

# UltraTech Cement

**HOLD**

Monsoon could slow the near term activity

## Summary

Ultratech Cement (UTCEM) Q1FY22 EBITDA was in-line with our estimate. Opex/t was largely flat QoQ but EBITDA/t was higher by 13% QoQ to Rs1571 led by price hikes. Q1FY22 UTCEM capacity utilization stood at 73% with June-21 month utilization at 74%. UTCEM re-iterated its plan to expand capacity by 19mt to reach 136mt by FY23E. UTCEM's balance sheet continues to remain lean and Net Debt/ EBITDA at 0.44x vs 0.55x QoQ. Post the result we have maintained our estimate and revised our TP to Rs7362 (valuing the company at 15x FY23E EV/EBITDA versus 13x earlier). From valuation perspective we are valuing at its peak (exhibit 10) to arrive at TP. But given nil upside we have HOLD rating. Positive in UTCEM business is its leadership position in Indian cement market, balance sheet deleveraging and capacity addition. And near term risk remains from weakness in realization and cost inflation which could impact EBITDA/t.

## Key Highlights and Investment Rationale

- **Snapshot on Q1FY22:** UTCEM Q1 revenue increased by 55% YoY led by volume increase of 44% YoY. EBITDA increased by 59% YoY and EBITDA/t stood at Rs1571 in Q1. Q1FY22 UTCEM capacity utilization stood at 73% vs 46% YoY. Region wise utilization for East/ North/ South/ North was at +95%/ +75%/ +50% and Central/ West at +70%
- **Capacity addition plans intact:** Company's expansion program of ~19mtpa is on track and is expected to get completed by FY23. On completion UTCEM's total capacity will reach at 136.25mt. In FY22, UTCEM is planning to commission ~3mt capacity and remaining capacity will be commissioning in FY23E. Company repaid Rs7.3bn debt in Q1FY22 with Net Debt/EBITDA at 0.44x vs 0.55x QoQ. Company re-iterated its aim to be net cash company with in next two years despite doing capex on the capacity addition.
- **EBITDA/t going ahead:** UTCEM has delivered EBITDA/t of Rs1571 with highest quarterly EBITDA margin of 28%. But in Q2FY22E there has been weakness in realization due to monsoon and slow movement in demand. Cost inflation is also there, with pet coke July month delivery at USD160/t vs Q1FY22 consumption at USD123/t. We have modeled EBITDA/t of Rs1428/Rs1438 for FY22E/23E.

**TP** Rs7,362  
**CMP** Rs7,460

Potential upside / downside -1%

## V/s Consensus

EPS (Rs)	FY22E	FY23E
IDBI Capital	230.0	266.5
Consensus	226.2	272.2
% difference	1.7	(2.1)

## Shareholding Pattern (%)

Promoters	60.0
FII	16.6
DII	14.4
Public	9.0

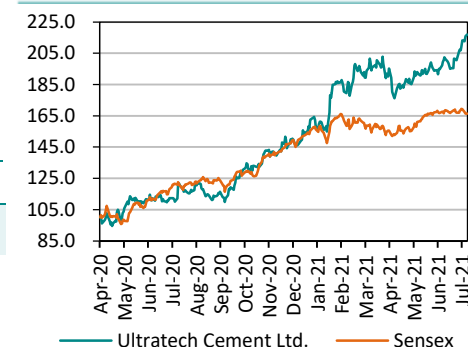
## Price Performance (%)

	-1m	-3m	-12m
Absolute	8.8	22.4	93.1
Rel to Sensex	8.3	12.5	53.6

## Key Stock Data

Bloomberg/Reuters	UTCEM IN/ULTC.BO
Sector	Cement
Shares o/s (mn)	289
Market cap. (Rs mn)	2,153,330
Market cap. (US\$ mn)	28,917
3-m daily avg Trd value (Rs mn)	1,391.8
52-week high / low	Rs7,545 / 3,737
Sensex / Nifty	52,837 / 15,824

