



Volume Drops!

18th Oct, 2016

CMP: Rs.4,012
Target Price: Rs.3,788
Recommendation: Reduce

Stock Info

BSE Group	A
BSE Code	532528
NSE Symbol	ULTRACEMCO
Bloomberg	UTCEM .IN
Reuters	ULTC.BO
BSE Sensex	27,780
NSE Nifty	8,560

Market Info

Market Capital	Rs. 1,10,018 cr
Equity Capital	Rs. 274cr
Avg. Trading Vol.	2,88,650
52 Wk High/ Low	4,130/2,581
Face Value	Rs 10

Shareholding Pattern (%)	(Jun. 2016)
Promoters	62.3
Domestic Institutions	6.8
Foreign Institutions	19.6
Public & Others	11.3

Price Chart:



For the quarter Q2 FY 17 Ultratech Cement’s domestic sales volume dropped by 1% to 10.6 mnt being impacted by monsoon however total volumes grew by 1% to 11.2 mnt. While blended realizations increased sequentially by 3% to Rs. 4,829 per ton, they were down by 3% as compared to same quarter of previous year.

ULTCs standalone revenue came in at Rs 6,195 cr vs. Rs. 6,338 cr, a de-growth of 2% on YoY basis. On consolidated basis the revenue for the quarter was Rs 6,508 cr vs. Rs 6,669 cr YoY. EBITDA margins expanded by 3% to 19% on YoY basis on account of improved logistics and energy costs. Though tax rate increased to 31%, profit after tax for the quarter improved by 9% YoY on consolidated basis to Rs 614 cr. Standalone PAT stood at Rs. 601 cr.

Raw material cost remained range bound at Rs 462/t on back of raw mix optimization and impact of DMF liability in corresponding period. Waste heat recovery system share stood at 7%. Pet coke consumption went up to 76% rising from 65% sequentially. Increase in domestic pet coke prices was negated due to low cost fuel inventory. Share of imported coal reduced to 15% from 23% YoY while that of indigenous coal dropped to 9% from 12% YoY while increased marginally from 8% sequentially. Energy cost declined by 19% YoY & witnessed 8% increase sequentially due to higher fuel prices and annual shutdown. Logistics improved 4% YoY and sequentially on account of improvement in lead distance. Road dispatches stood at 73% against 69% in Q2 FY 16 while rail share dropped to 23% against 29% YoY.

Outlook & Valuations:

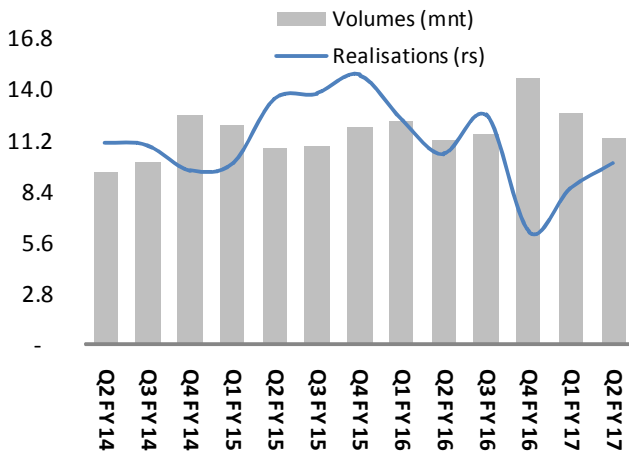
Ultratech Cement Ltd. has continued to perform well. Good monsoon along with government focus on smart cities and pay commission are expected to revive the rural economy. However, increase in petcoke prices and surplus inventory in urban real estate stay a concern. We have valued the stock using EV/EBITDA(x) and have ascribed EV/EBITDA multiple of 21(x) to its FY17E estimates & arrived at fair value of Rs. 3,788 per share. We have ‘Reduce’ rating on the stock.

Financial Snapshot (Rs Cr)	FY14	FY15	FY16	FY17E
Net Revenue	21,652	24,340	25,552	25,777
EBITDA	4,035	4,425	4,891	5,155
PAT	2,206	2,098	2,287	2,627
EPS	80.4	76.5	83.3	95.7
RoE	13.6	11.6	11.4	11.8
P/E (x)	27.2	37.6	38.8	41.9
EV/EBITDA (x)	16.3	18.9	18.6	22.2

