4th March, 2025

BSE Limited
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Scrip Code: 532538

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Listing Department
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"Exchange Plaza", Bandra-Kurla Complex,
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Scrip Code: ULTRACEMCO

Sub: Transcript of Conference Call of UltraTech Cement Limited ("the Company")

Dear Sirs,

We are attaching the transcript of the Conference Call of UltraTech Cement Limited held on 28th February, 2025, for your information and record. The same is also available on the website of the Company viz. www.ultratechcement.com.

The transcript is being disseminated to the stock exchanges as a good governance practice though not mandatory under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The same is for your information and record please.

Yours faithfully,
For UltraTech Cement Limited

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"UltraTech Cement Limited Conference Call"

February 28, 2025

MANAGEMENT: MR. ATUL DAGA – CHIEF FINANCIAL OFFICER, ULTRATECH CEMENT LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the UltraTech Cement Limited Conference Call.

We must remind you that the discussion in today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the Company faces. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statement on the basis of any subsequent development, information or events or otherwise.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Atul Daga - Chief Financial Officer of the Company. Thank you and over to you, Mr. Daga.

Atul Daga: Thank you so much. Good afternoon, everybody, and welcome to this call. I guess you are all wired-up today, but we are here to unwind you.

Let me first talk about Grey Cement because that is our core and a very high growth business:

I am sure you are all already aware of the quantum of development taking place in the country in terms of real estate, infrastructure and allied sectors and the resultant cement demand. This demand is going to continue till we reach a stage of maturity which is not anywhere in the near term. In fact, in the long run, in the distant future, we may replicate the demand reflected in the developed economies. For your reference, for FY24, per capita consumption of cement in India had reached about 295 kgs. The western was when they peaked in terms of their cement consumption, the cement consumption was somewhere around 600 to 700 kgs per capita before maturing and settling down to a level of about 500 kgs.

Clearly, India has a long runway for cement and at UltraTech, we are extremely focused on aggressively pursuing the cement industry's growth in the country. At the end of FY25, we will be at 182.8 million tons of capacity in India, which will be approximately 28% of the industry's capacity. We have been growing faster than industry and will continue to do so in pursuit of the growth opportunity that exists in the country. By the end of Fiscal '27, we will be at 209 million tons of capacity and continue to participate in the high growth story of cement in India organically or inorganically. The doors are wide open. Over the years, we have created a well-balanced bouquet of product offering from UltraTech. We are the largest manufacturers and sellers of Grey Cement in India. We have the largest network of RMC in the country. Globally, ready mix concrete is the most common form of cement. However, in India we are still under

5% as RMC and set to grow significantly. UltraTech is already gearing up for the future and hence growing its RMC business very rapidly. We are very strong player in white cement, in fact, Birla White, our brand is synonymous with white cement in the country.

I have often spoken to you about adjacencies. We at UltraTech have been continuously exploring adjacencies for Grey Cement to add value to our end customers, to gain a higher share of wallet from the individual homeowner in the overall construction value chain. The construction value chain can be segmented in our view in five phases, design, construct, enable, decorate and service.

Several years ago, we started our building products division or what we call BPD. Within BPD, we have already launched multiple products such as mortars, waterproofing agents, AAC blocks, grouting materials, and many others. Today, we serve the construction industry with almost 90 SKUs. As part of extending our offering from BPD, we examined multiple other adjacencies, pipes, tiles, wood adhesives, sanitary fittings, lights and fans and dropped all these product categories because they were not a strategic fit. Cables and Wires came right on top as the only strategic extension as these products are on the back of the wall which we are already presently building. This is the only product, mind you, this is the only product that we thought prudent to add to our portfolio of products.

Let me get into a little more detail on why Cables and Wiress:

Like cement, Cables and Wires is not a repeat purchase for the homeowner. It is not a discretionary spend. Wire segment, almost 85% of wires market is covered by the residential markets and 65% of cement demand comes from the residential market. Let me deep-drive into residential markets also. Residential markets, rural markets, which are highly retail markets, drive about 35% of demand for cement. The IHB in the rural markets, retail market depends on the contractor who deploys masons and electricians. UltraTech has existing relationships with the contractors and can leverage on the same.

We also have a very strong presence through UltraTech Business Solutions, our UBS Retail Stores, which will provide some head start as compared to any other new player. Today, as a part of the offering from our UBS Stores, we have several products, sanitary fittings, Cables and Wires are already being sold from there. We are also selling water tanks, paints, white cement, of course, cement is the main product and many other products. If I look at urban housing, urban housing constitutes about 30% of cement demand. The builder community takes a decision on cement and wires along with the MEP, EPC consultant that they want to deploy. UltraTech connects with corporate real estate players alike as well as the EPC players and hence we thought it prudent, and we thought it Cables and Wires should be a very strategic fit and easy for us to deal with. India is urbanizing, which will result in higher requirement of wires with more white goods penetration.

