

Pricing continues to be subdued

CMP:	Rs.2,522
Target Price:	Rs.2,600
Recommendation:	Neutral

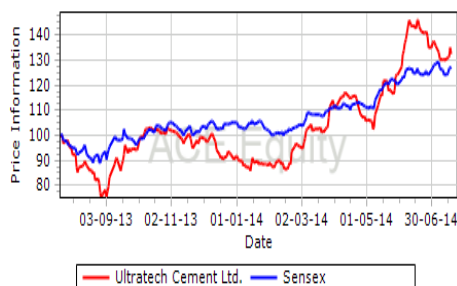
Stock Info

BSE Group	A
BSE Code	532528
NSE Symbol	ULTRACEMCO
Bloomberg	UTCEM .IN
Reuters	ULTC.BO
BSE Sensex	25,642
NSE Nifty	7,664

Market Info

Market Capital	Rs. 69,864 cr
Equity Capital	Rs. 274cr
Avg. Trading Vol	2,47,330
52 Wk High/ Low	2,868/1,405
Face Value	10

Shareholding Pattern (%) (June 2014)	
Promoters	61.7
Domestic Institutions	5.3
Foreign Institutions	20.4
Non Promoters Corp.	4.2
Public & Others	8.4
Govt. Holdings	-



July 21st -2014

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Ultratech's (ULTC) 1QFY15 numbers were largely in line with the estimates largely driven by increased volume. During the quarter sales volume increased by 16% to 11.7 MT. However, prices continued to remain under pressure. EBITDA margins declined to 18% vs. 22% on YoY basis, this is largely attributed to 3% increase in variable cost mainly on account of increase in prices of petcoke and other input materials. EBITDA per ton decreased to Rs. 879 from Rs. 1085 on YoY basis.

ULTCs reported revenue came in at Rs 5,692 cr vs. Rs. 4,980 crs on YoY basis. However, PAT decreased by 7% to Rs. 626 crs. PAT was lower due to higher raw material cost, higher interest outgo and higher taxes.

During the quarter, the company completed the acquisition of the Gujarat units of Jaypee cement. Post this the cement capacity of ULTC stands at 58.8 mtpa.

Outlook: ULTC volumes are expected to grow at a CAGR of 15% over next 2 years (partly attributed to acquisition of Jaypee cement). Prices are also expected to firm up as demand for cement from infrastructure projects are slated to rise exponentially. We are very positive on the prospects of the sector.

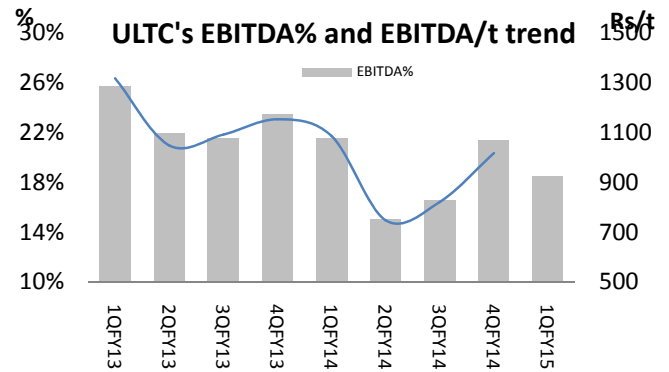
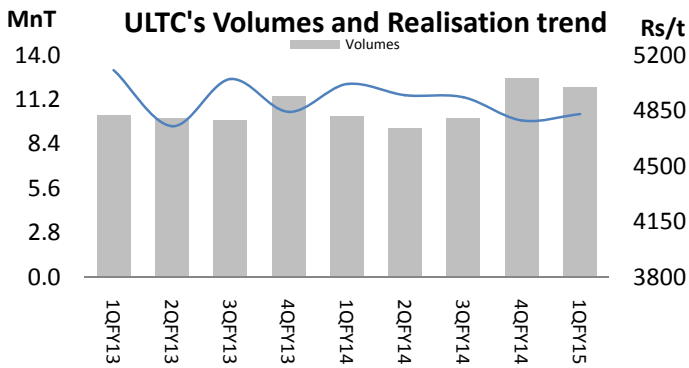
Valuations:

ULTC's stock has moved up ~25% in last 3 months on expectation of revival in demand, which effectively is driven by strong electorate mandate at center. We expect revival in investment cycle over long term, however, over short to medium term issues like weak demand and excess capacity will continue to hit earnings of the company. We forecast ULTC's margins profile to remain range bound over next one year on the back of expected subdued pricing environment. We continue to value stock using EV/EBITDA(x) and have ascribed EV/EBITDA(x) of 10x to its FY16E EBITDA. Our fair value for Ultratech comes at Rs. 2,600 per share. **We recommend 'NEUTRAL' rating on the stock.**

Y/E March, (Rs in Cr)	FY13	FY14	FY15E	FY16E
Net Revenue	21319	21652	24658	29230
EBITDA	4839	4035	5370	6928
PAT	2678	2206	2815	3844
EPS	98	80	103	140
EPS Growth (%)	11.4	-17.6	27.7	36.5
RONW (%)	18	13	15	18
P/E (x)	26.1	31.7	24.8	18.2
EV/EBITDA (x)	15.0	17.8	12.8	9.8



