

UltraTech Cement

BUY

Improvement expected in 2HFY25

Summary

Ultratech (UTCEM) Q4FY24 EBITDA beat our and consensus estimates by 8-9% and it reported EBITDA/t of Rs1191 down only Rs19/t QoQ. The profitability matrix is better than our and street estimate despite prices were down sharply in Q4FY24. UTCEM EBITDA/t was supported by drop in fuel cost and operating leverage benefit. UTCEM capacity addition plans are intact with installed capacity to reach 157mtpa by FY25E up 18% YoY and further increase of 17% over FY25-27E. In this addition Kesoram acquisition is not yet factored which to give incremental capacity of 5-6% to UTCEM. We retain our estimate and BUY rating with TP of Rs11,844, valuing at 16x FY26E EV/EBITDA. Demand is expected remain muted in 1HFY25 and to improve in 2HFY25 as policy formation take place under new government.

Key Highlights and Investment Rationale

- **Q4FY24 snapshot:** Q4FY24 Revenue stood at Rs204bn, up 10% YoY and is led by volume increase of 10% YoY. Consol ASP is down 5% QoQ and is due to dip in cement prices across country. EBITDA/t decrease of Rs18/t QoQ due to ASP decrease of Rs300/t QoQ. But overall cost reduction maintained EBITDA/t.
- **Cement demand & prices:** Cement prices have declined Q4FY24 due to demand softness & upcoming central elections. But here, UTCEM expects 7-8% industry demand growth in FY25E. UTCEM expects cement prices to not further decline from current levels but demand would be lower until monsoon.
- **Reduce the Operating costs:** UTCEM will be reducing the opex/t by Rs200-300/t by improvising fuel mix, enhancing WHRS capacity to 60% by FY27, increasing AFR Share to 15%, and reducing lead distance by 25kms by spreading across 70 locations across country.

TP **Rs11,844**CMP **Rs9,962**

Potential upside/downside 19%

Previous Rating BUY

Price Performance (%)

	-1m	-3m	-12m
Absolute	2.2	(3.0)	31.9
Rel to Sensex	0.8	(6.8)	9.7

V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	316	445
Consensus	--	--
% difference	--	--

Key Stock Data

Bloomberg/Reuters	UTCEM IN/ULTC.BO
Sector	Cement
Shares o/s (mn)	289
Market cap. (Rs mn)	2,876,075
3-m daily avg Trd value (Rs mn)	90.9
52-week high / low	Rs 10,523 / 7,437
Sensex / Nifty	74,671 / 22,643

Shareholding Pattern (%)

Promoters	60.0
FII	17.7
DII	14.1
Public	8.2

Financial snapshot

(Rs mn)

Year	FY22	FY23	FY24	FY25E	FY26E
Revenue	5,25,988	6,32,400	7,09,081	7,88,357	9,14,697
Change (yoy, %)	18	20	12	11	16
EBITDA	1,15,143	1,06,199	1,29,686	1,63,187	2,17,463
Change (yoy, %)	0	-8	22	26	33
EBITDA Margin(%)	21.9	16.8	18.3	20.7	23.8
Adj.PAT	71,827	50,599	69,830	91,132	1,28,594
EPS (Rs)	249	175	242	316	445
Change (yoy, %)	42	-30	38	31	41
PE(x)	40	57	41	32	22
Dividend Yield (%)	0.4	0.4	0.5	0.7	1.0
EV/EBITDA (x)	26	28	23	18	13
RoE (%)	15	10	12	14	18
RoCE (%)	12	11	13	14	18

