

# Retail Equity Research

## UltraTech Cement Limited

Cement

BSE CODE: 532538

NSE CODE: ULTRACEMCO

Bloomberg CODE: UTCEM:IN

SENSEX: 48,691

**BUY**

12M Investment period Rating as per Large Cap  
CMP Rs. 6,392 TARGET Rs. 7,220 RETURN 13% ↑  
(Closing: 12-05-21)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

### Solid quarter; Outlook improved

UltraTech Cement Ltd. is the largest cement manufacturer in India. It is involved in the production of grey and white cement and ready-mix concrete (RMC). Company has a consolidated grey cement capacity of ~117mtpa.

- Consolidated revenue grew 32.7% YoY in Q4FY21 driven by robust growth in volumes (+29.6% YoY) and improved realisations (+2.4%).
- EBITDA surged 41.8% YoY as margins expanded 160bps YoY to 26.0%, aided by better pricing despite higher operational costs. Adj. PAT soared 60.6% YoY to Rs. 1,814cr.
- Cement industry in India is on an upswing as evidenced by significant improvements in per capita consumption levels. With improved sector outlook, UltraTech as the market leader stands to benefit the most and is well equipped to handle the growing demand. Given company's resilient performance and improving sales realisations, we upgrade our rating on the stock to BUY with a revised target price of Rs. 7,220 based on 14x FY23E EV/EBITDA.

### Strong demand drives topline

Q4FY21 revenue surged 32.7% YoY to Rs. 14,406cr, supported by strong growth in volumes coupled with price improvements. Cement volumes grew 29.6% YoY to 27.8mt amid slowdown in demand. EBITDA per tonne rose 9.4% YoY to Rs. 1,350/t helped by higher realisations (+2.4% YoY) and largely stable operating expenses per tonne (+0.2% YoY). As a result, EBITDA grew 41.8% YoY to Rs. 3,751cr, while EBITDA margins expanded 160bps YoY to 26.0%. Adjusting for exceptional items, company's adj. PAT grew 60.6% YoY to Rs. 1,814cr, despite a higher tax expense.

### Key concall highlights

- Company further reduced its net debt by Rs. 2,719cr during the quarter to Rs. 6,717cr (as against Rs. 9,436cr in Q3FY21). As a result, consolidated net debt to EBITDA ratio improved to 0.55x (vs. 0.84x in Q3FY21 and 1.72x at FY20 end).
- Overall capacity utilization levels improved to 93% (+13pps YoY) during Q4FY21.
- Management expects pet coke prices to stabilize in H2FY22 with an increase in production, as refineries slowly resume operations in Texas, US.

### Expansion plans on track; deleveraging accelerates.

In December 2020, company announced an investment outlay of Rs. 5,477cr towards a 12.8mtpa capacity expansion comprising of both brown and green field projects. Management recently affirmed its expansion plans to be on track for completion by Q4FY23. Post completion, company's total capacity will expand to 136.3mtpa. Also, having benefited from improved price realisations, the company has simultaneously accelerated its deleveraging efforts, reducing its overall consolidated net debt by Rs. 10,264cr during FY21.

### Valuation

Unfazed by the pandemic, company's expansion program remains on track. Though the temporary lockdowns, coupled with fuel costs and rising pet coke prices threaten to curb profitability in the short-term, UltraTech has thus far shown resilience and managed to improve sales realisations on the back of continued demand growth for cement, thereby outperforming the industry. Moreover, the deleveraging efforts have also helped strengthen its Balance Sheet further. With improved outlook on the company's long term performance, we upgrade our rating to BUY and value the stock at 14x FY23E EV/EBITDA with a revised target price of Rs. 7,220.

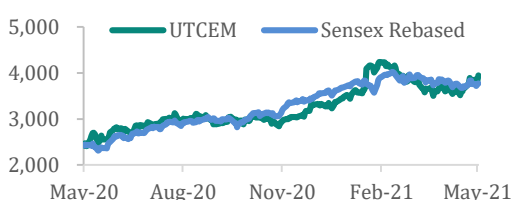
### Company Data

Market Cap (cr)	Rs. 184,512
Enterprise Value (cr)	Rs. 199,735
Outstanding Shares (cr)	28.9
Free Float	40.0%
Dividend Yield	0.6%
52 week high	Rs. 7,050
52 week low	Rs. 3,278
6m average volume (lacs)	0.3
Beta	0.9
Face value	Rs. 10