Cables, co-market for cables:

I would imagine would be infrastructure like metros, airports, railways, residential complexes, renewable energy, EV projects and as you are aware, UltraTech is present in all the metro projects that are taking place in the country. Hence, we believe we are very well entrenched in the residential markets as well as the infrastructure markets for playing the cable and wire proposition as well. We will go live with the production by December 26. Situated at Jhagadiya in Gujarat, it is less than 100 kilometers away from raw material source copper, which is about (+/-75%) of the overall raw material. This will help us manage our working capital also well.

When we look at the financials for Cables and Wires, they look highly attractive. Industry is going in double digits and expected to grow at a similar pace for a long time. High asset turns, it could range from 5-7x, higher return on capital and a capital light asset light model IRRs of upwards of 25%. Working capital will not be an issue for us on the back of UltraTech's purchasing power.

To conclude:

By the time these Cables and Wires operations peak, cement capital employed will be almost 1 lakh crore against the stated Rs. 1,800 crores CAPEX required for this business. We believe this will be a value accretive for our shareholders along with our continued focus on core operations of cement.

Thank you and over to you for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '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 Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Hi, sir. Thank you for the commentary and the opportunity to ask question. Sir, you did indicate several categories that we have excluded; however, you did not indicate faucet wire fittings, is it a subset of sanitary fitting and?

Atul Daga: Sanitary fittings, yes and we also look at furniture. We also looked at, did I miss anything? Yes, we looked at everything practically.

Ritesh Shah: Sir, would it be possible for you to provide some assurance that we would not venture into any of these categories, say over next 5 years? The reason to ask this question is, I think the investors who are worried about capital allocation into something Ex cement that is why the specific question, sir?

Atul Daga: Yes, we are not venturing into anything else.

Ritesh Shah: Sir, over next 3 years, 5 years?

Atul Daga: Next 5 years, next 3 years, next 5 years. But as I said, the products which we have dropped will not become attractive in future unless there is some act of God, which makes things very attractive, which is highly unlikely.

Ritesh Shah: This is very helpful. Sir, quickly, second question, you indicated that ROCE of 20% and asset turn you indicated up around 5-7x, what is the underlying assumption on the margins we are looking at? Again, the reason to ask this question is we will have some advantage on the working capital. So what is the underlying assumption on margin profile that we are looking at?

Atul Daga: So EBITDA margin will be akin to the industry.

Ritesh Shah: Fair enough. And lastly, next phase of expansion after Rs. 1,800 crores, what is our aspiration? Typically, we end up being 123. Otherwise, we don't enter any particular space. Again, there is a lot of CAPEX, which has already been announced by the incumbents, hence this question?

Atul Daga: We don't have any plans for future CAPEX as of now. I think it is most important that first we put this up, ramp it up and it will go up to at least 30-31 where we ramp up to full capacity.

Ritesh Shah: Sure.

Atul Daga: So that takes care of your 5 years, that takes care of my initial CAPEX plan of Rs. 1,800 crores. Point is, we are not spending more than that as of now.

Ritesh Shah: Perfect sir. Thank you so much. All the very best. Thank you.

Moderator: Thank you. The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal: Hi, sir. Thank you for hosting the call and thank you for the opportunity. Just one question, at Rs. 1,800 crores, if I do.

Moderator: Sorry to interrupt you, Mr. Agarwal, may we request you to speak a bit louder.

Indrajit Agarwal: Yes. Thank you for the opportunity. So at Rs. 1,800 crores CAPEX, if I do a 5x asset turn, it is roughly about Rs. 9,000 odd crore of topline. As things stand today, if I were to take today's number, you will be the number 2 player and if I take, let us say, even 5 years out, you will probably not be in the top 3. So again, what would be our right to win in terms of the brand over here? I understand the distribution channel and all, there is a lot of similarity. So would we go more aggressive on pricing or would it be more like we will see a significant change in distribution, how is the approach on the marketing and sales side?

Atul Daga: We are going to follow our distribution model, which is akin to the industry. Our rights to win as I already indicated in the document which we uploaded, a brand which is very well respected and recognized, our UBS network, which gives us a head start, our B2B relationships, very strong relationships with the builder community and we have access to the end users and the influencer's community like nobody else. We are the only Company on cement, which is truly Pan India and with a connect of over 135,000 touchpoints, our technical services team, which is almost 2000 people plus, technical services team 2000 people plus who are there on the field who have the Intel on where, what project is going on? What is the requirement? I think it is the UltraTech advantage which will come to play.

