

Steady performance; Maintain Accumulate

Q2FY24 Result Update | Sector: Cement | October 20, 2023

ACCUMULATE

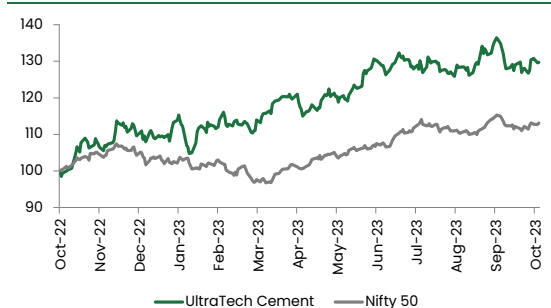
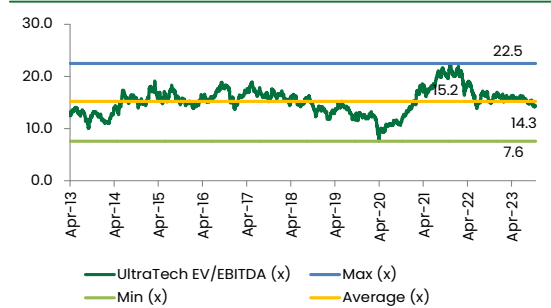
CMP (Rs)	8,519
Target Price (Rs)	9,247
Potential Upside	8.5%
Sensex	65,629
Nifty	19,625

Key Stock data

BSE Code	532538
NSE Code	ULTRACEMCO
Bloomberg	UTCEM:IN
Shares o/s, Cr (FV 10)	28.9
Market Cap (Rs Cr)	245,918
3M Avg Volume	313172
52 week H/L	8,751/6,250

Shareholding Pattern

(%)	Mar-23	Jun-23	Sep-23
Promoter	60.0	60.0	60.0
FII	14.8	15.8	16.7
DII	17.6	16.6	15.7
Others	7.6	7.6	7.6

1 Year relative price performance

1 year EV/EBITDA Forward (x)

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Revenue & Volume reported strong YoY growth: UltraTech reported Q2FY24 revenue growth of 15.3% YoY but de-growth of 9.7% QoQ to Rs 16,012cr. Revenue is a mix of volume & realization wherein volume came at 26.7MnT, higher by 15.5% YoY but down by 10.9% QoQ. Its realization was flat YoY but was up by 1.3% sequentially to Rs 5,999/ton.

Margins trend was mixed: Despite increase in raw material cost by 23.6% YoY and decline in gross margin by 105bps YoY, UltraTech's EBITDA for Q2FY24 improved by 36.8% YoY to Rs 2,551cr driven by strong volumes and moderate increase of 2% YoY in power & fuel cost aided growth. Thus, PAT too grew by 68.5% to Rs 1,280cr with margins at 8%, an improvement of 253bps YoY. On the contrary, Sequential numbers were not encouraging as Q2 is seasonally weak as compared to Q1. EBITDA de-grew by 16.3% and margins decreased by 126bps while PAT was down by 24.2% QoQ and margins declined by 153bps QoQ.

Healthy improvement in EBITDA/ton YoY: UltraTech's overall cost witnessed decline with total cost/power & fuel/freight declined by 3%/11.7%/0.1% YoY. Also, as compared to last quarter not much increase was seen in the total cost as it just grew by 2.9% QoQ to Rs 5,044/ton while fuel cost/ton increased by 0.8% QoQ to Rs 1,643/ton and freight cost/ton was down by 3.9% QoQ to Rs 1,316/ton. So, overall better topline volumes and modest cost increase helped EBITDA/ton to improve by 18.4% YoY to Rs 956/ton but it declined by 6.1% QoQ.

