



TM

UltraTech Cement Ltd

29 April 2024

Result beats expectation; Outlook remains robust

RESULT UPDATE

Sector: Cement

Rating: BUY

CMP: Rs 9,964

Target Price: Rs 11,440

Stock Info

Sensex/Nifty	74,671/ 22,643
Bloomberg	UTCEM IN
Equity shares (mn)	289
52-wk High/Low	Rs.10,526/ 7,434
Face value	Rs.10
M-Cap	Rs.2,876Bn/ USD 35Bn
3-m Avg traded value	USD 36Mn

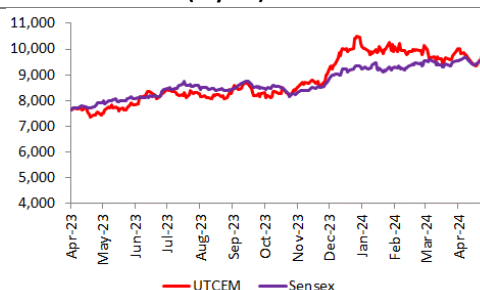
Financial Snapshot (Rs bn)

Y/E Mar	FY24	FY25E	FY26E
Sales	709	818	952
EBITDA	130	155	185
PAT	70	88	108
EPS (Rs)	244.3	307.8	376.1
PE (x)	40.8	32.4	26.5
EV/EBITDA (x)	22.5	19.2	16.0
RoE (%)	12.3	14.0	15.2
RoCE (%)	14.1	16.1	17.9
Dividend yield (%)	0.6	0.6	0.7

Shareholding pattern (%)

	Mar-24	Dec-23	Sep-23
Promoter	60.0	60.0	60.0
-Pledged			
FII	17.7	18.2	16.7
DII	14.1	13.7	15.0
Others	8.1	8.1	8.3

Stock Performance (1-year)



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Ultratech reported a strong set of numbers with Revenue/EBITDA/PAT/Volume exceeding estimates. Revenue went up by 9.4% YoY (22.0% QoQ) to Rs204.2bn - in line with our estimate of 201.4bn, driven by robust volumes and healthy realizations. Volume was up by 10.7% YoY (28.4% QoQ) to 35.1 MTPA (vs our est. of 34.2 MTPA). Blended Realization/tn declined by 1.1% YoY and 5.0% QoQ to Rs5,821. This was a testament to UTCEM's price resilience relative to other cement players who witnessed sharper falls in realizations. EBITDA was up 23.8% YoY (+26.4% QoQ) to Rs41.1bn and Blended EBITDA/tn rose 11.9% YoY to Rs. 1,173 largely due to lower P&F expenses. Raw Material cost/tn inched up yet another quarter for the industry and Ultratech due to higher fly ash and slag costs. Adj. PAT was up 35.6% YoY (27.4% QoQ) to Rs22.6bn, vs our est. of Rs20.0bn. Trade Volumes improved to 65% of rural sales. Clinker Conversion ratio improved to 1.44x from 1.42 in Q4FY23 while lead distance reduced to 400 kms in Q4FY24 vs 413 kms in Q4FY23. During the quarter, the company commissioned cement capacity of 7.8 MTPA, taking total grey cement capacity of the company to 140.8 MTPA in India and 146.2 MTPA overall. We forecast a strong 16%/20%/24% CAGR in revenue/EBITDA/PAT over FY24-26E on the back of a 15% CAGR in grey cement sales volume combined with more headroom for cost optimization. Factoring in a higher net debt on account of Kesoram acquisition, we revise our TP to Rs11,440 from earlier Rs12,000 based on 18x FY26E EV/EBITDA. We maintain BUY on the stock.

Capacities projected to grow at a CAGR of 9% till FY28E: The company commissioned two new greenfield capacities during the quarter, crossing a milestone of 150 MTPA. Further the company has committed ~Rs 324bn to add another 50 MTPA in under 5 years. The company's recent acquisition of the Parli grinding unit in Maharashtra with its high clinker reserves will enhance the company's locational advantages. The company will add 15-17 MTPA of capacity in FY25. UTCEM capacity will be augmented to 199.6 MTPA by FY27 (incl. 10.8 MTPA capacity from Kesoram Industries). In light of the various incremental capacities coming in, expansion of 2.7 MTPA at Hotgi, Maharashtra (GU) has been put on hold. UTCEM is looking to spend Rs 95bn in FY25 to fund the expansion plan.

Valuation & outlook: UTCEM operational and price resilience was once again on display as the company delivered strong performance despite persistent pricing pressure environments. The company has guided for the improvement in prices in coming months while expect P&F cost to come down to \$130/mt from current \$150/mt over the next 3-4 quarters. Final approval for Kesoram is expected to be soon. While expect volume growth to remain healthy. The company is making significant strides towards ramping up its green power mix and increasing its clinker conversion factor to rope in incremental cost savings. Furthermore, its extensive network is expected to facilitate a consistent reduction in lead distance in the quarters to come. This coupled with operating leverage, strong volume performance, high-capacity utilizations and a mammoth expansion plan cements UTCEM's leadership position further. We maintain a BUY on the company with a TP of Rs11,440 based on 18x EV/EBITDA on FY26E.

