25% of the total capacity. The inorganic expansions have strengthened UCL's market position, giving it further access to India's interiors, particularly in key micro markets in northern, western and eastern India. The company has a leading market position in most regions. The company's phase 1 and phase 2 expansions have been focused on the high growth potential regions of eastern and central India with planned addition of 17.3mnt and 11.4mnt of capacity, respectively, in these regions over FY22-FY25 (of the total likely addition of 46mnt). Ind-Ra believes the geographical spread of this capex augurs well for the company's near-to-medium term growth as the eastern and central regions are under penetrated with low per capita consumption of cement along with a high rural consumption and benefits from the government's low-cost housing schemes. The third phase of growth over FY26-FY27 would be focused on the southern and the eastern regions, while also adding capacities in the north and west markets.

**Organic and Inorganic Expansions and Presence in Growth Regions to Drive Outperformance:** UCL has continued to outperform the industry average, growing at 14%-15%yoy over FY23-9MFY24 (industry average of around 9%). Realisations remained flattish yoy in 9MFY24 as the industry players focused on volume growth amid softening input costs. As a result, UCL's revenue from India operations grew 13%yoy to INR488.4 billion, led completely by volume growth. Ind-Ra expects India's cement demand to grow 5%-7% yoy in FY25, with the government's continued thrust on infrastructure spending, a healthy housing demand, and increasing commercial demand, with UCL potentially continuing to outperform, aided by its strong pan-India presence as well as capacity expansion and ramp-up of the recently commenced plants in east and central India and possible completion of its proposed acquisition.

**Recovery in Consolidated Profitability in FY24; Absolute EBITDA to Grow amid Pricing Pressure:** UCL's strong business profile is supported by robust realisations and lower-than-average costs due to operational efficiencies, resulting in a strong EBITDA/metric tonne (mt). Consolidated operating EBITDA/mt recovered to INR1,055/mt in 9MFY24 (9MFY23: INR986, 9MFY22: INR1,273/mt) with EBITDA/mt rising to INR1,191/mt in 3QFY24 as fuel costs moderated after shooting through the roof in FY23 after the Russia-Ukraine conflict. The reductions in costs coupled with higher volumes led to the absolute EBITDA rising 21%yoy to INR88.5 billion in 9MFY24. While realisations were flattish yoy in 9MFY24, the exit prices in March are likely to be lower than the FY24 average, given the continuous monthly decline in 4Q. Ind-Ra believes cement prices could witness some decline in FY25 as companies focus on increasing volumes and strengthening market share amid the influx of decadal-high capacities. However, benign fuel costs and cost efficiency measures taken by the company are likely to cushion the impact of weak realisations. UCL improved its operating efficiencies by increasing the share of green power (3QFY24: 24%, FY22: 18%, FY19: 7%), adding over 110MW of renewable capacity in 9MFY24. Furthermore, UCL's planned green power addition over the next couple of years to increase the share to 60% by FY26 will structurally benefit its profitability. The company has a captive thermal power capacity of 1,188MW which coupled with its green power caters to majority of its total power requirement. Ind-Ra believes that with the likely growth in volumes, UCL's absolute EBITDA would continue to grow.

**Credit Profile to Remain Strong Despite Sizeable Capex and Inorganic Expansion:** Despite capex of around INR170 billion incurred over FY22-9MFY24 towards expansion projects, UCL's consolidated net leverage (net debt/operating EBITDA) remained low at 0.5x at end-9MFY24 (FY23: 0.2x, FY22: 0.3x, FY21: 0.6x) owing to its robust cash flows. The consolidated EBITDA interest coverage also remained strong at 12.5x in 9MFY24 (FY23: 12.9x, FY22: 12.2x) and is likely to remain strong over the medium term. In addition to completing the ongoing phase 2 capex as well as efficiency enhancement initiatives, UCL could incur capex of around INR130 billion on its phase 3 capex by FY27, likely to be funded by internal accruals. However, given the strong cash flows, Ind-Ra expects UCL's net leverage to remain below 1x in the near-to-medium term despite the announced organic capex.