Source: IDBI Capital Research

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Conference call highlights

- UTCEM consistently delivered double digit volume growth for past 2 years FY23 around 14% YoY & in FY24 13% YoY volume growth, the growth in volume is due to timely execution of capacity expansion plans. Management is confident enough to deliver good performance going ahead & aims to grow more than country's GDP.
- UTCEM is expecting moderation in demand but the slowdown is expected to be shorter than earlier years, expecting high single digit growth for cement demand in FY25.
- Recently UTCEM has commissioned 2 grinding units of 2.7mtpa each in states of Chhattisgarh & Tamil Nadu, & acquired 1.1mtpa plant from India Cements in Parli, Maharashtra. Expansion plans are on track, UTCEM is planning to reach 157mtpa (domestic capacity) FY25E, 168.8mtpa by FY26E & 183.5mtpa by FY27E. Company has put on hold the expansion of 2.7mtpa Hotgi, MH plant on hold due to inorganic expansions, but going ahead will update on same.
- Kesoram Acquisition the CCI approval has been received in Q4FY24, currently UTCEM is awaiting for Nods from SEBI & Stock exchanges, & further they will file the scheme with NCLT, expecting the deal to conclude by March'2025.
- UTCEM is planning to reduce the operating cost by Rs200-300/t, by improvising on Blended Cement ratio, also targeting to improve WHRS share to 60% by FY27, which is currently at 27%, the expansion plan to spread across 70 locations across the country will bring the lead distance down, currently the lead distance is 400kms, so if 25kms lead is reduced an average Rs3 per km/t will be reduced which itself will save Rs75/t for company, also management is planning to improve AFR share from 5-6% to 15% which will reduce fuel costs, all put together will certainly help to reduce the costs.
- UTCEM is planning to go Net Cash by FY25, excluding Kesoram industries, if we add Kesoram industries then Net Debt for FY25 would account to Rs15-20bn. Capex would be range around Rs100bn for FY25.
- UTCEM sold 6.2mtpa of cement through UBS outlets (Retail outlets) which contributed to 28% of trade sales for FY24.
- Share of Premium products stood at 24%, Trade share for the quarter stood at 65% & Blended share was 69%, Blended fuel cost for the quarter stood at USD150/t.

Exhibit 1: Financial snapshot (Rs mn)

Particulars	Q4FY24	Q4FY23	YoY ch (%)	Q3FY24	QoQ (%)
Revenue	2,04,189	1,85,624	10	1,67,400	22
Cost of Sales ex Depreciation	1,71,199	1,60,016	7	1,42,689	20
EBITDA	41,139	33,225	24	32,546	26
<i>Margin %</i>	<i>20.1</i>	<i>17.9</i>	<i>225bps</i>	<i>19.4</i>	<i>71bps</i>
Depreciation	8,149	7,617	7	7,835	4
Other Income	1,356	1,215	12	1,405	-3
Interest Expensed	2,612	1,914	36	2,622	0
Profit from associates	91	15	521	58	57
Pretax Profit	31,735	24,909	27	23,494	35
Tax	8,519	8,223	4	5,804	47
Minority interest	5	42	-89	-22	-121
Net profit	23,301	16,660	40	17,770	31