Key Highlights: 1) Cement industry is the long term story. So, the company plans to start work for the 3rd phase of expansion due to continuous demand in the industry. 2) It commissioned cement capacity of 2.5MTPA, taking total India cement capacity to 132.45MTPA. The 2nd phase of expansion of 24.4MnT will lead to reaching capacity to 159.9MnT by June 2025. 3) All India prices are up by 7-8%, from June to September Exit prices were nearly up by 3-4% while Quarter average prices were marginally up by 1-1.5%. 4) Region wise strong traction is seen and prices are increasing higher as compared to June quarter. So, east and Maharashtra prices saw an increase of 7-8% while north prices were higher by 6-7%, South prices inched up by 5-6% while central prices were flat.

Outlook & Valuations: We believe the demand for cement sector is expected to continue driven by increased construction activity in the housing and real-estate sector. Also, pre-election spending by the government on infrastructure and housing will drive growth. Additionally, UltraTech is aggressively expanding capacity and is in process of planning phase-3 expansion. Along with that improving utilization, increasing usage of green fuels and moderating RM cost will aid margin expansion. We are positive on the growth prospect of the company ahead and valuing it at EV/EBITDA multiple of 16x FY25E. We have assigned is a bit higher valuation compared to its 10 years average multiple of 15x and also it is at a premium compared to peers given its leadership position, expansion plan and better financials. We maintain our **Accumulate** rating and a target price of **Rs 9,247**.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	52,599	63,240	72,378	82,837
EBITDA	11,514	10,617	13,847	17,091
EBITDAM (%)	21.9	16.8	19.1	20.6
APAT	7,174	5,074	7,375	9,587
APATM (%)	13.6	8.0	10.2	11.6
EPS (Rs)	248.5	175.7	255.5	332.1
EV/EBITDA (x)	22.2	24.0	18.3	14.8
RoE (%)	14.2	9.3	12.2	13.9

Source : RBL Research

Concall highlights: 1) On stock, they plan to maintain a fuel stock of 45 days by March 2024 and an inventory of 60 days. 2) The company plan is to focus on decreasing further debt. 3) They will continue to maintain negative working capital. 4) Capex spend was Rs 2,545cr and additionally Rs 600 spend on working capital. 5) No specific guidance for margins or cost but the cost curve is moving southwards. 6) Lead time from manufacturing unit to customers is just 40 kms. Further, lead reduced to 403 km in Q2FY24 from 410 km in Q1FY24 and 428 Km in Q2FY23. 7) Blended fuel consumption was at USD 162/ton as compared to USD 200/ton. 8) Pet Coke was ~39% of total fuel Vs 40% in Q2FY23.

Net sales grew by 15.3% YoY mainly driven by volume of 15.5% YoY while realization was muted

EBITDA improved by 251bps YoY because Power & Fuel cost did not see much increase

Sales & EBITDA/ton improved and overall cost/ton declined

P&L Account Quarterly - consolidated

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
Net Sales	16,012	13,893	15.3	17,737	(9.7)
Cost of Raw Materials	2,348	2,004	17.2	2,560	(8.2)
Purchase of Finished Goods	425	325	30.6	433	(1.8)
(Increase) / Decrease In Stocks	(279)	(312)	-	(49)	-
Total Raw material cost	2,494	2,018	23.6	2,944	(15.3)
Gross Profit	13,518	11,875	13.8	14,793	(8.6)
Gross Margins %	84.4	85.5	-105bps	83.4	102bps
Employee Cost	812	691	17.5	707	14.9
Power & Fuel	4,385	4,298	2.0	4,881	(10.2)
Freight & Forwarding	3,512	3,044	15.4	4,101	(14.4)
Other Expense	2,258	1,977	14.2	2,055	9.9
Total Expenditure	13,461	12,028	11.9	14,688	(8.4)
EBITDA	2,551	1,865	36.8	3,049	(16.3)
EBITDA Margins (%)	15.9	13.4	251bps	17.2	-126bps
Depreciation	798	708	12.7	749	6.5
EBIT	1,753	1,157	51.6	2,300	(23.8)
Other Income	167	146	14.3	174	(3.8)
Interest	234	200	16.8	211	11.0
PBT	1,686	1,103	52.9	2,263	(25.5)
Shares of profits	3	1	-	4	-
PBT	1,690	1,104	53.0	2,267	(25.5)
Tax	409	344	18.8	577	(29.0)
PAT	1,280	760	68.5	1,690	(24.2)
PAT Margin (%)	8.0	5.5	253bps	9.5	-153bps
EPS	44.4	26.3	68.5	58.6	(24.2)

