

Q3-FY21 Result Update

- ❑ The company reported good set of numbers for the quarter under review with effective volume growth of 14% YoY & revenue from operations improved by 17.4% year-on-year to ₹1,22,540 million on a reported basis. The company reported healthy revenue growth mainly led by better performance in all the regions North, Central, West, East & South regions (geographically). The rural markets penetration increased by ~3.5%YoY.
- ❑ On profitability front, the EBITDA from operations for the quarter improved by 56.5% year-on-year at ₹30,940 million with a operating margin of 25.3%. The operating EBITDA per ton improved by 30% YoY to ₹1330. The company achieved the reported PAT of ₹15,840 million, a growth of 122.6% year-on-year with a net margin of 6.8% translating into EPS of ₹54.9 per share for the quarter.
- ❑ Since takeover, Ultratech Nathdwara achieved a capacity utilisation of 75% capacity utilisation from earlier 45% and reduced production cost by 15% thereby achieving EBITDA of ₹1500/mt from earlier ₹90/mt. The unit is also in process of disposing non-core assets.
- ❑ Regarding Century Cement unit, The company is investing in 45 megawatt of waste heat recovery system (WHRS) power plants at two units of Century, which will result into further cost reduction and EBITDA improvement. These projects are scheduled to get commissioned by March 2022. The unit has achieved capacity utilisation of 75% and 37% YoY volume growth, further it has cut production cost by 12% YoY.
- ❑ The company has further reduced its net debt by ₹26,960 million during the quarter to ₹94,360 million. The consolidated Net Debt/EBITDA currently stands at .84x v/s 1.87x YoY. The company has a treasury surplus of ₹1,00,000 million, which generates positive carry over borrowing costs and further provides liquidity in case an opportunity for mergers & acquisitions arises.
- ❑ The Company announced ₹54,770 million investment towards 12.8 mtpa expansion plan in December 2020, the additional capacity will be created in the fast-growing markets of the east, central and north regions of the country. This capacity addition will not impact the ongoing deleveraging program which is on track to make the company debt free by the time expansion program is completed.
- ❑ We continue to remain positive on the company on back of its strong business model, high operating margins, improving balance sheet, growing retail market share, brand transition and optimization of acquired business. We maintain our **BUY** rating on the stock with a revised target price of **₹6070 per share**.

Financials:

(In ₹ mn)	Q3-FY21	Q3-FY20	Chg	9M-FY21	9M-FY20	Chg
Net Sales	122,541	104,393	17.4%	302,421	314,742	-3.9%
Operating Expense	91,599	84,611	8.3%	223,783	246,280	-9.1%
EBITDA	30,943	19,783	56.4%	78,638	68,462	14.9%
Other Income	2,679	1,690	58.5%	6,816	4,507	51.2%
Depreciation	6,739	6,780	-0.6%	19,925	20,348	-2.1%
EBIT	26,883	14,693	83.0%	65,529	52,621	24.5%
Interest	3,563	4,720	-24.5%	11,061	14,820	-25.4%
PBT	23,320	9,973	133.8%	54,468	37,800	44.1%
Tax	7,474	2,862	161.2%	16,739	12,093	38.4%
Exceptional Items	-	-		6	-	
PAT	15,846	7,111	122.8%	37,735	25,708	46.8%
Minority /Other Adj.	(3)	8		1	98	
Consolidated PAT	15,843	7,118	122.6%	37,735	25,806	46.2%

Margins	Q3-FY21	Q3-FY20	Chg BPS	9M-FY21	9M-FY20	Chg BPS
Operating Margin %	25.3%	18.9%	630	26.0%	21.8%	425
Net Margin %	12.9%	6.8%	612	12.5%	8.2%	431

Consolidated Financials:

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Net Sales	416,088	421,248	425,240	489,026
Operating Expense	342,619	328,413	331,813	381,585
EBITDA	73,469	92,836	93,427	107,441
Other Income	4,634	6,478	6,539	7,520
Depreciation	24,507	27,022	26,667	30,667
EBIT	53,597	72,292	73,299	84,294
Interest	17,779	19,857	13,313	13,848
Misc. items	(1,139)	-	-	-
PBT	34,679	52,435	59,986	70,446
Tax	10,681	(5,682)	18,475	21,696
Minority Interest	37	32	-	-
PAT	24,035	58,148	41,511	48,750

Margins	FY-19	FY-20	FY-21E	FY-22E
Sales Growth %	34.3%	1.2%	0.9%	15.0%
Operating Margin %	17.7%	22.0%	22.0%	22.0%
Net Margin %	5.8%	13.8%	9.8%	10.0%

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Liabilities				
Equity Share Capital	56,860	3,245	3,245	3,245
Reserves & Surplus	280,647	387,910	429,421	478,171
Total Shareholder's Funds	337,507	391,155	432,666	481,416
Minority Interest	122	75	75	75
Long-Term Liabilities	206,504	173,675	99,435	99,435
Other Long-term Liabilities	1,796	13,039	13,039	13,039
Deferred Tax Liability	63,994	49,060	49,060	49,060
Short-term Liabilities	155,333	166,308	167,883	193,066
Total	765,254	793,312	762,158	836,091
Assets				
Net Fixed Assets	577,979	579,020	543,636	611,194
Long-Term L&A	40,780	43,359	43,359	43,359
Non Current Investments	14,048	16,850	16,850	16,850
Other Non-Current Assets	2,903	4,009	4,009	4,009
Current Asset	129,542	150,074	154,304	160,679
Total	765,254	793,312	762,158	836,091

Key Ratios	FY-19	FY-20	SFY-21E	FY-22E
EPS (₹)	83.3	201.5	143.8	168.9
P/E (x)	64.9	26.8	37.6	32.0
P/B (x)	4.6	4.0	3.6	3.2
ROE	7.1%	14.9%	9.6%	10.1%

Source: Company, Anand Rathi Research

Key Risks:

- Increase of logistics, energy & raw material cost.
- Increase of interest rates.
- Changing environment rules & regulations.



Rating and Target Price history:

ULTRACEMCO's rating history & price chart



ULTRACEMCO's rating details

Date	Rating	Target Price (₹)	Share Price (₹)
15-Oct-2020	Buy	5210	4374
06-Nov-2020	Buy	5300	4556
05-Jan-2021	Buy	5800	5327
27-Jan-2021	Buy	6070	5405

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 27 January 2021 close.

Source: Bloomberg, Anand Rathi Research

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