

Business Data Management
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Introduction and Cement Industry (UltraTech Cement)
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Ultratech Cement



Professor M Suresh Babu: So, GV, we saw some performance indicators in terms of the financial performance of firms. Also, we saw several ratios, and I think that is the simplest kind of analysis to assess the performance of firms. So, can we have some illustrations in few cases where we can employ these financial ratios and draw some inferences from the firms?

Professor G. Venkatesh: I think we should do that. So, there are four; I picked four companies, Suresh. They are from four sectors. So, the first is Ultratech Cement, which is from the cement industry. The idea here is to see the capital, how are they? You have mentioned in your thing that people, as the demand increases, keep adding more capacity, so to see whether that is happening.

And the other company is also there, but Ultratech cement is the largest cement-making company in the cement industry. So, it is kind of representative; what they do is representative. So, that is one. The second company is from the textile industry- Page Industries. It is not the largest company. There are many; I think maybe 7 or 8.

Professor M Suresh Babu: But it has got some popular brands.

Professor M Suresh Babu: Especially in the COVID time, it is doing sportswear or innerwear, and everybody is buying. Therefore, it is growing very fast. And I guess one can see how different ratios come up between cement and textiles?

Professor M Suresh Babu: Capital labor-intensive and then the labor-intensive kind of an industry thing.

Professor G. Venkatesh: The third one is FMCG.

Professor M Suresh Babu: Okay. That will be interesting.

Professor G. Venkatesh: Yeah. It will be interesting because we talked a lot about consumption and all that. So, here we have picked Nestle. It is a foreign company. So, the first two are Indian companies; this one is foreign. Of course, Page Industries sells the Jockey brand, which is a foreign company. Nevertheless, manufacturing is in India.

Nestle also produces everything from India, but it is a foreign company. And worldwide, it is number 1 in many categories. In India, it is also number 1 in many categories. So, it is another interesting company we can look at it. For example, FMCG traditionally has been a very high return on capital employed industry. So, we can hope to see something like that. And the fourth company is from IT because India is the IT capital of the world.

Professor M Suresh Babu: It seems very interesting.

Professor G. Venkatesh: So, I picked TCS as it is India's number one IT company. So, these four companies, I think, should give us a flavor of different types of things. Different ratios will probably be valid for these companies. Also, I have tried to bring in some operational parameters that will tell you how the cost is managing in these companies? What is the trend, or something like that? So, it gives some more color to the discussion.

Professor M Suresh Babu: So, we have many comparisons and contrast that we can make.

Professor G. Venkatesh: Make between these companies.

Professor M Suresh Babu: Across these.

Professor G. Venkatesh: Across these companies.

Professor M Suresh Babu: Four companies. Okay. That is interesting.

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UltraTech Cement – Quarterly performance



Quarterly performance (Consol.)												(INR m)
	FY20				FY21				FY20	FY21E	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	3Q	3Q	3Q	(%)
Net Sales	114,197	96,204	103,538	107,456	76,711	103,071	122,541	139,609	421,248	436,812	116,615	5
YoY Change (%)	19.6	4.0	-0.9	-11.1	-12.8	8.0	18.4	24.4	1.2	3.7	12.6	
Total Expenditure	84,704	77,024	82,476	83,056	55,934	76,895	91,599	100,963	327,106	324,994	87,544	5
EBITDA	29,493	19,180	21,062	24,401	20,777	26,977	30,943	32,726	94,142	111,818	29,071	6
Margins (%)	25.8	19.9	20.3	22.7	27.1	26.0	25.3	24.5	22.3	25.6	24.9	
Depreciation	6,884	6,684	6,730	6,724	6,512	6,771	6,739	6,806	27,022	26,828	6,837	-1
Interest	5,029	5,071	4,708	5,048	3,943	3,579	3,563	3,411	19,857	14,495	3,468	3
Other Income	1,347	1,475	1,682	1,979	2,788	1,350	2,679	1,725	6,478	8,542	1,400	91
PBT before EO expense	18,928	8,900	11,306	14,608	13,110	17,977	23,320	24,234	53,742	79,036	20,165	16
Extra-Ord expense	0	0	1,332	-1,120	1,574	3,357	0	0	-19,788	0	0	
PBT after EO Expense	18,928	8,900	9,973	15,728	11,536	14,620	23,320	24,234	73,530	79,036	20,165	16
Tax	6,118	3,113	2,862	3,320	3,603	5,662	7,474	7,253	15,413	23,991	6,251	20
Rate (%)	32.3	35.0	28.7	9.3	31.2	38.7	32.0	29.9	21.0	30.4	31.0	
Reported PAT	12,810	5,787	7,112	12,408	7,933	8,958	15,846	16,981	58,117	55,045	13,914	14
Minority Interest	1	3	8	14	9	(6)	-3	(7)	32	-5	(10)	
Adj PAT	12,811	5,790	8,069	12,425	8,024	12,910	15,843	16,975	58,155	54,152	13,904	14
YoY Change (%)	92.3	62.2	103.7	24.2	-29.6	112.6	96.3	28.0	60.9	85.6	72.3	
E-MOFIS Estimates												

E: MOFSL Estimates

Reference: Motilal Oswal, January 2021



Professor G. Venkatesh: So, let us take Ultratech cement which is the first out of four. I just charted here the quarterly performance of Ultratech. So, things to observe here are that you can see that we did have a decline in the pandemic. I mean, that is clear. From 1,14,000 crores it declined in the second quarter to 96,000 crores but again quickly recovered to 1,03,000 crores. And, 1,07,000 later.