Shareholding %	Q2FY21	Q3FY21	Q4FY21
Promoters	59.9	60.0	60.0
FII's	15.3	16.8	17.3
MFs/Insti	15.5	14.3	13.9
Public	6.3	6.1	6.1
Others	3.0	2.9	2.8
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-0.1%	31.9%	91.0%
Absolute Sensex	-5.5%	12.3%	55.2%
Relative Return*	5.4%	19.6%	35.8%

\*over or under performance to benchmark index



Consolidated (cr)	FY21A	FY22E	FY23E
Sales	44,726	50,540	56,858
Growth (%)	5.4	13.0	12.5
EBITDA	12,302	13,161	14,939
EBITDA Margin (%)	27.5	26.0	26.3
Adj. PAT	5,724	6,216	7,403
Growth (%)	57.1	8.6	19.1
Adj. EPS	198.3	215.3	256.5
Growth (%)	57.1	8.6	19.1
P/E	34.0	29.7	24.9
P/B	4.4	3.7	3.3
EV/EBITDA	17.2	15.2	13.2
ROE (%)	12.4	12.5	13.2
D/E	0.4	0.3	0.2

## Quarterly Financials (Consolidated)

### Profit & Loss Account

	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %	FY21	FY20	YoY Growth %
Revenue	14,406	10,854	32.7	12,262	17.5	44,726	42,430	5.4
<b>EBITDA</b>	<b>3,751</b>	<b>2,645</b>	<b>41.8</b>	<b>3,362</b>	<b>11.6</b>	<b>12,302</b>	<b>9,898</b>	<b>24.3</b>
EBITDA margins	26.0	24.4	160bps	27.4	(140bps)	27.5	23.3	420bps
Depreciation	698	678	3.0	674	3.6	2,700	2,723	(0.8)
<b>EBIT</b>	<b>3,053</b>	<b>1,967</b>	<b>55.2</b>	<b>2,688</b>	<b>13.6</b>	<b>9,602</b>	<b>7,176</b>	<b>33.8</b>
Interest	377	506	(25.5)	356	5.9	1,486	1,992	(25.4)
Other Income	-	-	-	-	-	-	-	-
Exceptional Items	(39)	-	n.m.	-	n.m.	(261)	-	n.m.
<b>PBT</b>	<b>2,639</b>	<b>1,459</b>	<b>80.8</b>	<b>2,332</b>	<b>13.2</b>	<b>7,858</b>	<b>5,183</b>	<b>51.6</b>
Tax	865	(1,777)	148.7	747	15.7	2,539	(568)	546.8
Sh. of profit from Associate	2	(1)	n.m.	(0)	n.m.	2	(1)	n.m.
Minority Interest	(1)	(3)	67.5	0	n.m.	(1)	(4)	71.5
<b>Reported PAT</b>	<b>1,775</b>	<b>3,240</b>	<b>(45.2)</b>	<b>1,584</b>	<b>12.0</b>	<b>5,463</b>	<b>5,755</b>	<b>(5.1)</b>
Adjustments	39	(2,112)	n.m.	-	n.m.	261	(2,112)	n.m.
<b>Adj. PAT</b>	<b>1,814</b>	<b>1,129</b>	<b>60.6</b>	<b>1,584</b>	<b>14.5</b>	<b>5,724</b>	<b>3,643</b>	<b>57.1</b>
No. of shares	28.9	28.9	-	28.9	-	28.9	28.9	-
<b>Adj. EPS (Rs.)</b>	<b>62.8</b>	<b>39.1</b>	<b>60.6</b>	<b>54.9</b>	<b>14.5</b>	<b>198.3</b>	<b>126.2</b>	<b>57.1</b>

### Per Tonne Analysis

Rs. per tonne	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %	FY21	FY20	YoY Growth %
<b>Cement Volume (MT)</b>	<b>27.8</b>	<b>21.4</b>	<b>29.6</b>	<b>23.9</b>	<b>16.3</b>	<b>86.4</b>	<b>82.3</b>	<b>5.0</b>
Cost of materials consumed	868	712	21.9	751	15.5	820	792	3.6
Employee Expenses	221	307	(28.0)	256	(13.6)	272	306	(11.0)
Power & Fuel	973	996	(2.3)	1,006	(3.2)	964	1,034	(6.8)
Freight & forwarding	1,183	1,251	(5.4)	1,193	(0.8)	1,162	1,182	(1.7)
Other expenses	590	563	4.8	521	13.1	533	637	(16.2)
<b>Total expenses</b>	<b>3,835</b>	<b>3,829</b>	<b>0.2</b>	<b>3,727</b>	<b>2.9</b>	<b>3,752</b>	<b>3,951</b>	<b>(5.0)</b>
Realisation (inc. RMC)	5,186	5,063	2.4	5,135	1.0	5,175	5,154	0.4
<b>EBITDA</b>	<b>1,350</b>	<b>1,234</b>	<b>9.4</b>	<b>1,408</b>	<b>(4.1)</b>	<b>1,424</b>	<b>1,202</b>	<b>18.4</b>

