

Current	Previous
CMP: Rs 4395	
Rating: Hold	Rating: Hold
Target: Rs 4887	Target: Rs 3695

(NR-Not Rated)

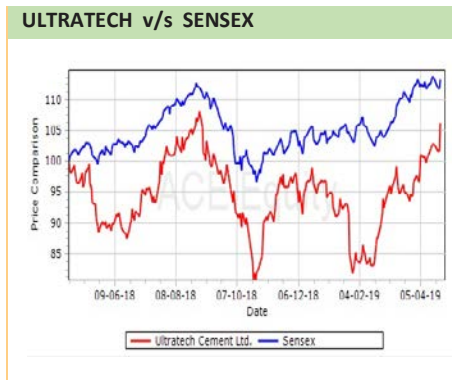
Stock Info	
INDEX	
BSE	532528
NSE	ULTRACEMCO
Bloomberg	UTCEM IN
Reuters	ULTC.BO
Sector	Cement
Face Value (Rs)	10
Equity Capital (Rs Mn)	2746
Market Cap (Rs Mn)	1,206,867
52w H/L (Rs)	4490/3264
Avg Weekly Vol (BSE+NSE)	17,093,460

Shareholding Pattern	%
(As on March, 2019)	
Promoters	61.7
Public & Others	38.3

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
ULTRATECH	15.9	29.8	6.6
SENSEX	7.9	14.7	12.8

Source: ACE Equity, Arihant Research



Source: ACE Equity, Arihant Research

UltraTech reported stellar set of Q4FY19 numbers surpassing our estimates on all fronts. Revenue increased 17.4% YoY to Rs 109bn ahead of our estimate of Rs 95.7bn, EBITDA rose 31% YoY to Rs 23.3bn (estimate Rs 16.9bn), while PAT jumped 127.1% YoY to Rs 10bn (estimate Rs 6.2bn). PAT figure is not directly comparable YoY due to inclusion of JP Cement and Binani Cement numbers. EBITDA margins at 21.4%, has seen expansion of 222bps YoY due to increased efficiency at company level despite elevated input costs. We are bullish on UltraTech from longer term perspective and it is our top pick in the cement sector. Maintain Hold with revised target price of Rs 4887, giving an upside potential of 11.2%.

Q4FY19 Operational Highlights

- For Q4FY19 UltraTech's realisations grew 2.6% YoY to Rs 4930/t, though on sequential basis realisation was mostly flat (0.1% QoQ). Domestic sales volume increased by 15.3% YoY to 21.3mt inclusive of Binani.
- UltraTech witnessed strong operating EBITDA in Q4FY19, which grew 12.7% YoY to Rs 1039/ton, while sequentially the growth was 33.8%.
- **Update on Nathdwara (earlier Binani) Cement**
Binani Cement, now renamed as UltraTech Nathdwara Cement Ltd (UNCL) achieved 0.975mt of sales volume in Q4FY19 with 62% utilisation level. UNCL has shown significant improvement in operating parameter with EBITDA/ton reaching Rs 830 (net of Rs160/ton one-off expenses). Ultratech expects UNCL's performance to improve further in subsequent quarters. UltraTech management expects UNCL to breakeven at PBT level by Q4FY20E.

Future Outlook

Ultratech management in its post result conference call expressed confidence about the uptick in cement demand in the country. The company expects incremental cement demand to surpass GDP growth rate in a few quarters time with 28-30mt of incremental demand in FY20.

Valuations

At CMP of Rs 4395, Ultratech is trading at EV/EBITDA of 16.4x its FY21E estimates. We have valued the stock at 18x EV/EBITDA multiple of its FY21E estimates, and arrived at fair value of Rs 4887/- per share. We maintain our 'HOLD' rating on the stock.

