

ACCUMULATE

CMP (Rs)	8,119
Target Price (Rs)	9,247
Potential Upside	13.9%
Sensex	66,684
Nifty	19,745

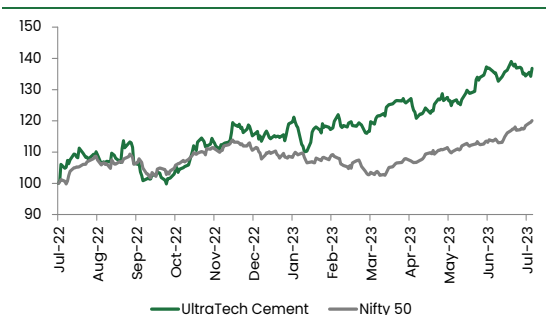
Key Stock data

BSE Code	532538
NSE Code	ULTRACEMCO
Bloomberg	UTCEM:IN
Shares o/s, Cr (FV 10)	28.9
Market Cap (Rs Cr)	234,390
3M Avg Volume	289,511
52 week H/L	8,499/6,005

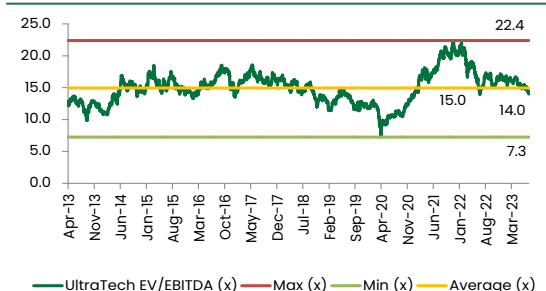
Shareholding Pattern

(%)	Sep-22	Dec-22	Mar-23
Promoter	60.0	60.0	60.0
FII	14.1	14.1	14.8
DII	18.0	18.1	17.6
Others	8.0	7.9	7.6

1 Year relative price performance



PE Forward (x)



Research Analyst

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Leadership to continue; Accumulate

Q1FY24 Result Update | Sector: Cement | July 22, 2023

Mixed revenue & volume growth: In Q1FY24, UltraTech posted revenue of Rs 17,737cr, wherein it grew by 17% YoY and declined by 5% QoQ. Its volume came in healthy at 30MnT as compared to 25MnT in Q1FY23 (growth of 19.6% YoY) and 31.7MnT in Q4FY23 (decline of 5.3% QoQ). Its realization was down by 2.2% YoY and up by 0.4% QoQ to Rs 5,920/ton.

Margins witnessed pressure: Despite an increase in gross profit of 14.8% YoY, UltraTech's gross margin declined by 155bps as raw material cost was higher as compared to last year. Sequentially gross profit was down by 4.5% QoQ to Rs 14,793cr, down by 39bps. Further EBITDA too seen a de-growth of 1.5% YoY and 8.2% QoQ to Rs 3,049cr while margins remained under pressure to 17.2% as compared to 20.4% YoY (down 321bps) and 17.8% QoQ (down 61bps). So, EBITDA/ton decreased by 17.6% YoY and 3% QoQ to Rs 1,018/ton in Q1FY24. The impact was largely because of the rise in fuel & freight cost as well as other expenses as compared to last year while these costs were lower compared to last quarter but topline failed to support growth.

Concall highlights: 1) Capacity expansion plan is well on track and has completed Phase 1 expansion. It added 4.3MnT capacity in this quarter in West & North East areas. 2) Debt reduction plan is on cards and has reduced debt of Rs 233cr. 3) Spending of ~Rs 6,000-7,000cr on capex will continue for the next 2-3 years. 4) By FY26, they want to make use of 25% from WHRS & 35% from solar & wind which they believe would add substantially to their bottom line. 5) PET Coke prices were at USD 115.

