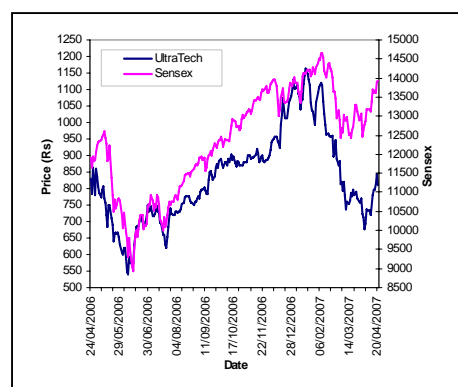


**Ultratech Cement**
**Neutral**
**CMP: Rs 809**
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Sector	Cement
Market Cap (Rs cr)	10,072
Beta	1.0
52 WK High / Low	1,205 / 501
Avg Daily Volume	42,076
Face Value (Rs)	10
BSE Sensex	13,928
Nifty	4,085
BSE Code	532538
NSE Code	ULTRACEMCO
Reuters Code	ULTC.BO
Bloomberg Code	UTCEM@IN

**Shareholding Pattern (%)**

Promoters	53.0
MF/Banks/Indian FIs	8.0
FII/ NRIs/ OCBs	9.9
Indian Public	29.1

**Share Price Vs Sensex**

**Q4FY2007 Result Update**
**Performance Highlights**

- Robust growth in Topline:** UltraTech Cement, an Aditya Birla Group Company and Grasim subsidiary, delivered a strong set of numbers for the quarter ended March 2007, which were in-line with our estimates. It reported a robust Topline growth of 38.2% YoY to Rs 1,465.5cr (Rs 1,060.4cr) for the quarter. This surge in the Topline came about on the back of both –volumes as well as realisations growth. While volume sales were higher by 9% YoY for the quarter, improvement in realisations was much stronger at ~27% YoY on the back of the strong demand for cement in the country. Capacity Utilisation stood at 113% in Q4FY2007 compared to 102% in Q4FY2006.
- Higher realisations help Operating Margins:** Operating Margins registered a marked improvement of ~760bps to 27.9% (20.2%), which was primarily on the back of the strong improvement in cement realisations. Barring Staff costs, all the other operating heads witnessed an increase on the per tonne basis leading to a rise of 20% YoY in operating cost per tonne of production. However, with much stronger realisations growth, Operating Profits for the quarter were higher by 90.4% YoY at Rs 408.5cr compared to Rs 214.6cr in the corresponding quarter of last year.
- Net Profit up 75% YoY:** The strong performance at the operating level coupled with the 8.7% YoY fall in Interest expenses to Rs 20.3cr (Rs 22.3cr) and an 86.2% YoY increase in Other Income to Rs 19.5cr (Rs 10.5cr) helped the company report a Net Profit of Rs 231.5cr during the quarter compared to Rs 132.1cr in the corresponding quarter of last year, which is an increase of 75.3% YoY. This performance came about despite a sharp rise in Tax outgo at Rs 116.1cr (33.4% of Profit before Tax) as compared to Rs 10.8cr last year (7.5% of PBT).
- Dividend declared:** The company had in March 2007 declared a n interim dividend of 40% (Rs 4 per share on Face Value of Rs 10), which is now also the final dividend for the year.

**Exhibit 1: Key Financials**

Y/E March (Rs cr)	FY2006	FY2007	FY2008E	FY2009E
<b>Net Sales</b>	<b>3,300</b>	<b>4,911</b>	<b>5,295</b>	<b>5,294</b>
% chg	26.6	48.8	7.8	(0.0)
<b>Net Profit</b>	<b>230</b>	<b>782</b>	<b>839</b>	<b>764</b>
% chg	7,961.8	240.4	7.2	(8.9)
<b>FDEPS</b>	<b>17.8</b>	<b>60.7</b>	<b>65.1</b>	<b>59.3</b>
EBITDA Margin (%)	16.8	28.9	29.3	27.0
P/E (x)	45.4	13.3	12.4	13.6
P/CEPS (x)	22.6	10.0	9.7	10.2
ROE (%)	22.1	44.4	33.1	23.7
ROCE (%)	12.8	27.7	23.8	19.8
P/BV (x)	9.7	5.7	4.1	3.2
EV/Sales (x)	3.4	2.3	2.2	2.1
EV/EBITDA (x)	20.4	7.9	7.5	7.9
EV/Tonne (US\$)	154	153	160	122

