



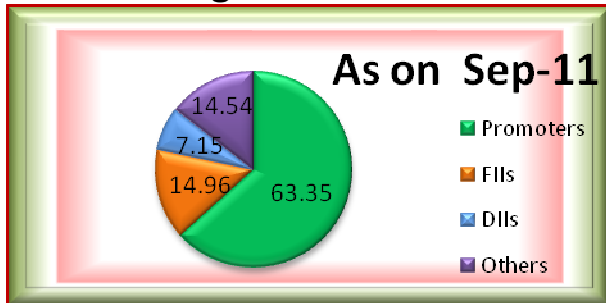
C.M.P : Rs.1165.00
Target Price : Rs.1328.00
Date : 29th Nov 2011

BUY

Stock Data:

Sector:	Cement
Face Value Rs.	Rs.10.00
52 wk. High/Low (Rs.)	1204.00/890.00
Volume (2 wk. Avg.)	9820.00
BSE Code	532538
Market Cap (Rs.In mn)	319268.25

Share Holding Pattern



1 Year Comparative Graph



UltraTech Cement Ltd

BSE SENSEX

SYNOPSIS

- UltraTech Cement Limited has an annual capacity of 52 million tonnes. It manufactures and markets Ordinary Portland Cement, Portland Blast Furnace Slag Cement and Portland Pozzallana Cement. It also manufactures ready mix concrete (RMC).
- The Company is the country's largest exporter of cement clinker. The export markets span countries around the Indian Ocean, Africa, Europe and the Middle East.
- The company exports over 2.5 million tonnes per annum, which is about 30 per cent of the country's total exports.
- Net Sales and PAT of the company are expected to grow at a CAGR of 45% and 36% over 2010 to 2013E respectively.
- During the quarter, the company has reported PAT increased to Rs.2789.00 million from Rs.1157.70 million in previous year same quarter.

Years	Net sales	EBITDA	Net Profit	EPS	P/E
FY 11	133508.60	28290.30	14042.30	51.24	22.74
FY 12E	181571.70	42325.40	22981.83	83.86	13.89
FY 13E	217886.04	50307.68	27695.24	101.06	11.53



Peer Group Comparison

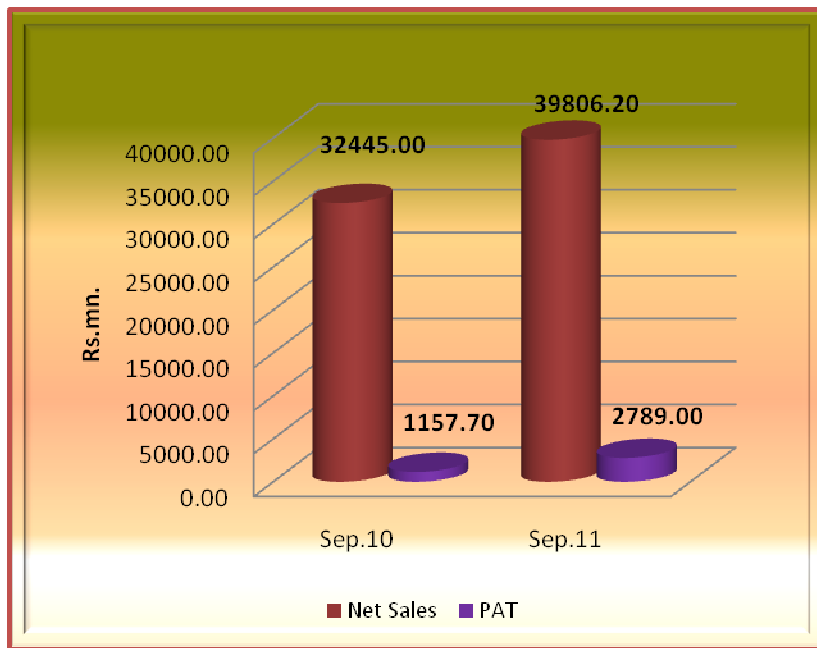
Name of the company	CMP(Rs.)	Market Cap.(Rs.Mn.)	EPS(Rs.)	P/E(x)	P/Bv(x)	Dividend (%)
Ultratech Cem	1165.00	319268.25	51.24	22.74	2.99	60.00
ACC	1168.75	219654.9	59.10	19.78	3.40	305.00
Ambuja Cement	147.70	226369.0	7.73	19.11	3.09	130.00
Century Tex	264.00	24564.1	6.74	39.17	1.27	55.00

