

## UltraTech Cement Ltd

29 April 2024

## 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

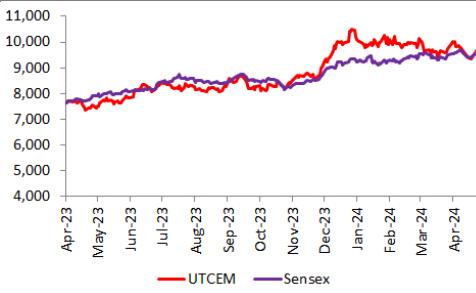
## Financial Snapshot (Rs bn)

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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Investors are advised to refer through disclosures made at the end of the research report.

## Result beats expectation; Outlook remains robust

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

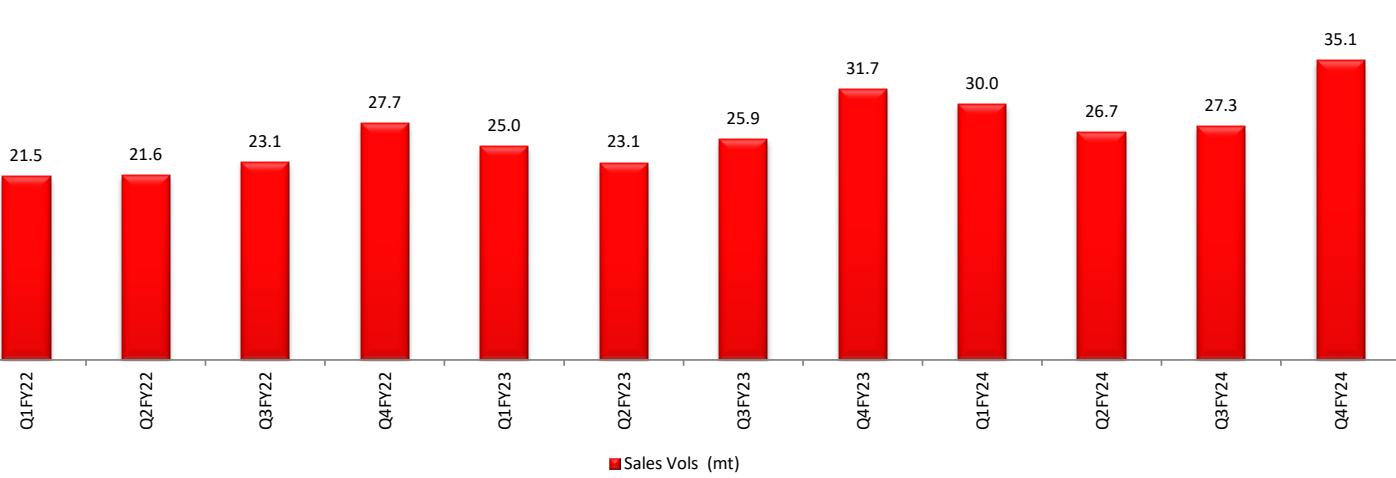
### Industry Landscape

- 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.

