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CMP: INR 6454

Outlook : Positive

Stock Info

BSE	532528
NSE	ULTRACEMCO
Bloomberg	UTCEM IN
Reuters	ULTC.BO
Sector	Cement
Face Value (INR)	10
Equity Capital (INR)	2890
Mkt Cap (Rs Mn)	1863227
52w H/L (Rs)	8267/ 5,158
Avg. Yearly Vol (in 000')	404

Shareholding Pattern %

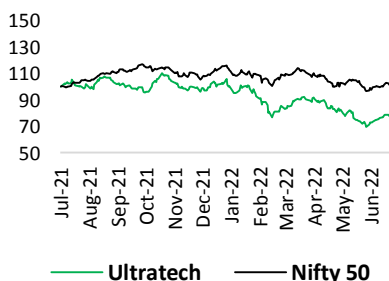
(As on June 2022)

Promoters	59.96
Public & Others	39.94

Stock Performance (%)

	1m	3m	12m
Ultratech	13.1	-9.27	-17.9
Nifty	8.17	-2.91	5.36

Ultratech Vs Nifty



Ultratech Cement Limited (Ultratech) delivered decent set of numbers in Q1FY23 and were above our estimates on almost all front. Net Revenue grew by 28.2 % YoY, however declined by 3.8% QoQ to INR 1,51639 mn in Q1FY23 above our expectation of INR 141305 mn. Healthy topline growth on YoY basis was mainly due to rise in realization and volume growth . Sales volume grew by 16% YoY however declined by 9.6% QoQ to 25.04 MMT above our expectation of 24.3 mn tonnes. YoY Volume growth was backed by good demand from infrastructure, commercial and housing across all region. Cement demand was impacted by overall inflationary trends and lower labour availability in May 2022. However, cement demand picked up in June 2022 on pre-monsoon construction activity. Realization /tonne grew by 10.2% YoY and 6.4% QoQ to INR 6056 above our expectation of INR 5815. Healthy realization growth was mainly due to increase in cement prices mostly across all regions and increase share of premium product mix which rose 3.2% YoY to 17.4%.

EBIDTA declined by 6.4% YoY, and remained flat QoQ to INR 30949 mn above our expectation of INR 25868 mn, EBIDTA margin de grew by 755 bps YoY and grew by 92 bps QoQ to 20.4% EBIDTA margin contraction was mainly due to rise in Input cost mainly led by rise in energy cost and and RM cost energy cost rose by 54% YoY to 1573/tonne led by rise in blended petcoke and coal cost which increased 82% YoY to 184/MT. RM cost increased by 13% YoY to INR 577/tonne led by increase in diesel cost and increase in input material cost. EBIDTA/tonne degrew by 19.5% YoY and grew by 11.4% QoQ to INR 1236/tonne above our estimates of INR 1065.

PAT declined by 7% YoY and 35.6 % QoQ to INR 15812 mn above our estimate of INR 12055 mn. PAT margin contracted by 394 bps YoY and 513 bps QoQ to 10.4 % Muted operating performance impacted the margin.

Valuation & View:

We remain optimistic on the domestic cement demand growth over a longer period driven by expected healthy demand from infrastructure, rural housing and urban housing. Ultratech has been witnessing better than the industry's growth over the years, which is expected to sustain, going forward as well owing to huge capacity addition plan by FY25E (22.6mnT).Further, OCF generation has been quite healthy in the recent years mainly supported by steady Realization. Company delivered decent performance in quarter compared to its peers. Further with the reduction in pet coke and coal prices we expect margin to improve going ahead. At a CMP of INR 6454 The stock is trading at a EV/EBIDTA multiple of 16.6(x) to its FY22 EBIDTA of INR 115140 Mn .We maintain positive outlook on the stock with price objective of INR 7400

Q1FY23 Concall Highlights:

Operational Highlights

Cement consumption improving Quarter after quarter after good Q4 cement consumption continues to improve in this quarter

Cement demand picked up in this cycle as urban housing has picked up.No of new projects are on rise which will benefit cement demand.