Outlook & Valuations: We believe cement sector will continue to see strong demand, also government support and its investment towards infrastructure and housing as well as capacity addition by players will drive growth. UltraTech will benefit from industry tailwinds given its leadership position and highest capacity as compared to its peers. Besides, its focus on product innovation, improving utilization, and focus on premium products bodes well for its future growth. Additionally, for margin improvement, its plan to increase the usage of green fuels and take cost measures. We are positive on the growth prospect of the company and expect its Revenue/EBITDA to grow at a 14.5%/26.9% CAGR over FY23-25E. We recommend an Accumulate rating and have assigned an EV/EBITDA multiple of 16x FY25E and have arrived at a revised target price upwards of Rs 9,247.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	52,599	63,240	72,378	82,837
EBITDA	11,514	10,617	13,847	17,091
EBITDAM (%)	21.9	16.8	19.1	20.6
APAT	7,174	5,074	7,375	9,587
APATM (%)	13.6	8.0	10.2	11.6
EPS (Rs)	248.5	175.7	255.5	332.1
EV/EBITDA (x)	21.2	22.9	17.5	14.1
RoE (%)	14.2	9.3	12.2	13.9

Source : RBL Research

Net Sales grew strong at 17% YoY driven by volumes of 30MnT growth of 19.6% YoY

P&L Account Quarterly - consolidated

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Net Sales	17,737	15,164	17.0	18,662	(5.0)
Cost of Raw Materials	2,560	1,999	28.0	2,667	(4.0)
Purchase of Finished Goods	433	364	19.0	230	88.6
(Increase) / Decrease In Stocks	(49)	(80)	-	274	-
Total Raw material cost	2,944	2,283	29.0	3,171	(7.2)
Gross Profit	14,793	12,881	14.8	15,491	(4.5)
Gross Margins %	83.4	84.9	-155bps	83.0	39bps
Employee Cost	707	638	10.8	716	(1.3)
Power & Fuel	4,881	4,013	21.6	5,309	(8.1)
Freight & Forwarding	4,101	3,291	24.6	4,195	(2.3)
Other Expense	2,055	1,846	11.3	1,948	5.5
Total Expenditure	14,688	12,070	21.7	15,340	(4.3)
EBITDA	3,049	3,094	(1.5)	3,322	(8.2)
EBITDA Margins (%)	17.2	20.4	-321bps	17.8	-61bps
Depreciation	749	695	7.8	762	(1.7)
EBIT	2,300	2,399	(4.1)	2,561	(10.2)
Other Income	174	109	59.8	122	43.0
Interest	211	216	(2.3)	191	10.1
PBT	2,263	2,292	(1.3)	2,491	(9.1)
Shares of profits	4	1	-	1	-
PBT	2,267	2,293	(1.1)	2,492	(9.1)
Tax	577	711	(19.0)	822	(29.9)
PAT	1,690	1,581	6.9	1,670	1.2
PAT Margin (%)	9.5	10.4	-90bps	8.9	58bps
EPS	58.6	54.8	6.9	57.9	1.2

Source : RBL Research

Key Data

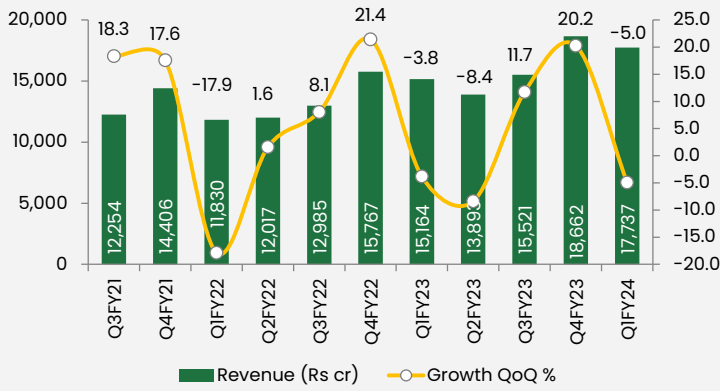
Particulars (Rs cr)	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Sales Volume (MT)	30.0	25.0	19.6	31.7	(5.3)
Blended Realization (Rs)	5,920	6,056	(2.2)	5,896	0.4
EBITDA/Ton (Rs)	1,018	1,236	(17.6)	1,050	(3.0)
Total Cost/Ton (Rs)	4,903	4,820	1.7	4,847	1.2
Fuel Cost/Ton (Rs)	1,629	1,603	1.7	1,677	(2.9)

