

# Ultratech Cement

Refer to important disclosures at the end of this report

## In-line performance; price hike vital amid high input cost

- Consolidated EBITDA was flat YoY at Rs27bn (down 18% QoQ) in Q2FY22, in line with our estimate, as higher-than-expected cost/ton was offset by better blended realization (led by white cement and RMC business) and higher other operating income. Accordingly, blended EBITDA/ton declined 7% YoY/18% QoQ to Rs1,254.
- We expect UTC's RoIC to increase to a sustainable level of 20%+ within 4-5 years (vs. 12% in the past decade), driven by rising utilization levels and improving margins.
- Factoring in higher opex/ton due to input cost inflation, we cut our FY22-24 EBITDA estimates by 3-4%. We roll over to Dec'22 from Sep'22 and maintain our TP at Rs8,500. Our DCF-based TP (11.25% WACC, 8% FCF growth post FY26) implies a 1-year forward EV/EBITDA of 15x (vs. 15.6x earlier). Maintain Buy.

- Revenue from India operations rose 14% YoY to Rs112bn. Grey cement realization fell 2.2% QoQ (+5.2% YoY), in line with our estimate. Ultratech took an average price hike of Rs10-15/bag MoM in Oct'21. Management said that an additional price hike of Rs20-25/bag is required to pass on cost inflation and is confident of a gradual pass-through. Other operating income rose 75% YoY and doubled QoQ to Rs2.7bn (~Rs127/ton), beating our estimate of Rs1.2bn, owing to receipt of incentives for the Dhar plant.
- Volumes of India operations rose 7% YoY to 20.5mt in Q2FY22. Management guided for grey cement volume growth to be in the range of 6-8% YoY in H2FY22. At the lower band of guidance, it implies grey cement volumes of 92mt in FY22 (+13% YoY).
- Consolidated cost/ton increased 12% YoY/9% QoQ (our estimate of a 3% QoQ rise), owing to higher-than-expected input costs, higher employee costs (bonus, increments) and other expenses (high maintenance costs). The average coal consumption cost stood at US\$120/ton in Q2 and management guided that it might increase by Rs200/ton QoQ in Q3FY22.
- Consolidated FCF generation stood at Rs8.2bn in H1FY22 after working capital blockage of Rs17.6bn and capex spend of Rs21bn. In H1FY22, UTC paid dividends of Rs10.6bn and purchased treasury shares worth Rs536mn. Accordingly, net debt increased by Rs3.5bn QoQ (declined Rs58bn YoY) in Sep'21, with net debt-to-EBITDA standing at 0.47x.
- UTC commissioned 1.2mt (part of 19.5mt capacity expansion project) capacity in Oct'21, taking its total domestic capacity to 112.6mt. It is likely to commission 2mt grinding capacity in H2FY22, 4.1mt in H1FY23 and the balance 12.2mt in H2FY23. Capex guidance is maintained at Rs40-50bn in FY22.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Cement & Building Materials \(Page 12\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	4,21,250	4,47,258	5,41,572	6,03,714	6,74,958
EBITDA	94,167	1,15,679	1,28,631	1,45,985	1,66,965
EBITDA Margin (%)	22.4	25.9	23.8	24.2	24.7
APAT	38,386	55,809	66,990	79,519	1,04,875
EPS (Rs)	133.0	193.3	232.1	275.5	363.3
EPS (% chg)	50.0	45.4	20.0	18.7	31.9
ROE (%)	11.4	13.4	14.3	15.1	17.5
P/E (x)	55.6	38.3	31.9	26.9	20.4
EV/EBITDA (x)	24.5	19.0	16.8	14.5	12.1
P/BV (x)	5.5	4.8	4.3	3.8	3.3

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
Rs 7,399 as of (October 18, 2021)	Rs 8,500 (■) 12 months
<b>Rating</b>	<b>Upside</b>
BUY (■)	14.9 %

### Change in Estimates

EPS Chg FY22E/FY23E (%)	(5.8)/ (6.5)
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

EPS Estimates		
	FY22E	FY23E
Emkay	232.1	275.5
Consensus	241.8	286.5
Mean Consensus TP (12M)	Rs 8,196	

### Stock Details

Bloomberg Code	UTCEN IN
Face Value (Rs)	10
Shares outstanding (mn)	289
52 Week H/L	8,073 / 4,440
M Cap (Rs bn/USD bn)	2,136 / 28.35
Daily Avg Volume (nos.)	3,55,202
Daily Avg Turnover (US\$ mn)	35.6

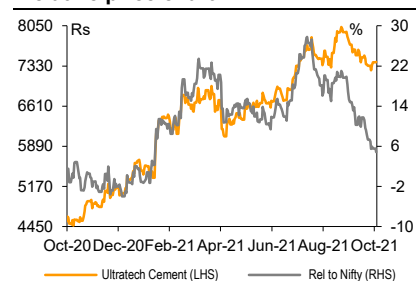
### Shareholding Pattern Sep '21

Promoters	60.0%
FII	16.5%
DII	14.5%
Public and Others	9.1%

### Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	1	10	65
Rel. to Nifty	(9)	(13)	(13)	4

### Relative price chart



Source: Bloomberg

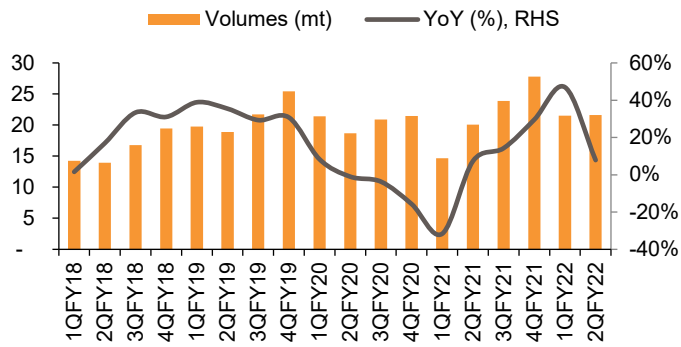
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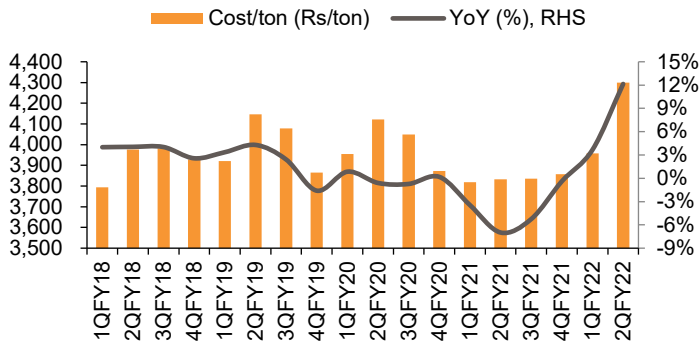
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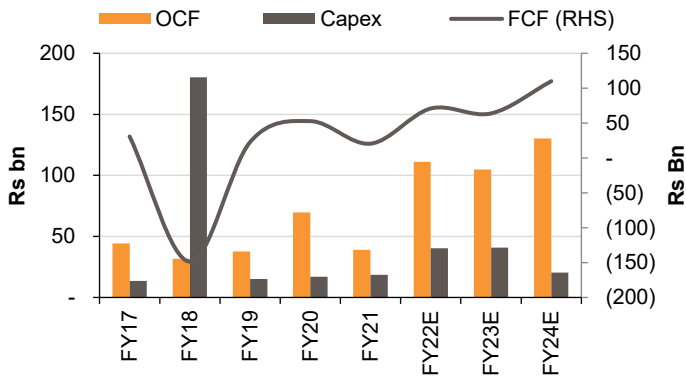
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**Exhibit 1: Consolidated volumes increase 8% YoY to ~22mt**