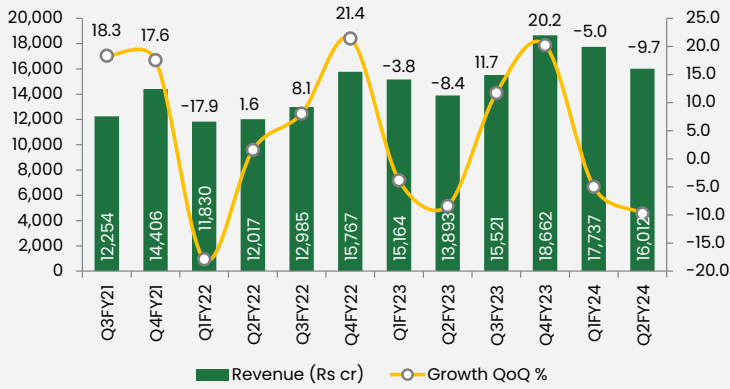
Source : RBL Research

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	Q-o-Q (%)
Sales Volume (MT)	26.7	23.1	15.5	30.0	(10.9)
Blended Realization (Rs)	5,999	6,014	(0.2)	5,920	1.3
EBITDA/Ton (Rs)	956	807	18.4	1,018	(6.1)
Total Cost/Ton (Rs)	5,044	5,207	(3.1)	4,903	2.9
Fuel Cost/Ton (Rs)	1,643	1,861	(11.7)	1,629	0.8
Frieght & Forwarding/Ton (Rs)	1,316	1,318	(0.1)	1,369	(3.9)

