1st February, 2024

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001.
Scrip Code: 532538

The Manager
Listing Department
The National Stock Exchange of India Limited
"Exchange Plaza", Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051.
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

We write to inform that Moody's Investors Service (Moody's) has affirmed its Baa3 issuer rating and Baa3 senior unsecured rating relating to the Company. Moody's has also maintained the stable outlook.

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
Digitally signed by SANJEEB KUMAR CHATTERJEE
Date: 2024.02.01 19:48:53 +05'30'

Sanjeeb Kumar Chatterjee
Company Secretary and Compliance Officer

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

Rating Action: **Moody's affirms UltraTech Cement's Baa3 ratings; outlook stable**

31 Jan 2024

Singapore, January 31, 2024 -- Moody's Investors Service has affirmed UltraTech Cement Limited's (UltraTech) Baa3 issuer rating as well as its Baa3 senior unsecured rating. Moody's has also maintained the stable outlook.

"The affirmation reflects UltraTech's solid balance sheet and substantially strong credit metrics for its Baa3 ratings," says Kaustubh Chaubal, a Moody's Senior Vice President.

RATINGS RATIONALE

UltraTech's Baa3 ratings are underpinned by its sustained credit strengths: (1) its status as the leading cement producer in India (Baa3 stable), the world's second-largest cement market; (2) its dominant position in each of its operating markets within the nation, bolstered by a well-established pan-India presence; (3) its cost-effective operations, which are backward integrated into limestone mining, benefit from captive power and comprise energy-efficient plants; and most importantly, (4) its prudent financial policies that are a cornerstone of its strong financial profile.

UltraTech's credit profile is robust, considering its extensive and successful operating history. This is indicated by a gross debt/EBITDA ratio below 1.0x and substantial cash flow generation to finance its significant investments. However, the company's ratings are capped at Baa3 due to the high revenue concentration in its home country, India.

Moody's projects India's demand for cement will grow annually at approximately 6% over the upcoming years, primarily driven by the housing sector, which constitutes 60%-65% of the country's cement consumption. India's long-term trend in demographic growth will underpin a surge in housing demand, and consequently for building materials like cement. Concurrently, India's escalating urbanization and development of infrastructure such as roads, ports, and airports will further bolster cement demand.

As a result, numerous cement manufacturers have initiated extensive capacity additions. Similarly, UltraTech plans to increase its capacity by approximately 70 million tonnes by the end of the decade, predominantly through organic expansion. UltraTech's debt has consistently remained below 1.0x EBITDA, providing it with significant flexibility to finance its $1.0 billion annual capital expenditure through debt, while preserving its robust credit profile.

In December 2023, UltraTech announced its plans to acquire the cement business of Kesoram Industries for an enterprise value of $915 million, pending regulatory approvals. The acquisition cost will be covered entirely by a stock transaction, with UltraTech taking on Kesoram's debt of approximately $200 million. The transaction, anticipated to be finalized within 2024, will cement UltraTech's foothold in South India, where it currently holds around 11% of the market, compared to a 22% capacity share across India. Given its success in integrating previous acquisitions, UltraTech is likely to merge Kesoram's operations into its own seamlessly, managing execution risks.

LIQUIDITY

UltraTech has a track record of maintaining excellent liquidity, even while making substantial investments. In line with the company's financial strategy, which emphasizes funding growth predominantly through internal accruals, Moody's expects UltraTech to adjust its capital expenditure if there were any signs of decelerating growth or diminishing profitability that significantly impacts cash flow generation. Such balanced policies are a testament to the company's conservative financial and risk management.

Intra-year volatility in working capital would cause the company's continued reliance on its short-term 364-day uncommitted working capital facilities to tide over temporary mismatches. Still, given its status as the flagship cement company of India's leading conglomerate, the Aditya Birla Group, UltraTech continues to have strong access to domestic capital markets and has long-standing relations with Indian and multinational banks.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS

UltraTech's exposure to environmental and social risks, including carbon transition, natural capital, waste and pollution risks, is in line with its industry peers. As to governance, notwithstanding its 57.3% shareholding by Grasim Industries, an Aditya Birla Group company, the concentrated ownership benefits UltraTech, in the form of better access to funding and relationship banks.

RATING OUTLOOK

The stable outlook reflects Moody's view that UltraTech will retain its position as the leading pan-India cement producer, and that the supportive industry fundamentals will help to further strengthen the company's credit metrics.

The stable outlook on UltraTech's rating is in line with the sovereign rating outlook.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

UltraTech's credit metrics are already strong for a Baa2 rating, with the company continuing to achieve appropriate metrics including adjusted debt/EBITDA below 2.0x; adjusted retained cash flow (RCF)/net debt above 35%; positive free cash flow generation; and maintenance of good balance-sheet liquidity, all on a sustained basis.

However, given it's limited revenue and cash flow diversity outside India and its high reliance on domestic funding sources, UltraTech cannot be rated higher than its country of incorporation, India, in accordance with Moody's guidelines regarding the differences between government and corporate ratings as outlined in Assessing the Impact o Sovereign Credit Quality on Other Ratings, published on 20 June 2019.

As such, upwards ratings pressure will not build on UltraTech's ratings even if it sustains such extremely strong credit profile, unless India's Baa3 stable rating experiences upward pressure.

A downgrade of India's sovereign rating will lead to a downgrade of UltraTech's ratings.

UltraTech's fundamental credit profile is strong for its Baa3 ratings, indicating headroom to accommodate some weakening in its operating and financial metrics. Negative rating pressure could build if UltraTech's market position weakens or if its credit profile substantially deteriorates. Large debt-funded acquisitions or a significant increase in shareholder returns that materially worsens its financial profile could also exert negative ratings pressure.

Credit metrics outside the tolerance for an investment-grade rating include debt/EBITDA above 3.0x; adjusted RCF/net debt below 20%; or EBITDA margin below 20%, all on a sustained basis.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Building Materials published in September 2021 and available at https://ratings.moodys.com/rmc-documents/74988. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

COMPANY PROFILE

UltraTech Cement Limited (UltraTech) is India's largest cement manufacturer with a capacity of 133 million tonnes per annum (mtpa) as of 31 December 2023 in India and an overall pan-India capacity share of 22% as of September 2023. The company's international operations comprise cement manufacturing capacities of 1.0 mtpa in Bahrain (B2 stable), 4.4 mtpa in United Arab Emirates (Aa2 stable) and a 1.5 mtpa cement packaging capacity in Sri Lanka (Ca stable).

For the 12 months ended December 2023, UltraTech generated consolidated revenues of INR692 billion ($8.3 billion) and consolidated EBITDA of INR127 billion ($1.5 billion).

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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