Ultratech Cement Q4FY21

Financial Results & Highlights

Brief Company Introduction

UltraTech Cement Ltd. is the largest manufacturer of grey cement, Ready Mix Concrete (RMC) and white cement in India. It is also one of the crown jewels of the Aditya Birla Group, one of India's leading Fortune 500 companies.

The company has a consolidated capacity of 117.35 Million (including Bara) Tonnes Per Annum (MTPA) of grey cement. UltraTech Cement has 23 integrated plants, 1 clinkerisation plant, 27 grinding units and 7 bulk terminals, post the Century merger. Its operations span across India, UAE, Bahrain, Bangladesh and Sri Lanka. UltraTech Cement is also India's largest exporter of cement reaching out to meet the demand in countries around the Indian Ocean and the Middle East.

In the white cement segment, UltraTech goes to market under the brand name of Birla White. It has a white cement plant with a capacity of 0.56 MTPA and 2 WallCare putty plants with a combined capacity of 0.8 MTPA. With 100+ Ready Mix Concrete (RMC) plants in 35 cities, UltraTech is the largest manufacturer of concrete in India. It also has a slew of speciality concretes that meet specific needs of discerning customers.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	14050	10584	32.75%	12092	16.19%	43977	41376	6.29%
PBT	2643	1445	82.91%	2303	14.76%	7896*	5220	51.26%
PAT	1778	2906**	-38.82%	1550	14.71%	5342	5455**	-2.07%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	14466	11054	30.87%	12522	15.52%	45460	43081	5.52%
PBT	2639	1459	81%	2332	13.16%	7858***	5183	51.61%
PAT	1774	3237****	-45%	1585	11.92%	5319	5751****	-7.51%

*Contains exceptional item loss of Rs 164 Cr

**Contains tax credit of Rs 1708 Cr in Q4FY20 & Rs 1154 Cr in FY20

*** Contains exceptional item loss of Rs 261 Cr

****Contains tax credit of Rs 2024 Cr in Q4FY20 & Rs 1488 Cr in FY20

Detailed Results:

1. The company had a very good quarter with consolidated revenues rising 31% YoY and PBT rising 81% YoY. PAT was down YoY due to high base last year due to a high tax credit at the time. PAT grew 61% YoY barring exceptional items.
2. Sales volumes grew 28% YoY in Q4 while operating EBITDA increased 42% YoY.
3. Operating margins improved 2% YoY to 26% in Q4.
4. Capacity utilization in Q4 was at 93% in overall.
5. Overall revenue growth in FY21 was 6% YoY while EBITDA grew 24% YoY and PBT grew 51% YoY.

6. EBITDA margin for FY21 improved 4% YoY to 28%.
7. The company reduced Rs 10,264 Cr of net debt in FY21. Current net debt stands at Rs 6717 Cr with net debt to EBITDA at 0.55 and net debt to equity at 0.15.
8. Changes in operating costs in Q4 is as follows:
   1) Logistics: Up 2% YoY to Rs 1176/ton. Accounts for 33% of the total operating costs.
   2) Energy: Up 7% YoY to Rs 978/ton. Accounts for 27% of total operating costs.
   3) Raw Materials: Up 4% YoY at Rs 520/ton. Accounts for 14% of total operating costs.
9. Overall fixed costs have risen by 2% YoY in Q4.
10. Diesel Price higher by ~22% YoY which led to logistics costs rising 2% YoY.
11. Energy cost rise of 7% YoY mainly due to an increase in green power from 11.5% last year to 12.3% currently and rise in petcoke/coal prices.
12. Consolidated ROCE & ROE came in at 15.3% & 15.6% respectively in FY21.
13. The Board has recommended a final dividend of Rs 37 per share for FY21.

Investor Conference Call Details:

1. Capacity utilization was at 99% in March 2021.
2. The company was dispatching nearly 9 million tons per month which are around 30% of total industry demand.
3. Nathdwara Cement operated at 85% utilization while Century operated at near 90% utilization.
4. Ultratech is targeting a reduction in carbon emissions by about 27% at the end of 2032 over the base of 2017.
5. The company has no plans for international acquisitions currently and it will be pursuing many markets through organic expansion.
6. All plants are multifuel and highly flexible on switching on an instantaneous basis from pet coke to coal or different grades of coals for Ultratech.
7. Rural regions which have sustained demand during the past year have turned unpredictable due to localized lockdowns. Demand has dropped from the key states of Maharashtra and Gujarat due to this. But the management expects growth to come back soon in these areas.
8. The management has stated that there is a lot of pending clean-up left in Nathdwara with many litigations going on. It expects to go ahead with the proposed merger once these issues are resolved by FY23.
9. The company acquired assets of JP and is now required to pay royalties of Rs 200 Cr per year for limestone with these assets.
10. RMC and building products are big growth drivers for Ultratech according to the management. It has also stated that customers are realizing the benefits of buying RMC instead of mixing RMC on site.
11. The management expects to start working on the Dalla Super plant soon and is expecting it to be ready with a production capacity of 0.3 million tonnes of clinker by December.
12. The 2nd line in the Bara plant has already been commissioned and has reached utilization of 70-75%.
13. The management has stated that the company has shaved off fixed costs of near Rs 500 Cr from FY20.
14. RMC revenues are up 32% YoY. The share of trade in sales mix was 67% in Q4 & 69% in FY21. The lead distance in the quarter was 440 km.
15. Except for the West zone where the company will get restricted by CCI, it can do acquisitions in all other zones. The management is keen on the North-East and South Zones.

16. Imported coal is around 20-25% cheaper than petcoke at current levels.
17. There aren't any price pressures on the long term govt projects since the govt is focused on project execution to maintain employment for many people.
18. The management has stated that the prime driver of rising market share for Ultratech is the ability of the company to be able to supply cement to customers from its pan India network even when local plants are shut due to lockdowns.
19. Today, the company has a total capacity of 125 MW of WHRS. It aims to reach 304 MW in WHRS by 2023 end or mid-2024. The total capex requirement for this is expected to be Rs 1800 Cr.
20. The planned capacity in WHRS should be able to account for 25-26% of total power consumption.
21. The current cost of power is just below Rs 5 per unit while after this planned WHRS comes in, around 25-26% of power will cost only Rs 0.75 per unit.
22. Premium cement is around 10% of total volumes sold. The management expects this to go up to 15% in the future.
23. The ROCE in the RMC business is above 25%.
24. The EBITDA/ton from Nathdwara is around Rs 1500 while the figure from Century is around Rs 800.
25. Capex for FY22 is expected to be around Rs 4000-5000 Cr while in FY23 it will come down to Rs 3000 Cr. This is largely for expansions.
26. The company enjoys a market share of >25% in the UAE according to the management.

Analyst's View:

Ultratech Cement is the biggest cement maker in India. The company has done well to acquire aging cement makers in India and integrating them and adding on to the company's ever-growing market presence and reach in the country. Ultratech has had a phenomenal quarter with sales growth of 30% and profit growth exceeding 61% YoY barring exceptional items. The company is doing well to focus on cash conservation and cost reduction while maintaining its steady pace of debt repayment. It has now managed to reduce by >Rs 10000 Cr in FY21 and has delivered net debt to EBITDA of 0.55 times. It remains to be seen how long the rural market will remain subdued due to COVID-19 and whether govt infra projects will continue to execute as normal during the 2nd wave of the pandemic. Nonetheless, given the company's leadership position in the industry, its wide distribution network across India, and its strong brand image, Ultratech Cement remains a pivotal cement sector stock for all Indian investors.

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