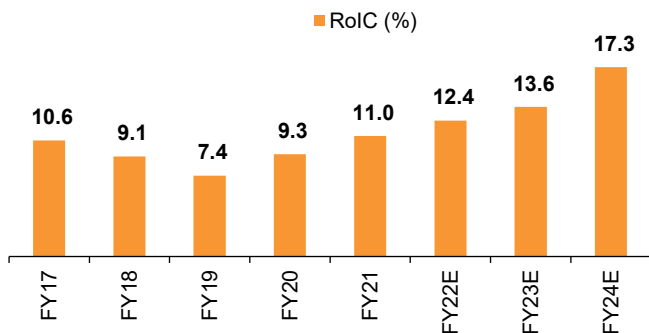
Source: Company, Emkay Research

**Exhibit 3: Total opex/ton up 12% YoY and 9% QoQ**

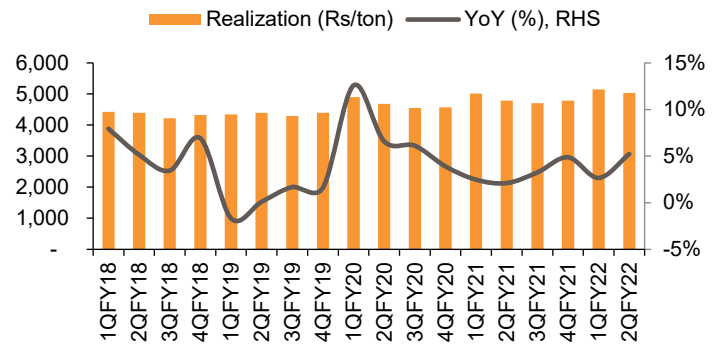
Source: Company, Emkay Research

**Exhibit 5: Ultratech likely to generate FCF of Rs75bn over FY22E-24E**

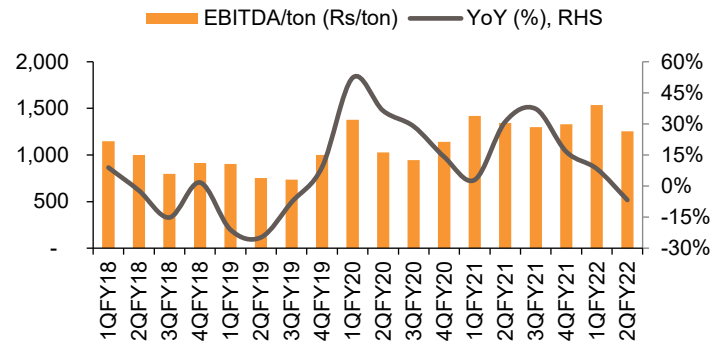
Source: Company, Emkay Research

**Exhibit 7: Ultratech likely to have best incremental RoIC in this cycle**

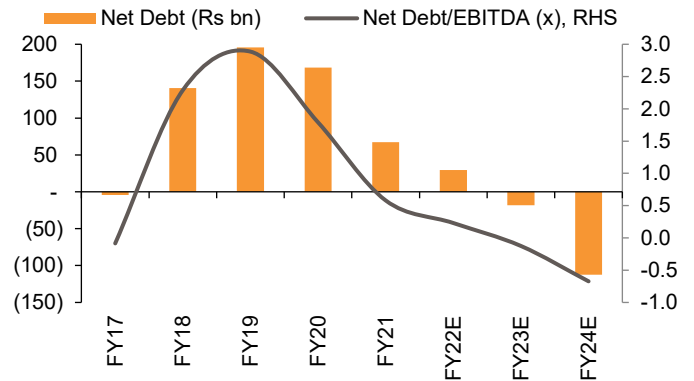
Source: Bloomberg, Emkay Research

**Exhibit 2: Grey cement realization rises 5% YoY but falls 2% QoQ**

Source: Company, Emkay Research

**Exhibit 4: Blended EBITDA/ton down 7% YoY/ 18% QoQ to Rs1,254**

Source: Company, Emkay Research

**Exhibit 6: With strong FCF generation, Ultratech to become net debt free in FY23E**

Source: Company, Emkay Research

**Exhibit 8: Maintain Buy and TP of Rs8,500, based on 15x Dec'23E EV/EBITDA**

EV/E method, backed by DCF analysis	Rs bn
Dec23E EBITDA	162
EV/E multiple (x)	15
Enterprise Value	2,436
Net cash (Dec22E)	20
Equity value	2,454
No. of shares (mn)	289
<b>Dec'22 Target Price (Rs)</b>	<b>8,500</b>

