



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Consolidated sales volumes rose 14% YoY/22% QoQ to 31.7 mt. RMC/white cement revenue grew 34%/22% YoY during the quarter.
- EBITDA for Q4FY23 stood at ₹3322 Cr, up 8.10% YoY and up 42.21% QoQ.
- EBITDA margins for Q4FY23 came at 18% as compared to 15% in Q3FY23 and 19% in Q4FY23.
- PAT for Q4FY23 stood at ₹1670 Cr, down 36% YoY and up 57.10% QoQ.

2. MANAGEMENT COMMENTARY:

- Phase-1 capacity expansion is almost complete with 2-3 smaller upgradations pending which will be completed before current quarter end. The phase 2 of 22.6 mtpa is in progress.
- Demand remains strong while it saw cement capacity utilisation of 100% in March 2023 as compared to an average of 95% and 84% during Q4FY2023 and FY2023, respectively. Infrastructure remains key demand driver.
- Cement prices were largely maintained during Q4 while they are expected to remain stable going ahead.
- It incurred almost Rs. 6000-crore capex during FY2023. The similar amount of capex is expected over the next couple of years.

3. DEBT AND CAPEX:

- Consolidated net debt declined by Rs.2000 cr to Rs.1668 crore in FY23. Net debt/Equity ratio improved to 0.18x in Mar'23 from 0.20x in Mar'22.
- Company's capex stood at Rs.6000 cr and it is estimated to remain at similar levels for the next two years.
- Net debt for the company has increased to Rs.83 bn (+50% QoQ) mainly led by growth capex and an increase in working capital due to higher coal inventory.

4. CONCALL SUMMARY

- During the quarter, Pet coke consumption increased to 52% vs 43% in Q3FY23 and 49% in Q4FY22. Blended fuel consumption (CV: 7500) of ~USD 194/t compared to USD 200/t in Q3 FY23.
- Cement prices remained stable despite high demand in 4Q. Prices are expected to remain stable; though the industry does not have a strong pricing power. Premium product share stood at 20.4% of trade sales; up 26% YoY. Premium product average price per bag is higher by Rs.10.
- The company is on track to reach its target to meet ~34% of energy requirement through renewable sources by FY24. The company's CO2 emission reduced to 557Kg/t of cement in FY23 from 583Kg/t of cement.
- Management has taken a lot of initiatives to reduce cost in terms of digitization, optimizing lead distance and improvement programs in maintenance cost, power consumption and mining operations. In FY23, the company has spent Rs.12.8b towards these initiatives.

5. OTHER DEVELOPMENTS:

- Sri Lanka operations have also seen recovery and the outstanding amount of Rs.2.6b at the peak of the crisis has completely been recovered.
- Super Dalla asset with clinker capacity of 2.3mtpa is under arbitration. Limestone reserves at this plant will be approx. 100mt.

6. VALUATION AND OUTLOOK:

- Company enjoys leadership position across regions, with a capacity share of 12%/15%/23%/36%/39% in South/ East/North/West/Central India which helps it to maintain its premium pricing in most markets.
- Leadership position in the industry (with a market share of ~26% in FY23).
- Robust expansion plans without leveraging the balance sheet.
- Structural cost improvement

We have maintained BUY rating on stock and value the stock at 35x FY25 earnings to arrive at the target of Rs.8967.

RECOMMENDATION - BUY

CMP – 7716

TARGET - 8967 (16.21%)

Industry	Cement
NSE CODE	ULTRACEMCO
BSE CODE	532538
Market Cap (₹ Cr)	222627
Shares Outstanding (in Cr)	28.87
52 wk High/Low (₹)	7824/5157.05
P/E	44.05
P/BV	4.1
Face Value (₹)	10.00
Book Value (₹)	1881.78
EPS (FY23) (₹)	175.41
Dividend Yield (%)	0.49
Debt / Equity	0.18
Interest Coverage	13.52