Furthermore, the board of directors of UCL, on 30 November 2023, approved a composite scheme of arrangement between UCL, KIL, their respective shareholders and creditors involving the demerger of the cement business of KIL into UCL. The cement business of KIL consists of two integrated cement units, one each in Sedam (Karnataka) and Basantnagar (Telangana), with a total capacity of 10.75mnt, of which 8.50mnt is clinker backed and 2.25mnt is a surplus grinding capacity. The cement business also has a 0.66mnt packing plant in Solapur, Maharashtra. KIL's cement business reported revenue of INR35.2 billion in FY23. The transaction does not involve any cash payment and the consideration will be discharged by way of an allotment of shares in UCL to KIL's shareholders. Upon the scheme coming into effect, UCL shall issue 5.97 million equity shares (one share for every 52 equity shares of KIL) to KIL's equity shareholders. UCL will also issue 6.35 million preference shares of INR100 each against 10.9 million preference shares of KIL. The transaction implies an enterprise value of around INR75 billion (including net debt of around INR20 billion at KIL), translating into enterprise value/mt of USD83 on the cement capacity. UCL might incur further capex for the development and improvisation of the facilities as required. The transaction is likely to be consummated within 12 months from the board approval subject to various approvals.

Ind-Ra believes that upon consummation of the transaction in FY25, UCL's domestic cement capacity will increase by around 8% over the capacity of 133mnt at end-December 2023, increasing its capacity share to 24%-25% (FY23: 22%-23%) in the total capacity. Besides, UCL's ongoing organic expansion plans would lead to a capacity enhancement in the interim period. Furthermore, the acquisition will significantly strengthen UCL's market position in the southern region, increasing its capacity share to 17%-18% (FY23: 11%-12%) while bolstering its sales in the western region. While KIL's net debt was high at INR16.6 billion at end-September 2023, Ind-Ra does not expect any material impact on the financial profile of UCL after the acquisition, given the latter's large scale of operations and strong financial profile.

**Successful Track Record of Integration with Acquired Assets Provides Visibility for Turnaround of KIL:** UCL has a successful track record of turning around and integrating acquired assets as indicated in the case of UltraTech Nathdwara Cement and Century Textiles which have been generating healthy EBITDA/mt and capacity utilisations. KIL reported a moderate EBITDA/mt of a little over INR500 in 1HFY24, well below UCL's (India operations) EBITDA/mt of around INR1,000. However, Ind-Ra draws comfort from UCL's successful track record of optimising profitability from acquired assets within a couple of years through cost optimisation, quality alignment and re-branding.

**Susceptible to Volatility in Input Prices and Industry Cyclicity:** Any sharp increase in the key input prices, including pet coke, coal and diesel, without a corresponding increase in cement prices could affect the company's EBITDA. UCL's EBITDA/mt remains exposed to its ability to maintain its operating parameters amid the inherent cyclical trends in the demand and supply of cement. However, with its pan-India presence and cement being a regional commodity, the commodity risks are mitigated partially.

## Liquidity

**Superior:** UCL had sizeable cash and equivalents of around INR50.4 billion at end-December 2023 (FY23: INR72 billion) at the consolidated level, notwithstanding the reduction owing largely to fund the expansion programmes. UCL has been reporting large positive cash flow from operations and positive free cash flow for over a decade. UCL's cash flow from operations remained robust at around INR80 billion in FY22-FY23 (FY23: INR81.5 billion) with a stable working capital at 5.2% of net revenue (FY22: 5.3%). For the 12 months ended December 2023, UCL's average maximum monthly utilisation of the fund-based limits was low at around 55% and that of the non-fund-based limits was around 45% and is likely to have remained at similar levels in 4QFY24. The company has scheduled term debt repayment of INR10.7 billion in FY24 and INR20.4 billion in FY25, respectively, which are likely to be met comfortably through internal accruals. In addition, the company has a potential liability of INR10 billion of preference shares. Ind-Ra believes that UCL has sufficient liquidity to meet this liability if and when it materialises.

