

UltraTech Cement Ltd.

BUY

Sector: Cement

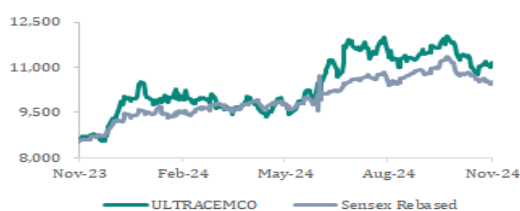
6th November 2024

Key Changes	Target ▼	Rating ▲	Earnings ▼	Target	Rs. 12,320
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	UTCEM:IN	79,477	ULTRACEMCO	532538	12 Months
				CMP	Rs.11,176
				Return	+10%

Data as of: 05-11 2024

Company Data			
Market Cap (Rs. cr)	322,764		
52 Week High — Low (Rs.)	12,138 - 8,523		
Enterprise Value (Rs. cr)	331,708		
Outstanding Shares (cr)	28.9		
Free Float (%)	0.4		
Dividend Yield (%)	0.6		
6m average volume (cr)	0.04		
Beta	1.2		
Face value (Rs.)	10.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	60.0	60.0	60.0
FII's	18.3	18.7	18.5
MFs/Institutions	14.2	13.9	14.2
Public	5.9	5.7	5.7
Others	1.7	1.7	1.7
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-2.1%	13.9%	31.3%
Absolute Sensex	-24.2%	-19.2%	-7.2%
Relative Return	22.1%	33.0%	38.5%

*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	70,908	75,517	86,845
Growth (%)	12.1	6.5	15.0
EBITDA	12,969	14,159	18,307
EBITDA Margin (%)	18.3	18.7	21.1
PAT Adjusted	7,077	7,729	10,423
Growth (%)	39.8	9.2	34.9
Adjusted EPS	245.1	267.7	361.0
Growth (%)	39.7	9.2	34.9
P/E	39.8	41.8	31.0
P/B	4.7	4.8	4.2
EV/EBITDA	22.4	23.4	18.0
ROE (%)	11.6	11.5	13.7
D/E	0.2	0.1	0.1

Long-term outlook remains positive

UltraTech Cement Ltd is the largest cement manufacturer in India. It produces grey and white cement and ready-mix concrete (RMC).

- In Q2FY25, UltraTech's consolidated revenue de-grew 2.4% YoY to Rs. 15,635cr, with sales volume increasing 4.3% YoY. The de-growth was due to weaker cement prices that reduced sales realisation 6.4% YoY.
- Capacity utilisation stood at 68.0% in Q2FY25 compared with 75.0% in Q2FY24 (85.0% in Q1FY25).
- EBITDA stood at Rs. 2,018cr, declining 20.9% YoY. EBITDA margin narrowed 302bps YoY to 12.9% due to lower topline and higher other expenses resulting from maintenance costs.
- Consequently, PAT decreased 36.0% YoY to Rs. 820cr, further impacted by higher interest expenses.
- UltraTech's muted quarterly performance is attributed to sluggish demand, impacted by extended monsoon season. Nevertheless, the management expects good monsoons to propel rural demand in the near term.

Outlook & Valuation

UltraTech had a weak operating performance due to subdued demand and lower pricing. However, going forward industry growth is expected to pick up driven by rural demand along with the government's thrust on infrastructure development and urbanisation. The company, with its strategic acquisitions and capacity expansion plans, is poised to benefit from these emerging opportunities. Hence, **we upgrade our rating on the stock to BUY based on 20x FY26E EV/EBITDA with a revised target price of Rs. 12,320.**

Quarterly Financials Consol.

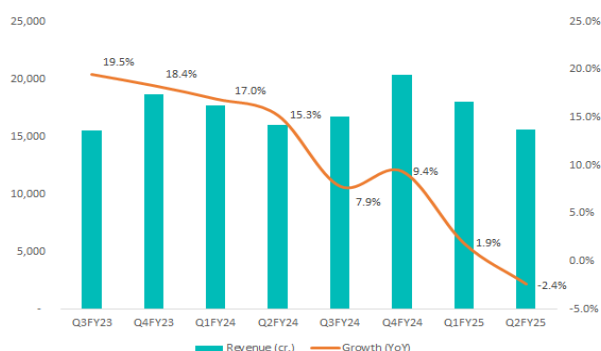
Rs. cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	15,635	16,012	-2.4	18,070	-13.5	33,704	33,749	-0.1
EBITDA	2,018	2,551	-20.9	3,039	-33.6	5,058	5,600	-9.7
Margin (%)	12.9	15.9	-302bps	16.8	-390bps	15.0	16.6	-160bps
EBIT	1,114	1,753	-36.4	2,197	-49.3	3,311	4,053	-18.3
PBT	1,017	1,690	-39.8	2,142	-52.5	3,159	3,957	-20.2
Rep. PAT	825	1,280	-35.6	1,695	-51.3	2,520	2,971	-15.2
Adj PAT	820	1,281	-36.0	1,664	-50.7	2,484	2,970	-16.4
EPS (Rs.)	28.4	44.4	-36.0	58.8	-51.7	87.3	103.0	-15.3



