

MAY 01, 2022

RESULT

Sector view: **Cautious**

CMP (₹): 6,630

Fair Value (₹): 6,200

BSE-30: 57,061

Muted quarter. UTCEM reported an in-line quarter with a sequential recovery in margins led by operating leverage benefits during the quarter. Demand is gradually recovering in 1QFY23E and cement producers have taken price hikes from mid-March 2022. However, given elevated cost levels, we note that further price hikes would be required to fully absorb coal and diesel price inflation. We have cut FY2023E earnings factoring the cost inflation and revised our FV to Rs6,200 (from Rs6,400). Retain REDUCE.

UltraTech Cement				Forecasts/valuations			
Stock data				2022	2023E	2024E	
CMP(Rs)/FV(Rs)/Rating	6,630/6,200/REDUCE			248.5	209.3	297.7	
52-week range (Rs)	8,269-5,629			28.6	(15.8)	42.2	
Mcap (bn) (Rs/US\$)	1,914/25.1			26.7	31.7	22.3	
ADTV-3M (mn) (Rs/US\$)	3,466/45			3.8	3.5	3.1	
Shareholding pattern (%)				EV/EBITDA (X)	16.9	17.1	12.8
Promoters	60.0			RoE (%)	15.2	11.4	14.6
FPIs/MFs/BFIs	16.3/10.1/5.0			Div. yield (%)	0.6	0.5	0.7
Price performance (%)				Sales (Rs bn)	526	628	702
	1M	3M	12M	EBITDA (Rs bn)	115	113	146
Absolute	1.6	(6.7)	3.9	Net profits (Rs bn)	72	60	86
Rel. to BSE-30	3.1	(6.5)	(10.8)				

4QFY22—margins improve on operating leverage gains

UTCEM's earnings were in line with our estimates—the company reported India operations EBITDA of Rs30.2 bn (-16% yoy, +32% qoq) against our estimate of Rs30 bn. Volumes declined 1% yoy to 26.3 mn tons (+23% qoq), 2% higher than our estimate of 25.8 on a strong pickup in demand in March 2022. Blended realizations declined to Rs5,752/ton (+10% yoy, -1% qoq) on back-ended price hikes. Costs/ton declined to Rs4,605/ton (+18% yoy, -2% qoq) and were 1% lower than our estimates led by operating leverage gains. EBITDA/ton increased to Rs1,147/ton (-15% yoy, +8% qoq; KIE: Rs1,160/ton) on lower costs, partially offset by lower prices.

Commodity cost inflation requires sharp price hikes

Coal and diesel cost inflation continues to remain a key area of concern for cement producers. Spot pet coke and thermal coal prices have moderated from peak nonetheless, we estimate 15-20% fuel cost inflation to hit producers in 1HFY23E. Diesel prices in India are up 10% mom in April 2022 after remaining static in 4QFY22. The supply uncertainty led by the Russia-Ukraine war appears to be a long haul and a complete normalization of price levels is unlikely, in our view. Cement prices in April 2022 are up 5-6% mom whereas we estimate a total 9-10% hike required to pass on cost inflation. We build EBITDA of Rs1,136/1,334/1,377/ton in FY2023E/24E/25E.

Expansion projects on track; focus on sustainability to aid margins

The management shared that its expansion projects are on track and it expects to complete the commissioning of 19.5 mtpa grinding and 11.1 mtpa clinker capacity expansions by FY2023E-end. Further, WHRS capacity would double to 300 MW by FY2023E-end, increasing the share of green power to 34% by FY2024E. UTCEM has acquired 29.7% stake in RAKWCT, a white cement producer in the UAE and consequently put its organic expansion on hold.

Downgrade earnings and cut Fair Value to Rs6,200 (from Rs6,400)

We have cut our EBITDA estimates by 11%/4% for FY2023/24E factoring higher costs, partially offset by higher prices. With strong operational cash flows, UTCEM has ended FY2022 with net debt/EBITDA at 0.3X and with 2-5% FCF yield despite growth capex, deleveraging would continue. Our Fair Value reduces to Rs6,200 (from Rs6,400) on lower earnings, partly offset by rollover to June 2024E. Maintain REDUCE rating on rich valuations, 13X EV/EBITDA or US\$180/ton EV FY2024E.

Sumangal Nevatia

Prayatin Mahajan

Exhibit 1: UTCEM's India operations EBITDA/ton increased 8% qoq on lower costs

Quarterly results for UTCEM India operations, March fiscal year-ends, 4QFY21-22, 2021-23E (Rs mn)

