

UltraTech

Performance Highlights

Quarterly results (Standalone)

Y/E March (₹ cr)	1QFY2016	4QFY2015	% chg qoq	1QFY2015	% chg yoy
Net revenue	6,097	6,135	(0.6)	5,649	7.9
Operating profit	1,152	1,232	(6.5)	1,008	14.3
OPM (%)	18.9	20.1	(120bp)	17.8	110bp
Net profit	591	615	(3.9)	626	(5.6)

Source: Company, Angel Research

UltraTech Cement (UltraTech)'s 1QFY2016 numbers have come in ahead of our estimates on the profitability front. Its net sales rose by 7.9% yoy to ₹6,097.5cr, aided by blended realization growth of 4% yoy and cement volumes growth of 3.8% yoy. However volume growth was below our estimated growth of 5.4%, while realizations were in line with our estimates. The EBITDA increased by 14.3% yoy to ₹1,151.9cr and the same is above our estimate of ₹1,081.4cr. The EBITDA margin came in at 18.9%, which is also above our estimate of 17.4%, mainly backed by strong operational efficiency. On the bottom-line front, the PAT came in at ₹590.8cr, above our estimate of ₹543cr.

EBITDA margin healthy at 18.9%: For 1QFY2016, UltraTech reported an EBITDA growth of 14.3% yoy at ₹1,151.9cr as against our estimate of ₹1,081.4cr. The operating cost/tonne increased by just 2.7% yoy to ₹4,074, led by a decline in power & fuel cost/tonne and other expenses/tonne by 12.4% and 4.5% on a yoy basis, respectively. The power cost declined by 9% yoy, mainly due to increase in pet coke consumption (pet coke consumption in total coal consumption increased to 68% during the quarter compared to 64% in 4QFY2015 and 43% in 1QFY2015). Other expenses declined by 1% yoy on account of lower maintenance costs. The EBITDA margin increased by 110bp yoy to 18.9% and is above our expectation of 17.4%. The blended EBITDA/tonne came in at ₹949, an increase of 10.2% yoy.

Outlook and valuation: We expect UltraTech to post an 18% CAGR in its top-line on back of new capacity expansion and healthy realization over FY2015-17. The company's bottom-line is expected to grow at a CAGR of 40.5% yoy over the same period. At the current levels, the stock is trading at 12.7x EV/EBITDA and at EV/tonne of US\$194 on FY2017E capacity. **We have a Neutral rating on the stock with a fair price of ₹3,282 on 12.5x EV/EBITDA and on EV/tonne of US\$195 FY2017E (installed capacity).**

Key financials (Standalone)

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E
Net Sales	20,078	22,656	27,562	31,548
% chg	0.3	12.8	21.7	14.5
Net Profit	2,112	2,015	3,071	3,931
% chg	(20.5)	(4.6)	52.4	28.0
FDEPS (₹)	73.5	73.4	111.9	143.3
OPM	18.9	18.5	20.4	22.3
P/E(x)	43.9	43.9	28.8	22.5
P/BV(x)	5.2	4.7	4.1	3.5
RoE(%)	12.5	11.2	15.2	16.8
RoCE(%)	11.5	11.4	13.9	15.3
EV/Sales (x)	4.4	4.0	3.3	2.8
EV/EBITDA	23.3	21.6	16.3	12.7

Source: Company, Angel Research; Note: CMP as of July 21, 2015

NEUTRAL

CMP	₹3,231
Target Price	-

Investment Period	-
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Stock Info

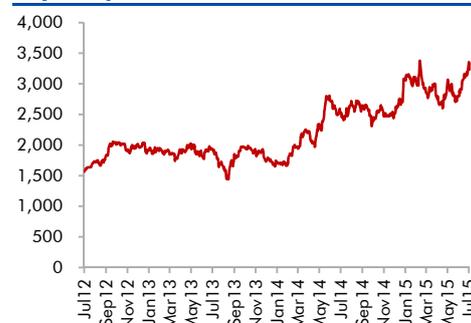
Sector	Cement
Market Cap (₹ cr)	88,495
Net Debt (₹ cr)	1,991
Beta	1.2
52 Week High / Low	3,399 / 2,300
Avg. Daily Volume	3,23,616
Face Value (₹)	10
BSE Sensex	28,182
Nifty	8,529
Reuters Code	ULTC.BO
Bloomberg Code	UTCEM IN

Shareholding Pattern (%)

