

5 November 2022

### Q2-FY23 Result Update

- ❑ Ultratech reported moderate set of numbers for the quarter under review with domestic grey cement volume increased 10% YoY, white cement volume declined 0.2% YoY. Revenue from operations improved by 15.6% year-on-year to ₹139,830 million on a consolidated basis. The company reported volume growth in all the regions North, Central, East, West and South (geographically).
- ❑ Ultratech is witnessing demand from various infrastructure constructions such as highway construction, railways, metro rail, irrigation projects, airports, industrial, urban and rural housing market. On an average, capacity utilization for the quarter was 76% for Q2-FY23.
- ❑ On profitability front, the EBITDA from operations for the quarter declined by 31.2% year-on-year to ₹18,680 million with an operating margin of 13.4%. The company faced high cost pressures led by high power and fuel costs. The company reported PAT of ₹7,557 million, declined by 42.5% year-on-year.
- ❑ Ultratech is also increased its capacity of WHRS and solar capacity. On current scale of operations, the company is now at close to 19.5% green energy on and path to achieve 34% green energy by the end of 2024.
- ❑ During the quarter, Ultratech commissioned 1.3 mtpa brownfield capacity at Dalla, Uttar Pradesh, taking the total capacity in India to 115.85 mtpa and 121.25 mtpa globally. In the second half of this year, the Company will commission another 15.4 mtpa of greenfield / brownfield expansion and start the next financial year with a capacity of 131.25 mtpa in India. Work on the second phase of growth of 22.6 mtpa announced during the first quarter has already commenced. Main plant orders have been placed and civil work started at some sites. Commercial production from these new capacities is expected to go on stream in a phased manner, by FY25.
- ❑ 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, optimization of acquired business and capacity expansion. We revise our rating on the stock to **HOLD**, with a target price of **₹7600 per share**.

## Financials:

(In ₹ mn)	Q2-FY23	Q2-FY22	Chg	6M-FY23	6M-FY22	Chg
Net Sales	1,38,927	1,20,168	15.6%	2,90,567	2,38,466	21.8%
Operating Expense	1,20,261	93,021	29.3%	2,40,952	1,78,244	35.2%
EBITDA	18,666	27,147	-31.2%	49,615	60,222	-17.6%
Other Income	1,463	1,401		2,550	3,449	
Depreciation	7,079	6,774		14,031	13,372	
EBIT	13,050	21,774	-40.1%	38,134	50,299	-24.2%
Interest	2,003	2,300		4,161	5,561	
PBT	11,047	19,474	-43.3%	33,973	44,739	-24.1%
Tax	3,445	6,371		10,559	14,641	
Exceptional Items	-	-		-	-	
PAT	7,602	13,103	-42.0%	23,414	30,098	-22.2%
Minority /Other Adj.	(30)	32		(9)	58	
Consolidated PAT	7,572	13,135	-42.3%	23,405	30,156	-22.4%

Margins	Q2-FY23	Q2-FY22	Chg	6M-FY23	6M-FY22	Chg BPS
Operating Margin %	13.4%	22.6%	-916	17.1%	25.3%	-818
Net Margin %	5.5%	10.9%	-548	8.1%	12.6%	-456

## Consolidated Financials:

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	4,47,258	5,25,988	5,89,107	6,65,691
Operating Expense	3,31,579	4,10,845	4,77,966	5,38,104
EBITDA	1,15,679	1,15,144	1,11,141	1,27,587
Other Income	7,465	5,078	5,687	6,427
Depreciation	27,002	27,148	29,825	33,703
EBIT	96,142	93,074	87,003	1,00,311
Interest	14,980	9,447	9,893	10,434
Misc. items	(2,607)	-	-	-
PBT	78,555	83,627	77,110	89,877
Tax	25,387	11,901	17,735	20,672
Minority Interest	34	118	-	-
PAT	53,202	71,844	59,375	69,205

