

Improvement in synergies going forward!

 25th Oct, 2017

CMP: **Rs.4,227**
Target Price: **Rs.4,571**
Recommendation: **HOLD**

For the quarter Q1 FY18 Ultratech Cement's realizations witnessed a steady growth of 7.28% on a YoY basis. Domestic sales volume increased by 17.6% to 12.41 mnt while the total volumes grew by 17.3% to 13.1 mnt YoY.

Stock Info

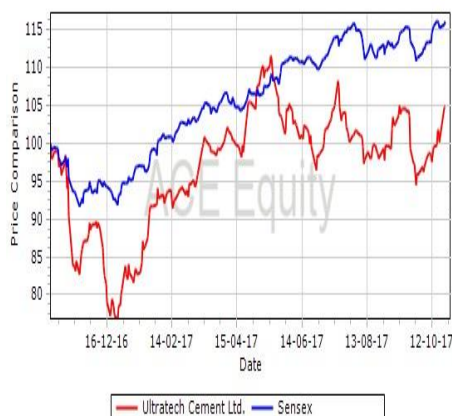
BSE Group	A
BSE Code	532528
NSE Symbol	ULTRACEMCO
Bloomberg	UTCEM .IN
Reuters	ULTC.BO
BSE Sensex	32,607
NSE Nifty	10,208

Market Info

Market Capital	Rs. 1,20,765cr
Equity Capital	Rs. 274cr
Avg. Trading Vol.	295,950
52 Wk High/ Low	4,533/3,050
Face Value	Rs 10

Shareholding Pattern (%)

Promoters	62.13
Domestic Institutions	5.58
Foreign Institutions	22.14
Public & Others	10.15

Price Chart:


Ultratech Cement's standalone revenue came in at Rs 6671 cr vs. Rs. 6195 cr, a growth of 7.6% on Y-o-Y basis. On consolidated basis the revenue for the quarter stood at Rs 6936 cr vs. Rs 6508 cr Y-o-Y. EBITDA margins contracted by 100 bps to 23% on Y-o-Y basis. Net profit after tax for the quarter decreased by 30% YoY on consolidated basis to Rs 424 cr while standalone PAT stood at Rs. 431 cr. Total comprehensive income for the quarter stood at Rs 425 cr vs. Rs 627 cr on consolidated basis, a fall of 32% YoY.

Energy cost increased by 26% to Rs 925/t vs Rs.737/t. Impacted by increased petcoke prices by 70% at USD\$ 95/t and higher usage of industrial waste. Logistics costs increased by 5% to Rs.1089/t. Raw materials cost increased by 3% YoY to Rs.478/t on increased usage of additives.

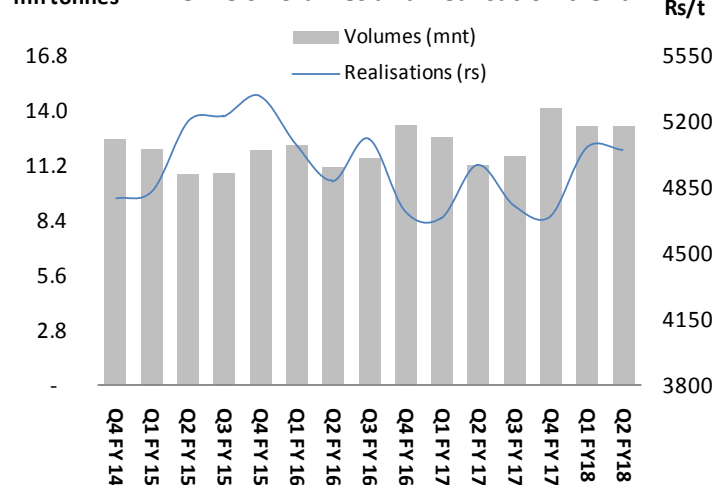
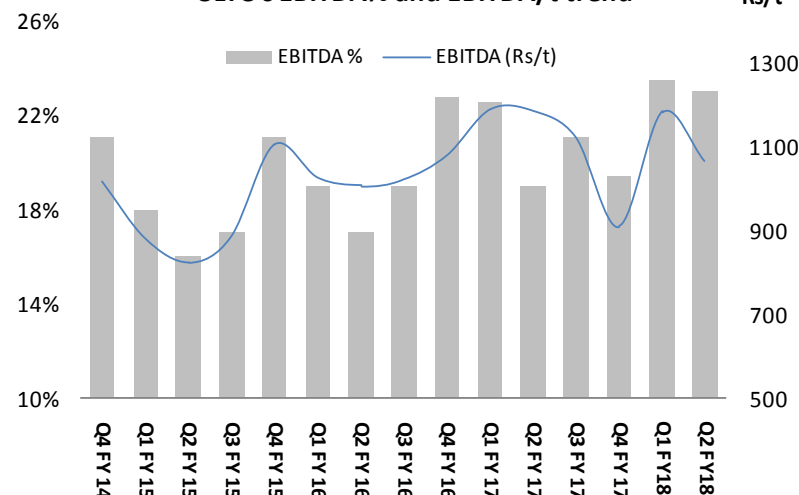
Ultratech Cement expects to further take advantage from acquired assets as month on month operational costs are declining and steady growth in capacity utilization. Company expects to narrow the gap in EBITDA per ton between existing and new assets. Company further has accelerated sales and acquired superior marketing and logistics services. Going forward company focuses on network optimization, enhancing EBITDA, cash flow management and debt reduction. Company has targeted to break cash even by June 2018 on newly acquired assets.

