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Q4 FY07
Result Update

UltraTech Cement

Market Performer

Rs 842

April 23, 2007

In line with expectations

Company Details		Result Snapshot	
Market Cap:	Rs 104,771m	<p>UltraTech's (UTCL) results were in line with expectations, with the company reporting a PAT of Rs 2.32bn against our estimate of Rs 2.33bn. Higher than expected traded sales along with impressive realisation growth boosted overall the top line.</p> <p>Strong realisation growth was able to overcome the impact of higher fuel and freight costs, resulting in a 764-bp EBITDA margin expansion. UTCL may see moderate volumes in FY08 (as capacity additions are expected at end-FY08) and the current price freeze would mean an absence of realisation upside for FY08.</p> <p>AT an EV/ton of \$160, we feel the stock is fairly valued and maintain a Market Performer rating on it.</p>	
52-Week High/Low:	Rs 1,205 / 500		
Bloomberg Code:	UTCEM@IN		
Reuters Code:	ULTC.BO / NS		
Shares O/s:	124m		
Average Volume (3 months):	0.2m		
Price Performance			
(%)	1m	3m	12m
Absolute	7.4	(25.5)	5.7
Relative to the Sensex	3.0	(23.5)	(9.9)

Quarterly Table

(Rs m)

Y/e March	Q4 FY07	Q4 FY06	YoY Gr. (%)	Q3 FY07	FY06	FY07E	YoY Gr. (%)
Net Sales	14,655	10,604	38.2	12,605	32,548	47,552	46.1
Raw Materials	2,364	1,824	29.6	1,574	2,320	3,702	59.6
Staff Costs	288	328	(12.3)	315	857	1,182	37.8
Power & Fuel	3,150	2,569	22.6	2,893	8,442	11,188	32.5
Freight	3,112	2,575	20.9	2,509	7,411	9,703	30.9
Other Expenses	1,657	1,162	42.6	1,511	8,247	7,531	(8.7)
Total Expenditure	10,570	8,457	25.0	8,802	27,278	33,306	22.1
EBITDA	4,085	2,146	90.4	3,802	5,270	14,246	170.3
<i>EBITDA Margin (%)</i>	<i>27.9</i>	<i>20.2</i>	<i>763.6</i>	<i>30.2</i>	<i>16.2</i>	<i>30.0</i>	
Depreciation	601	599	0.2	571	1,916	2,234	16.6
Other Income	195	105	86.2	167	334	570	70.8
EBIT	3,679	1,652	122.8	3,398	3,688	12,582	241.2
Interest	203	223	(8.7)	202	896	892	(0.4)
PBT	3,476	1,429	143.3	3,196	2,792	11,690	318.7
Extraordinary Income/(Expense)	-	-		-	(288)	-	
PBT (After EO)	3,476	1,429	143.3	3,196	2,504	11,690	366.9
Tax	1,161	108	978.6	1,072	838	3,858	360.6
<i>Tax Rate %</i>	<i>33.4</i>	<i>7.5</i>		<i>33.5</i>	<i>33.5</i>	<i>33.0</i>	
Reported PAT	2,315	1,321	75.3	2,125	1,666	7,832	370.1
Adjusted PAT	2,315	1,321	75.3	2,125	1,954	7,832	300.7

(Stock price as on April 20, 2007)



Operating Parameters

Y/e March	Q4 FY07	Q4 FY06	YoY Gr. (%)	Q3 FY07	FY06	FY07E	YoY Gr. (%)
Volume (m t)	5.0	4.6	8.9	4.5	15.6	17.2	10.5
Net Realisations (Rs/t)	2,908	2,290	27.0	2,803	2,089	2,760	32.2
EBITDA/t (Rs/t)	811	464	74.9	846	370	877	137.4

Result Highlights

Turnover driven mainly by prices

UTCL reported strong top-line growth of 38% yoy, mainly from robust cement prices and higher-than-expected volume growth. Net realisations rose 27% yoy while volumes grew 9% yoy, aided by an increase in the share of sales of traded goods. While domestic sales registered a 6% growth yoy, exports saw a 23% yoy jump during the quarter. UTCL operated at 113% capacity utilisation during the quarter and, consequently, future volume growth is expected to be moderate.

EBITDA margin expands by 763bp

Expenditure climbed 25% yoy, to Rs 10.57bn. Freight and power and fuel costs per ton were slightly up -- 11% and 13% yoy respectively. Finished goods purchased were up 25% yoy, plus higher stores and advertising costs resulted in a significant 43% yoy rise in 'other expenses'. However, higher realizations more than compensated for these cost pressures, driving the 763-bp EBITDA margin expansion to 27.9%. UTCL's EBITDA/ton almost doubling -- to Rs 811 from Rs 464 yoy.

Depreciation and interest costs were largely stable yoy. Consequently, the company posted a PAT of Rs 2.32bn, against our estimate of Rs 2.33bn, a growth of 75% yoy.

Outlook

UTCL's 4-m ton expansion in Tadipatri, AP, is expected to be commissioned by end-FY08. The advantage of the enhanced capacity would accrue only in FY09. The company is also investing in captive power plants, the benefits of which would also accrue in FY09. Consequently, we expect volume growth for FY08 to be moderate.

Valuations

At the current market price, UTCL is valued at an EV/ton of \$160. We expect volume growth in FY08 to be constrained and the one-year price freeze would result in an absence of realization growth in the same year.

The stock quotes at a PER of 13.2x and at an EV/E of 8.6x our FY08E earnings. We feel the stock is fairly valued and, given the lack of any sector specific triggers, we maintain our **Market Performer** rating on it.

**Key Figures**

Y/e March	FY05	FY06	FY07E	FY08E
Revenues (Rs m)	26,811	32,548	47,552	50,180
EBITDA (Rs m)	3,497	5,270	14,246	14,551
<i>Margins (%)</i>	<i>13.0</i>	<i>16.2</i>	<i>30.0</i>	<i>29.0</i>
PAT (Rs m)	980	1,954	7,832	7,922
EPS (Rs)	7.9	15.7	63.0	63.7
PER (x)	106.9	53.6	13.4	13.2
EV / E (x)	35.8	23.4	8.6	8.6
EV / Sales (x)	4.7	3.8	2.6	2.5
<i>RoCE (%)</i>	<i>5.2</i>	<i>11.7</i>	<i>36.7</i>	<i>30.4</i>
<i>RoE (%)</i>	<i>9.2</i>	<i>17.2</i>	<i>51.4</i>	<i>36.5</i>

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