

ULTRATECH CEMENT LTD

May-21

Industry: Cement

Target Rs: 7371

Recommendation: Accumulate

Accumulate Range Rs: 6000 - 6200

Key Data

Date	18.5.2021
BSE Code	532538
NSE Code	ULTRACEMCO
52 Week High (Rs)	7050
52 Week Low (Rs)	3280
Market Cap (Rs Cr)	183806
Face Value	10

Q4FY21 Result Update:

Prudent financial management helped reduce leverage:

UltraTech with its prudence and good financial management has successfully reduced its net debt bringing the Net Debt / EBITDA ratio to 0.55x from 1.72x as on 31st March, 2020. It was able to maintain optimal capital structure. Despite the challenging circumstances and severe business interruptions it was able to generate free cash flows and the loan repayments were made through internal accruals during Q4FY21.

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Margin expansion on cards:

Its net sales came at Rs 14,232 Cr during the quarter showing a jump of 33% on YoY basis. It could clock plant utilisation of 90% across all its regions in Q4FY21. This led to sales volume growth of 30% YoY to 26.6 MT. Freight and fuel cost were managed properly helping it increase the blended margins. EBITDA/t for the quarter came at Rs 1,325/t driving 51% YoY growth in EBITDA. UltraTech's capital and financial resources remain fully protected and its liquidity position is adequately covered. It's prudent working capital management and control on cash flows were the main drivers, aided by quick revival of demand and supply side restoration.

Shareholding March 2021

Promoters	59.96%
Public	39.97%

Capex plans and future growth strategy:

Ultratech growth was driven by rural and semi-urban housing followed by pick-up in government led infrastructure which aided incremental cement demand. It has also received sanction to expand its capacity by 19.5 million tons through a mix of brown field and green field expansion that covers 5 integrated cement plants and 12 grinding units. The additional capacity is expected to expand its reach in fast growing markets of the east, central and north regions of the country. Commercial production from these capacities is expected to go on stream in a phased manner, during FY22 and FY23. Upon completion of the latest round of expansion, its capacity will grow to 136.25 mtpa, reinforcing its position as the third largest cement company in the world, outside of China.

Promoters/ Management

Mr. Kumar Mangalam Birla	Chairman
Mrs. Rajashree Birla	Director
Mr. Arun Adhikari	Director
Mr. Sunil Duggal	Director

Key Ratios

P/E	34.41
ROE	12.32%
P/Bv	4.24

Mview:

We continue to hold positive outlook on Ultratech Cement on cost-saving measures, delivering strong volumes and continuous increase in market share. Ultratech Cement reported strong sustainable year-on-year rise in performance reflecting strong demand and pricing conditions for the industry. We also see gain in market share in the coming quarters on the back of ongoing 20 mtpa expansion program, which should drive 8-10% volume CAGR over FY22-24E. The company's performance has been robust throughout the year despite Covid related disruptions while ongoing second wave which would be effecting overall country demand may have some impact supplies and we assume this scenario is discounted by markets. On long we remain optimistic on the strong up cycle in the cement demand over the next 3-5 years and Ultratech stands tall to tap the demand. We believe near-term risk is limited and cement prices being strong enough to support sustains margins with lower single digit growth due to Covid-related lockdowns. Hence we advice investors to "ACCUMULATE" a long-term demand supply growth story.

Price Chart



About the Company:

UltraTech Cement Limited is the cement flagship company of the Aditya Birla Group. It is the largest manufacturer of grey cement, ready mix concrete (RMC) and white cement in India. With a consolidated grey cement capacity of 116.75 MTPA, it is the third largest cement producer in the world, excluding China, and the only one globally (outside of China) to have 100+ MTPA of cement manufacturing capacity in a single country. The Company's business operations span UAE, Bahrain, Sri Lanka and India.

Research Team

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RESULT UPDATE

QUARTERLY FINANCIAL OVERVIEW

Profit & Loss Statement (Rs Cr)

Particulars	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ	FY21	FY20	YoY
Revenue from operations	14406	10854	32.73%	12262	17%	44726	42430	5%
Expenses								
Cost of materials	1933	1519	27%	1669	16%	5794	5728	1%
Changes in inventory	479	8				1292	790	
Employee benefit expenses	614	658	-7%	610	1%	2353	2520	-7%
Power and fuel cost	2704	2136	27%	2402	13%	8331	8517	-2%
Freight and forward charges	3288	2682	23%	2848	15%	10043	9733	3%
Other expenses	1698	1406	21%	1505	13%	5345	5895	-9%
Total expenses	10716	8409	27%	9034	19%	33158	33183	0%
EBITDA	3690	2445	51%	3228	14%	11568	9247	25%
EBITDA %	25.61%	22.53%		26.33%		25.86%	21.79%	
depreciation	698	678	3%	674	4%	2700	2723	-1%
other income	60	200	-70%	260	-77%	734	651	13%
finance cost	377	506	-25%	356	6%	1486	1992	-25%
PBT	2675	1461	83%	2458	9%	8116	5183	57%
tax	865	-1799		747		2538	-528	
PAT	1810	3260	-44.48%	1711	6%	5578	5711	-2%
PAT %	12.56%	30.04%		13.95%		12.47%	13.46%	
EPS	61.54	112.35		54.93		189.40	199.55	

TECHNICAL TREND





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Msearch's Recommendation (Absolute Performance)

Buy : > 20% within the next 12 Months

Accumulate : 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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