

**CMP: INR 8,223**

**Rating: Accumulate**

**Target Price: INR 9,172**

**Stock Info**

BSE	532528
NSE	ULTRACEMCO
Bloomberg	UTCEM IN
Reuters	ULTC.BO
Sector	Cement
Face Value (INR)	10
Equity Capital (INR cr)	289
Mkt Cap (INR cr)	2,34,600
52w H/L (Rs)	8501/6005

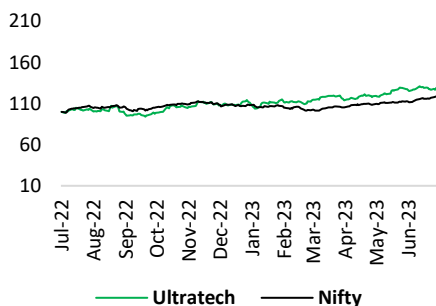
**Shareholding Pattern %**

(As on June 2022)

Promoters	59.96
Public & Others	39.94

Stock Performance (%)	1m	3m	12m
Ultratech	-1.48	10.34	32.44
Nifty	5.4	13.36	20.32

**Ultratech Vs Nifty**



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**Ultratech Cement Limited (Ultratech) delivered a decent set of numbers in Q1FY24 and is in line with our estimates apart from PAT which was slightly better than our estimates. Ultratech is on schedule regarding its expansion plans, despite spending INR 1,796cr on capital expenditure, the company was able to reduce its Net Debt by INR 230cr which is a sign of good cash flow management.**

**Revenue** at INR 17,517 cr (vs our estimates of INR 17,750cr) up by 17% YoY/-5% QoQ; Volume at 29.96 mt up by 20%YoY/-5% QoQ

**Ebitda** at INR 3,223cr (vs our estimates of INR 3053cr) is up by 1% YoY/-6% QoQ due to flattish realizations; margins at 18.4% contracted by 295 bps YoY. **Realizations** at INR 5350/mt vs INR 5506/mt in Q1FY23, impacted EBITDA/mt by ₹ 26/Mt, Realization is marginally lower on QoQ basis while the cost remains flat. Operating EBITDA/mt of INR 1,034 vs INR 1,248 in Q1FY23 and INR 1,060 in the last quarter.

**PAT** at INR 1688cr (vs our estimates of INR 1480cr) up by 7% YoY/+1% QoQ.

**Power & Fuel cost** increased by 3% YoY and decreased 4% QoQ stood at INR 1621/mt. The blended fuel cost at INR 7500/mt and the Pet coke consumption was at 42% vs 52% in Q4 FY23 and Q1FY23. Currently, the petcoke spot prices are ~USD 115/t, the company has 45-60 days of cycle before it comes into consumption, petcoke mix in Q1FY24 was 42%, AFR at 5%; in kcal terms the cost of fuel was INR 2.34/kcal. If petcoke prices remain at current levels then it can translate in to 20-25% energy cost savings. The company plans to ramp up AFR to 9-10%. Cost of power currently is INR 7-8/unit

**Logistics cost** Increased 1% YoY energy cost Increased 3% YoY/-4% QoQ mainly due to the resumption of busy season surcharge, partially mitigated by lead optimization and operating efficiencies, the lead distance was reduced by 19km to 410km in Q1FY24

**RM cost** Increased 6% YoY/+ 1% QoQ led by an Increase in cost of raw materials like fly ash, slag and gypsum etc.; other costs down by 8% YoY/+9% QoQ due to Higher maintenance.