Promoters	61.7
MF / Banks / Indian Fls	6.8
FII / NRIs / OCBs	18.5
Indian Public / Others	13.0

Abs. (%)	3m	1yr	3yr
Sensex	1.8	9.6	61.0
Ultratech	17.3	28.0	102

3-year price chart



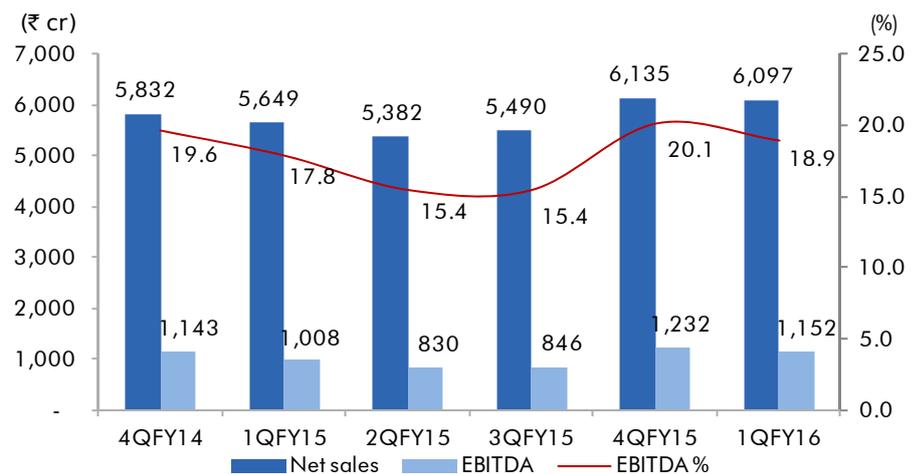
Source: Company, Angel Research

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Exhibit 1: 4QFY2015 performance (Standalone)

Y/E March (₹ cr)	1QFY2016	4QFY2015	% Chg	1QFY2015	% Chg	FY2015	FY2014	% Chg
Net sales	6,097	6,135	(0.6)	5,649	7.9	22,656	20,078	12.8
Net raw-material costs	943	857	10.1	794	18.8	3,171	3,018	5.1
(% of sales)	15.5	14.0		14.1		14.0	15.0	
Power & fuel	1,097	1,185	(7.4)	1,208	(9.1)	4,743	4,135	14.7
(% of sales)	18.0	19.3		21.4		20.9	20.6	
Staff costs	313	327	(4.3)	276	13.4	1,218	1,015	20.1
(% of sales)	5.1	5.3		4.9		5.4	5.1	
Freight & forwarding	1,553	1,461	6.3	1,330	16.7	5,400	4,581	17.9
(% of sales)	25.5	23.8		23.5		23.8	22.8	
Other expenses	938	964	(2.8)	946	(0.9)	3,820	3,436	11.2
(% of sales)	15.4	15.7		16.8		16.9	17.1	
Total Expenditure	4,946	4,903	0.9	4,642	6.5	18,741	16,494	13.6
Operating Profit	1,152	1,232	(6.5)	1,008	14.3	3,915	3,584	9.3
OPM	18.9	20.1		17.8		17.3	17.8	
Interest	138	150	(7.7)	100	38.0	547	319	71.5
Depreciation	283	288	(1.8)	265	6.9	1,133	1,052	7.7
Other income	100	130	(22.9)	256	(60.9)	651	531	22.7
PBT	831	924	(10.1)	899	(7.6)	2,886	2,743	5.2
Provision for taxation	240	309	(22.4)	273	(12.2)	872	631	38.1
(% of PBT)	28.9	33.5		30.4		30.2	23.0	
Adjusted PAT	591	615	(3.9)	626	(5.6)	2,015	2,016	(0.1)
PATM	9.7	10.0		11.1		8.9	10.0	
EPS (₹)	21.5	22.4		22.81		73.4	73.5	