Source: Emkay Research

## Concall takeaways

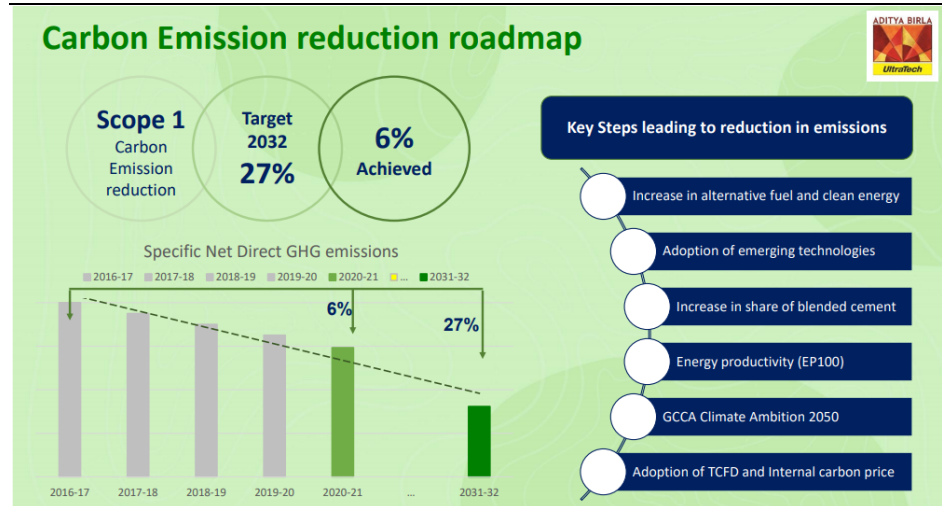
- **RMC revenue grew 41% YoY/21% QoQ to Rs6.1bn**, while white cement/putty revenue grew 16% YoY/40% QoQ to Rs5.1bn. White cement/putty volumes grew 15% YoY, with realization rising ~3% QoQ.
- **India operations volumes rose 7% YoY to 20.5mt in Q2FY22**. Management guided for grey cement volume growth to be in the range of 6-8% YoY in H2FY22. At the lower band of guidance, it implies grey cement volumes of 92mt in FY22 (+13% YoY).

**Exhibit 9: Region-wise demand trend (Q2FY22)**

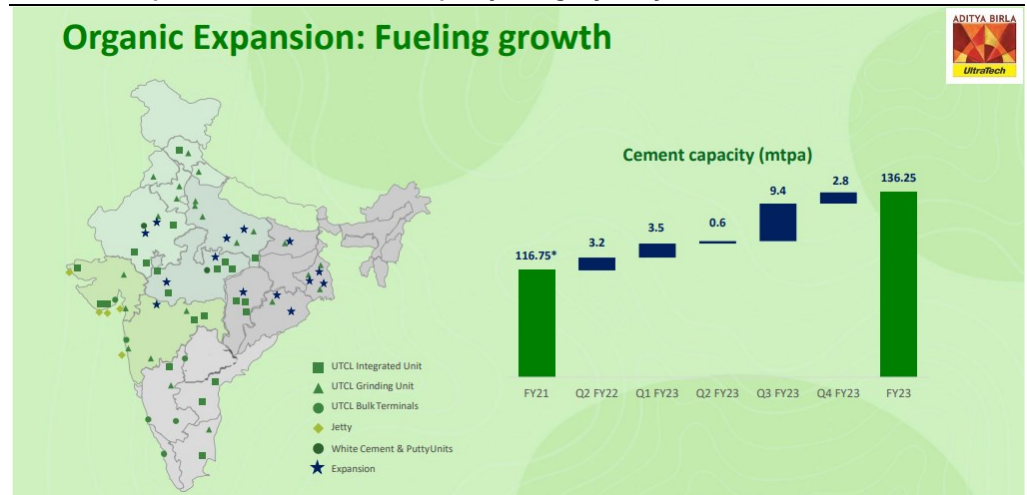
State/Region wise performance						
State/Region	Volume Growth	I	R	H	C	Key drivers
North	↑	●	●	●	●	<ul style="list-style-type: none"> <li>Infrastructure segment registered growth</li> <li>Housing witnessed degrowth on account of heavy rains</li> </ul>
Central	↔	●	●	●	●	<ul style="list-style-type: none"> <li>Housing registered growth led by rural housing</li> <li>Infrastructure segment saw degrowth in all the states</li> </ul>
East	↓	●	●	●	●	<ul style="list-style-type: none"> <li>Housing witnessed degrowth due to rains and Covid related restrictions, Odisha was affected by cyclone</li> <li>Infrastructure saw growth in Jharkhand and Chhattisgarh</li> </ul>
West	↑	●	●	●	●	<ul style="list-style-type: none"> <li><b>Maharashtra:</b> Housing and Infrastructure segment saw strong growth led by rural and urban demand as Covid related restrictions were eased out</li> <li><b>Gujarat:</b> Demand growth in all the segments</li> </ul>
South	↑	●	●	●	●	<ul style="list-style-type: none"> <li>Housing saw growth led by rural housing in Andhra Pradesh and Karnataka and urban housing in Tamil Nadu and Kerala</li> <li>Infrastructure segment registered growth in all the Southern states</li> </ul>

Source: Company, Emkay Research

- **Grey cement realization fell 2.2% QoQ in Q2FY22**. Management mentioned that cement prices have declined 7-10% QoQ in the east region and 2-3% QoQ in other regions. On a YoY basis, average pan India prices have increased by 4-5%, with pricing in the north region rising 2-3%, 6-7% in the west region and flat for other regions. Ultratech has taken an average price hike of Rs10-15/bag MoM in Oct'21. Management mentioned that a ~10% (Rs30-35/bag) price hike is required to pass on cost inflation and is confident of a gradual pass-through.
- **Power and fuel cost/ton rose 27% YoY**, with an increase in fuel prices partly offset by a ~4% reduction in power consumption and increasing the share of green power to 14% in Q2. Power and fuel cost/ton also increased by 8% QoQ due to high fuel prices and annual plant maintenance costs. The average coal consumption cost stood at US\$120/ton in Q2 and management guided that it might rise by Rs200/ton QoQ in Q3FY22. Petcoke usage in the fuel mix increased 200bps QoQ to 19% in Q2FY22. AFR usage stood at 4.4%.
- **Raw material cost/ton increased by 3% YoY and 2% QoQ**, owing to an increase in the prices of slag, gypsum and HSD. Freight cost/ton rose 7% YoY due to a ~21% YoY increase in diesel prices, partially mitigated by improved efficiency. Other cost/ton increased by 25% YoY due to a ~20% YoY increase in packing costs and normalized fixed costs, while it has increased 20% QoQ due to annual plant maintenance costs.
- **Project Updates:** Ultratech commissioned 1.2mt (0.6mt each in Patliputra and Dankuni) capacity in Oct'21, taking its total domestic capacity to 112.6mt. It is likely to commission 2mt grinding capacity in H2FY22, 4.1mt in H1FY23 and the balance 12.2mt in H2FY23. Earlier, management had guided for capex of Rs40-50bn in FY22 and Rs30bn in FY23.
- **Green power share in the power mix rose to 14% (+100bps YoY)**. UTCEM commenced 12MW WHRS and 21MW solar power in Q2FY22, taking its total renewable power capacity to 169MW. Ultratech targets to increase its green power share to 34% (WHRS 26%; Solar 8%) by FY24E.