Indrajit Agarwal: Sure. My second question is, if I look at the industry, while it has grown at 13%-14% CAGR in the last 5-6 years in topline, part of it has also been helped by higher copper prices, depreciating rupee and all and CAPEX cycle has been like never before. Now with a deceleration in government spend on CAPEX, if I add up all the capacity announcement in the Cables and Wires segment, it is already about Rs. 10,000 crores, adding to it, your Rs. 1,800 scores of ballpark Rs. 12,000 crore. So on a Rs. 80,000 crore industry, we have roughly about Rs. 50,000 odd crore of incremental revenue potential. So do you see pricing pressure in the industry as a whole, not just because of UltraTech, but overall in the industry because of the capacity expansion by the incumbents as well?

Atul Daga: I don't think so, because I believe the industry size would be close to Rs. 60,000-Rs. 70,000 crores. Sorry, it is close to a lakh crore of rupees and even if it is growing at 13%-14%, the incremental capacity expansion is justified. And we believe there is room for one additional player. That is all. So don't think it requires any price, there will be any pressure on prices. And with the growing market, we will also be able to find our place.

Indrajit Agarwal: Thank you. That is all from my side.

Atul Daga: Thank you.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: Hi, sir, a couple of questions. Firstly on, can you share like some feedback from your channel partners, you may have had regarding the launch of new segments including UBS and maybe elsewhere?

Atul Daga: Prateek, I didn't understand your question.

Moderator: I am sorry to interrupt you, sir. You are not audible, Prateek. It is breaking a lot. Sir, may be requested to please check your connection and rejoin the queue. Thank you. The next question is from the line of Ashish Jain from Macquarie, India. Please go ahead.

Ashish Jain: Hi, sir. Good evening. My first question is, in terms of adjacencies, is there something which we haven't evaluated in this round or with whatever you listed in terms of pipe, tiles, everything is done?

Atul Daga: Ashish, I have not evaluated air. I can't supply air in the house. But the point is we have evaluated everything logical and possible. We are not looking at consumer durables, if you count that as an adjacency because it is something in the house that is way out. So whatever goes into construction value chain is what I talked about, Ashish, we have looked at everything possible, everything logical. The room which I am sitting in there is a carpet on the floor which is part of flooring, but no, we are not getting there. There will be N number of things, but core construction value chain we have examined and kind of put to that.

Ashish Jain: Sir, if I can just harp on this a bit more like a lot of the cable and wire companies have ventured into, let us say lighting, switches, I know it is very farfetched?

Atul Daga: I already mentioned it in my commentary, we have also examined lights for houses, lights and fans what is it called FMEG, we are not getting there.

Ashish Jain: Got it. And this capital number of 1800 is at least in 2030-31, we are well?

Atul Daga: Yes, shade under that. As of now, it is shade under that, given the design and all the plan of the facility.

Ashish Jain: Right. And sir, secondly, in terms of technology and all, how do we get it? Is there a cost attached to it? Are we talking to?

Atul Daga: It is part of my CAPEX cost.

Ashish Jain: But you are talking to like some third party who will be hand holding us and is there a cost attached to it because that will a bearing on the margins and all?

Atul Daga: So we will be looking at technology partners with us, but the cost has already been factored in the Rs. 1,800 crores of CAPEX that has been provided. And what we also understand is that this technology is readily available.

Management: So when we took advice on, Ashish, on the overall CAPEX cost and the sources of technology, I think that is how we got help and assistance in building the business model and the CAPEX plans.

Ashish Jain: So just to confirm it, tech related cost is a onetime cost you are saying if you are factoring it in your CAPEX.

Management: What is tech related cost?

Ashish Jain: No, basically the technology related?

Management: Yes, it will be onetime cost.

Ashish Jain: Onetime cost and in terms of the product mix, are we planning to be more wired versus?

Management: There will be, I think, 60-40 wire cable.

Ashish Jain: 60-40 wire cable. Fine. Thank you, sir. Thanks. Best of luck.

Management: Thank you, Ashish.

Moderator: Thank you. The next question is from the line of Rahul Gupta from Morgan Stanley. Please go ahead.

Rahul Gupta: Hi. Thanks for taking my question. So, just one question, I know this 18 billion CAPEX is a small number in an overall scheme of things, but any inclination how this will be divided over the next couple of years or most of it would come in the front loaded or towards the Fiscal '27?

Management: My guess is more or less equal, but it will obviously like any other CAPEX money, it tapers down towards the end when 1800 and from cash flow point of view will be retention monies which will be held back, so don't have a very clear guidance on that, but it should be evenly spread out.

