

ULTRATECH CEMENT

Script Name	LTP	Recommendation	Stop-loss	Target	Time Horizon
ULTRATECH CEMENT LTD	7200	Buy Between 7200 – 7180	6840	8300	4-5 Months

Shareholding Pattern (%)		Financial snapshot (Rs Cr)						
Promoters	59.96	Y/E (Rs Cr)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
FII	14.11	Revenue	25,375	31,411	37,379	42,125	44,648	52,599
DII	17.40	Change yoy, %	1	24	19	13	6	18
Public	8.35	EBITDA	5,212	6,145	6,788	9,284	11,554	11,514
Govt	0.05	Change (yoy, %)	6	18	10	37	24	0
Others	0.13	EBITDA Margin(%)	20.5	19.6	18.2	22.0	25.9	21.9
Market Cap (in cr)	209064	Adj.PAT	2,712	2,571	2,428	5,807	5,585	7,183
		EPS (Rs)	99	94	88	201	193	249
		Change (yoy, %)	9	(5)	(6)	128	(4)	29
		PE(x)	72	76	80	35	37	28
		Dividend Yield (%)	0	0	0	0	1	1
		EV/EBITDA (x)	38.2	34.0	32.6	24.8	19.6	19.0
		RoE (%)	12	10	8	16	13	15
		RoCE (%)	12	10	8	9	12	12

Valuation							Financial Ratios						
Y/E	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	Y/E	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
P/B(x)	72	76	80	35	37	28	Adj EPS (Rs)	99	94	88	201	193	249
Price/Bookvalue(x)	80	74	58	52	46	40	Adj EPS growth (%)	9.3	-5.2	-5.6	127.5	-3.8	28.6
EV/Net sales(x)	8	7	6	5	5	4	EBITDA margin (%)	21	20	18	22	26	22
EV/EBITDA(x)	38	34	33	25	20	19	Pre-tax margin (%)	15.4	10.5	9.5	12.4	17.0	15.9
Dividend Yield(%)	0	0	0	0	1	1	Net Debt/Equity (x)	0.2	0.5	0.8	0.7	0.5	0.3
							ROCE (%)	11.6	10.4	8.0	9.4	12.1	11.9
							ROE (%)	11.7	10.1	8.1	15.9	13.4	15.2

Source: Company; IDBI Capital Research

Fundamental Rational:

- Ultratech has maintained its position of being no. 1 cement player in India with capacity of 121.35 Mtpa as on Dec'22 and enjoys ~25% market share on pan India level.
- In order to maintain its leadership position, Ultratech has announced capacity expansion and plans to reach 153.85 Mtpa by FY25E/FY26E.
- Company has clocked healthy revenue / EBITDA CAGR of 12%/14% over FY15-FY22.
- Ultratech has posted industry leading volumes and in the near term volume/demand is expected to be driven by pre-election spending, robust capex allocation in budget, supported by private capex and improved outlook for real estate industry.
- Post Russia Ukraine war led increase in energy prices, EBITDA margins have been hit for the past few quarters, having said that we understand near term margin improvement will be led by weakness in energy cost and improvement of operating leverage.
- Company has been consistently delivering strong OCF which has led to significant deleveraging.
- Key positives: Capacity expansion, better utilization, declining costs, operating leverage, declining debt level.

Weekly Chart


Technical View:

- Ultratech Cement: In the recent weekly trades, from February to October 2022, the stock has consolidated and formed an inverse head and shoulders pattern (A bullish formation) that suggests the near-term outlook is positive.
- Technically, after the pattern formation, the stock has remained sideways, and bounced from the demand zone, the stock has strongly pierced its prior week bearish candle (marked with a circle) and is heading higher. Further the placement of the averages and the ATP values adds strength to the price action.
- We believe stock is poised for retesting its all-time high levels at 8269 dated Nov 2021 as shown above or even head higher. We recommend entering long positions in the range of 7200-7180 with a stop loss below 6840 and a target of 8300 (time frame 4-5 months).

Head Technical & Derivatives

Brijesh Ail

Brijesh.ail@idbicapital.com

**IDBI Capital Markets & Securities Ltd.** (A wholly owned subsidiary of IDBI Bank Ltd.)**Retail Research Desk**Regd. Office: 6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005.

Phones: (91-22) 4322 1700; Fax: (91-22) 2285 0785; Email: info@idbidirect.in

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