## Relative to Sensex (%)



## Financial snapshot

Year	FY19	FY20	FY21	FY22E	FY23E
Revenue	373,792	421,248	446,477	494,939	556,932
EBITDA	67,881	92,836	115,543	129,244	142,939
EBITDA (%)	18.2	22.0	25.9	26.1	25.7
Adj. PAT	24,347	58,161	55,824	66,386	76,925
EPS (Rs)	88.7	201.5	193.4	230.0	266.5
EPS Growth (%)	(5.3)	127.3	(4.0)	18.9	15.9
PE (x)	84.4	37.1	38.7	32.5	28.1
Dividend Yield (%)	0.2	0.2	0.5	0.6	0.7
EV/EBITDA (x)	33.1	25.6	20.2	17.8	15.7
RoE (%)	8.9	17.2	13.4	14.2	14.7
RoCE (%)	9.0	10.8	13.0	14.2	15.4

Source: Company; IDBI Capital Research

### Conference call highlights

- With covid 2nd wave in control and easing of lockdown restrictions, UTCEM witnessed revival of demand both in trade/ non-trade segments. In Q1FY22 company has achieved growth of 48% YoY, Q1FY22 capacity utilisation stood at 73%. On region wise, East/ North/ South/ North was at +95%/ +75%/ +50% and Central/ West at +70%.
- On cement prices front, prices has been in the range of stable in most of the regions. Company has noticed an average of 6-8% increase in regional prices in regional markets in Q1FY22. Region wise, prices in East/ South was up at ~10%, West at 7-10% and North/ Central at 3-6% in the gone by quarter.
- On input costs front, both Coal and Petcoke have been increasing. Coal prices has gone up from \$60 to \$120 in Q1FY22 and Petcoke at ~\$160. Q1FY22 fuel consumption cost stood at \$123/t vs \$109/t QoQ. On Energy cost front, UTCEM carries 45 days of inventory so that there is no disruption in its operations.
- Company expects to complete its 3.2mt capacity addition in the East/ Central region by Q2FY22. Going ahead, company expects to complete another 3.5mt in East/ Central region by Q1FY23. And the balance ~12mt is expected to get commissioned in the next 3 quarters. UTCEM in on course to completed all its expansion plans by FY23. Company has received stage-1 approval from MOEF for Dalla Super plant (2.3mt clinker unit acquired from Jaypee) and is expected to get commissioned by FY22.
- Despite of the covid, UTCEM has added 4 new RMC plants in Q1FY22 totalling to 136 and achieved growth of +300% YoY in RMC.
- Though white cement was a bit slow but at present it has started catching up. Work has commenced on expansion of white putty plant in Rajasthan and is expected to get commissioned by Q2FY23. Also company has started work on construction chemicals.
- UTCEM's cash flows continues to grow stronger with every incremental capacity going on stream. Net Debt/ EBITDA stood at 0.44x vs 0.55x QoQ. In Q1FY22, company witnessed reduction of Rs7.3bn in Net Debt.
- Going ahead company is confident to continue with strong cash flows and has increased its dividend payout to its shareholders and is expected to meet its on-going capex out of internal accruals.
- Q1FY22 Gross debt stood at Rs190bn and Treasury at Rs130bn. As on 22 July'21, company repaid another Rs50bn of long term borrowings
- Q1FY22 Trade mix stood at 70% and Blended cement at 72%. Lead distance stood at 432km.

**Exhibit 1: Financial snapshot**

(Rs mn)

Particulars	Q1FY22	Q4FY21	QoQ (%)	Q1FY21	YoY ch (%)
Revenue	1,18,298	1,44,056	-18	76,338	55
Cost of Sales ex Depri	91,822	1,14,132	-20	62,054	48
EBITDA	33,075	36,904	-10	20,746	59
Depreciation	6,598	6,980	-5	6,462	2
Other Income	2,049	603	240	2,788	-27
Interest Expensed	3,261	3,772	-14	3,930	-17
Pretax Profit	25,265	26,755	-6	13,142	92
Tax	8,269	8,649	-4	3,603	130
Adj Profit	17,026	18,141	-6	9,548	78

