



Higher Realizations!

20th July, 2017

CMP: Rs.4,142
Target Price: Rs.4,453
Recommendation: HOLD

For the quarter Q1 FY18 Ultratech Cement’s realizations witnessed a steady growth of 7.28% on a YoY basis. Domestic sales volume decreased marginally by 1% to 12.59 mnt while the total volumes grew by 5% to 13.2 mnt YoY.

Stock Info

BSE Group	A
BSE Code	532528
NSE Symbol	ULTRACEMCO
Bloomberg	UTCEM .IN
Reuters	ULTC.BO
BSE Sensex	31,904
NSE Nifty	9,873

Ultratech Cement’s standalone revenue came in at Rs 7520 cr vs. Rs. 7095 cr, a growth of 5% on Y-o-Y basis. On consolidated basis the revenue for the quarter stood at Rs 7928 cr vs. Rs 7425 cr Y-o-Y. EBITDA margins expanded by 100 bps to 26% on Y-o-Y basis. Net profit after tax for the quarter increased by 15% YoY on consolidated basis to Rs 898 cr while standalone PAT stood at Rs. 890 cr. Total comprehensive income for the quarter stood at Rs 873 cr vs. Rs 776 cr on consolidated basis, a rise of 12% YoY.

Market Info

Market Capital	Rs. 1,13,378cr
Equity Capital	Rs. 274cr
Avg. Trading Vol.	303,900
52 Wk High/ Low	4,533/3,050
Face Value	Rs 10

Energy cost increased by 28% to Rs 871/t. Impacted by increased petcoke prices and higher usage of industrial waste. Logistics costs increased by 2% to Rs.1098/t. Raw materials cost increased by 4% YoY to Rs.466/t on increased usage of additives.

Shareholding Pattern (%)

Promoters	62.14
Domestic Institutions	5.57
Foreign Institutions	21.89
Public & Others	10.4

Ultratech Cement expects to further take advantage in logistics and attractive markets with Greenfield expansion (south west MP) with cement capacity of 3.5 mtpa at total cost of ~\$110/t which should be commissioned by Q4 FY19. Consolidated capacity will augment to 95 mtpa by FY19.

On JPA acquisition: Current EBITDA/t for JPA at INR400/t, aided by state incentives some of which are expected to go away in FY18/FY19. Company is expected to incur one time brand launch expense related to JPA brand. The 4MT capacity at Bara(UP) is expected to get commissioned by FY19 end.

Price Chart:

Valuations:

We have valued the stock using EV/EBITDA(x) and have ascribed EV/EBITDA multiple of 19(x) to its FY19E estimates & arrived at fair value of Rs. 4,453 per share. We have ‘HOLD’ rating on the stock.

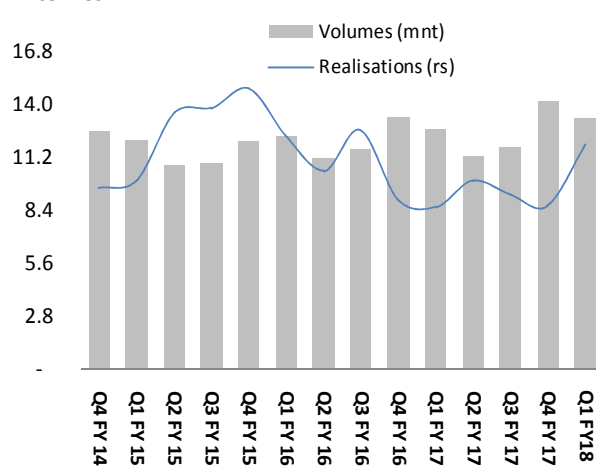


Financial Snapshot	FY16	FY17	FY18E	FY19E
Net Revenue	25,552	25,375	27,234	29,432
EBITDA	4,891	5,212	5,719	6,475
PAT	2,287	2,715	2,993	3,405
EPS	83.3	98.9	109.0	124.0
RoE	11.4	11.9	11.7	12.0
P/E (x)	38.8	41.9	38.0	33.4
EV/EBITDA (x)	18.6	22.6	20.3	17.7