Investment Highlights

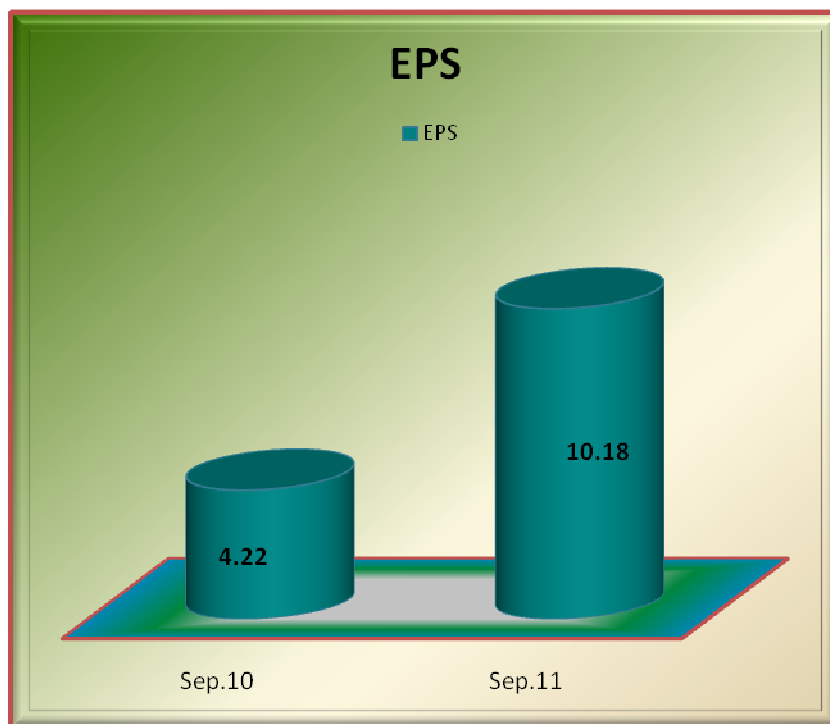
➔ Q2 FY12 Results Update

UltraTech Cement Ltd disclosed results for the quarter ended Sep 2011. Net sales for the quarter moved up 23% to Rs.39806.20 million as compared to Rs.32445.00 million during the corresponding quarter last year. During the quarter, the company has reported PAT increased to Rs.2789.00 million from Rs.1157.70 million in previous year same quarter. The Basic EPS of the company stood at Rs.10.18 for the quarter ended Sep 2011.

Quarterly Results - Standalone (Rs in mn)			
As At	Sep-11	Sep-10	%change
Net sales	39806.20	32445.00	23
PAT	2789.00	1157.70	141
Basic EPS	10.18	4.22	141