Professor M Suresh Babu: And then the first quarter of 2021, there is another decline?

Professor G. Venkatesh: Oh sorry. No, this is not; this is the pandemic. It is the pandemic impact. FY'21 is 2021. So, from 1,07,000 crores, it has dipped to 76,000 crores. I guess some level of decline was there even before the pandemic, primarily because of economic issues. But this is the pandemic drop from 1,07,000 to 76,000 crores.

Professor M Suresh Babu: That is a -32% decline.

Professor G. Venkatesh: -32% is a considerable decline.

Professor G. Venkatesh: But then it recovered. The exciting thing is that it immediately recovered. Primarily because the government was spending on roads, they indicated that they would spend on housing.

Professor M Suresh Babu: So, that is the V-shaped.

Professor G. Venkatesh: That is a V-shaped recovery. And then from there, if we relook at the current quarter (2Q) its performance recorded as 1,22,000 crores. And it is even higher than 1,07,000 crores or 1,14,000 crores before the pandemic. So, a big jump, because of the government stimulus in some senses and expected to continue to grow.

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UltraTech Cement – Quarterly performance



	FY20				FY21				FY20	FY21E	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			QoQ	(%)
Net Sales	114,197	96,204	101,538	107,456	76,711	103,871	122,541	133,689	421,248	436,812	116,615	5
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Reported PAT	12,810	5,787	7,112	32,408	7,933	8,958	15,846	16,981	58,117	55,045	13,914	14
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YoY Change (%)	92.3	62.2	103.7	24.2	-29.6	112.6	96.3	28.0	60.9	35.6	72.3	

E: MOFSL Estimates

Reference: Motilal Oswal, January 2021



Professor G. Venkatesh: See fourth quarter estimate is 1,33,000.

Professor M Suresh Babu: So, one interesting thing that we can notice from this, GV, is the micro-economic impact of some macro policy reforms. Because here we see in reality we find that the sales have increased.

Professor G. Venkatesh: Increased. It happened primarily because of the government. And the other thing to note is that even though the revenue declined from 1,07,000 to 76,000 crore, they were still profitable. Also, we will see the margins as we go down. This massive 32% drop in revenues did not lead to the disappearance of their profit entirely because their profit margin is very low. Actually, it is about 10 odd %. So, a 32% drop in revenue may happen if variable costs are not managed. But they seem to have managed their variable cost also very well. That is what it means. You had pointed out in your thing that when revenue changes, you should be able to change your variable cost.

So, they have been able to do it. It is not fully possible to do because fixed costs are always there. You cannot change it. But up to some extent, they have mitigated well the revenue decline by

managing the variable costs and still managed to pick out a profit. Without making a loss, they have been able to manage it. That is the other thing to notice here. Some lines that we can see here, and we will see in the ratios, is that they have a very high depreciation component. And it shows that capital is there, and the interest component is also pretty high.

But they have been able to use their cash because they are making profits. They have been able to use their money to bring; you can see that the interest cost from 5,000 crores has come down 3,000 crores. So, they have been able to get their interest costs; clearly, they have used their capital very well to reduce their loans. They have paid back their loans or whatever and tried to bring their interest costs down.

Professor M Suresh Babu: That is very interesting. Yeah. So, here we find two inferences: one- the general economic environment, how it is impacting the firm performance; two- how the utilization of capital leads to a reduction in the outflow of capital, especially in heads like interest payments and things like that.

Professor G. Venkatesh: Correct.

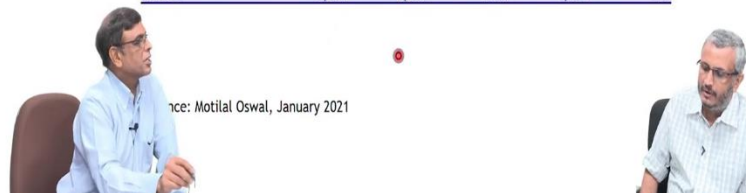
Professor M Suresh Babu: So, the management of what we call the working capital and the management of variable costs becomes an important ingredient in terms of getting the margins back on. Very interesting.

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UltraTech Cement – Trend in key operating parameters

INR/ton	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)
Realization	5,132	4,954	4%	5,178	-1%
RM Cost	751	856	-12%	835	-10%
Power & Fuel	1,006	976	3%	920	9%
Staff Cost	256	297	-14%	282	-9%
Freight & Forwarding	1,193	1,121	6%	1,146	4%
Other Expenditure	630	697	-10%	649	-3%
Total Expenditure	3,836	3,946	-3%	3,833	0%
EBITDA	1,296	1,008	29%	1,345	-4%



Source: Motilal Oswal, January 2021

Professor G. Venkatesh: So, this is just looking at the cost lines in Ultratech cement. So, they seem to report the cost in these heads. So, realization is revenue. The various costs include the raw material, power and fuel, staff, freight and forwarding, and other expenditures. And you can see that they have been able from 3Q FY '21 to 3Q FY '20. It means from the start of pandemic here, and then you are looking at the pre-pandemic period, the realization has gone up 4 %.

