



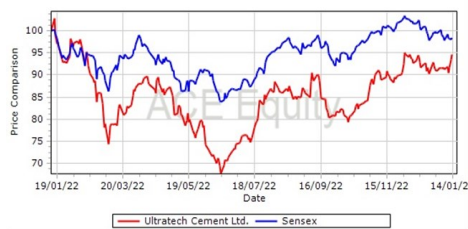
Script Details

| | |
|--------------------------------|------------|
| BSE Group | A |
| BSE Code | 532538 |
| NSE Code | ULTRACEMCO |
| Bloomberg Code | UTCEM IN |
| Market Cap (INR Cr.) | 209,304 |
| Free Float (%) | 40.0% |
| 52wk Low/High | 7948/5158 |
| Beta (1yr Nifty 50) | 0.99 |
| Face Value (INR)/ D. Yield (%) | 10/0.5 |
| Total paid Up Shares (Mn.) | 288.7 |

Share Holding Pattern (%)

| Promoters | Public | Others |
|-----------|--------|--------|
| 60.0% | 40.0% | - |

Share Price Relative Performance



ULTRATECH CEMENT LTD.

Sector

Jan 16, 2023

Buy at CMP: Rs 7250 | Target: Rs 8076 (11%) | SL: Rs 6815

Construction Materials

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 leading cement producers globally. The company's operations span across India, UAE, Bahrain, Bangladesh and Sri Lanka. The company 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, the company goes to market under the brand name of Birla White.

Investment Rationale

- ◆ **Capacity Expansion Plan to Hold Industry Leading Position:** Ultratech Cement is industry leader in terms of cement manufacturing capacity. Company recently announced a Major Capex plans of Rs 12,866 Cr to increase its capacity by 22.6 MMTPA through brownfield & greenfield projects. With this, it would enable set-up of integrated or grinding units as well as bulk terminals across the country. Commercial production from these units is expected to go on stream in a phased manner by FY25. The expansion plan aims to avail higher sales opportunity in the growing infrastructure sector.
- ◆ **Play on Structural growth in India's Infrastructure Space:** Cement is a proxy play on the Infrastructure sector. Union budget allocation to infrastructure stood at Rs 5 trn (34% up from FY22) and is expected to rise further towards Rs 7 trn in the upcoming budget. Central government's push on infrastructure through various policies are key demand drivers along with the real estate segment. Ultratech cement, with its pricing power and capacity to serve demand, is expected to benefit from the tailwinds.
- ◆ **Moderation in Key inputs to Aid in Margin Gains:** Ultratech cement reported operating margins of 13% in Q2FY23 on account of elevated raw material & power and fuel costs. Prices of power & fuels along with key inputs have fallen in Q3FY23, and Ultratech cement is expected to reclaim margins to previous historical levels in a staggered manner.
- ◆ **Outlook and Valuations:** We estimate a 10% CAGR in the topline over FY22-25E, which implies a forward EV/EBITDA (x) of 16.3 for FY25E EBITDA. We value it with a EV/EBITDA of 18x to FY25E, which results in a per share value of Rs 8076. We recommend BUY on ULTRACEMCO at a CMP of Rs. 7250 with a target price of Rs. 8076 (11%).

Financial Snapshot

| Year | Revenue | EBITDA | PAT | PE Ratio (x) | EV/EBITDA (x) |
|-------|---------|--------|-------|--------------|---------------|
| FY22 | 57,809 | 10,454 | 6,668 | 31.4 | 20.3 |
| FY23E | 63,590 | 11,128 | 6,359 | 32.9 | 19.7 |
| FY24E | 69,949 | 12,241 | 6,995 | 29.9 | 17.9 |
| FY25E | 76,944 | 13,465 | 7,694 | 27.2 | 16.3 |

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- The weekly chart of ULTRACEMCO reveals that since June 2022, the stock has consistently formed successively higher peaks and troughs, indicating a positive undertone in prices.
- On November 28th, 2022, ULTRACEMCO stock broke out of an inverse head and shoulder pattern, a bullish technical indicator, which suggests that the stock is likely to continue to rise.
- The price of ULTRACEMCO stock has rebounded after hitting the 18-week exponential moving average (EMA), which has previously served as a support level for the stock and is in line with the neckline of the inverse head and shoulder pattern.
- The stock's performance, as measured by its ratio chart in comparison to the benchmark NIFTY index, has surpassed previous levels, indicating that the stock is performing better than the overall market.
- The weekly relative strength index (RSI) has indicated a shift in range, reflecting increasing upward momentum.



TradingView

Inference & Expectations

- The stock is in clear uptrend with rising momentum.
- Going ahead we expect the prices to go higher till 7915 level.
- The stoploss must be 6815 on the closing basis.

Source: Tradingview.in, GEPL Research



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