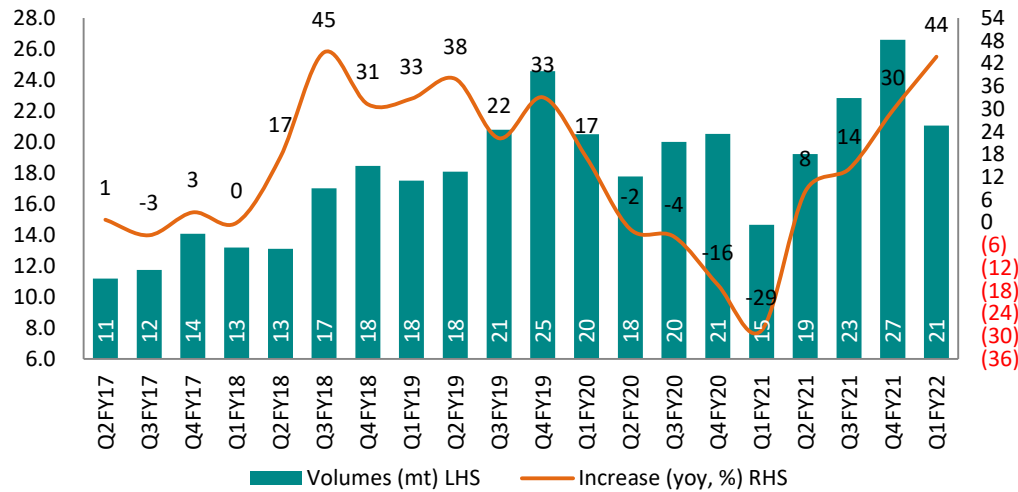
Source: Company

**Exhibit 2: Operational matrix**

Particulars	Q1FY22	Q4FY21	QoQ (%)	Q1FY21	YoY ch (%)
Volume mt	21	27	-21	15	44
Selling price Rs/t	5,617	5,418	4	5,211	8
Raw material cost Rs/t	689	907	-24	810	-15
Employee cost Rs/t	278	231	20	383	-27
Power & Fuel Cost Rs/t	1,153	1,017	13	936	23
Freight cost Rs/t	1,257	1,236	2	1,096	15
Other expenses Rs/t	670	639	5	570	18
<b>EBITDA Rs/t</b>	<b>1,571</b>	<b>1,388</b>	<b>13</b>	<b>1,416</b>	<b>11</b>