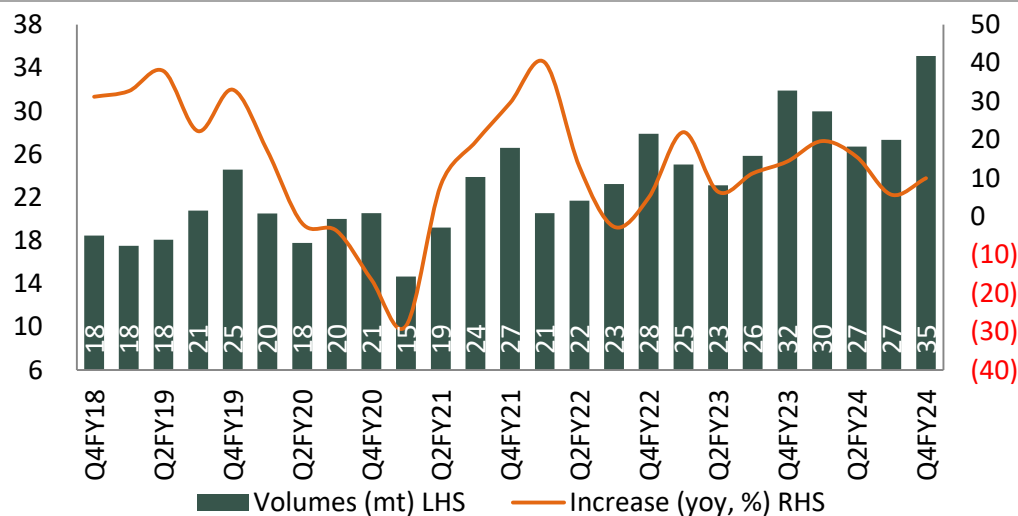
Source: Company

Exhibit 2: Operational matrix

Particulars	Q4FY24	Q4FY23	YoY ch (%)	Q3FY24	QoQ (%)
Volume mt	35	32	10	27	28
Selling price Rs/t	5,821	5,819	0	6,127	-5.0
Raw material cost Rs/t	1,086	963	13	972	12
Employee cost Rs/t	214	225	-5	281	-24
Power & Fuel Cost Rs/t	1,379	1,664	-17	1,529	-10
Freight cost Rs/t	1,325	1,315	1	1,325	0
Other expenses Rs/t	644	611	6	828	-22
EBITDA Rs/t	1,173	1,042	13	1,191	-2