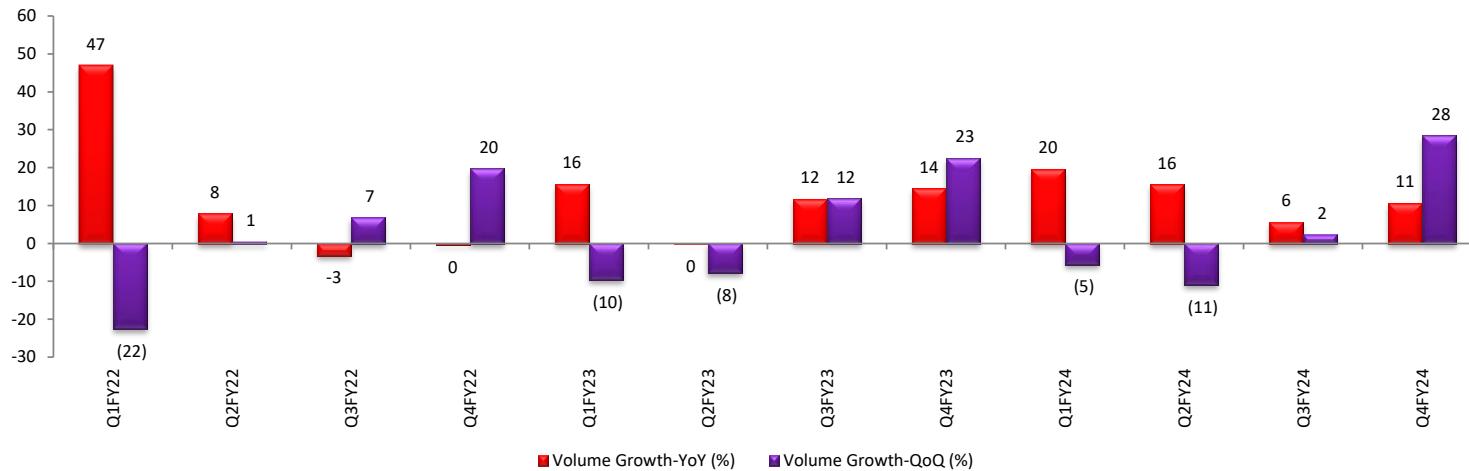
**Exhibit 1: Result snapshot**

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	<b>41.1</b>	<b>33.2</b>	<b>32.5</b>	23.8	26.4	35.6	15.6
EBITDA Margin (%)	20.1	17.8	19.4	234bps	71bps		
<b>PBT</b>	<b>31.1</b>	<b>24.9</b>	<b>23.6</b>	24.8	32.1		
Tax	<b>8.5</b>	<b>8.2</b>	<b>5.8</b>	3.6	46.8		
Effective Tax Rate (%)	27.4	33.0	24.6	(560)bps	275bps		
<b>Recurring PAT</b>	<b>22.6</b>	<b>16.7</b>	<b>17.7</b>	35.2	27.3	20.0	13.1
Extord. Items	-	-	-	-	-		
<b>Reported PAT</b>	<b>22.6</b>	<b>16.7</b>	<b>17.7</b>	35.6	27.4	20.0	13.1
PAT Margin (%)	11.1	8.9	10.6	214bps	47bps		
Blended Realisation (Rs/ton)	<b>5,821</b>	<b>5,887</b>	<b>6,127</b>	(1.1)	(5.0)		
Total volumes (mt)	35.08	31.70	27.32	10.7	28.4		
Capacity Utilisation (%)	96	96	79	5bps	1749bps		
<b>Blended EBITDA (Rs/ton)</b>	<b>1,173</b>	<b>1,048</b>	<b>1,191</b>	11.9	(1.6)		
<hr/>							
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)		
<b>Total Cost</b>	<b>5,620</b>	<b>5,707</b>	<b>4,936</b>	(1.5)	<b>13.9</b>		

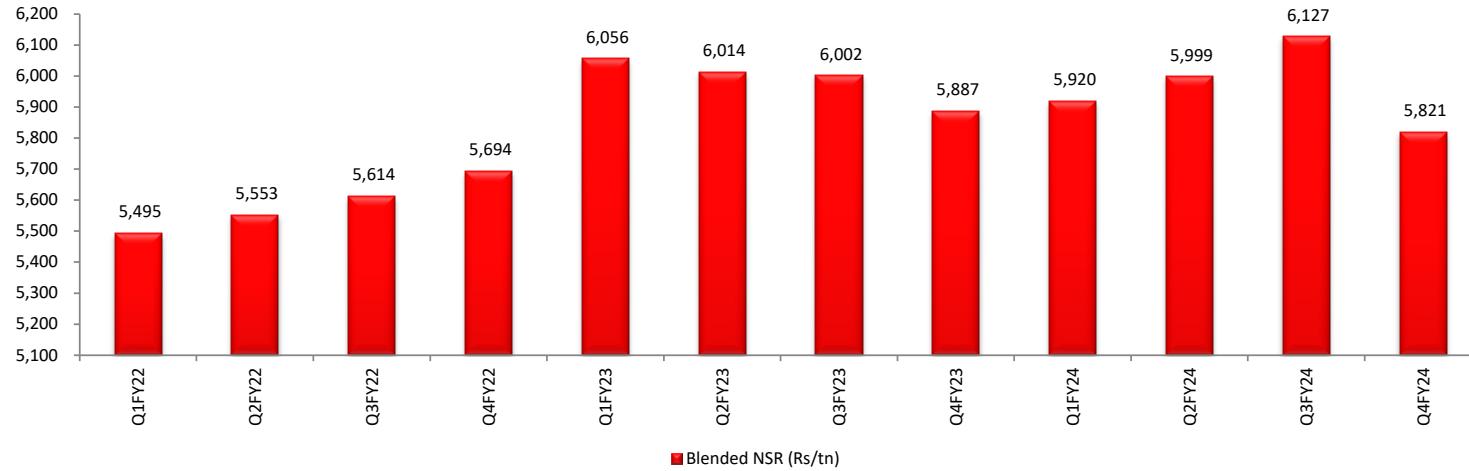
Source: Company, Systematix Institutional Research