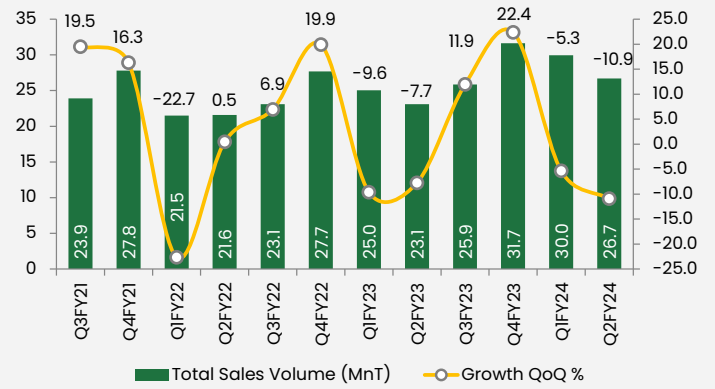
Source : RBL Research

Story in charts

Revenue grew by 15.3% YoY but declined by 9.7% QoQ

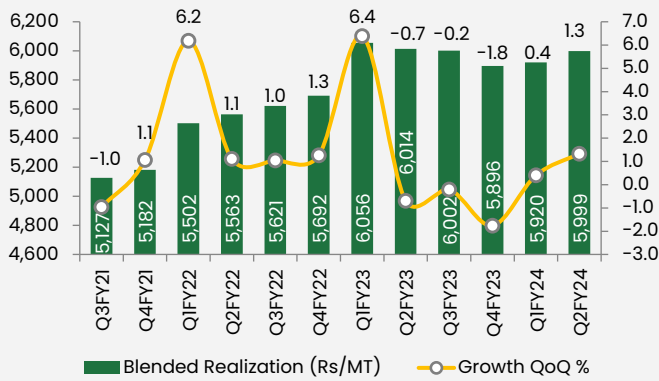


Sales Volumes increased by 15.5% YoY but declined by 10.9% QoQ

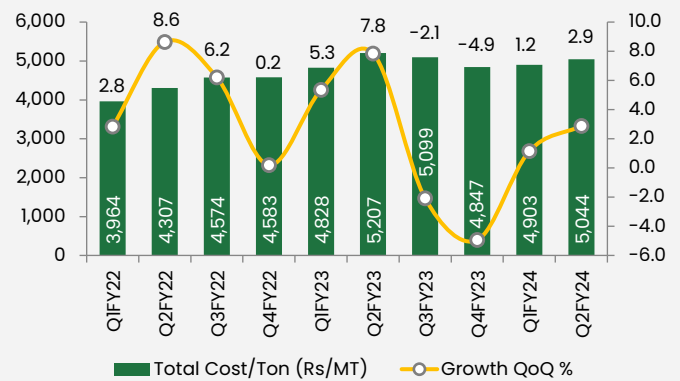


Source : RBL Research

Realization decreased by 0.2% YoY but improved by 1.3% QoQ

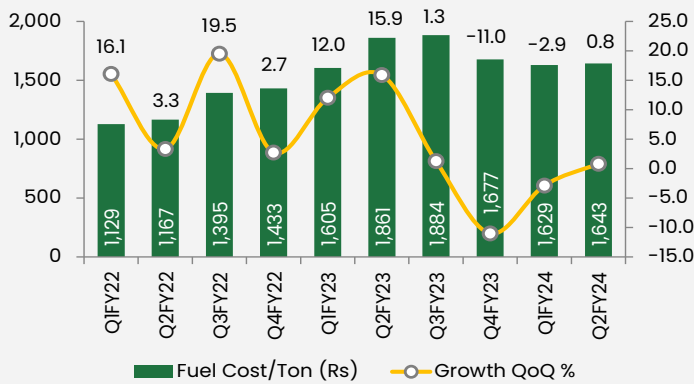


Total Cost/ton decreased by 3.1% YoY but increased by 2.9% QoQ

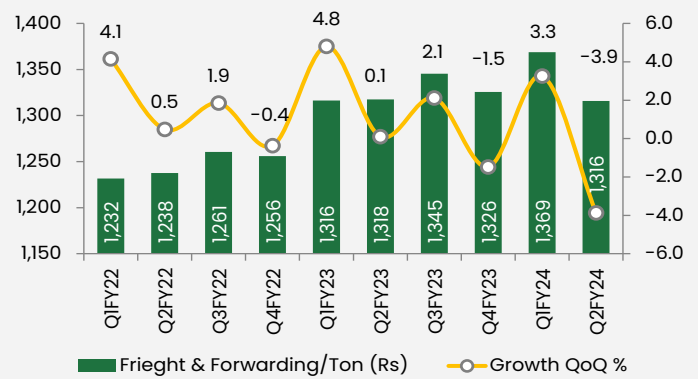


Source : RBL Research

Fuel Cost/ton declined by 11.7% YoY but increased by 0.8% QoQ

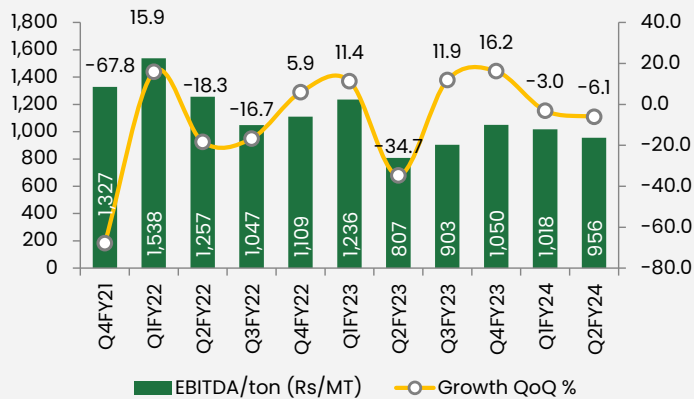


Frieght Cost/ton was flat YoY but declined by 3.9% QoQ

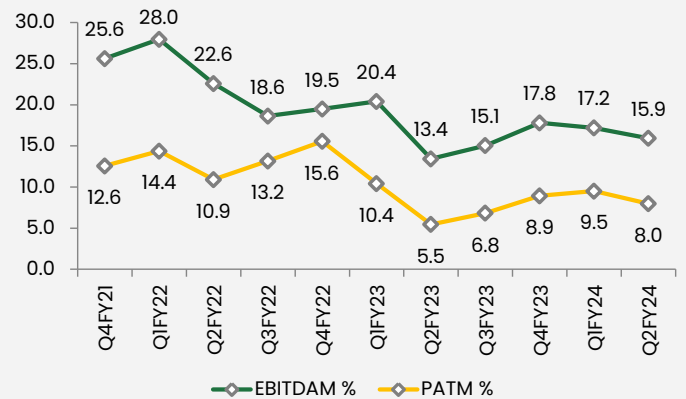


Source : RBL Research

EBITDA/ton increased by 18.4% YoY but declined by 6.1% QoQ



EBITDA & PAT margin stood at 15.9% and 8.0% in Q2FY24



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Total Capacity (MTPA)	120	132	137	159
India (MTPA)	114.6	127.0	131.3	153.9
Overseas (MTPA)	5.4	5.4	5.4	5.4
Sales (MTPA)	89.5	101.7	110.9	120.8
Realization (Rs/ton)	5,877	6,218	6,529	6,856
Net sales	52,599	63,240	72,378	82,837
Expenditure				
Cost of materials	7,096	8,934	9,988	11,183
Purchase of stock in trade	1,252	1,300	1,487	1,702
(Increase) / Decrease In Stocks	(383)	(518)	(593)	(679)
Total raw materials	7,965	9,715	10,883	12,207
Gross Profit	44,634	53,525	61,496	70,630
Gross Margins %	84.9	84.6	85.0	85.3
Employee cost	2,535	2,740	3,136	3,589
Power & Fuel	12,137	18,493	20,266	22,614
Frieght & forwarding	11,712	14,009	15,561	17,396
Other expenses	6,735	7,666	8,685	9,940
Total expenditure	41,084	52,623	58,531	65,746
EBITDA	11,514	10,617	13,847	17,091
EBITDAM (%)	21.9	16.8	19.1	20.6
Depreciation	2,715	2,888	3,057	3,321
