ArihantCapital
Generating Wealth

Q4FY22 - Result Update
02nd May 2022

Ultratech Cement Ltd.

CMP: INR 6629

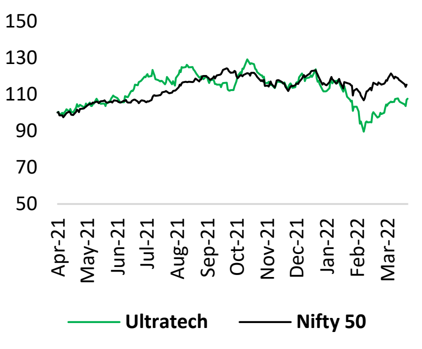
Outlook : Positive

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)	19,13,599
52w H/L (Rs)	8267/ 5,631
Avg. Yearly Vol (in 000')	449

Shareholding Pattern % *(As on March 2022)*	
Promoters	59.96
Public & Others	39.94

Stock Performance (%)	1m	3m	12m
Ultratech	1.59	-6.75	3.88
Nifty	-1.29	0	14.8

Ultratech Vs Nifty



Ultratech Cement Limited (Ultratech) delivered decent set of numbers in Q4FY22 and were above our estimates on almost all front. Net Revenue grew by 9.5% YoY, and 21.4% QoQ to INR 1,57,673 mn in Q4FY22 above our expectation of INR 146587 mn. Healthy topline growth on YoY basis was mainly due to rise in realization. Sales volume was flat YoY however grew by 28.6% QoQ to 27.69 MMT above our expectation of 26.6 MMT tonnes. YoY volume were flattish mainly as Demand for urban housing and infrastructure activity was impacted due to election and unseasonal rains . Realization /tonne grew by 9.8% YoY and declined by 5.6% Q0Q to INR 5694 above our expectation of INR 5511. Healthy realization growth was mainly due to increase in cement prices mostly across all regions.

EBIDTA declined by 16.7% YoY, and grew by 27 % QoQ to INR 30728 mn above our expectation of INR 26040 mn, EBIDTA margin de grew by 613 bps YoY and grew by 86 bps QoQ to 19.5% 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 48% YoY to 1450/tonne led by rise in blended petcoke and coal cost which increased 69% YoY to 164/MT. RM cost increased by 7% YoY to INR 554/tonne led by increase in diesel cost and increase in input material cost. EBIDTA/tonne degrew by 16.5% YoY and 1.3% Q0Q to INR 1109/tonne above our estimates of INR 979

PAT grew by 38% YoY and 43.5 % QoQ to INR 24538 mn above our estimate of INR 14705 mn. PAT margin expanded by 325 bps YoY and 239 bps QoQ to 15.6 % Growth in top line, rise in other income and decline in finance cost helped PAT margin to expand .

Valuation & View:

Ultratech has been witnessing a better-than-industry growth over the years, which is expected to sustain going forward as well owing to the huge capacity addition plan by FY23 . Further, OCF generation has been quite healthy in the recent years, mainly supported by steady realization and operating efficiencies, which have already enabled the company to deleverage its balance sheet meaningfully. Going ahead, UTCL expects industry demand to grow at 6-8%. Good monsoons, increase in infrastructure spends and pick-up in urban real estate demand will drive growth. Rural Housing is also seeing a gradual recovery. Given the higher absorption of fixed costs implementation of WHRS capacities and solar power, start of captive coal mining, likely reduction in imported coal prices and logistics optimization, overall operating costs are likely to fall . Also realization is expected to improve owing to strong demand.. Ultratech cement is trading at EV/EBIDTA multiple of 16.6(x) to is FY22 EBIDTA of 11,5140 Mn. We have a positive outlook on the stock with price objective of INR 7424.

Q4FY22 Concall Highlights:

Operational Highlights

The company incurred capex of ~₹6,000 crore in FY22.

Net debt (India business) stood at INR 3,7510 mn as on 31st March 2022. Consolidated net debt/EBITDA as on 31st March 2022 was 0.32x.