**Exhibit 2: Quarterly sales volumes**

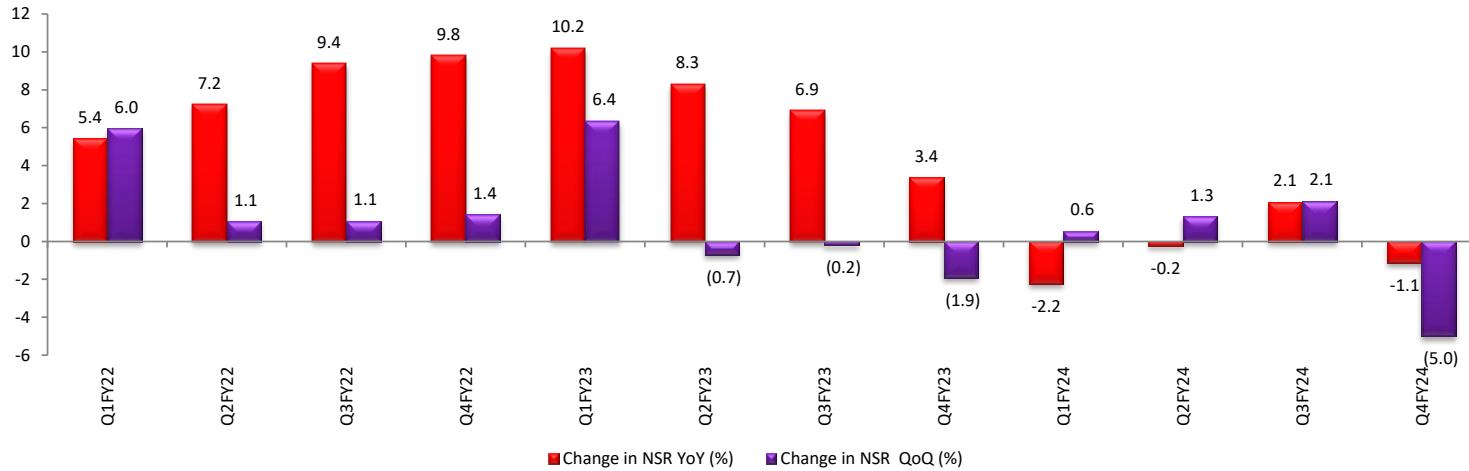
Source: Company, Systematix Institutional Research