The raw material cost has come down, and power and fuel cost has marginally gone up. Staff cost has come down. I guess they managed with less staff but still increased revenue. Freight and forwarding went up. These are understandable because, during the pandemic, I think another expenditure seems to have gone down. After all, there is nothing, and probably many other expenses line items would disappear. And so that is how they have been able to get a 29 % improvement in the operating margin- the EBITDA margin.

Professor M Suresh Babu: So, that is a.

Professor G. Venkatesh: Very stupendous.

Professor M Suresh Babu: Yeah, considering the general economic environment, they have managed the cost.

Professor G. Venkatesh: Manage that beautifully well.

Professor M Suresh Babu: Manage the costs.

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UltraTech Cement – Valuation

Valuation (Standalone)				Rs cr
Particulars	FY20	FY21E	FY22E	FY23E
Revenue	40,649	41,131	46,404	52,492
OPM (%)	23.1%	26.1%	25.5%	25.7%
Adjusted PAT	3,652	4,607	5,413	6,449
% YoY growth	44.6%	20.3%	15.5%	19.1%
Adjusted EPS (Rs.)	126.5	162.4	187.5	223.4
P/E (x)	53.5	41.7	36.1	30.3
P/B (x)	5.1	4.6	4.1	3.6
EV/EBITDA (x)	23.5	20.1	17.0	15.0
RoNW (%)	10.2%	11.6%	12.0%	12.7%
RoCE (%)	0.0%	9.5%	10.2%	11.1%

Reference: Sharekhan, March 2021

Professor G. Venkatesh: These are just some valuation metrics. So, you can see basically, I mean the key things to note here are that they have a very high price-earnings ratio, primarily because their profit is depressed, in some sense.

Professor M Suresh Babu: And these.

Professor G. Venkatesh: So, the expectation of profit increase is very high. So, that is why they have a very high ratio of market price to earnings.

Professor M Suresh Babu: Price-earnings. And these were the ratios that we were discussing the other day.

Professor G. Venkatesh: Correct.

Professor M Suresh Babu: Price-earnings ratio.

Professor G. Venkatesh: Price-earning is the market.

Professor M Suresh Babu: EPS.

Professor G. Venkatesh: EPS, yeah.

Professor M Suresh Babu: And return on capital employed.

Professor G. Venkatesh: So, here, you can see that the return on capital employed for Ultratech is hovering in the 9, 10 % range. So, that is low because for an equity investor, especially for a debt investor, 10 % might be okay. The capital employed is the combination of equity and debt. So,

for the equity investor, 10 % is not good enough. We need at least 15 or 20 %. I mean, the opportunity cost, which means the cost; you can invest it elsewhere. We will see if you have other sectors where you can invest, like IT or something like Nestle. You can invest it in sectors that will give you a much higher ROCE. So, that way, this is not very attractive, and this is the leader, the market leader, and producing 10 % ROCE. It is a low ROCE.

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UltraTech Cement – Price trend



Reference: Sharekhan, March 2021

Professor G. Venkatesh: This chart basically shows the leading parameters, underlying parameters that influence the cement industry. One is price; the other is the price per bag. And when we look at the industry picture, there is much more color in that. But this is the price per bag for Ultratech. So, you can see there is some kind of secular increase.

Professor M Suresh Babu: Increase in prices.

Professor G. Venkatesh: Which is about 3 to 4 %, and for Ultratech, it is a kind of secular increase over the years. So, they are able to manage to pass on, in some sense, if there is an increase in their cost. For example, fuel cost has been going up as a secular increase, and they have been able to pass that on to customers in terms of an increase in price per bag.

Professor M Suresh Babu: So, the way to interpret this is, GV, that per bag of cement was costing around 380, or 318, correct, and it increased up to 360, 364 to peak and then.

Professor G. Venkatesh: That is correct.

Professor M Suresh Babu: I see. So, this essentially would determine the earnings of the company.

Professor G. Venkatesh: This would determine the company's earnings because the price per bag, as you discussed, can be controlled by the company. We will probably look at it when we discuss it at the industry level., So, clearly, there is an ability for companies in the industry to.

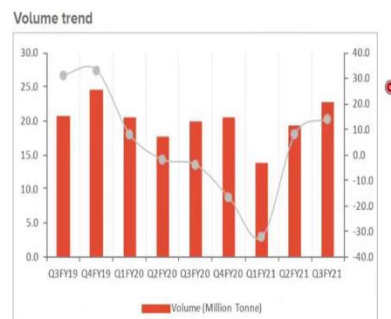
Professor M Suresh Babu: Have some kind of.

Professor G. Venkatesh: Price control.

Professor M Suresh Babu: Over the price.

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UltraTech Cement – Volume trend



Reference: Sharekhan, March 2021

Reference: Sharekhan, March 2021

UltraTech Cement – Price trend



Professor G. Venkatesh: The other is volume. So, in fact, we will see that the cement industry is basically going to be volume-led, not price-led. There is not that much possible to do much at a

price, but volume will be one of the influences of the key things because demand is increasing at a phenomenal pace.

But, the volume has not been growing steadily in this period, primarily because of the pandemic. But if you look over a much longer period, say a 5-year picture, the volume has been steadily increasing. So, you can see these two last quarters indicates about 10 % increase in volume year-on-year. It is because this one quarter; this is a comparison of one quarter with the corresponding quarter of the previous year. For example, in this Q1 FY '21, which is the pandemic quarter, we saw a negative 30 % volume decline compared to Q1 of FY '20.