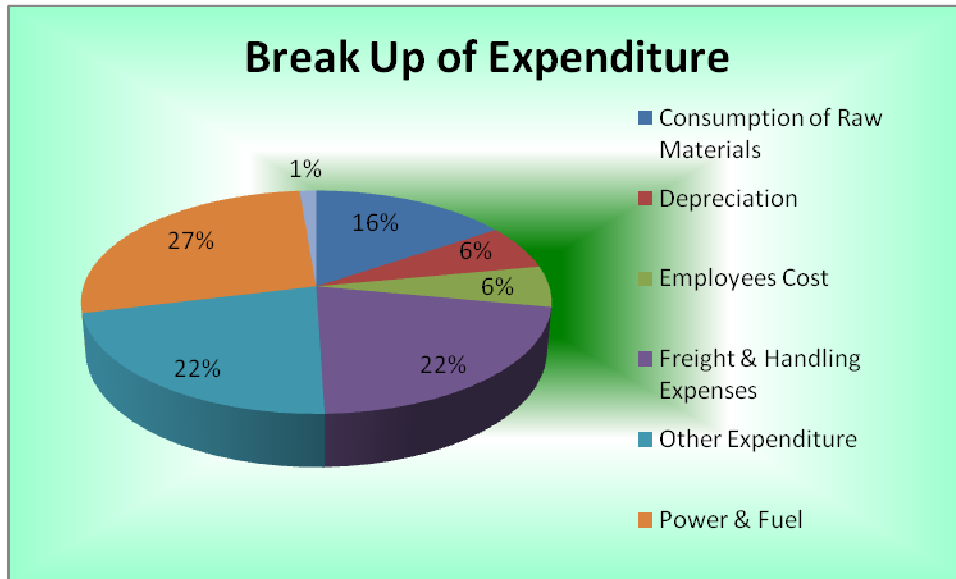


Basic EPS of the company stood at Rs.10.18

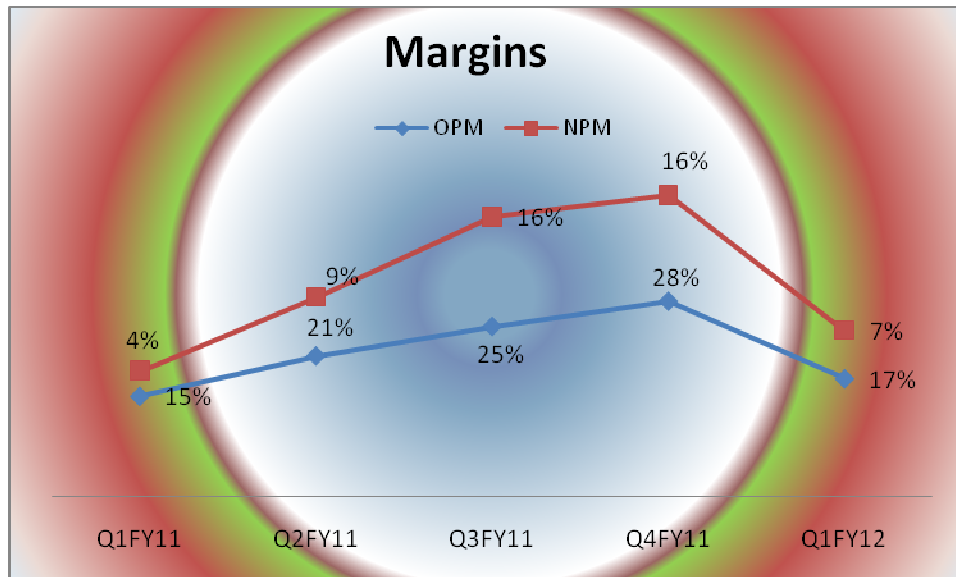


➤ **Break up of Expenditure**

Expenditure for the quarter stood at Rs.33281.30mn, which is around 19% higher than the corresponding period of the previous year. Freight & Handling Expenses cost of the company for the quarter accounts for 19% of the sales of the company and stood at Rs.7479.50mn from Rs.6504.90mn of the corresponding period of the previous year. Power & Fuel cost increased 13%YoY to Rs.9549.2mn from Rs.8434.20mn and accounts for 24% of the revenue of the company for the quarter.



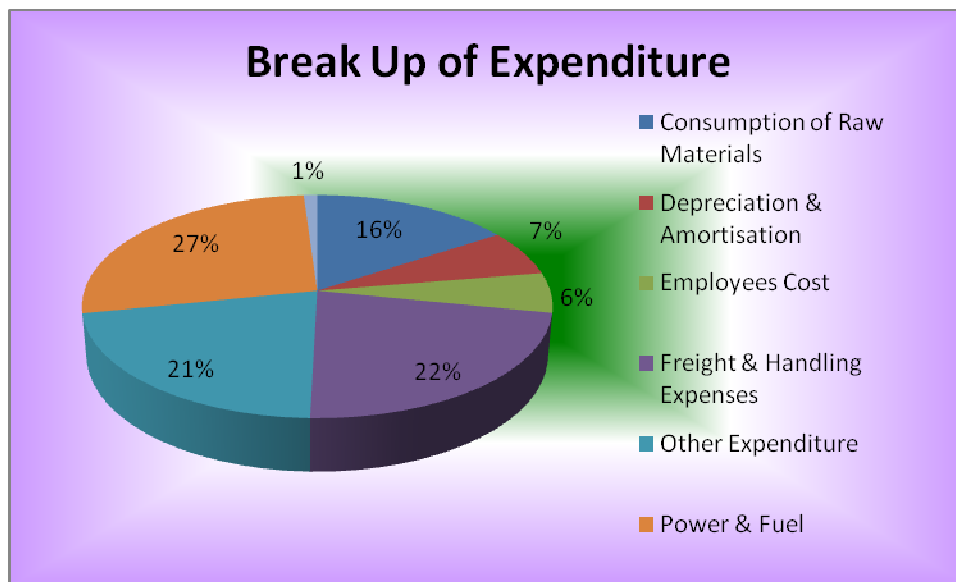
OPM and NPM for the quarter stood at 17% and 7% respectively from 15% and 4% respectively of the same period of the last year.



➔ **FY11 Performance**

Net profit of the company has increased at 28% yoy Rs.14042.30mn from Rs.10932.40mn of same period of last year. Total revenue for the year stood at Rs.133508.60 mn from Rs.71135.30 which is 88% increased than that of a year ago. EPS for the year stood at Rs.51.24 per equity share of Rs.10.00 each.

Operating profit of the company stood at Rs.28290.30mn. OPM for the year stood at 21.19%. Expenditure of the company increased 110% YoY to Rs.106675.50 mn. Interest expenses for the year stood at Rs.2771.10mn.



➔ **Employees Stock Option Scheme**

UltraTech Cement Ltd has allotted 3431 equity shares of Rs. 10/- of the Company to Option Grantees upon exercise of stock options under the Company's Employee Stock Option Scheme.

On allotment, the equity share capital of the Company stands increased to 27,40,58,000 equity shares of Rs. 10/- each aggregating to Rs. 2,74,05,80,000/-.

