

UltraTech Cement

Strong volume growth; a healthy margin

We maintain BUY on UltraTech (UTCEM) with an unchanged target price of INR 8,670 (16x Mar-25E consolidated EBITDA). We continue to like the company for its robust growth and margin outlook and balance sheet management. UTCEM delivered strong 14/23% YoY/QoQ volume growth, led by healthy demand and a gain in market share. Unit EBITDA recovered INR 150/MT QoQ to INR 1,050 per MT, led by op-lev gains and lower fuel cost. The company also tightened its working capital (to net cash in Mar-23) during H2FY23, which bloated in Sep-22. UTCEM's phase-2 expansion is expected to be completed by FY26E.

- Q4FY23 performance:** UTCEM's consolidated revenue/ EBITDA/ APAT grew 18/8/13% YoY respectively. It delivered strong 14/23% YoY/QoQ volume growth, driven by robust demand and capacity ramp-up (gained market share). Marginal correction in grey cement pricing and lower white/ putty sales QoQ led to a 2% fall in blended NSR. Even opex fell 5% QoQ, mainly on op-leverage gains/ fuel cost cool-off by INR 150/100 per MT. Fuel cost reduced to INR 2.5/ kcal in Q4FY23 (back to Q2FY23 levels) vs INR 2.6/kcal in Q3FY23. Freight costs also cooled off by 2% QoQ. Unit EBITDA, thus recovered INR 150/MT QoQ (-6/+15% YoY) to INR 1,050 per MT.
- Con-call KTAs, Capex updates and outlook:** The demand environment continues to stay strong and the company expects to outperform industry growth by ~400-500bps. It also guided for INR 60bn FY23 Capex run-rate in FY24/25E. UTCEM added 43MW WHRS in FY23 and will be adding another 90MW in FY24E. It is also adding solar/wind capacity and also purchasing green power from the grid. These will accelerate the share of total green power from 25% in Q4FY23 to 34% by FY24 end, reducing costs. Phase-I expansion ~2mn MT pending capacity will be commissioned by the Q1FY24 end. Phase-II expansion (22.6mn MT) is expected to be completed by FY26E. We broadly maintain our FY24/25E estimates.

Consolidated quarterly/annual financial summary

YE Mar (INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Sales (mn MT)	31.7	27.7	14.4	25.9	22.5	86.4	94.0	105.7	117.6	126.9
NSR (INR/MT)	5,892	5,694	3.5	6,002	(1.8)	5,175	5,595	5,983	5,983	5,983
EBITDA(INR/MT)	1,049	1,110	(5.5)	903	16.1	1,338	1,225	1,005	1,198	1,200
Net Sales	186.6	157.7	18.4	155.2	20.2	447.3	526.0	632.4	703.8	759.2
EBITDA	33.2	30.7	8.1	23.4	42.2	115.7	115.1	106.2	141.0	152.2
APAT	16.7	14.8	12.8	10.6	57.4	55.8	56.7	50.6	75.0	82.7
AEPS (INR)	57.7	51.2	12.8	36.7	57.4	193.3	196.3	175.4	259.8	286.3
EV/EBITDA (x)					19.5	19.3		20.8	15.5	14.0
EV/MT (INR bn)						19.05	18.30	16.48	15.69	14.43
P/E (x)						39.0	38.4	43.0	29.0	26.3
RoE (%)						13.4	12.0	9.7	13.1	13.0

Source: Company, HSIE Research

Consolidated Estimates revision summary

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Net Sales	710.8	703.8	-1.0	766.8	759.2	-1.0
EBITDA	141.4	141.0	-0.3	152.8	152.2	-0.4
APAT	74.3	75.0	0.9	82.3	82.7	0.4

Source: Company, HSIE Research

BUY

CMP (as on 28 Apr 2023)	INR 7,540
Target Price	INR 8,670
NIFTY	18,065
KEY CHANGES	OLD NEW
Rating	BUY BUY
Price Target	INR 8,670 INR 8,670
EBITDA %	FY24E FY25E
	(0.3) (0.4)

KEY STOCK DATA

Bloomberg code	UTCEM IN
No. of Shares (mn)	289
MCap (INR bn) / (\$ mn)	2,165/26,460
6m avg traded value (INR mn)	2,672
52 Week high / low	INR 7,825/5,157

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	11.7	16.5	14.5
Relative (%)	9.5	15.0	7.8

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	59.96	59.96
FIs & Local MFs	17.50	17.03
FPIs	13.69	15.30
Public & Others	7.85	7.72
Pledged Shares	-	-
Source : BSE		
Pledged shares as % of total shares		

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