

Healthy asset utilisation leads to better margins...

In Q4FY21, the company operated with **plant utilisation of over 93%** backed by strong demand across regions with east operating at almost 100% capacity utilisation. Rest all other regions barring south operated at over 90% leading to average capacity utilisation of 93% for the company in Q4. This led to sales volume growth of 29.6% YoY to 26.6 MT. With firm realisations (up 4% YoY, 1.3% QoQ), revenues grew 34.8% YoY to ₹ 13,966 crore (above I-direct estimate: ₹ 12,917 crore). Better fixed cost absorption kept cost of production under check that increased 1% QoQ only while remaining flat YoY. As a result, EBITDA/t for the quarter was higher at ₹ 1,321/t (vs. I-direct estimate of ₹ 1,218/t). On the leverage front, the company has successfully reduced its net debt/EBITDA ratio to 0.55x from 1.72x last year and 0.84x last quarter. The board had earlier sanctioned capex plans of 19.5 MT through a mix of brownfield and greenfield expansion. Commercial production from these capacities is expected to go on stream in a phased manner during FY22, FY23. With its focus on operational efficiencies and strong balance sheet, the company is now in a better position to withstand any near term slowdown in demand.

Target capacity of 160 MT by FY30E; to reach 131 MT by FY23E

The target of reaching 160 MT by FY30E from 111.4 MT indicates capacity CAGR of 3.7% in FY20-30E. The newly announced cement capacity expansion of 12.8 MT (9.1 MT clinker capacity) along with ongoing capex of 6.7 MT would take its total capacity to 130.9 MT by the end of FY23E. Region wise, major capacities are being added in the eastern and central region (73% of 19.5 MT), which has lowest road and power density per capita representing higher growth potential while rural population share remains one of the higher, offering stability in the prices. The balance 27% of new capacities are being added in the north region. Furthermore, as these new organic capacities are being added at lower capital costs (US\$60/t), it will help boost return ratios (new capacity to generate 15%+ IRR).

Efficiency measures to help sustain margins; B/S to stay firm

While there remain uncertainty on cost inflation with respect to price fluctuations in petcoke and diesel prices, the management's focus on consolidating acquired assets, driving synergies, especially on the logistics front, improving premium segment share (to increase from 10% to 15% in two years) and containing fixed overheads on sustainable basis provides cushion against risk of margin erosion, going forward. On the leverage front, the net debt/EBITDA is now at 0.55x, vs 1.72x last year.

Valuation & Outlook

UltraTech has successfully integrated acquired assets while protecting its b/s. Given the positive outlook, the new capex targeting central and east region would address the issue of capacity constraint post FY24E. With a target to become net debt free by FY23E and with RoCE of +16%, we remain positive on the company and maintain **BUY** rating with a revised target price of ₹ 7500/share (i.e. 15.5x FY23E EV/EBITDA) (earlier TP ₹ 6300/share).



Particulars

Particulars	Amount
Mcap	₹ 184830 crore
Debt (FY21)	₹ 14915 crore
Cash & Invest (FY21)	₹ 1881 crore
EV	₹ 197864 crore
52 week H/L	₹ 4755/₹ 2910
Equity cap	₹ 288.2 crore
Face value	₹ 10

Key Highlights

- Volume grew by 29.6% YoY led by strong demand from retail & infra segment. Ended Q4FY21 with over 93% utilisation.
- Share of premium product increased to 10% vs 8% LY. Target to increase its share further to 15%
- Capex for FY22E & FY23E pegged at ₹4500 crore and ₹3000 crore respectively
- Maintain BUY with a revised TP of ₹7,500 from ₹6,300 earlier

Key Risks to our call

- Focus on market share gain at cost of prices may impact return ratios
- Sharp increase in other input costs like fuel, power may possess risk for margin expansion, going ahead

Research Analyst

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Key Financial Summary (standalone)

Key Financials	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY21-23E)
Net Sales (₹ crore)	39933	40634	43188	50289	55060	13%
EBITDA (₹ crore)	7076	8652	10964	12225	13567	11%
EBITDA (%)	17.7	21.3	25.4	24.3	24.6	
Adjusted PAT (₹ crore)	2530	3602	5506	6444	7354	16%
EPS (₹)	87.7	124.8	190.8	223.3	254.8	
EV/EBITDA	32.1	26.1	20.0	17.8	15.6	
EV/t (\$)	286	284	277	264	231	
RoNW (%)	7.6	9.4	12.7	13.3	13.4	
RoCE (%)	9.0	11.4	14.7	15.8	16.8	