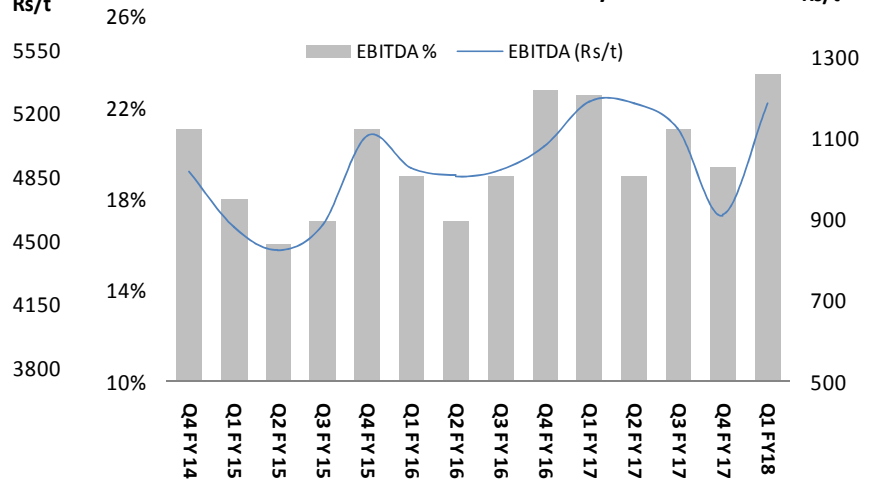


	Q4 FY 14	Q1 FY 15	Q2 FY 15	Q3 FY 15	Q4 FY 15	Q1 FY 16	Q2 FY 16	Q3 FY 16	Q4 FY 16	Q1 FY 17	Q2 FY 17	Q3 FY 17	Q4 FY 17	Q1 FY 18
Volumes (mnt)	12.5	12.0	10.7	10.8	11.9	12.2	11.1	11.5	13.2	12.6	11.2	11.6	14.1	13.2
Realisations (rs)	4788	4829	5200	5228	5335	5073	4883	5104	4719	4683	4829	4752	4689	5024
EBITDA %	21%	18%	16%	17%	21%	19%	17%	19%	23%	23%	19%	21%	19%	24%
EBITDA (Rs/t)	1016	879	823	885	1106	1024	1006	1020	1078	1191	1187	1122	909	1183

ULTC's Volumes and Realisation trend



ULTC's EBITDA% and EBITDA/t trend



Valuations:

	FY16	FY17	FY18E	FY19E
EV/EBITDA	18.6	22.6	20.3	19.0
EBITDA	4891	5212	5719	6475
EV	91054	117879	115850	123025
Debt	4720	6371	5153	4133
Cash	2272	2249	2950	3356
Market Cap	88607	113757	113647	122249
No shares	27.4	27.5	27.5	27.5
CMP				4,142
Target				4,453
Upside				8%

Q1 FY18 Results (Consolidated)

Rs Cr	Q1 FY 17	Q4 FY 17	Q1 FY 18
Net Sales	7452	7924	7929
Expenditure	5977	6588	6296
EBITDA	1475	1336	1632
Other Income	151	241	166
Interest	180	167	141
Depreciation	323	356	330
PBT	1124	1054	1296
Tax	344	328	398
Net Profit	780	726	898
Minority Interest	0	0.19	0.92
OCI	-16.8	-44.0	-24.87
Total Comprehensive Income	763	682	872
EPS (Rs)	28	26	33

Source: - Company Data Ace Equity, Arianth Research



Profit & Loss Statement (Consolidated)			
Y/E March (Rs Cr)	FY17	FY18E	FY19E
Net Sales	25375	27234	29432
% Chg	-1	7	8
Total Expenditure	20163	21515	22957
EBITDA	5212	5719	6475
EBITDA Margin %	21	21	22
Depreciation	1348	1458	1619
EBIT	3864	4261	4856
Interest	640	687	795
Other Income	648	700	800
PBT	3872	4274	4862
Tax Provisions	1159	1282	1458
PAT before MI	2714	2992	3403
MI & Profit from Associate	1	1	1
Net Profit	2715	2993	3405

Cash Flow Statement (Consolidated)			
Y/E March (Rs Cr)	FY17	FY18E	FY19E
PBT	3872	4274	4862
Changes in WC	518	-26	-248
Cashflow from Oper. Act.	4993	4697	4583
Cashflow from Investing Act.	-2469	-2294	-1581
Cash flow from Financing Act.	-2535	-3006	-2847
Net increase in cash & Eq.	-10	-603	155
Opening Cash Balance	90	59	-479
On account of Amalgamation	-21	65	65
Closing Cash Balance	59	-479	-259

BS(Consolidated)			
	FY17	FY18E	FY19E
Shareholders' funds	24392	26954	29868
Share capital	275	275	275
Reserves and Surplus	24117	26679	29593
Non-current liabilities	9488	9160	8185
Long-term borrowings	6371	5153	4133
Current liabilities	8329	8944	9309
Short-term borrowings	1079	850	876
Trade payables	1857	1925	2050
Total Liabilities	42219	45074	47379
Total Non-Current Assets	28894	30561	32405
Net Fixed assets	25904	26668	28049
Capital work-in-progress	921	738	975
Non-current investments	1355	1800	2000
Current assets	13325	14514	14975
Inventories	2401	3303	3408
Trade receivables	1757	2098	2222
Cash and Cash Equivalents	2249	2950	3356
Total Assets	42219	45074	47379

Key Ratios (Consolidated)			
Y/E March (Rs Cr)	FY17	FY18E	FY19E
Per Share data (Rs)			
EPS	99	109	124
Dividend per share	9.9	13.1	14.9
Book value per share	889	982	1088
Operating, Returns Ratio			
Debt/ Equity (X)	0.3	0.2	0.1
Current Ratio (X)	1.6	1.6	1.6
RoE (%)	11.9	11.7	12.0
Valuation Ratio (X)			
P/E	41.9	38.0	33.4
P/BV	4.7	4.2	3.8
EV/ Sales	4.6	4.3	3.9
EV/EBITDA	22.6	20.3	17.7

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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%

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