

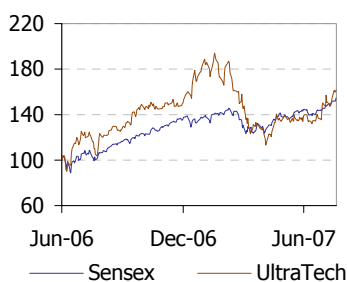
# UltraTech Cement

 Relative to sector: **Neutral**
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**Relative Performance**


Source: Bloomberg, ENAM Research

**Stock data**

 No. of shares : 124mn  
 Market cap : Rs 123bn  
 52 week high/low : Rs 1,205/ Rs 599  
 Avg. daily vol. (6mth) : 137,000 shares  
 Bloomberg code : UTCEM IN  
 Reuters code : ULTC.BO

**Shareholding (%) Jun-07 QoQ chg**

Promoters	:	53.1	0.1
FII's	:	9.2	(0.2)
MFs / UTI	:	1.9	(0.1)
Banks / FIs	:	6.6	0.6
Others	:	29.3	(0.3)

## A SATISFACTORY PERFORMANCE

UltraTech Cement reported a revenue growth of 16% YoY at Rs 13.7bn in Q1FY08 as compared to Rs 11.8bn in Q1FY07. EBIDTA at Rs 4.3bn was up 16% YoY driven by improved realizations. Cost of production increased YoY on account of higher coal costs and freight charges. Adjusted PAT spurted 23% YoY to Rs 2.6bn.

### Q1FY08 Highlights

- Domestic sales rose 5% YoY to 3.67mn tonnes from 3.48 mn tonnes.
- The company witnessed coal price inflation of 22% YoY, which escalated the cost of production by ~11%.
- Captive power plants in Gujarat and Chattisgarh units are on schedule. The plant in Gujarat is expected to be commissioned in a phased manner from the last quarter of FY08. The management has decided to augment capacity at Ginigera, Karnataka to 4.9 mtpa instead of 4mtpa. Further, the board has also approved the augmentation of its grinding unit in Gujarat by 2 mtpa.

During H1CY07, demand for cement grew by ~7.1% over the corresponding period last year. Going ahead, we expect cement demand to grow at ~10% p.a. in line 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, given the pick-up in construction activities and with supply lagging demand. The tightness is expected to continue over the next two years given the delay in greenfield capacity additions.

We believe steady realizations coupled with volume gains on the back of capacity additions will improve profitability thereby offsetting cost pressures. We revise FY09E earnings upward to Rs 78.8 (Rs 75.6). At CMP of Rs 992 the stock trading at 12.6x FY09E earnings is fully valued in our opinion. We reiterate our sector **Neutral** rating on the stock with a revised price target of Rs 946 (12x FY09E EPS).

**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/EBIDTA (x)	DPS (Rs.)
2006	33,572	2,264	-	18.2	788	37.6	21.7	15.1	16.7	1.8
2007	49,687	7,849	-	63.1	247	12.2	44.4	43.7	7.5	4.6
2008E	52,895	8,878	72.0	71.3	13	13.9	34.0	34.4	8.8	4.0
2009E	59,019	9,814	77.4	78.8	11	12.6	27.7	30.0	7.4	4.0

Source: \*Consensus broker estimates, Company, ENAM estimates

## Results update

(Rs mn)	Quarter ended					Year ended		
	Jun-07	Jun-06	% Chg	Mar-07	% Chg	Mar-08E	Mar-07	% Chg
<b>Net Sales</b>	<b>13,653</b>	<b>11,803</b>	<b>15.7</b>	<b>14,655</b>	<b>(6.8)</b>	<b>52,895</b>	<b>49,687</b>	<b>6.5</b>
<b>EBIDTA</b>	<b>4,335</b>	<b>3,746</b>	<b>15.7</b>	<b>4,085</b>	<b>6.1</b>	<b>16,254</b>	<b>14,466</b>	<b>12.4</b>
Other income	269	134	100.7	195	38.0	560	442	26.6
<b>PBIDT</b>	<b>4,604</b>	<b>3,880</b>	<b>18.7</b>	<b>4,280</b>	<b>7.6</b>	<b>16,814</b>	<b>14,908</b>	<b>12.8</b>
Depreciation	559	544	2.8	601	(7.0)	2,820	2,287	23.3
Interest	202	226	(10.8)	203	(0.9)	938	868	8.1
<b>PBT</b>	<b>3,844</b>	<b>3,110</b>	<b>23.6</b>	<b>3,476</b>	<b>10.6</b>	<b>13,055</b>	<b>11,753</b>	<b>11.1</b>
Tax	1,250	1,002	24.8	1,161	7.7	4,178	3,887	7.5
Minority Interest	-	-	-	-	-	-	18	-
Adjusted PAT after minority interest	2,593	2,108	23.0	2,315	12.0	8,878	7,849	13.1
Extra ordinary income/ (exp.)	-	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>2,593</b>	<b>2,108</b>	<b>23.0</b>	<b>2,315</b>	<b>12.0</b>	<b>8,878</b>	<b>7,849</b>	<b>13.1</b>
No. of shares (mn)	124	124	-	124	-	124	124	-
EBIDTA margins (%)	31.8	31.7	-	27.9	-	30.7	29.1	-
PBIDT margins (%)	33.7	32.9	-	29.2	-	31.8	30.0	-
<b>EPS - annualized (Rs.)</b>	<b>83.3</b>	<b>67.7</b>	<b>23.0</b>	<b>74.4</b>	<b>12.0</b>	<b>71.3</b>	<b>63.1</b>	<b>13.1</b>

Source: Company, ENAM estimates

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