Source: Company, ICICI Direct Research

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Exhibit 1: Variance Analysis

	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Net Sales	13,966	12,917	10,360	34.8	11,831	18.0	Strong demand across regions lead to company achieving over 93% capacity utilisation
Other Incomes	84	200	224	-62.3	262	-67.7	
Raw Material Expenses	2,550	2,145	1,631	56.4	1,909	33.6	Higher inbound transportation cost along with higher sales volume lead to sharp increase in RM costs
Employee Expenses	575	594	612	-6.0	567	1.5	
Power and fuel	2,456	2,469	1,932	27.1	2,180	12.6	
Freight	3,257	3,102	2,611	24.7	2,816	15.6	
Others	1,615	1,571	1,312	23.1	1,414	14.2	
EBITDA	3,512	3,037	2,262	55.3	2,944	19.3	
EBITDA Margin (%)	25.2	23.5	21.8	331 bps	24.9	26 bps	Volume led operating leverage and controlled cost lead to 331 bps YoY expansion in margins
Depreciation	631	630	609	3.6	602	4.8	
Interest	323	347	432	-25.3	301	7.5	
PBT	2,643	2,260	1,445	82.9	2,303	14.8	
Total Tax	865	739	-1,461	-159.2	753	15.0	
PAT	1,778	1,521	2,906	-38.8	1,550	14.7	

Key Metrics

Volume (MT)	26.6	24.9	20.5	29.6	22.8	16.5
Realisation (₹)	5,252	5,180	5,049	4.0	5,184	1.3
EBITDA per Tonne (₹)	1,321	1,218	1,103	19.8	1,290	2.4

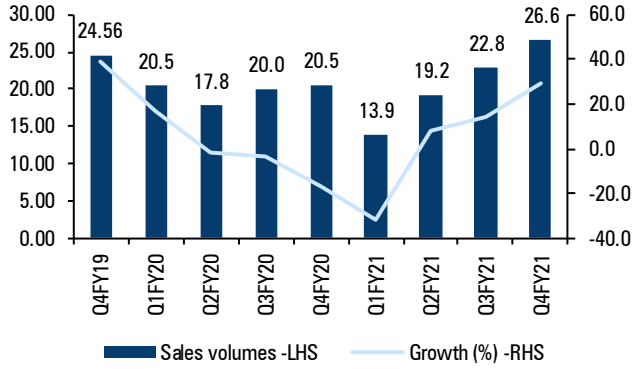
Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	47,952.9	50,288.9	4.9	52,132.5	55,050.1	5.6	Volume growth to remain healthy in FY22E & FY23E
EBITDA	11,517.0	12,224.8	6.1	12,695.4	13,567.4	6.9	Operating leverage to keep margins healthy going ahead
EBITDA Margin (%)	24.0	24.3	29 bps	24.4	24.6	29 bps	
PAT	5,912.0	6,444.2	9.0	6,758.4	7,354.2	8.8	
EPS (₹)	204.9	223.3	9.0	234.2	254.8	8.8	