Source : RBL Research

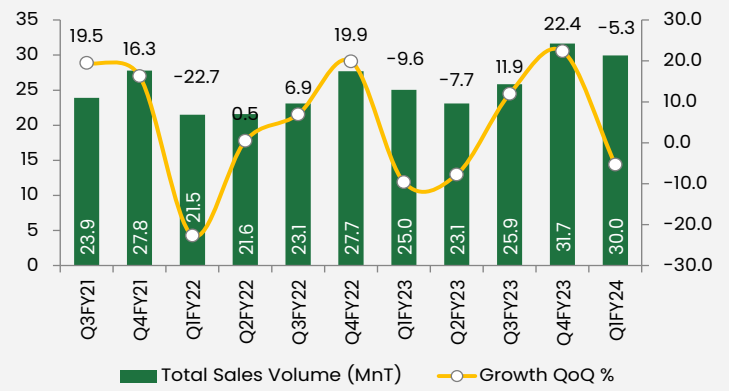
YoY growth was driven by volumes

Story in charts

Revenue grew by 17% YoY but declined by 5% QoQ

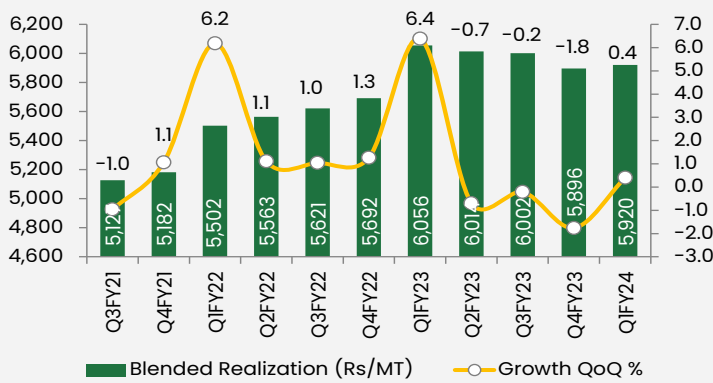


Sales Volumes increased by 19.6% YoY but declined by 5.3% QoQ

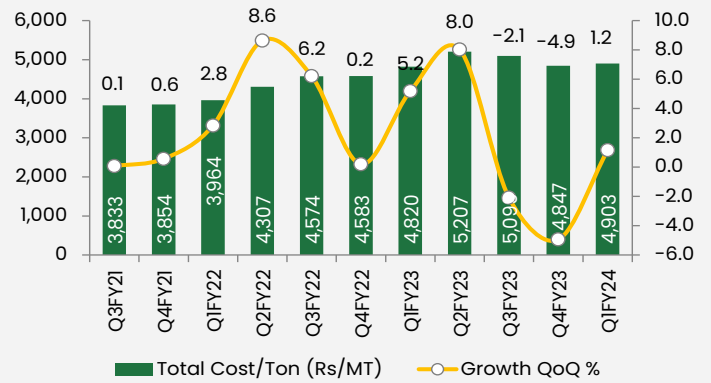


Source : RBL Research

Realization decreased by 2.2% YoY but improved by 0.4% QoQ

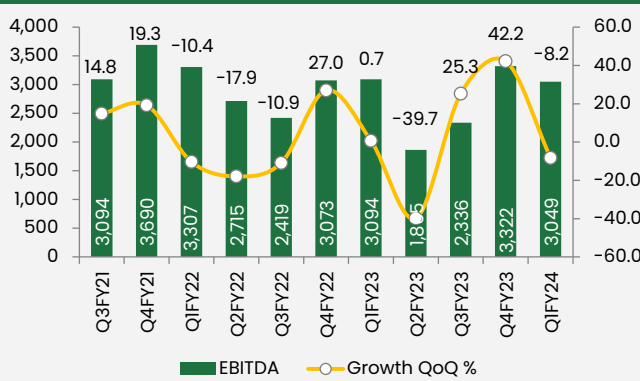


Total Cost/ton increased by 1.7% YoY and 1.2% QoQ

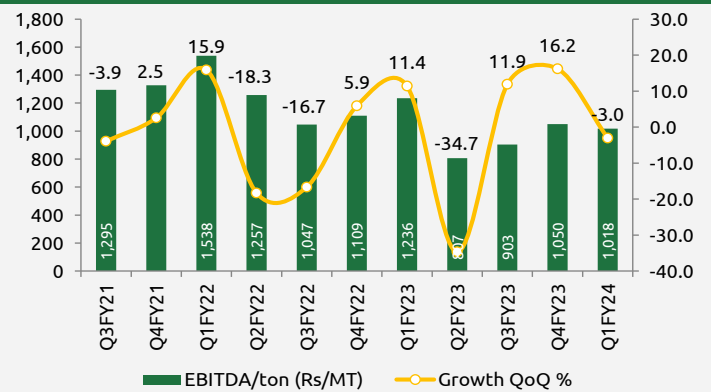


Source : RBL Research

EBITDA de-grew by 1.5% YoY and 8.2% QoQ

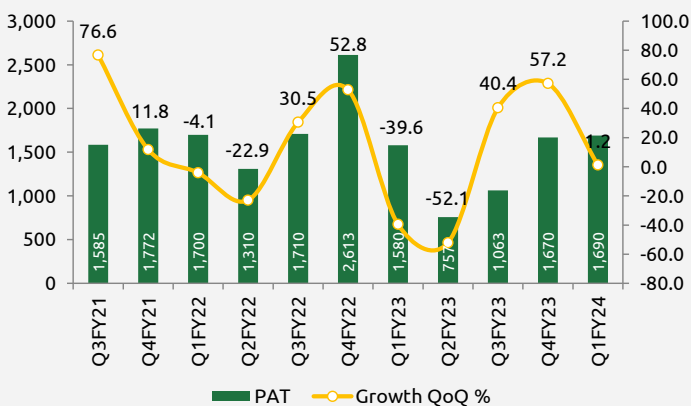


EBITDA/ton declined by 17.6% YoY and 3% QoQ

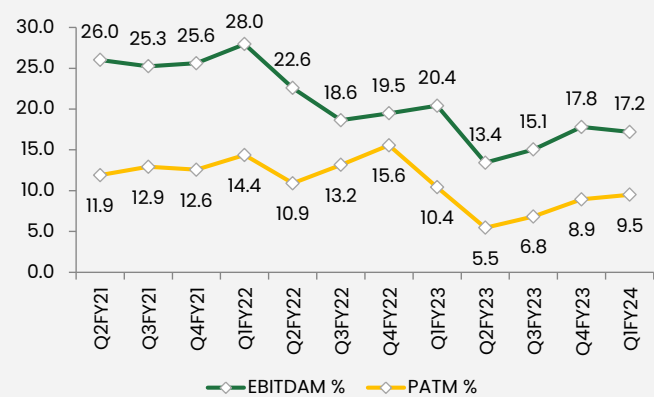


Source : RBL Research

PAT grew by 6.9% YoY and 1.2% QoQ



EBITDA & PAT margin stood at 17.2% and 9.5% in Q1FY24



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net sales	52,599	63,240	72,378	82,837