Con Call key takeaways

Pricing Scenario:

- Realizations dropped 6% sequentially, however cement prices have grown at a CAGR of 3.5% over the last 5 years.
- The company expects prices to not deteriorate any further.
- Marginal price improvement has been seen in Southern and Eastern parts of India along with some pockets of Maharashtra.

Cost:

- The company expects to achieve an improvement of Rs200 in EBITDA/tn over the next two years.
- This will be through a mix of increase in AFR, increase in renewable energy (40% lower cost than thermal power) and WHRS (90% lower cost than thermal power) and increase in the clinker conversion factor.
- Power and fuel cost will see a marginal improvement every quarter and a substantial improvement in Q4FY25 as the company's high-cost contracts will be used up by Dec'25.
- The company will operate in 70 locations (72 incl. Kesoram), which will bring down lead distance aiding cost savings.

Others

- The company is rapidly growing its RMC business and currently has 307 RMC plants across the country.
- The company has a huge retail footprint of 3,952 UBS retail stores which contributed 16% of sales in FY24.
- The company expects to have a net debt of Rs15-20bn on the balance sheet by the end of FY25 owing to the Kesoram acquisition

Industry Landscape

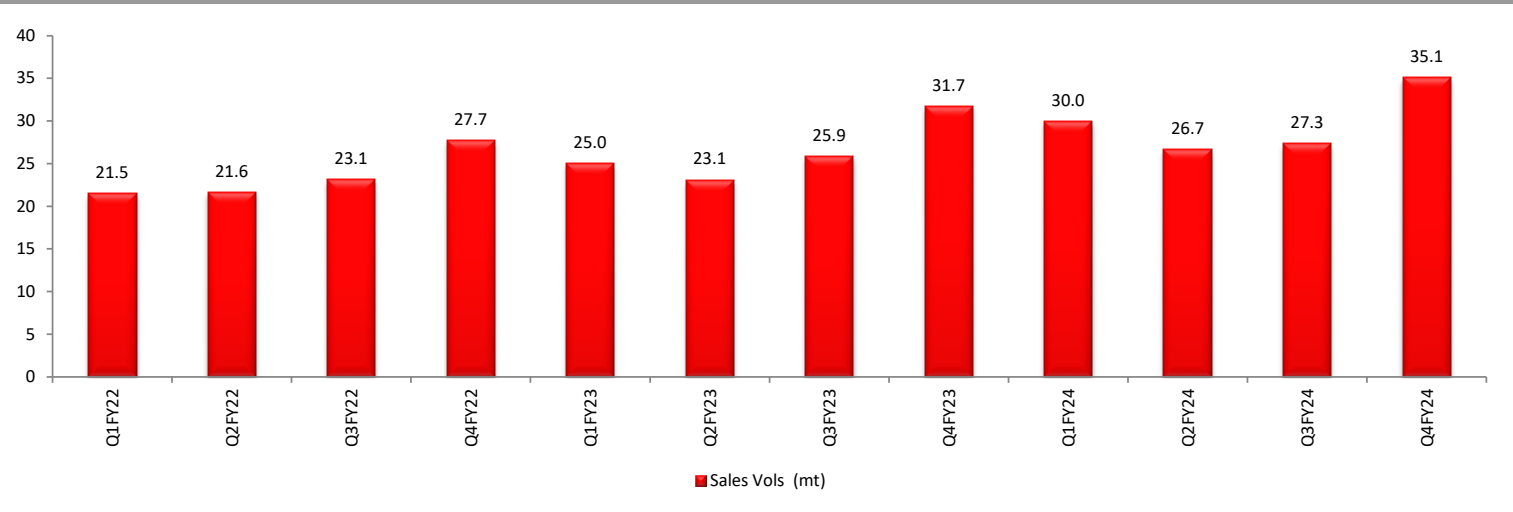
- The industry added ~40 MTPA of capacity in FY24 and Ultratech accounted for a third of it. In contrast demand grew from ~388 MTPA in FY23 to ~425 MTPA in FY24.
- All India capacity utilization rates inched up 200bps to ~71% in FY24.
- FY25 is expected to witness a moderation in demand, however this slowdown will be shorter than earlier years due to huge industry tailwinds.