PBIT	8,800	7,729	10,790	13,770
Other income	508	503	651	746
Interest expenses	945	823	753	621
PBT	8,363	7,409	10,689	13,894
Tax	1,190	2,343	3,314	4,307
Reported PAT	7,173	5,067	7,375	9,587
Exceptional Income / Expenses	2	7	-	-
PAT (after Exceptional)	7,174	5,074	7,375	9,587
PAT Margin %	13.6	8.0	10.2	11.6
EPS	248.5	175.7	255.5	332.1

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	289	289	289	289
Share Warrants	49.7	-	-	-
Reserves & Surplus	50,097	54,036	60,314	68,775
Total Shareholder's Fund	50,435	54,325	60,603	69,064
Minority Interest	(3)	56	56	56
Long term borrowings	5,303	5,356	5,066	4,970
Short term borrowing	4,271	4,544	4,343	3,313
Total Debt	9,574	9,901	9,409	8,284
Deferred tax liabilities	6,017	7,627	8,729	9,990
Long term provision	618	621	711	814
Other long term liabilities	1,286	1,334	1,527	1,748
Total	7,921	9,582	10,967	12,551
Current Liabilities				
Trade payables	5,863	7,209	8,130	9,305
Short term provisions	775	204	234	268
Other current liabilities	9,246	10,107	10,857	11,597
Total	15,884	17,521	19,221	21,170
Total liabilities	83,811	91,384	100,255	111,124
Application of Assets				
Net Block	55,495	59,584	64,351	70,142
Current work in process	4,777	4,035	4,035	4,035
Non current investment	1,372	1,460	1,448	2,071
Tax assets	496	409	468	535
Long term loans and advances	3,240	3,275	3,748	4,289
Other non-current assets	941	1,881	2,153	2,464
Total	66,322	70,644	76,201	83,536
Current Assets				
Current investments	4,963	5,837	6,876	7,869
Inventories	5,596	6,612	7,700	8,812
Trade receivables	3,072	3,867	4,227	4,837
Cash balance	121	371	724	1,000
Bank balance	239	779	779	779
Short term loans and advances	1,668	1,441	1,650	1,888
Other current assets	1,832	1,833	2,098	2,402
Total	17,489	20,740	24,054	27,588
Total assets	83,811	91,384	100,255	111,124