SHAREHOLDING PATTERN

	Mar 23	Dec 22	Sep 22
Promoters	59.96	59.96	59.96
MF/ DII	13.85	13.76	12.68
FII/FPI	14.77	14.11	14.06
Retail & Others	7.77	7.96	8.12
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2023A	2024E	2025E
Crore			
Sales	63240	67533	73521
Sales Gr. (%)	20.23	6.79	8.87
EBITDA	10419	13394	14986
EBITDA %	16	19.83	20.38
PAT	5073	6795	7405
EPS (₹)	175.41	235.12	256.2
EPS Gr. (%)	-31.05	34.04	8.96
Ratios			
RoE (%)	9.31	12.1	12.5
RoCE (%)	12.11	12.5	12.8
Valuation			
P/E (x)	43.40	31.5	35
Div. Yield	0.49	0.5	0.6

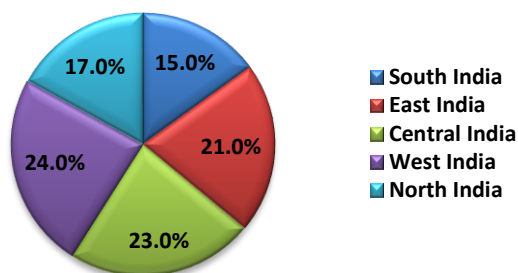
Historical & Industrial Val Ratios

Historical P/E	44.05
Industry P/E	47.83
Historical P/B	4.11
Industry P/B	3.67

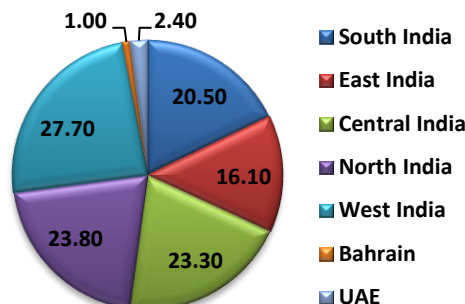


REVENUE SPLIT

Region wise cement revenue contribution



Region wise cement capacity (MTPA)



Y/E March	FY22				FY23				FY24	FY23	FY24E*
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1QE*		
Net sales	11830	12017	12985	15767	15164	13893	15521	18662	19425	63240	67533
YoY change (%)	54.21	15.69	5.90	9.45	28.18	15.61	19.53	18.36	28.10	20.23	6.79
Total Expenditure	8522	9302	10566	12695	12069	12026	13185	15340	15591	52821	54139
EBITDA	3307	2715	2419	3073	3095	1867	2336	3322	3834	10419	13394
YoY change (%)	59.19	0.63	-22.01	-16.74	-6.43	-31.24	-3.45	8.13	23.88	-9.51	28.55
Depreciation	660	677	674	703	695	708	723	762	752	2888	3320
Interest	326	230	182	206	216	200	215	191	198	623	712
Other income	205	140	71	92	109	146	127	122	151	508	485
PBT	2526	1947	1633	2255	2293	1105	1524	2491	3035	7416	9847
Tax	827	637	-76	-198	711	344	465	822	941	2373	3052
Rate (%)	33	33	-5	-9	31	31	30	33	31	32.0	31
Adjusted PAT	1700	1310	1709	2453	1581	760	1059	1669	2094	5073	6795
EPS	58.99	45.50	59.16	90.78	54.87	26.18	36.66	57.71	72.45	175.41	235.12
Key Performance Indicators											
RM Cost (% of Sales)	12.26	14.40	15.87	17.28	15.05	14.52	14.46	16.99		15.36	
Staff Cost (% of Sales)	4.94	5.65	4.95	3.98	4.20	4.98	4.47	3.84		4.33	
Other Costs (% of Sales)	81.10	79.95	79.18	78.74	80.75	80.5	81.07	79.17		80.31	
EBITDA Margin (%)	28.0	23	19	19	20	13	15	18	19.74	16	19.83
PAT Margin (%)	14.37	10.90	13.17	16.58	10.43	5.46	6.85	8.95	10.79	8.02	10.06

Source: Company, Hem Securities Research.

