



HIGHER EXPENDITURE DENTS PROFITABILITY!

25<sup>th</sup> April, 2017

**CMP:** Rs.4,144  
**Target Price:** Rs.4,742  
**Recommendation:** ACCUMULATE

For the quarter Q4 FY17 Ultratech Cement's domestic sales volume increased by 21% to 13.35 mnt while the total volumes grew by 20% to 14.07 mnt QoQ. Realizations witnessed a steady growth on a YoY basis.

Stock Info

BSE Group	A
BSE Code	532528
NSE Symbol	ULTRACEMCO
Bloomberg	UTCEM .IN
Reuters	ULTC.BO
BSE Sensex	27,117
NSE Nifty	8,391

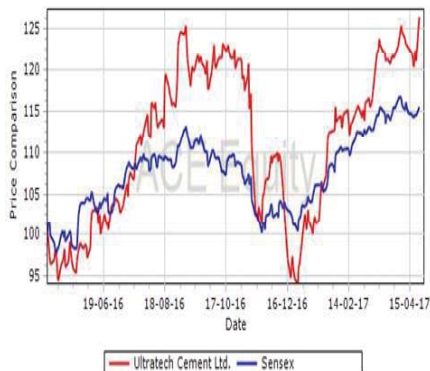
Market Info

Market Capital	Rs. 1,15,696cr
Equity Capital	Rs. 274cr
Avg. Trading Vol.	305,790
52 Wk High/ Low	4,259/3,050
Face Value	Rs 10

Shareholding Pattern (%)

Promoters	62.16
Domestic Institutions	5.58
Foreign Institutions	21.87
Public & Others	10.39

Price Chart:



Ultratech Cement's standalone revenue came in at Rs 7499 cr vs. Rs. 7284 cr, a growth of 3% on Y-o-Y basis. On consolidated basis the revenue for the quarter stood at Rs 7924 cr vs. Rs 7700 cr Y-o-Y. EBITDA margins contracted by 100 bps to 23% on Y-o-Y basis. Net profit after tax for the quarter decreased by 11.3% YoY on consolidated basis to Rs 726 cr while standalone PAT stood at Rs. 688 cr. Total comprehensive income for the quarter stood at Rs 683 cr vs. Rs 820 cr on consolidated basis, a fall of 17% YoY.

Energy cost increased by 23% to Rs 840/t. Over all reduced power consumption by 4% Y-o-Y. Enhanced waste heat recovery share by 2%. Impact of all this led to restriction of total manufacturing cost increase to 13% . Logistic costs increased by 1% to Rs.1104/t. Road dispatches increase restricted to 5%.

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.

Valuations:

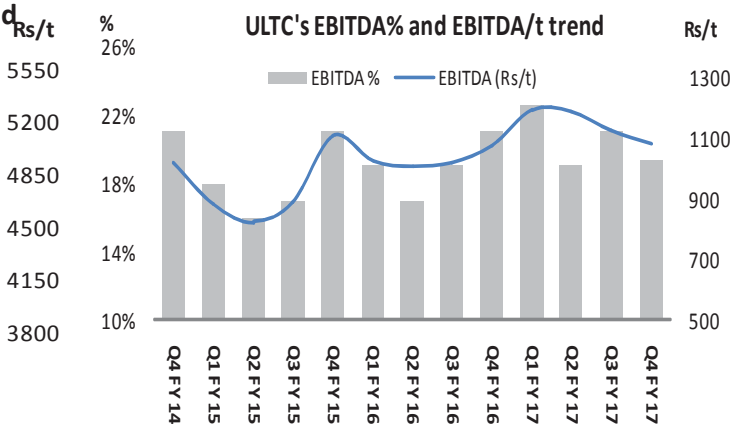
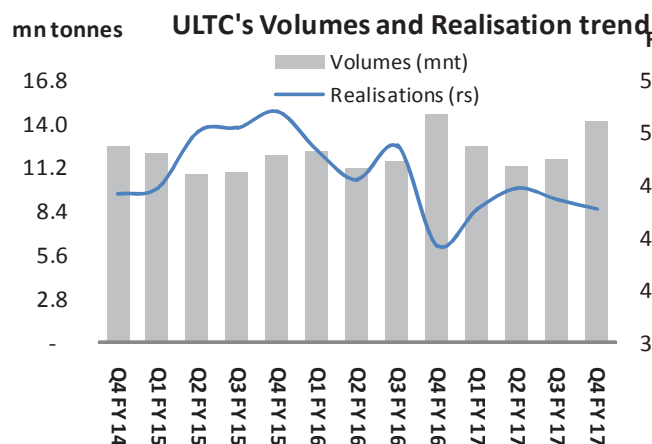
We have valued the stock using EV/EBITDA(x) and have ascribed EV/EBITDA multiple of 20(x) to its FY19E estimates & arrived at fair value of Rs. 4,742 per share. We have 'ACCUMULATE' rating on the stock.