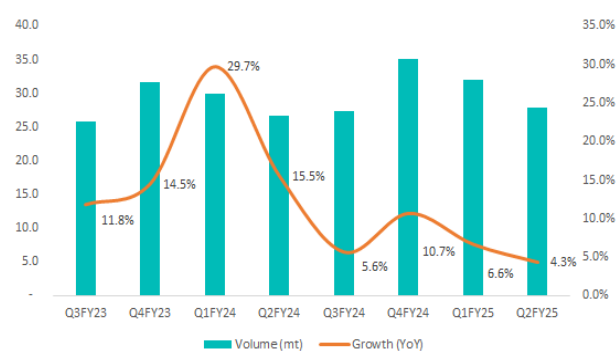
Key Concall Highlights

- UltraTech would be commissioning ~8 million tonne per annum (mtpa) capacities in H2FY25, taking its domestic cement capacity to 157 mtpa by FY25, which will further increase to ~184 mtpa by FY27.
- The management has guided for double-digit volume growth for H2FY25, outpacing the industry. It has also maintained its capex guidance of Rs. 8,000cr-9,000cr for FY25 and FY26.
- The company is in the process of acquiring Kesoram's cement business (10.75 mtpa) and India Cement (14.45 mtpa).
- In Q2FY25, power and fuel expenses were lower (24.5% of revenue vs. 27.4% in Q2FY24), as fuel costs dropped to Rs. 1.84 per Kcal. It may soften further from the current levels in the next quarter.
- Green power share in the company's energy mix increased 47% YoY to 32%. Waste heat recovery system (WHRS) accounted for 18.5% of the mix and renewable energy (RE) 13.5%. The company aims to take WHRS capacity to 450 MW by the end of FY25 from 308 MW in H1FY25. It also aims to reach an RE capacity to 1.8 gigawatts (GW) by FY27.

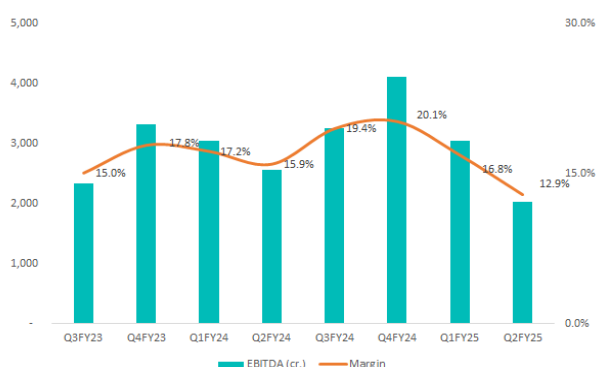
Revenue



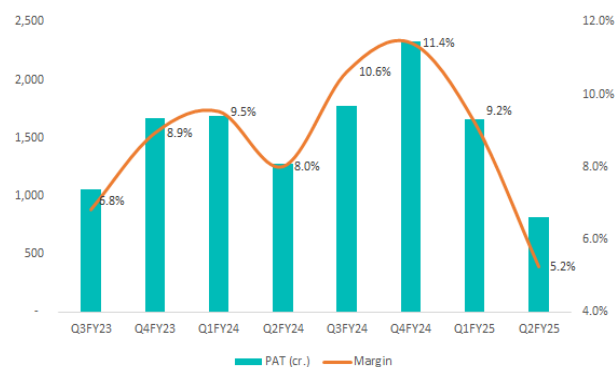
Cement volume



EBITDA



PAT



Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	77,999	89,699	75,517	86,845	-3.2	-3.2
EBITDA	15,744	19,514	14,159	18,307	-10.1	-6.2
Margins (%)	20.2	21.8	18.7	21.1	-145bps	-72bps
Adj. PAT	8,535	11,008	7,729	10,423	-9.4	-5.3
EPS	295.9	381.6	267.7	361.0	-9.5	-5.4



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	52,599	63,240	70,908	75,517	86,845
% change	17.6	20.2	12.1	6.5	15.0
EBITDA	11,514	10,620	12,969	14,159	18,307
% change	-0.5	-7.8	22.1	9.2	29.3
Depreciation	-2,715	-2,888	-3,145	-3,421	-3,890
EBIT	8,800	7,732	9,823	10,739	14,416
Interest	-945	-823	-968	-994	-933
Other Income	510	507	567	797	793
PBT	8,364	7,416	9,422	10,541	14,276
% change	6.4	-11.3	27.0	11.9	35.4
Tax	-1,190	-2,343	-2,418	-2,846	-3,855
Tax Rate (%)	14.2	31.6	25.7	27.0	27.0
Reported PAT	7,334	5,073	7,004	7,695	10,422
PAT att. to common shareholders	7,344	5,064	7,005	7,696	10,423
Adj.*	-	-	72	33	-
Adj. PAT	7,344	5,064	7,077	7,729	10,423
% change	28.3	-31.0	39.8	9.2	34.9
No. of shares (cr)	28.9	28.9	28.9	28.9	28.9
Adj EPS (Rs.)	254.4	175.4	245.1	267.7	361.0
% change	28.3	-31.1	39.7	9.2	34.9
DPS (Rs.)	38.0	38.0	70.0	33.5	50.5