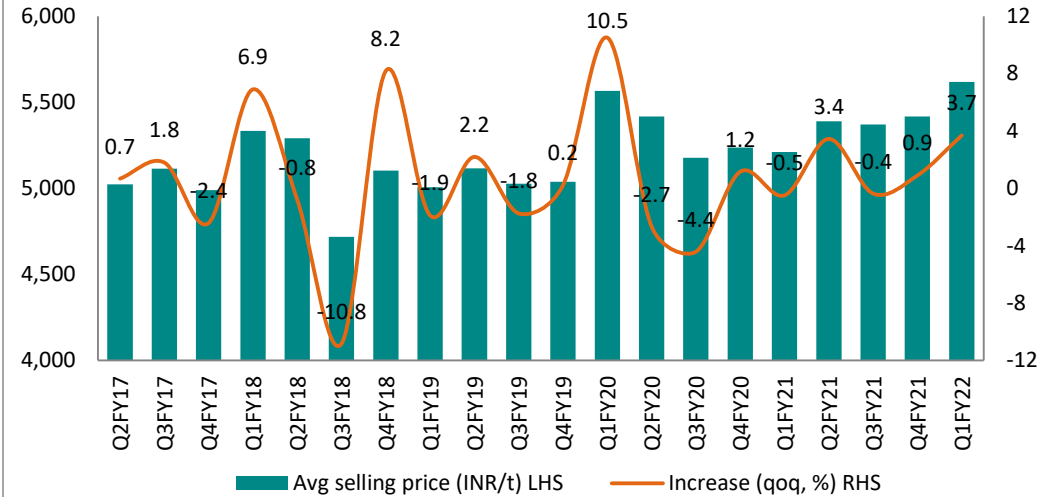
Source: Company

**Exhibit 3: Q1FY22 volume up by 44% YoY**



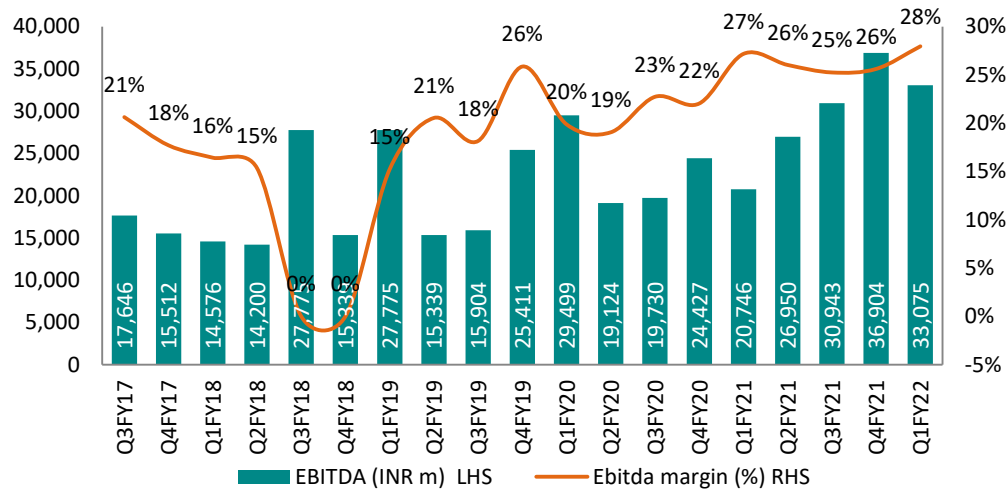
Source : Company

**Exhibit 4: Q1FY22 cement price increased by 3.7% QoQ**



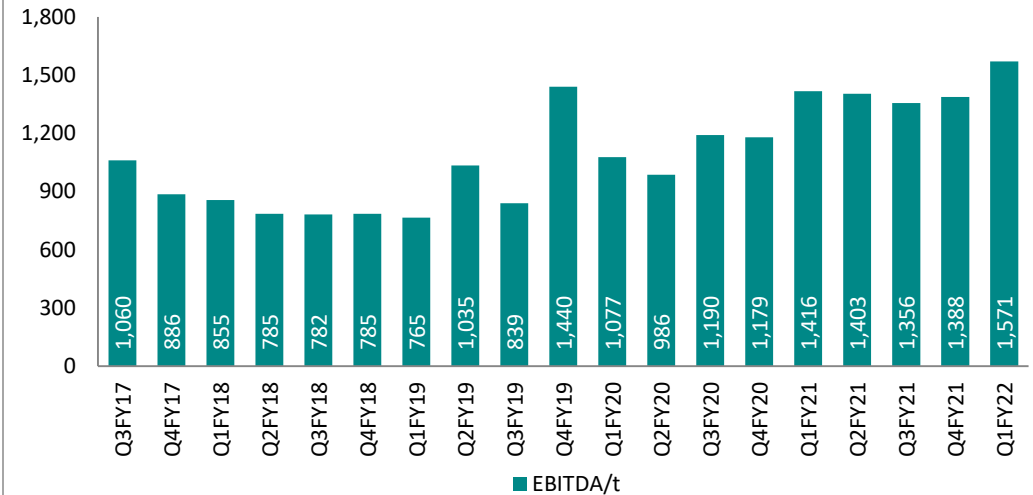