**Outlook and Valuation:** The company has ambitious plans for expansion, the company believes in the growth story of India and has hinted towards good years for cement companies ahead. The company has all plans to reach 155 mtpa capacity by FY25/FY26. The power and fuel cost have declined, if they stay at these levels the company will be able to save 20-25% on energy costs. The company is aware of the incremental growth East can bring in, have all plans in place. We believe, even a marginal increase in price will bring in incremental gains coupled with energy cost savings as demand and volumes are expected to be good. **We value the stock at a EV/EBIDTA multiple of 16.2x to its FY25E EBIDTA of INR 16,697cr to arrive at a target price of INR 9,172 which gives a potential upside of 12% from current levels considering the growth of 9.9%/25%/38% in Revenue/EBITDA/APAT over FY23-FY25E.**

## Q1FY24 Concall Highlights:

- **Demand** Higher infrastructure spending ahead of the general elections in 2024 is expected to boost cement demand. In current scenario, Demand for cement across all sectors continues to remain strong which is highly favorable for its performance.
- **Current price scenario** The company witnessed marginal rise in the month of July in North and West regions, south and east are not showing any traction and positive movement in prices. In east the prices.
- **Industry scenario** In North Commercial demand, Housing segment registered growth, infrastructure segment demand was supported by Government's sustained thrust on Projects like Delhi-Amritsar-Katra road project, Dwarka Expressway, etc. In Central region infra growth remained muted owing to major projects at completion stage. Indore Metro picking up pace., other segments growth was positive. In East All the segments registered growth across regions except commercial demand which remained flat. In West, infra demand in Maharashtra picked up across all ongoing projects – Mumbai Metro, Mumbai Trans Harbour Link, Mumbai Goa Expressway etc. except in Vidarbha due to completion of major projects. Housing and commercial segments registered growth. In Gujarat, housing registered growth in both the segments, that is, rural and urban. Rural demand improved due to better liquidity on account of cashflow from harvesting. Infra registered robust growth as work progressed across major infra projects like High speed railway - Bullet Train and other metro and road projects. In South, all the segments registered growth.
- **CC ratio** at 1.44 from 1.42 in Q4FY23; This was possible due to focus on sustainability by promoting use of sustainable products and improving clinker to cement conversion.
- Commissioned **cement capacity** of 4.3 MTPA including June 2023 as well, taking total grey cement capacity of the Company to 131.25 MTPA in India. These include 2.2 mtpa brownfield cement capacity at Patliputra in April, 2023; 0.8 mtpa brownfield cement capacity at Rajasthan in May, 2023 and 1.3 mtpa brownfield cement capacity at Sonar Bangla, West Bengal in July 2023. These new capacities will strengthen North east and Western markets. The company will also be working on more brownfield projects which will give incremental capacity of 4mtpa which will further enhance total capacity to 135.25mtps in India, capacity utilization at 90%. The next phase of an additional 22.6 mtpa is in full swing. Commercial production from these new capacities is expected to go on stream in a phased manner by FY25/FY26The company commissioned 22 MW of **WHRS capacity**, total WHRS capacity increased to 232 MW. Green power mix increased to 22%. The company is targeting to reach WHRS levels of 425 MW by end of FY26, through these initiative the company will have 60% energy as green energy.
- **Capex:** The company incurred capex of INR 1,796cr in this quarter and reduced, for FY24 and FY25, the company plans to spend INR 6000cr for each year. . Net Debt stood at INR 6,265cr, the company has spend INR 1,796cr on capacity expansion and other maintenance purposes still the company was able to reduce its Net Debt by INR 230cr which is a sign of good cash flow management.
- **Trade sales** at 68%, rural sales at 65% of trade, growing at 24%, blended cement at 70% and Premium product mix @ 21.7% of trade sales. There is good traction iin trade segment in rural areas, which can get good pricing opportunities for Ultratech.