Exhibit 1: Result snapshot

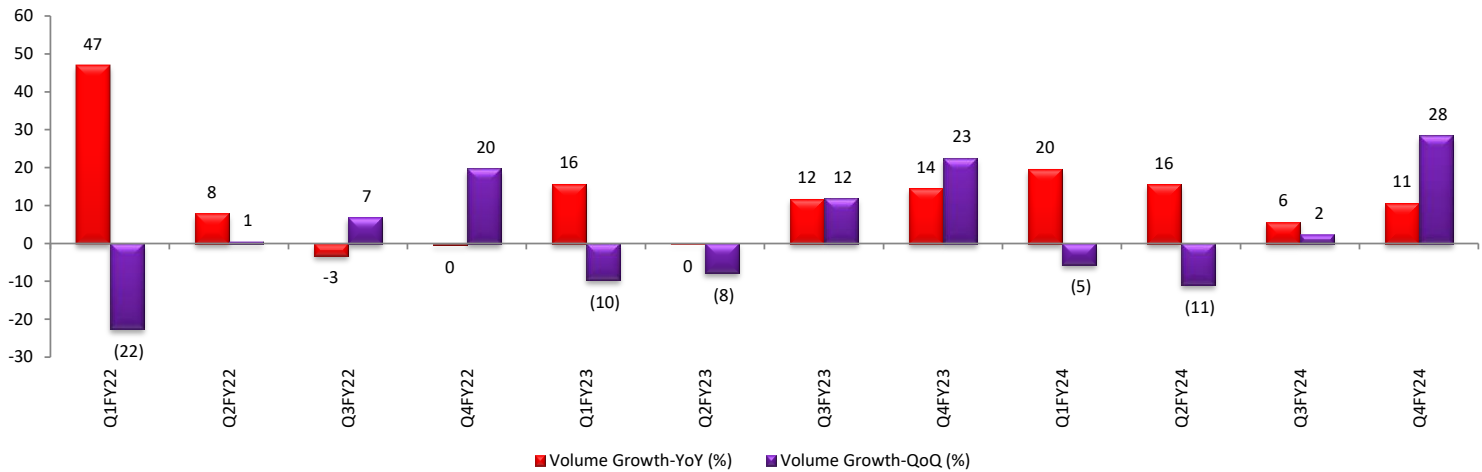
Particulars (Rs bn)	Q4FY24	Q4FY23	Q3FY24	YoY (%)	QoQ(%)	Our Estimates	Deviation (%)
Revenue (incl. OOI)	204.2	186.6	167.4	9.4	22.0	201.4	1.4
EBITDA	41.1	33.2	32.5	23.8	26.4	35.6	15.6
EBITDA Margin (%)	20.1	17.8	19.4	234bps	71bps		
PBT	31.1	24.9	23.6	24.8	32.1		
Tax	8.5	8.2	5.8	3.6	46.8		
Effective Tax Rate (%)	27.4	33.0	24.6	(560)bps	275bps		
Recurring PAT	22.6	16.7	17.7	35.2	27.3	20.0	13.1
Extord. Items	-	-	-	-	-		
Reported PAT	22.6	16.7	17.7	35.6	27.4	20.0	13.1
PAT Margin (%)	11.1	8.9	10.6	214bps	47bps		
Blended Realisation (Rs/ton)	5,821	5,887	6,127	(1.1)	(5.0)		
Total volumes (mt)	35.08	31.70	27.32	10.7	28.4		
Capacity Utilisation (%)	96	96	79	5bps	1749bps		
Blended EBITDA (Rs/ton)	1,173	1,048	1,191	11.9	(1.6)		
Per ton cost (Rs)	Q4FY24	Q4FY23	Q3FY24	YoY (%)	QoQ(%)		
Raw Material Cost	2,058	1,868	972	10.2	111.7		
Staff Cost	214	226	281	(5.5)	(24.1)		
Power and Fuel Cost	1,379	1,675	1,529	(17.6)	(9.8)		
Freight Cost	1,325	1,323	1,325	0.1	(0.0)		
Other Expenditure	644	615	828	4.8	(22.2)		
Total Cost	5,620	5,707	4,936	(1.5)	13.9		