**Exhibit 3: Change in volumes YoY and QoQ**

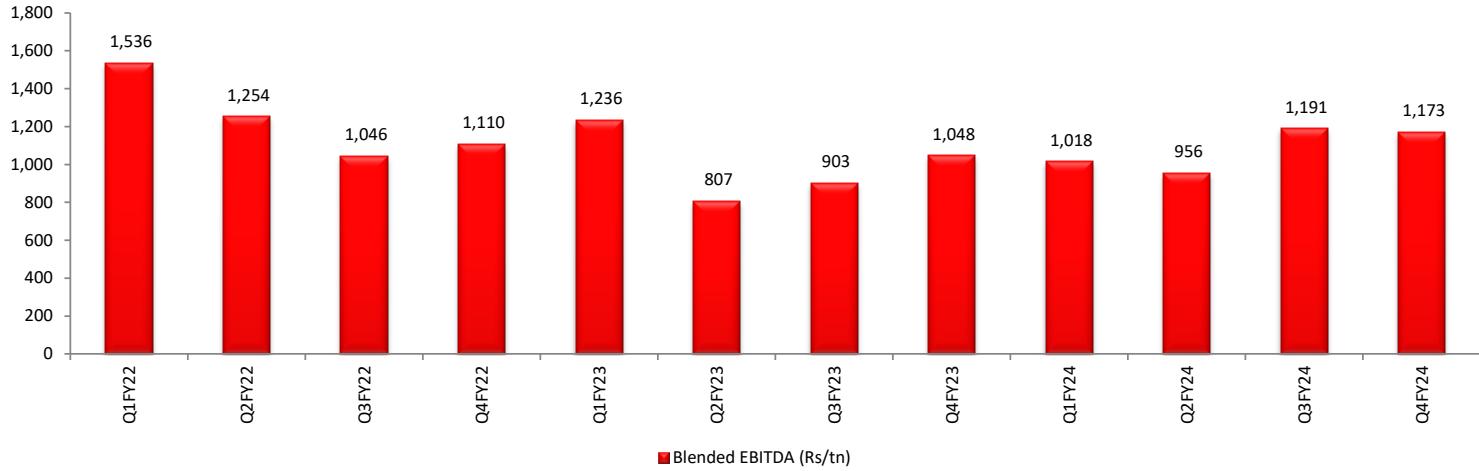
Source: Company, Systematix Institutional Research

**Exhibit 4: Quarterly NSR**

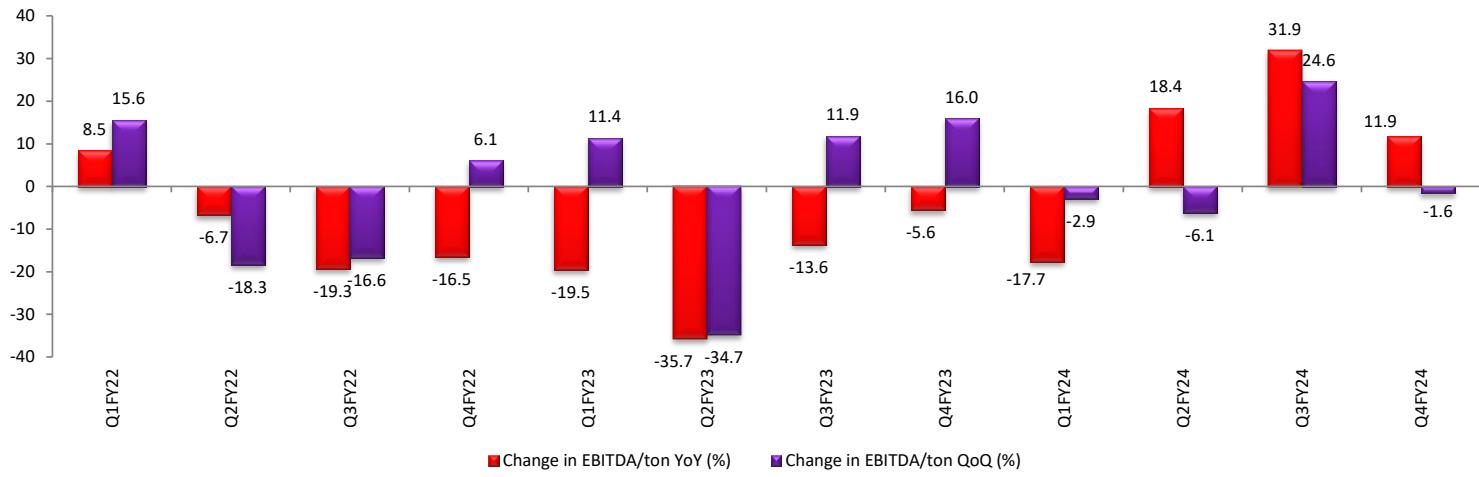
Source: Company, Systematix Institutional Research