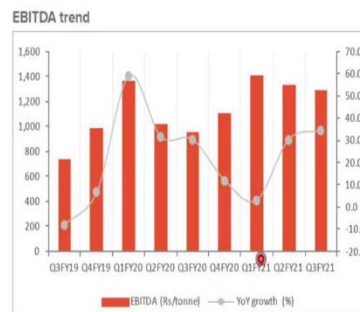
Professor M Suresh Babu: Yeah. It is compared to Q1 of FY '20.

Professor G. Venkatesh: There was not that much of a price decline, you could see, but volume decline was there. So, it has influenced me quite a lot.

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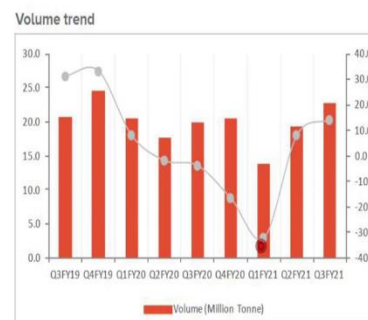
UltraTech Cement – EBITDA trend



Reference: Sharekhan, March 2021



UltraTech Cement – Volume trend



Reference: Sharekhan, March 2021



Professor G. Venkatesh: And correspondingly, you can see this mirror of this and see the shape. It is more or less the same in EBITDA. So, the price is more or less stable. Somewhat secular growth, but it is stable. So, volume is what dictates the EBITDA.

Professor M Suresh Babu: So, EBITDA is earnings before interest, taxes, depreciation, and amortization.

Professor G. Venkatesh: Right. You can say it is kind of an operating margin for the company.

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Ultra Tech – Profit & Loss



Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Total Income from Operations	251,532	253,749	309,786	416,088	421,248	436,812	497,871	547,805
Change (%)	3.3	0.9	22.1	34.3	1.2	3.7	14.0	10.0
Raw Materials	44,175	44,926	52,888	69,831	63,131	66,971	71,959	79,387
Employees Cost	14,450	15,223	18,102	22,911	25,094	23,717	25,919	27,686
Other Expenses	143,898	141,476	177,344	249,877	239,167	234,307	277,067	299,889
Total Expenditure	202,523	201,625	248,335	342,619	327,106	324,994	374,945	406,962
% of Sales	80.5	79.5	80.2	82.3	77.7	74.4	75.3	74.3
EBITDA	49,010	52,124	61,452	73,469	94,142	111,818	122,906	140,843
Margin (%)	19.5	20.5	19.8	17.7	22.3	25.6	24.7	25.7
Depreciation	13,772	13,494	18,479	24,507	27,022	26,828	27,460	28,738
EBIT	35,238	38,640	42,972	48,962	67,121	84,989	95,446	112,105
Int. and Finance Charges	5,663	6,401	12,376	17,779	19,857	14,495	9,723	7,359
Other Income	4,638	6,481	5,886	4,634	6,478	8,542	8,551	11,365
PBT bef. EO Exp.	34,213	38,721	36,482	35,818	53,742	79,036	94,294	116,111
EO Items	0	0	-3,466	-1,139	19,788	-1,574	0	0
PBT after EO Exp.	34,213	38,721	33,016	34,679	73,530	77,462	94,294	116,111
Total Tax	9,417	11,586	10,770	10,681	15,413	23,991	29,178	35,920
Tax Rate (%)	27.5	29.9	32.6	30.8	21.0	31.0	30.9	30.9
Minority Interest	16	-14	24	-37	-32	5	5	5
Reported PAT	24,780	27,149	22,222	24,035	58,148	53,466	65,111	80,186
Adjusted PAT	24,780	27,149	24,557	24,823	38,360	54,552	65,111	80,186
Change (%)	18.1	9.6	-9.5	1.1	54.5	42.2	19.4	23.2
Margin (%)	9.9	10.7	7.9	6.0	9.1	12.5	13.1	14.6

Reference: Motilal Oswal, January 2021

Professor G. Venkatesh: So, I think we have seen this; we have seen the profit and loss.

Professor M Suresh Babu: Profit and loss.