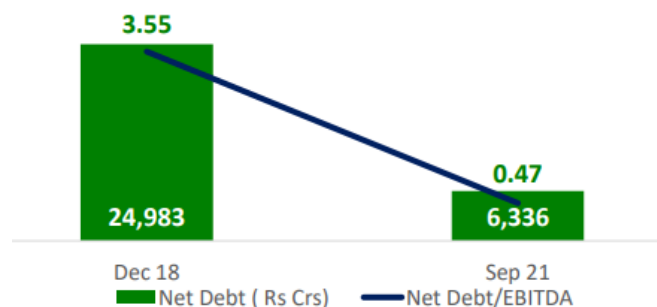
**Exhibit 10: Carbon emission reduction roadmap**

Source: Company, Emkay Research

**Exhibit 11: Expansion of ~20mt cement capacity is slightly delayed**

Source: Company, Emkay Research

**Consolidated FCF generation stood at Rs8.2bn in H1FY22** post working capital blockage of Rs17.6bn and capex spend of Rs21bn. In H1FY22, company has paid dividend of Rs10.6bn and purchased treasury shares worth of Rs536mn. Accordingly, net debt increased by Rs3.5bn QoQ (declined Rs58bn YoY) in Sep'21, with net debt-to-EBITDA standing at 0.47x.

**Exhibit 12:**

Source: Company, Emkay Research

**Others:** Trade sales mix declined 300bps QoQ to 67%; premium products volume increased 14% YoY; while lead distance declined 7km to around 425km

**Exhibit 13: Actual vs. Estimates (Q2FY22) consol.**

(Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Sales	1,17,430	1,13,108	1,16,824	3.8	0.5	Led by higher white cement and RMC revenue
EBITDA	27,147	27,333	28,167	(0.7)	(3.6)	Higher cost/ton offset by higher other operating income
Adj PAT	13,134	13,102	13,861	0.2	(5.2)	In line
Volume (mt)	21.6	21.4		1.3		
Blended Realization (Rs/ton)	5,427	5,295		2.5		
EBITDA (Rs/ton)	1,254	1,280		(2.0)		

Source: Emkay Research

**Exhibit 14: India operations – quarterly table**

(Rs mn)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	YoY (%)	QoQ (%)	1HFY21	1HFY22	YoY(%)
Net Sales	98,610	116,980	137,570	1,12,990	1,12,420	55.6	(17.9)	1,71,230	2,25,410	31.6
Other operating income	1,430	1,270	1,900	1,510	2,860	79.8	(20.5)	2,270	4,370	98.6
<b>Revenue</b>	<b>100,040</b>	<b>118,250</b>	<b>139,470</b>	<b>1,14,500</b>	<b>1,15,280</b>	<b>55.9</b>	<b>(17.9)</b>	<b>1,73,500</b>	<b>2,29,780</b>	<b>32.5</b>
<b>Expenditure</b>	<b>73,470</b>	<b>87,950</b>	<b>103,420</b>	<b>81,850</b>	<b>88,210</b>	<b>53.9</b>	<b>(20.9)</b>	<b>1,26,670</b>	<b>1,70,060</b>	<b>34.3</b>
Total RM	15,330	16,250	22,170	13,170	14,800	18.9	(40.6)	26,410	27,970	5.9
Power & Fuel	17,630	22,980	25,920	23,060	24,100	79.9	(11.0)	30,450	47,160	54.9
Freight	22,830	28,310	32,680	26,310	26,480	65.1	(19.5)	38,770	52,790	36.2
Staff cost	5,360	5,820	5,900	5,580	6,460	4.9	(5.4)	10,680	12,040	12.7
Other expenditure	12,320	14,590	16,750	13,730	16,370	70.8	(18.0)	20,360	30,100	47.8
<b>EBITDA</b>	<b>26,570</b>	<b>30,300</b>	<b>36,050</b>	<b>32,650</b>	<b>27,070</b>	<b>61.2</b>	<b>(9.4)</b>	<b>46,830</b>	<b>59,720</b>	<b>27.7</b>
Depreciation	6,450	6,370	6,700	6,330	6,490	2.3	(5.5)	12,640	12,820	1.3
<b>EBIT</b>	<b>20,120</b>	<b>23,930</b>	<b>29,350</b>	<b>26,320</b>	<b>20,580</b>	<b>87.1</b>	<b>(10.3)</b>	<b>34,190</b>	<b>46,900</b>	<b>37.5</b>
Other Income	1,270	2,540	820	2,040	1,420	(26.1)	148.8	4,030	3,460	(15.6)
Interest	3,480	3,460	3,670	3,200	2,250	(16.4)	(12.8)	7,310	5,450	(25.4)
<b>PBT</b>	<b>17,910</b>	<b>23,010</b>	<b>26,500</b>	<b>25,160</b>	<b>19,750</b>	<b>93.5</b>	<b>(5.1)</b>	<b>30,910</b>	<b>44,910</b>	<b>45.3</b>
Total Tax	5,690	7,530	8,650	8,340	6,460	127.9	(3.6)	9,350	14,800	58.3
<b>Adjusted PAT</b>	<b>12,220</b>	<b>15,480</b>	<b>17,850</b>	<b>16,820</b>	<b>13,290</b>	<b>80.1</b>	<b>(5.8)</b>	<b>21,560</b>	<b>30,110</b>	<b>39.7</b>
<b>Adjusted EPS (Rs)</b>	<b>42.3</b>	<b>53.6</b>	<b>61.8</b>	<b>58.3</b>	<b>46.0</b>	<b>80.1</b>	<b>(5.8)</b>	<b>74.7</b>	<b>104.3</b>	<b>39.7</b>

Source: Company, Emkay Research

**Exhibit 15: India operations: Quarterly analysis on per-ton basis**

Rs/ton	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	YoY (%)	QoQ (%)	1HFY21	1HFY22	YoY(%)
<b>Cement volumes (mt)</b>	<b>19.2</b>	<b>22.8</b>	<b>26.6</b>	<b>20.5</b>	<b>20.5</b>	<b>47.3</b>	<b>(22.8)</b>	<b>33</b>	<b>41</b>	<b>23.7</b>
<b>Blended Realization</b>	<b>5,133</b>	<b>5,126</b>	<b>5,174</b>	<b>5,504</b>	<b>5,487</b>	<b>5.6</b>	<b>6.4</b>	<b>5,232</b>	<b>5,602</b>	<b>7.1</b>
Raw Material	798	712	834	642	722	(19.3)	(23.1)	797	682	(14.4)
Power & Fuel	918	1,007	975	1,123	1,176	22.1	15.2	919	1,150	25.2
Freight	1,188	1,241	1,229	1,282	1,292	12.1	4.3	1,170	1,287	10.0
Staff cost	279	255	222	272	315	(28.8)	22.5	322	294	(8.9)
Other expenditure	641	639	630	669	799	16.0	6.2	614	734	19.5
<b>Operating cost</b>	<b>3,825</b>	<b>3,854</b>	<b>3,889</b>	<b>3,987</b>	<b>4,305</b>	<b>4.5</b>	<b>2.5</b>	<b>3,821</b>	<b>4,146</b>	<b>8.5</b>
Other operating income	74	56	71	74	140	22.1	2.9	66	107	60.5
<b>EBITDA/ton</b>	<b>1,383</b>	<b>1,328</b>	<b>1,356</b>	<b>1,590</b>	<b>1,321</b>	<b>9.4</b>	<b>17.3</b>	<b>1,411</b>	<b>1,456</b>	<b>3.2</b>

