

July 22, 2022

RESULT REPORT Q1 FY23 | Sector: Cement

UltraTech Cement

All time high NSR Rs6000/t led beat on EBITDA

Result Synopsis

Ultratech cement (UTCEM) reported EBITDA/te of Rs1236, beat YSEC est. by +14% driven by the All-time high NSR of Rs6056/te (+10% y/y & +6% q/q) mitigated the inflated total cost/te of Rs4820 (+22% y/y & 5% q/q) in Q1FY23. Console volume softened sequentially by 10% q/q to 25MT (+16% y/y) v/s YSEC est. of 26.5MT translates in revenues of Rs151.6bn declined by 4% q/q (+28% y/y). UTCEM's EBITDA stood flat sequentially (-6% y/y), while PAT decline by 36% q/q (-7% y/y) as reported higher PAT in Q4FY22 due to tax reversal. Historically in last 5 years, UTCEM outgrown at ~12% CAGR (v/s industry at ~5% CAGR) and considering the ongoing (19.9MTPA) & newly announced (22.6MTPA) expansion, UTCEM will continue to outgrow at ~9% CAGR (v/s the industry ~6% CAGR) over next 3years. Additionally, UTCEM is committed to increase its green energy share to 36% (WHRS 28% & RE 8%) by FY25E v/s 18% in FY22. Given that UTCEM rigorously increasing its WHRS/RE capacity to 675MW (302MW WHRS & 373MW RE) by FY24E will improve its efficiency. Furthermore, UTCEM plans to add additional 50-60MW in upcoming phase-II expansion to reduce the thermal power dependency to 50% by FY25E v/s 65% in FY22. Over healthy operating profit, we expect a free cash flow generation of Rs73bn post CAPEX outlay of Rs132bn over FY23-24E tends to deleverage the B/S further. At CMP stock trades at 17/13x of EV/EBITDA on FY23/24E. We retain our BUY recommendation with a TP of Rs8,495 (earlier Rs8670), valuing the stock at 16.5x EV/EBITDA on the FY24E.

Result Highlights

- UTCEM reported in-line total cost/te of Rs4820 (+5% q/q and +22% y/y), despite that company delivered best in class EBITDA/te of Rs1236 (v/s YSEC of Rs1082) up by 11% q/q (-20% y/y) due to all time high NSR of Rs6056/te (+6% q/q and 10% y/y) in Q1FY23.
- UTCEM reported consol. volume of 25MT (v/s YSEC est. of 26.5MT) declined by 10% q/q (+16% y/y) translates in revenue of Rs151.6bn decline by 4% q/q (+28% y/y) v/s YSEC est. of Rs156bn in Q1FY23.
- UTCEM reported White cement volume of 0.37MT in Q1FY23 v/s 0.40MT q/q and 0.28MT y/y. While RMC revenue increased by 6% q/q and 77% y/y to Rs9bn in Q1FY23.
- UTCEM beat YSEC EBITDA est. by +8% to Rs31bn, flat q/q and decline by 6% y/y in Q1FY23. EBITDA margin stood at 20.4% in Q1FY23 v/s 19.5% q/q and 28% y/y. Higher operating profit delivered PAT of Rs15.8bn (v/s YSEC est. of Rs13.9bn) but remained decline by 36% q/q and 7% y/y in Q1FY23.

Exhibit 1: Actual vs Estimates

Rs Mn	Actual	Estimate		% Variation		Remarks
		YSec	Consensus	YSec	Consensus	
Sales	151,640	155,763	142,368	(2.6)	6.5	Performance beat due to All time high NSR (Rs6,056/te) driven by reduced gap between trade & non-trade.
EBITDA	30,949	28,618	26,701	8.1	15.9	
Margin (%)	20.4	18.4	18.8	204 bps	165 bps	
Adj. PAT	15,820	13,900	13,691	13.8	15.6	

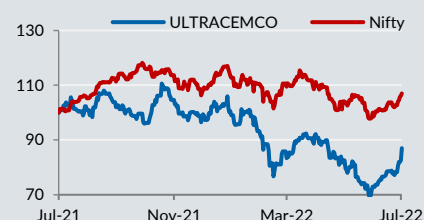
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 6,459
Target Price	: Rs 8,495
Potential Return	: +32%