Expenditure				
Cost of materials	7,096	8,934	9,988	11,183
Purchase of stock in trade	1,252	1,300	1,487	1,702
(Increase) / Decrease In Stocks	(383)	(518)	(593)	(679)
Total raw materials	7,965	9,715	10,883	12,207
Gross Profit	44,634	53,525	61,496	70,630
Gross Margins %	84.9	84.6	85.0	85.3
Employee cost	2,535	2,740	3,136	3,589
Power & Fuel	12,137	18,493	20,266	22,614
Frieght & forwarding	11,712	14,009	15,561	17,396
Other expenses	6,735	7,666	8,685	9,940
Total expenditure	41,084	52,623	58,531	65,746
EBITDA	11,514	10,617	13,847	17,091
EBITDAM (%)	21.9	16.8	19.1	20.6
Depreciation	2,715	2,888	3,057	3,321
PBIT	8,800	7,729	10,790	13,770
Other income	508	503	651	746
Interest expenses	945	823	753	621
PBT	8,363	7,409	10,689	13,894
Tax	1,190	2,343	3,314	4,307
Reported PAT	7,173	5,067	7,375	9,587
Exceptional Income / Expenses	2	7	-	-
PAT (after Exceptional)	7,174	5,074	7,375	9,587
PAT Margin %	13.6	8.0	10.2	11.6
EPS	248.5	175.7	255.5	332.1