***Insights into the assumptions:**

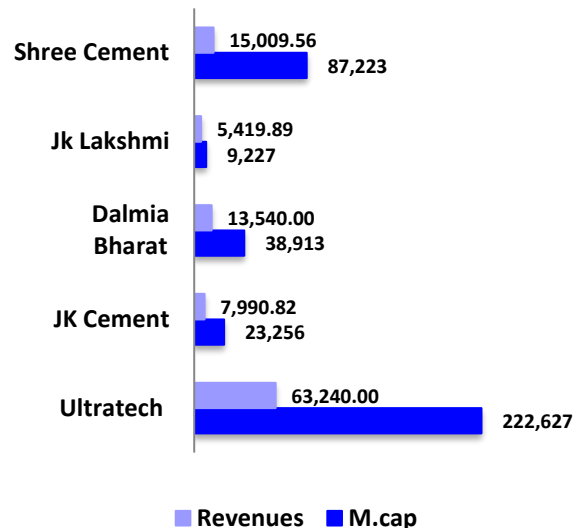
- Expected to see sharp growth in FY24 on the back of Owning to the improving demand dynamics and a strong sales performance in Q4FY23.
- Near term focus of company is to de leverage the balance sheet. The company reduced its Debt equity ratio improved to 0.18x in FY23 from 0.20x in FY 22.
- We expect EBITDA and PAT margins to improve supported by favorable pricing and a boost in cement industry led by infrastructure growth in the country.



INDUSTRY OVERVIEW

- India is the second largest producer of cement in the world. It accounts for more than 7% of the global installed capacity.
- At present, the installed capacity of cement in India is 500 MTPA with production of 298 MTPA.
- India's domestic cement production was nearly 294.4 million tonnes (MT) in FY21 and accounted for over 7% of the global installed capacity in FY21.
- India's overall cement production accounted for 262 million tonnes (MT) in FY21. In FY 2027, cement demand is expected to reach 419.92 MT.
- 210 large cement plants account for a cumulative installed capacity of over 410 MT, while over 350 mini cement plants have an estimated production capacity of nearly 11.10 MT. Of the total 210 large cement plants in India, 77 are situated in the states of Andhra Pradesh, Rajasthan & Tamil Nadu.
- As per the Union Budget 2022-23, the government approved an outlay of Rs. 199,107 crore (US\$ 26.74 billion) for the Ministry of Road Transport and Highways.
- Cement production in India increased by 19.4% in June 2022 compared to June 2021.
- India's cement production is expected to increase at a CAGR of 5.65% between FY16-22, driven by demands in roads, urban infrastructure and commercial real estate. The consumption of cement in India is expected grow to at a CAGR of 5.68% from FY16 to FY22.

KEY PLAYERS



PEER PERFORMANCE

(₹ Cr)

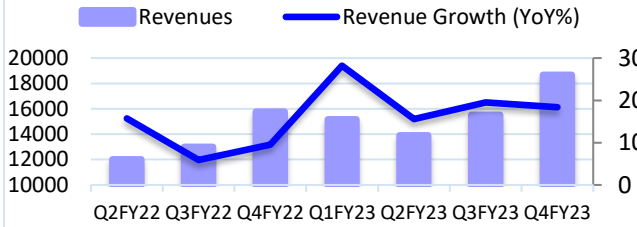
Particulars	Ultratech	JK cement	Dalmia Bharat	JK Lakshmi	Shree Cement
Market Cap	2,22,627	23,256	38,913	9,227	87,223
Net Sales	63,240	7990.82	13540	5419.89	15009.56
EBITDA	10,419	1482.41	2316	950.71	3705.31
PAT	5,073	679.42	1079	477.62	2336.61
EPS(₹)	175.41	88.93	55.21	39.39	646.32
EBITDA MARGIN %	16.00	20.34	17.00	18.80	22.67
PAT MARGIN %	8.02	8.50	7.97	8.81	12.45
ROCE %	12.11	16.75	5.44	18.97	16.80
ROE %	9.31	16.86	6.62	20.79	14.22
P/E TTM	44.05	45.82	32.85	21.73	65.43
P/B TTM	175.41	66.68	55.53	36.74	388.62
EV/EBITDA	4.11	5.17	2.24	3.49	5.03
Dividend Yield %	0.49	0.49	0.43	0.63	0.35
MCap/ Sales TTM	3.53	2.54	2.93	1.52	5.36

Source: Company, Hem Securities Research.