Source: Company, Emkay Research



**Exhibit 16: Consolidated quarterly table**

Rs mn	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	YoY (%)	QoQ (%)	1HFY21	1HFY22	YoY(%)
Net Sales	102,310	121,440	142,320	1,16,980	1,17,430	53.9	(17.8)	1,78,310	2,34,410	31.5
Other operating income	1,561	1,180	1,736	1,318	2,738	85.6	(24.1)	2,272	4,056	78.5
<b>Revenue</b>	<b>103,871</b>	<b>122,620</b>	<b>144,056</b>	<b>1,18,298</b>	<b>1,20,168</b>	<b>54.2</b>	<b>(17.9)</b>	<b>1,80,582</b>	<b>2,38,466</b>	<b>32.1</b>
<b>Expenditure</b>	<b>76,895</b>	<b>91,599</b>	<b>107,152</b>	<b>85,223</b>	<b>93,021</b>	<b>52.4</b>	<b>(20.5)</b>	<b>1,32,952</b>	<b>1,78,244</b>	<b>34.1</b>
Total RM	16,758	17,945	24,118	14,505	17,300	20.5	(39.9)	28,795	31,805	10.5
Power & Fuel	18,450	24,019	27,037	24,274	25,200	75.8	(10.2)	32,256	49,474	53.4
Freight	22,996	28,485	32,877	26,482	26,733	64.7	(19.5)	39,071	53,215	36.2
Staff cost	5,663	6,102	6,136	5,849	6,795	3.9	(4.7)	11,293	12,644	12.0
Other expenditure	13,028	15,047	16,984	14,114	16,993	68.3	(16.9)	21,414	31,106	45.3
<b>EBITDA</b>	<b>26,977</b>	<b>31,022</b>	<b>36,904</b>	<b>33,075</b>	<b>27,147</b>	<b>59.2</b>	<b>(10.4)</b>	<b>47,630</b>	<b>60,222</b>	<b>26.4</b>
Depreciation	6,771	6,739	6,980	6,598	6,774	1.3	(5.5)	13,283	13,372	0.7
<b>EBIT</b>	<b>20,206</b>	<b>24,282</b>	<b>29,924</b>	<b>26,477</b>	<b>20,373</b>	<b>85.6</b>	<b>(11.5)</b>	<b>34,347</b>	<b>46,850</b>	<b>36.4</b>
Other Income	1,349	2,600	603	2,049	1,401	(26.5)	239.6	4,137	3,449	(16.6)
Interest	3,579	3,563	3,772	3,261	2,300	(17.3)	(13.5)	7,522	5,561	(26.1)
<b>PBT</b>	<b>17,976</b>	<b>23,320</b>	<b>26,755</b>	<b>25,265</b>	<b>19,474</b>	<b>92.7</b>	<b>(5.6)</b>	<b>30,962</b>	<b>44,739</b>	<b>44.5</b>
Total Tax	5,662	7,474	8,649	8,269	6,371	129.5	(4.4)	9,265	14,641	58.0
<b>Adjusted PAT</b>	<b>12,315</b>	<b>15,846</b>	<b>18,107</b>	<b>16,996</b>	<b>13,103</b>	<b>78.8</b>	<b>(6.1)</b>	<b>21,698</b>	<b>30,098</b>	<b>38.7</b>
(Profit)/loss from JV's/Ass/MI	(6)	(3)	34	31	31	-	-	3	62	
PAT after MI	12,309	15,843	18,141	17,026	13,134	78.9	(6.1)	21,701	30,160	39.0
Extra ordinary items	(646)	-	(388)	-	-			(2,219)	-	
<b>Reported PAT</b>	<b>11,664</b>	<b>15,843</b>	<b>17,752</b>	<b>17,026</b>	<b>13,134</b>	<b>12.6</b>	<b>(22.9)</b>	<b>19,606</b>	<b>30,160</b>	<b>53.8</b>
<b>Adjusted EPS (Rs)</b>	<b>42.7</b>	<b>54.9</b>	<b>62.8</b>	<b>59.0</b>	<b>45.5</b>	<b>6.7</b>	<b>(22.9)</b>	<b>75.2</b>	<b>104.5</b>	<b>39.0</b>

Source: Company, Emkay Research

	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	YoY (bps)	QoQ (bps)	1HFY21	1HFY22	YoY(bps)
EBIDTA	26.0	25.3	25.6	28.0	22.6	87.4	234.1	26.4	25.3	(112)
EBIT	19.5	19.8	20.8	22.4	17.0	378.6	160.9	19.0	19.6	63
EBT	17.3	19.0	18.6	21.4	16.2	426.7	278.4	17.1	18.8	162
PAT	11.9	12.9	12.6	14.4	10.9	197.4	179.7	12.0	12.6	61
Effective Tax rate	31.5	32.0	32.3	32.7	32.7	524.7	40.6	29.9	32.7	280

Source: Company, Emkay Research

**Exhibit 17: Consolidated quarterly analysis on per-ton basis**

Rs/ton	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	YoY (%)	QoQ (%)	1HFY21	1HFY22	YoY(%)
<b>Volumes (mt)</b>	<b>20.1</b>	<b>23.9</b>	<b>27.8</b>	<b>21.5</b>	<b>21.6</b>	<b>47.0</b>	<b>(22.5)</b>	<b>35</b>	<b>43</b>	<b>24.4</b>
<b>Blended Realization</b>	<b>5,100</b>	<b>5,085</b>	<b>5,123</b>	<b>5,433</b>	<b>5,427</b>	<b>4.7</b>	<b>6.1</b>	<b>5,203</b>	<b>5,524</b>	<b>6.2</b>
Raw Material	835	751	868	674	799	(18.0)	(22.4)	830	737	(11.2)
Power & Fuel	920	1,006	973	1,127	1,165	19.6	15.8	929	1,146	23.3
Freight	1,146	1,193	1,183	1,230	1,235	12.1	3.9	1,126	1,233	9.5
Staff cost	282	256	221	272	314	(29.3)	23.0	325	293	(10.0)
Other expenditure	649	630	611	656	785	14.5	7.2	617	721	16.8
<b>Operating cost</b>	<b>3,833</b>	<b>3,836</b>	<b>3,857</b>	<b>3,958</b>	<b>4,299</b>	<b>3.7</b>	<b>2.6</b>	<b>3,830</b>	<b>4,129</b>	<b>7.8</b>
Other operating income	78	49	62	61	127	26.3	(2.0)	65	94	43.5
<b>EBITDA/ton</b>	<b>1,345</b>	<b>1,299</b>	<b>1,328</b>	<b>1,536</b>	<b>1,254</b>	<b>8.3</b>	<b>15.6</b>	<b>1,372</b>	<b>1,395</b>	<b>1.7</b>