**Exhibit 5: Change in NSR YoY and QoQ**

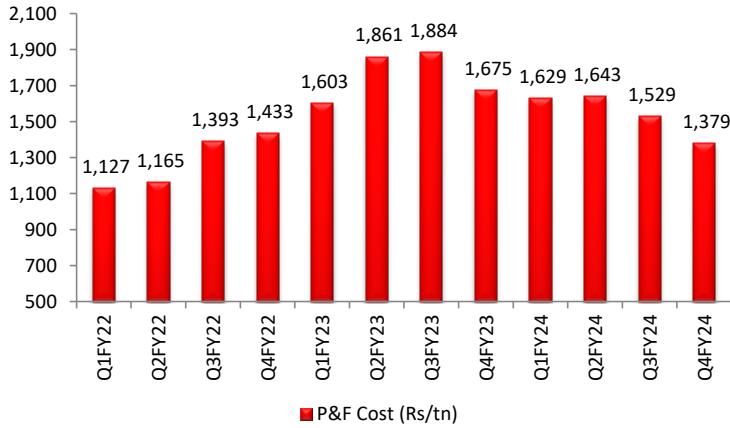
Source: Company, Systematix Institutional Research

**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**

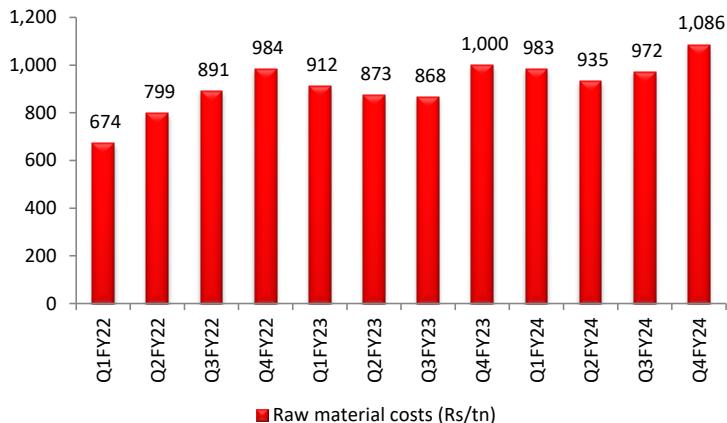
Source: Company, Systematix Institutional Research

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

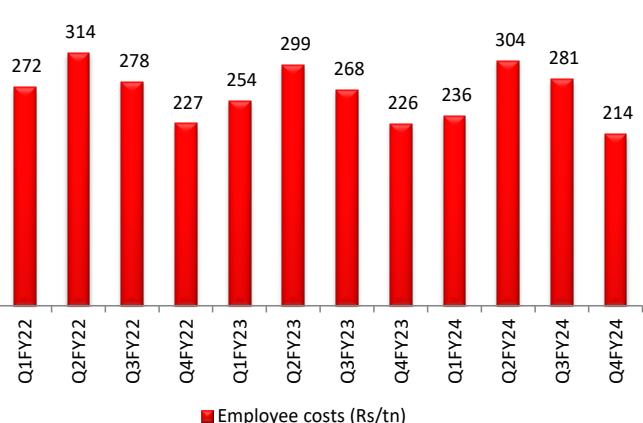
Source: Company, Systematix Institutional Research

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

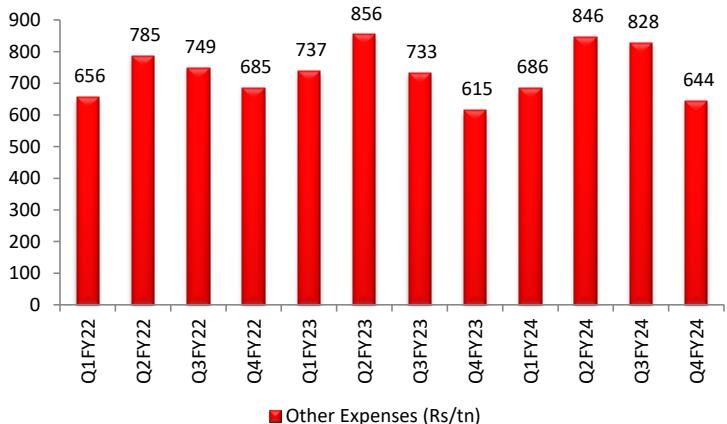
Source: Company, Systematix Institutional Research