Rahul Gupta: Great. And Atul, sir, this would be too premature to ask, but would you be building a team separately or it would be in-house putting?

Atul Daga: No, there will be specialists and there will be generalists, so generalists can be from within our team. I will be a generalist. I am not letting my portfolio to be taken away by anybody else. But there will be specialists who manufacture, who know the tech part, the distributor or the sales guys will be separate because we cannot compromise on the sales time of our sales people for cement.

Rahul Gupta: Got it. This is very helpful. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Hi, good evening, Mr. Daga Atul. Beyond this Rs. 1,800 crores, will there be any working capital requirement or let us say some investment on brand building and marketing that will be required in the initial years?

Atul Daga: So brand building will be part of my P&L, of course and working capital, I am working towards a very minimalistic working capital. Ambition is like UltraTech, like a cement business, we will want to be negative working capital.

Amit Murarka: So broadly, the two talking points we can think?

Atul Daga: And the ambition, don't hold me to it, but that is what we are working towards.

Amit Murarka: Got it. So total capital employed itself will be, let us say Rs. 2,000 crores ballpark?

Atul Daga: Not more than that. If there is initial year of, not more than that, because there will be some initial spending before revenue start kicking in, not more than that.

Amit Murarka: And the 60-40 split that you gave for wire cable, is it for CAPEX or revenue target?

Atul Daga: Revenues.

Amit Murarka: And CAPEX split would be want then roughly?

Management: Also, some of the facilities are common, so it is very difficult to break that out because what we understand is that the technology is common up to a particular extent and then it gets divided between Cables and Wires, so not possible to segregate fully.

Amit Murarka: And just lastly on the cement capital employed of 1 lakh crore that you mentioned, so I believe it will be roughly Rs. 80,000 crores by FY27 once we are at 211 million tons, is that the way to look at it, beyond that, we?

Atul Daga: Amit, we are already at Rs. 80,000 crores and if you saw the chart, I think we are spending next 2 years Rs. 20,000-Rs. 25,000 crores on cement.

Amit Murarka: Right. So beyond 27, plans will be announced maybe annually when we are closer to it.

Atul Daga: Yes, will be announced. I gave you in my commentary I already gave you indication, we are already at 28% of India's capacity. India is growing. We will grow faster than the industry organically and inorganically.

Amit Murarka: Sure. Thanks a lot. That is all for me.

Moderator: Thank you. The next question is from the line of Sanjeev Singh from Motilal Oswal. Please go ahead. Sanjay Singh, please go ahead with your question. Your line is unmuted.

Atul Daga: Next question, please.

Moderator: Next question is from the line of Pateek Kumar from Jefferies. Please go ahead.

Atul Daga: He is not there.

Moderator: Prateek Kumar, we will request you to go ahead with your question. As there is no response, we will move to the next question, which is from the line of Piyush Khandelwal from Motilal Oswal. Please go ahead.

Piyush Khandelwal: Thanks for the opportunity. I just wanted to ask on this team building as well. Will there be a separate CEO for this division or you would be considering the same set of people be running the business?

Atul Daga: There will be specialists, certainly, and I think beyond that, once the team is in place, we will let you know, but there will be specialists required for this business, like for our BPD, what we call Building Products Division, I have a separate CEO running that operation, maybe he will manage it if he has a bandwidth.

Piyush Khandelwal: Got it. And when I look at your PPT, you mentioned that especially in the cable side, you are looking at LT cables, I just wanted to ask, would you be looking at some high tension, medium tension cables or EHV cables as well? Or is it just the wires and low-tension cables?

Management: So currently, the plan is to only go after low tension cables. We are not evaluating the HT and EVH at this stage.

Atul Daga: The next question, please.

Moderator: Thank you. The next question is from the line of Prateek Maheshwari from HSBC Securities. Please go ahead.

Prateek Maheshwari: Hi, sir. Thank you for the opportunity. Sir, I just wanted to understand if you could give any color on how much, like how are you guys thinking between wire and cables and if there is any bifurcation in mind on how much the CAPEX could be between the two?

Atul Daga: No, I think the question is asked Prateek, because there will be a lot of common facilities, so it will be very difficult to segregate.

Prateek Maheshwari: But time to market first wires and then later cables is correct for this side?

Atul Daga: Yes.

Prateek Maheshwari: And sir, second thing, just wanted to understand this from my ambition perspective like how much is the ROCE that you would be looking at for this business stay somewhere in FY31-32?

Atul Daga: 25ish.

Prateek Maheshwari: Thank you so much.