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	48,503	54,662	50,540	56,858	4.2	4.1
EBITDA	13,164	14,175	13,161	14,939	(0.0)	5.4
Margins (%)	27.1	25.9	26.0	26.3	(110bps)	40bps
Adj. PAT	5,947	6,872	6,216	7,403	4.5	7.7
Adj. EPS	206.2	238.2	215.3	256.5	4.4	7.6

## PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Revenue</b>	<b>41,609</b>	<b>42,430</b>	<b>44,726</b>	<b>50,540</b>	<b>56,858</b>
% change	28.8	2.0	5.4	13.0	12.5
<b>EBITDA</b>	<b>7,810</b>	<b>9,898</b>	<b>12,302</b>	<b>13,161</b>	<b>14,939</b>
% change	21.5	26.7	24.3	7.0	13.5
Depreciation	2,451	2,723	2,700	3,053	2,999
<b>EBIT</b>	<b>5,360</b>	<b>7,176</b>	<b>9,602</b>	<b>10,108</b>	<b>11,940</b>
Interest	1,778	1,992	1,486	1,232	1,370
Other Income	(113)	(1)	(259)	2	2
<b>PBT</b>	<b>3,468</b>	<b>5,183</b>	<b>7,858</b>	<b>8,878</b>	<b>10,573</b>
% change	5.1	49.4	51.6	13.0	19.1
Tax	1,068	(568)	2,539	2,663	3,172
Tax Rate (%)	30.8	(11.0)	32.3	30.0	30.0
<b>Reported PAT</b>	<b>2,404</b>	<b>5,755</b>	<b>5,463</b>	<b>6,216</b>	<b>7,403</b>
Adj*	114	(2,112)	261	-	-
<b>Adj PAT</b>	<b>2,517</b>	<b>3,643</b>	<b>5,724</b>	<b>6,216</b>	<b>7,403</b>
% change	6.7	44.7	57.1	8.6	19.1
No. of shares (cr)	27.5	28.9	28.9	28.9	28.9
<b>Adj EPS (Rs.)</b>	<b>91.7</b>	<b>126.2</b>	<b>198.3</b>	<b>215.3</b>	<b>256.5</b>
% change	6.7	37.7	57.1	8.6	19.1
DPS (Rs.)	11.5	13.0	37.0	25.8	30.8
CEPS (Rs.)	180.9	220.6	291.8	321.1	360.4

## CASH FLOW

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Net inc. + Depn.</b>	<b>5,082</b>	<b>4,254</b>	<b>8,163</b>	<b>9,269</b>	<b>10,402</b>
Non-cash adj.	402	4,031	1,505	(1,851)	(2,035)
Changes in W.C	471	688	2,834	(702)	(602)
<b>C.F. Operation</b>	<b>5,956</b>	<b>8,972</b>	<b>12,503</b>	<b>6,716</b>	<b>7,765</b>
Capital exp.	(1,596)	(1,610)	(1,839)	(2,022)	(2,388)
Change in inv.	2,770	(2,495)	(5,571)	(328)	(261)
Other invest.CF	(61)	(88)	(1,450)	-	-
<b>C.F - Investment</b>	<b>1,114</b>	<b>(4,192)</b>	<b>(8,859)</b>	<b>(2,349)</b>	<b>(2,649)</b>
Issue of equity	(76)	(0)	14	-	-
Issue/repay debt	(4,648)	(2,796)	(2,565)	(2,286)	(2,540)
Dividends paid	(346)	(380)	(375)	(746)	(888)
Other finance.CF	(1,687)	(1,900)	(1,431)	(1,232)	(1,370)
<b>C.F - Finance</b>	<b>(6,757)</b>	<b>(5,076)</b>	<b>(4,356)</b>	<b>(4,265)</b>	<b>(4,798)</b>
Chg. in cash	313	(296)	(713)	102	318
Closing cash	441	147	177	279	598