Source: Emkay Research

**Exhibit 18: We have cut EBITDA estimates by 3-4%**

	FY22E			FY23E			FY24E		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenues	5,09,320	5,41,572	6.3	5,70,703	6,03,714	5.8	6,37,071	6,74,958	5.9
EBITDA	1,32,731	1,28,631	(3.1)	1,51,757	1,45,985	(3.8)	1,72,299	1,66,965	(3.1)
PAT	71,094	66,990	(5.8)	85,015	79,519	(6.5)	1,08,149	1,04,875	(3.0)

Source: Emkay Research

## Annual Analysis

### Exhibit 19: Key Assumptions

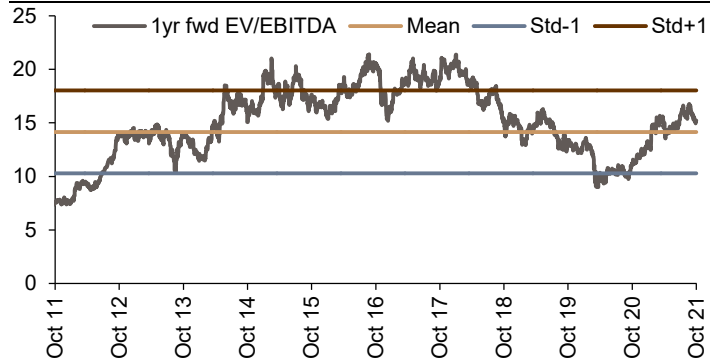
Operational details	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	CAGR%	
									FY17-21	FY21-24E
Capacity (mt)	72	86	100	115	118	125	138	140	13.3	5.7
Volumes (mt)	53	65	76	82	86	96	106	116	12.8	10.3
Utilization (%)	76	82	82	77	74	79	81	83	(0.5)	3.8
Blended Realization (Rs/ton)	4,703	4,795	4,815	5,038	5,118	5,555	5,651	5,772	2.1	4.1
EBITDA/ton (Rs/ton)	977	951	889	1,144	1,338	1,335	1,378	1,440	8.2	2.5
<b>P&amp;L (Rs bn)</b>										
Revenue	254	314	374	421	447	542	604	675	15.2	14.7
<b>EBITDA</b>	<b>52</b>	<b>61</b>	<b>68</b>	<b>94</b>	<b>116</b>	129	146	167	22.1	13.0
Adj. Net Profit	27	25	24	38	56	67	80	105	19.7	23.4
<b>Balance Sheet (Rs bn)</b>										
Equity	244	264	284	391	442	495	559	643		
Net Debt	(4)	141	196	169	67	30	(18)	(112)		
Net Debt: EBITDA (x)	(0.1)	2.3	2.9	1.8	0.6	0.2	(0.1)	(0.7)		
Net Debt: Equity (x)	(0.0)	0.5	0.7	0.4	0.2	0.1	(0.0)	(0.2)		
<b>Cash Flow (Rs bn)</b>										
OCF before NWC change	39	40	47	65	87	100	107	134		
Change in NWC	5	(8)	(9)	5	23	(8)	(2)	(4)		
Capex	(14)	(180)	(15)	(17)	(18)	(40)	(41)	(20)		
<b>FCF</b>	<b>31</b>	<b>(149)</b>	<b>23</b>	<b>53</b>	<b>91</b>	<b>51</b>	<b>64</b>	<b>110</b>		
<b>Return ratios (%)</b>										
RoE	11.9	9.7	8.9	11.4	13.4	14.3	15.1	17.5		
RoCE	11.8	7.6	6.8	8.6	11.6	12.6	14.3	18.6		
RoIC	10.6	9.1	7.4	9.3	11.0	12.4	13.6	17.3		
<b>Valuations (x)</b>										
PE					38.3	31.9	26.9	20.4		
EV/EBITDA					19.9	17.1	14.8	12.7		
EV/ton (USD)					255	238	211	198		

Source: Company, Emkay Research

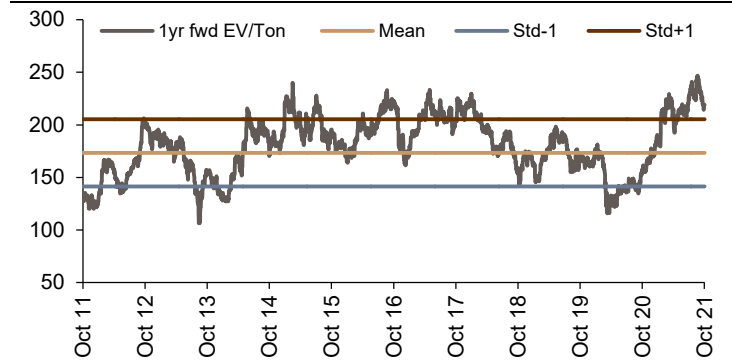
### Exhibit 20: Annual Analysis on per-ton basis

Rs/ton	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Blended realization</b>	<b>4,703</b>	<b>4,795</b>	<b>4,815</b>	<b>5,038</b>	<b>5,118</b>	<b>5,555</b>	<b>5,651</b>	<b>5,772</b>
Raw materials consumed	838	813	855	767	820	839	834	844
Power & fuel costs	801	981	1,103	1,029	964	1,234	1,272	1,301
Freight costs	1,106	1,132	1,158	1,181	1,162	1,244	1,270	1,300
Staff cost	285	280	270	305	272	268	250	237
Other expenses	748	706	619	691	618	703	695	698
<b>Operating Cost</b>	<b>3,779</b>	<b>3,911</b>	<b>4,005</b>	<b>3,973</b>	<b>3,836</b>	<b>4,287</b>	<b>4,321</b>	<b>4,381</b>
Other operating income	53	68	79	79	56	68	49	49
<b>Blended EBITDA</b>	<b>977</b>	<b>951</b>	<b>889</b>	<b>1,144</b>	<b>1,338</b>	<b>1,335</b>	<b>1,378</b>	<b>1,440</b>