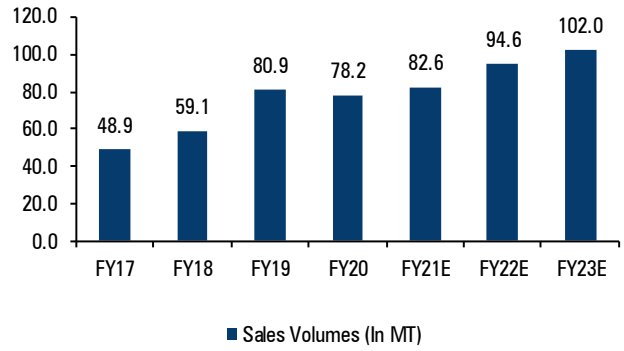
Source: Company, ICICI Direct Research

Exhibit 3: Sales volumes up 29.6% YoY during Q4FY21



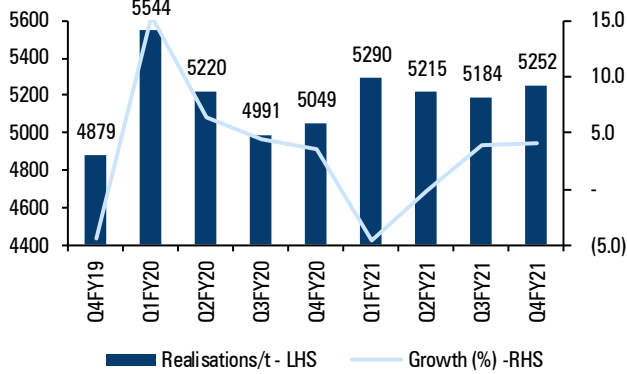
Source: Company, ICICI Direct Research

Exhibit 4: Volumes expected to cross ~100 MT by FY23E



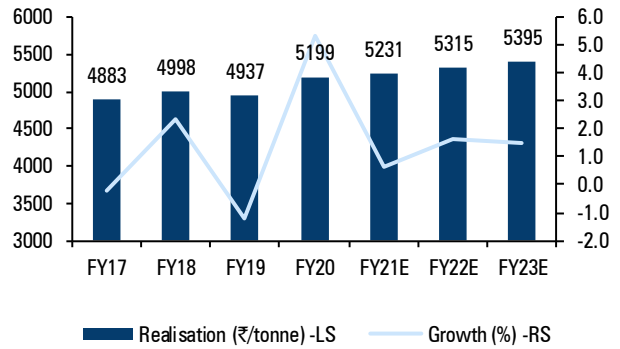
Source: Company, ICICI Direct Research

Exhibit 5: Realisations improve 4% YoY, remain flat QoQ



Source: Company, ICICI Direct Research

Exhibit 6: Realisation growth to moderate with volume pick-up



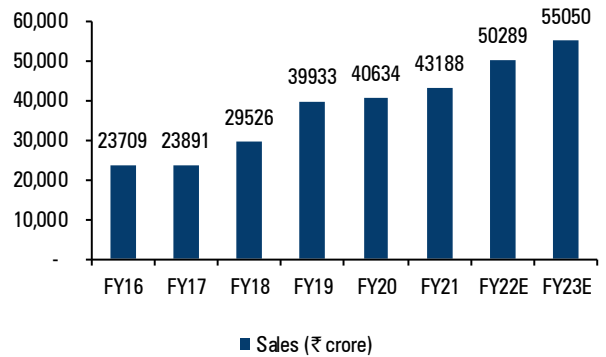
Source: Company, ICICI Direct Research

Exhibit 7: Domestic capacity to reach ~131 MT by FY23E

Zone (in mt)	Capacity	Capacity additions	Total
North	23.8	5.2	29.0
Central	23.3	4.2	27.5
East	16.1	10.1	26.2
West	27.7		27.7
South	20.5		20.5
Domestic Total	111.4	19.5	130.9
Overseas	3.4		3.4
Total	114.8		134.3

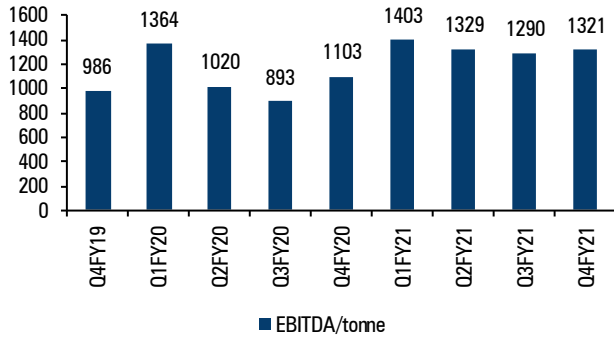
Source: Company, ICICI Direct Research

Exhibit 8: Standalone revenues to grow at 12.9% CAGR in FY21-23E



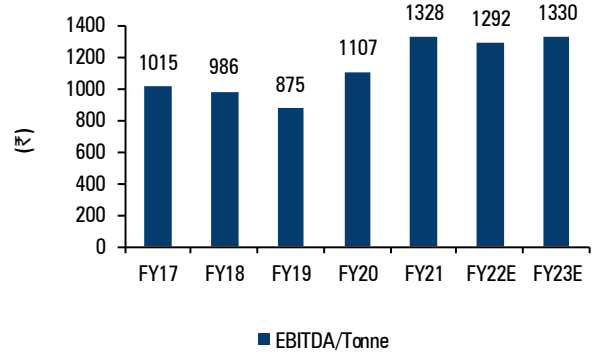
Source: Company, ICICI Direct Research

Exhibit 9: EBITDA/t increases YoY led by better pricing, cost control initiatives