## Rating Sensitivities

**Positive:** Not applicable

**Negative:** A negative rating action could result from a higher-than-expected debt-funded capex/investment, leading to the net leverage exceeding 2x on a sustained and consolidated basis.

## Any Other Information

**Strong Standalone Performance:** UCL's standalone revenue grew 13% yoy to INR489.4 billion in 9MFY24 while EBITDA increased to INR83 billion (9MFY23: INR67.9 billion, FY23: INR99.3 billion) owing to cost reduction, leading to an improvement in interest coverage to 13x (11.7x, 13.2x). Gross debt increased slightly to INR91.6 billion at end-September 2023 (FY23: INR87.5 billion) while cash and equivalents declined to INR41.1 billion (FY23: INR68.2 billion) amid an increase in working capital and ongoing capex. Notwithstanding the increase, the net leverage was strong at 0.4x (FY23: 0.2x) at end-September 2023.

## ESG Issues

**ESG Factors Minimally Relevant to Rating:** Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on UCL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

## About the Company

UCL is the largest manufacturer of grey cement, ready mix concrete and white cement in India. It has 24 integrated plants and 30 grinding units, eight bulk terminals, one white cement and three putty plants and over 100 ready mix concrete plants. Its operations span across India, the UAE, Bahrain, Bangladesh and Sri Lanka.

### KEY FINANCIAL INDICATORS - CONSOLIDATED

Particulars (INR billion)	FY23	FY22
Revenue	632.4	526
Operating EBITDA	106.2	115.1
Net debt	27	39
Net leverage (x)	0.2	0.3
Source: UCL, Ind-Ra		

## Status of Non-Cooperation with previous rating agency

Not applicable

## Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Ratings	Historical Rating/Outlook				
				31 March 2023	25 July 2022	24 January 2022	19 October 2021	25 March 2021
Issuer Rating	Long-term	-	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Non-convertible debentures	Long-term	INR5	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Non-fund based working capital limit	Short-term	INR146.5	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
Fund-based working capital limit	Long-term/Short-term	INR28.5	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+
Commercial papers	Short-term	INR50	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
Short-term loans	Short-term	INR2.75	IND A1+	IND A1+	IND A1+			
Proposed bank facility	Long-term/Short-term	INR0.86	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	-	-	-

## Bank wise Facilities Details

Click here to see the details

## Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debentures	Low
Commercial papers	Low
Fund-based limits	Low
Non-fund-based limits	Low
Short-term loans	Low
Proposed bank facility	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

## APPLICABLE CRITERIA

---

### Evaluating Corporate Governance

### Short-Term Ratings Criteria for Non-Financial Corporates

### Corporate Rating Methodology

### The Rating Process

## Contact

### Primary Analyst

Khushbu Lakhotia

Director

India Ratings and Research Pvt Ltd

Room no - 1201, 12th Floor, OM Towers, 32 Chowringhee Road, Kolkata-700071, India

+91 33 40302508

For queries, please contact: [infogrp@indiaratings.co.in](mailto:infogrp@indiaratings.co.in)

### Secondary Analyst

Sarthak Bhauwala

Senior Analyst

02240356154

### Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

**About India Ratings and Research:** India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit [www.indiaratings.co.in](http://www.indiaratings.co.in).

## Solicitation Disclosures

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

## DISCLAIMER

All credit ratings assigned by india ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.indiaratings.co.in/rating-definitions>. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website [www.indiaratings.co.in](http://www.indiaratings.co.in). Published ratings, criteria, and methodologies are available from this site at all times. India ratings' code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the code of conduct section of this site.