Stock data (as on July 22, 2022)

Nifty	16,719
52 Week h/l (Rs)	8269 / 5157
Market cap (Rs/USD mn)	1864440 / 23348
Outstanding Shares (mn)	289
6m Avg t/o (Rs mn):	2,991
Div yield (%):	0.6
Bloomberg code:	UTCEM IN
NSE code:	ULTRACEMCO

Stock performance



	1M	3M	1Y
Absolute return	19.4%	-4.2%	-13.0%

Shareholding pattern (As of Jun'22 end)

Promoter	60.0%
FII+DII	31.3%
Others	8.6%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	8495	8670

Δ in earnings estimates

	FY23E	FY24E
EPS (New)	232	322
EPS (Old)	232	326
% change	0%	-1%

Financial Summary

(Rs mn)	FY22	FY23E	FY24E
Revenue	525,988	572,426	649,396
Growth	17.6	8.8	13.4
EBITDA	115,144	117,121	151,885
Margin	21.9	20.5	23.4
Adj. PAT	71,743	67,109	93,001
Growth	13.6	(6.5)	38.6
EPS	254	232	322
ND/EBITDA	0.9	0.7	0.4
ROE	14.2	12.0	14.6
ROCE	13.0	11.0	13.8
EV/EBITDA	16.9	16.5	12.5

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Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs m)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	y/y (%)	q/q (%)	FY22	FY21	y/y (%)
Net Revenue	118,298	120,168	129,849	157,673	151,640	28.2	(3.8)	525,988	447,258	17.6
Total Expenses	85,224	93,021	105,656	126,945	120,691	41.6	(4.9)	410,845	331,579	23.9
COGS	14,505	17,300	20,606	27,240	22,826	57.4	(16.2)	79,650	70,858	12.4
Employee Expenses	5,849	6,795	6,429	6,273	6,371	8.9	1.6	25,347	23,530	7.7
Power & fuel	24,274	25,200	32,214	39,684	40,131	65.3	1.1	121,373	83,312	45.7
Freight Exp	26,482	26,733	29,048	34,789	32,906	24.3	(5.4)	117,123	100,433	16.6
Other Expenses	14,114	16,993	17,358	18,959	18,457	30.8	(2.6)	67,352	53,680	25.5
EBITDA	33,075	27,147	24,194	30,728	30,949	(6.4)	0.7	115,144	115,679	(0.5)
EBITDA (%)	28.0	22.6	18.6	19.5	20.4	(755 bps)	92 bps	21.9	25.9	(397 bps)
D&A	6,598	6,774	6,742	7,034	6,952	5.4	(1.2)	27,148	27,002	0.5
Other Income	2,049	1,401	705	924	1,087	(46.9)	17.7	5,078	7,342	(30.8)
Interest Expense	3,261	2,300	1,823	2,063	2,158	(33.8)	4.6	9,447	14,857	(36.4)
Exceptional/EO items	-	-	-	-	-	-	-	-	2,607	(100.0)
Share JV/Associates	5	1	8	4	8	59.2	110.8	17	22	(22.0)
EBT	25,269	19,475	16,341	22,558	22,934	(9.2)	1.7	83,627	78,555	6.5
Tax	8,269	6,371	(760)	(1,980)	7,114	(14.0)	(459.3)	11,901	25,387	(53.1)
Reported PAT	17,000	13,103	17,101	24,538	15,820	(6.9)	(35.5)	71,743	53,189	34.9
Less: Minority Interest	(26)	(32)	24	(67)	(21)	(20.8)	(69.2)	(101)	(13)	704.0
Adj. PAT	17,026	13,135	17,077	24,605	15,841	(7.0)	(35.6)	71,844	55,809	28.7

Source: Company, YES Sec

Exhibit 3: Operational Performance (Consolidated)