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	289	289	289	289
Share Warrants	49.7	-	-	-
Reserves & Surplus	50,097	54,036	60,314	68,775
Total Shareholder's Fund	50,435	54,325	60,603	69,064
Minority Interest	(3)	56	56	56
Long term borrowings	5,303	5,356	5,066	4,970
Short term borrowing	4,271	4,544	4,343	3,313
Total Debt	9,574	9,901	9,409	8,284
Deferred tax liabilities	6,017	7,627	8,729	9,990
Long term provision	618	621	711	814
Other long term liabilities	1,286	1,334	1,527	1,748
Total	7,921	9,582	10,967	12,551
Current Liabilities				
Trade payables	5,863	7,209	8,130	9,305
Short term provisions	775	204	234	268
Other current liabilities	9,246	10,107	10,857	11,597
Total	15,884	17,521	19,221	21,170
Total liabilities	83,811	91,384	100,255	111,124
Application of Assets				
Net Block	55,495	59,584	64,351	70,142
Current work in process	4,777	4,035	4,035	4,035
Non current investment	1,372	1,460	1,448	2,071
Tax assets	496	409	468	535
Long term loans and advances	3,240	3,275	3,748	4,289
Other non-current assets	941	1,881	2,153	2,464
Total	66,322	70,644	76,201	83,536
Current Assets				
Current investments	4,963	5,837	6,876	7,869
Inventories	5,596	6,612	7,700	8,812
Trade receivables	3,072	3,867	4,227	4,837
Cash balance	121	371	724	1,000
Bank balance	239	779	779	779
Short term loans and advances	1,668	1,441	1,650	1,888
Other current assets	1,832	1,833	2,098	2,402
Total	17,489	20,740	24,054	27,588
Total assets	83,811	91,384	100,255	111,124

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Profit before tax	8,364	7,416	10,689	13,894
Add: Depreciation	2,715	2,888	3,057	3,321
Add: Interest cost	945	823	753	621
Less: Other Income /Interest Rec	(164)	272	(326)	(373)
Others	(549)	(870)	-	-
Profit before WC	11,311	10,530	14,173	17,464
Changes in working capital	(473)	(337)	360	349
Cash from Operations	10,838	10,193	14,533	17,812
Less: Taxes	(1,555)	(1,124)	(3,314)	(4,307)
Cash flow from Operations	9,283	9,069	11,219	13,505
Net cash used in Investing				
Purchase of fixed assets	(5,613)	(6,219)	(7,824)	(9,112)
Purchase of investments	(7,831)	(8,088)	(1,027)	(1,617)
Sales of fixed assets	73	95	-	-
Sales of investments	15,520	7,156	-	-
Dividend Inc/Int.Rec.	174	283	326	373
Others	(66)	(413)	-	-
Cash flow from investing	2,257	(7,187)	(8,524)	(10,356)
Cash flow from Financing				
Proceeds from Equity shares	4	5	-	-
Proceeds of borrowings	139	1,032	(492)	(1,125)
Sales of borrowings	(10,310)	(579)	-	-
Dividend (Incl dividend tax)	(1,065)	(1,091)	(1,097)	(1,126)
Interest cost	(961)	(702)	(753)	(621)
Others	(305)	(296)	-	-
Cash flow from Financing	(12,498)	(1,631)	(2,341)	(2,873)
Net cash Inflow/Outflow	(958)	250	353	276
Opening cash	177	121	371	724
Closing cash	(781)	371	724	1,000
Others	901	-	-	-
Closing Cash	121	371	724	1,000

Source : RBL Research

Key ratios – consolidated

Particulars	FY22	FY23	FY24E	FY25E
Per share Data				
EPS (Rs)	248.5	175.7	255.5	332.1
Book value per share (Rs)	1747.2	1881.8	2099.2	2392.3
Dividend per share (Rs)	36.9	37.8	38.0	39.0
Dividend Yield (%)	14.8	21.5	14.9	11.7
Dividend Yield %	0.5	0.5	0.5	0.5
Profitability Ratios				
EBITDAM(%)	21.9	16.8	19.1	20.6
PBTM (%)	15.9	11.7	14.8	16.8
NPM (%)	13.6	8.0	10.2	11.6
RoE (%)	14.2	9.3	12.2	13.9
RoCE (%)	14.7	12.0	15.4	17.8
Efficiency Data				
Debt-Equity Ratio	0.2	0.2	0.2	0.1
Interest Cover Ratio	9.3	9.4	14.3	22.2
Fixed Asset Ratio	1.1	0.9	0.9	0.8
Debtors (Days)	21.3	21.3	21.3	21.3
Inventory (Days)	38.8	38.8	38.8	38.8
Payable (Days)	40.7	41.6	41.0	41.0
WC (Days)	19.5	18.5	19.1	19.1
Valuation				
P/E (x)	32.7	46.2	31.8	24.4
P/BV (x)	4.6	4.3	3.9	3.4
EV/EBITDA (x)	21.2	22.9	17.5	14.1
EV/Sales (x)	4.6	3.8	3.3	2.9

Source : RBL Research

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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