	4QFY22	4QFY22E	4QFY21	3QFY22	Change (%)			2022	2021	(% chg.)	2023E
					KIE	yoy	qoq				
Net sales	151,500	149,743	139,470	123,940	1	9	22	505,700	431,150	17	608,722
Raw materials	(21,390)	(22,326)	(19,550)	(16,040)	(4)	9	33	(60,950)	(57,260)	6	(94,105)
Employee costs	(6,020)	(6,140)	(5,900)	(6,140)	(2)	2	(2)	(24,210)	(22,410)	8	(26,468)
Power costs	(38,220)	(38,860)	(25,920)	(30,750)	(2)	47	24	(116,130)	(79,350)	46	(156,005)
Freight costs	(34,520)	(34,912)	(32,680)	(28,720)	(1)	6	20	(116,090)	(99,770)	16	(145,552)
Other costs	(17,850)	(17,588)	(16,750)	(16,920)	1	7	5	(64,800)	(51,700)	25	(73,255)
Total Costs	(121,290)	(119,825)	(103,420)	(101,080)	1	17	20	(392,430)	(318,060)	23	(495,385)
EBITDA	30,210	29,917	36,050	22,860	1	(16)	32	113,270	113,090	—	113,337
EBITDA (%)	20.6	20.4	26.4	19.0				23.4	28.0		18.6
Other income	1,050	700	820	700	50	28	50	5,220	7,460	(30)	—
Interest	(1,750)	(1,780)	(3,670)	(1,780)	(2)	(52)	(2)	(8,980)	(14,430)	(38)	(10,306)
Depreciation	(6,800)	(6,450)	(6,710)	(6,450)	5	1	5	(26,060)	(25,730)	1	(29,699)
PBT	22,710	22,387	26,490	15,330	1	(14)	48	83,450	80,390	4	73,333
Tax	(8,030)	(5,271)	(8,650)	(4,600)	52	(7)	75	(27,440)	(25,550)	7	(18,252)
Extraordinaries	—	—	(360)	500				—	1,140		—
Reported PAT	14,680	17,116	17,480	11,230	(14)	(16)	31	56,010	55,980	—	55,080
Adjusted PAT	14,680	17,116	17,728	10,885	(14)	(17)	35	56,010	55,193	1	55,080
EPS	51	59	64	39				194	186	4	191
Sales (mn tons)	26.3	25.8	26.6	21.4	2	(1)	23	89.1	82.6	8	99.8
Realization (Rs/ton)	5,752	5,806	5,245	5,783	(1)	10	(1)	5,678	5,222	9	6,100
Cost (Rs/ton)	(4,605)	(4,646)	(3,889)	(4,717)	(1)	18	(2)	(4,406)	(3,852)	14	(4,965)
Raw materials	(812)	(866)	(735)	(748)	(6)	10	8	(684)	(694)	(1)	(943)
Employee costs	(229)	(238)	(222)	(287)	(4)	3	(20)	(272)	(271)	—	(265)
Power & fuel costs	(1,451)	(1,507)	(975)	(1,435)	(4)	49	1	(1,304)	(961)	36	(1,563)
Freight costs	(1,311)	(1,354)	(1,229)	(1,340)	(3)	7	(2)	(1,304)	(1,208)	8	(1,459)
Other costs	(678)	(682)	(630)	(790)	(1)	8	(14)	(728)	(626)	16	(734)
Profitability (Rs/ton)	1,147	1,160	1,356	1,067	(1)	(15)	8	1,272	1,370	(7)	1,136

Source: Company, Kotak Institutional Equities estimates

Key highlights from the conference call

- ▶ **Demand outlook.** Central and South India witnessed yoy volume growth whereas volumes remained under pressure in East and West India. 4QFY22 witnessed weak volumes on a yoy basis on the back of resurgence of Covid-led restrictions and other regional issues like strikes, construction bans and unavailability of sand and labor. Capacity utilization improved to >90% in 4QFY22.

The management refrained from giving any guidance but indicated that volumes were up yoy in April 2022. Management expects negligible impact on ongoing project with the current increase in cement prices. However, current commodity inflation can have a transient impact on new project launches. The management expects long-term trends to remain strong with a pickup in demand primarily led by pickup in urban real estate and higher government infrastructure spends on railways, road and irrigation projects.

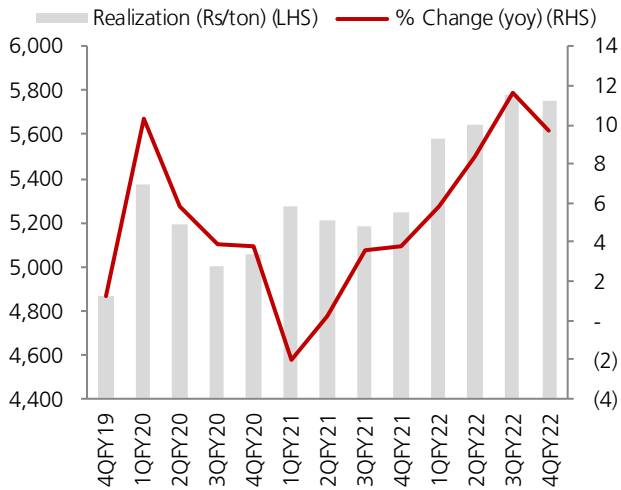
- ▶ **Price guidance.** The company indicated that prices in April 2022 were Rs30/bag higher than the average 4QFY22 prices of Rs360/bag. The management is confident that the current round of price hikes should be sustained in most markets as demand continues to improve. Management also hinted to take further price hikes in the coming months given the cost inflation.
- ▶ **Cost guidance.** UTCEM's pet coke mix in 4QFY22 was 45% versus 25% in 3QFY22. The management expects cost/ton to remain elevated in 1QFY23E given the surge in fuel and diesel costs. Management expects fuel costs to be higher by 10% qoq while diesel prices remain volatile. The management also expects costs to have peaked and expect cost moderation from 1HFY23E onwards.