**Q1 FY24 - Quarterly Performance (Consolidated)**

(In INR Cr)	Q1FY24	Q1FY23	Q4FY23	YOY	QOQ
Net Revenue	17,737	15,164	18,662	<b>17.0%</b>	<b>-5.0%</b>
Operating Costs	11,924	9,585	12,673	<b>24.4%</b>	<b>-36.1%</b>
RM	2,943	2,282	3,170		
P&F	4,881	4,013	5,308	<b>21.6%</b>	<b>-8.0%</b>
Freight	4,100	3,290	4,195	<b>24.6%</b>	<b>-2.3%</b>
Employee cost	706	637	716	<b>10.8%</b>	<b>-1.5%</b>
Other Expenses	2,055	1,845	1,948	<b>11.4%</b>	<b>5.5%</b>
EBITDA	3,052	3,097	3,325	<b>-1.5%</b>	<b>-8.2%</b>
EBITDA margin %	17.2%	20.4%	17.8%	<b>-322bps</b>	<b>-61bps</b>
Depreciation	749	695	762	<b>7.8%</b>	<b>-1.7%</b>
EBIT	2,303	2,402	2,563	<b>-4.1%</b>	<b>-10.1%</b>
Other Income	173	106	122	<b>63.2%</b>	<b>42.4%</b>
Finance cost	210	216	191	<b>-2.7%</b>	<b>9.7%</b>
PBT	2,266	2,292	2,493	<b>-1.1%</b>	<b>-9.1%</b>
Tax Expense	576	710	821	<b>-18.9%</b>	<b>-29.8%</b>
PAT	1,690	1,582	1,672	<b>6.8%</b>	<b>1.1%</b>
PAT margin %	9.5%	10.4%	9.0%	<b>-91bps</b>	<b>57bps</b>
EPS (Rs)	0.57	0.81	3.35		

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

**Historical Performance**

in Cr	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	30979	41462	42430	44726	52599	63240	70959	76472
EBITDA	6145	7347	9135	11568	11514	10620	15476	16697
EBITDAM (%)	21.70%	18.70%	23.40%	26%	22%	17%	22%	22%
PAT	2222	2404	5755	5463	7344	5073	8811	9807
PATM (%)	7.10%	5.70%	13.50%	12.20%	13.90%	8.04%	12.42%	12.82%
EPS	81	88	199	189	254	176.13	264.10	305.34
EV/EBIDTA(x)	18.9	17.2	11.7	17.3	21	23	16	15

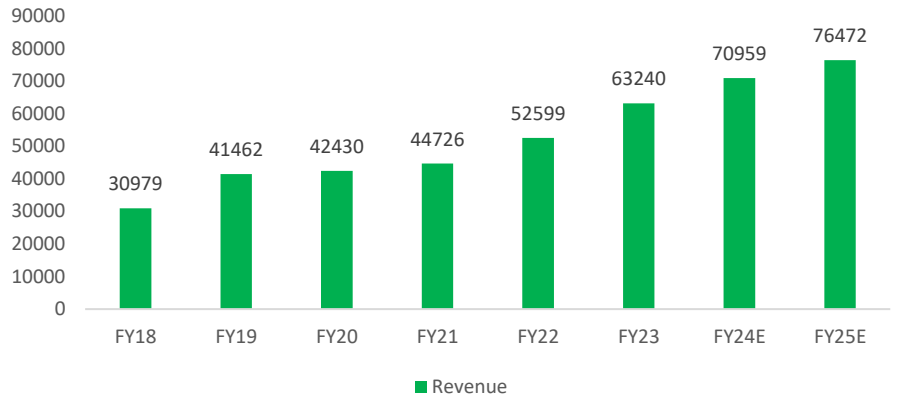
Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

**Key Parameters**

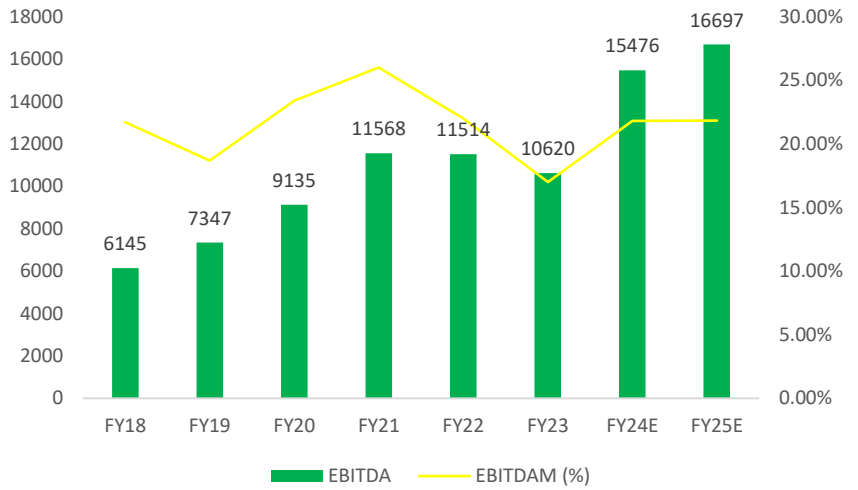
Particulars	FY22	FY23	FY24E	FY25E
Sales Volumes ( MTPA)	93.99	106.00	118.72	127.03
Sales ( INR in cr)	52,569	63,420	70,959	76,472
Realization (INR/mt)	5593	5,983	5,977	6,020
EBIDTA (INR mn)	11515	10620	15476	16697
EBIDTA/t in INR	1225	1,002	1,304	1,314