	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15
Volumes	10.2	10.0	9.9	11.4	10.1	9.4	10.0	12.5	12.0
Realisation (RHS)	5105	4752	5049	4842	5018	4947	4934	4788	4829
EBITDA%	26%	22%	21%	23%	22%	15%	17%	21%	18%
EBITDA (Rs/t) (RHS)	1316	1047	1090	1152	1085	747	820	1016	879



Valuations:

	FY15E	FY16E
EV/EBITDA	10.0	10.0
EBITDA	5370	6928
EV	53696	69277
net Debt	2114	1434
CWIP	3405	3405
Market Cap	54987	71248
No shares	27.4	27.4
Fair value	2006	2600
CMP	2548	2548
Upside	-21%	2%

1QFY15 Results (Standalone)

Rs in Crore	1QFY15	1QFY14	YOY (%)	4QFY14	QoQ (%)
Net Sales	5692	4980	14.3	5960	-4.5
Expenditure	4642	3908	18.8	4689	-1.0
EBITDA	1050	1072	-2.0	1271	-17.4
EBITDA Margins (%)	18%	22%	-	21%	-
Other Income	213	166	28.7	58	269.1
Interest	100	66	51.8	74	35.5
Depreciation	265	252	4.9	278	-5.0
Exceptional Items (Loss)	0	0		0	
PBT after exceptional items	899	919	-2.2	976	-7.9
Tax	273	247	10.8	138	97.5
Tax rate (%)	30%	27%	-	14%	-
PAT after extraordinary items	626	673	-7.0	838	-25.3
Net Profit Margin (%)	11%	14%	-	14%	-
EPS (Rs)	23	25	-7.0	31	-25.3



Profit & Loss Statement (Consolidated)

Y/E March (Rs Cr)	FY13	FY14	FY15E	FY16E
Net Sales	21319	21652	24658	29230
% Chg	11	2	14	19
Total Expenditure	16480	17617	19289	22303
% chg	10	7	9	16
EBITDA	4839	4035	5370	6928
EBITDA Margin %	22.7	18.6	21.8	23.7
Other Income	304	323	380	453
Depreciation	1023	1139	1349	1458
EBIT	4120	3219	4401	5923
Interest	252	361	397	449
PBT bfr excep Items	3867	2858	4004	5474
Exceptional Items	-	-	-	-
PBT after EI	3867	2858	4004	5474
Tax Provisions	1179	645	1182	1623
PAT before MI	2688	2213	2822	3851
MI & Profot from Associate	-10	-7	-7	-7
Reported PAT	2678	2206	2815	3844
PAT %	12.6	10.2	11.4	13.2

Cash Flow Statement (Consolidated)

Y/E March (Rs Cr)	FY13	FY14	FY15E	FY16E
PBT	3867	2858	4004	5474
Oper. Profit Before Work. Cap.	4848	4054	5333	6964
Changes in WC	-481	80	-161	-574
Cash generated frm Operation	4367	4135	5173	6391
Direct Tax Paid	-729	-673	-1182	-1623
Net Cash From Oper. Act	3638	3462	3990	4768
Net Cash From Investing Act	-4407	-2403	-3182	-3370
Cash flow from Financing Act	715	-949	-728	-1200
Net increase in cash & Equiv	-54	110	80	197
Opening Cash Balance	214	185	348	429
On account of Amalgamation	25	54	0	0
Closing Cash Balance	185	348	429	626

BS(Consolidated)

	FY13	FY14	FY15E	FY16E
Shareholders' funds	15230	17182	18861	21933
Share capital	274	274	275	275
Reserves ans Surplus	14955	16908	18586	21658
Minority Interest	78	17	17	17
Non-current liabilities	7215	8462	7373	7410
Long-term borrowings	5169	6021	4869	4869
Deferred Tax Liabilities (Net)	1910	2300	2300	2300
Other Long term liabilities	2	2	2	2
Long-term provisions	135	139	203	240
Current liabilities	7067	6533	7954	8344
Short-term borrowings	1227	985	1220	1220
Trade payables	2338	2587	2748	2933
Other current liabilities	2553	2106	3015	3043
Short-term provisions	949	855	971	1148
Assets+Equity	29590	32193	34206	37703
Net Fixed assets	14316	17133	19743	22285
Capital work-in-progress	3601	2178	3501	3501
Goodwill on Consolidation	734	967	734	734
Non-current investments (Long Term)	1582	1133	1582	1582
Deferred tax assets (net)	8	9	8	8
Long-term loans and advances	1066	1271	250	250
Current assets	8283	9502	8388	9343
Total Assets	29590	32193	34206	37703

Key Ratios (Consolidated)

Y/E March (Rs Cr)	FY13	FY14	FY15E	FY16E
Per Share data (Rs)				
EPS	98	80	103	140
Cash EPS	135	122	151	193
DPS	9.0	9.0	9.0	9.0
Book value	555	627	686	797
Operating, Returns Ratio				
Debt/ Equity (X)	0.5	0.4	0.4	0.3
Current Ratio (X)	1.2	1.5	1.1	1.1
RoE (%)	18	13	15	18
RoCE (%)	14	10	13	16
Dividend Yield (%)	0.4	0.4	0.4	0.4
Valuation Ratio (X)				
P/E	26.1	31.7	24.8	18.2
P/BV	4.6	4.1	3.7	3.2
EV/ Sales	3.4	3.3	2.8	2.3
EV/EBITDA	15.0	17.8	12.8	9.8



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Stock Rating Scale

	Absolute Return
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
NEUTRAL	0-5
REDUCE	<0

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