➤ **Board recommends Dividend**

UltraTech Cement Ltd has recommended a final dividend of Rs. 6/- per equity share of Rs. 10/- each for the year ended March 31, 2011. The payment is subject to the approval of the shareholders in the ensuing Annual General Meeting of the Company.

Company Profile

UltraTech Cement Limited has an annual capacity of 52 million tonnes. It manufactures and markets Ordinary Portland Cement, Portland Blast Furnace Slag Cement and Portland Pozzalana Cement. It also manufactures ready mix concrete (RMC).

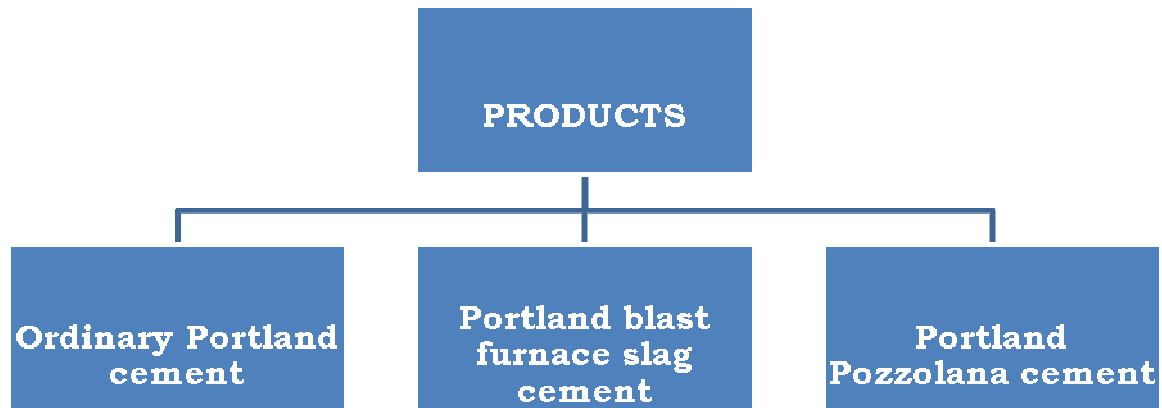
The company has 11 integrated plants, one white cement plant, one clinkerisation plant in UAE, 15 grinding units – 11 in India, 2 in UAE, one in Bahrain and Bangladesh each and five terminals — four in India and one in Sri Lanka.

UltraTech Cement is the country's largest exporter of cement clinker. The export markets span countries around the Indian Ocean, Africa, Europe and the Middle East.

Products

UltraTech is India's largest exporter of cement clinker. The company's production facilities are spread across eleven integrated plants, one white cement plant, one clinkerisation plant in UAE, fifteen grinding units, and five terminals — four in India and one in Sri Lanka. Most of the plants have ISO 9001, ISO 14001 and OHSAS 18001 certification. In addition, two plants have received ISO 27001 certification and four have received SA 8000 certification. The process is currently underway for the remaining plants. The company exports over 2.5 million tonnes per annum, which is about 30 per cent of the country's total exports. The export market comprises of countries around the Indian Ocean, Africa, Europe and the Middle East. Export is a thrust area in the company's strategy for growth.

UltraTech's products include Ordinary Portland cement, Portland Pozzolana cement and Portland blast furnace slag cement.



Subsidiaries

- Dakshin Cements Limited,
- Harish Cements Limited,
- UltraTech Ceylinco (P) Limited,
- UltraTech Cement Middle East Investments Limited.

Financial Results

12 Months Ended Profit & Loss Account (Standalone)

Value(Rs.in million)	FY10A	FY11A	FY12E	FY13E
	12m	12m	12m	12m
Description				
Net Sales	71135.30	133508.60	181571.70	217886.04
Other Income	588.60	1457.20	1471.77	1501.21
Total Income	71723.90	134965.80	183043.47	219387.24
Expenditure	-50786.30	-106675.50	-140718.06	-169079.56
Operating Profit	20937.60	28290.30	42325.40	50307.68
Interest	-1175.20	-2771.10	-2880.91	-3024.96
Gross Profit	19762.40	25519.20	39444.49	47282.72
Depreciation	-3880.80	-7657.30	-9004.98	-10355.73
Profit before Tax	15881.60	17861.90	30439.51	36926.99
Tax	-4949.20	-3819.60	-7457.68	-9231.75
Profit after Tax	10932.40	14042.30	22981.83	27695.24
Equity Capital	1244.90	2740.40	2740.50	2740.50
Reserves	44821.70	103872.20	126854.03	154549.27
Face Value(Rs.)	10.00	10.00	10.00	10.00
Total No. of Shares	124.49	274.04	274.05	274.05
EPS	87.82	51.24	83.86	101.06

*A=Actual, *E=Estimated

Quarterly Ended Profit & Loss Account (Standalone)