Source: Company, Angel Research

Exhibit 2: Financial performance


Source: Company, Angel Research

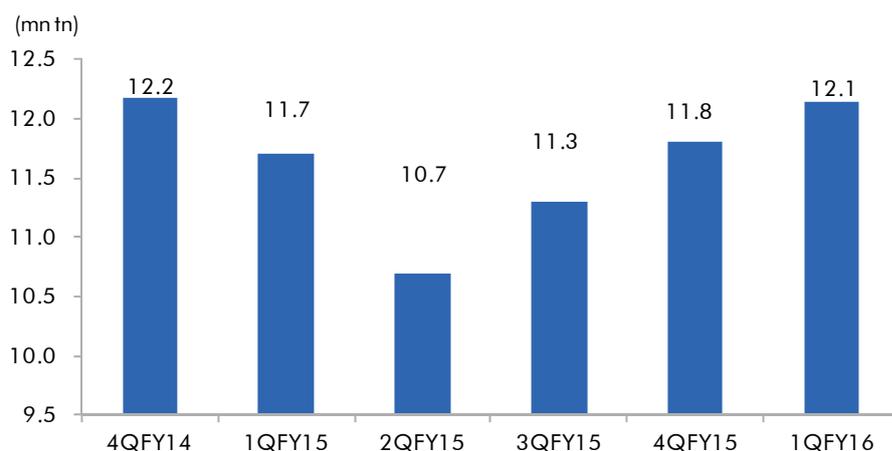
Exhibit 3: 4QFY2015 Actual vs Angel Estimates

(₹ cr)	Actual	Estimates	Variation (%)
Net Sales	6,097	6,217	(1.9)
EBITDA	1,152	1,081	6.6
EBITDA M (%)	18.9	17.4	150bp
Net Profit	591	543	8.8

Source: Company, Angel Research

Performance highlights
Net sales up 7.9% on a yoy basis

For 1QFY2016 UltraTech's top-line rose by 7.9% yoy to ₹6,097.5cr, aided by 4% yoy increase in blended cement realization to ₹5,023/tonne. Cement and clinker sales volume also increased by 3.8% yoy to 12.14mn tonne. However if we exclude Jaiprakash Associates' volumes and compare on a like to like basis, then the cement volumes remained flat yoy. Sales volumes of white cement and wall care putty rose by 6% yoy to 0.27mn tonne, while RMC revenue increased by 8% yoy to ₹555cr, for the quarter.

Exhibit 4: Volume performance


Source: Company, Angel Research

EBITDA margin improved by 110bp yoy

The company's EBITDA margin improved by 110bp yoy to 18.9% on account of healthy top-line growth and lower operating costs. Operating efficiency was led by 9% fall in power expenses, mainly due to increase in pet coke consumption (pet coke consumption in total coal consumption increased to 68% during the quarter compared to 64% in 4QFY2015 and 43% in 1QFY2015). Other expenses also reduced by 1% yoy due to lower maintenance costs.

Per-tonne analysis

During 1QFY2016, UltraTech's raw material cost/tonne increased by 14% yoy. The power and fuel cost/tonne declined by 12.4% yoy mainly due to higher pet coke consumption. Pet coke prices corrected by 30% yoy and 10% qoq, thus resulting in lower power & fuel cost/tonne. However, freight cost/tonne rose by 12.5% yoy due to increase in rail freight cost. The company's operating cost/tonne saw a modest growth of 2.7% yoy to ₹4,074, during the quarter. The company's operating profit/tonne rose by 10.2% yoy to ₹949, during the quarter.

Exhibit 5: Operational performance

Particulars (₹/tonne)	1QFY2016	4QFY2015	1QFY2015	qoq chg (%)	yoy chg (%)
Net Realization/tonne	5,023	5,195	4,829	(3.3)	4.0
Raw-Material Cost/tonne	777	726	682	7.1	14.0
Power and Fuel cost/tonne	904	1,003	1,032	(9.9)	(12.4)
Freight Cost/tonne	1,279	1,237	1,137	3.4	12.5
Other Cost/tonne	772	817	809	(5.4)	(4.5)
Operating costs/tonne	4,074	4,152	3,967	(1.9)	2.7
Operating Profit/tonne	949	1,043	861	(9.1)	10.2

Source: Company, Angel Research

Investment arguments

Update on capacity addition plans: UltraTech is the largest cement company in India with its current capacity standing at 60.2mtpa. The company is further increasing its capacity by 6.1mtpa, ie by 3.2mtpa in the East region and by 2.9mtpa in the Rajasthan region. The expansion would take UltraTech's capacity in India to 66.3mtpa. The company has received shareholders approval for acquisition of two plants of Jaiprakash Associates at Bela and Sidhi district of Madhya Pradesh for ₹5,325cr. These plants have a total clinker capacity of 5.3mtpa, grinding capacity of 4.9mtpa, and thermal power capacity of 180MW. The Management expects the deal to be completed by 4QFY2016. Post this acquisition, UltraTech's capacity would increase to 71.2mtpa by the end of FY2017.