Source : Company

**Exhibit 5: Q1FY22 EBITDA margins improved to 28% vs 25.6% QoQ**

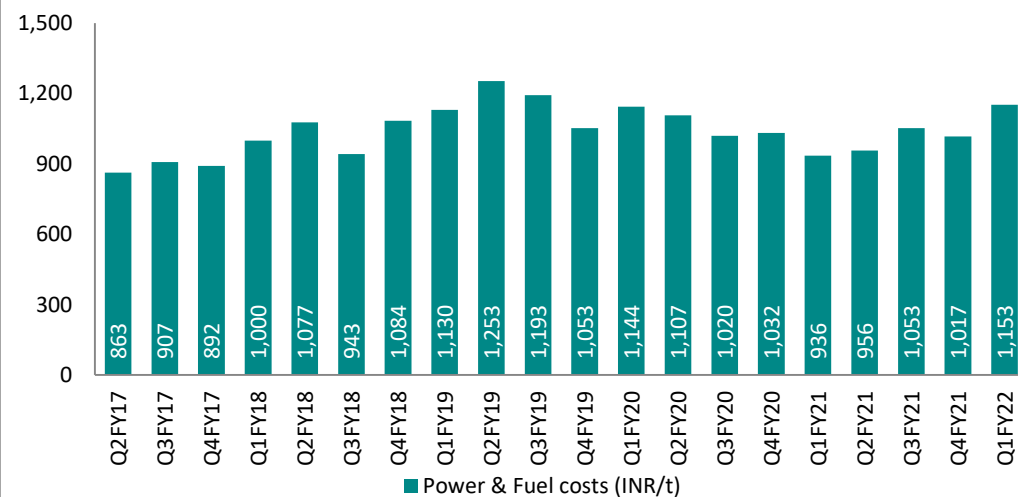


Source : Company

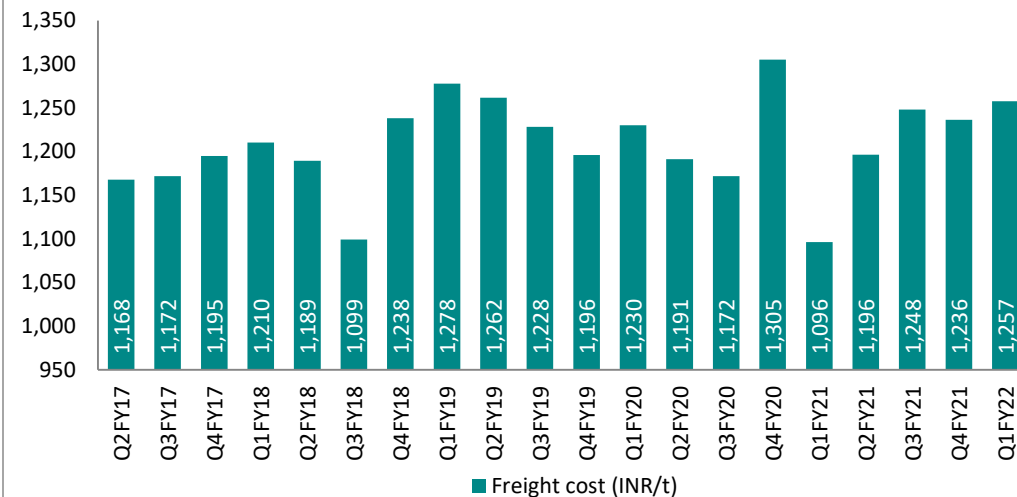
**Exhibit 6: Q1FY22 EBITDA /t at Rs1571 (Rs/t)**



