

Cost rationalization aids in margin improvement

CMP: Rs.1879

Target Price: Rs.2063

Recommendation: HOLD

Stock Info

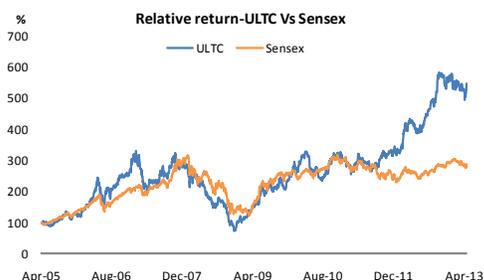
BSE Group	A
BSE Code	532528
NSE Symbol	ULTRACEMCO
Bloomberg	UTCEM .IN
Reuters	ULTC.BO
BSE Sensex	19170
NSE Nifty	5834

Market Info

Market Capital	₹ 51511cr
Equity Capital	₹ 247cr
Avg. Trading Vol. (NSE Qtly)	175930
52 Wk High/ Low	2075/1094
Face Value	10

Shareholding Pattern (%) (31st March 2013)

Promoters	62.0
Domestic Institutions	4.6
Foreign Institutions	20.6
Non Promoters Corp.	3.2
Public & Others	9.6
Govt. Holdings	-



April 22, 2013

Generating Wealth. Satisfying Investors.

Ultratech Cement (ULTC) reported 4QFY13 number, which came largely in-line with our estimates. Company reported 16% yoy decline in profit after tax at Rs 726cr against our estimate of Rs 729cr.

ULTC reported 1% yoy and 12% qoq jump in topline at Rs 5472cr. Cement volumes (Grey cement + clinker) declined 3% yoy to 11.1mn tonnes, while White cement volumes grew 6% yoy to 0.2mn tonnes. Surprisingly, Net realisation dipped 3% qoq against our expectation of 1.5% increase. Net realisation came in at Rs 4775 per tonne.

EBITDA per tonne improves qoq on cost rationalizations

In spite of qoq decline in realisations, ULTC reported improvement in EBITDA per tonne at Rs 1063 per tonne (*expectation was ~Rs 980 per tonne*). This compares with EBITDA per tonne of Rs 1036 during 3QFY13. Improvement in EBITDA per tonne came on the back of better cost rationalizations; selling & distribution and power & fuel cost in particular. Consequently, EBITDA margins during the quarter came in 120bps higher qoq at 22%.

Valuations:

Ultratech Cement, through its well diversified geographic spread, offers best play on Indian cement space. It is a largest standalone cement player in India with market share of 18% and we expect it to maintain or increase the same through timely commissioning of capacities, which are expect to come on stream by FY14E. Further, given the company's increased emphasis on value addition and controlling operating cost through efficiency improvements, we expect it to steadily improve its operating margins over FY13-15E. We continue to value the company using EV/EBITDA (x) and have ascribed EV/EBITDA(x) of 9x to its FY14E EBITDA. Our fair value for Ultratech comes at Rs 2063 per share. **We maintain hold rating on the stock.**

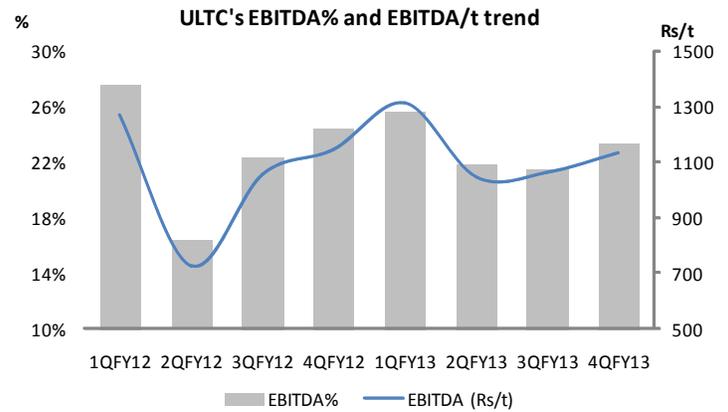
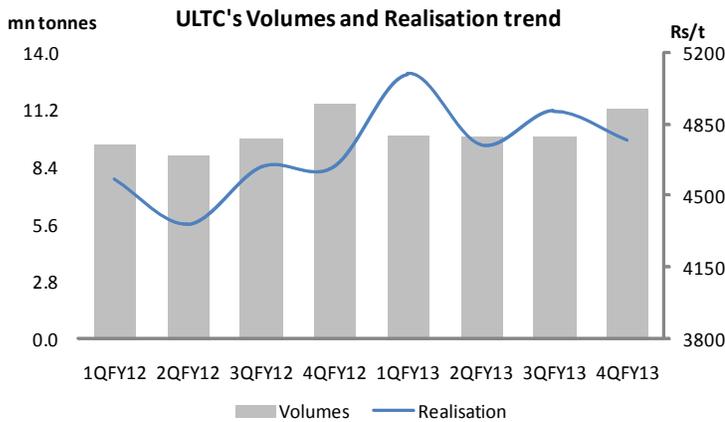
Financials:

(Rs Cr)	FY12	FY13E	FY14E	FY15E
Net Revenue	19236	21331	25091	29046
EBITDA	4194	4870	6043	7094
Reported PAT	2403	2710	3349	4053
Reported EPS	88	99	122	148
EPS Growth (%)	75.7	12.8	23.6	21.0
RONW (%)	19	18	18	18
P/E (x)	21.4	19.0	15.4	12.7
EV/EBITDA (x)	12.8	11.2	8.9	7.3



	4QFY13	4QFY12	yoy%	3QFY13	qoq%
Volumes (mn tonnes)	11.3	11.5	-1.9%	9.9	14.2%
Realisations (Rs/t)	4775	4639	2.9%	4915	-2.9%

Per Tonne Analysis								
	1QFY12	2QFY12	3QFY12	4QFY12	1QFY13	2QFY13	3QFY13	4QFY13
Realisation (Rs/t)	4581	4363	4639	4639	5094	4746	4915	4775
RM	530	744	641	668	747	658	672	753
Employee cost	194	230	226	191	224	242	247	231
Power & Fuel	1091	1066	1135	1035	1090	1085	1096	936
Mfg Exp	607	840	806	700	695	805	793	734
S&D Exp	908	835	853	947	1040	938	1071	1059
EBITDA/t	1251	649	979	1099	1297	1017	1036	1063



**4QFY13 Results (Standalone)**

Rs in Crore	4QFY13	4QFY12	YOY (%)	3QFY13	QoQ (%)
Net Sales	5472	5392	1	4882	12
Expenditure	4190	4073	3	3833	9
EBITDA	1282	1319	-3	1049	22
Core EBITDA Margins (%)	22%	24%	-	21%	-
Other Income	100	145	-31	96	4
Interest	48	59	-18	52	-8
Depreciation	246	233	5	239	3
Exceptional Items Gain/(loss)	-	-	-	-	-
PBT after exceptional items	1089	1172	-7	855	27
Tax	363	305	19	254	43
Tax rate (%)	33%	26%	-	30%	-
Reported PAT	726	867	-16	601	21
Net Profit Margin (%)	13%	16%	-	12%	-
Adj EPS (Rs/share)	26	32	-16	22	21

Expansion Updates:

Company is in process of commissioning of Rs 12,000cr capex on augmenting capacities and setting up other related infrastructure. Some of the facilities commissioned recently includes:-

- 3.3mtpa clinkerisation plant at Chhattisgarh
- 1.5mtpa grinding unit at Hotgi, Maharashtra
- 0.6mtpa grinding capacity at Gujarat
- Bulk terminal unit at Cochin
- Wall care putty plant at katni, Madhya Pradesh

3.3mtpa Clinkerisation unit in Karnataka is expected to come on stream in 1QFY14.

Proposes expansion at Aditya Birla Works

Company is going to expand its Aditya Birla cement works in Rajasthan by 2.9mtpa at estimated investment of Rs 2000cr. The unit is expected to come on stream by March-2015.