Valuations:

We have valued the stock using EV/EBITDA(x) and have ascribed EV/EBITDA multiple of 19.5(x) to its FY19E estimates & arrived at fair value of Rs. 4,571 per share. We have 'HOLD' rating on the stock.

Financial Snapshot	FY16	FY17	FY18E	FY19E
Net Revenue	25,552	25,375	27,234	29,432
EBITDA	4,891	5,212	5,719	6,475
PAT	2,287	2,715	2,993	3,405
EPS	83.3	98.9	109.0	124.0
RoE	11.4	11.9	11.7	12.0
P/E (x)	38.8	41.9	38.0	33.4

	Q2 FY 14	Q3 FY 14	Q4 FY 14	Q1 FY 15	Q2 FY 15	Q3 FY 15	Q4 FY 15	Q1 FY 16	Q2 FY 16	Q3 FY 16	Q4 FY 16	Q1 FY 17	Q2 FY 17	Q3 FY 17	Q4 FY 17	Q1 FY 18	Q2 FY 18
Volumes (mnt)	9.4	10.0	12.5	12.0	10.7	10.8	11.9	12.2	11.1	11.5	13.2	12.6	11.2	11.6	14.1	13.2	13.1
Realisations (rs)	4947	4934	4788	4829	5200	5228	5335	5073	4883	5104	4719	4683	4966	4752	4689	5057	5045
EBITDA %	15%	17%	21%	18%	16%	17%	21%	19%	17%	19%	23%	23%	19%	21%	19%	24%	23%
EBITDA (Rs/t)	747	820	1016	879	823	885	1106	1024	1006	1020	1078	1191	1187	1122	909	1183	1064

ULTC's Volumes and Realisation trend

ULTC's EBITDA% and EBITDA/t trend

Valuations:

	FY17	FY18E	FY19E
EV/EBITDA	22.6	20.3	19.5
EBITDA	5212	5719	6475
EV	117879	115850	126263
Debt	6371	5153	4133
Cash	2249	2950	3356
Market Cap	113757	113647	125486
No shares	27.5	27.5	27.5
CMP			4,227
Target			4,571

Q2 FY17 Results (Consolidated)

Rs Cr	Q2 FY 17	Q1 FY18	Q2 FY18
Net Sales	6509	7929	6936
Expenditure	5290	6296	5542
EBITDA	1219	1632	1395
Other Income	159	166	155
Interest	150	141	388
Depreciation	334	330	522
PBT	894	1296	640
Tax	280	398	216
Net Profit	614	898	424
Minority Interest	-1	0.92	0.99
OCI	9.9	-24.87	0.92
Total Comprehensive Income	624	872	424
Share Capital	274	275	275
EPS (Rs)	22	33	15

Profit & Loss Statement (Consolidated)

Y/E March (Rs Cr)	FY17	FY18E	FY19E
Net Sales	25375	27234	29432
% Chg	-1	7	8
Total Expenditure	20163	21515	22957
EBITDA	5212	5719	6475
EBITDA Margin %	21	21	22
Depreciation	1348	1458	1619
EBIT	3864	4261	4856
Interest	640	687	795
Other Income	648	700	800
PBT	3872	4274	4862
Tax Provisions	1159	1282	1458
PAT before MI	2714	2992	3403
MI & Profit from Associate	1	1	1
Net Profit	2715	2993	3405

Cash Flow Statement (Consolidated)

Y/E March (Rs Cr)	FY17	FY18E	FY19E
PBT	3872	4274	4862
Changes in WC	518	-26	-248
Cashflow from Oper. Act.	4993	4697	4583
Cashflow from Investing Act.	-2469	-2294	-1581
Cash flow from Financing Act.	-2535	-3006	-2847
Net increase in cash & Eq.	-10	-603	155
Opening Cash Balance	90	59	-479
On account of Amalgamation	-21	65	65
Closing Cash Balance	59	-479	-259

BS(Consolidated)

	FY17	FY18E	FY19E
Shareholders' funds	24392	26954	29868
Share capital	275	275	275
Reserves and Surplus	24117	26679	29593
Non-current liabilities	9488	9160	8185
Long-term borrowings	6371	5153	4133
Current liabilities	8329	8944	9309
Short-term borrowings	1079	850	876
Trade payables	1857	1925	2050
Total Liabilities	42219	45074	47379
Total Non-Current Assets	28894	30561	32405
Net Fixed assets	25904	26668	28049
Capital work-in-progress	921	738	975
Non-current investments	1355	1800	2000
Current assets	13325	14514	14975
Inventories	2401	3303	3408
Trade receivables	1757	2098	2222
Cash and Cash Equivalents	2249	2950	3356
Total Assets	42219	45074	47379

Key Ratios (Consolidated)

Y/E March (Rs Cr)	FY17	FY18E	FY19E
Per Share data (Rs)			
EPS	99	109	124
Dividend per share	9.9	13.1	14.9
Book value per share	889	982	1088
Operating, Returns Ratio			
Debt/ Equity (X)	0.3	0.2	0.1
Current Ratio (X)	1.6	1.6	1.6
RoE (%)	11.9	11.7	12.0
Valuation Ratio (X)			
P/E	41.9	38.0	33.4
P/BV	4.7	4.2	3.8
EV/ Sales	4.6	4.3	3.9
EV/EBITDA	22.6	20.3	17.7

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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%

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