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

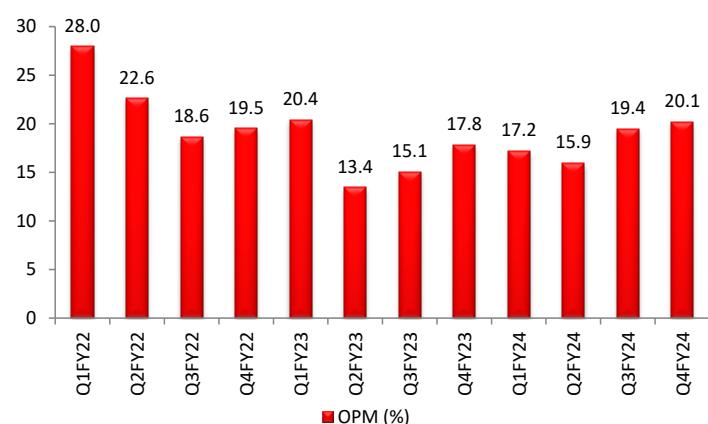
Source: Company, Systematix Institutional Research

**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**

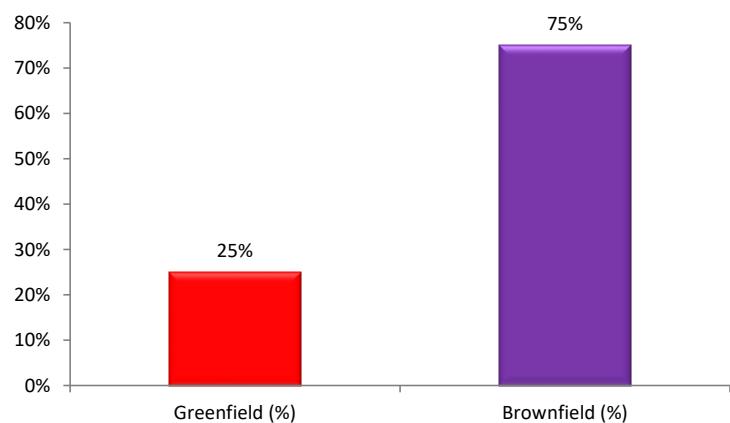
Source: Company, Systematix Institutional Research

**Exhibit 14: Capacity Expansion Plans for FY25E**

Location	Unit	Project	Cement Capacity (MTPA)	Expected Timeline
<b>Capacity as at Mar-24</b>			140.8	
Karur, Tamil Nadu	GU	G	2.7	Commissioned
Kukudih, 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
<b>Total Cement Capacity by FY25 (excl. BT)</b>			<b>157.0</b>	

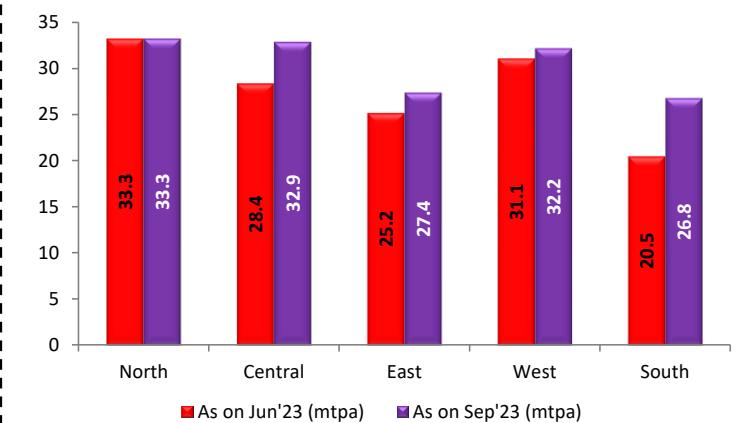
Source: Company, Systematix Institutional Research