Particulars (Rs)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	y/y (%)	q/q (%)	FY22	FY21	y/y (%)
Total Volumes (MMT)	21.5	21.6	23.1	27.7	25.0	16.3	(9.6)	94.0	86.4	8.8
NSR/te (Blended)	5,495	5,553	5,614	5,694	6,056	10.2	6.4	5,596	5,176	8.1
RM/te	674	799	891	984	912	35.3	(7.3)	847	820	3.3
Employees/te	272	314	278	227	254	(6.3)	12.3	270	272	(1.0)
Power/te	1,127	1,165	1,393	1,433	1,603	42.2	11.8	1,291	964	33.9
Freight/te	1,230	1,235	1,256	1,256	1,314	6.8	4.6	1,246	1,162	7.2
Others/te	656	785	750	685	737	12.4	7.7	717	621	15.4
Opex/te (Blended)	3,958	4,299	4,568	4,585	4,820	21.8	5.1	4,371	3,837	13.9
EBITDA/te (Blended)	1,536	1,254	1,046	1,110	1,236	(19.5)	11.4	1,225	1,339	(8.5)

Source: Company, YES Sec

Exhibit 4: Segmental Revenue-Mix (Consolidated)

Particulars (Rs m)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	y/y (%)	q/q (%)	FY22	FY21	y/y (%)
Total Grey Cement Revenue [#]	104,280	101,240	109,450	135,230	131,150	25.8	(3.0)	450,190	389,270	15.6
RMC Revenue	5,090	6,140	6,680	8,510	9,000	76.8	5.8	26,410	18,730	41.0
White Cement Revenue	3,620	5,050	5,430	5,450	4,990	37.8	(8.4)	19,550	17,790	9.9
Overseas Revenue	4,450	5,001	5,930	7,010	4,940	11.0	(29.5)	22,320	19,540	14.2
Console Revenue*	116,980	117,430	127,100	155,570	150,070	28.3	(3.5)	517,079	442,393	16.9
Other Operating Revenue	1,318	2,738	2,749	2,103	1,570	19.1	(25.3)	8,910	4,865	83.2
Net Revenue	118,298	120,168	129,849	157,673	151,640	28.2	(3.8)	525,988	447,258	17.6

Source: Company, YES Sec, note: * net inter segmental sales / # includes export sales of Rs2.91bn in Q1FY23 (v/s Rs4.2bn in Q4FY22 & Rs2.43bn in Q1FY22).

KEY CON-CALL HIGHLIGHTS

Demand

- India is currently witnessing a strong fundamental demand growth as urban housing picked up strongly. The incomplete projects resumed, and new projects are on rise so demand going forward likely to be resilient.
- GOI thrust for the infrastructure: 1) Metro & Airports (220 new airports under pipeline) 2) Roads etc., and the upcoming general election 2024 is expected to boost overall cement demand in near future.

Pricing & Other Costs

- The price gap between trade & non-trade segment had declined to Rs15-20/bag (previously >Rs20/bag) resulted in all-time high NSR breaching Rs6000/te for UTCEM in this quarter.
- NSR for UTCEM in the North/Central market was up +5-6% q/q followed by East/West market was up by +1-2% q/q, while south remained flat q/q. For UTCEM, the NSR decline by 3-5% from the Average Q1FY23 to Jun'22 exit.
- Imported Pet coke prices had softened by ~10%, while hoping the same for the imported coal. However, it should reflect by late Q3/Q4FY23. The current blended energy cost stood at \$184/te (Rs2.2 kcal/kg) and holding an inventory of >50days but the cost is in upward trend for Q2/Q3FY23.
- The Fuel mix for Q1FY23 stood as 52% Pet coke, 37% Imported coal, 5% Domestic coal and rest is AFR.