Financial Performance

YE March (Rs Mn)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	EV/EBITDA (x)
FY18	314,108	61,452	22,222	80.9	19.6	8.4	22.6
FY19	373,792	67,881	24,347	88.7	18.2	8.6	21.0
FY20E	412,335	74,220	27,975	101.9	18.0	9.0	19.2
FY21E	458,104	87,040	36,854	134.2	19.0	10.6	16.4

Source: Company, Arihant Research

Q4FY19 and FY19 Financial Performance

Rs Mn (consolidated)	Q4FY19	Q3FY19	Q4FY18	Q-o-Q	Y-o-Y	FY19	FY18	Y-o-Y
Net Revenue	1,09,052	93,369	92,903	16.8%	17.4%	3,73,792	3,09,786	20.7%
Material Cost	67,927	60,645	59,086	12.0%	15.0%	2,38,017	1,89,328	25.7%
Employee cost	5,025	5,287	4,455	-5.0%	12.8%	20,588	18,102	13.7%
Other Expenses	12,776	12,902	11,556	-1.0%	10.6%	47,305	40,904	15.7%
EBITDA	23,325	14,535	17,807	60.5%	31.0%	67,881	61,452	10.5%
EBITDA margin %	21.4%	15.6%	19.2%	+582bps	+222bps	18.2%	19.8%	-168bps
Other Income	1,261	1,045	1,112	20.7%	13.4%	4,381	5,886	-25.6%
Depreciation	5,475	5,499	5,009	-0.4%	9.3%	21,398	18,479	15.8%
EBIT	19,111	10,081	13,910	89.6%	37.4%	50,864	48,858	4.1%
Finance cost	4,343	4,119	3,492	5.4%	24.3%	15,486	12,376	25.1%
Exceptional Item	-	-	-3,151	-	-	-	-3,466	-
PBT	14,768	5,962	7,266	147.7%	103.2%	35,378	33,016	7.2%
Tax Expense	4,625	1,862	2,805	148.4%	64.9%	11,068	10,770	2.8%
Effective tax rate %	31.3%	31.2%	38.6%	+8bps	-728bps	31.3%	32.6%	-134bps
PAT	10,143	4,100	4,462	147.4%	127.3%	24,311	22,246	9.3%
MI & Associates	-12	28	-1			37	-24	
Consolidated PAT	10,131	4,128	4,461	145.4%	127.1%	24,347	22,222	9.6%
PAT margin %	9.3%	4.4%	4.8%	+487bps	+449bps	6.5%	7.2%	-66bps
EPS (Rs)	36.9	15.0	16.2	145.4%	127.1%	88.7	80.9	9.6%

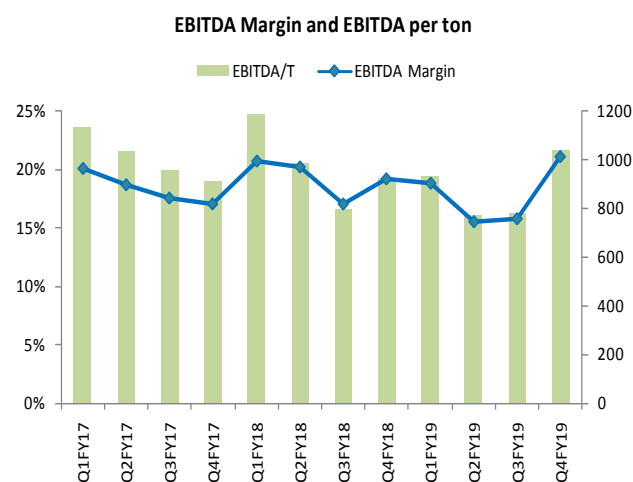
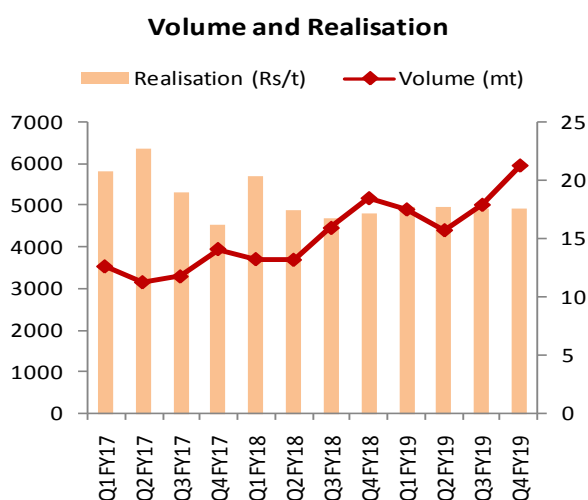
Source: Company, Aриhant Research