Value(Rs.in million)	30-Mar-11	30-Jun-11	30-Sep-11	30-Dec-11
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	3m(A)	3m(A)	3m(A)	3m(E)
Description				
Net Sales	45559.30	44043.90	39806.20	44981.01
Other Income	436.30	267.60	325.20	292.68
Total Income	45995.60	44311.50	40131.40	45273.69
Expenditure	-34691.70	-31772.60	-33281.30	-35085.18
Operating Profit	11303.90	12538.90	6850.10	10188.50
Interest	-829.40	-726.20	-671.60	-711.90
Gross Profit	10474.50	11812.70	6178.50	9476.61
Depreciation	-2266.90	-2229.60	-2227.50	-2272.05
Profit before Tax	8207.60	9583.10	3951.00	7204.56
Tax	-939.90	-2752.00	-1162.00	-2017.28
Profit after Tax	7267.70	6831.10	2789.00	5187.28
Equity Capital	2740.40	2740.50	2740.50	2740.50
Face Value(Rs.)	10.00	10.00	10.00	10
Total No. of Shares	274.04	274.05	274.05	274.05
EPS	26.52	24.93	10.18	18.93

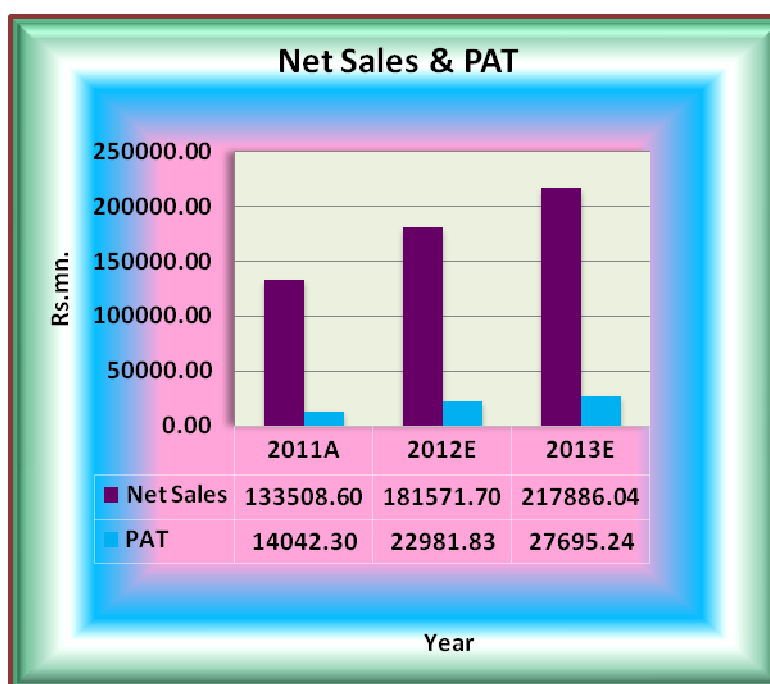
*A=Actual, *E=Estimated

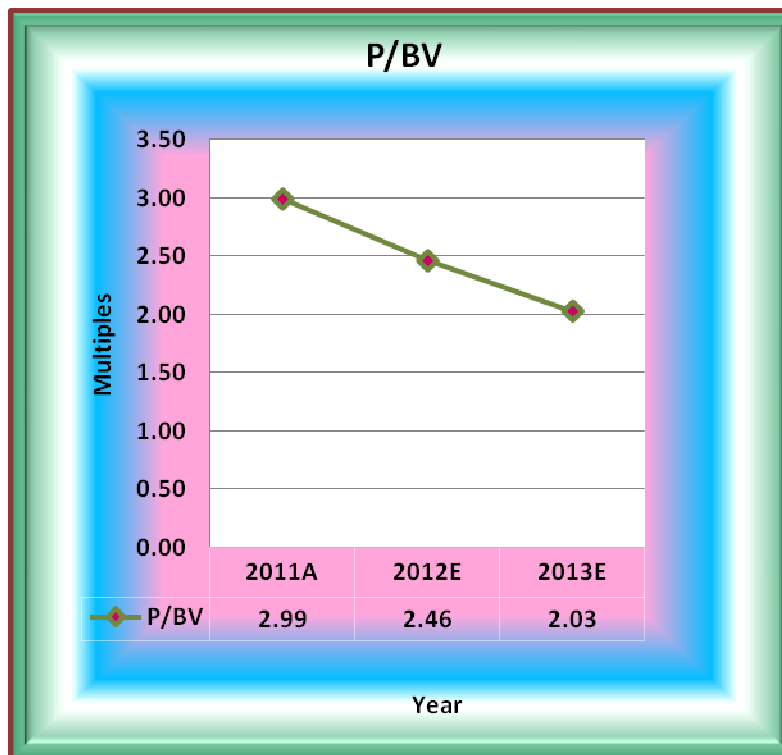
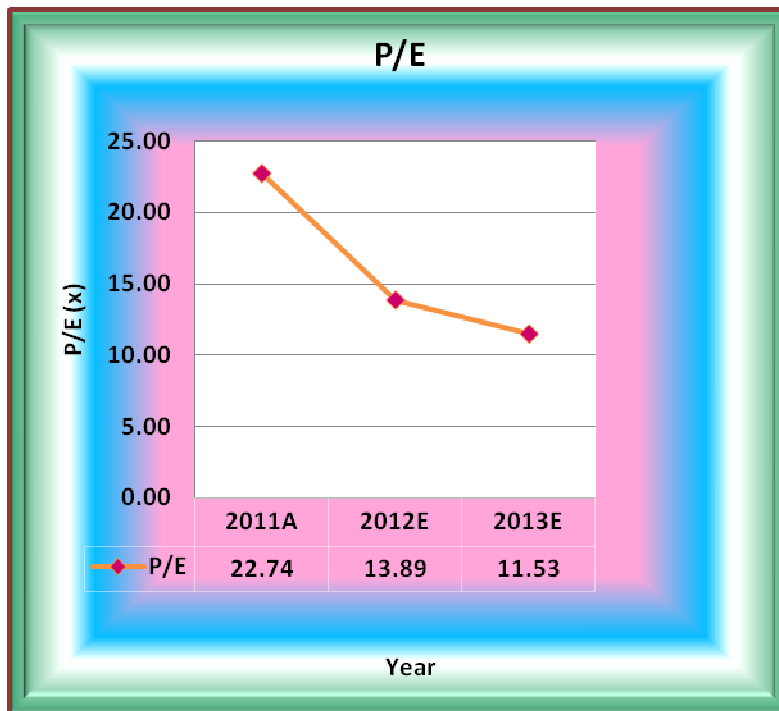
Key Ratio