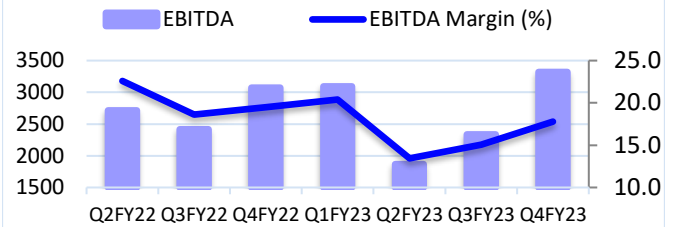


STORY IN CHARTS

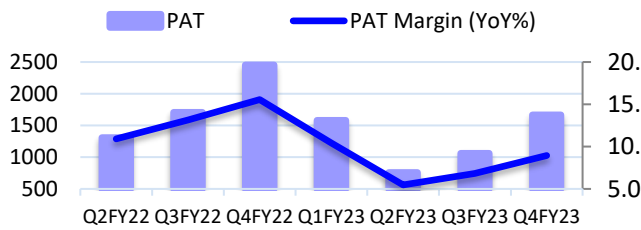
Revenues and Revenues Growth



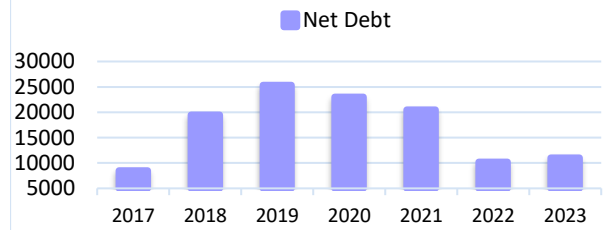
EBITDA and EBITDA Margin



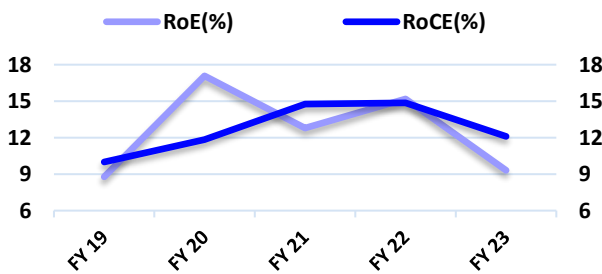
PAT and PAT Margin



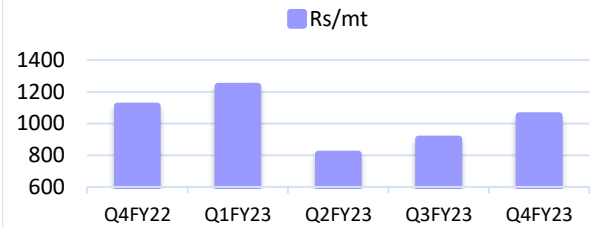
Trend in Net Debt



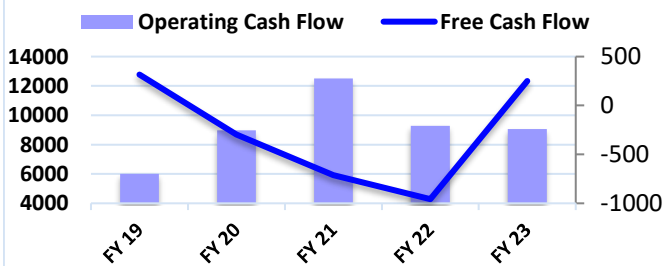
Trend in Return Profile



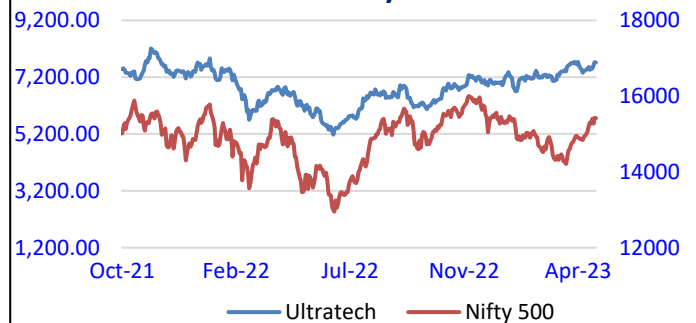
EBITDA/Ton



Trend in Cash Flow



Ultratech Vs Nifty 500





INVESTMENT RATIONALE:

- Company with its large pan-India diversified market presence, premium brand positioning and increased focus on cost efficiencies is better placed to sustain/improve margins in the medium term.
- The company commissioned 14.6 mtpa cement capacity during FY2023 and FY2024 till date while the phase-2 expansion of 22.6 mtpa has already commenced, which will go on stream by June 2025 taking its overall cement capacity to 160.45 mtpa.
- Demand remains strong while company saw cement capacity utilisation of 100% in March 2023 as compared to an average of 95% and 84% during Q4FY2023 and FY2023, respectively. Infrastructure remains key demand driver.
- Margins are expected to improve on account of a) reduction in lead distance; b) increase in green power mix and c) control on fixed costs.
- Management expects Cement prices were expected to remain stable going ahead.
- A strong pipeline of expansion projects and scope for improvement in utilization of existing capacities offers strong growth visibility.
- Company incurred almost Rs. 6000-crore capex during FY2023. The similar amount of capex is expected over the next couple of years.
- Given the ongoing capex, company is poised to maintain its industry leadership and in light of the robust demand environment, the aggressive capacity expansion plans that the company is undertaking will drive its future growth and will help the company to retain its market share and industry leading position.

RISK FACTORS:

- Delays in planned capex.
- Economic slowdown and subdued infrastructural development might lead to a slowdown in construction projects, thus leading to a reduction in cement consumption in the country.
- The sharp resurgence of Covid-19 this time may negatively impact the demand environment over the short term.

COMPANY RECAP

- Ultratech cement is a largest cement company in India and one of the leading cement producers globally in terms of cement capacity (129 MMTPA) with approx. 26% market share in Indian cement Industry. It is also India's largest exporter of cement, meeting the demand in countries around the Indian Ocean and the Middle East.
- Its manufacturing facilities are present across India with no region accounting for more than 25% of sales. It has 50 integrated plants spread across India. Presently it has a capacity utilization of 100%.
- Company is the largest cement company in India and 3rd largest cement company in the world. It is also the only cement producer outside of china to have 100+ MnTPA of manufacturing capacity in a single country.
- Its brands include Ultratech Cement, Ultratech Concrete, Ultratech building Products, Ultratech Building Solutions & Birla white cement under which it sells various different products.
- The company operates in four countries viz. UAE, Bahrain, Sri Lanka and India. It has capacity of 1 MnTPA in Bahrain, 1.5 MnTPA in Sri Lanka and 4.4 MnTPA in UAE.
- Company has diversified revenue mix: South India (15%), East India (21%), Central India (23%), North India (17%), West India (24%) etc.
- Exports contributes around 4.5% of the total revenues.
- Company region wise cement capacity (MTPA) is south India (20.5), East india (16.1), Central India (23.3), North India (23.8), west India (27.7).
- Country wise cement production is China (65%), India (9%), Vietnam (3%), United states (3%), Egypt (2%) and others (18%).