The sales volume of grey cement (India) & export and others stood at 87.23 million tonne (Mnt) and 0.79 Mnt, witnessing a YoY growth of 9% and YoY de-growth of 25%, respectively in FY22. The volume for white cement stood at 1.46 Mnt, which saw a growth of 11% YoY and sales volume of grey cement (overseas) was at 4.93 Mnt, grew by 0.6% YoY.

The revenue from grey cement (India & Overseas), ready-mix concrete (RMC), white cement, export& others stood at ₹45,8880 mn, ₹2,6410 mn, ₹1,9550 mn and ₹1,3630 mn, respectively, in FY22.

As on 31st March 2022, the company had 177 RMC plants. 45 RMC plants were added during the year of which 26 RMC plants were added in Q4 FY22.

Fuel mix in Q4 FY22 was: pet coke ~40%, linkage coal ~20% and imported coal ~40%

Trade to non-trade sales mix in Q4 FY22 stood at 66:34.

Capacity utilization during the quarter was 90%.

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Q4FY22 Concall Highlights continued.

Cement Demand

Infrastructure, rural market and now urban housing had also started to generate traction for cement. Government had planned to complete further 25,000 kilometres of roads, launch of 220new airports by 2025. This would lead to generation of cement demand.

On the housing front, Government had planned for 8 million low-income houses for FY23, this would generate demand from the rural segment.

Revival in demand in the urban housing space, unsold residential inventory in top seven Indian cities had come down to the levels of pre-pandemic as property sales recovered rapidly in 2021. Sales had gone up in major metro cities. Housing inventory across cities had come down to 32 months by end of 2021 as compared to 55 months a year ago.

Other Important Highlights

The company acquired RAK Cement Company for white cement and construction materials PSC(RAKWCT), a company listed in Abu Dhabi and Kuwait Stock Exchange. Synergies with Birla White will boost its market leadership.

RAKWCT would export 20% of its capacity to India and 45% would be sold to African markets.

In FY22, the company added cement capacity of 3.2 million tonne per annum (MTPA). Green power capacity added during FY22 was 121 megawatts (MW) of solar and 42 MW of waste heat recovery system (WHRS).

The company undertook a price hike in both trade and non-trade segments. At present, cement prices are higher by ~₹30 per bag as compared to prices of ₹360/bag in March 2022.

White cement market in India is growing at a rate of ~7%

Q4 FY22 - Quarterly Performance (Consolidated) (in Rs Mn)

UltraTech Cement Ltd.

Rs Mn (consolidated)	Q4FY22	Q3FY22	Q4FY21	Q-o-Q	Y-o-Y
Net Revenue	**1,57,673**	**1,29,849**	**1,44,056**	***21.4%***	***9.5%***
Material Cost	1,01,713	81,867	84,033	*24.2%*	*21.0%*
Employee cost	6,273	6,429	6,136	*-2.4%*	*2.2%*
Other Expenses	18,959	17,358	16,984	*9.2%*	*11.6%*
EBITDA	**30,728**	**24,195**	**36,903**	***27.0%***	***-16.7%***
EBITDA margin %	*19.5%*	*18.6%*	*25.6%*	*86bps*	*-613bps*
Other Income	924	705	603	*31.1%*	*53.2%*
Depreciation	7,034	6,743	6,979	*4.3%*	*0.8%*
EBIT	**24,618**	**18,157**	**30,527**	***35.6%***	***-19.4%***
Finance cost	2,063	1,823	3,772	*13.2%*	*-45.3%*
Exceptional Item		-		-	-
PBT	**22,555**	**16,334**	**26,367**	***38.1%***	***-14.5%***
Tax Expense	-1,980	-760	8,649	*160.5%*	*-122.9%*
Effective tax rate %	-8.8%	-4.7%	32.3%	*-413bps*	*-4111bps*
PAT	**24,535**	**17,094**	**17,718**	***43.5%***	***38.5%***
MI & Associates	7	4			
Consolidated PAT	**24,538**	**17,101**	**17,741**	***43.5%***	***38.3%***
PAT margin %	*15.6%*	*13.2%*	*12.3%*	*239bps*	*325bps*
EPS (Rs)	**90.8**	**59.2**	**61.5**	***53.4%***	***47.6%***

Source: Arihant 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/EBIDTA(x)	18.9	17.2	11.7	17.3	16.6

Source: Arihant 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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