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UltraTech – Balance sheet



Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	2,744	2,745	2,746	2,746	2,886	2,886	2,886	2,886
Total Reserves	216,712	241,171	261,065	334,738	388,269	438,271	499,241	574,232
Net Worth	219,456	243,916	263,812	337,484	391,155	441,157	502,227	577,218
Minority Interest	155	97	160	122	75	80	85	90
Total Loans	106,160	84,745	194,802	253,370	228,979	168,979	108,979	108,979
Deferred Tax Liabilities	24,411	27,824	31,827	63,856	49,120	56,793	66,046	77,409
Capital Employed	350,182	356,582	490,601	654,832	669,129	667,010	677,337	763,697
Gross Block	259,050	274,135	400,455	571,407	602,183	614,235	630,990	672,559
Less: Accum. Depn.	13,018	25,943	43,665	68,172	95,194	122,022	149,482	178,221
Net Fixed Assets	242,032	248,192	356,790	503,235	507,000	492,213	481,408	494,338
Goodwill on Consolidation	11,062	10,851	10,363	62,989	62,525	62,525	62,525	62,525
Capital WIP	14,691	9,215	15,112	11,486	9,095	13,095	23,095	8,095
Current Investment	23,651	54,110	39,491	15,165	42,437	39,149	33,149	33,149
Non-current Investment	27,301	12,795	14,978	14,048	36,850	29,138	19,138	19,138
Cur. Assets, Loans & Adv.	99,194	86,916	104,677	158,395	144,807	161,659	178,522	271,525
Inventory	24,546	24,006	32,676	40,990	41,483	41,370	47,154	51,848
Account Receivables	19,282	17,571	22,306	27,870	22,383	22,528	25,675	28,183
Cash and Bank Balance	22,670	22,488	2,191	7,397	5,392	20,047	22,209	108,094
Loans and Advances	26,697	22,861	47,604	82,079	75,049	77,708	83,484	83,400
Cur. Liability & Prov.	61,852	65,605	80,904	110,548	119,152	120,632	126,969	130,944
Account Payables	17,173	18,573	23,849	31,671	35,014	36,308	41,381	45,514
Other Current Liabilities	40,252	42,453	50,526	78,877	76,240	76,430	77,076	77,494
Provisions	4,388	4,579	6,529	7,671	7,898	7,904	7,910	7,916
Net Current Assets	31,343	21,321	23,773	47,787	25,155	41,021	52,153	140,581
Deferred Tax assets	102	98	94	121	60	61	61	62
Net Assets held for sale	0	0	0	0	5,808	5,808	5,808	5,808
Appl. of Funds	350,182	356,582	490,601	654,832	669,129	667,010	677,337	763,697

Reference: Motilal Oswal, January 2021

UltraTech – Profit & Loss

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Total Income from Operations	251,532	253,749	309,786	416,088	421,248	436,812	497,871	547,895
Change (%)	3.3	0.9	22.1	34.3	1.2	3.7	14.0	10.0
Raw Materials	44,175	44,916	52,888	69,831	63,131	66,971	71,959	79,287
Employee Cost	14,450	15,213	18,102	22,911	25,094	23,717	25,919	27,686
Other Expenses	143,898	141,476	177,344	249,877	239,167	234,307	277,067	299,883
Total Expenditure	202,523	201,625	248,335	342,619	327,106	324,994	374,945	406,962
% of Sales	80.5	79.5	80.2	82.3	77.7	74.4	75.3	74.3
EBITDA	49,010	52,124	61,452	78,469	94,142	111,818	122,926	140,843
Margin (%)	19.5	20.5	19.8	17.7	22.3	25.6	24.7	25.7
Depreciation	13,772	13,404	18,479	24,507	27,022	26,828	27,460	28,738
EBIT	35,238	38,640	42,972	48,962	67,121	84,989	95,466	112,105
Int. and Finance Charges	5,663	6,401	12,376	17,779	19,857	14,495	9,723	7,359
Other Income	4,638	6,481	5,886	4,634	6,478	8,542	8,551	11,365
PBT bef. EO Exp.	34,213	38,721	36,482	35,818	53,742	79,036	94,294	116,111
EO Items	0	0	-3,466	-1,139	19,788	-1,574	0	0
PBT after EO Exp.	34,213	38,721	33,016	34,679	73,530	77,462	94,294	116,111
Total Tax	9,417	11,586	10,770	10,681	15,413	23,991	29,178	35,920
Tax Rate (%)	27.5	29.9	32.6	30.8	21.0	31.0	30.9	30.9
Minority Interest	16	-14	24	-37	-32	5	5	5
Reported PAT	24,780	27,149	22,222	24,035	58,148	53,466	65,111	80,186
Adjusted PAT	24,780	27,149	24,557	24,823	38,360	54,552	65,111	80,186
Change (%)	18.1	9.6	-9.5	1.1	64.5	42.1	19.4	23.2
Margin (%)	9.9	10.7	7.9	6.0	9.1	12.5	13.1	14.1

Source: Motilal Oswal, January 2021

Professor G. Venkatesh: Okay, so the balance sheet, but the difference is that this is for five years. But anyway, I mean, even in a five-year balance sheet, you can see the margin hovering in the 6, 7, 6, 9, 10, and even projected in the future, they are 12, 13, 14 maybe maximum. It is all optimistic, I think.

Professor M Suresh Babu: It seems very optimistic.

Professor G. Venkatesh: 10 % is a good margin for the cement industry. They seem to operate in that margin number.

Professor M Suresh Babu: And this interest and financial charges have been a component, increasing over time. And they have been trying to control that also from 5 to.

Professor G. Venkatesh: Correct. You are right. It has been radially, steadily decreasing over a while.

(Refer Slide Time: 13:26)