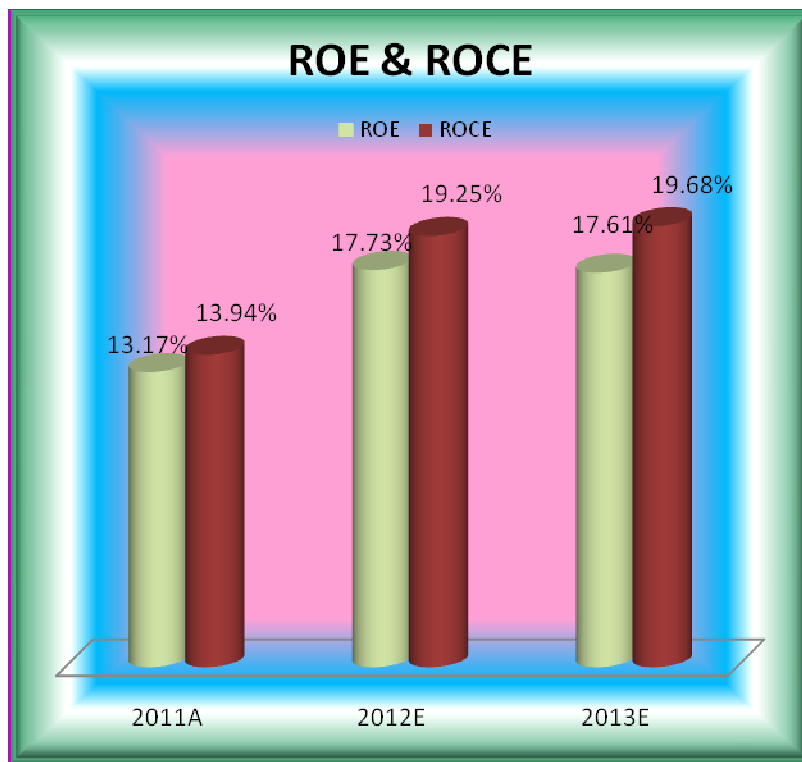
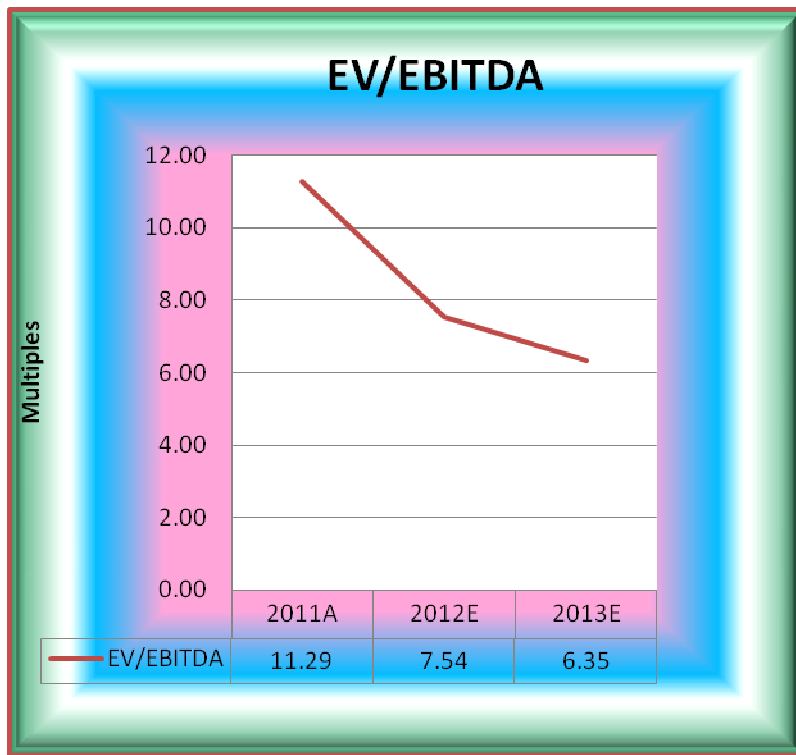
Particulars	FY10	FY11	FY12E	FY13E
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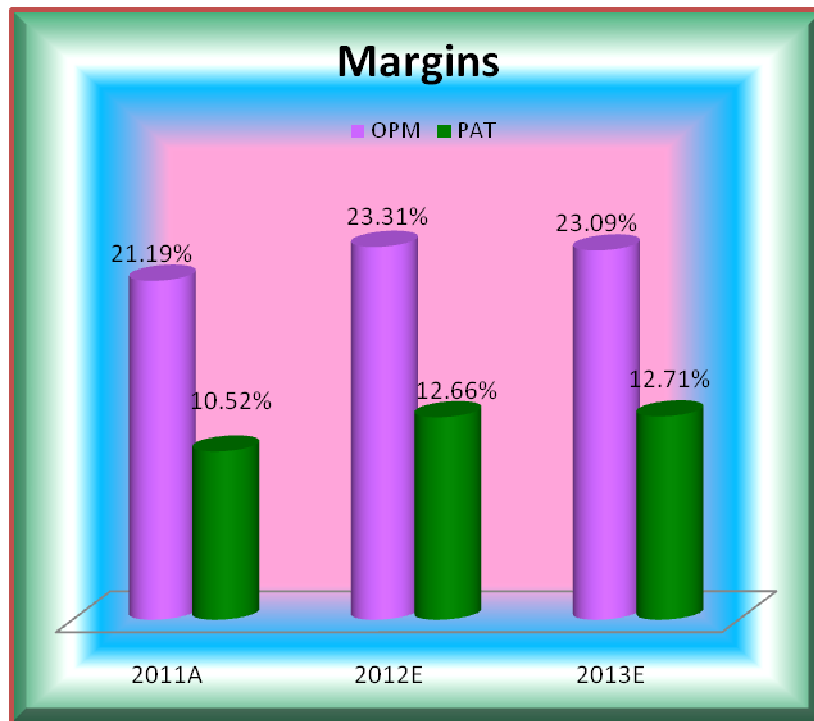
EPS (Rs.)	87.82	51.24	83.86	101.06
EBITDA Margin (%)	29.43%	21.19%	23.31%	23.09%
PAT Margin (%)	15.37%	10.52%	12.66%	12.71%
P/E Ratio (x)	13.13	22.74	13.89	11.53
ROE (%)	23.73%	13.17%	17.73%	17.61%
ROCE (%)	27.46%	13.94%	19.25%	19.68%
EV/EBITDA (x)	6.86	11.29	7.54	6.35
Debt-Equity Ratio	0.35	0.39	0.34	0.29
Book Value (Rs.)	370.04	389.04	472.89	573.95
P/BV	3.12	2.99	2.46	2.03

Charts:









Outlook and Conclusion

- ◆ At the current market price of Rs.1165.00, the stock is trading at 13.89 x FY12E and 11.53 x FY13E respectively.
- ◆ Price to Book Value of the stock is expected to be at 2.46 x and 2.03 x respectively for FY12E and FY13E.
- ◆ Earning per share (EPS) of the company for the earnings for FY12E and FY13E is seen at Rs.83.86 and Rs.101.06 respectively.
- ◆ The company exports over 2.5 million tonnes per annum, which is about 30 per cent of the country's total exports.
- ◆ Net Sales and PAT of the company are expected to grow at a CAGR of 45% and 36% over 2010 to 2013E respectively.
- ◆ During the quarter, the company has reported PAT increased to Rs.2789.00 million from Rs.1157.70 million in previous year same quarter.
- ◆ On the basis of EV/EBITDA, the stock trades at 7.54 x for FY12E and 6.35 x for FY13E.