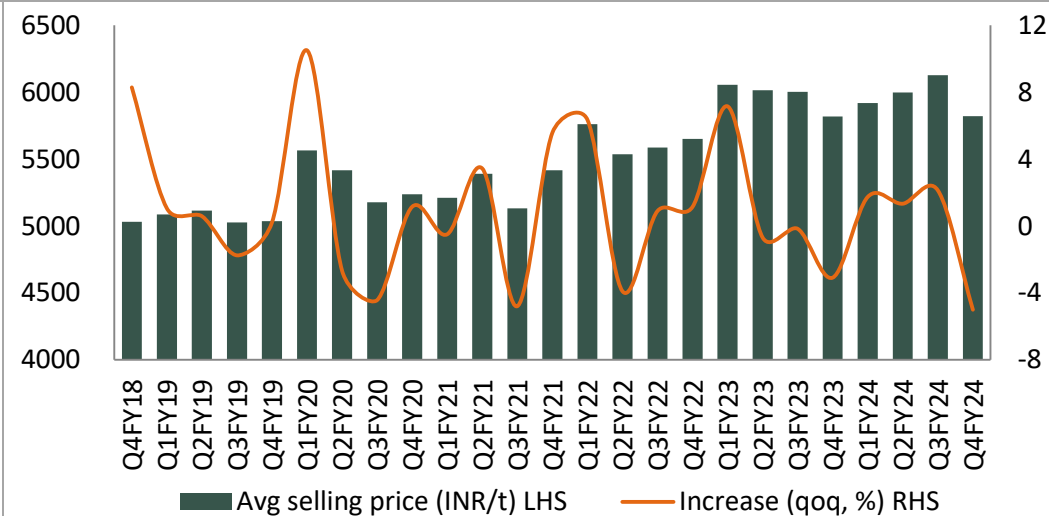
Source: Company

Exhibit 3: Q4FY24 volume up by 10% YoY



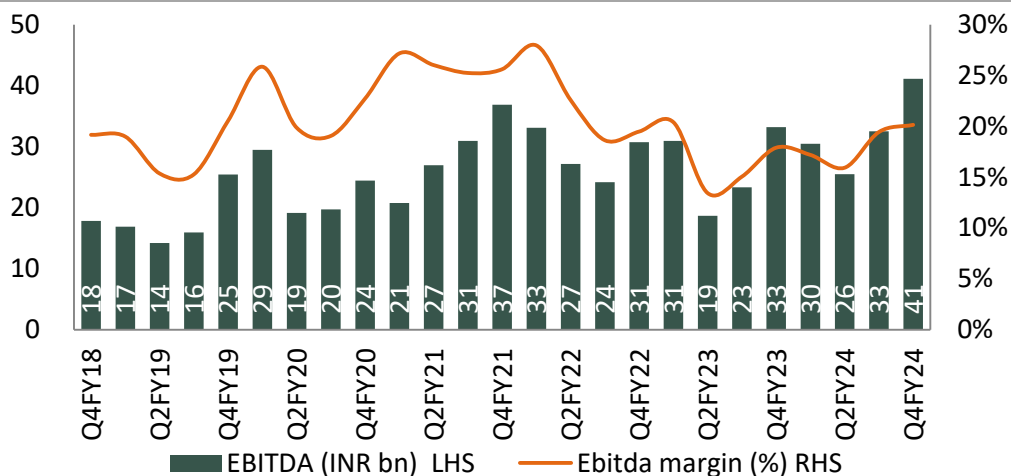
Source : Company

Exhibit 4: Q4FY24 cement price decreased by 5% QoQ



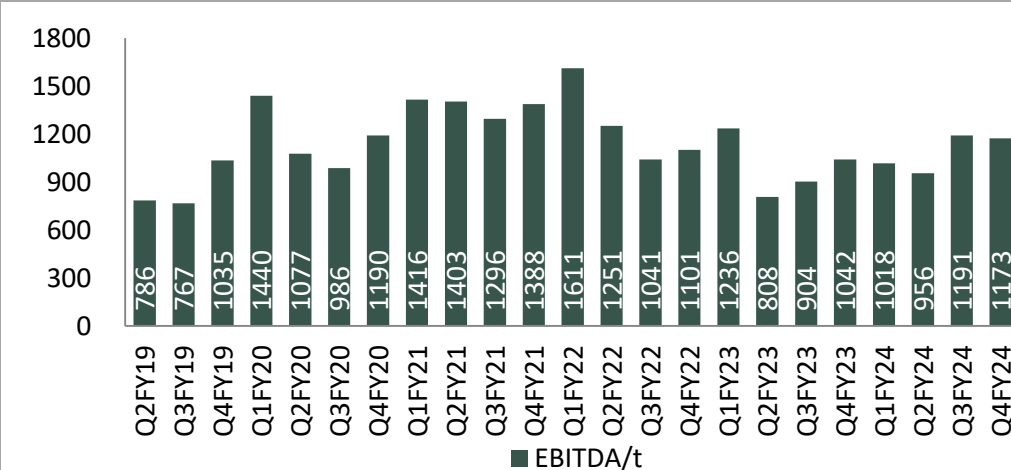
Source : Company

Exhibit 5: EBITDA margin at 20% in Q4FY24



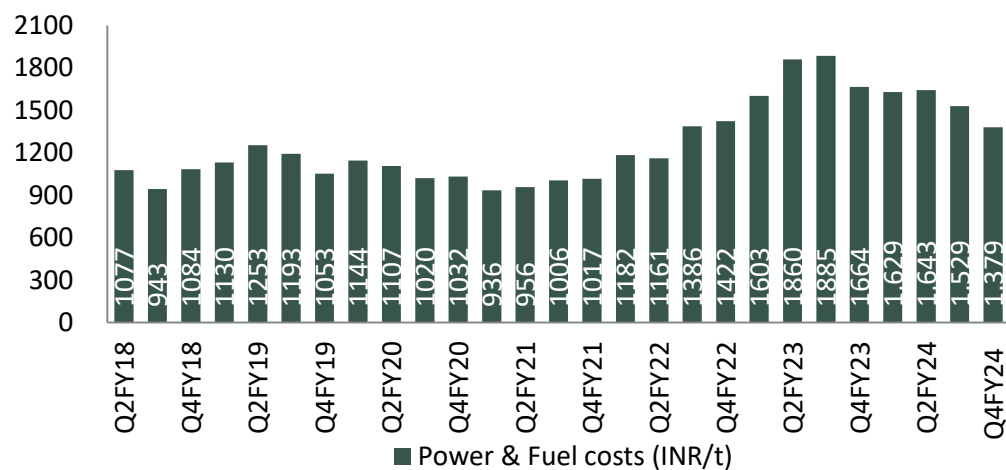
Source : Company

Exhibit 6: Q4FY24 EBITDA/t increased to Rs1173 (Rs/t) YoY



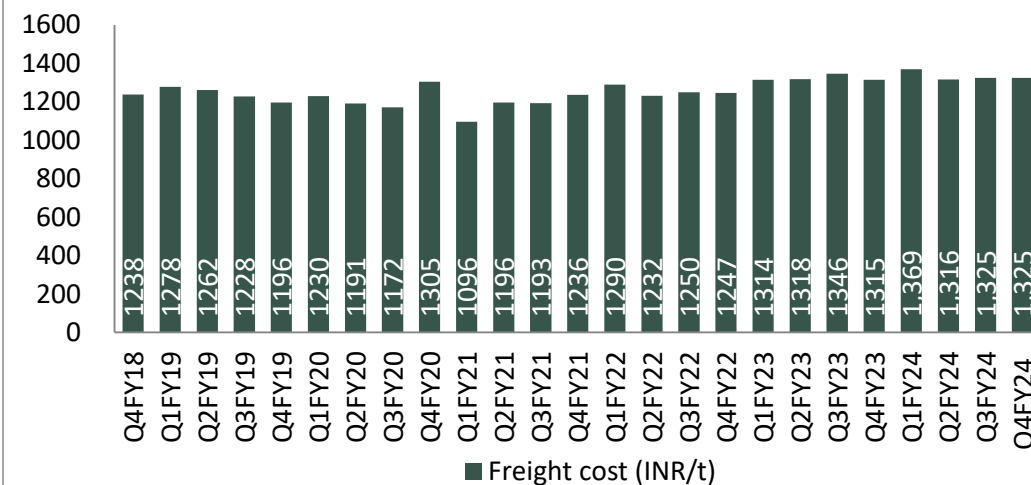
Source : Company

Exhibit 7: Q4FY24 fuel cost declined YoY to Rs1379/t



Source : Company

Exhibit 8: Q4FY24 freight cost flat YoY to Rs1325/t

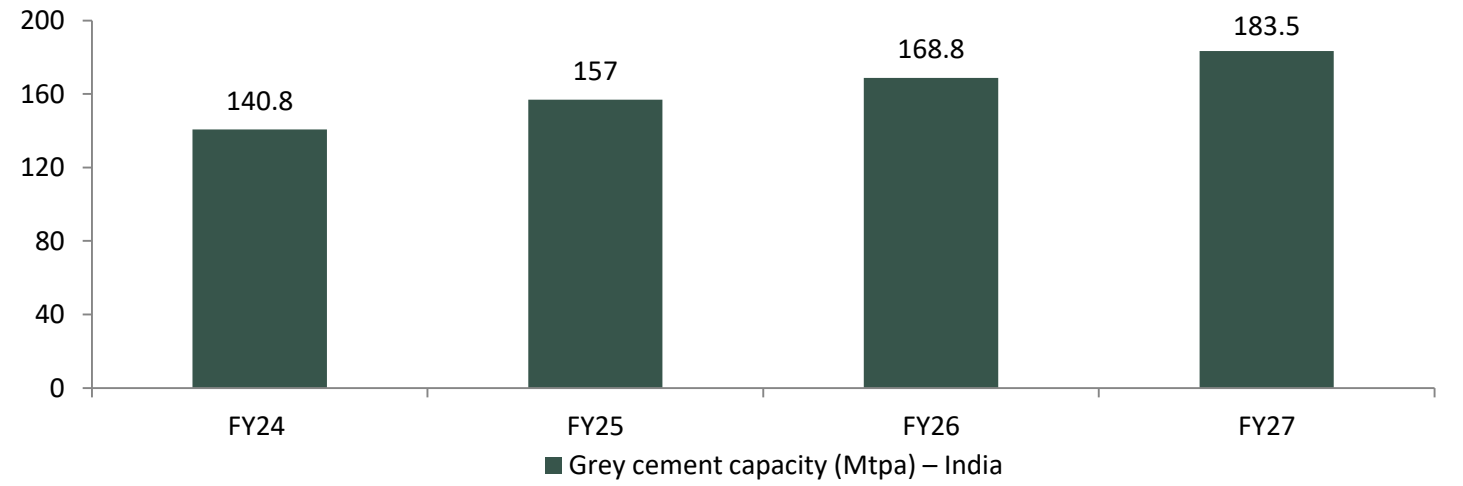


Source : Company

Exhibit 9: Ultratech Capacity Expansion Plan

Zones	Grey Cement Capacity in India (mtpa)					
	Installed Capacity as of FY24		Planned till FY25		Planned till FY27	
	as of FY24	as %	till FY25	as %	till FY27	as %
North	33.3	24%	33.3	21%	39	21%
Central	28.4	20%	32.9	21%	32.9	18%
East	27.6	20%	31.9	20%	41	22%
West	31.1	22%	32.2	20%	35.2	19%
South	20.5	15%	26.8	17%	35.9	20%
All India	140.8	100%	157.1	100%	184	100%

source: Company * Excluding Kesoram Industries capacity of 10.75mtpa

Exhibit 10: Capacity Expansion Target till FY27

Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net sales	4,46,477	5,25,988	6,32,400	7,09,081	7,88,357	9,14,697
<i>Change (yoy, %)</i>	6.0	18	20	12	11	16
Operating expenses	(3,30,934)	(4,10,845)	(5,26,201)	(5,79,396)	(6,25,170)	(6,97,234)
EBITDA	1,15,543	1,15,143	1,06,199	1,29,686	1,63,187	2,17,463
<i>Change (yoy, %)</i>	24.5	(0)	(8)	22	26	33
<i>Margin (%)</i>	25.9	21.9	16.8	18.3	20.7	23.8
Depreciation	(26,906)	(27,148)	(28,880)	(31,453)	(39,491)	(43,991)
EBIT	88,637	87,996	77,319	98,233	1,23,696	1,73,472
Interest paid	(14,833)	(9,447)	(8,227)	(9,680)	(8,655)	(8,781)
Other income	7,420	5,078	5,031	6,170	6,420	6,670
Pre-tax profit	81,245	83,644	74,163	94,942	1,21,681	1,71,581
Tax	(25,387)	(11,901)	(23,429)	(24,183)	(30,420)	(42,895)
<i>Effective tax rate (%)</i>	31.2	14.2	31.6	25.5	25.0	25.0
Minority Interest	12.5	100.5	(94.4)	10.4	91.3	128.7
Net profit	61,190	71,844	50,640	71,490	91,352	1,28,814
Exceptional items	22	17	40	220	220	220
Adjusted net profit	50,530	71,827	50,599	69,830	91,132	1,28,594
<i>Change (yoy, %)</i>	(13.0)	42	(30)	38	31	41
EPS	175.1	248.8	175.3	241.9	315.7	445.5
Dividend per share	37.0	38.0	38.0	52.6	69.6	98.2
<i>Dividend Payout %</i>	21.1	15	22	22	22	22