Capacity Update

- Management stated that Dalla Super is in last lag i.e. forest clearance and post that only payment to seller and is expected to complete by this fiscal year.
- The Phase-II expansion: Total cement capacity of 22.6MTPA (nearly 16MTPA clinker to be added) at a capex of Rs 128.86bn (\$76/te) and likely to get commissioned by FY25/26E.
- Post the phase-II expansion, UTCEM is targeting to achieve 200MTPA of cement capacity by FY28-29E through organic & inorganic means.
- Out of the ongoing clinker expansion of UTCEM, Hirmi unit got commissioned, while Pali & Dhar unit would be commissioning by Q3FY23E.
- Out of 22.6MTPA, 1) 4.4MTPA will be in North 2) 7.3MTPA in Central 3) 5.7MTPA in South and 4) 5.2MTPA in East. Land procured and orders for main equipments has been already placed.
- UTCEM aspires to fund the overall capex of Rs129bn through internal accruals. For FY23E, management guided a capex of Rs60bn and similar for FY24/25E.
- In Phase-II, UTCEM plans to add further 50-60MW of WHRS by FY25E over and above its target of 302MW by FY24E.

Other Key Updates:

- Management committed towards reducing the CO2 emission, given that UTCCEM would not be adding any captive thermal power capacity here on. UTCCEM targets to achieve Green power mix to 36% by FY25 v/s 18% in FY22 and which would reduce Thermal power contribution to 50% by FY25 v/s 65% in FY22.
- UTCCEM trade sales stood at 67%, while blended sales touched 70% in this quarter. Going forward, UTCCEM is focusing to improve the blended sales by improving trade sales without curbing the non-trade sales, which largely operates in OPC.
- UBS business segment contributes ~15% to the total cement sales. Management stated to add more UBS channels going forward steadily.
- UTCCEM cement exports declined to Rs2.91bn in Q1FY23 v/s Rs4.2bn in Q4FY22 and Rs2.43bn in Q1FY22 due to the political instability in Sri-Lanka.
- Lead Distance for UTCCEM in Q1FY23 stood at 429km, while company is targeting the average lead distance of ~300km through adding capacity.
- The Net Debt as on Jun'22 stood at Rs55.6bn on console basis, while on standalone it is Rs46.7bn.
- Management shown their intension of cement kiln electrification, which would be next phase of evolution for the industry.

UTCEM'S EXPANSION PLAN (PHASE I & II)

Exhibit 5: UTCEM grey cement capacity to achieve 153.85MTPA at ~57 locations (IU/GU/BT) by Mar-25 in India

Grey Cement Capacity (MTPA)				
Zones	Mar'20	Phase-I Expansion	Phase-II Expansion	Mar'25
North	23.80	2.70	4.40	30.90
Central	23.30	5.10	7.30	35.70
East	16.20	10.30	5.20	31.70
West	27.70	1.80	-	29.50
South	20.50	-	5.70	26.20
All-India	111.35	19.90	22.60	153.85
Overseas	5.40	-	-	5.40
Console Capacity	116.75	19.90*	22.60	159.25

Source: Company, YES Sec, note: * - original expansion plan was of 19.5MTPA got revised to 19.9MTPA

Exhibit 6: Ongoing Capacity Expansion (Phase-I)

Location		Cement Capacity (MTPA)		Status
		Original	Revised	
Patliputra	Bihar	0.60	0.60	Commissioned
Dankuni	West Bengal	0.60	0.60	Commissioned
Bara	UP	2.00	2.00	Commissioned
Dalla	UP	1.30	1.30	in Q2 FY23
Hirmi	Chhattisgarh	0.55	1.30	in Q3 FY23
Cuttack	Odisha	4.40	2.80	in Q3 FY23
Dhule	Maharashtra	1.80	1.80	in Q3 FY23
Pali	Rajasthan	1.90	1.90	in Q3 FY23
Dhar II	MP	1.80	1.80	in Q3 FY23
Neem ka Thana	Rajasthan	0.60	0.80	in Q4 FY23
Jharsuguda II	Odisha	0.60	1.50	in Q4 FY23
Sonar Bangla II	West Bengal	0.60	1.30	in Q4 FY23
Patliputra II	Bihar	2.20	2.20	in Q4 FY23
Durgapur II	West Bengal	0.55	-	-
Total		19.50	19.90	

Source: Company, YES Sec

Exhibit 7: UTCEM's expansion plan (Phase-II)