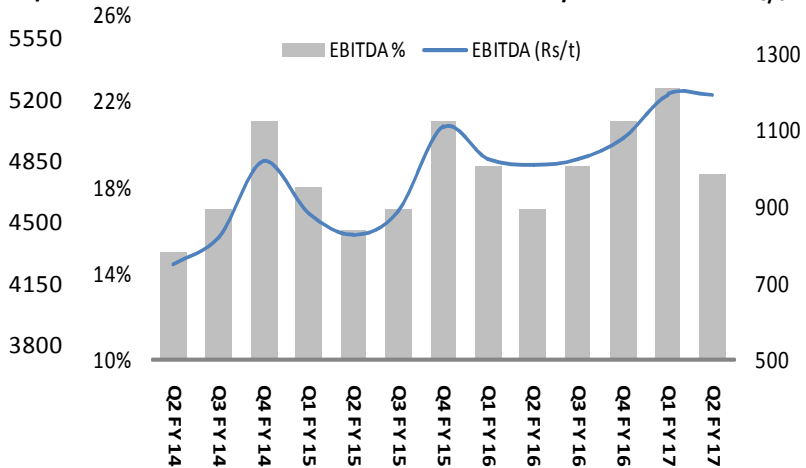


	Q2 FY 14	Q3 FY 14	Q4 FY 14	Q1 FY 15	Q2 FY 15	Q3 FY 15	Q4 FY 15	Q1 FY 16	Q2 FY 16	Q3 FY 16	Q4 FY 16	Q1 FY 17	Q2 FY 17
Volumes (mnt)	9.4	10.0	12.5	12.0	10.7	10.8	11.9	12.2	11.1	11.5	14.5	12.6	11.2
Realisations (rs)	4947	4934	4788	4829	5200	5228	5335	5073	4883	5104	4438	4683	4829
EBITDA %	15%	17%	21%	18%	16%	17%	21%	19%	17%	19%	21%	23%	19%
EBITDA (Rs/t)	747	820	1016	879	823	885	1106	1024	1006	1020	1077	1191	1187

mn tonnes **ULTC's Volumes and Realisation trend**



Rs/t % **ULTC's EBITDA% and EBITDA/t trend** Rs/t



Valuations:

	FY14	FY15	FY16	FY17E
EV/EBITDA	16.3	18.9	18.6	21.0
EBITDA	4035	4425	4891	5155
EV	65647	83592	91054	108262
Debt	6021	4993	4720	6720
Cash	348	371	2272	2400
Market Cap	59975	78970	88607	103942
No shares	27.4	27.4	27.4	27.4
CMP				4012
Target				3,788

Rs Cr	Q2 FY 16	Q1 FY 17	Q2 FY 17
Net Sales	6669	7452	6509
Expenditure	5619	5977	5290
EBITDA	1051	1475	1219
EBITDA Margins	16%	20%	19%
Other Income	135	151	159
Interest	147	180	150
Depreciation	354	323	334
PBT	685	1124	894
Tax	194	344	280
Net Profit	491	780	614
Minority Interest	0	0	-1
OCI	-8.1	-16.8	9.9
Total Comprehensive Income	482	763	624
EPS (Rs)	18	28	22

Source: - Company Data Ace Equity, Arianth Research



Profit & Loss Statement (Consolidated)

Y/E March (Rs Cr)	FY14	FY15	FY16	FY17E
Net Sales	21652	24340	25552	25777
% Chg	2	12	5	1
Total Expenditure	17616	19915	20661	20621
EBITDA	4035	4425	4891	5155
EBITDA Margin %	19	18	19	20
Depreciation	1139	1203	1368	1380
EBIT	2896	3222	3522	3775
Interest	361	587	560	615
Other Income	322	350	218	650
PBT	2858	2986	3181	3810
Tax Provisions	645	884	892	1181
PAT before MI	2213	2102	2288	2629
MI & Profit from Associate	-7	-4	-2	-2
Net Profit	2206	2098	2287	2627

Cash Flow Statement (Consolidated)

Y/E March (Rs Cr)	FY14	FY15	FY16	FY17E
PBT	2858	2986	3181	3810
Changes in WC	76	-104	424	536
Cashflow from Oper. Act.	3455	4190	4498	4789
Cashflow from Investing Act.	-2396	-2166	-1693	-1650
Cash flow from Financing Act.	-949	-2110	-844	-2900
Net increase in cash & Eq.	110	-86	1961	238
Opening Cash Balance	185	151	88	2097
On account of Amalgamation	54	22	48	65
Closing Cash Balance	348	88	2097	2400

BS(Consolidated)

	FY14	FY15	FY16	FY17E
Shareholders' funds	17182	19041	21058	23357
Share capital	274	274	274	274
Reserves and Surplus	16903	18758	20771	23083
Non-current liabilities	8461	7974	8155	9916
Long-term borrowings	6021	4993	4720	6720
Deferred Tax Liabilities (Net)	2290	2786	3222	2968
Other Long term liabilities	2	17	16	18
Long-term provisions	148	178	198	210
Current liabilities	6525	11020	11527	8525
Short-term borrowings	985	2564	2476	876
Trade payables	2591	1711	1749	1790
Other current liabilities	2106	5595	6347	5009
Short-term provisions	844	1150	956	850
Total Liabilities	32185	38053	40757	41814
Net Fixed assets	18100	23343	25150	26069
Capital work-in-progress	2183	2250	1303	968
Non-current investments	1133	1977	2370	1300
Total Non-Current Assets	22694	29393	30782	29356
Current assets	9491	8660	9975	12458
Current investments in MF	3729	2523	2028	4500
Trade receivables	1632	1659	1927	1900
Cash and Cash Equivalents	348	371	2272	2400
Other current assets	1181	1141	1103	3658
Total Assets	32185	38053	40757	41814

Key Ratios (Consolidated)

Y/E March (Rs Cr)	FY14	FY15	FY16	FY17E
Per Share data (Rs)				
EPS	80	76	83	96
Dividend per share	9.0	9.0	9.4	9.6
Book value per share	626	694	767	851
Operating, Returns Ratio				
Debt/ Equity (X)	0.4	0.3	0.2	0.3
Current Ratio (X)	1.5	0.8	0.9	1.5
RoE (%)	14	12	11	12
Valuation Ratio (X)				
P/E	27.2	37.6	38.8	36.6
P/BV	3.5	4.1	4.2	4.1
EV/ Sales	3.0	3.4	3.6	3.9
EV/EBITDA	16.3	18.9	18.6	19.5

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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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