UltraTech – Profit & Loss



Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Total Income from Operations	251,532	253,749	309,786	416,088	421,248	436,812	497,871	547,805
Change (%)	3.3	0.9	22.1	34.3	1.2	3.7	14.0	10.0
Raw Materials	44,175	44,926	52,888	69,831	63,131	66,971	71,959	79,387
Employees Cost	14,450	15,223	18,102	22,911	25,094	23,717	25,919	27,686
Other Expenses	143,898	141,476	177,344	249,877	239,167	234,307	277,067	299,889
Total Expenditure	202,523	201,625	248,335	342,619	327,106	324,994	374,945	406,962
% of Sales	80.5	79.5	80.2	82.3	77.7	74.4	75.3	74.3
EBITDA	49,010	52,124	61,452	79,469	94,142	111,818	122,926	140,843
Margin (%)	19.5	20.5	19.8	17.7	22.3	25.6	24.7	25.7
Depreciation	13,772	13,484	18,479	24,507	27,022	26,828	27,460	28,738
EBIT	35,238	38,640	42,972	48,962	67,121	84,989	95,466	112,105
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Other Income	4,638	6,481	5,886	4,634	6,478	8,542	8,551	11,365
PBT bef. EO Exp.	34,213	38,721	36,482	35,818	53,742	79,036	94,294	116,111
EO Items	0	0	-3,466	-1,139	19,788	-1,574	0	0
PBT after EO Exp.	34,213	38,721	33,016	34,679	73,530	77,462	94,294	116,111
Total Tax	9,417	11,586	10,770	10,681	15,413	23,991	29,178	35,920
Tax Rate (%)	27.5	29.9	32.6	30.8	21.0	31.0	30.9	30.9
Minority Interest	16	-14	24	-37	-32	5	5	5
Reported PAT	24,780	27,149	22,222	24,035	58,148	53,466	65,111	80,186
Adjusted PAT	24,780	27,149	24,557	24,823	38,360	54,552	65,111	80,186
Change (%)	18.1	9.6	-9.5	1.1	54.5	42.2	19.4	23.2
Margin (%)	9.9	10.7	7.9	6.0	9.1	12.5	13.1	14.6

Source: Motilal Oswal, January 2021

Professor G. Venkatesh: The other parametric variable that you might look at is the tax rate. So, if you see, the tax rate has been around 27, 29, 30, 32, 30, actually cement industry, they get, because of huge capital investments, they get some tax benefits. But despite that and so, the other industries have been much higher than 30. So, this industry is hovering around 30.

(Refer Slide Time: 13:48)

UltraTech – Profit & Loss



Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Total Income from Operations	251,532	253,749	309,786	416,088	421,248	436,812	497,871	547,805
Change (%)	3.3	0.9	22.1	34.3	1.2	3.7	14.0	10.0
Raw Materials	44,175	44,926	52,888	69,831	63,131	66,971	71,959	79,387
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Other Expenses	143,898	141,476	177,344	249,877	239,167	234,307	277,067	299,889
Total Expenditure	202,523	201,625	248,335	342,619	327,106	324,994	374,945	406,962
% of Sales	80.5	79.5	80.2	82.3	77.7	74.4	75.3	74.3
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Margin (%)	19.5	20.5	19.8	17.7	22.3	25.6	24.7	25.7
Depreciation	13,772	13,484	18,479	24,507	27,022	26,828	27,460	28,738
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Other Income	4,638	6,481	5,886	4,634	6,478	8,542	8,551	11,365
PBT bef. EO Exp.	34,213	38,721	36,482	35,818	53,742	79,036	94,294	116,111
EO Items	0	0	-3,466	-1,139	19,788	-1,574	0	0
PBT after EO Exp.	34,213	38,721	33,016	34,679	73,530	77,462	94,294	116,111
Total Tax	9,417	11,586	10,770	10,681	15,413	23,991	29,178	35,920
Tax Rate (%)	27.5	29.9	32.6	30.8	21.0	31.0	30.9	30.9
Minority Interest	16	-14	24	-37	-32	5	5	5
Reported PAT	24,780	27,149	22,222	24,035	58,148	53,466	65,111	80,186
Adjusted PAT	24,780	27,149	24,557	24,823	38,360	54,552	65,111	80,186
Change (%)	18.1	9.6	-9.5	1.1	54.5	42.2	19.4	23.2
Margin (%)	9.9	10.7	7.9	6.0	9.1	12.5	13.1	14.6

Source: Motilal Oswal, January 2021

Professor G. Venkatesh: But you see, the FY '20 is 21 %. So, This lower tax rate is because they were able to get additional benefits in FY '20. Also, we have seen some other companies; when

we look at some of the other companies, the general overall tax rate has been declining primarily because the government reduced the corporate tax rates.

Professor M Suresh Babu: Tax rates?

Professor G. Venkatesh: In the FY '19, 2019 period. So, the people have taken advantage. Now, there is a 22 ceiling on corporate tax. So, they are taking advantage of that.

(Refer Slide Time: 14:17)