Moderator: Thank you. The next question is from the line of Raghav Malik from Jefferis. Please go ahead.

Raghav Malik: Hi. Thank you for the opportunity. So just a few questions, the first one was, is there any kind of feedback that you have got from your channel partners maybe at UBS as well, sort of about this if there has been some initial conversation around this segment coming in, that is a first question?

Atul Daga: As far as my UBS partners are concerned, they are very excited because the kind of brand loyalty and brand traction that we have, they will definitely be excited to have a product from UltraTech on the shelf.

Raghav Malik: Got it. And those are actual source of indication you can give on the kind of marketing or promotional kind of spends that you would be doing for wires and cables or maybe even together like as a percentage or quantum?

Atul Daga: Difficult to pin down a number, but obviously in the initial year, it might be high and then settle down in line with the industry. That is a new product launch we have to do to get it going.

Raghav Malik: And we are expecting like similar margins to other industry players even right of the back from 31 when you get full scale of revenue?

Atul Daga: 31 will be a mature state. That is obviously in line with the industry. Initial year might be much lesser because we would be building, ramping of the capacity and building the network, building the brand, establishing ourselves. 31 will be a mature state.

Raghav Malik: Got it. And sorry, just last one, like paint which was talked about in 2021. So is there some like sort of like now that this is out, is there some sort of timeline for this idea or you sort of conceptualized it to now you are going to execute the wires and cables division, if you could give any color on that?

Atul Daga: You mean when did we start thinking about it?

Raghav Malik: Yes, something on that.

Atul Daga: Let me give you a bigger picture. In a Company like ours, in a group like ours, there is a think tank which keeps on evaluating ideas and if an idea is attractive, any Company would latch onto it and our think tank I believe has been working on this idea for some time before concluding it, finalizing it and bringing to the table, so not really a zero start date or end date.

Raghav Malik: Got it, sir. Thank you.

Moderator: Thank you. The next question is from the line of Akshay Gattani from UBS. Please go ahead.

Akshay Gattani: Hi, sir. Thank you for the opportunity. So in terms of channel mix for cable and wire business, which you will be doing, so wires, I believe it will be mostly distributor led, but in cables, you will be doing complete distributor lead or you will be also doing institutional business as well?

Atul Daga: Mix because as I mentioned that is the advantage which UltraTech brings to the table whether our connect with infrastructure community or real estate community, we are directly in touch with them. And distributors also will be used, sales promoters will also be there as well as our direct connect with our customers.

Akshay Gattani: Alright, thank you, sir. And other questions are like board approval has received a couple of days back only. So ground breaking is yet to happen, but in terms of plant and machinery and organizational structure, like plant and machinery vendors identified and in terms of organizational structure, like any progress you made or it will be subsequent development?

Atul Daga: The team structure identified people are being taken on board, location identified as I mentioned, it is very close to copper facility, copper source, location identified, the plant layout, engineering started, design done. So we are good to go and deliver on or before December 26.

Akshay Gattani: And plant and machinery is also identified?

Atul Daga: Yes, sources identified but without board approval, I can't place the order. Now that the board has approved it, we will get into the next stage.

Akshay Gattani: Got it. Thank you.

Moderator: Thank you. The next question is from the line of Nehar Dave from IIFL Capital. Please go ahead.

Nehar Dave: Hi, sir, good evening. Sir, just one question sir, in terms of the paint business also, it is a similar sort of situation wherein the Birla House has gotten into a market that is sort of dominated by a few players. So what are some of the strategies that you would like to implement from that implementation into Cables and Wiress?

Atul Daga: The industry is growing at a healthy 12%-13% has shown that growth and will continue to grow and whilst industry is growing 12%-13%, my team tells me organized market might be growing at a faster pace. Given that scenario, I guess we will settle in very well within the overall ecosystem.

Nehar Dave: And sir, any reason that this is not into Grasim's books and in UltraTech books, is there a particular name?

Atul Daga: As I explained, the construction value chain design, which is an architect work construct which is cement and then comes electrification. So, in a way, I would say, we build a wall and now we are wiring the wall or we are getting behind the wall. So that is the coexistence, design construct enabling as wiring and electrification, etc. Decoration is where paint comes in and that is why it was not as an immediate adjacency for us. This is an immediate adjacency for us, makes more sense because we have a business connect, we have a connect with the individual home, we have a connect with contractors who influence the electrician, we have a connect with the EPC companies who do all the mega infra projects, whether it is an airport or anything else and that is why it makes more sense for us to do this project.

Neha Dave: Got it. Thank you very much, sir.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. On behalf of UltraTech Cement that concludes this conference. Thank you for joining us and you may now disconnect your lines.