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2019	2020	2021	2022	2023	2024E	2025E
Revenue from operations	41,608.8	42,429.9	44,725.8	52,598.8	63,240	67533	73521
Growth YoY (%)	34.3	2.0	5.4	17.6	20.23	6.79	8.87
Total Expenditure	34,261.9	33,295.1	33,183	41,084.5	52821	54139	58535
(%) of sales	82.3	78.5	74.2	78.1	83.52	80.17	79.62
EBITDA	7,346.9	9,134.8	11,542	11,514.4	10419	13394	14986
EBITDA Growth (%)	16.0	27.2	23.9	(2.4)	(9.51)	28.55	11.89
EBITDA Margin (%)	18.8	23.4	27.5	22.9	16.48	19.83	20.38
Depreciation	2,450.7	2,722.7	2,700.2	2,714.8	2888	3320	3512
EBIT	6,032.5	7,943.2	10,808	11,077.5	7531	10074	11474
EBIT Growth (%)	15.6	37.5	31.9	(0.5)	-32.02	33.77	13.90
Net Interest Expenses	1,777.9	1,991.7	1,498.0	944.7	623	712	598
Other Income	463.4	800.1	763.8	507.8	508	485	541
Earnings before Taxes	3,467.9	5,220.6	8,013.6	8364.4	7416	9847	11,085
EBT Margin (%)	8.3	12.3	17.9	15.9	11.73	14.58	21.5
Tax-Total	1,068.1	-531.5	2,553.9	1190.1	2373.1	3052	3,680
Rate of tax (%)	30.8	-10.2	31.9	14.2	32	31	33.2
Net Profit	2,399.8	5,752.1	5,459.7	7174.3	5,073	6795	7,405
PAT Growth (%)	7.9	139.7	-5.1	34.9	(29.29)	33.94	8.97
PAT Margin (%)	5.8	13.6	12.2	13.6	8.02	10.06	10.07
Minority Interest	3.1	4.4	1.3	10.1	-	-	-
Adjusted PAT	2,399.8	5,752.1	5,459.7	7174.3	5073	6795	7405
EPS	87.5	199.4	189.3	254.4	175.41	235.12	256.2
EPS Growth (%)	8.1	127.8	-5.1	34.4	(31.05)	34.04	8.96

Balance Sheet

Y/E March	2019	2020	2021	2022	2023
Share Capital	275	289	289	289	289
Reserves	28,088	38,755	43,886	50,147	54,036
Net Worth	28,363	39,044	44,175	50,436	54,325
Borrowings	25,337	23,019	20,488	11,299	11,058
Other Liabilities	22,826	17,151	21,514	22,077	26,005
Total Liabilities & Equity	76,526	79,214	86,177	83,812	91,338
Fixed Assets	56,645	57,151	55,412	55,488	59,584
Investments	4,074	6,849	13,865	6,336	7,227
Other Assets	15,806	15,215	16,900	21,988	24,526
Total Assets	76,526	79,214	86,177	83,812	91,338

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2019	2020	2021	2022	2023
Profitability and return ratios					
Net profit margin (%)	5.8	13.6	12.2	13.64	8.02
EBITDA margin (%)	18.8	23.4	27.5	22.86	16.48
EBIT margin (%)	12.6	17.0	21.3	17.70	11.91
ROE (%)	8.8	17.1	13.1	15.18	9.31
ROCE (%)	10.0	11.9	15.0	14.86	12.11
Working Capital & liquidity ratios					
Payables (Days)	28.7	34.6	42.9	269	271
Inventory (Days)	32.3	35.6	33.5	256	248
Receivables (Days)	22.0	22.2	20.2	21	22
Current Ratio (x)	0.8	0.9	1.2	0.87	0.89
Valuations Ratios					
EV/sales (x)	3.2	2.7	4.8	3.81	3.71
EV/EBITDA (x)	17.2	11.7	17.3	16.67	22.52
P/E (x)	45.7	16.3	35.6	25.95	43.40
P/BV (x)	3.9	2.4	4.4	3.78	4.05
Dividend Yield (%)	0.3	0.4	0.6	0.6	0.49
Leverage Ratio					
Debt/Equity (x)	0.9	0.6	0.5	0.20	0.18

Cash Flow Statement					
Y/E March	2019	2020	2021	2022	2023
CF from Operating activities (A)	6,014	8,972	12,503	9,283	9069
CF from Investing Activities (B)	1,059	-4,192	-8,859	2257	-7187
CF from Financing Activities (C)	-6,756	-5,076	-4,356	-12,498	-1631
Net Cash Flow	316.2	-295.9	-713	-958	250
Add: Opening Bal.	101	443	147	-565	-1523
Closing Balance	469	147	-565	-1523	-1273

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
9 th May 2023	Buy	8967

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Name of the Research Analyst: Deepanshu Jain

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3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
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7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.