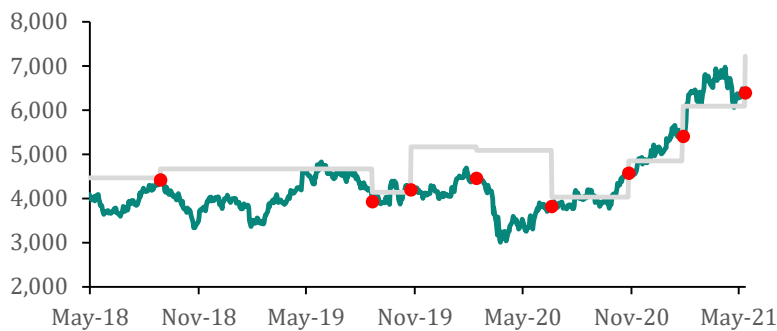
## BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	441	147	177	279	598
Accounts Receivable	2,787	2,238	2,572	3,032	3,554
Inventories	4,099	4,148	4,018	4,617	5,149
Other Cur. Assets	4,534	7,398	17,283	18,959	20,842
Investments	1,405	1,685	1,284	1,291	1,300
Gross Fixed Assets	47,258	48,868	50,707	52,729	55,117
Net Fixed Assets	44,643	45,113	42,291	41,008	40,107
CWIP	1,149	910	1,681	1,933	2,223
Intangible Assets	12,006	11,880	13,126	13,264	13,405
Def. Tax (Net)	12	6	7	8	9
Other Assets	5,462	5,813	3,744	4,414	4,712
<b>Total Assets</b>	<b>76,537</b>	<b>79,337</b>	<b>86,184</b>	<b>88,806</b>	<b>91,898</b>
Current Liabilities	11,865	12,646	16,357	16,383	16,571
Provisions	173	242	365	384	403
Debt Funds	24,319	22,408	17,784	15,497	12,957
Other Liabilities	6,418	4,918	7,497	6,893	5,806
Equity Capital	275	289	289	289	289
Reserves & Surplus	33,476	38,827	43,886	49,356	55,870
Shareholder's Fund	33,751	39,115	44,175	49,645	56,159
Minority Interest	12	8	6	4	3
<b>Total Liabilities</b>	<b>76,537</b>	<b>79,337</b>	<b>86,184</b>	<b>88,806</b>	<b>91,898</b>
<b>BVPS (Rs.)</b>	<b>1,229</b>	<b>1,355</b>	<b>1,530</b>	<b>1,720</b>	<b>1,946</b>

## RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	18.8	23.3	27.5	26.0	26.3
EBIT margin (%)	12.9	16.9	21.5	20.0	21.0
Net profit mgn.(%)	5.8	13.6	12.2	12.3	13.0
ROE (%)	7.1	14.7	12.4	12.5	13.2
ROCE (%)	9.2	11.7	15.5	15.5	17.3
<b>W.C &amp; Liquidity</b>					
Receivables (days)	24.4	19.3	21.0	21.9	22.8
Inventory (days)	214.2	232.3	207.0	209.9	208.1
Payables (days)	165.2	196.1	242.1	229.9	222.6
Current ratio (x)	0.8	0.8	1.2	1.3	1.4
Quick ratio (x)	0.3	0.4	0.7	0.7	0.8
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	0.9	0.9	0.9	1.0	1.1
Total asset T.O (x)	0.6	0.5	0.5	0.6	0.6
Int. coverage ratio (x)	3.0	3.6	6.5	8.2	8.7
Adj. debt/equity (x)	0.7	0.6	0.4	0.3	0.2
<b>Valuation</b>					
EV/Sales (x)	3.2	2.7	4.7	4.0	3.5
EV/EBITDA (x)	17.3	11.7	17.2	15.2	13.2
P/E (x)	44.2	25.8	34.0	29.7	24.9
P/BV (x)	3.3	2.4	4.4	3.7	3.3

## Recommendation Summary



Dates	Rating	Target
28-Aug-18	HOLD	4,669
21-Aug-19	HOLD	4,140
25-Oct-19	BUY	5,170
13-Feb-20	BUY	5,090
19-Jun-20	HOLD	4,030
27-Oct-20	HOLD	4,850
29-Jan-21	HOLD	5,790
14-May-21	BUY	7,220

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note.

**Accumulate:** Partial buying or to accumulate as CMP dips in the future.

**Hold:** Hold the stock with the expected target mentioned in the note.

**Reduce:** Reduce your exposure to the stock due to limited upside. The stock may still be a quality stock.

**Sell:** Exit from the stock.

**Not rated:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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