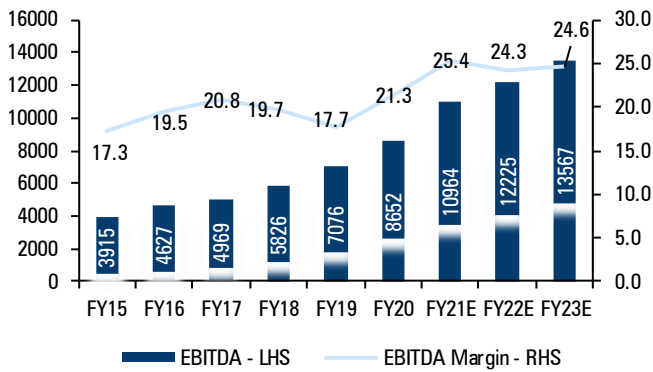
Source: Company, ICICI Direct Research

Exhibit 10: EBITDA/t to moderate marginally, going forward



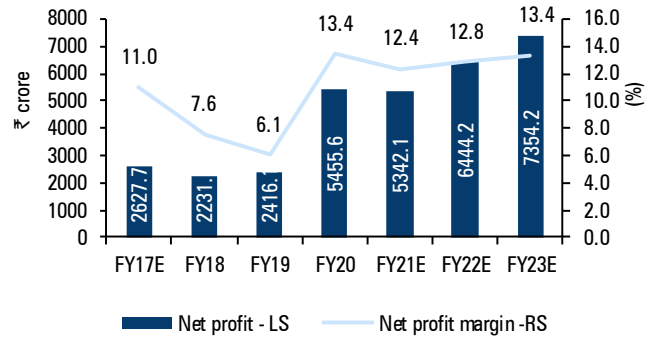
Source: Company, ICICI Direct Research

Exhibit 11: EBITDA growth to trend



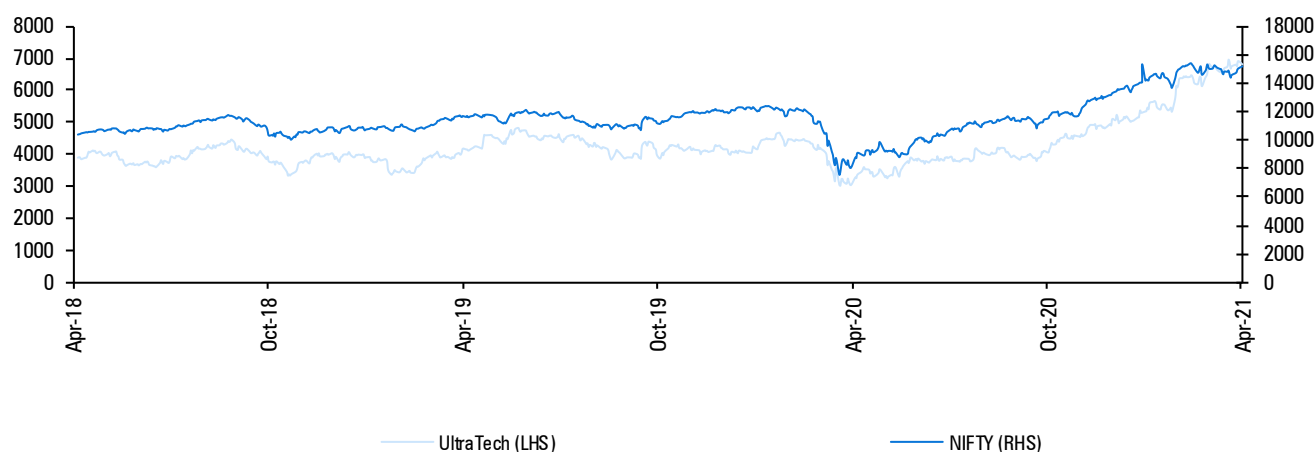
Source: Company, ICICI Direct Research

Exhibit 12: PAT margin to scale back to over 13% by FY23E led by healthy realisations, efficiency measures



