

Scheme of Amalgamation with Samruddhi Cement

The appointed date of the Scheme of Amalgamation of Samruddhi Cement Limited with the company is 1 July 2010. On completion of this Scheme, UltraTech is expected to emerge as the largest cement and RMC entity in the country, and the 10th largest in the world in cement capacity. The company will also add the speciality products of white cement and wall care putty to its portfolio.

Outlook

Significant capacity addition during the year, together with the possible addition of around 30mtpa during FY11 may lead to a surplus scenario. Capacity utilisation is expected to be around 80%. These factors are likely to put pressure on prices. Although the additional capacities will hit the market, progressive improvement in cement demand attributable to government initiatives in infrastructure and housing bode well for the industry. We expect demand to grow over 10% in the long term.

Valuation and Recommendation

At the CMP of Rs 1015 the stock is reasonably valued at 11.6 times its TTM earnings of Rs 87.8. However, going forward, at least in the medium term, pressure on margins looks inevitable for cement manufacturers as all the key input prices, mainly coal, have started inching up. Also, looking at the demand supply dynamics and also keeping in mind that we are fast approaching the end of the busy season, we recommend a **SELL**.

Result Update



Kyon ki bhaiya, sabse bada rupaiya.

(Rs. In Cr.)

Ultratech Cement Ltd.	Q4FY10	Q4FY09	% Chg.	Q4FY10	Q3FY09	% Chg.	FY201003	FY200903	% Chg.
Net Sales	1909.4	1860.1	2.7	1909.4	1651.8	15.6	7049.7	6383.1	10.4
Other operational Income	13.2	15.0	-12.1	13.2	17.5	-24.6	63.9	54.3	17.7
Total Oper. Income(TOI)	1922.5	1875.1	2.5	1922.5	1669.3	15.2	7113.5	6437.4	10.5
Raw Materials Cons.-	258.3	185.2	39.5	258.3	251.7	2.7	960.6	685.0	40.2
% to TOI	13.4%	9.9%	-	13.4%	15.1%	-	13.5%	10.6%	-
Stock adj. (-)Inc / (+)Dec-	73.9	59.3	24.7	73.9	-7.8	LP	2.3	-88.8	LP
% to TOI	3.8%	3.2%	-	3.8%	-0.5%	-	0.0%	-1.4%	-
Net Raw Mat adj. for stock	332.2	244.5	35.9	332.2	243.9	36.2	962.9	596.2	61.5
% to TOI	17.3%	13.0%	-	17.3%	14.6%	-	13.5%	9.3%	-
Other expenses	1108.5	1028.3	7.8	1108.5	962.0	15.2	3865.1	3865.1	0.0
% to TOI	57.7%	54.8%	-	57.7%	57.6%	-	54.3%	60.0%	-
Contribution Net_Sales	481.8	602.4	-20.0	481.8	463.4	4.0	2285.5	1976.1	15.7
Personnel	66.0	56.6	16.6	66.0	62.3	5.9	250.6	217.7	15.1
% to TOI	3.4%	3.0%	-	3.4%	3.7%	-	3.5%	3.4%	-
Total expenditure	1506.7	1329.4	13.3	1506.7	1268.2	18.8	5078.6	4679.0	8.5
Operating Profit	415.8	545.8	-23.8	415.8	401.1	3.7	2034.9	1758.4	15.7
% to TOI	21.6%	29.1%	-	21.6%	24.0%	-	28.6%	27.3%	-
Non-Operating Income	12.7	16.0	-21.0	12.7	12.5	1.5	58.9	51.6	14.1
Interest	28.5	34.0	-16.3	28.5	26.2	8.5	117.5	125.5	-6.4
Exceptional Items			-			-			-
Gross Profit	400.0	527.8	-24.2	400.0	387.3	3.3	1976.2	1684.5	17.3
Depreciation	99.3	90.6	9.6	99.3	98.5	0.8	388.1	323.0	20.2
PBT before Extra-ord	300.7	437.2	-31.2	300.7	288.8	4.1	1588.2	1361.5	16.7
% to TOI	15.6%	23.3%	-	15.6%	17.3%	-	22.3%	21.2%	-
Extraordinary Items			-			-			-
PBT	300.7	437.2	-31.2	300.7	288.8	4.1	1588.2	1361.5	16.7
Tax Rate	24.0%	29.2%	-	24.0%	32.1%	-	31.2%	28.2%	-
Prov. for Tax	72.1	127.7	-43.5	72.1	92.8	-22.3	494.9	384.4	28.7
% to TOI	3.8%	6.8%	-	3.8%	5.6%	-	7.0%	6.0%	-
Profit after Tax	228.5	309.5	-26.2	228.5	196.0	16.6	1093.2	977.0	11.9
% to TOI	11.9%	16.5%	-	11.9%	11.7%	-	15.4%	15.2%	-
Face Value	10.0	10.0	0.0	10.0	10.0		10.0	10.0	0.0
Equity Share capital	124.5	124.5	0.0	124.5	124.5	0.0	124.5	124.5	0.0
EPS (Rs.)	18.4	24.9	-26.2	18.4	15.8	16.6	87.8	78.5	11.9
CEPS (Rs.)	26.3	32.1	-18.0	26.3	23.7	11.3	119.0	104.4	14.0

Source: ACE Equity

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