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	10,049	7,961	10,149	11,116	14,312
Non-cash adj.	-768	983	922	-236	-1,660
Other adjustments	-	-	-	-	-
Changes in W.C	3	124	-173	-106	-451
C.F. Operation	9,283	9,069	10,898	10,773	12,200
Capital exp.	-5,540	-6,106	-8,884	-8,496	-8,684
Change in inv.	6,197	-878	-526	539	182
Other invest.CF	1,600	-204	622	-	-
C.F - Investment	2,257	-7,187	-8,788	-7,957	-8,503
Issue of equity	-78	-102	-82	-	-
Issue/repay debt	-10,394	264	105	-322	-594
Dividends paid	-1,065	-1,091	-1,094	-966	-1,459
Other finance.CF	-961	-702	-853	-994	-933
C.F - Finance	-12,498	-1,631	-1,926	-2,282	-2,987
Chg. in cash	-958	250	184	534	711
Closing cash	121	370	554	1,088	1,798

Balance Sheet

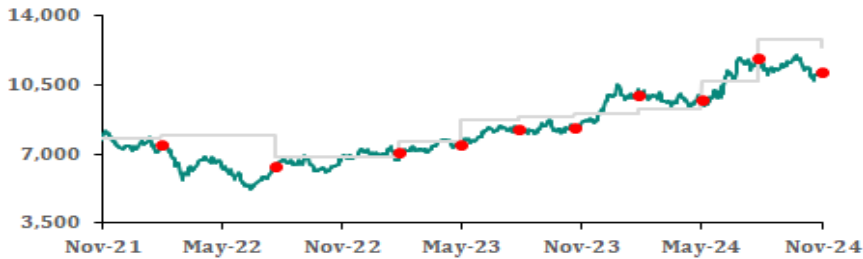
Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	121	370	554	1,088	1,798
Accounts Receivable	3,072	3,867	4,278	4,380	4,950
Inventories	5,596	6,612	8,330	8,874	9,736
Other Cur. Assets	8,702	9,894	9,997	11,477	13,966
Investments	1,372	1,460	2,764	2,867	2,981
Gross Fixed Assets	55,470	61,576	70,460	78,956	87,640
Net Fixed Assets	42,592	47,671	51,042	55,100	58,724
CWIP	4,777	4,035	6,783	7,800	8,970
Intangible Assets	12,903	11,914	11,864	11,698	11,591
Other Assets	4,677	5,558	5,186	5,349	5,555
Total Assets	83,828	91,387	100,802	108,638	118,277
Current Liabilities	15,255	18,887	21,915	23,956	25,806
Provisions	618	624	671	671	672
Debt Funds	10,203	9,901	10,298	9,977	9,382
Other Liabilities	7,320	7,594	7,634	6,990	6,409
Equity Capital	289	289	289	289	289
Reserves & Surplus	50,147	54,036	59,939	66,702	75,666
Shareholder's Fund	50,435	54,325	60,227	66,990	75,954
Total Liabilities	83,828	91,387	100,802	108,638	118,277
BVPS	1,747	1,882	2,086	2,320	2,631

Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	21.9	16.8	18.3	18.7	21.1
EBIT margin (%)	16.7	12.2	13.9	14.2	16.6
Net profit mgn.(%)	14.0	8.0	9.9	10.2	12.0
ROE (%)	14.5	9.3	11.6	11.5	13.7
ROCE (%)	14.5	12.0	13.9	13.9	16.9
W.C & Liquidity					
Receivables (days)	21.3	22.3	22.0	21.2	20.8
Inventory (days)	256.4	248.4	255.4	255.5	248.2
Payables (days)	268.7	270.9	260.0	259.6	254.9
Current ratio (x)	0.9	0.9	0.9	0.9	1.0
Quick ratio (x)	0.4	0.4	0.4	0.4	0.5
Turnover & Leverage					
Gross asset T.O (x)	1.0	1.1	1.1	1.0	1.0
Total asset T.O (x)	0.6	0.7	0.7	0.7	0.8
Int. covge. ratio (x)	9.3	9.4	10.1	10.8	15.4
Adj. debt/equity (x)	0.2	0.2	0.2	0.1	0.1
Valuation					
EV/Sales (x)	3.8	3.6	4.1	4.4	3.8
EV/EBITDA (x)	17.4	21.6	22.4	23.4	18.0
P/E (x)	25.9	43.4	39.8	41.8	31.0
P/BV (x)	3.8	4.0	4.7	4.8	4.2



Recommendation Summary (last 3 years)



Dates	Rating	Target
31-Jan-23	BUY	7,670
4-May-23	BUY	8,760
1-Aug-23	HOLD	8,890
23-Oct-23	HOLD	9,040
30-Jan-24	REDUCE	9,290
6-May-24	HOLD	10,670
31-Jul-24	HOLD	12,800
6-Nov-24	BUY	12,320

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


Not rated/Neutral


Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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