Source: Company, Emkay Research

**Exhibit 21: 1-year forward EV/EBITDA**

Source: Emkay Research, Bloomberg

**Exhibit 22: 1-year forward EV/ton**

Source: Emkay Research, Bloomberg



**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>4,21,250</b>	<b>4,47,258</b>	<b>5,41,572</b>	<b>6,03,714</b>	<b>6,74,958</b>
<b>Expenditure</b>	<b>3,27,083</b>	<b>3,31,579</b>	<b>4,12,940</b>	<b>4,57,728</b>	<b>5,07,993</b>
<b>EBITDA</b>	<b>94,167</b>	<b>1,15,679</b>	<b>1,28,631</b>	<b>1,45,985</b>	<b>1,66,965</b>
Depreciation	27,022	27,002	27,908	30,611	31,214
<b>EBIT</b>	<b>67,146</b>	<b>88,676</b>	<b>1,00,723</b>	<b>1,15,374</b>	<b>1,35,751</b>
Other Income	6,478	7,342	6,538	8,933	11,478
Interest expenses	19,857	14,857	10,199	9,073	6,833
<b>PBT</b>	<b>53,767</b>	<b>81,162</b>	<b>97,062</b>	<b>1,15,233</b>	<b>1,40,395</b>
Tax	15,413	25,387	30,089	35,722	35,520
Extraordinary Items	19,765	(2,607)	0	0	0
Minority Int./Income from Assoc.	32	34	17	9	0
<b>Reported Net Income</b>	<b>58,150</b>	<b>53,201</b>	<b>66,990</b>	<b>79,519</b>	<b>1,04,875</b>
<b>Adjusted PAT</b>	<b>38,386</b>	<b>55,809</b>	<b>66,990</b>	<b>79,519</b>	<b>1,04,875</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	2,886	2,887	2,887	2,887	2,887
Reserves & surplus	3,88,269	4,38,860	4,92,452	5,56,068	6,39,968
<b>Net worth</b>	<b>3,91,155</b>	<b>4,41,747</b>	<b>4,95,339</b>	<b>5,58,954</b>	<b>6,42,855</b>
<b>Minority Interest</b>	<b>75</b>	<b>57</b>	<b>40</b>	<b>31</b>	<b>31</b>
<b>Loan Funds</b>	<b>2,28,979</b>	<b>2,04,727</b>	<b>1,42,727</b>	<b>1,12,727</b>	<b>82,727</b>
Net deferred tax liability	49,060	60,335	60,396	60,456	60,516
<b>Total Liabilities</b>	<b>6,69,269</b>	<b>7,06,866</b>	<b>6,98,501</b>	<b>7,32,169</b>	<b>7,86,129</b>
<b>Net block</b>	<b>5,99,421</b>	<b>5,91,214</b>	<b>6,14,439</b>	<b>6,29,652</b>	<b>6,19,707</b>
<b>Investment</b>	<b>59,287</b>	<b>1,21,781</b>	<b>1,01,781</b>	<b>1,01,781</b>	<b>1,06,781</b>
<b>Current Assets</b>	<b>1,25,508</b>	<b>1,31,959</b>	<b>1,37,514</b>	<b>1,69,020</b>	<b>2,57,300</b>
Cash & bank balance	5,392	20,076	15,600	33,510	92,557
Other Current Assets	1,651	1,651	1,651	1,651	1,651
<b>Current liabilities &amp; Provision</b>	<b>1,24,042</b>	<b>1,54,897</b>	<b>1,62,190</b>	<b>1,72,478</b>	<b>2,01,852</b>
<b>Net current assets</b>	<b>1,466</b>	<b>(22,939)</b>	<b>(24,676)</b>	<b>(3,458)</b>	<b>55,448</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>6,69,270</b>	<b>7,06,866</b>	<b>6,98,501</b>	<b>7,32,169</b>	<b>7,86,129</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>52,423</b>	<b>71,247</b>	<b>90,541</b>	<b>1,06,309</b>	<b>1,28,918</b>
Other Non-Cash items	(5,869)	11,237	0	0	0
Chg in working cap	4,503	39,088	(2,738)	(3,309)	141
<b>Operating Cashflow</b>	<b>89,020</b>	<b>1,38,043</b>	<b>94,872</b>	<b>1,04,839</b>	<b>1,30,578</b>
Capital expenditure	(17,037)	(18,414)	(40,332)	(40,936)	(20,261)
<b>Free Cash Flow</b>	<b>71,983</b>	<b>1,19,630</b>	<b>54,540</b>	<b>63,903</b>	<b>1,10,317</b>
Investments	(22,302)	(62,494)	20,000	0	(5,000)
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>(38,129)</b>	<b>(73,566)</b>	<b>(13,793)</b>	<b>(32,004)</b>	<b>(13,784)</b>
Equity Capital Raised	(3)	0	0	0	0
Loans Taken / (Repaid)	(27,164)	(24,252)	(62,000)	(30,000)	(30,000)
Dividend paid (incl tax)	(3,800)	(10,680)	(13,398)	(15,904)	(20,975)
Other Financing Cash Flow	0	8,091	43	52	60
<b>Financing Cashflow</b>	<b>(49,911)</b>	<b>(41,698)</b>	<b>(85,554)</b>	<b>(54,925)</b>	<b>(57,748)</b>
<b>Net chg in cash</b>	<b>980</b>	<b>22,779</b>	<b>(4,476)</b>	<b>17,910</b>	<b>59,047</b>
Opening cash position	4,412	5,392	28,171	23,696	41,605
<b>Closing cash position</b>	<b>5,392</b>	<b>28,171</b>	<b>23,696</b>	<b>41,605</b>	<b>1,00,652</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EBITDA Margin	22.4	25.9	23.8	24.2	24.7
EBIT Margin	15.9	19.8	18.6	19.1	20.1
Effective Tax Rate	28.7	31.3	31.0	31.0	25.3
Net Margin	9.1	12.5	12.4	13.2	15.5
ROCE	12.1	14.0	15.3	17.4	19.4
ROE	11.4	13.4	14.3	15.1	17.5
RoIC	12.4	15.5	17.9	19.8	23.1

<b>Per Share Data (Rs)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EPS	133.0	193.3	232.1	275.5	363.3
CEPS	226.6	286.9	328.8	381.5	471.5
BVPS	1,355.2	1,530.4	1,716.1	1,936.4	2,227.1
DPS	13.8	7.5	18.1	21.3	24.2