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



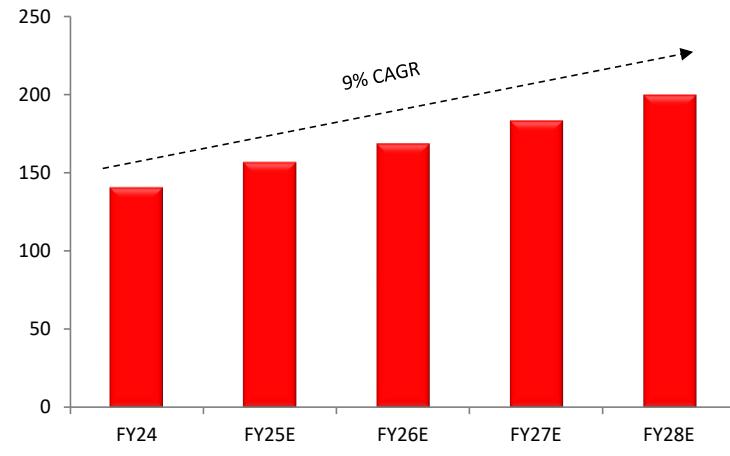
Source: Company, Systematix Institutional Research

Exhibit 16: Regional mix change by FY27E



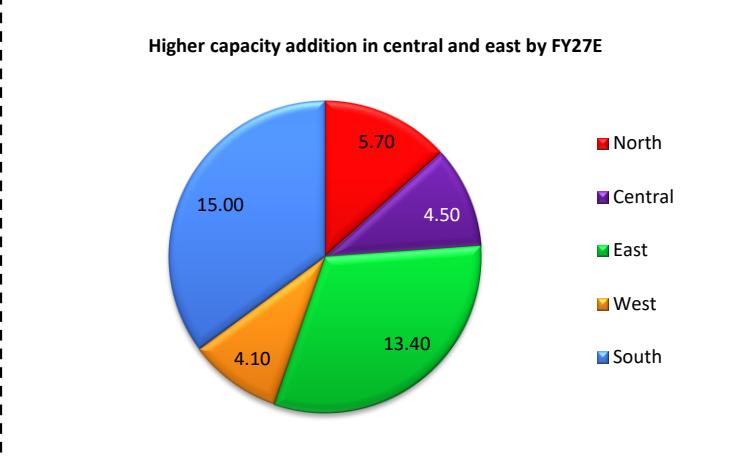
Source: Company, Systematix Institutional Research

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



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
<b>Per ton cost</b>							
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
<b>Total Cost</b>	<b>4,095</b>	<b>3,910</b>	<b>3,868</b>	<b>4,978</b>	<b>4,867</b>	<b>4,865</b>	<b>4,846</b>