Large Infrastructure projects are leading to overall demand of cement in Infrastructure space.

Given the inflation cost company expects pricing to be better in coming times.

Input cost has been rising continuously fuel and energy cost has been a matter of concern production cost has been continuously rising. Input cost to remain on elevated level even in next quarter.

Pet coke prices have declined by more than 10% in last month.coal prices is also expected to cool down which will aid in margin improvement in longer run.

Company would require 15 Mn tonne of fuel per annum company has started its procurement strategy like Inventory management and Alternate Fuel Plan.

Capacity expansion plan of company of 22.6 Mn ton is well planned and will be completed as per timeline of FY25-26

This capex plan is targeting IRR of 15% from FY26 once they are commissioned which will help in improving return ratio.It will be funded by internal accrual

Company is focusing on capex as it believes india will be a strong growth market for a long time and demand for cement will be huge so company dosent want to fall short on capacity.

After completing this expansion company will chart a road map to rise from 153 mn tonne to 200 mn tonne through organic and inorganic way.

Company has an inventory of 50 + days which will help in mitigating further cost inflation to some extent in next quarter.

For FY23E capex amount would be around INR 6500 cr approx..

Trade and Non trade mix for the quarter stood at 67% and 33%.

In FY26E company expects EBIDTA/ton to be in range of 1400 to 1500 /ton.

Lead distance for the quarter stood around 429 Km.The Company achieved capacity utilisation of 83% as against 73% during Q1 FY22.

Q1 FY23 - Quarterly Performance (Consolidated)

(in Rs Mn)

UltraTech Cement Ltd.

Rs Mn (consolidated)	Q1FY23	Q4FY22	Q1FY22	Q-o-Q	Y-o-Y
Net Revenue	1,51,639	1,57,673	1,18,298	-3.8%	28.2%
Material Cost	95,862	1,01,713	65,261	-5.8%	46.9%
Employee cost	6,371	6,273	5,848	1.6%	8.9%
Other Expenses	18,457	18,959	14,114	-2.6%	30.8%
EBITDA	30,949	30,728	33,075	0.7%	-6.4%
<i>EBITDA margin %</i>	<i>20.4%</i>	<i>19.5%</i>	<i>28.0%</i>	<i>92bps</i>	<i>-755bps</i>
Other Income	1,087	924	2,049	17.6%	-46.9%
Depreciation	6,952	7,034	6,598	-1.2%	5.4%
EBIT	25,084	24,618	28,526	1.9%	-12.1%
Finance cost	2,158	2,063	3,261	4.6%	-33.8%
Exceptional Item	-	-	-	-	-
PBT	22,926	22,555	25,265	1.6%	-9.3%
Tax Expense	7,114	-1,980	8,269	-459.3%	-14.0%
Effective tax rate %	31.0%	-8.8%	32.7%	3981bps	-170bps
PAT	15,812	24,535	16,996	-35.6%	-7.0%
MI & Associates	8	3	4		
Consolidated PAT	15,820	24,538	17,000	-35.5%	-6.9%
<i>PAT margin %</i>	<i>10.4%</i>	<i>15.6%</i>	<i>14.4%</i>	<i>-513bps</i>	<i>-394bps</i>
EPS (Rs)	54.9	90.8	59.0	-39.5%	-6.9%

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

in Mn	FY18	FY19	FY20	FY21	FY22
Revenue	309790	416090	424300	447260	525990
EBITDA	61450	73470	91350	115680	115140
EBITDAM (%)	21.7	18.7	23.4	26	22%
PAT	22220	24040	57550	54630	73440
PATM (%)	7.1	5.7	13.5	12.2	13.9%
EPS	81	88	199	189	254
EV/EBITDA(x)	18.9	17.2	11.7	17.3	16.6

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

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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% to -12%
SELL	<-12%

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