<b>Valuations (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
PER	55.6	38.3	31.9	26.9	20.4
P/CEPS	32.7	25.8	22.5	19.4	15.7
P/BV	5.5	4.8	4.3	3.8	3.3
EV / Sales	5.5	4.9	4.0	3.5	3.0
EV / EBITDA	24.5	19.0	16.8	14.5	12.1
Dividend Yield (%)	0.2	0.1	0.2	0.3	0.3

<b>Gearing Ratio (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Net Debt/ Equity	0.4	0.2	0.1	0.0	(0.2)
Net Debt/EBIDTA	1.8	0.6	0.2	(0.1)	(0.7)
Working Cap Cycle (days)	(3.4)	(35.1)	(27.1)	(22.4)	(20.1)

<b>Growth (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Revenue	12.7	6.2	21.1	11.5	11.8
EBITDA	38.7	22.8	11.2	13.5	14.4
EBIT	44.5	32.1	13.6	14.5	17.7
PAT	138.8	(8.5)	25.9	18.7	31.9

<b>Quarterly (Rs mn)</b>	<b>Q2FY21</b>	<b>Q3FY21</b>	<b>Q4FY21</b>	<b>Q1FY22</b>	<b>Q2FY22</b>
Revenue	1,03,871	1,22,620	1,44,056	1,18,298	1,20,168
EBITDA	26,977	31,022	36,904	34,078	27,161
<b>EBITDA Margin (%)</b>	<b>26.0</b>	<b>25.3</b>	<b>25.6</b>	<b>28.8</b>	<b>22.6</b>
PAT	11,664	15,843	17,752	18,029	13,148
<b>EPS (Rs)</b>	<b>40.4</b>	<b>54.9</b>	<b>61.5</b>	<b>62.5</b>	<b>45.5</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Sep-20</b>	<b>Dec-20</b>	<b>Mar-21</b>	<b>Jun-21</b>	<b>Sep-21</b>
Promoters	59.9	60.0	60.0	60.0	60.0
FII	15.3	16.8	17.3	16.6	16.5
DII	15.4	14.1	13.7	14.4	14.5
Public and Others	9.4	9.1	9.0	9.1	9.1

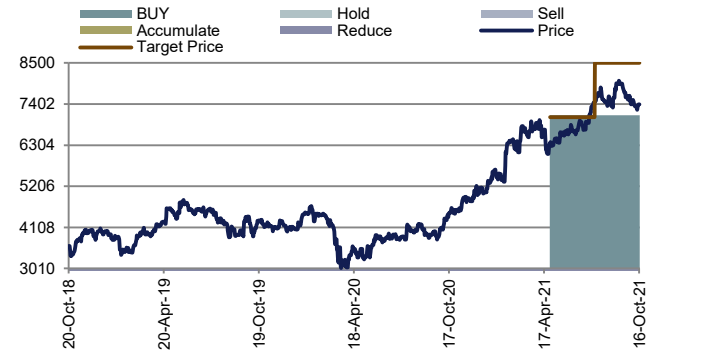
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
05-Sep-21	7,930	8,500	12m	Buy	Dharmesh Shah
06-Aug-21	7,528	8,500	12m	Buy	Dharmesh Shah
23-Jul-21	7,490	8,500	12m	Buy	Dharmesh Shah
06-Jun-21	6,664	7,050	12m	Buy	Dharmesh Shah
10-May-21	6,403	7,050	12m	Buy	Dharmesh Shah
09-May-21	6,482	7,050	12m	Buy	Dharmesh Shah
28-Apr-21	6,361	7,050	12m	Buy	Dharmesh Shah

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Cement & Building Materials



### Analyst: Dharmesh Shah

#### Contact Details

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#### Sector

Cement & Building Materials

#### Analyst bio

Dharmesh is a CA and has around 10 years of experience in equity research. His team currently covers seven stocks in cement sector.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Cement &amp; Building Materials</b>	<b>2.43</b>	<b>2.43</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
ACC	0.18	0.18	0%	0	7.54
Ambuja Cements	0.28	0.28	0%	0	11.60
Birla Corporation*	0.00	0.00	NA	0	0.00
Dalmia Bharat	0.16	0.10	-40%	-6	3.93
Grasim Industries*	0.63	0.63	0%	0	25.83
India Cements*	0.00	0.00	NA	0	0.00
JK Cement	0.00	0.00	NA	0	0.00
JK Lakshmi Cement*	0.00	0.00	NA	0	0.00
Orient Cement*	0.00	0.00	NA	0	0.00
Prism Johnson*	0.00	0.00	NA	0	0.00
Ramco Cements	0.12	0.14	20%	2	5.88
Shree Cements	0.26	0.27	5%	1	11.04
Star Cement*	0.00	0.00	NA	0	0.00
Ultratech Cement	0.80	0.83	3%	3	34.17
Century Plyboards*	0.00	0.00	NA	0	0.00
Kajaria Ceramics*	0.00	0.00	NA	0	0.00
Somany Ceramics*	0.00	0.00	NA	0	0.00
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.01</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

### Sector portfolio NAV

	Base	Latest				
	1-Apr-19	14-Oct-20	16-Apr-21	15-Jul-21	14-Sep-21	14-Oct-21
EAP - Cement & Building Materials	100.0	103.0	152.1	175.4	187.0	180.6
BSE200 Neutral Weighted Portfolio (ETF)	100.0	100.9	149.4	167.4	179.9	173.8

\*Performance measurement base date 1<sup>st</sup> April 2019

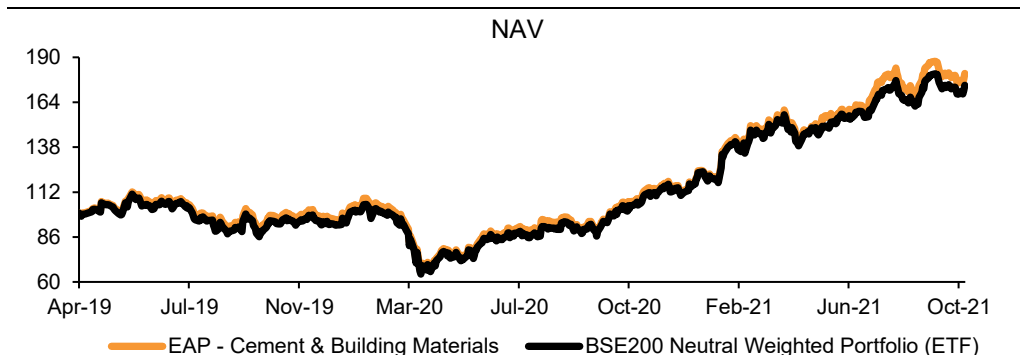
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Cement & Building Materials	-3.4%	2.9%	18.7%	75.4%
BSE200 Neutral Weighted Portfolio (ETF)	-3.4%	3.8%	16.3%	72.3%

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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