Financial Snapshot	FY16	FY17	FY18E	FY19E
Net Revenue	25,552	25,777	27,607	29,835
EBITDA	4,891	5,155	5,797	6,564
PAT	2,287	2,627	3,051	3,440
EPS	83.3	95.7	111.2	125.4
RoE	11.4	11.8	12.4	12.5
P/E (x)	38.8	41.7	35.9	31.8
EV/EBITDA (x)	18.6	22.1	19.3	20.0

Source: - Company Data Ace Equity, Arihant Research



	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	Q3 FY 17	Q4 FY 17
Volumes (mnt)	10.0	12.5	12.0	10.7	10.8	11.9	12.2	11.1	11.5	14.5	12.6	11.2	11.6	14.1
Realisations (rs)	4934	4788	4829	5200	5228	5335	5073	4883	5104	4438	4683	4829	4752	4689
EBITDA %	17%	21%	18%	16%	17%	21%	19%	17%	19%	21%	23%	19%	21%	19%
EBITDA (Rs/t)	820	1016	879	823	885	1106	1024	1006	1020	1077	1191	1187	1122	1079



**Valuations:**

	FY16	FY17E	FY18E	FY19E
EV/EBITDA	18.6	22.1	19.3	20.0
EBITDA	4891	5155	5797	6564
EV	91054	113775	111971	131273
Debt	4720	6720	5466	4503
Cash	2272	2400	2950	3356
Market Cap	88607	109455	109455	130126
No shares	27.4	27.4	27.4	27.4
CMP				4,144
Target				4,742
Upside				14%

Rs Cr	Q4 FY 16	Q3 FY 17	Q4 FY 17
<b>Net Sales</b>	<b>7700</b>	<b>6761</b>	<b>7924</b>
Expenditure	6237	5579	6588
<b>EBITDA</b>	<b>1464</b>	<b>1182</b>	<b>1336</b>
Other Income	141	97	241
Interest	128	144	167
Depreciation	379	336	356
<b>PBT</b>	<b>1097</b>	<b>800</b>	<b>1054</b>
Tax	279	206	328
<b>Net Profit</b>	<b>819</b>	<b>594</b>	<b>726</b>
Minority Interest	0.47	-1	0.21
OCI	2.2	78.4	-44.0
<b>Total Comprehensive Income</b>	<b>820</b>	<b>673</b>	<b>682</b>
EPS (Rs)	30	22	26



Profit & Loss Statement (Consolidated)				
Y/E March (Rs Cr)	FY16	FY17E	FY18E	FY19E
Net Sales	25552	25777	27607	29835
% Chg	5	1	7	8
Total Expenditure	20661	20621	21809	23271
EBITDA	4891	5155	5797	6564
EBITDA Margin %	19	20	21	22
Depreciation	1368	1380	1478	1641
EBIT	3522	3775	4319	4923
Interest	560	615	659	806
Other Income	218	650	700	800
PBT	3181	3810	4360	4917
Tax Provisions	892	1181	1308	1475
PAT before MI	2288	2629	3052	3442
MI & Profit from Associate	-2	-2	-2	-2
Net Profit	2287	2627	3051	3440

Cash Flow Statement (Consolidated)				
Y/E March (Rs Cr)	FY16	FY17E	FY18E	FY19E
PBT	3181	3810	4360	4917
Changes in WC	424	536	178	-259
Cashflow from Oper. Act.	4498	4789	5053	4693
Cashflow from Investing Act.	-1693	-1650	-1522	-1559
Cash flow from Financing Act.	-844	-2900	-3047	-2793
Net increase in cash & Eq.	1961	238	485	341
Opening Cash Balance	88	2097	2400	2950
On account of Amalgamation	48	65	65	65
Closing Cash Balance	2097	2400	2950	3356

BS (Consolidated)				
	FY16	FY17E	FY18E	FY19E
Shareholders' funds	21058	23357	25968	28913
Share capital	274	274	274	274
Reserves and Surplus	20771	23083	25694	28639
Non-current liabilities	8155	9916	9473	8555
Long-term borrowings	4720	6720	5466	4503
Current liabilities	11527	8525	8800	9159
Short-term borrowings	2476	876	850	876
Trade payables	1749	1790	1850	2000
Total Liabilities	40757	41814	44257	46644
Total Non-Current Assets	30782	29356	30083	32028
Net Fixed assets	25150	26069	25591	26950
Capital work-in-progress	1303	968	1031	1327
Non-current investments	2370	1300	1800	2000
Current assets	9975	12458	14174	14616
Inventories	2615	2500	3334	3442
Trade receivables	1927	1900	2142	2272
Cash and Cash Equivalents	2272	2400	2950	3356
Total Assets	40757	41814	44257	46644

Key Ratios (Consolidated)				
Y/E March (Rs Cr)	FY16	FY17E	FY18E	FY19E
Per Share data (Rs)				
EPS	83	96	111	125
Dividend per share	9.4	9.6	13.3	15.0
Book value per share	767	851	946	1054
Operating, Returns Ratio				
Debt/ Equity (X)	0.2	0.3	0.2	0.2
Current Ratio (X)	0.9	1.5	1.6	1.6
RoE (%)	11.4	11.8	12.4	12.5
Valuation Ratio (X)				
P/E	38.8	41.7	35.9	31.8
P/BV	4.2	4.7	4.2	3.8
EV/ Sales	3.6	4.4	4.1	3.7
EV/EBITDA	18.6	22.1	19.3	16.9

**Arihant Research Desk**

E. research@arihantcapital.com  
T. 022-42254800

**Head Office**

#1011, Solitaire Corporate park,  
Building No. 10, 1<sup>st</sup> Floor,  
Andheri Ghatkopar Link Road,  
Chakala, Andheri (E).  
Mumbai - 400093  
Tel: (91-22) 42254800  
Fax: (91-22) 42254880

**Registered Office**

E-5 Ratlam Kothi  
Indore - 452003, (M.P.)  
Tel: (91-731) 3016100  
Fax: (91-731) 3016199

**Stock Rating Scale**

	<b>Absolute Return</b>
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

**Research Analyst Registration No.****Contact****Website****Email Id**

INH000002764

SMS: 'Arihant' to 56677

[www.arihantcapital.com](http://www.arihantcapital.com)[research@arihantcapital.com](mailto:research@arihantcapital.com)**Disclaimer:**

This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.