Source: Company, ICICI Direct Research

Exhibit 13: Three year price performance vs. Nifty



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 14: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S Position (m)	Change	
1	Grasim Industries Ltd	12/31/2019	57.3	165.3	0.0
2	Life Insurance Corp	6/30/2019	3.9	11.2	0.0
3	Franklin Resources	5/15/2020	1.4	4.1	0.0
4	Kotak Mahindra Asset	4/30/2020	1.4	4.0	0.3
5	SBI Funds Management	4/30/2020	1.4	3.9	0.0
6	Pilani Investment & co	2/20/2020	1.4	3.9	0.0
7	Standard Life Aberde	4/30/2020	1.3	3.7	-0.7
8	Vanguard Group	4/30/2020	1.0	2.9	0.0
9	BlackRock	5/14/2020	1.0	2.9	0.0
10	ICICI Prudential	4/30/2020	1.0	2.8	-0.1

Source: Reuters, ICICI Direct Research

Exhibit 15: Shareholding Pattern

(in %)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Promoter	60.04	60.04	59.91	59.97	59.97
FII	16.48	16.10	15.30	16.80	17.28
DII	14.15	14.59	15.50	14.18	13.82
Others	9.33	9.27	9.29	9.05	8.93

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 16: Profit & Loss Account

(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating income	40,634	43,188	50,289	55,050
Growth (%)	1.8	6.3	16.4	9.5
Raw material cost	6,907	7,539	9,036	9,745
Power & Fuel cost	7,703	7,552	9,779	11,021
Freight cost	9,570	9,940	10,786	11,633
Employees cost	2,336	2,182	2,313	2,452
Others	5,465	5,012	6,150	6,633
Total Operating Exp.	31,982	32,224	38,064	41,483
EBITDA	8,652	10,964	12,225	13,567
Growth (%)	22.3	26.7	11.5	11.0
Depreciation	2,455	2,434	2,568	2,997
Interest	1,704	1,259	1,117	712
Other Income	727	789	800	800
PBT	5,220	8,059	9,339	10,658
Total Tax	-236	2,553	2,895	3,304
PAT	5,456	5,506	6,444	7,354
Growth (%)	115.6	0.9	17.0	14.1
Adj. EPS (₹)	125	191	223	255

Source: Company, ICICI Direct Research

Exhibit 18: Balance Sheet summary

(Year-end March)	FY20	FY21	FY22E	FY23E
Liabilities				
Equity Capital	289	289	289	289
Reserve and Surplus	38,008	43,064	48,290	54,426
Total Shareholders funds	38,296	43,353	48,579	54,715
Total Debt	18,100	14,915	12,415	7,915
Deferred Tax Liability	4,077	5,219	5,219	5,219
Total Liabilities	60,473	63,487	66,213	67,849
Assets				
Gross Block	64,923	67,569	72,091	75,491
Less: Acc Depreciation	19,668	22,102	24,670	27,667
Net Block	45,255	45,467	47,421	47,824
Capital WIP	1,106	1,522	1,500	1,100
Total Fixed Assets	46,361	46,989	48,921	48,924
Investments	13,090	20,786	20,286	20,286
Inventory	3,834	3,722	3,994	4,452
Debtors	1,848	2,286	2,398	2,428
Loans and Advances	2,300	1,353	1,664	1,639
Other Current Assets	3,039	3,399	4,145	3,562
Cash	310	1,881	1,183	2,758
Total Current Assets	11,331	12,641	13,383	14,840
Creditors	3,250	6,334	6,066	6,000
Provisions	7,059	10,595	10,312	10,200
Total Current Liabilities	10,309	16,929	16,377	16,200
Net Current Assets	1,022	-4,288	-2,994	-1,361
Others Assets	0	0	0	0
Application of Funds	60,473	63,486	66,213	67,849