Source : Company

**Exhibit 7: Q1FY22 fuel cost up QoQ (Rs/t)**


Source : Company

**Exhibit 8: Q1FY22 freight cost largely flat QoQ (Rs/t)**


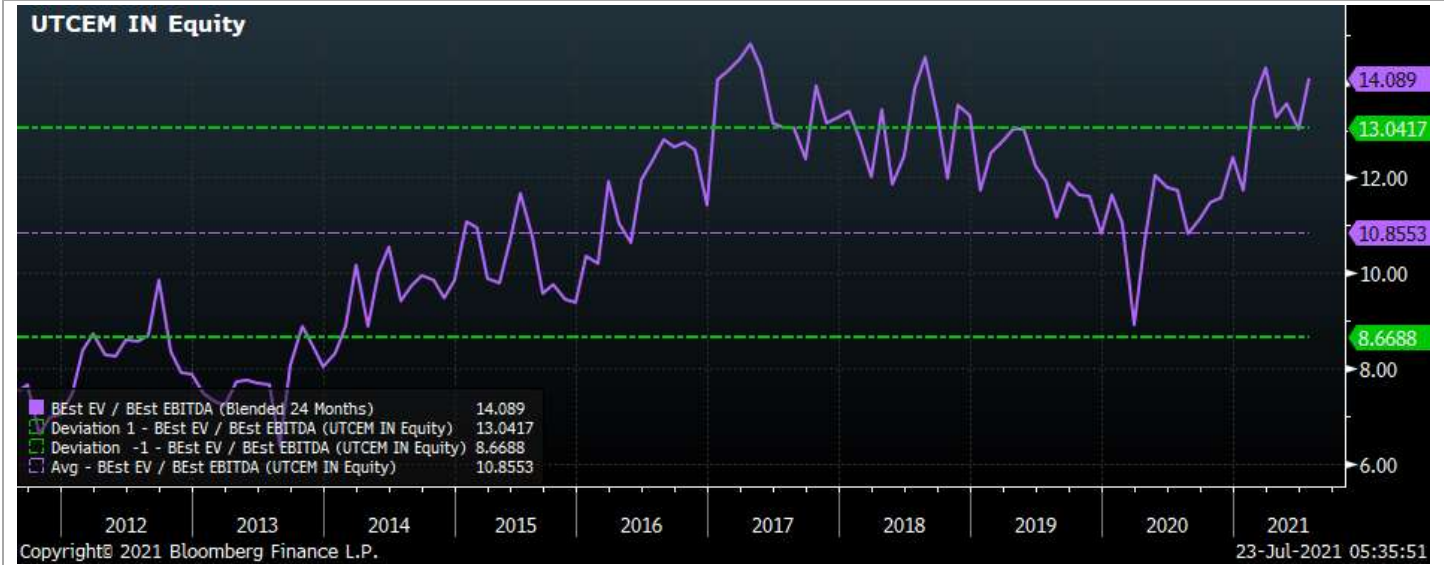
Source : Company

**Exhibit 9: Valuation Summary**

	FY23E
EBITDA Rs mn	142,939
EV/EBITDA multiple x	15
EV Rs mn	2,144,086
Debt Rs mn	173,113
Cash Rs mn	154,124
Net Debt Rs mn	18,989
Mcap Rs mn	2,125,096
Shares m	288.7
<b>TP Rs/sh</b>	<b>7,362</b>

Source: IDBI Capital Research

Exhibit 10: Valuation band EV/EBITDA



Source: Bloomberg

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
<b>Net sales</b>	<b>421,248</b>	<b>446,477</b>	<b>494,939</b>	<b>556,932</b>
<i>Growth (%)</i>	<i>12.7</i>	<i>6.0</i>	<i>10.9</i>	<i>12.5</i>
Operating expenses	(328,413)	(330,934)	(365,695)	(413,993)
<b>EBITDA</b>	<b>92,836</b>	<b>115,543</b>	<b>129,244</b>	<b>142,939</b>
<i>Growth (%)</i>	<i>36.8</i>	<i>24.5</i>	<i>11.9</i>	<i>10.6</i>
Depreciation	(27,022)	(26,906)	(27,230)	(27,747)
<b>EBIT</b>	<b>65,814</b>	<b>88,637</b>	<b>102,014</b>	<b>115,192</b>
Interest paid	(19,857)	(14,833)	(13,017)	(11,099)
Other income	6,478	7,420	7,670	7,920
<b>Pre-tax profit</b>	<b>52,435</b>	<b>81,223</b>	<b>96,666</b>	<b>112,013</b>
Tax	5,682	(25,387)	(30,214)	(35,010)
<i>Effective tax rate (%)</i>	<i>(10.8)</i>	<i>31.3</i>	<i>31.3</i>	<i>31.3</i>
Minority Interest	43.8	(12.5)	(66.5)	(77.0)
<b>Net profit</b>	<b>58,161</b>	<b>55,824</b>	<b>66,386</b>	<b>76,925</b>
Exceptional items	-	-	-	-
<b>Adjusted net profit</b>	<b>58,161</b>	<b>55,824</b>	<b>66,386</b>	<b>76,925</b>
<i>Growth (%)</i>	<i>138.9</i>	<i>(4.0)</i>	<i>18.9</i>	<i>15.9</i>
<i>Shares o/s (mn nos)</i>	<i>289</i>	<i>289</i>	<i>289</i>	<i>289</i>