- ▶ **Update on expansion projects.** All the expansion projects remain largely on track to commission as per the guided schedule. UTCEM will commission 16.3 mtpa capacity in FY2023E out of the total expansion of 19.5 mtpa capacity over FY2022-23E. UTCEM added 11 MW of WHRS and 48 MW of solar capacity during the quarter.
- ▶ **Investment in RAKWCT.** Ultratech Cement Middle East Investments ('UCMEIL'), a wholly owned subsidiary of UTCEM in the UAE, has invested in 29.39% equity share capital of 'RAK Cement Co. for White Cement and Construction Materials PSC' ('RAKWCT'), a company listed on the Abu Dhabi and Kuwait stock exchanges. This together with the existing shareholding will result in UCMEIL holding 29.79% of RAKWCT's equity share capital for total consideration of US\$101.1 mn.

Post this acquisition, UTCEM has cancelled its planned white cement expansion of Rs10 bn announced in 3QFY22. UTCEM will be able to cater to the growing white cement demand in India by utilizing the excess capacities at RAKWCT (CU at 65% currently). RAKWCT has a capacity of 0.6 mtpa and serves India (25%) and GCC countries (45%).

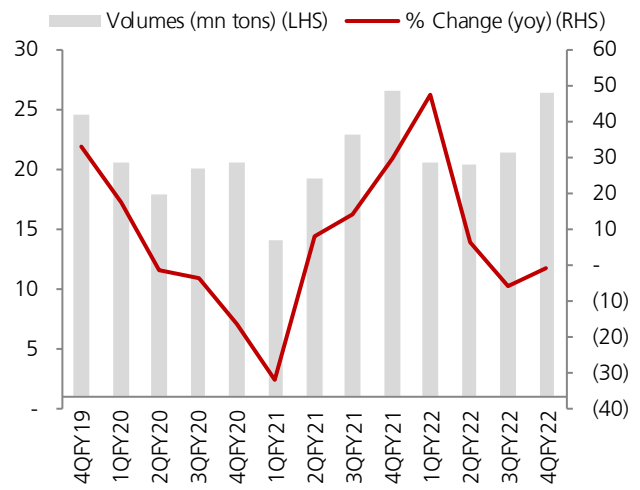
- ▶ **Capex guidance.** The management has given a capex guidance of Rs40-50 bn for FY2023E primarily towards the completion of the recently announced cement capex projects (in North, East and Central India) and 180 MW of WHRS capacity. Capex spent in FY2022 stood at Rs55 bn.
- ▶ **Net debt declined by Rs24 bn qoq.** Net debt declined by 39% qoq (-44% yoy) to Rs37.5 bn as of March 2022. Net debt/EBITDA declined to 0.3X as of 4QFY22 from 0.5X in 4QFY21 on strong operational cash flows and completion of divestments.
- ▶ **RMC business update.** RMC revenues increased 27% yoy to Rs8.5 bn. The management continues to increase its dealer network to 177 (+45 RMC plants yoy). The management remains confident of the growth prospects for the RMC business.
- ▶ **Incentives.** The management has guided for Rs1.5 bn as a quarterly run-rate for other operating income factoring incentive income. Majority of the new expansions will also have incentives.
- ▶ **Trade sales decline.** Trade sales increased qoq to 66% in 4QFY22 from 64% in 3QFY22.
- ▶ **Share of green power to increase.** The company aims to meet 34% of its energy consumption from green sources by FY2024. The current WHRS capacity of 167 MW (+11 MW) is expected to augment by an additional 60-80 MW each in FY2022/23/24E, reaching 300 MW by FY2024E-end. We estimate ~Rs6 bn or Rs60/ton annual cost reduction from 180 MW WHRS capacity from FY2024E onwards. The share of green power stood at 19.7% as of 4QFY22 (15.6% in 3QFY22).
- ▶ **Divestment.** UTCEM has completed all the divestments of non-core assets during the quarter which included divestment of its European fiber glass business in Belgium for a value of ~EUR90 mn.
- ▶ **Dividend.** UTCEM has declared a dividend of Rs38/share for FY2022.
- ▶ **Tax benefits.** Pursuant to completion of prior year income tax assessments, the company has a tax gain of Rs9.8 bn in 4QFY22.

Exhibit 2: UTCCEM's realizations declined 1% qoq in 4QFY22
Realization/ton for UTCCEM, 4QFY19-22 (Rs/ton, % yoy)



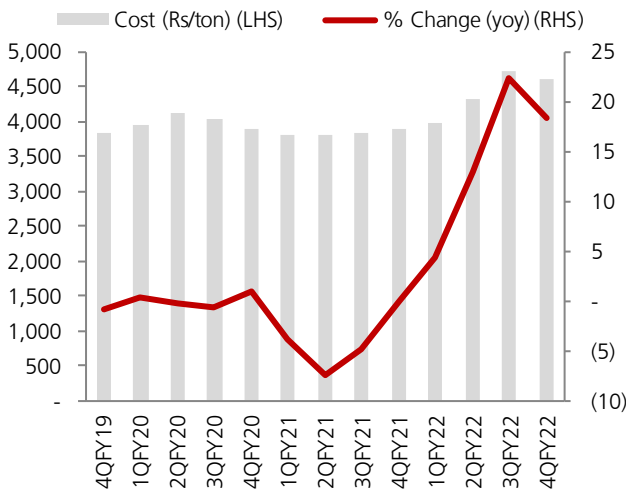
Source: Company, Kotak Institutional Equities estimates