UltraTech – Balance sheet



V/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	2,744	2,745	2,746	2,746	2,886	2,886	2,886	2,886
Total Reserves	216,712	241,171	261,066	334,738	388,210	438,271	499,341	574,331
Net Worth	219,456	243,916	263,812	337,484	391,155	441,157	502,227	577,218
Minority Interest	155	37	140	122	75	80	82	90
Total Loans	106,160	84,745	194,802	253,370	228,979	168,979	108,979	108,979
Deferred Tax Liabilities	24,411	27,824	31,827	63,856	49,120	56,793	66,046	77,409
Capital Employed	350,182	356,582	490,601	654,832	669,329	667,010	677,337	763,697
Gross Block	255,050	274,135	430,455	571,407	602,593	614,235	630,890	672,559
Less: Accum. Depn.	13,018	25,943	43,665	68,172	95,194	122,022	149,482	178,221
Net Fixed Assets	242,032	248,192	386,790	503,235	507,400	492,213	481,408	494,338
Goodwill on Consolidation	11,062	10,851	10,361	62,989	62,515	62,515	62,515	62,515
Capital W/P	14,691	9,215	15,112	11,486	9,095	13,095	23,095	8,095
Current Investment	23,651	54,110	39,491	15,185	42,437	39,149	39,149	39,149
Non-current Investment	27,301	12,795	14,978	14,048	16,850	19,138	19,138	19,138
Cur. Assets, Loans&Adv.	93,194	86,926	104,677	158,335	144,307	161,653	178,522	271,525
Inventory	24,546	24,056	32,676	40,990	41,483	41,370	47,154	51,848
Account Receivables	19,282	17,571	22,206	27,870	22,383	22,528	25,675	28,183
Cash and Bank Balance	22,670	22,488	2,181	7,387	5,382	20,047	22,209	108,094
Loans and Advances	26,697	22,861	47,604	82,079	75,049	77,708	83,484	83,400
Cur. Liability & Prov.	61,852	65,605	80,904	110,548	119,152	120,632	126,369	130,944
Account Payables	17,173	18,573	23,849	31,671	35,014	36,308	41,383	45,534
Other Current Liabilities	40,292	42,453	50,526	71,206	76,240	76,420	77,076	77,494
Provisions	4,388	4,579	6,529	7,671	7,898	7,904	7,910	7,916
Net Current Assets	31,343	21,321	23,773	47,787	25,355	41,821	52,153	140,581
Deferred Tax assets	102	98	94	121	60	61	61	62
Net Assets held for sale	0	0	0	0	5,808	5,808	5,808	5,808
Appl. of Funds	350,182	356,582	490,601	654,832	669,329	667,010	677,337	763,697
E: MOFSL Estimates								

Source: Motilal Oswal, January 2021

Professor M Suresh Babu: And this is the balance sheet.

Professor G. Venkatesh: This is the balance sheet. So, if you look at the key balance sheet observations, you basically see that they have both equity and debt. If you take FY '20, 3,88,000 + 2,000 here. So, the equity portion is 3,91,000 crores, and then they have total loans of 2,28,000 crores. So, they have taken a fair amount of debt also. So, these companies usually are financed by both equity and debt. They have leverage.

Professor M Suresh Babu: So, this looks like something like 60, 60, 40.

Professor G. Venkatesh: In this case.

Professor M Suresh Babu: 60 here and 40 debt.

Professor G. Venkatesh: That kind of thing. And correspondingly you will see interest costs also. But if you go back to FY '16, for example, they have increased their debt. Obviously, they borrowed more and are still not repaid; we saw that they have been trying to reduce it. So, if you

see they projected to bring down the debt, from 2,28,000 to 1,68,000, then to 1,08,000. So, they are going to bring it back to what it was in FY '16. So, if you look at the FY '23 projection, it is a 1,00,000 crore debt versus 5,77,000 crores equity. So, there is a considerable reduction in debt and an increase in equity, from 3,91,000 to.

Professor M Suresh Babu: So, that is what we term capital restructuring.

Professor G. Venkatesh: Restructuring, yeah.

Professor M Suresh Babu: Long-term restructuring.

Professor G. Venkatesh: Long-term restructuring, and therefore what that means is that you will have interest cost which will come down. And if the expectation is that the interest costs will increase, then it is an increasing trend. So, the interest cost coming down is a piece of excellent news. They have some money locked up in inventory. So, 41,000 crores locked up in stock, and all that. So, those are some basic observations of the balance sheet, right.

(Refer Slide Time: 16:17)

Reference: Motilal Oswal, January 2021



UltraTech – Cash flow

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
OP/(Loss) before Tax	34,213	38,721	33,015	34,685	52,423	77,462	94,294	116,111
Depreciation	13,772	13,484	18,479	24,507	27,022	26,828	27,460	28,738
Interest & Finance Charges	5,042	5,822	12,376	17,779	19,857	14,495	9,723	7,359
Direct Taxes Paid	-8,517	-7,437	-8,429	-7,101	-8,914	-16,319	-19,926	-24,557
(Inc)/Dec in WC	4,293	5,176	-12,554	-6,957	4,503	-1,211	-8,970	-2,543
CF from Operations	48,803	55,765	42,888	62,913	94,889	101,255	102,581	125,108
Others	1,494	-8	-4,010	-3,356	-5,869	-8,542	-8,551	-11,365
CF from Operating incl EO	50,297	55,756	38,877	59,557	89,020	92,713	94,029	113,743
(Inc)/Dec in FA	-21,315	-13,557	-18,828	-16,482	-17,037	-15,641	-26,655	-26,669
Free Cash Flow	28,982	42,199	20,050	43,075	71,983	77,072	67,374	87,074
(Pur)/Sale of Investments	3,537	-11,209	16,246	26,614	-26,266	7,000	0	0
Others	-73	0	21,197	1,007	1,210	8,542	8,551	11,365
CF from Investments	-17,851	-24,766	18,616	11,138	-42,093	-99	-18,104	-15,304
Issue of Shares	27	66	157	52	27	0	0	0
(Inc)/Dec in Debt	-5,503	-22,297	-42,069	-46,482	-26,663	-60,000	-60,000	0
Interest Paid	0	0	-12,099	-16,850	-19,445	-14,495	-9,723	-7,359
Dividend Paid	-2,973	-3,119	-3,340	-3,462	-3,800	-3,464	-4,041	-5,195
Others	9	0	0	-827	-31	0	0	0
CF from Fin. Activity	-8,440	-25,350	-57,351	-67,568	-49,911	-77,959	-73,764	-12,554
Inc/Dec of Cash	24,005	5,640	142	3,127	-2,984	14,655	2,162	0
Opening Balance	9,198	33,203	38,843	38,986	42,113	39,129	53,784	53,784
Closing Balance	33,203	38,843	38,986	42,113	39,129	53,784	55,946	53,784



Professor G. Venkatesh: We will see the ratios?