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

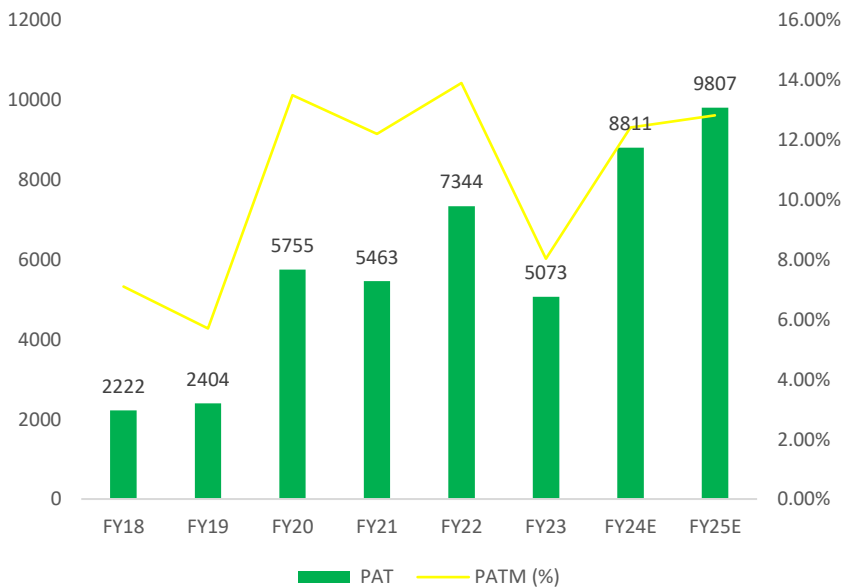
**Revenue Performance**



**EBITDA and Margins**



**PAT and Margins**



## Financial Statements

Profit & Loss				(INR Cr)
Y/E March	FY22	FY23	FY24E	FY25E
<b>Revenues</b>	<b>52599</b>	<b>63240</b>	<b>70959</b>	<b>76472</b>
<b>Operating cost</b>	<b>31814</b>	<b>42215</b>	<b>43988</b>	<b>47366</b>
Raw Material	7965	9715	10687	11755
Power & Fuel	12137	18491	17751	18816
Freight & Forwarding	11712	14009	15550	16794
Other costs	6735	7666	8509	9275
Employee	2535	2739	2986	3135
<b>Total cost</b>	<b>41084</b>	<b>52620</b>	<b>55483</b>	<b>59775</b>
<b>EBITDA</b>	<b>11515</b>	<b>10620</b>	<b>15476</b>	<b>16697</b>
<b>Margins</b>	<b>21.89%</b>	<b>16.79%</b>	<b>21.81%</b>	<b>21.83%</b>
Other income	508	503	561	604
<b>PBIDT</b>	<b>12023</b>	<b>11123</b>	<b>16037</b>	<b>17301</b>
Amort	172	194	194	194
Depreciation	2543	2694	2694	2694
Interest	945	823	774	615
<b>PBT</b>	<b>8365</b>	<b>7416</b>	<b>12573</b>	<b>13996</b>
<b>tax rate</b>	<b>14.23%</b>	<b>31.59%</b>	<b>30.00%</b>	<b>30.00%</b>
Tax	1190	2343	3772	4199
<b>PAT</b>	<b>7165</b>	<b>5082</b>	<b>8811</b>	<b>9807</b>
<b>Margins</b>	<b>13.62%</b>	<b>8.04%</b>	<b>12.42%</b>	<b>12.82%</b>
APAT	7164	5083	7622	8812
EPS	248.23	176.13	264.10	305.34

