

UltraTech Cement

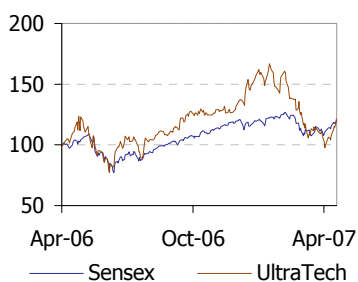
Relative to sector: **Underperformer**

Lead Analyst: **Jagdishwar Toppo**
Email: jagdishwar@enam.com
Tel: 9122 6754 7605

Associate: **Pallav Agarwal**
Email: pallav@enam.com
Tel: 9122 6754 7761

Associate: **Ravindra Deshpande**
Email: ravindra.deshpande@enam.com
Tel: 9122 6754 7627

Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares : 124mn
Market cap : Rs 104bn
52 week high/low : Rs 1,205/ Rs 501
Avg. daily vol. (6mth) : 120,400 shares
Bloomberg code : UTCEM IN
Reuters code : ULTC.BO

Shareholding (%) Mar-07 QoQ chg

Shareholder	Mar-07 (%)	QoQ chg
Promoters	53.0	0.5
FIIs	9.4	0.3
MFs / UTI	2.0	(0.2)
Banks / FIs	6.0	0.0
Others	29.7	(0.6)

IN LINE WITH EXPECTATIONS

UltraTech Cement has reported a 38% revenue growth YoY from Rs 10.6bn in Q4FY06 to Rs 14.7bn in Q4FY07. EBITDA at Rs 4.1bn was higher by 90% YoY, and 7% QoQ. EBITDA margin declined to 27.9% in Q4FY07 from 30.2% in Q3FY07 due to increased variable cost. The cost of production during the quarter increased on account of higher cost of imported coal and increased freight charges. The EPS for Q4FY07 stood at Rs 18.6 and for FY07 stood at Rs 63.1.

Q4FY07 Highlights

- Sales volume (including clinker) touched 5.04mn tonnes (up 9% YoY and 12% QoQ).
- Average net realizations per tonne in Q4FY07 improved by ~27% YoY to ~Rs 2,910 per tonne. Operating profit increased 75% YoY to ~Rs 811 per tonne in Q4FY07 vs ~Rs 464 per tonne in Q4FY06. But on a sequential basis, operating profit per tonne declined 4% with increase in the per tonne cost of production.
- Captive power plants at Gujarat, Chattisgarh and Andhra Pradesh units are on schedule to be commissioned during CY08. Captive power supply is expected to reduce the power cost. The 4mtpa cement capacity expansion at Andhra Pradesh, which will address the South Indian cement market, is expected to be commissioned in FY08.

We expect demand to grow at ~10% p.a., inline with GDP growth, on the back of strong commercial/ industrial activity, and supported by steady residential demand. We expect cement prices to stay firm in the short to medium term, with a pick-up in construction activities and with supply lagging demand.

We retain our FY08 & FY09 EPS estimates at Rs 71.3 and Rs 75.6. We believe at CMP Rs 842, the stock trading at 11.8x FY08E earnings is fairly valued. We maintain our sector **Underperformer** rating on the stock with an unchanged price target of Rs 727 (target multiple of 10.2x FY08E).

Financial summary

Y/E Mar	Sales (Rs mn)	Adj. PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBDITA (x)	DPS (Rs)
2006	33,572	2,264	-	18.2	788	37.6	21.7	15.1	16.9	1.8
2007	49,687	7,849	-	63.1	247	12.2	44.4	43.7	7.5	4.0
2008E	49,895	8,878	70.1	71.3	13	11.8	34.0	34.4	7.7	4.0
2009E	55,649	9,416	81.0	75.6	6	11.1	26.9	29.0	6.6	4.0

Source: *Consensus broker estimates, Company, ENAM estimates

Results update

(Rs mn)	Quarter ended					Year ended		
	Mar-07	Mar-06	% Chg	Dec-06	% Chg	Mar-08E	Mar-07	% Chg
Net Sales	14,655	10,604	38.2	12,605	16.3	49,895	49,687	0.4
EBIDTA	4,085	2,146	90.4	3,802	7.4	16,254	14,466	12.4
Other income	195	105	86.2	167	16.8	560	442	26.6
PBIDT	4,280	2,251	90.2	3,969	7.8	16,814	14,908	12.8
Depreciation	601	599	0.2	571	5.2	2,820	2,287	23.3
Interest	203	223	(8.7)	202	0.9	938	868	8.1
PBT	3,476	1,429	143.3	3,196	8.7	13,055	11,753	11.1
Tax	1,161	108	978.6	1,072	8.3	4,178	3,887	7.5
Minority Interest	-	-	-	-	-	-	18	-
Reported PAT	2,315	1,321	75.2	2,124	9.0	8,878	7,849	13.1
No. of shares (mn)	124	124	-	124	-	124	124	-
EBIDTA margins (%)	27.9	20.2	-	30.2	-	32.6	29.1	-
PBIDT margins (%)	29.2	21.2	-	31.5	-	33.7	30.0	-
EPS - annualized (Rs.)	74.4	42.4	75.2	68.3	9.0	71.3	63.1	13.1

Source: Company, ENAM estimates

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