Profit & Loss Statement (Consolidated)					
Y/E March (Rs Cr)	FY11	FY12	FY13E	FY14E	FY15E
Net Sales	13798	19236	21331	25091	29046
% Chg	92	39	11	18	16
Total Expenditure	11102	15042	16462	19348	22290
% chg	114	35	9	18	15
EBITDA	2696	4194	4870	5743	6756
EBITDA Margin %	20	22	22.8	22.9	23.3
Other Income	154	371	244	282	321
Depreciation	813	963	1016	1244	1362
EBIT	2037	3602	4098	4781	5716
Interest	292	256	255	332	300
PBT bfr excep Items	1745	3345	3843	4449	5416
Exceptional Items	-	-	-	-	-
PBT after EI	1745	3345	3843	4449	5416
Tax Provisions	384	948	1139	1317	1606
PAT before MI	1361	2397	2704	3133	3810
MI & Profit from Assoc	6	6	6	6	6
Reported PAT	1367	2403	2710	3139	3816
PAT %	9.9	12.5	12.7	12.5	13.1

Cash Flow Statement (Consolidated)					
Y/E Mar. (Rs. in cr)	FY11	FY12	FY13E	FY14E	FY15E
PBT	1745	3345	3843	4449	5416
Op profit Before WC chg	2738	4230	4901	5773	6788
Changes in WC	-218	-93	756	-251	-1092
Op profit after WC chg	2519	4137	5657	5522	5695
Direct Tax Paid	-526	-745	-1139	-1317	-1606
Net Cash From Oper. Act	1993	3392	4517	4205	4089
Net Cash From Inv Act	-2240	-3167	-4156	-2868	-3179
Cash flow from Fin Act	253	-161	-263	-1371	-662
Net increase in cash	7	65	99	-34	249
Opening Cash Balance	112	190	213	312	278
Adj for Amalgamation	72	-42	0	0	0
Closing Cash Balance	190	213	312	278	527

Balance sheet (Consolidated)					
Y/E Mar. (Rs. in cr)	FY11	FY12	FY13E	FY14E	FY15E
Shareholders' funds	10647	12824	15255	18139	21701
Share capital	274	274	274	274	274
Reserves and Surplus	10373	12550	14981	17865	21427
Minority Interest	66	62	62	62	62
Non-current liabilities	5144	6709	7079	6312	5989
Long-term borrowings	3295	4843	5158	4360	4006
Deferred Tax Liability	1734	1741	1741	1741	1741
Other LT liabilities	2	4	4	4	4
LT provisions	113	121	177	207	238
Current liabilities	5774	5306	5734	6163	6512
Assets + Equity	21630	24902	28131	30676	34265
Non-current assets					
Fixed assets + Goodwill	13064	14710	19094	21200	21839
Goodwill	471	544	544	544	544
LT Investments	45	907	907	907	907
Deferred Tax assets	4	8	8	8	8
LT loans and advances	583	1488	869	699	699
Current assets	7463	7245	6709	7318	10268
Total Assets	21630	24902	28131	30676	34265

Key Ratios (Consolidated)					
Y/E March (Rs Cr)	FY11	FY12	FY13E	FY14E	FY15E
Per Share data (Rs)					
EPS	50	88	99	122	148
Cash EPS	80	123	136	168	198
DPS	6.0	8.0	8.0	8.0	8.0
Book value	389	468	557	670	808
Operating ratio					
Debt/ Equity (x)	0.5	0.5	0.4	0.3	0.2
Current Ratio (x)	1.3	1.4	1.2	1.2	1.7
RoE (%)	13	19	18	18	18
RoCE (%)	9	14	15	16	17
Dividend Yield (%)	0.3	0.4	0.4	0.4	0.4
Valuation Ratio (x)					
P/E	37.7	21.4	19.0	15.4	12.7
P/BV	4.8	4.0	3.4	2.8	2.3
EV/ Sales	3.9	2.8	2.6	2.1	1.8
EV/EBITDA	19.8	12.8	11.2	8.9	7.3



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Stock Rating Scale

	Absolute Return
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
NEUTRAL	0-5
REDUCE	<0

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