*Source: Company; Angel Research*
**April 24, 2007**

### Capex plans

The company's capex plans are on track. It had earmarked Rs 2,700 crores to be spent over the next 3 years. To meet the growing demand for cement and to maintain its market share in the southern market, a capex of Rs1,274 crore towards expansion of cement capacity by 4 mtpa at the company's plant in Andhra Pradesh (APCW). This is inclusive of a 1.30 mtpa split grinding unit. Further, to address the issue of rising energy costs, the company would spend Rs 1,424cr. Of this, Rs 844cr will be for installation of captive power plants (CPP) at the company's units in Gujarat, Andhra Pradesh and Chhattisgarh, which would be commissioned during calendar year 2008. Upon commissioning of these plants, the power costs for the company will reduce substantially.

### Outlook

The cement industry recorded a growth of 6.6% YoY during Q4FY2007. Healthy demand for cement on the back the strong growth being witnessed in the housing and infrastructure sectors has helped keep the demand-supply balance in favour of the manufacturers, thus helping cement prices to hold forte.

However, there have been some adverse developments during the quarter pertaining to the freeze on cement prices for 1-year even if input costs were to rise and the scrapping of import duties on cement, thus making its import cheaper in certain markets in the country, which is a harsh blow for the Indian cement industry. While the import of cement into the country in significant quantities is unlikely to get materialized owing to logistics constraints, it would nonetheless put pressure on cement manufacturers to refrain from raising prices.

While we expect the industry and Ultratech Cement to continue to do well on the volumes front, the above adverse developments will keep a cap on the profits of the company in the absence of the pricing power. Further, considering that cement supply would start to catch up from FY2009 onwards, we expect cement prices to come under pressure, which will have a negative impact on the profitability of cement companies.

### Valuations

At the CMP of Rs 809, the stock trades at P/E multiple of 13.6x, EV/EBITDA of 7.9x and EV/Tonne of US\$ 122 on our FY2009 estimates. **We maintain our Neutral view on the stock.**

### Exhibit 2: Financial Performance

Y/E March (Rs cr)	FY2007		% chg	FY2006	% chg	FY2007	FY2006	% chg
	Q4	Q3	(QoQ)	Q4	(YoY)			(YoY)
<b>Net Sales</b>	<b>1,465.5</b>	<b>1,260.5</b>	<b>16.3</b>	<b>1,060.4</b>	<b>38.2</b>	<b>4,910.8</b>	<b>3,299.5</b>	<b>48.8</b>
Total Expenditure	1,057.0	880.2	20.1	845.7	25.0	3,493.0	2,745.2	27.2
<b>Operating Profits</b>	<b>408.5</b>	<b>380.2</b>	<b>7.4</b>	<b>214.6</b>	<b>90.4</b>	<b>1,417.8</b>	<b>554.3</b>	<b>155.8</b>
OPM (%)	27.9	30.2	-	20.2	-	28.9	16.8	-
Interest	20.3	20.2	0.9	22.3	(8.7)	86.8	89.6	(3.1)
Depreciation	60.1	57.1	5.2	59.9	0.2	226.3	216.0	4.7
Other Income	19.5	16.7	16.8	10.5	86.2	61.5	37.0	66.1
Profit Before Tax	347.6	319.6	8.7	142.9	143.3	1,166.2	285.6	308.3
Tax	116.1	107.2	11.9	10.8	978.6	383.9	55.8	587.6
<b>Net Profit</b>	<b>231.5</b>	<b>212.5</b>	<b>9.0</b>	<b>132.1</b>	<b>75.3</b>	<b>782.3</b>	<b>229.8</b>	<b>240.5</b>
(% of Net Sales)	15.8	16.9	-	12.5	-	15.9	7.0	-
Equity Capital	12.4	12.4		12.4		12.4	12.4	
<b>EPS</b>	<b>18.6</b>	<b>17.1</b>		<b>10.6</b>		<b>62.8</b>	<b>18.5</b>	

Source: Company, Angel Research

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