- We expect that the company will keep its growth story in the coming quarters also. We recommend **'BUY'** in this particular scrip with a target price of Rs.**1328.00** for Medium to Long term investment.

Industry Overview

Sector Structure/ Market Size

India's cement industry has witnessed tremendous growth on the back of continuously rising demand from the housing sector, increased activity in infrastructure, and construction boom, according to RNCOS' latest research report titled, 'Indian Cement Industry Forecast to 2012'.

The country's cement production is projected to grow at a compound annual growth rate (CAGR) of around 12 per cent during 2011-12 - 2013-14 to reach 303 million metric tonnes (MMT), as per the RNCOS research report.

India is the second largest cement producing country with 137 large and 365 mini cement plants. The large plants employ 120,000 people, according to a recent report on the Indian cement industry published by Cement Manufacturers Association (CMA). Cement production in the country is expected to increase to 315-320 million tonne (MT) by end of this financial year from the current 300 MT.

The cement production touched 14.50 MT, while the cement despatches quantity was registered at 14.28 MT during April 2011, as per provisional data released by Cement Manufacturer's Association (CMA).

New Investments

After exceeding the projected cement production of 290 MT, the Cement Manufacturers Association (CMA) is targeting a production increase upto 320 MT by the year end.

- ➔ Holcim Group, has increased its stake from 46.44 per cent to 50 per cent stake in Ambuja Cement through the creeping acquisition route. It has also increased its stake in ACC to reach 50.1 per cent.
- ➔ The Builders Association of India (BAI) plans to set up a cement manufacturing plant at a cost of US\$ 677.97 million at Anantpur in Andhra Pradesh. The plant would have a production capacity of 10 MTPA and is expected to be ready in two years.
- ➔ Shree Cement plans to set up a two MT clinkerisation unit near Raipur, Chhattisgarh, with an investment of US\$ 225.12 million.
- ➔ BK Birla Group outfit, Kesoram Industries, is setting up a 2,000 tonne a day packaging unit in Medak district of Andhra Pradesh at a cost of US\$ 1.76 million, according to a filing by the company to the stock exchanges. The proposed unit would cater to the packing needs of its cement manufacturing unit at Sedam in Karnataka.
- ➔ Birla Corporation, the flagship company of the M P Birla Group, is planning to set up a one MT cement plant in Assam at an investment of around US\$ 99 million. The company has signed a memorandum of understanding (MoU) with the Assam Mineral Development Corporation to this effect.
- ➔ Giving further push to industrial development in the State, the Government of Orissa through its single level window clearance committee has approved four major projects involving an investment of US\$ 274.02 million.
- ➔ The Hyderabad-based Sagar Cements Ltd and Vicat Group of France's US\$ 563.82 million worth joint venture (JV) plant is likely to commence operations next year.
- ➔ My Home Industries Limited (MHI), a 50:50 joint venture (JV) between the Hyderabad-based My Home Group and Ireland's building material major CRH Plc, plans to scale up its cement production capacity from the existing five MTPA to 15 MTPA by 2016. The company would undertake this capacity expansion at a cost of US\$ 1 billion.
- ➔ Rain Commodities Ltd, which manufactures Priya Cement, has acquired Birla Cement and Industries Ltd from Yash Birla Group for an undisclosed sum.

Cement and gypsum products have received cumulative foreign direct investment (FDI) of US\$ 2,316.27 million between April 2000 and February 2011, according to the Department of Industrial Policy and Promotion (DIPP).

Cement companies have added a capacity of 89 MT in the last three years taking their installed capacity to 265 million tonnes per annum (MTPA). The companies are expected to add 35 MT of capacity by 2012-13 as compared to consumption of 179 MT in the last fiscal.

Government Initiatives

The cement industry is pushing for increased use of cement in highway and road construction. The Ministry of Road Transport and Highways has planned to invest US\$ 354 billion in road infrastructure by 2012. Housing, infrastructure projects and the nascent trend of concrete roads would continue to accelerate the consumption of cement.

Increased infrastructure spending has been a key focus area. Finance Minister Pranab Mukherjee has proposed to earmark US\$ 47 billion for infrastructure development during 2011-12.

The infrastructure sector has received an impetus in the form of increased funds and tax related incentives offered to attract investors for tapping the infrastructure opportunities around the country. Introduction of tax free bonds, creation of infrastructure debt funds, formulating a comprehensive policy for developing public private partnership projects are some announcements which will give a fillip to the infrastructure sector which is the backbone of any economy.

Road Ahead

Cement sales has revived across regions in December 2010. The pick-up in cement demand was attributed to revival of infrastructure and real estate projects, especially in rural areas. Demand is expected to gain momentum in the March quarter which is traditionally considered a strong as most of the infrastructure and real estate projects are revived post monsoon.

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