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UltraTech Cement Ltd. (UltraTech), a part of the Aditya Birla Group is one the largest producer of grey cement, white cement and ready-mix concrete in India. It has an installed grey cement capacity of 69.3 MTPA. The company is also one of the India's largest exporter of cement and clinker.

Key Developments

Expanded capacity and pan-India presence:

Ultratech is a pan-India player with northern, southern, western and eastern regions currently contributing 29%, 23%, 31% and 17%, respectively to its overall capacity. Besides, the company has increased its overall cement capacity (through both organic and inorganic route) more than four fold over FY04-16 from 17 MTPA to 69.3 MTPA. Moreover, the company has entered into an agreement with Jaiprakash Associates to acquire latter's 21.2 MTPA cement and 16.2 MTPA clinker capacity situated across Madhya Pradesh, Uttar Pradesh, Himachal Pradesh, Utrakhhand and Andhra Pradesh at an enterprise value of ~Rs. 162 bn. Ultratech stands to gain from the acquisition in terms of incremental volume growth and increase in the market share. The acquisition will not only provide Ultratech an entry into central India (Satna Cluster with 11.4 MTPA capacity), but also strengthens its presence in north and south India.

Significant headroom for utilisation growth:

The domestic grey cement sales volumes grew by 6.4% in FY16 to 51.3 mnt against 48.2 mnt in FY15, while white cement (including wall care putty) grew 7.4% YoY to 13.1 mnt as compared to 12.2 mnt. The growth in overall volumes was mainly led by capacity additions. The company has added capacity of ~6 MTPA in FY16. Besides, the overall capacity utilisation of the company remained relatively strong at 76% in FY16 as against 75% in FY15. The company has uniform presence across regions in India with the north, south, west and east currently contributing 29%, 23%, 31% and 17% respectively to its overall capacity.

Operational efficiencies during FY16:

Ultratech witnessed ~10% growth in EBITDA in FY16 with EBITDA margin improvement of ~96 bps led by operational efficiency and lower power & fuel costs (down by ~10% YoY).

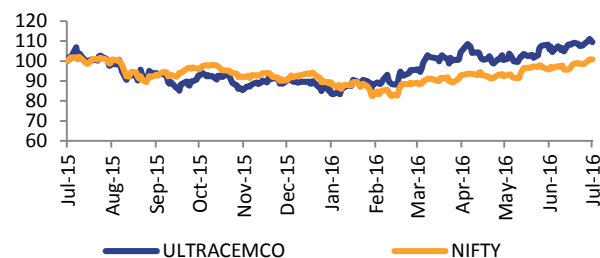
Market Data

CMP (Rs.)	3,636
Face Value	10.0
52 week H/L (Rs.)	3,665/2,581
Adj. all time High (Rs.)	3,665
Decline from 52WH (%)	10.8
Rise from 52WL (%)	40.9
Beta	0.8
Mkt. Cap (Rs.Cr)	99,784
Enterprise Value(Rs. Cr)	103,056

Fiscal Year Ended

	FY14	FY15	FY16
Total revenue (Rs.cr)	21,652	24,349	25,552
Profit (Rs.cr)	2,206	2,098	2,287
Share Capital (Rs.Cr)	274	274	274
EPS (Rs.)	80.4	76.5	83.3
P/E (x)	45.2	47.5	43.6
P/BV (x)	5.8	5.2	4.7
ROE (%)	13.6	11.6	11.4

One year Price Chart



Shareholding	Mar16	Dec15	Diff.
Promoters (%)	62.5	62.7	(0.2)
Public (%)	37.5	37.3	0.2
Others (%)	-	-	-

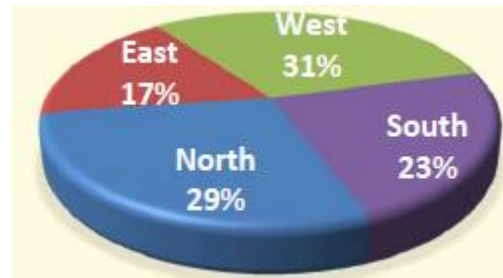
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It has an installed grey cement capacity of 69.3 MTPA.