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Shareholders' funds	4,41,747	5,04,353	5,43,245	6,02,275	6,73,529	7,74,004
Share capital	2,887	2,887	2,887	2,887	2,887	2,887
Reserves & surplus	4,38,860	5,01,466	5,40,359	5,99,388	6,70,642	7,71,117
Total Debt	2,48,193	1,52,155	1,20,056	1,23,179	1,63,179	1,27,355
Other liabilities	67,524	65,605	76,265	84,313	84,313	84,313
Curr Liab & prov	1,04,314	1,16,196	1,73,747	1,97,694	2,13,313	2,37,902
Current liabilities	95,440	1,07,538	1,65,461	1,95,119	2,10,534	2,34,803
Provisions	8,873	8,658	8,286	2,575	2,778	3,099
Total liabilities	4,20,031	3,33,956	3,70,068	4,05,186	4,60,804	4,49,569
Total equity & liabilities	8,61,835	8,38,278	9,13,870	10,08,020	11,34,984	12,24,352
Net fixed assets	5,70,983	6,02,722	6,24,290	6,87,725	7,95,323	8,46,332
Investments	1,09,288	60,661	82,150	88,711	88,711	88,711
Other non-curr assets	-	-	-	-	-	-
Current assets	1,81,564	1,74,895	2,07,429	2,31,584	2,50,950	2,89,309
Inventories	40,180	55,956	66,118	83,297	90,065	1,01,522
Sundry Debtors	25,717	30,716	38,670	42,782	47,565	55,187
Cash and Bank	70,076	53,225	69,862	62,680	65,007	80,088
Loans and advances	45,592	34,998	32,779	42,825	48,313	52,512
Total assets	8,61,835	8,38,278	9,13,870	10,08,020	11,34,984	12,24,352