Plants	States	Unit	Project	Capacity (MTPA)
Rajpura	Himachal	GU	Greenfield	2.6
Kotputli	Rajasthan	IU	Brownfield	1.8
North				4.4
Maihar	MP	IU	Brownfield	4.5
Roorkee	Uttarakhand	GU	Brownfield	1
West UP	UP	GU	Brownfield	1.8
Central				7.3
Kukurdihi	Chhattisgarh	IU	Greenfield	2.7
Ramgarh	Jharkhand	GU	Greenfield	2.5
East				5.2
APCW	AP	IU	Brownfield	1.8
Karur	Tamil Nadu	GU	Greenfield	2.7
Arakkonam	Tamil Nadu	GU	Brownfield	1.2
South				5.7
Total Planned Capacity				22.6

Source: Company, YES Sec

Exhibit 8: Annual Operational Performance Estimates (Consolidated)

Particulars (Rs m)	FY20	FY21	FY22	FY23E	FY24E
Total Volumes (MMT)	83.1	86.4	94.0	98.2	111.6
NSR/te (Blended)	5,105	5,176	5,596	5,830	5,818
RM/te	784	820	847	921	931
Power/te	1,025	964	1,291	1,357	1,180
Freight/te	1,171	1,162	1,246	1,328	1,325
Employees/te	303	272	270	284	275
Others/te	711	621	723	747	747
EBITDA/te (Blended)	1,113	1,339	1,225	1,193	1,361

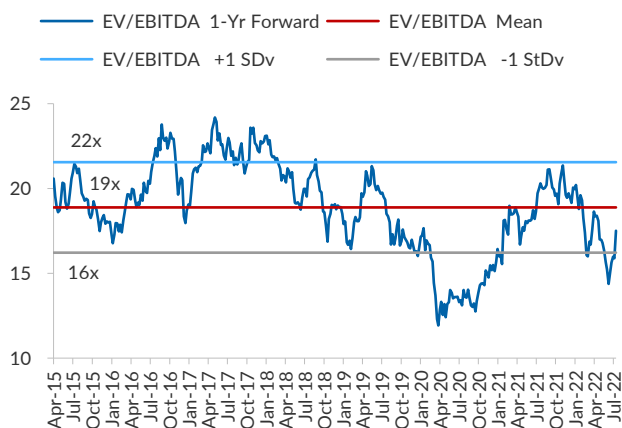
Source: Company, YES Sec

Exhibit 9: Key Estimate Revision (Consolidated)

Y/e 31 Mar	FY23E			FY24E		
	Old	New	Change	Old	New	Change
Revenues	584,573	572,426	-2%	648,885	649,396	0%
EBITDA	119,594	117,121	-2%	151,913	151,885	0%
PAT	67,072	67,109	0%	93,985	93,001	-1%
EPS	232	232	0%	326	322	-1%