Outlook and valuation:

We expect UltraTech to post an 18% CAGR in its top-line over FY2015-17. The company's bottom-line is expected to grow at a CAGR of 40.5% yoy over the same period. The stock is trading at its fair value after the recent spike in its price; thus, this leaves limited upside potential from the valuation perspective. At the current levels, the stock is trading at 12.7x EV/EBITDA and at an EV/tonne of US\$194 on FY2017 capacity. **We have a Neutral rating on the stock with a fair price of ₹3,282 on 12.5x EV/EBIDTA and on EV/tonne of US\$195 FY2017E (installed capacity).**

Company Background

UltraTech became India's largest cement player on a standalone basis, with total capacity of 60.2mtpa, post the merger of Jaiprakash Associates' 4.8mtpa Gujarat unit with itself in 1QFY2015. UltraTech also acquired a controlling stake in Dubai-based ETA Star (cement capacities of 3mtpa in the Middle East and Bangladesh) in 2010, which took its total consolidated capacity to 63.2mtpa. UltraTech is a pan-India player, with 22 cement plants spread across the country.

Profit and Loss statement (Standalone)

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016E	FY2017E
Net Sales	20,018	20,078	22,656	27,562	31,548
Other operating income	157	202	280	-	-
Total operating income	20,175	20,280	22,936	27,562	31,548
% chg	10.2	0.5	13.1	20.2	14.5
Total Expenditure	15,499	16,494	18,741	21,941	24,505
Net Raw Materials	2,910	3,327	3,560	4,412	5,068
Other Mfg costs	4,299	4,135	4,743	5,174	5,639
Personnel	968	1,015	1,218	1,401	1,611
Other	7,323	8,017	9,220	10,954	12,187
EBITDA	4,675	3,785	4,195	5,622	7,043
% chg	12.7	(19.0)	10.8	34.0	25.3
(% of Net Sales)	23.4	18.9	18.5	20.4	22.3
Depreciation & Amortisation	945	1,052	1,133	1,361	1,494
EBIT	3,730	2,733	3,062	4,261	5,548
% chg	15.0	(26.7)	12.0	39.1	30.2
(% of Net Sales)	18.6	13.6	13.5	15.5	17.6
Interest & other Charges	210	319	547	607	761
Other Income	305	329	372	746	845
(% of PBT)	8.0	12.0	12.9	16.9	15.0
Recurring PBT	3,825	2,743	2,886	4,400	5,632
% chg	12.8	(28.3)	5.2	52.4	28.0
Extraordinary Expense/(Inc.)	-	-	-	-	-
PBT (reported)	3,825	2,743	2,886	4,400	5,632
Tax	1,170.0	631.0	871.5	1,328.5	1,700.6
(% of PBT)	30.6	23.0	30.2	30.2	30.2
PAT (reported)	2,655	2,112	2,015	3,071	3,931
ADJ. PAT	2,655	2,016	2,015	3,071	3,931
% chg	8.6	(24.1)	(0.1)	52.4	28.0
(% of Net Sales)	13.3	10.0	8.9	11.1	12.5
Basic EPS (₹)	97	74	73	112	143
Fully Diluted EPS (₹)	97	74	73	112	143

Balance Sheet (standalone)

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016E	FY2017E
SOURCES OF FUNDS					
Equity Share Capital	274	274	274	274	274
Reserves & Surplus	14,961	16,823	18,583	21,351	24,851
Shareholders Funds	15,235	17,098	18,858	21,625	25,125
Total Loans	5,409	5,199	7,414	7,414	12,414
Deferred Tax Liability	1,906	2,296	2,792	2,792	2,792
Other long term liabilities	2	2	1	1	1
Long term provisions	134	138	138	138	138
Total Liabilities	22,685	24,733	29,203	31,970	40,471
APPLICATION OF FUNDS					
Gross Block	21,382	25,078	30,660	35,860	38,360
Less: Acc. Depreciation	8,260	9,206	10,339	11,700	13,195
Net Block	13,122	15,872	20,321	24,160	25,166
Capital Work-in-Progress	3,505	2,042	2,700	1,500	2,000
Goodwill	-	-	-	-	-
Investments	5,109	5,392	5,209	5,209	5,209
Long term loans and advances	983	1,181	1,181	1,181	1,181
Current Assets	4,689	5,268	5,805	6,828	14,858
Cash	143	278	214	313	6,954
Loans & Advances	1,173	1,326	1,620	1,887	2,706
Other	3,373	3,665	3,971	4,628	5,199
Current liabilities	4,724	5,021	6,012	6,906	7,942
Net Current Assets	(35)	247	(207)	(79)	6,916
Mis. Exp. not written off	-	-	-	-	-
Total Assets	22,685	24,733	29,203	31,970	40,471