Exhibit 3: UTCCEM's volumes declined 1% yoy in 4QFY22
Volumes for UTCCEM, 4QFY19-22 (mn tons, % yoy)



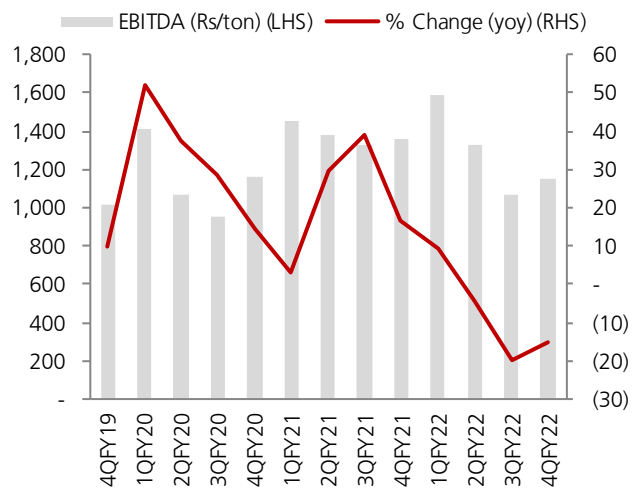
Source: Company, Kotak Institutional Equities estimates

Exhibit 4: UTCCEM's cost/ton declined 2% qoq in 4QFY22
Cost/ton for UTCCEM, 4QFY19-22 (Rs/ton, % yoy)



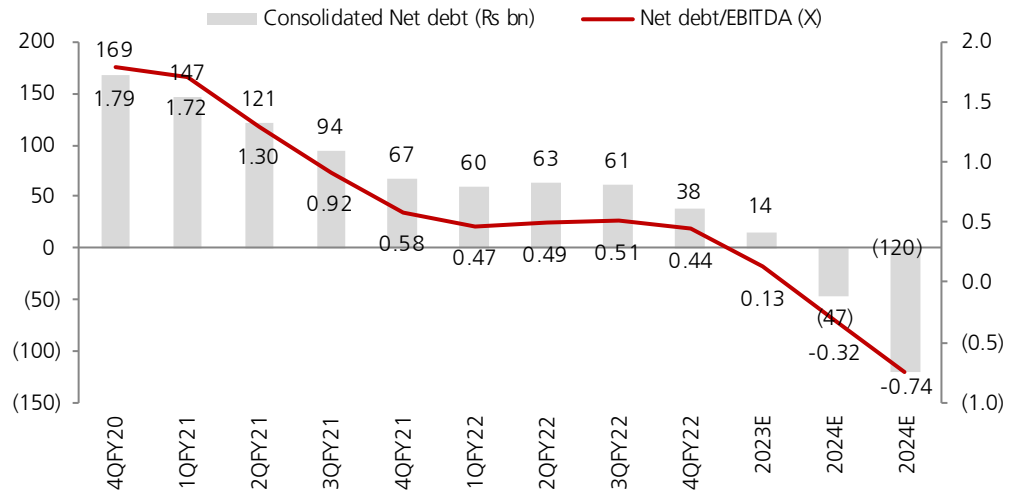
Source: Company, Kotak Institutional Equities estimates

Exhibit 5: UTCCEM's EBITDA/ton increased 8% qoq in 4QFY22
EBITDA/ton for UTCCEM, 4QFY19-22 (Rs/ton, % yoy)



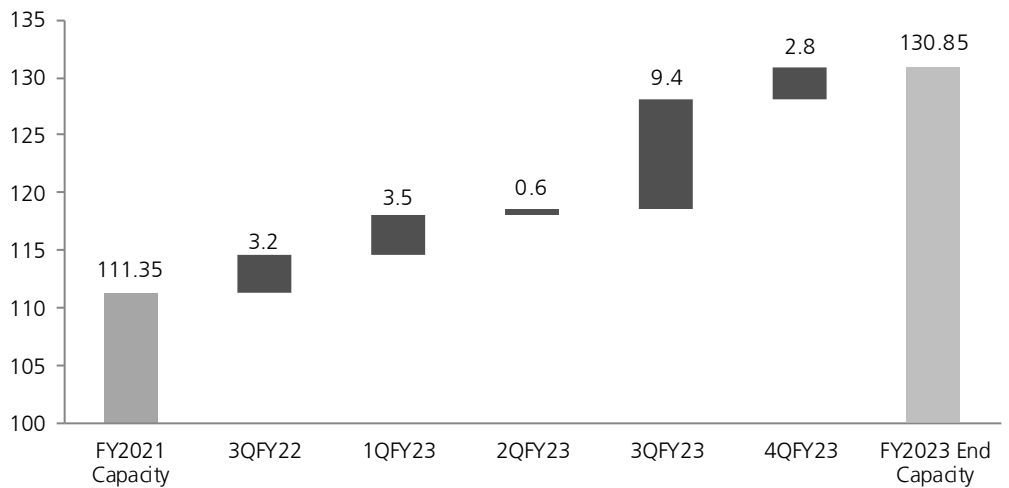
Source: Company, Kotak Institutional Equities estimates