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement

(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	5,456	5,342	6,444	7,354
Add: Depreciation	2,455	2,434	2,568	2,997
(Inc)/dec in Current Assets	-435	261	-1,441	119
Inc/(dec) in CL and Provisions	-815	6,620	-552	-177
CF from operating activities	6,660	14,658	7,019	10,294
(Inc)/dec in Investments	-288	-920	0	0
(Inc)/dec in Fixed Assets	-1,100	-3,062	-4,500	-3,000
Others	-1,138	1,142	0	0
CF from investing activities	-2,526	-2,839	-4,500	-3,000
Issue/(Buy back) of Equity	14	0	0	0
Inc/(dec) in loan funds	-1,565	-3,185	-2,500	-4,500
Dividend paid & dividend tax	-452	-1,288	-1,218	-1,218
Inc/(dec) in Sec. premium	0	0	0	0
Others	16	1,002	0	0
CF from financing activities	-1,987	-3,471	-3,718	-5,718
Net Cash flow	-346	1,571	-699	1,576
Opening Cash	656	310	1,881	1,183
Closing Cash	310	1,881	1,183	2,758

Source: Company, ICICI Direct Research

Exhibit 19: Ratio sheet

(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
Adj. EPS (₹)	124.8	190.8	223.3	254.8
Cash EPS	274.1	269.5	312.3	358.7
BV	1,327.1	1,502.3	1,683.4	1,896.1
DPS	13.0	37.0	35.0	35.0
Cash Per Share	10.7	65.2	41.0	95.6
Operating Ratios (%)				
EBITDA Margin	21.3	25.4	24.3	24.6
PBT / Total Operating income	12.8	18.3	18.6	19.4
PAT Margin	13.4	12.4	12.8	13.4
Inventory days	34.2	31.9	28.0	28.0
Debtor days	18.9	17.5	17.0	16.0
Creditor days	28.0	40.5	45.0	40.0
Return Ratios (%)				
RoE	9.4	12.7	13.3	13.4
RoCE	11.4	14.7	15.8	16.8
RoIC	11.6	16.0	17.0	18.5
Valuation Ratios (x)				
P/E	34.3	35.0	29.0	25.4
EV / EBITDA	23.0	17.6	15.7	13.7
EV / Net Sales	4.9	4.5	3.8	3.4
Market Cap / Sales	4.6	4.3	3.7	3.4
Price to Book Value	4.9	4.3	3.8	3.4
Solvency Ratios				
Debt/EBITDA	2.1	1.4	1.0	0.6
Debt / Equity	0.5	0.3	0.3	0.1
Current Ratio	1.1	0.7	0.8	0.9
Quick Ratio	1.1	0.6	0.7	0.7

Source: Company, ICICI Direct Research

Exhibit 20: ICICI Direct coverage universe (Cement)

Company	CMP (₹)	Rating	EPS (₹)			EV/EBITDA (x)			EV/Tonne (\$)			RoCE (%)			RoE (%)		
			FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
ACC*	1,885	BUY	73	85	101	14.2	13.4	9.6	131	113	110	17.4	14.5	18.6	11.9	12.6	13.3
Ambuja Cem*	312	BUY	7.7	9.0	10.9	17.4	15.9	12.6	173	186	166	12.2	17.6	19.1	14.7	20.3	21.7
UltraTech Cem	6,403	BUY	96	88	125	35.6	28.3	23.0	322	322	253	13.1	9.0	11.4	11.2	7.6	9.4
Shree Cement	27,310	BUY	435	624	666	25.7	23.6	20.0	278	262	259	13.8	18.2	18.0	12.1	15.1	14.2
Heidelberg Cem	245	BUY	11.8	11.0	14.6	10.4	11.1	8.6	139	123	117	22.3	20.9	27.2	20.4	20.2	23.7
JK Cement	2,798	BUY	51.8	99.5	101.6	17.5	13.6	12.8	174	163	168	16.2	18.9	17.3	12.8	20.2	17.5
JK Lakshmi Cen	412	BUY	7.0	7.1	6.8	16.6	14.2	13.7	76	76	70	7.5	9.2	9.3	5.9	5.8	5.2
Star Cement	102	BUY	6.9	5.7	7.3	9.6	10.3	8.5	131	90	86	17.1	14.4	16.3	15.4	12.0	14.1
Ramco Cement	852	BUY	25.7	29.5	30.2	20.5	16.5	15.5	180	175	171	7.5	8.6	8.7	12.3	12.5	11.4
Sagar Cement	815	BUY	17.1	80.0	86.2	11.6	5.4	5.3	53	54	41	7.2	17.5	15.4	4.2	15.4	14.4

Source: Company, ICICI Direct Research, *CY19, CY20E, CY21E

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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