Source: Company, Systematix Institutional Research

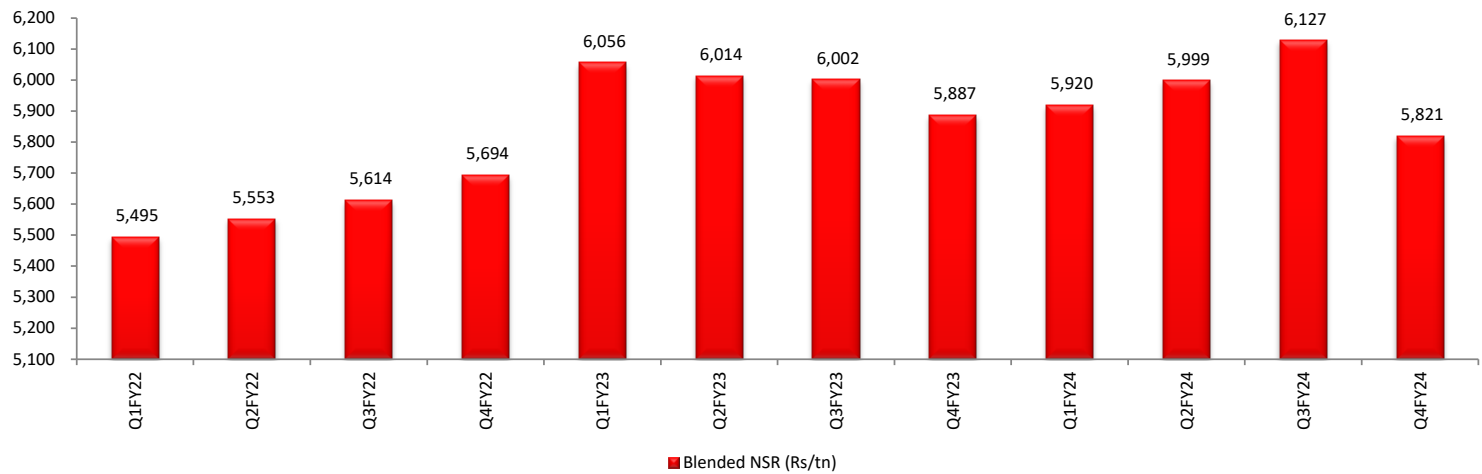
Exhibit 2: Quarterly sales volumes



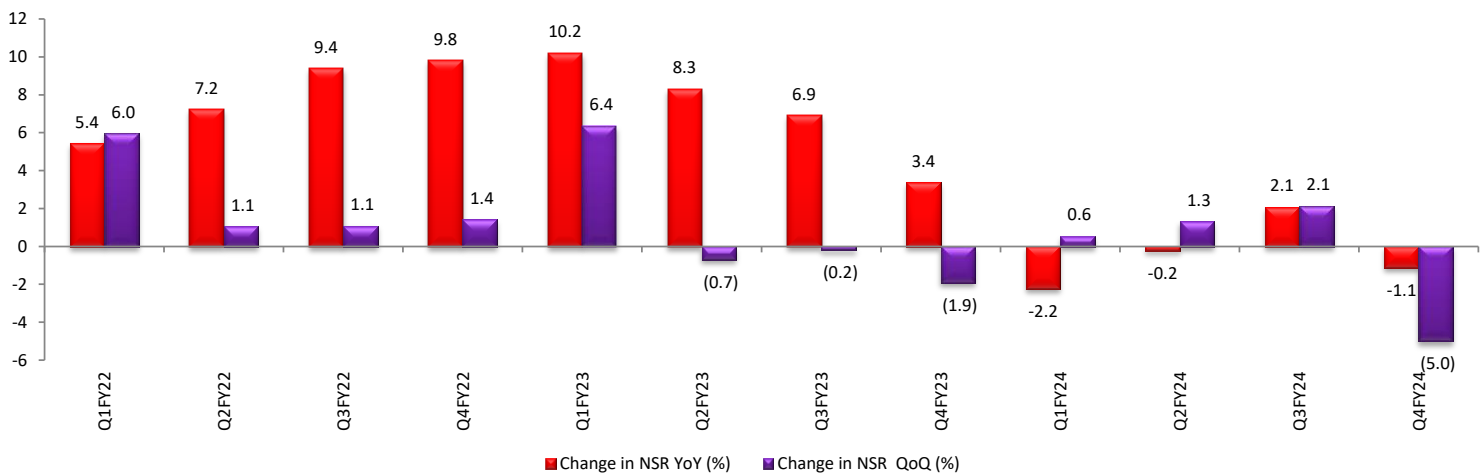
Source: Company, Systematix Institutional Research

Exhibit 3: Change in volumes YoY and QoQ

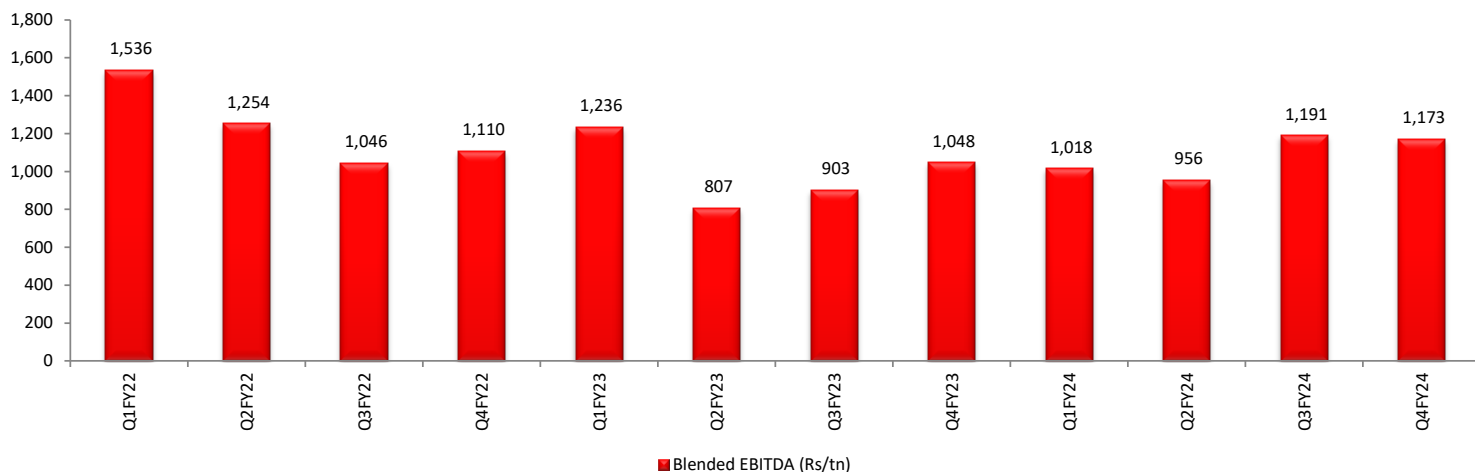
Source: Company, Systematix Institutional Research