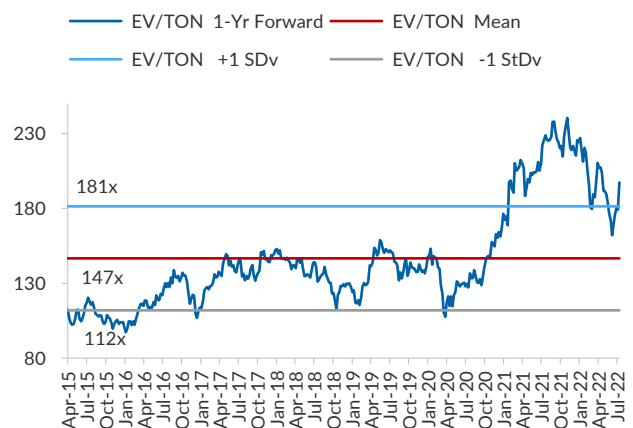
Source: Company, YES Sec

Exhibit 10: 1-yr forward EV/EBITDA band



Source: Company, YES Sec

Exhibit 11: 1-yr forward EV/te (\$) band



Source: Company, YES Sec

FINANCIALS

Exhibit 12: Balance Sheet (Consolidated)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22	FY23E	FY24E
Equity capital	2,886	2,887	2,887	2,887	2,887
Reserves	387,551	438,860	501,466	554,143	632,711
Net worth	390,438	441,747	504,353	557,029	635,598
Other LT Liabilities	10,639	14,568	12,863	12,863	12,863
LT provision.	2,445	3,655	6,178	6,178	6,178
Minority interest	75	57	(31)	57	57
Long-term Borrowing	173,675	135,485	53,030	43,030	18,030
Deferred tax liabilities. (net)	49,120	60,407	60,332	60,332	60,332
Current Liabilities					
Trades Payables	33,629	45,482	58,628	54,668	59,388
Short-term Borrowing	41,061	69,393	48,998	54,147	49,403
Other current liabilities	85,631	85,823	91,445	91,445	91,445
Short Term Provision	5,484	5,219	2,480	2,480	2,480
Total Liabilities	792,198	861,835	838,278	882,230	935,775
Assets					
Total Net Block	496,251	478,575	480,588	495,221	527,690
CWIP & Other Assets	84,455	92,408	122,135	142,135	152,135
Investments	16,850	12,842	13,724	13,724	13,724
Other Non-current Asset	47,368	37,435	46,773	46,773	46,773
Deferred tax asset (net)	60	72	164	164	164
Current Assets					
Inventories	41,834	40,180	55,956	58,398	64,553
Trades Receivables	23,832	25,717	30,716	29,462	32,772
Other current assets	74,173	154,478	84,562	84,563	84,563
Short Term Loans & advances	1,977	52	69	69	69
Cash & Bank Balances	5,399	20,076	3,592	11,722	13,334
Total Assets	792,198	861,835	838,278	882,230	935,775

Source: Company, YES Sec

Exhibit 13: Income statement (Consolidated)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22	FY23E	FY24E
Net Revenue	424,299	447,258	525,988	572,426	649,396
EBITDA	92,472	115,679	115,144	117,121	151,885
D&A	27,227	27,002	27,148	26,366	28,532
EBIT	65,245	88,677	87,996	90,755	123,353
Interest Expense	19,917	14,857	9,447	6,802	5,621
Other Income	6,511	7,342	5,078	5,526	6,270
Exceptional/EO items	-	2,607	-	-	-
EBT	51,840	78,555	83,627	89,479	124,002
Tax	(5,682)	25,387	11,901	22,370	31,000
Share of Profit/(Loss) in JV/Associates	(12)	22	17	-	-
Reported PAT	57,509	53,189	71,743	67,109	93,001
Less: Minority Interest	(44)	(13)	(101)	-	-
Adj. PAT	57,553	55,809	71,844	67,109	93,001

Source: Company, YES Sec

Exhibit 14: Cash Flow (Consolidated)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22	FY23E	FY24E
Cash flow from operation	71,162	13,359	164,045	88,326	116,789
Profit before tax	51,871	81,196	83,745	89,479	124,002
Depreciation	27,227	27,002	27,148	26,366	28,532
Tax paid	5,682	(25,387)	(11,901)	(22,370)	(31,000)
Working capital Δ	(13,574)	(66,833)	65,154	(5,149)	(4,744)
Other operating items	(44)	(2,620)	(101)	-	-
Cash flow from Investing Activities	(33,576)	(7,359)	(68,317)	(61,000)	(71,000)
Capital expenditure	(29,953)	(17,280)	(58,887)	(61,000)	(71,000)
Change in other non-current assets	(3,624)	9,921	(9,430)	-	-
Free cash flow	41,209	(3,921)	105,158	27,326	45,789
Cash flow from Financing activities	(39,583)	8,676	(112,212)	(19,196)	(44,177)
Equity raised	(826)	8,800	1,832	(0)	-
Investments	(2,802)	4,008	(882)	-	-
Debt financing/disposal	(28,451)	(9,859)	(102,849)	(4,851)	(29,744)
Dividends paid	(3,752)	(10,680)	(10,969)	(14,433)	(14,433)
Other items	(3,752)	16,407	657	88	-
Net Δ in cash	(1,998)	14,676	(16,484)	8,130	1,612

