

Ultratech Cement Ltd.

24-Jan-17

Company Update

CMP	3518
Target Price	4100
Previous Target Price	4480
Upside	17%
Change from Previous	-8%

Market Data

BSE Code	532538
NSE Symbol	ULTRACEMCO
52wk Range H/L	4130/2680
Mkt Capital (Rs Cr)	96,565
Av. Volume(,000)	17.0
Nifty	8391

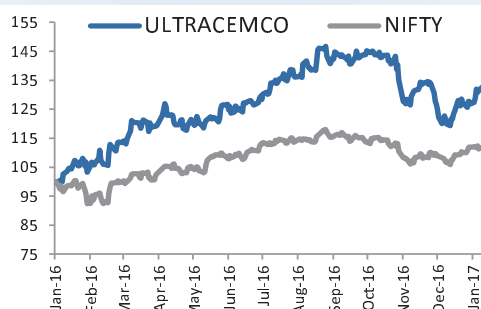
Stock Performance

	1Month	1Year	YTD
Absolute	11.4	34.0	33.9
Rel.to Nifty	7.0	19.2	22.6

Share Holding Pattern-%

	Q3FY17	Q2FY17	Q1FY17
Promoter	62.3	62.3	62.3
Public	37.7	37.7	37.7
Others	0.0	0.0	0.0
Total	100.0	100.0	100.0

Company Vs NIFTY



Bhabani Prasad Dehury
bhabani.dehury@narnolia.com

Ultratech was able to overcome the negative impact of demonetisation on Q3 results due to the effective cost management steps, these steps helped the company arrest any steep fall in operating profit and earnings for the quarter. Cement demand is expected to revive in the second half of the next fiscal. Having the largest cement capacity of 69.3MT, light balance sheet (net debt to equity of 0.19) and being geographically well-diversified across regions, UltraTech will be benefit one of the key beneficiaries once demand picks up.

Q3FY17 Result Update :

Q3FY17 operating performance was better than our estimates. Consolidated revenue from operations declined to Rs 6,761 crore from Rs 6,864.5 crore in Q3FY16. Blended cement volume was flattish YoY, better than our estimate of 5% YoY de-growth due to liquidity crunch. However, net realisation declined ~2% QoQ to Rs 5124/t as the prices declined during the quarter in North/Central markets. EBITDA/ton also remained flat YoY at Rs 1036/t as lower realisation negated the impact of lower costs.

From the management :

Management approved 3.5 mtpa green field cement plant at Dhar, Madhya Pradesh (at a capex of Rs.2600 Cr, expected to commence by 4Q19). This plant will help in the reduction of lead distance and cater to south-west Madhya Pradesh, where the Company is not a significant player.

Company is trying alternate source of RM and fuel for better efficiency, that is why cost has gone up a bit in Q3. Management see pricing pressure in Northern market in Q4, due to upcoming elections, But at the same time GST makes the longterm outlook positive.

View and Valuation :

Over FY16-FY18E, we expect UTCL's(ex-JPA) RoE to expand strongly by 200Bps .According to earning estimate our target price lies in the band Rs.4100-Rs.4480. Going ahead, better volume growth to continue (led by pick-up in demand and ramp-up of new capacity additions) with improvement in operating margin implies ~18% EBITDA CAGR during FY16-19E.At CMP the valuation is attractive to enter hence We recommend BUY on the stock for a Target price Rs.4100/share with further scope of re-rating driven by cement price .

Financials	Q3FY17	Q2FY17	Q3FY16	QoQ	YoY
Sales	6761	6509	6865	3.9%	-1.5%
EBITDA	1182	1219	1185	-3.0%	-0.2%
Net Profit	594	614	567	-3.2%	4.8%
EBIDTA/t	1036	1122	1030	-7.7%	0.6%
EBIDTA %	17%	19%	17%	(124 Bps)	23 Bps
PAT %	9%	9%	8%	(64 Bps)	53 Bps