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	78,576	83,644	74,163	9,422	1,21,681	1,71,581
Depreciation	27,002	27,148	28,880	31,453	39,491	43,991
Tax paid	(12,910)	(15,549)	(11,243)	(16,505)	(30,420)	(42,895)
Chg in working capital	23,289	(4,730)	(3,370)	(4,811)	(1,420)	1,310
Other operating activities	9,072	2,320	2,255	4,827	2,235	2,112
Cash flow from operations (a)	1,25,030	92,832	90,685	1,08,975	1,31,567	1,76,098
Capital expenditure	(18,414)	(56,062)	(61,056)	(88,841)	(1,15,000)	(95,000)
Chg in investments	(70,949)	76,888	(13,484)	(655)	-	-
Other investing activities	773	1,744	2,669	1,614	6,420	6,670
Cash flow from investing (b)	(88,590)	22,570	(71,871)	(87,881)	(1,08,581)	(88,331)
Equity raised/(repaid)	138	(782)	(1,018)	(825)	-	-
Debt raised/(repaid)	(23,965)	(1,01,711)	4,529	3,299	40,000	(35,824)
Dividend (incl. tax)	(3,748)	(10,650)	(10,913)	(10,944)	(20,097)	(28,339)
Chg in minorities						
Other financing activities	(15,989)	(11,837)	(8,909)	(10,787)	(8,655)	(8,781)
Cash flow from financing (c)	(43,565)	(1,24,979)	(16,310)	(19,257)	11,248	(72,944)
Net chg in cash (a+b+c)	(7,125)	(9,577)	2,504	1,838	34,234	14,823

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Book Value (Rs)	1,530.4	1,747	1,882	2,086	2,333	2,681
Adj EPS (Rs)	175.1	248.8	175.3	241.9	315.7	445.5
Adj EPS growth (%)	-13.0	42	-30	38	31	41
EBITDA margin (%)	25.9	21.9	16.8	18.3	20.7	23.8
Pre-tax margin (%)	18.2	15.9	11.7	13.4	15.4	18.8
Net Debt/Equity (x)	0.4	0.2	0.1	0.1	0.1	0.1
ROCE (%)	12.1	12	11	13	14	18
ROE (%)	12.1	15	10	12	14	18

DuPont Analysis

Asset turnover (x)	0.5	0.6	0.7	0.7	0.7	0.8
Leverage factor (x)	2.0	1.8	1.7	1.7	1.7	1.6
Net margin (%)	11.3	13.7	8.0	9.8	11.6	14.1

Working Capital & Liquidity ratio

Inventory days	33	39	38	43	42	41
Receivable days	21	21	22	22	22	22
Payable days	105	96	115	123	123	123

Valuations

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
PER (x)	57.0	40.1	56.9	41.2	31.6	22.4
Price/Book value (x)	6.5	5.7	5.3	4.8	4.3	3.7
EV/Net sales (x)	6.8	5.7	4.6	4.1	3.8	3.2
EV/EBITDA (x)	26.4	25.9	27.6	22.7	18.2	13.5
Dividend Yield (%)	0.4	0.4	0.4	0.5	0.7	1.0

Source: Company; IDBI Capital Research



Notes

Dealing

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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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