### Cash Flow Statement

(Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
Pre-tax profit	52,435	81,223	96,666	112,013
Depreciation	27,022	27,002	27,230	27,747
Tax paid	(8,914)	(12,910)	(30,214)	(35,010)
Chg in working capital	4,503	23,289	(6,621)	(4,155)
Other operating activities	13,987	9,072	5,348	3,179
<b>Cash flow from operations (a)</b>	<b>89,020</b>	<b>125,030</b>	<b>92,409</b>	<b>103,774</b>
Capital expenditure	(17,037)	(18,414)	(40,000)	(25,000)
Chg in investments	(26,907)	(71,357)	-	-
Other investing activities	1,210	562	7,670	7,920
<b>Cash flow from investing (b)</b>	<b>(42,094)</b>	<b>(88,590)</b>	<b>(32,330)</b>	<b>(17,080)</b>
Equity raised/(repaid)	27	70	-	-
Debt raised/(repaid)	(27,164)	(25,646)	(19,235)	(34,623)
Dividend	(22,744)	(18,056)	(28,289)	(28,795)
Chg in minorities	-	-	-	-
Other financing activities	(31)	68	-	-
<b>Cash flow from financing (c)</b>	<b>(49,911)</b>	<b>(43,565)</b>	<b>(47,524)</b>	<b>(63,417)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(36,449)</b>	<b>14,683</b>	<b>12,555</b>	<b>23,276</b>

**Balance Sheet**

(Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
Net fixed assets	589,615	571,271	584,041	581,294
Investments	59,054	121,493	121,493	121,493
Other non-curr assets	-	-	-	-
<b>Current assets</b>	<b>144,608</b>	<b>169,070</b>	<b>197,795</b>	<b>241,635</b>
Inventories	41,483	40,180	44,844	51,339
Sundry Debtors	22,383	25,717	29,832	35,094
Cash and Bank	5,392	20,076	32,631	55,907
Marketable Secu.	-	-	-	-
Loans and advances	14,294	18,997	19,429	19,336
<b>Total assets</b>	<b>793,277</b>	<b>861,834</b>	<b>903,329</b>	<b>944,422</b>
<b>Shareholders' funds</b>	<b>391,155</b>	<b>441,747</b>	<b>492,861</b>	<b>552,091</b>
Share capital	2,886	2,887	2,887	2,887
Reserves & surplus	388,269	438,860	489,975	549,204
<b>Total Debt</b>	<b>224,085</b>	<b>192,348</b>	<b>173,113</b>	<b>138,491</b>
Secured loans	184,234	149,997	134,997	107,998
Unsecured loans	39,851	42,351	38,116	30,493
Other liabilities	49,120	67,522	67,522	67,522
<b>Curr. Liab. &amp; prov.</b>	<b>128,843</b>	<b>160,160</b>	<b>169,708</b>	<b>186,118</b>
Current liabilities	121,039	151,285	160,305	175,805
Provisions	7,804	8,874	9,403	10,313
<b>Total liabilities</b>	<b>402,047</b>	<b>420,030</b>	<b>410,344</b>	<b>392,131</b>
<b>Total equity &amp; liabilities</b>	<b>793,277</b>	<b>861,834</b>	<b>903,329</b>	<b>944,422</b>
<b>Book Value (Rs)</b>	<b>1,355</b>	<b>1,530</b>	<b>1,707</b>	<b>1,913</b>

Source: Company; IDBI Capital Research

**Financial Ratios**

Year-end: March	FY20	FY21	FY22E	FY23E
Adj. EPS (Rs)	201.5	193.4	230.0	266.5
Adj. EPS growth (%)	127.3	-4.0	18.9	15.9
EBITDA margin (%)	22.0	25.9	26.1	25.7
Pre-tax margin (%)	12.4	18.2	19.5	20.1
ROE (%)	17.2	13.4	14.2	14.7
ROCE (%)	10.8	13.0	14.2	15.4
<b>Turnover &amp; Leverage ratios (x)</b>				
Asset turnover (x)	0.6	0.5	0.6	0.6
Leverage factor (x)	2.2	2.0	1.9	1.8
Net margin (%)	13.8	12.5	13.4	13.8
Net Debt/Equity (x)	0.6	0.4	0.3	0.1
<b>Working Capital &amp; Liquidity ratio</b>				
Inventory days	36	33	33	34
Receivable days	19	21	22	23
Payable days	135	167	160	155

**Valuation**

Year-end: March	FY20	FY21	FY22E	FY23E
P/E (x)	37.1	38.7	32.5	28.1
Price / Book value (x)	5.5	4.9	4.4	3.9
PCE (x)	25.3	26.1	23.1	20.6
EV / Net sales (x)	5.6	5.2	4.6	4.0
EV / EBITDA (x)	25.6	20.2	17.8	15.7
Dividend Yield (%)	0.2	0.5	0.6	0.7





# Notes

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