Balance Sheet				(INR Cr)
Y/E March	FY22	FY23	FY24E	FY25E
<b>Total assets</b>	<b>83828</b>	<b>91387</b>	<b>93215</b>	<b>96011</b>
Net Block	55495	59584	61372	63826
CWIP	4777	4035	4035	4035
Investments	4963	5837	7471	10086
Working capital	8308	9329	10169	11084
Cash / Bank balance	<b>121</b>	<b>372</b>	<b>1330</b>	<b>1690</b>
Bank	239	779	779	779
Other Assets	9925	11452	10536	9693
<b>Total Assets</b>	<b>167657</b>	<b>182775</b>	<b>188906</b>	<b>197205</b>
<b>Total Liabilities</b>	<b>83828</b>	<b>91387</b>	<b>91387</b>	<b>91387</b>
Equity capital	289	289	289	289
Reserves	50147	54036	61658	70470
Borrowings	11299	11058	9258	8258
Def tax Liabilities	6033	6260	6260	6260
Other Liabilities and Provision	16064	19689	19998	20485
<b>Total Liabilities</b>	<b>167657</b>	<b>182775</b>	<b>188906</b>	<b>197205</b>

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Cash Flow

Y/E March	FY22	FY23	FY24E	FY25E
<b>Profit before tax</b>	<b>8364</b>	<b>7416</b>	<b>12573</b>	<b>13996</b>
Depreciation	2715	2888	2694	2694
Interest Expenses	945	823	774	615
Non-operating item	-713	-597	828	948
Change in W/C	-473	-337	-840	-915
Income Tax	-1555	-1124	-3772	-4199
<b>Operating Cash Flow</b>	<b>9283</b>	<b>9069</b>	<b>12258</b>	<b>13139</b>
Capital Expenditure	-5613	-6200	-6309	-7945
Investments	7689	-1808	-1634	-2615
Others	182	821	309	487
<b>Investing Cash Flow</b>	<b>2258</b>	<b>-7187</b>	<b>-7635</b>	<b>-10073</b>
Borrowings	139	826	-1800	-1000
Interest Expenses	-961	-702	-774	-615
Dividend paid	-1065	-1091	-1091	-1091
Others	-10611	-664		
<b>Financing Cash Flow</b>	<b>-12498</b>	<b>-1631</b>	<b>-3665</b>	<b>-2706</b>
Change in Cash	-957	251	958	360
Cash trf from disc biz to cont biz	901			
Opening Cash	177	121	372	1330
Closing Cash	<b>121</b>	<b>372</b>	<b>1330</b>	<b>1690</b>

Ratios

Y/E March	FY22	FY23	FY24E	FY25E
<b>Operational Ratios</b>				
Gross profit margin	40%	33%	38%	38%
EBITDA margin	22%	17%	22%	22%
PAT margin	14%	8%	12%	13%
<b>Growth Indicator</b>				
Sales growth	18%	20%	12%	8%
Volume growth	9%	13%	12%	7%
EBITDA growth	0%	-8%	46%	8%
PAT growth	35%	-29%	50%	16%
<b>Valuation Ratios</b>				
PE (x)	33	47	31	27
EV/Ebitda (x)	21	23	16	15
<b>Return Ratios</b>				
ROE	14%	9%	14%	14%
ROCE	19%	16%	22%	21%
Interest Coverage ratio (x)	10	10	17	24
<b>Cash Flow Ratios</b>				
OCF/Sales	18%	14%	17%	17%
OCF/Ebitda	81%	85%	79%	79%

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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