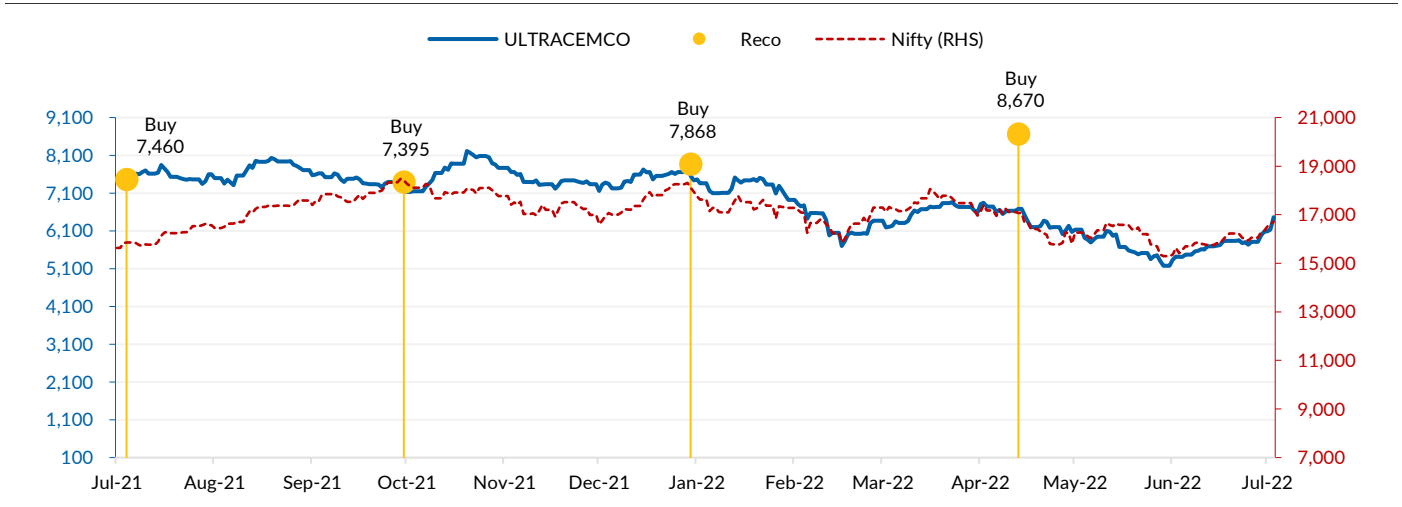
Source: Company, YES Sec

Exhibit 15: Growth and Ratio matrix (Consolidated)

Y/e 31 Mar	FY20	FY21	FY22	FY23E	FY24E
Growth matrix (%)					
Revenue	2.0	5.4	17.6	8.8	13.4
EBITDA	25.9	25.1	(0.5)	1.7	29.7
EBT	49.5	51.5	6.5	7.0	38.6
PAT	139.6	(7.5)	34.9	(6.5)	38.6
EPS	117.5	(0.6)	28.3	(8.6)	38.6
Profitability ratios (%)					
EBITDA (%)	21.8	25.9	21.9	20.5	23.4
EBIT (%)	16.9	21.5	17.7	16.8	20.0
PAT (%)	13.6	11.9	13.6	11.7	14.3
ROCE	12.8	9.6	13.0	11.0	13.8
ROE	14.7	12.0	14.2	12.0	14.6
ROA	11.4	10.7	13.6	11.9	15.4
Per share ratios (Rs)					
EPS	199	198	254	232	322
DPS	13	37	38	50	50
Cash EPS	294	278	343	324	421
BVPS	1,353	1,530	1,747	1,930	2,202
Payout (%)					
Dividend payout	6.5	18.7	14.9	21.5	15.5
Tax payout	(11.0)	32.3	14.2	25.0	25.0
Liquidity ratios					
Inventory days	64	59	64	64	64
Payable days	56	67	67	67	67
Receivables days	22	20	20	20	20
Leverage ratios (x)					
Interest Coverage	3.6	6.5	9.9	14.2	23.1
Net D/E	0.5	0.4	0.2	0.1	0.1
Net Debt/EBITDA	2.4	1.6	0.9	0.7	0.4

Source: Company, YES Sec

Recommendation Tracker



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