Exhibit 4: Quarterly NSR

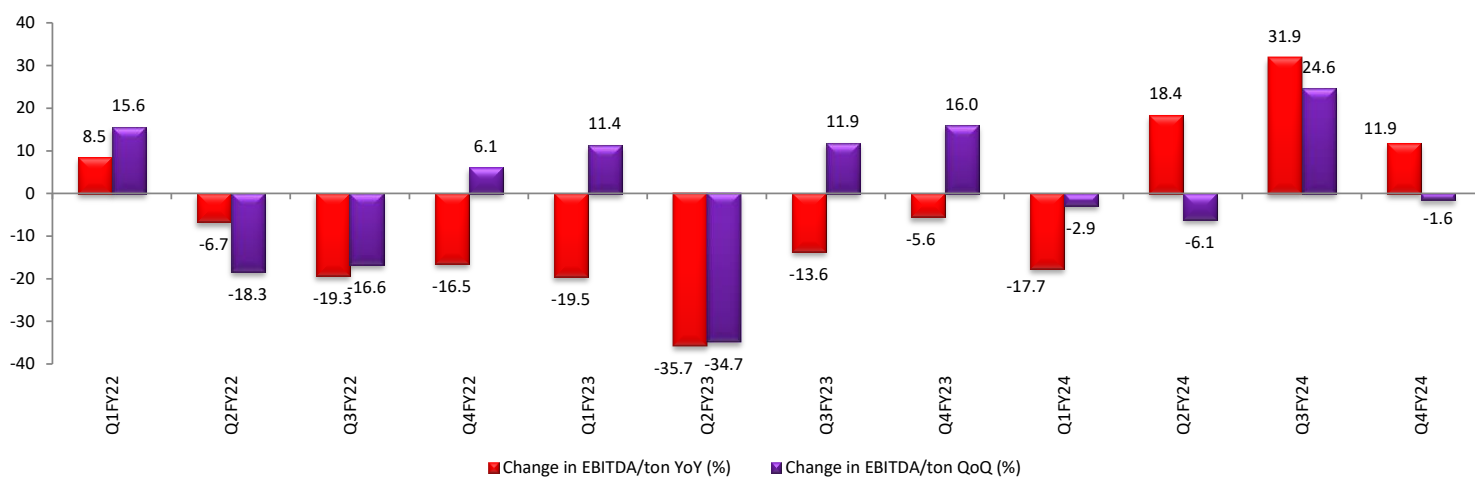
Source: Company, Systematix Institutional Research

Exhibit 5: Change in NSR YoY and QoQ

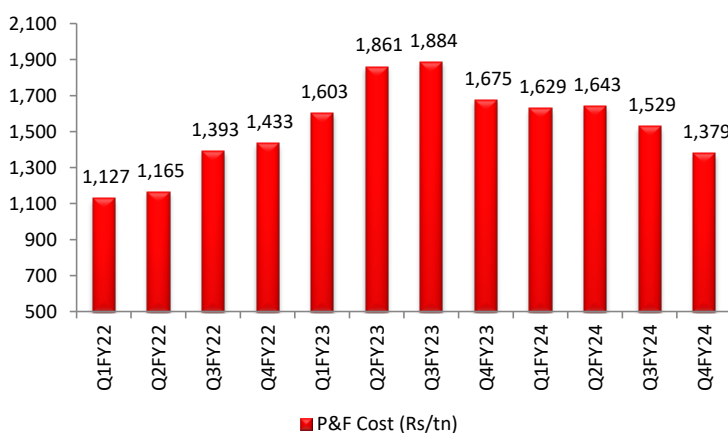
Source: Company, Systematix Institutional Research

Exhibit 6: Blended EBITDA/tn increased YoY led by improved cost efficiency

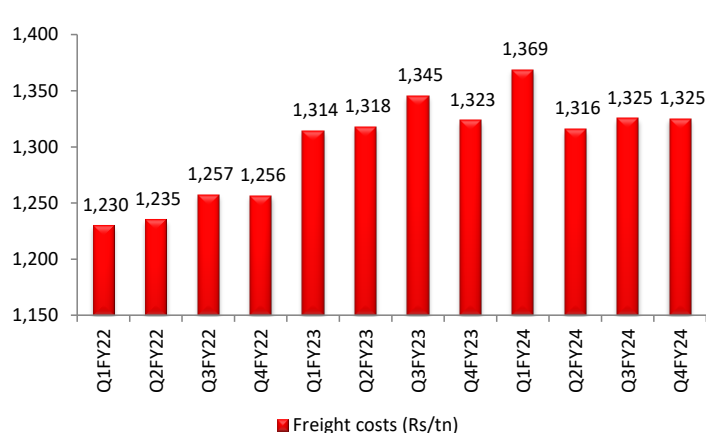
Source: Company, Systematix Institutional Research

Exhibit 7: Blended EBITDA/tn rose 11.9% YoY but dipped 1.6% QoQ

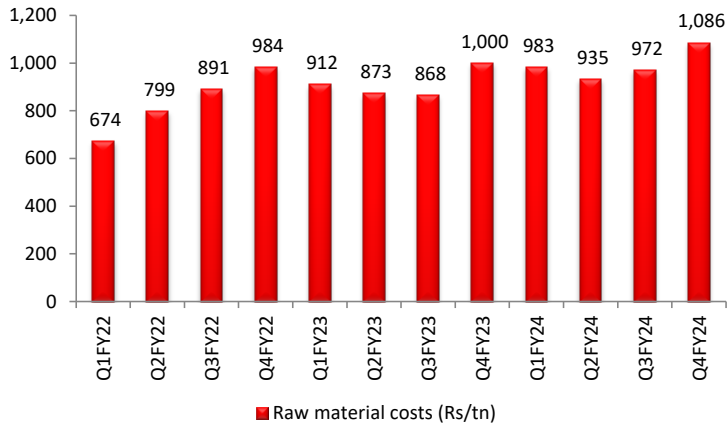
Source: Company, Systematix Institutional Research