Exhibit 6: UTCCEM's consolidated net debt declined 39% qoq (Rs24 bn) to Rs37.5 bn
 Net debt, net debt/EBITDA for UTCCEM, March fiscal year-ends, 4QFY20-22, 2022-24E (Rs bn, X)



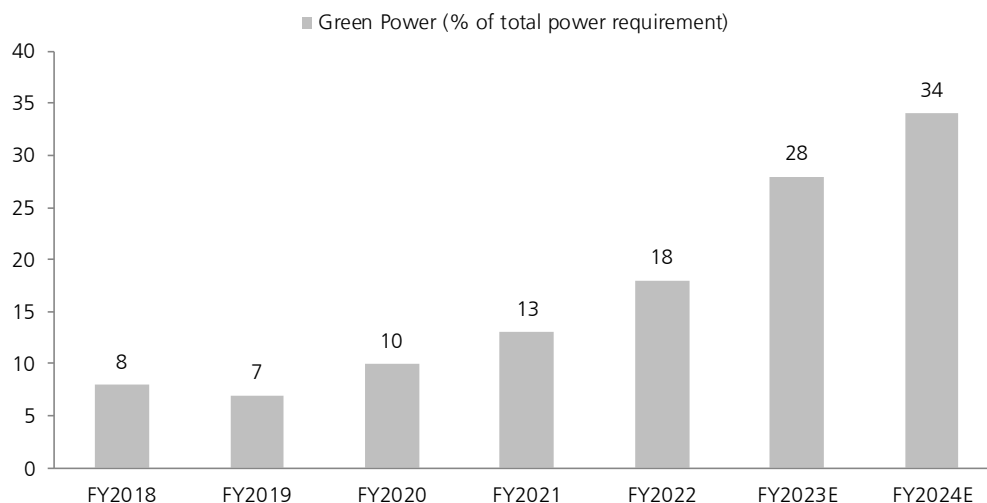
Source: Company, Kotak Institutional Equities

Exhibit 7: UTCCEM capacity is expected to grow at CAGR of 5.5% over FY2020-23
 Capacity, capacity addition details for UTCCEM, March fiscal year-ends, 2021-23E (mn tons)



Source: Company, Kotak Institutional Equities

Exhibit 8: UTCEM is on track to increase the share of green power to 34% by FY2024E
Share of green power for UTCEM, March fiscal year-ends, 2018-24E (mn tons)



Source: Company, Kotak Institutional Equities

Changes in our estimates

We have cut our EBITDA estimates by 11%/4% for FY2023/24E as:

- ▶ We cut our EBITDA/ton by 10%/2% for FY2023/24E factoring higher costs partly offset by higher prices.

Our Fair Value is revised to Rs6,200 (from Rs6,400) on rollover to June 2024E factoring lower earnings at 10X EV/EBITDA.

Exhibit 9: UTCEM (India operations), changes in estimates, March fiscal year-ends, 2023-25E

	Revised estimate			Previous estimate		Change (%)	
	2023E	2024E	2025E	2023E	2024E	2023E	2024E
India Operations							
Volumes	100	110	118	100	109	—	—
Realization (Rs/ton)	6,100	6,222	6,347	5,768	5,912	6	5
Cost (Rs/ton)	4,965	4,888	4,970	4,512	4,545	10	8
EBITDA (Rs/ton)	1,136	1,334	1,377	1,255	1,367	(10)	(2)
India (Rs mn)							
Revenues	608,722	682,692	748,518	574,248	647,180	6	5
EBITDA	113,337	146,359	162,414	124,988	149,682	(9)	(2)
Consolidated (Rs mn)							
Revenues	628,076	702,045	767,872	589,622	662,555	7	6
EBITDA	112,916	145,937	161,992	127,579	152,273	(11)	(4)
EPS	210	298	348	243	313	(14)	(5)

Source: Kotak Institutional Equities estimates

Exhibit 10: Our assumptions factor a strong volume growth over FY2021-24E from ramp-up of acquired assets

Key assumptions for UTCEM (India operations, consolidated), March fiscal year-ends, 2018-25E (Rs mn, Rs/ton)

	2018	2019	2020	2021	2022	2023E	2024E	2025E
India Operations								
Capacity (mtpa)	98	105	111	113	118	131	131	131
Utilization (%)	66	79	71	72	75	76	84	90
Volumes (mn tons)	64	82	79	81	89	100	110	118
% yoy	31	28	(4)	3	10	12	10	7
Realisation (Rs/ton)	4,557	4,915	5,157	5,303	5,678	6,100	6,222	6,347
Costs (Rs/ton)	3,717	4,046	4,004	3,912	4,406	4,965	4,888	4,970
EBITDA (Rs/ton)	840	869	1,153	1,391	1,272	1,136	1,334	1,377
Revenue (Rs mn)	293,579	404,808	406,180	431,150	505,700	608,722	682,692	748,518
Costs (Rs mn)	239,452	333,258	315,390	318,060	392,430	495,385	536,333	586,104
EBITDA (Rs mn)	54,127	71,550	90,790	113,090	113,270	113,337	146,359	162,414
Consolidated								
Revenues (Rs mn)	309,786	416,088	424,299	447,258	525,988	628,076	702,045	767,872
EBITDA (Rs mn)	61,452	73,469	92,472	115,679	115,144	112,916	145,937	161,992
PAT (Rs mn)	22,246	24,004	57,521	53,168	71,726	60,412	85,931	100,424
Net Debt (Rs mn)	153,120	230,808	169,810	67,170	37,510	14,380	(46,703)	(120,076)
Capex (Rs mn)	(18,828)	(68,557)	(16,103)	(18,387)	(56,134)	(50,000)	(35,000)	(35,000)

