

**CMP : Rs.1,122**
**STOCK INFO**

BSE	532538
NSE	ULTRACEMCO
Bloomberg	UTCEM IN
Reuters	ULTC.BO
Sector	Cement & Cement Products
Face Value (Rs)	10
Equity Capital (Rs mn)	2,741
Mkt Cap (Rs mn)	307,490
52w H/L (Rs)	1,175/ 1074
3m Avg Daily Vol. in mn (BSE+NSE)	185,040

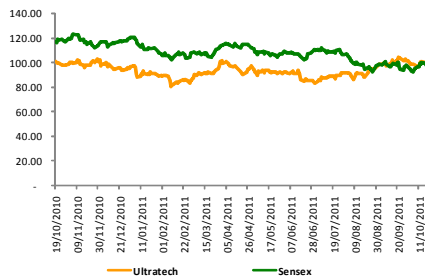
**SHAREHOLDING PATTERN**

	%
<i>(as on 30th Jun. 2011)</i>	
Promoters	63.4
FII's	13.4
DII's	7.8
Public & Others	15.5

Source: Company, Cline

STOCK PERFORMANCE (%)	1m	3m	12m
ULTRATECH	-1	13	0
SENSEX	2	-8	-15

Source: IndiaNivesh Research

**ULTRATECH v/s BSE SENSEX**


Source: Capitaline, IndiaNivesh Research

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- Ultratech reported disappointing set of Q2FY12 bottom-line, after having reported impressive Q1FY12 numbers. Ultratech reported standalone revenues of Rs 39.0 bn during the quarter, marginally below the street's expectation of Rs 39.1 bn. The company reported 21.6% year-over-year growth on a lower base. However, on account of the monsoon season and the ongoing Telangana crisis, Ultratech experienced both, slow-down in the demand as well as sequentially lower realisations. The company reported 4.9% decline in sequential cement dispatches (both, grey and white cement), whereas on a year-over-year basis it increased 2.3% to 9.16 mn tonnes. The blendid sales realisation declined 5.8% sequentially to Rs 4,268 per MT in Q2FY12.
- EBITDA margins during the quarter improved 308 bps on a year-over-year basis to 16.7%, however, it was significantly below last quarters 28.1% levels. The company reported EBITDA of Rs 6.5 bn, 4.6% below the street's expectations of Rs 6.8 bn. Decline in sequential EBITDA margins is attributable to 11.8%, and 10.1% increase in the Employee and other expenses, respectively. On the other hand, the year-over-year EBITDA margin expansion was seen despite 13.2% and 15.0% increase seen across Power & Fuel and freight expenses to Rs 9.5 bn and 7.4 bn, respectively.
- Interest expenses continued their downward journey from the previous quarter. This quarter interest expenses declined from Rs 845.1 mn in Q2FY11 and Rs 726.2 mn in Q1FY12 to Rs 671.6 mn in Q2FY12 (20.5% year-over-year decline). The company reported effective tax rate of 29.4% during the quarter compared to 33.2% a year ago. Improved operating performance on a year-over-year basis coupled with lower tax rate and lower interest expenses, helped the company to report 7.0% PAT margins (vs. 3.6% in Q2FY11). Lower demand and realisations coupled with higher expense base, led the company report 850 bps decline in the sequential PAT margins. PAT numbers of the company at Rs 2.7 bn were below street's expectation of Rs 3.5 bn.
- The debt to equity ratio of the company has improved from 0.42x in Q2FY11 to 0.35x in Q2FY12.
- The company is likely to invest Rs 110 bn in the next 3 years. These brownfield capacities in Chattisgarh and Karnataka would add 9.2 mn tonnes of additional capacity and is likely to get commissioned by Q1FY14.

**Valuation**

At CMP of Rs 1,122, based on street expectations, the stock is trading at FY12E and FY13E EV/EBITDA multiple of 8.6x and 7.3x. Operating metrics of the company are likely to see some pressure on account of excess supply scenario at the industry level and muted infra activity, despite some cooling in the raw material prices and expected increase in the cement prices. At current valuations of EV/Tonne of ~\$136/tonne, we believe the stock is fairly priced and do not see any near term catalysts for the stock to perform.

## Financials- Standalone

(Rs in Mn)	Q2FY12	Q1FY12	Q2FY11	q-o-q ch.	y-o-y ch.
Net Sales	39,097.5	43,653.6	32,147.0	-10.4%	21.6%
Other Operating Income	<u>708.7</u>	<u>390.3</u>	<u>298.0</u>	81.6%	137.8%
Total Operating Income	39,806.2	44,043.9	32,445.0		
Expenditure					
(Inc.)/ Dec. in Stock in Trade & WIP	798.8	(863.7)	(308.5)	-192.5%	-358.9%
Consumption of raw materials	5,419.1	5,526.2	4,724.8	-1.9%	14.7%
Purchase of Traded Goods	451.2	376.1	228.5	20.0%	97.5%
Employee cost	2,058.2	1,840.6	1,910.8	11.8%	7.7%
Depreciation	2,227.5	2,229.6	2,183.8	-0.1%	2.0%
Power & Fuel	9,549.2	10,366.7	8,434.2	-7.9%	13.2%
Freight & Handling Expenses	7,479.5	7,691.2	6,504.9	-2.8%	15.0%
Other Expenses	<u>7,525.3</u>	<u>6,835.5</u>	<u>6,574.5</u>	10.1%	14.5%
	35,508.8	34,002.2	30,253.0		
EBITDA	6,524.9	12,271.3	4,375.8		
EBITDA Margin (%)	16.7%	28.1%	13.6%		
Other Income	<u>325.2</u>	<u>267.6</u>	<u>385.9</u>	21.5%	-15.7%
Profit before Interest & Tax expense	4,622.6	10,309.3	2,577.9		
Interest	<u>671.6</u>	<u>726.2</u>	<u>845.1</u>	-7.5%	-20.5%
Profit before Tax expense	3,951.0	9,583.1	1,732.8		
Tax Expenses	<u>1,162.0</u>	<u>2,752.0</u>	<u>575.1</u>	-57.8%	102.1%
Profit after Tax expense	2,789.0	6,831.1	1,157.7		
PBT as % of tax	29.4%	28.7%	33.2%		
PAT Margin (%)	7.0%	15.5%	3.6%		
EPS-Diluted	10.17	24.92	4.22		

Source: Company Filings; IndiaNivesh Research



Trust.....we earn it.

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