Exhibit 8: P&F Cost/tn down by 17.6% YoY & 9.8% QoQ

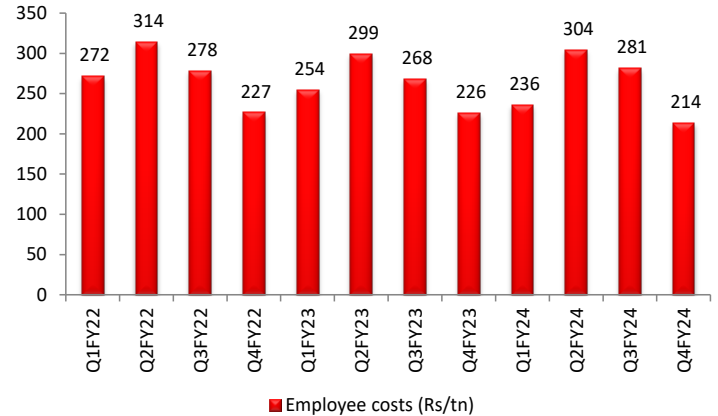
Source: Company, Systematix Institutional Research

Exhibit 9: Freight Cost/tn remained flattish YoY and QoQ

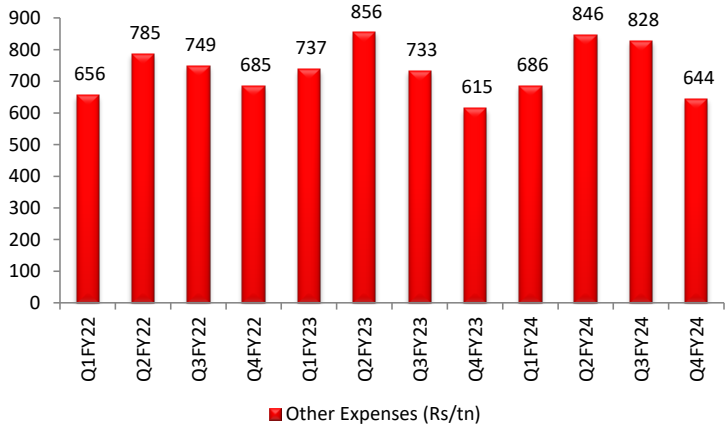
Source: Company, Systematix Institutional Research

Exhibit 10: RM Cost/tn increased 8.6% YoY & 11.7% QoQ

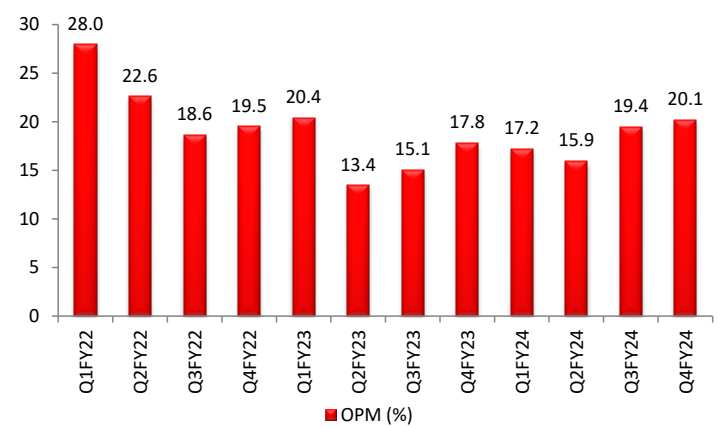
Source: Company, Systematix Institutional Research

Exhibit 11: Employee Cost/tn fell by 5.5% YoY and 24.1% QoQ

Source: Company, Systematix Institutional Research

Exhibit 12: Other expenses/tn rose 4.9% YoY; dipped 22.2% QoQ

Source: Company, Systematix Institutional Research

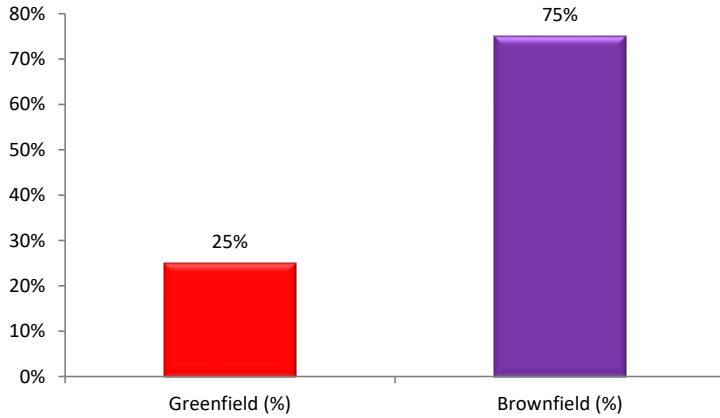
Exhibit 13: Margin stood at 20.1% in Q4FY24 vs 17.8% in Q4FY23