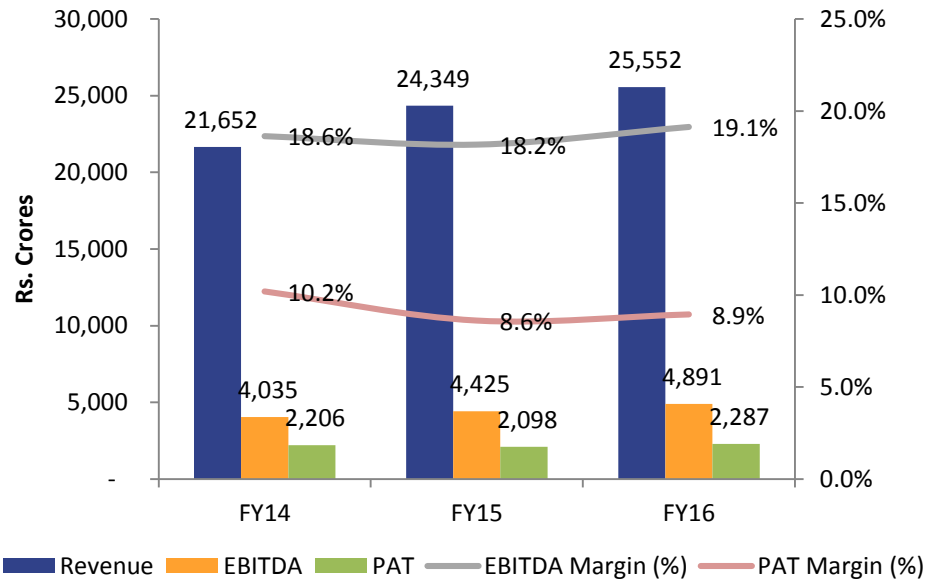
Ultratech Cement Ltd.: Business overview

Ultratech Cement (Ultratech) is the largest manufacturer of grey cement in India and is also India's largest exporter of cement and clinker. Ultratech has operations in four countries – UAE, Bahrain, Bangladesh and Sri Lanka. It provides a range of products under grey cement that includes - Ordinary Portland Cement, Portland Blast Furnace Slag Cement and Portland Pozzalana Cement. Currently, it has 13 integrated plants, 1 clinkerisation plant, 19 grinding units and 7 bulk terminals. The company is also India's largest producers of white cement with a capacity of 0.56 MTPA and 2 WallCare putty plants with a combined capacity of 0.8 MTPA. Ultratech markets its white cement under the brand name 'Birla White'. Additionally, with 100+ Ready Mix Concrete (RMC) plants, UltraTech is the largest manufacturer of concrete in India (under the brand name 'UltraTech Concrete'). Besides, the company also sells other construction materials viz; Aerated Autoclaved Concrete (AAC) blocks, waterproofing solutions, grouting solutions and plastering solutions under the name 'UltraTech Building Products'.

Well diversified presence



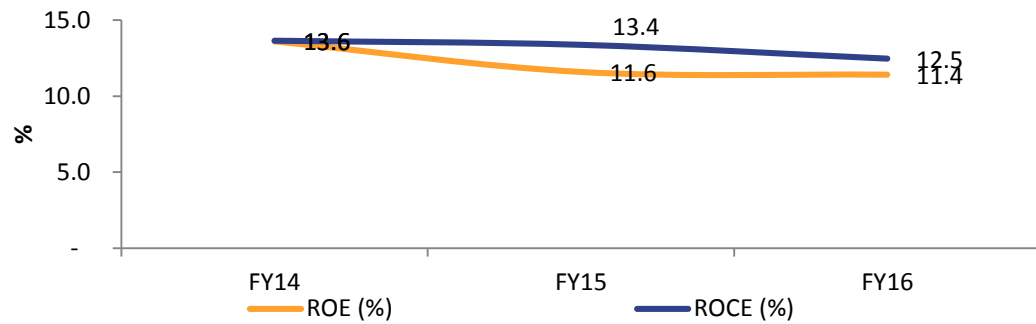
Financial snapshot of Ultratech Cement



Source: Company, In-house research

Ultratech has increased its overall cement capacity (through both organic and inorganic route) more than four fold over FY04-16 from 17 mtpa to 69.3 mtpa.

Return Ratios Trend



Source: Company, In-house research

Capacity addition through organic & inorganic route

The company has increased its overall cement capacity (through both organic and inorganic route) more than four fold over FY04-16 from 17 mtpa to 69.3 mtpa. The company has added ~6 mt capacity in FY16 taking the total domestic capacity to 66.3 mtpa (including the Maharashtra plant that is at final stage of commissioning) against 60.2 mtpa in FY15. The capacity under commissioning stood at 0.6 mtpa.

The company has entered into an agreement with Jaiprakash Associates to acquire latter's 21.2 MTPA cement and 16.2 MTPA clinker capacity situated across Madhya Pradesh, Uttar Pradesh, Himachal Pradesh, Uttarakhand and Andhra Pradesh at an enterprise value of ~Rs. 162 bn. The acquisition will not only provide Ultratech an entry into central India (Satna Cluster with 11.4 mtpa capacity), but also strengthens its presence in north and south India. Apart from providing access to newer markets, the acquisition will provide value creation by improvement in operational performance, logistic & procurement synergies, cost advantage (higher usage of pet-coke as a fuel and access to sufficient limestone reserves), among others.