Source: Company, Kotak Institutional Equities estimates

Exhibit 11: We cut our Fair Value to Rs6,200/share (Rs6,400/share earlier) on rollover to June 2024
UTCEM, valuation details, March fiscal year-end, June 2024E financials

Valuation	Rs bn	Multiple	EV	Rs/share
		(X)	Rs bn	
Consolidated EBITDA	150	10.0	1,500	5,196
Net-debt (adjusted for dividends and tax credit)			(111)	(385)
CWIP			174	601
Equity value			1,784	6,200
FV (Rs/share)				6,200

Source: Kotak Institutional Equities estimates

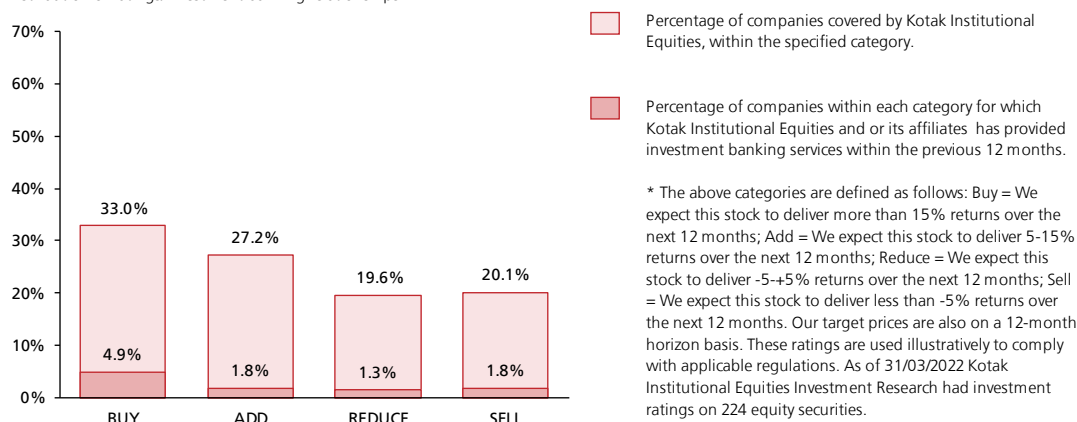
Exhibit 12: UTCEM, profit model, balance sheet and cash flow model (consolidated), March fiscal year-ends, 2018-25E (Rs mn)

	2018	2019	2020	2021	2022	2023E	2024E	2025E
Profit model (Rs mn)								
Net sales	309,786	416,088	424,299	447,258	525,988	628,076	702,045	840,045
EBITDA	61,452	73,469	92,472	115,679	115,144	112,916	145,937	173,830
Other income	5,886	4,634	6,511	7,342	5,078	4,952	5,727	25,613
Interest	(12,376)	(17,779)	(19,917)	(14,857)	(9,447)	(7,719)	(6,669)	(6,669)
Depreciation	(18,479)	(24,507)	(27,227)	(27,002)	(27,148)	(30,258)	(31,298)	(31,818)
Profit before tax	36,482	35,818	51,840	81,162	83,627	79,891	113,697	160,957
Extra-ordinary items	(3,466)	(1,133)	—	(2,607)	—	—	—	—
Current tax	(6,846)	(7,166)	(9,203)	(14,151)	(12,112)	(19,479)	(27,766)	(39,068)
Deferred tax	(3,925)	(3,515)	14,885	(11,237)	212	—	—	—
Net profit	22,246	24,004	57,521	53,168	71,726	60,412	85,931	121,888
Adjusted PAT	25,734	25,169	57,553	55,809	71,803	60,504	86,023	121,980
Earnings per share (Rs)	94	92	199	193	249	210	298	423
Balance sheet (Rs mn)								
Equity	263,812	337,507	390,437	441,746	504,352	552,742	621,546	701,946
Deferred tax liability	31,827	64,114	49,120	60,407	60,332	60,332	60,332	60,332
Borrowings	194,802	253,370	217,646	196,184	102,028	82,028	72,028	62,028
Current liabilities	78,987	103,576	119,440	142,778	152,554	163,932	172,177	179,515
Other Non current Liabilities	2,078	6,807	15,554	20,719	19,011	18,936	18,861	18,786
Total liabilities	571,506	765,374	792,198	861,835	838,277	877,971	944,945	1,022,607
Fixed assets	386,790	446,433	452,814	436,254	437,708	417,450	396,152	374,595
CWIP	15,112	11,486	9,095	16,810	47,773	87,773	112,773	137,773
Investments	14,870	13,862	16,618	12,554	2,129	2,129	2,129	2,129
Cash	2,191	7,397	5,399	20,076	3,592	6,721	57,805	121,178
Other current assets	112,422	111,211	135,754	210,461	182,596	199,417	211,606	222,453
Other Non current Assets	29,757	54,926	53,721	47,761	47,238	47,238	47,238	47,238
Goodwill	10,363	120,060	118,796	117,920	117,242	117,242	117,242	117,242
Total assets	571,505	765,374	792,198	861,835	838,277	877,971	944,946	1,022,607
Net Debt	153,120	230,808	169,810	67,170	37,510	14,380	(46,703)	(120,076)
Free cash flow (Rs mn)								
Operating cash flow excl. working capital	54,606	66,304	83,269	101,529	103,031	93,436	118,171	134,762
Working capital changes	(12,554)	(6,957)	5,157	23,289	(4,730)	(5,443)	(3,944)	(3,510)
Net finance cost/ income	(6,490)	(13,144)	(13,406)	(7,515)	(4,369)	(2,767)	(942)	18,944
Cash flow from operations	35,562	46,202	75,020	117,303	93,932	85,227	113,285	150,197
Capital expenditure	(18,828)	(68,557)	(16,103)	(18,387)	(56,134)	(50,000)	(35,000)	(35,000)
Free cash flow	16,735	(22,355)	58,917	98,916	37,798	35,227	78,285	115,197
Ratios								
Book value (Rs/share)	961	1,229	1,353	1,531	1,748	1,915	2,154	2,432
RoAE (%)	9.7	7.5	14.7	12.6	14.2	10.9	13.8	14.3
RoACE (%)	9.9	8.1	10.7	13.4	13.6	12.3	15.6	16.5
CRoCI (%)	12.5	12.4	21.8	19.1	20.4	17.9	22.1	24.1
EV (US\$/ton)	301	271	256	225	211	190	181	173.4
EV/EBITDA	32.1	27.9	22.5	17.1	16.9	17.1	12.8	11.1
P/E	81.8	75.9	33.3	36.0	26.7	31.7	22.3	19.1
P/B	6.9	5.4	4.9	4.3	3.8	3.5	3.1	2.7
Net Debt/EBITDA	2.5	3.1	1.8	0.6	0.3	0.1	(0.3)	(0.7)