Per ton Analysis

India Operations	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Volumes (Mt)	12.6	11.2	11.7	14.1	13.2	13.1	15.9	18.5	17.5	15.7	17.9	21.3
Realisation (Rs/t)	5795	6335	5295	4529	5681	4891	4699	4803	4946	4950	4923	4930
EBITDA Margin (%)	20.0%	18.6%	17.5%	17.0%	20.7%	20.1%	17.0%	19.2%	18.8%	15.5%	15.8%	21.1%
EBITDA (Rs/t)	1132	1031	952	908	1182	985	798	922	928	769	777	1039

Source: Company, Aриhant Research

Volume, Realisation, EBITDA margin and EBITDA per ton metrics of Ultratech Cement over the quarters



Source: Company, Aриhant Research

Q4FY19 Conference Call Highlights

- Ultratech cement expects incremental cement demand to surpass GDP growth rate in a few quarters time. The company expects 28-30 mt of incremental cement demand in FY20, with 9-10% demand growth.
- Institutional cement demand is increasing due to government projects and expenditure; however India still predominantly remains a retail market.
- Once DFC (Dedicated Freight Corridor) becomes operational Ultratech's UNCL plant (Ultratech Nathdwara Cement Ltd. – earlier Binani Cement) will benefit the most as it has very close proximity to the DFC corridor.
- Q4FY19 saw 9.75 lakh ton volume from UNCL and 194.9 lakh volume in the standalone entity of Ultratech.
- UNCL to break-even in Q4FY20E.

Valuations

Rs Mn	FY19	FY20E	FY21E
EV/EBITDA	21.0	19.2	18.0
EBITDA	67881	74220	87040
EV	1422726	1428670	*1566716
Net Debt	215683	221627	224578
Market Cap	1207043	1207043	1342139
No of Shares	275	275	275
Fair Value			4887
CMP			4395
Upside			11.2%

*EV on basis of target EV/EBITDA multiple of 18x

Consolidated Financials

Income Statement

Y/E March (Rs Mn)	FY18	FY19	FY20E	FY21E
Revenues	3,14,108	3,73,792	4,12,335	4,58,104
<i>Change (%)</i>	23.8%	19.0%	10.3%	11.1%
Total Expenses	2,52,656	3,05,911	3,38,115	3,71,064
EBITDA	61,452	67,881	74,220	87,040
Other Income	5,837	4,381	6,185	6,872
Depreciation	18,479	21,398	23,915	25,196
Interest	12,328	15,486	16,493	16,034
PBT	36,482	35,378	39,996	52,682
Extra-ordinary	3,467	0	0	0
PBT after ext-ord.	33,015	35,378	39,996	52,682
Tax	10,770	11,068	11,999	15,805
<i>Rate (%)</i>	32.6%	31.3%	30.0%	30.0%
PAT	22,245	24,311	27,998	36,877
MI & Associates	23	-37	23	23
Consolidated PAT	22,222	24,347	27,975	36,854
<i>Change (%)</i>	-18.1%	9.6%	14.9%	31.7%