Cash flow statement (Standalone)

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016E	FY2017E
Profit before tax	3,825	2,743	2,886	4,400	5,632
Depreciation	945	1,052	1,133	1,361	1,494
Change in Working Capital	808	(340)	391	(30)	(354)
Add: Interest expenses	210	319	547	607	761
Less: Other income	305	329	372	746	845
Direct taxes paid	1,170	631	872	1,329	1,701
Cash Flow from Operations	4,313	2,814	3,714	4,264	4,988
(Inc)/ Dec in Fixed Assets	(3,977)	(2,232)	(6,241)	(4,000)	(3,000)
(Inc)/ Dec in Investments	(1,320)	(283)	183	-	-
Other income	305	329	372	746	845
Cash Flow from Investing	(4,992)	(2,186)	(5,686)	(3,254)	(2,155)
Issue of Equity	0	0	0	-	-
Inc./ (Dec.) in loans	1,256	(209)	2,214	0	5,000
Dividend Paid (Incl. Tax)	289	289	297	453	580
Others	334	(4)	9	457	612
Cash Flow from Financing	633	(493)	1,908	(911)	3,808
Inc./ (Dec.) in Cash	(46)	135	(64)	99	6,641
Opening Cash balances	188	143	277	214	313
Closing Cash balances	143	277	214	313	6,954

Key Ratios

Y/E March	FY2013	FY2014	FY2015	FY2016E	FY2017E
Valuation Ratio (x)					
P/E (on FDEPS)	33.3	43.9	43.9	28.8	22.5
P/CEPS	24.5	27.9	28.1	20.0	16.3
P/BV	5.8	5.2	4.7	4.1	3.5
Dividend yield (%)	0.3	0.3	0.3	0.5	0.7
EV/Sales	4.3	4.4	4.0	3.3	2.8
EV/EBITDA	18.6	23.3	21.6	16.3	12.7
EV / Total Assets	3.8	3.6	3.1	2.9	2.2
Per Share Data (₹)					
EPS (Basic)	96.8	73.5	73.4	111.9	143.3
EPS (fully diluted)	96.8	73.5	73.4	111.9	143.3
Cash EPS	131.3	115.4	114.7	161.5	197.7
DPS	10.5	10.5	10.8	16.5	21.1
Book Value	555.7	623.5	687.2	788.1	915.6
Dupont Analysis					
EBIT margin	18.5	13.5	13.3	15.5	17.6
Tax retention ratio	69.4	77.0	69.8	69.8	69.8
Asset turnover (x)	1.0	0.9	0.9	0.9	1.0
ROIC (Post-tax)	12.6	9.0	8.0	9.8	11.9
Cost of Debt (Post Tax)	3.1	4.6	6.1	5.7	5.4
Leverage (x)	0.3	0.3	0.4	0.4	0.4
Operating ROE	15.8	10.4	8.7	11.3	14.7
Returns (%)					
ROCE (Pre-tax)	18.0	11.5	11.4	13.9	15.3
Angel ROIC (Pre-tax)	26.6	17.7	16.1	18.5	21.6
ROE	18.9	12.5	11.2	15.2	16.8
Turnover ratios (x)					
Asset Turnover (Gross Block)	1.0	0.9	0.8	0.8	0.9
Inventory / Sales (days)	40	42	41	40	39
Receivables (days)	16	21	20	17	17
Payables (days)	104	108	107	107	111
WC cycle (ex-cash) (days)	(2)	(2)	(4)	(5)	(2)
Solvency ratios (x)					
Net debt to equity	0.0	(0.0)	0.1	0.1	0.0
Net debt to EBITDA	0.0	(0.1)	0.5	0.3	0.0
Interest Coverage (EBIT / Int.)	17.8	8.6	5.6	7.0	7.3

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Disclosure of Interest Statement	UltraTech Cement
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

Ratings (Based on expected returns over 12 months investment period):	Buy (> 15%)	Accumulate (5% to 15%) Reduce (-5% to -15%)	Neutral (-5 to 5%) Sell (< -15)
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