Source: Company, Kotak Institutional Equities estimates

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of March 31, 2022

Ratings and other definitions/identifiers

Definitions of ratings

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5-+5% returns over the next 12 months.

SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

Our Ratings System does not take into account short-term volatility in stock prices related to movements in the market. Hence, a particular Rating may not strictly be in accordance with the Rating System at all times.

Other definitions

Coverage view. The coverage view represents each analyst’s overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: Attractive, Neutral, Cautious.

Other ratings/identifiers

NR = Not Rated. The investment rating and fair value, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

CS = Coverage Suspended. Kotak Securities has suspended coverage of this company.

NC = Not Covered. Kotak Securities does not cover this company.

RS = Rating Suspended. Kotak Securities Research has suspended the investment rating and fair value, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or fair value. The previous investment rating and fair value, if any, are no longer in effect for this stock and should not be relied upon.

NA = Not Available or Not Applicable. The information is not available for display or is not applicable.

NM = Not Meaningful. The information is not meaningful and is therefore excluded.

Corporate Office

Kotak Securities Ltd.
27 BKC, Plot No. C-27, "G Block"
Bandra Kurla Complex, Bandra (E)
Mumbai 400 051, India
Tel: +91-22-43360000

Kotak Mahindra (UK) Ltd
8th Floor, Portoken House
155-157 Minories
London EC3N 1LS
Tel: +44-20-7977-6900

Overseas Affiliates

Kotak Mahindra Inc
369 Lexington Avenue
28th Floor, New York
NY 10017, USA
Tel: +1 212 600 8856

Copyright 2022 Kotak Institutional Equities (Kotak Securities Limited). All rights reserved.

The Kotak Institutional Equities research report is solely a product of Kotak Securities Limited and may be used for general information only. The legal entity preparing this research report is not registered as a broker-dealer in the United States and, therefore, is not subject to US rules regarding the preparation of research reports and/or the independence of research analysts.

1. Note that the research analysts contributing to this report are residents outside the United States and are not associates, employees, registered or qualified as research analysts with FINRA or a US-regulated broker dealer; and

2. Such research analysts may not be associated persons of Kotak Mahindra Inc. and therefore, may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

3. Kotak Mahindra Inc. does not accept or receive any compensation of any kind directly from US institutional investors for the dissemination of the Kotak Securities Limited research reports. However, Kotak Securities Limited has entered into an agreement with Kotak Mahindra Inc. which includes payment for sourcing new major US institutional investors and service existing clients based out of the US.

4. In the United States, this research report is available solely for distribution to major US institutional investors, as defined in Rule 15a-6 under the Securities Exchange Act of 1934. This research report is distributed in the United States by Kotak Mahindra Inc., a US-registered broker and dealer and a member of FINRA. Kotak Mahindra Inc., a US-registered broker-dealer, accepts responsibility for this research report and its dissemination in the United States.