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Profit before tax	8,364	7,416	10,689	13,894
Add: Depreciation	2,715	2,888	3,057	3,321
Add: Interest cost	945	823	753	621
Less: Other Income /Interest Rec	(164)	272	(326)	(373)
Others	(549)	(870)	-	-
Profit before WC	11,311	10,530	14,173	17,464
Changes in working capital	(473)	(337)	360	349
Cash from Operations	10,838	10,193	14,533	17,812
Less: Taxes	(1,555)	(1,124)	(3,314)	(4,307)
Cash flow from Operations	9,283	9,069	11,219	13,505
Net cash used in Investing				
Purchase of fixed assets	(5,613)	(6,219)	(7,824)	(9,112)
Purchase of investments	(7,831)	(8,088)	(1,027)	(1,617)
Sales of fixed assets	73	95	-	-
Sales of investments	15,520	7,156	-	-
Dividend Inc/Int.Rec.	174	283	326	373
Others	(66)	(413)	-	-
Cash flow from investing	2,257	(7,187)	(8,524)	(10,356)
Cash flow from Financing				
Proceeds from Equity shares	4	5	-	-
Proceeds of borrowings	139	1,032	(492)	(1,125)
Sales of borrowings	(10,310)	(579)	-	-
Dividend (Incl dividend tax)	(1,065)	(1,091)	(1,097)	(1,126)
Interest cost	(961)	(702)	(753)	(621)
Others	(305)	(296)	-	-
Cash flow from Financing	(12,498)	(1,631)	(2,341)	(2,873)
Net cash Inflow/Outflow	(958)	250	353	276
Opening cash	177	121	371	724
Others	901	-	-	-
Closing Cash	121	371	724	1,000

Source : RBL Research

Key ratios – consolidated

Particulars	FY22	FY23	FY24E	FY25E
Per share Data				
EPS (Rs)	248.5	175.7	255.5	332.1
Book value per share (Rs)	1747.2	1881.8	2099.2	2392.3
Dividend per share (Rs)	36.9	37.8	38.0	39.0
Dividend Payout (%)	14.8	21.5	14.9	11.7
Dividend Yield (%)	0.4	0.4	0.4	0.5
Profitability Ratios				
EBITDAM(%)	21.9	16.8	19.1	20.6
PBTM (%)	15.9	11.7	14.8	16.8
NPM (%)	13.6	8.0	10.2	11.6
RoE (%)	14.2	9.3	12.2	13.9
RoCE (%)	14.7	12.0	15.4	17.8
Efficiency Data				
Debt-Equity Ratio	0.2	0.2	0.2	0.1
Interest Cover Ratio	9.3	9.4	14.3	22.2
Fixed Asset Ratio	1.1	0.9	0.9	0.8
Debtors (Days)	21.3	21.3	21.3	21.3
Inventory (Days)	38.8	38.8	38.8	38.8
Payable (Days)	40.7	41.6	41.0	41.0
WC (Days)	19.5	18.5	19.1	19.1
Valuation				
P/E (x)	34.3	48.5	33.3	25.7
P/BV (x)	4.9	4.5	4.1	3.6
EV/EBITDA (x)	22.2	24.0	18.3	14.8
EV/Sales (x)	4.9	4.0	3.5	3.0

Source : RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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