Source: Company, Aриhant Research

Balance Sheet

Y/E March (Rs Mn)	FY18	FY19	FY20E	FY21E
Sources of Funds				
Share Capital	2,746	2,746	2,746	2,746
Reserves & Surplus	2,61,066	2,81,143	3,07,567	3,43,989
Net Worth	2,63,812	2,83,890	3,10,313	3,46,735
Loan Funds				
MI, Deferred Tax & other Liabilities	36,772	40,289	40,289	40,289
Capital Employed	4,86,853	5,46,933	5,83,337	6,29,739
Application of Funds				
Net Block	3,86,790	4,32,887	4,52,887	4,92,887
CWIP	15,112	11,221	11,221	11,221
Other Non-current Assets	37,047	56,618	56,618	56,618
Deferred Tax Assets	1,498	1,396	1,396	1,396
Net Fixed Assets	4,40,447	5,02,123	5,22,123	5,62,123
Investments	60,477	38,730	38,730	38,730
Debtors	22,206	25,314	28,242	31,377
Inventories	32,676	35,851	39,539	43,928
Cash & Bank Balance	2,191	7,072	11,107	18,137
Loans & Advances & other CA	13,508	36,267	57,088	54,574
Total Current Assets	70,581	1,04,505	1,35,976	1,48,016
Current Liabilities	78,123	92,252	1,07,320	1,12,957
Provisions	6,529	6,172	6,172	6,172
Net Current Assets	-14,071	6,081	22,484	28,887
Total Assets	4,86,853	5,46,933	5,83,337	6,29,739

Source: Company, Aриhant Research

Cash Flow Statement

Y/E March (Rs Mn)	FY18	FY19E	FY20E	FY21E
PBT	36,482	35,378	39,996	52,682
Depreciation	18,479	21,398	23,915	25,196
Interest & others	6,513	11,068	10,331	9,185
Cash flow before WC changes	61,475	67,845	74,243	87,063
(Inc)/dec in working capital	6,246	-11,431	-12,368	627
Operating CF after WC changes	67,721	56,414	61,875	87,690
Less: Taxes	-10,770	-11,068	-11,999	-15,805
Operating Cash Flow	56,951	45,346	49,876	71,885
(Inc)/dec in F.A + CWIP	-1,65,732	-61,676	-20,000	-40,000
(Pur)/sale of investment	-3,615	21,748	0	0
Cash Flow from Investing	-1,69,347	-39,928	-20,000	-40,000
Free Cash Flow (FCF)	-87,550	3,139	29,876	31,885
Loan raised/(repaid)	1,22,561	36,486	9,980	9,980
Equity raised	1	0	0	0
Interest & others	-27,121	-33,865	-31,904	-29,307
Dividend	-3,340	-3,158	-3,916	-5,528
Cash Flow from Financing Activities	92,100	-537	-25,841	-24,855
Net inc / (dec) in cash	-20,297	4,881	4,036	7,030
Opening balance of cash	22,488	2,191	7,072	11,107
Closing balance of cash	2,191	7,072	11,107	18,137

Source: Company, Arianth Research

Key Ratios

Y/E March	FY18	FY19	FY20E	FY21E
Per share (Rs)				
EPS	80.9	88.7	101.9	134.2
CEPS	148.2	166.6	188.9	225.9
BVPS	960.7	1033.7	1129.9	1262.5
DPS	12.2	11.5	14.3	20.1
Div. Payout (%)	15.0%	13.0%	14.0%	15.0%
Valuation (x)				
P/E	54.3	49.6	43.1	32.8
P/CEPS	29.7	26.4	23.3	19.5
P/BV	4.6	4.3	3.9	3.5
EV/EBITDA	22.6	21.0	19.2	16.4
Dividend Yield (%)	0.3%	0.3%	0.3%	0.5%
Return Ratio (%)				
EBIDTA Margin	19.6%	18.2%	18.0%	19.0%
PAT Margin	7.1%	6.5%	6.8%	8.0%
ROE	8.4%	8.6%	9.0%	10.6%
ROCE	8.8%	8.5%	8.6%	9.8%
Leverage Ratio (x)				
Total D/E	0.7	0.8	0.8	0.7
Net D/E	0.7	0.8	0.7	0.6
Turnover Ratios				
Asset Turnover (x)	0.6	0.7	0.7	0.7
Receivable Days	26	25	25	25
Payable days	98	96	95	90

Source: Co, Arianth Research

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office

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

Registered Office

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

Stock Rating Scale

	Absolute Return
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	research@arihantcapital.com

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880