Source: Company, Systematix Institutional Research

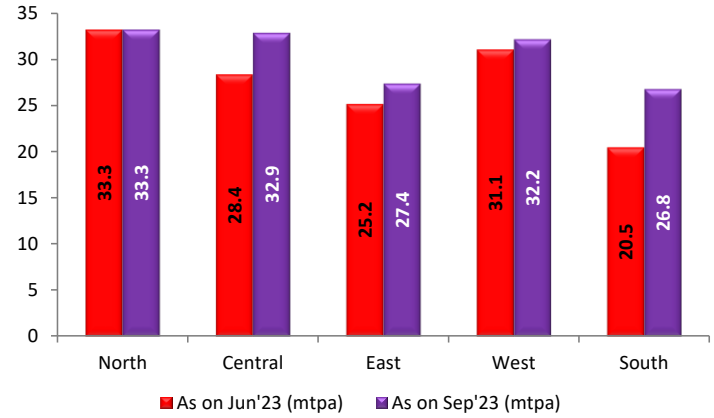
Exhibit 14: Capacity Expansion Plans for FY25E

Location	Unit	Project	Cement Capacity (MTPA)	Expected Timeline
Capacity as at Mar-24			140.8	
Karur, Tamil Nadu	GU	G	2.7	Commissioned
Kukurdih, Chhattisgarh	IU	G	2.7	Commissioned
Parli, Maharashtra	GU	B	1.1	Acquired
Jharsuguda, Odisha	GU	B	0.4	Q2FY25
APCW, Andhra Pradesh	IU	B	1.8	Q2FY25
Arakkonam, Tamil Nadu	GU	B	1.2	Q3 FY25
Karur, Tamil Nadu	GU	B	0.6	Q3 FY25
Sonar Bangla, West Bengal	GU	B	0.6	Q3 FY25
Durgapur, West Bengal	GU	B	0.6	Q3 FY25
Maihar, Madhya Pradesh	IU	B	4.5	Q4 FY25
Lucknow, Uttar Pradesh	BT	G	1.8	Q4 FY25
Panvel, Maharashtra	BT	B	1.0	Q4 FY25
Total Cement Capacity by FY25 (excl. BT)			157.0	

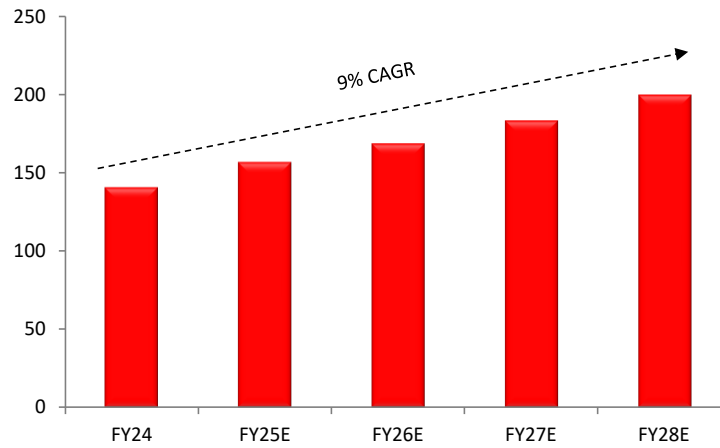
Source: Company, Systematix Institutional Research

Exhibit 15: Phase II - green field (59%) and brownfield (41%)

Source: Company, Systematix Institutional Research

Exhibit 16: Regional mix change by FY27E

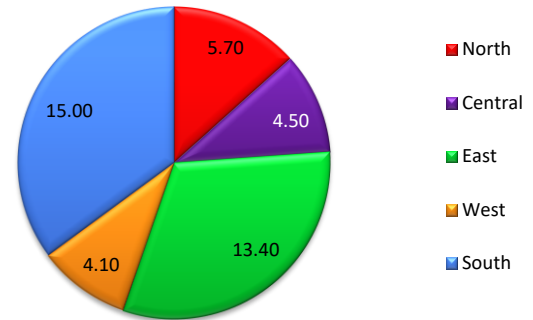
Source: Company, Systematix Institutional Research

Exhibit 17: Targets 200mtpa capacity in India by Mar'28

Source: Company, Systematix Institutional Research

Exhibit 18: Major capacity (mtpa) additions in demand-rich regions

Higher capacity addition in central and east by FY27E



Source: Company, Systematix Institutional Research

Exhibit 19: UltraTech valued on EV/EBITDA (FY26E)

	EBITDA	Multiple	Enterprise Value
	(Rs bn)	(X)	(Rs bn)
Cons. EBITDA	185	18	3,333
Less: Net Debt & CWIP			30
Equity value			3,303
Target price per share			11,440

Source: Company, Systematix Institutional Research

Exhibit 20: Key assumptions table

Particulars	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Cement sales volume (mt)	81	85	106	106	119	136	158
Grey cement Realisation (Rs/tn)	4,233	4,751	4,979	5,378	5,318	5,371	5,425
Blended Realisation (Rs/ton)	5,236	5,274	4,952	5,983	5,956	6,005	6,016
EBITDA (incl. other income) (Rs/tn)	1,141	1,364	1,084	1,005	1,089	1,140	1,170
Per ton cost							
Raw material	804	836	750	919	1,000	1,029	1,049
Employee cost	311	277	239	259	255	260	265
Power & Fuel	1,051	982	1,143	1,749	1,536	1,496	1,456
Freight	1,201	1,184	1,103	1,325	1,334	1,324	1,304
Other expense	727	630	634	725	742	757	772
Total Cost	4,095	3,910	3,868	4,978	4,867	4,865	4,846