Source: Company, Systematix Institutional Research

# FINANCIALS

## Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
<b>Net Sales</b>	<b>5,25,990</b>	<b>6,32,400</b>	<b>7,09,081</b>	<b>8,17,604</b>	<b>9,52,138</b>
Growth (%)	17.6	20.2	12.1	15.3	16.5
<b>Total Expenditure</b>	<b>4,10,845</b>	<b>5,26,201</b>	<b>5,79,396</b>	<b>6,62,402</b>	<b>7,66,987</b>
<b>EBIDTA</b>	<b>1,15,145</b>	<b>1,06,199</b>	<b>1,29,686</b>	<b>1,55,202</b>	<b>1,85,150</b>
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
<b>EBIT</b>	<b>87,998</b>	<b>77,319</b>	<b>98,233</b>	<b>1,22,354</b>	<b>1,48,347</b>
<b>EBIT Margin (%)</b>	<b>16.7</b>	<b>12.2</b>	<b>13.9</b>	<b>15.0</b>	<b>15.6</b>
Other income	5,078	5,031	6,170	6,182	6,194
Interest	9,447	8,227	9,680	9,196	8,736
<b>EBT</b>	<b>83,629</b>	<b>74,122</b>	<b>94,722</b>	<b>1,19,340</b>	<b>1,45,805</b>
Tax	11,901	23,429	24,183	30,468	37,224
Effective tax rate (%)	14.2	31.6	25.5	25.5	25.5
<b>Adjusted PAT</b>	<b>71,728</b>	<b>50,694</b>	<b>70,540</b>	<b>88,873</b>	<b>1,08,581</b>
Growth (%)	28.6	(29.3)	39.1	26.0	22.2
<b>Net Margin (%)</b>	<b>13.6</b>	<b>8.0</b>	<b>9.9</b>	<b>10.9</b>	<b>11.4</b>
<b>PAT after MI</b>	<b>71,745</b>	<b>50,640</b>	<b>70,050</b>	<b>88,383</b>	<b>1,08,091</b>
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
<b>Shareholders Funds</b>	<b>5,04,322</b>	<b>5,43,802</b>	<b>6,02,834</b>	<b>6,70,801</b>	<b>7,56,735</b>
Net Deferred Taxes	60,332	62,601	64,478	64,478	64,478
<b>Total Liabilities</b>	<b>6,66,683</b>	<b>7,05,411</b>	<b>7,70,296</b>	<b>8,27,342</b>	<b>9,04,113</b>
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
<b>Net block</b>	<b>4,92,374</b>	<b>5,32,497</b>	<b>5,65,321</b>	<b>6,34,284</b>	<b>6,93,611</b>
Capital WIP	47,847	40,404	68,112	61,301	55,171
<b>Investment</b>	<b>63,358</b>	<b>72,770</b>	<b>82,490</b>	<b>83,990</b>	<b>85,490</b>
<b>Current Assets</b>	<b>2,34,700</b>	<b>2,68,199</b>	<b>2,92,098</b>	<b>2,81,549</b>	<b>3,40,982</b>
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
<b>Current Liab &amp; Prov</b>	<b>1,71,595</b>	<b>2,08,459</b>	<b>2,37,724</b>	<b>2,33,782</b>	<b>2,71,140</b>
Miscellaneous Exps	0	0	0	0	0
<b>Total Assets</b>	<b>6,66,683</b>	<b>7,05,411</b>	<b>7,70,296</b>	<b>8,27,342</b>	<b>9,04,113</b>

Source: Company, Systematix Institutional Research

## Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
<b>PBT (Ex-Other income)</b>	<b>83,644</b>	<b>74,163</b>	<b>94,222</b>	<b>1,13,158</b>	<b>1,39,610</b>
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
<b>Operating Cashflow</b>	<b>92,832</b>	<b>90,685</b>	<b>1,08,976</b>	<b>63,578</b>	<b>1,29,119</b>
Capital expenditure	-56,062	-61,056	-88,841	-94,999	-90,000
<b>Free Cash Flow</b>	<b>36,771</b>	<b>29,629</b>	<b>20,136</b>	<b>-31,422</b>	<b>39,119</b>
Other income	1,129	-5,934	-193	6,182	6,194
Investments	77,502	-4,881	1,153	-1,500	-1,500
<b>Investing Cashflow</b>	<b>78,632</b>	<b>-10,815</b>	<b>959</b>	<b>4,682</b>	<b>4,694</b>
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
<b>Financing Cashflow</b>	<b>-1,24,979</b>	<b>-16,310</b>	<b>-19,257</b>	<b>-41,023</b>	<b>-40,546</b>
<b>Net chg in cash</b>	<b>-9,577</b>	<b>2,504</b>	<b>1,838</b>	<b>-67,763</b>	<b>3,268</b>
Opening cash position	13,169	8,992	5,994	7,832	-59,930
<b>Closing cash position</b>	<b>3,592</b>	<b>11,496</b>	<b>7,833</b>	<b>-59,930</b>	<b>-56,663</b>

Source: Company, Systematix Institutional Research

## Ratios

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
<b>Profitability (%)</b>					
EBITDA Margin	21.9	16.8	18.3	19.0	19.4
<b>Per Share Data (Rs)</b>					
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
<b>Valuations (x)</b>					
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
<b>Gearing Ratio (x)</b>					
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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