Ultratech's capacity mix post acquisition

Zones	Zonal Capacity (mtpa)			
	Current	UT Cap. Share in Industry	Post Acquisition	UT Capacity Mix
North	19.0	13%	23.8	27%
Satna Cl.	-	-	11.4	13%
East	10.4	16%	11.4	13%
West	20.4	38%	20.4	23%
South	15.5	11%	20.5	23%
All India	66.3	16%	87.5	100%
Overseas	3.0		3.6	
Total	69.3		91.1	

Source: Company, In-house research

Significant headroom for utilisation growth

The domestic grey cement sales volumes grew by 6.4% in FY16 to 51.3 mnt against 48.2 mnt in FY15, while white cement (including wall care putty) grew 7.4% YoY to 13.1 mnt as compared to 12.2 mnt. The growth in overall volumes was mainly led by capacity additions. The company has added capacity of ~6 MTPA in FY16. Besides, the overall capacity utilisation of the company remained relatively strong at 76% in FY16 as against 75% in FY15. The company has uniform presence across regions in India with the north, south, west and east currently contributing 29%, 23%, 31% and 17% respectively to its overall capacity.

EBITDA margin improvement during FY16

Ultratech has witnessed ~10% growth in EBITDA in FY16 with EBITDA margin improvement of ~96 bps led by operational efficiency and lower power & fuel costs (down by ~10% YoY). The decline in fuel costs was mainly due to softening of pet-coke price and higher usage of pet-coke in the overall fuel mix (increased to 70% in FY16 from 52% in FY15 for Indian operations). Also, increase in WHRS power (Waste Heat Recovery System) (improved to 5% to power mix from 2% in FY15) led to lower fuel costs. WHRS power costs 1/6th of the TPP Power. Besides, the company has also been focusing on setting up more grinding units to optimize freight cost. EBITDA/tonne stood at Rs. 900/tonne in FY16.

Per tonne analysis

Per tonne analysis (Rs/tonne)	FY14	FY15	FY16
Volumes (mt)	44.7	48.2	51.3
Raw Material	846	840	863
Employee Expenses	247	271	281
Power & Fuel	1,012	1,061	893
Freight	1,028	1,126	1,165
Other Expenses	808	835	826
Total Expenses	3,941	4,134	4,028
Realisation	4,797	4,993	4,928
EBITDA/tonne	856	859	900
EV/Ton	14,983	20,942	19,350

Source: Company, In-house research

Balance Sheet (Consolidated)

(Rs.Cr)	FY14	FY15	FY16
Share Capital	274	274	274
Reserve and surplus	16,908	18,767	20,784
Net Worth	17,182	19,041	21,058
Minority Interest	17	18	15
Total Debt	7,332	9,829	10,027
Other non-current liabilities	150	195	214
Total Equity & Liabilities	24,681	29,084	31,315
Net Fixed Assets	17,136	22,295	22,597
Capital WIP	2,183	2,245	2,919
Goodwill	967	1,053	1,106
Investments	4,862	4,500	4,398
Net current assets	548	91	1,727
Deferred tax assets (net)	(2,290)	(2,786)	(3,222)
Other non-current assets	1,276	1,686	1,790
Total Assets	24,681	29,084	31,315

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY14	FY15	FY16
Net profit/loss before tax& extraordinary items	2,858	2,986	3,181
Net cashflow from operating activities	3,455	4,190	4,593
Net cash used in investing activities	(2,396)	(2,058)	(2,024)
Net cash used from financing activities	(949)	(2,110)	(676)
Net inc/dec in cash and cash equivalents	110	22	1,893

Financial performance snapshot

Net sales of the company stood at Rs. 25,552 Crores in FY16, a growth of 4.9% as compared to Rs. 24,349 Crores in FY15. The operating expenses of the company increased by 3.7% YoY to Rs. 20,661 Crores from Rs. 19,923 Crores during the year. The company's EBITDA grew by 10.5% YoY to Rs. 4,891 Crores in FY16 from Rs. 4,425 Crores in FY15. EBITDA margins expanded by 96 bps to 19.1% in FY16 from 18.2% in FY15. Net profit increased by 9.0% to Rs. 2,287 Crores in FY16 from Rs. 2,098 Crores in FY15. The NPM expanded by 33 bps to 8.9% from 8.6% during the above period.

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY14	FY15	FY16
Net revenue	21,652	24,349	25,552
Expenses	17,616	19,923	20,661
EBITDA	4,035	4,425	4,891
Depreciation	1,139	1,203	1,368
EBIT	2,896	3,222	3,522
Interest cost	361	587	560
Other Income	322	350	218
Profit Before Tax	2,858	2,986	3,181
Tax	645	884	892
Profit After Tax	2,213	2,102	2,288
Minority Interest	7	4	2
P/L from Associates	-	-	-
Adjusted PAT	2,206	2,098	2,287
E/o expense / (income)	-	-	-
Reported Profit	2,206	2,098	2,287

Key Ratios (Consolidated)

	FY14	FY15	FY16
EBITDA Margin (%)	18.6	18.2	19.1
EBIT Margin (%)	13.4	13.2	13.8
NPM (%)	10.2	8.6	8.9
ROCE (%)	13.6	13.4	12.5
ROE (%)	13.6	11.6	11.4
EPS (Rs.)	80.4	76.5	83.3
P/E (x)	45.2	47.5	43.6
BVPS(Rs.)	626.5	693.9	767.3
P/BVPS (x)	5.8	5.2	4.7
EV/EBITDA (x)	26.4	24.7	22.0



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