Source: Company, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	5,25,990	6,32,400	7,09,081	8,17,604	9,52,138
Growth (%)	17.6	20.2	12.1	15.3	16.5
Total Expenditure	4,10,845	5,26,201	5,79,396	6,62,402	7,66,987
EBIDTA	1,15,145	1,06,199	1,29,686	1,55,202	1,85,150
Growth (%)	(0.5)	(7.8)	22.1	19.7	19.3
EBIDTA %	21.9	16.8	18.3	19.0	19.4
Depreciation	27,148	28,880	31,453	32,847	36,804
EBIT	87,998	77,319	98,233	1,22,354	1,48,347
EBIT Margin (%)	16.7	12.2	13.9	15.0	15.6
Other income	5,078	5,031	6,170	6,182	6,194
Interest	9,447	8,227	9,680	9,196	8,736
EBT	83,629	74,122	94,722	1,19,340	1,45,805
Tax	11,901	23,429	24,183	30,468	37,224
Effective tax rate (%)	14.2	31.6	25.5	25.5	25.5
Adjusted PAT	71,728	50,694	70,540	88,873	1,08,581
Growth (%)	28.6	(29.3)	39.1	26.0	22.2
Net Margin (%)	13.6	8.0	9.9	10.9	11.4
PAT after MI	71,745	50,640	70,050	88,383	1,08,091
Growth (%)	34.9	(29.4)	38.3	26.2	22.3

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity share capital	2,887	2,887	2,887	2,887	2,887
Reserves & surplus	5,01,435	5,40,915	5,99,947	6,67,915	7,53,848
Shareholders Funds	5,04,322	5,43,802	6,02,834	6,70,801	7,56,735
Net Deferred Taxes	60,332	62,601	64,478	64,478	64,478
Total Liabilities	6,66,683	7,05,411	7,70,296	8,27,342	9,04,113
Gross Block	6,37,518	7,06,521	7,70,798	8,72,609	9,68,739
Less: Acc Depreciation	1,45,144	1,74,024	2,05,477	2,38,324	2,75,128
Net block	4,92,374	5,32,497	5,65,321	6,34,284	6,93,611
Capital WIP	47,847	40,404	68,112	61,301	55,171
Investment	63,358	72,770	82,490	83,990	85,490
Current Assets	2,34,700	2,68,199	2,92,098	2,81,549	3,40,982
Inventories	55,956	66,118	83,297	96,046	1,11,850
Sundry Debtors	30,716	38,670	42,782	49,329	57,446
Cash and Bank	3,592	11,496	7,832	-59,930	-56,663
Loans and Advances	2,902	169	172	177	183
Other current assets	1,41,534	1,51,746	1,58,014	1,95,927	2,28,166
Current Liab & Prov	1,71,595	2,08,459	2,37,724	2,33,782	2,71,140
Miscellaneous Exps	0	0	0	0	0
Total Assets	6,66,683	7,05,411	7,70,296	8,27,342	9,04,113

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT (Ex-Other income)	83,644	74,163	94,222	1,13,158	1,39,610
Depreciation	27,148	28,880	31,453	32,847	36,804
Interest Provided	9,447	8,227	9,680	9,196	8,736
Other Non-Cash items	-7,127	-5,892	-5,064	0	0
Chg in working cap	-4,730	-3,450	-4,810	-61,156	-18,807
Tax paid	-15,549	-11,243	-16,505	-30,468	-37,224
Operating Cashflow	92,832	90,685	1,08,976	63,578	1,29,119
Capital expenditure	-56,062	-61,056	-88,841	-94,999	-90,000
Free Cash Flow	36,771	29,629	20,136	-31,422	39,119
Other income	1,129	-5,934	-193	6,182	6,194
Investments	77,502	-4,881	1,153	-1,500	-1,500
Investing Cashflow	78,632	-10,815	959	4,682	4,694
Equity Capital Raised	-782	-1,018	-825	0	0
Loans Taken / (Repaid)	-1,03,286	3,270	1,679	-10,921	-9,163
Interest Paid	-10,262	-7,649	-9,167	-9,196	-8,736
Dividend paid (incl tax)	-10,650	-10,913	-10,944	-20,905	-22,647
Financing Cashflow	-1,24,979	-16,310	-19,257	-41,023	-40,546
Net chg in cash	-9,577	2,504	1,838	-67,763	3,268
Opening cash position	13,169	8,992	5,994	7,832	-59,930
Closing cash position	3,592	11,496	7,833	-59,930	-56,663

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
Profitability (%)					
EBITDA Margin	21.9	16.8	18.3	19.0	19.4
Per Share Data (Rs)					
EPS	248.5	175.6	244.3	307.8	376.1
CEPS	342.5	275.6	353.3	421.6	503.6
BVPS	1,747.1	1,883.7	2,088.2	2,323.6	2,621.3
DPS	38.0	45.0	55.0	60.0	65.0
Valuations (x)					
PER	40.1	56.7	40.8	32.4	26.5
EV/EBITDA	25.4	27.4	22.5	19.2	16.0
P/BV	5.7	5.3	4.8	4.3	3.8
EV / Sales	5.6	4.6	4.1	3.6	3.1
EV / EBITDA	25.4	27.4	22.5	19.2	16.0
Dividend Yield (%)	0.4	0.5	0.6	0.6	0.7
Gearing Ratio (x)					
Net Debt/ Equity	0.1	0.1	0.1	0.1	0.1
EV/Tonne (Con)	320	267	237	215	196

Source: Company, Systematix Institutional Research

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