Margins	FY-21	FY-22	FY-23E	FY-24E
Sales Growth %	5.4%	17.6%	12.0%	13.0%
Operating Margin %	25.9%	21.9%	18.9%	19.2%
Net Margin %	11.9%	13.7%	10.1%	10.4%

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
<b>Liabilities</b>				
Equity Share Capital	3,323	3,384	3,384	3,384
Reserves & Surplus	4,38,424	5,00,969	5,60,344	6,29,549
Total Shareholder's Funds	4,41,747	5,04,353	5,63,728	6,32,933
Minority Interest	57	(31)	(31)	(31)
Long-Term Liabilities	1,35,485	53,030	53,030	53,030
Other Long-term Liabilities	18,223	19,042	19,042	19,042
Deferred Tax Liability	60,335	60,169	60,169	60,169
Short-term Liabilities	2,05,917	2,01,552	2,25,738	2,55,084
<b>Total</b>	<b>8,61,764</b>	<b>8,38,114</b>	<b>9,21,676</b>	<b>10,20,228</b>
<b>Assets</b>				
Net Fixed Assets	5,70,983	6,02,722	6,41,948	7,08,226
Long-Term L&A	31,873	37,361	37,361	37,361
Non Current Investments	12,842	13,724	13,724	13,724
Other Non-Current Assets	5,563	9,413	9,413	9,413
Current Asset	2,40,503	1,74,895	2,19,230	2,51,504
<b>Total</b>	<b>8,61,764</b>	<b>8,38,114</b>	<b>9,21,676</b>	<b>10,20,228</b>

Key Ratios	FY-21	FY-22	FY-23E	FY-24E
EPS (₹)	189.2	254.4	205.7	239.7
P/E (x)	36.4	27.1	33.5	28.8
P/B (x)	4.5	3.9	3.5	3.1
ROE	12.4%	14.6%	10.5%	10.9%

Source: Company, Anand Rathi Research

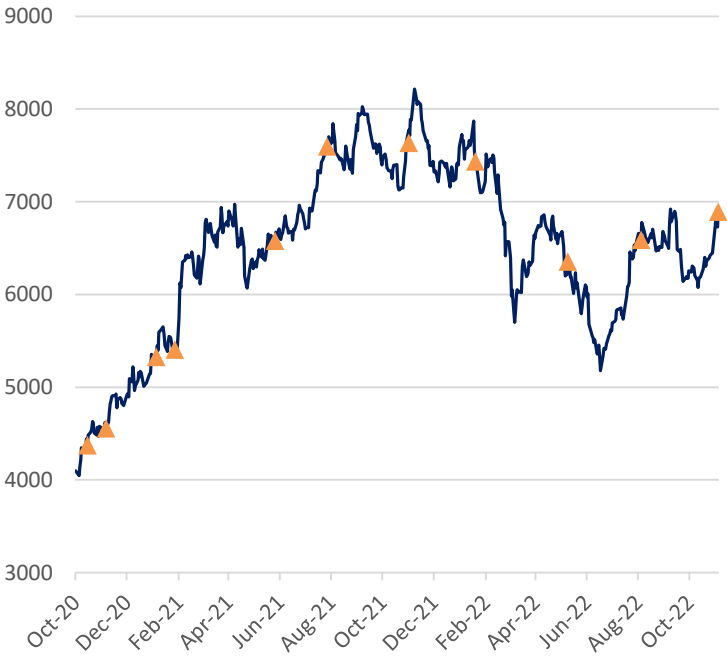
## Key Risks:

- ☐ 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
26-May-2021	Buy	7600	6581
27-Jul-2021	Buy	8750	7596
01-Nov-21	Buy	9000	7636
19-Jan-21	Buy	9000	7434
10-May-22	Buy	7600	6355
04-Aug-22	Buy	7600	6588
05-Nov-22	Hold	7600	6893

NOTE: Prices are as on 5 November 2022 close.

Source: Bloomberg, Anand Rathi Research



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