Professor M Suresh Babu: Sure.

Professor G. Venkatesh: So, again, the cash flows statement basically tells you how they are, from where they are getting cash? So, you can see that the cash flow is mainly from operations. They

are generating 50,000 crores. For example, FY '20 generated 89,000 crores and 59,000 crores. So, 50 to 90,000 crores are generated from their cash, which is their operating business.

Professor M Suresh Babu: Operations.

Professor G. Venkatesh: Huge cash-producing machine. But 42,000 crores out of this 94,000 is going back. In this case, I think most of it plowed back to reduce loans. So, here, in this case, even the investment activities produce some other income, and all that. Thus the overall cash balance has been managed at around 40,000 crores. So, it is very prudent cash management; that is what one sees here.

Professor M Suresh Babu: And this will be useful for the firm to meet its variable cost.

Professor G. Venkatesh: Variable cost.

Professor M Suresh Babu: In the next time.

Professor G. Venkatesh: Correct. Working capital, they do not need to borrow working capital. They can use their cash from operating a business to take care of even some small investments they can make.

Professor M Suresh Babu: Investments also.

Professor G. Venkatesh: Definitely, they can take care and some expansions can also be done.

(Refer Slide Time: 17:28)

UltraTech Ratios

FY20 current ratio =
curr assets/curr liab
= 144307/119152
= 1.21

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Basic (INR)							
EPS	90.2	98.9	89.4	90.4	132.9	189.0	225.6
Cash EPS	140.5	148.0	156.7	179.6	216.5	282.0	320.7
BV/Share	800.4	889.4	961.4	1,229.8	1,424.9	1,606.5	1,828.7
DPS	8.9	9.4	9.5	10.5	11.0	13.0	13.0
Payout (%)	11.8	11.5	14.0	14.5	8.6	8.3	6.7
Valuation (x)							
P/E				61.2	41.6	29.3	24.5
Cash P/E				30.8	24.4	19.6	17.3
P/BV				4.5	3.9	3.4	3.0
EV/Sales				4.2	4.2	3.9	3.3
EV/Ton (Cap-USD)				221.8	221.0	211.5	199.0
EV/EBITDA				23.6	18.7	15.2	13.4
Dividend Yield (%)				0.2	0.2	0.2	0.2
FCF per share				156.8	249.4	267.0	233.4
Return Ratios (%)							
RoE	12.1	11.7	9.7	8.3	10.5	13.1	13.8
RoCE	9.4	9.7	8.4	7.1	9.6	10.5	11.8
RoIC	9.2	9.7	8.2	6.4	8.6	9.7	11.0
Working Capital Ratios							
Inventory (Days)	36	35	38	36	36	35	35
Debtor (Days)	28	25	26	24	19	19	19
Creditor (Days)	25	27	28	28	30	30	30
Leverage Ratio (x)							
Current Ratio	1.5	1.3	1.3	1.4	1.2	1.3	1.4
Interest Cover Ratio	6.2	6.0	3.5	2.8	3.4	5.9	9.1
Net Debt/Equity	0.3	0.0	0.6	0.7	0.5	0.3	0.1

Reference: Motilal Oswal, January 2021

Professor G. Venkatesh: So, here, I have put some of the ratios. And, I did the calculation too. From the balance sheet, you can do the math. So, 1,44,307 crores are the current assets, and the current liabilities are 1,19,152. It is from the balance sheet. So, if you take the ratio, divide one by the other, you get 1.21.

So, this tells you about the solvency ratio in some sense. It means whether there is enough money in the bank or not. Also, it gives the idea of some investments that you can quickly cash and receivables from customers. And some other things too. So, if you put all that together, it is enough to pay off your debtors, whatever you owe to people.

Professor M Suresh Babu: Current ratio.

Professor G. Venkatesh: Current ratio. So, if you look at that, then it is 1.

Professor M Suresh Babu: So, above 1 is a good indicator; clearly, it is above 1.

Professor G. Venkatesh: So, they are solvent; they are managing thin pretty well.

Professor M Suresh Babu: So, the other thing that we talked about the other day was this- inventory days and debtor days, and things of that sort.

Professor G. Venkatesh: So, how many? Debtor days basically mean that they can collect whatever they invoice to customers, and they can collect it within 28, 25, 26 days.

Professor M Suresh Babu: So, that is a very interesting thing. From 28, they have been able to bring it down to 19 days.

Professor G. Venkatesh: In fact, you will see it in all companies. In this COVID time, everybody has been able to collect money. Mainly, IT has been able to collect money.

Professor M Suresh Babu: That is a fascinating kind of observation.

Professor G. Venkatesh: It generates cash; that is why the operating money has been much higher. You are generating a lot of operating cash because the minute you bring down debtor days, your operating cash suddenly starts increasing quite a lot.

Professor M Suresh Babu: So, we have a basic set of ratios: EPS and those kinds of things. The second set of ratios is on valuation, the price-earnings ratio and things of that sort, EBITDA, EV by EBITDA, and all. The third is the return ratio, that is, return on capital employed, and those types of ratios. The fourth is a working capital ratio, and the fifth is the leverage ratio. Now, this gives the complete picture of the terms of financial health. Fantastic!