5. This Kotak Securities Limited research report is not intended for any other persons in the United States. All major US institutional investors or persons outside the United States, having received this Kotak Securities Limited research report shall neither distribute the original nor a copy to any other person in the United States. Any US recipient of the research who wishes to effect a transaction in any security covered by the report should do so with or through Kotak Mahindra Inc. Please contact a US-registered representative; Vinay Goenka, Kotak Mahindra Inc., 369 Lexington Avenue, 28th Floor, New York, NY, 10017, Direct +1 212 600 8856, vinay.goenka@kotak.com.

6. This document does not constitute an offer of, or an invitation by or on behalf of Kotak Securities Limited or its affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources, which Kotak Securities Limited or its affiliates consider to be reliable. None of Kotak Securities Limited accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.

This report is distributed in Singapore by Kotak Mahindra (UK) Limited (Singapore Branch) to institutional investors, accredited investors or expert investors only as defined under the Securities and Futures Act. Recipients of this analysis/report are to contact Kotak Mahindra (UK) Limited (Singapore Branch) (16 Raffles Quay, #35-02/03, Hong Leong Building, Singapore 048581) in respect of any matters arising from, or in connection with, this analysis/report. Kotak Mahindra (UK) Limited (Singapore Branch) is regulated by the Monetary Authority of Singapore.

Kotak Securities Limited and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We along with our affiliates are leading underwriter of securities and participants in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationships with a significant percentage of the companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. Investors should assume that Kotak Securities Limited and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material. Our research professionals are paid in part based on the profitability of Kotak Securities Limited, which includes earnings from investment banking and other businesses. Kotak Securities Limited generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, Kotak Securities Limited generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of Kotak Securities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. Kotak Securities Limited does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment. Certain transactions – including those involving futures, options, and other derivatives as well as non-investment-grade securities – give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavor to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so. We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Kotak Securities Limited and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency-denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, affectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the current derivatives risk disclosure document before entering into any derivative transactions.

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited. Kotak Securities is one of India's largest brokerage and distribution houses.

Kotak Securities Limited is a corporate trading and clearing member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), Metropolitan Stock Exchange of India Limited (MSE), National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange (MCX). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and portfolio management.

Kotak Securities Limited is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority as Corporate Agent for Kotak Mahindra Old Mutual Life Insurance Limited and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). Kotak Securities Limited is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise letters or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any stock exchange/SEBI or any other authorities, nor has our certificate of registration been cancelled by SEBI at any point of time.

We offer our research services to primarily institutional investors and their employees, directors, fund managers, advisors who are registered with us. Details of Associates are available on website, i.e. www.kotak.com and <https://www.kotak.com/en/investor-relations/governance/subsidiaries.html>.

Research Analyst has served as an officer, director or employee of subject company(ies): No.

We or our associates may have received compensation from the subject company(ies) in the past 12 months.

We or our associates have managed or co-managed public offering of securities for the subject company(ies) in the past 12 months. YES. Visit our website for more details <https://kie.kotak.com/kinsiteintra/index.php>.

We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Our associates may have financial interest in the subject company(ies).

Research Analyst or his/her relative's financial interest in the subject company(ies): No

Kotak Securities Limited has financial interest in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: Ultratech Cement - YES. Nature of Financial interest: Holding equity shares or derivatives of the subject company.

Our associates may have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No.

Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report.

A graph of daily closing prices of securities is available at <https://www.moneycontrol.com/india/stockpricequote/> and <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>. (Choose a company from the list on the browser and select the "three years" icon in the price chart).

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: www.kotak.com / www.kotaksecurities.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No. INZ000200137/(Member of NSE, BSE, MSE, MCX & NCDEX). Member ID: NSE-08081; BSE-673; MSE-1024; MCX-56285; NCDEX-1262. AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DF-629-2021. Compliance Officer Details: Mr. Manoj Agarwal. Call: 022 - 4285 8484, or Email: ks.compliance@kotak.com. Investments in securities market are subject to market risks, read all the related documents carefully before investing.

In case you require any clarification or have any concern, kindly write to us at below email ids:

Level 1: For trading-related queries, contact our customer service at 'service.securities@kotak.com' and for demat account-related queries, contact us at ks.demat@kotak.com or call us on: Toll free numbers 18002099191 / 1860 266 9191.

Level 2: If you do not receive a satisfactory response at Level 1 within 3 working days, you may write to us at ks.escalation@kotak.com or call us on 022-42858445 and if you feel you are still unheard, write to our customer service HOD at ks.servicehead@kotak.com or call us on 022-42858208.

Level 3: If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Name: Mr. Manoj Agarwal) at ks.compliance@kotak.com or call on 91-(022) 4285 8484.

Level 4: If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach Managing Director/CEO (Mr. Jaideep Hansraj) at ceo.ks@kotak.com or call on 91-(022) 4285 8301.

First Cut notes published on this site are for information purposes only. They represent early notations and responses by analysts to recent events. Data in the notes may not have been verified by us and investors should not act upon any data or views in these notes. Most First Cut notes, but not necessarily all, will be followed by final research reports on the subject.

There could be variance between the First Cut note and the final research note on any subject, in which case the contents of the final research note would prevail. We accept no liability of the First Cut Notes.

Analyst Certification

The analyst(s) authoring this research report hereby certifies that the views expressed in this research report accurately reflect such research analyst's personal views about the subject securities and issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Firm. Firm Research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities is available on request.