

UltraTech Cement

Well rounded performance!

UltraTech reported strong earnings beat in 1QFY21, driven by robust fixed cost reduction. Consolidated revenue/EBITDA/APAT fell 33/30/30% YoY to Rs 76.33/20.75/9.03bn. Volume fell 32% YoY, on sharper volume decline across the south and Maharashtra. UltraTech also reported robust fixed cost control in 1Q, which cushioned the earnings impact. Strong margins and working capital reduction continues to help UltraTech reduce leverage. As retail sales remain less impacted and as non-trade expected to pick up in 2HFY21E, we expect slower volume decline of 16% in FY21 and 21% rebound in FY22E. We expect stable realisation YoY, subdued energy cost outlook, and healthy cost controls to drive 5% EBITDA CAGR (FY20-23E), despite a 13% decline in FY21E. We maintain BUY with a target price of Rs 4,915.

- **1QFY21—strong cost controls and continued deleveraging:** Sales volume dipped 32/32% YoY/QoQ, hit by the sharper decline in Maharashtra and southern markets and weaker non-trade sales. Price hikes and increased trade sales firmed up NSR 4% QoQ, thus restricting YoY NSR decline at 2%. UltraTech surprised massively on operating cost as it reduced its fixed costs by 21% YoY, which significantly moderated the impact of lower sales. Its variable cost also fell 7% YoY on lower fuel, fly ash and gypsum costs. Increased share of green power (14% vs 8% YoY) also reduced costs. These drove down unitary operating cost by 4% YoY, offsetting the NSR fall. Thus, unitary EBITDA firmed up 3% YoY to Rs 1,416/MT. Strong margin focus and working capital reduction aided continued deleveraging; net debt fell 13/31% QoQ/YoY to Rs 146.51 bn in 1QFY21.
- **Outlook:** We expect the pace of volume decline to slow down 2QFY21 onwards as trade sales remain healthy and non-trade sales are expected to pick up, post monsoon. Subdued petcoke/coal prices and increasing share of low-cost green power should keep the variable cost low. The agility in fixed cost management should also aid margin expansion despite volume decline. Subsequently, we expect a 16% volume decline in FY21E, followed by 21% rebound in FY22E. We also build in margins to firm up during FY21-23E on asset sweating. We maintain our estimates and BUY rating on the stock. Our target price of Rs 4,915/sh is based on 15x Jun'22E consolidated EBITDA.

Consolidated Quarterly/Annual Financial summary

YE Mar (Rs bn)	Q1 FY21	Q1 FY20	YoY (%)	Q4 FY20	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Sales (mn MT)	14.7	21.4	(31.6)	21.4	(31.7)	85.8	82.5	69.0	83.5	90.0
NSR (Rs/T)	5,211	5,330	(2.2)	5,012	4.0	4,851	5,106	5,106	5,106	5,208
Opex (Rs/T)	3,795	3,954	(4.0)	3,872	(2.0)	3,995	3,965	3,920	3,944	3,993
EBITDA(Rs/T)	1,416	1,377	2.9	1,139	24.3	857	1,141	1,186	1,162	1,215
Net Sales	76.3	114.2	(33.2)	107.4	(29.0)	416.1	421.2	352.4	426.3	468.7
EBITDA	20.7	29.5	(29.7)	24.4	(15.1)	73.5	94.2	81.8	97.0	109.3
APAT	9.0	12.8	(29.5)	11.3	(20.2)	25.1	37.9	30.7	41.6	52.2
AEPS (Rs)	31.3	46.6	(32.9)	39.2	(20.2)	91.3	131.3	106.4	144.1	180.8
EV/EBITDA (x)						19.2	14.4	16.2	13.3	11.4
EV/MT (Rs bn)						12.5	11.8	11.3	10.6	10.3
P/E (x)						47.6	31.5	38.9	28.7	22.9
RoE (%)						8.3	10.4	7.6	9.5	10.9

Source: Company, HSIE Research, Consolidated Financials

BUY

CMP (as on 28 July 2020)	Rs 4,135
Target Price	Rs 4,915
NIFTY	11,301

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 4,915	Rs 4,915
	FY21E	FY22E
EBITDA %	-	-

KEY STOCK DATA

Bloomberg code	UTCEM IN
No. of Shares (mn)	289
MCap (Rs bn) / (\$ mn)	1,194/15,950
6m avg traded value (Rs mn)	2,346
52 Week high / low	Rs 4,754/2,910

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	21.9	(10.3)	(8.1)
Relative (%)	2.0	(4.2)	(9.7)

SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	59.70	60.09
FIs & Local MFs	14.15	14.59
FPIs	16.48	16.10
Public & Others	9.67	9.22
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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