

## RESEARCH

### ULTRATECH CEMENT | TARGET: Rs 11,510 | +15% | BUY

Cost efficiencies in focus; raise to BUY

### HINDUSTAN UNILEVER | TARGET: Rs 2,895 | +17% | BUY

Volume growth subdued in a challenging environment

### SUPREME INDUSTRIES | TARGET: Rs 4,300 | +6% | HOLD

Results broadly in line; guidance upgraded on strong pipe demand

#### Daily macro indicators

Indicator	17-Jan	18-Jan	Chg (%)
US 10Y yield (%)	4.10	4.14	4bps
India 10Y yield (%)	7.17	7.18	1bps
USD/INR	83.14	83.12	0.0
Brent Crude (US\$/bbl)	77.9	79.1	1.6
Dow	37,267	37,469	0.5
Hang Seng	15,277	15,392	0.8
Sensex	71,501	71,187	(0.4)
India FII (US\$ mn)	16-Jan	17-Jan	Chg (\$ mn)
FII-D	285.1	110.1	(175.0)
FII-E	142.4	(1,261.0)	(1,403.4)

Source: Bank of Baroda Economics Research

## SUMMARY

### ULTRATECH CEMENT

- Cost savings of 3% YoY boosted Q3 earnings despite slow volumes (+5%) and flat realisations
- EBITDA margin climbed 450bps YoY to 18.8% and EBITDA/t surged to Rs 1,188 from ~Rs 900 a year ago aided by cost efficiencies
- Raise to BUY from HOLD with a revised TP of Rs 11,510 (vs. Rs 9,396) set a 16x FY26E EV/EBITDA (vs. 15x on FY25E)

[Click here for the full report.](#)

### HINDUSTAN UNILEVER

- Delayed rural recovery and elevated competition from regional players impacted volume recovery in Q3
- Gross margin up 400bps YoY but higher A&P spend depletes EBITDA margin
- Maintain BUY with revised TP of Rs 2,895 (earlier Rs 3,069), assigning a target P/E of 51.5x on FY26E (earlier 52.5x on FY25E)

[Click here for the full report.](#)

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## **SUPREME INDUSTRIES**

- Q3 broadly in line with our estimates; strong pipe performance for the eighth consecutive quarter
- Guidance raised slightly on robust demand traction for plastic pipes across end user industries
- Maintain HOLD as bright prospects baked into current valuations; TP unchanged at Rs 4,300

[Click here](#) for the full report.

**BUY**  
 TP: Rs 11,510 | ▲ 15%

**ULTRATECH CEMENT**

| Cement

| 22 January 2024

**Cost efficiencies in focus; raise to BUY**

- **Cost savings of 3% YoY boosted Q3 earnings despite slow volumes (+5%) and flat realisations**
- **EBITDA margin climbed 450bps YoY to 18.8% and EBITDA/t surged to Rs 1,188 from ~Rs 900 a year ago aided by cost efficiencies**
- **Raise to BUY from HOLD with a revised TP of Rs 11,510 (vs. Rs 9,396) set a 16x FY26E EV/EBITDA (vs. 15x on FY25E)**

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**Muted volume and realisation growth:** UTCEM reported slow 8% YoY (+4% QoQ) revenue growth to Rs 161.7bn in Q3FY24 as a result of moderate volume growth and flat realisations. Domestic grey cement volumes grew 5% YoY (+1% QoQ) to 25.6mn tonnes, with capacity utilisation at ~77% vs. ~75% in the year-ago quarter. Realisations stayed flat YoY and QoQ at Rs 5,564/t owing to a mix of election and festive season-led demand sluggishness in major states.

**Cost savings remain a highlight...** Operating cost/tonne declined 3% YoY (-2% QoQ) in Q3 to Rs 5,134/t aided by softening fuel and logistics costs. Fuel cost fell 18% YoY (-6% QoQ) to Rs 1,490/t, with blended fuel consumption cost down 25% (-7% QoQ) to US\$ 150/t. Management expects a further 7-8% reduction in Q4FY24. Logistics cost/t stayed flat YoY at Rs 1,396/t (+2% QoQ) owing to lower lead distance and operating efficiencies. Other expenditure grew 20% YoY (flat QoQ) to Rs 21.4bn, including preponed maintenance cost pertaining to Q4FY24.

**...lending impetus to margins:** EBITDA increased 42% YoY (+29% QoQ) to Rs 30.4bn and margins jumped 450bps YoY (+365bps QoQ) to 18.8%. Helped largely by cost savings, EBITDA/t climbed 34% YoY (+28% QoQ) to Rs 1,188/t.

**Expansion on track, phase-III unlocked:** UTCEM's phase-II expansion of 24.4mt is on schedule, which will take capacity to 157.4mt by FY25. Management has also announced a detailed phase-III expansion plan to add 21.9mt by FY27 (clinker capacity addition expected at 10-12mt). Capex guidance for FY24 is now ~Rs 90bn.

**Upgrade to BUY:** UTCEM's capex plans put it on a strong growth trajectory with continued capacity leadership in all major regions. We estimate that ongoing cost efficiencies focused on cheaper power and logistics optimisation will boost earnings. We cut FY24/FY25 EPS estimates by 3%/6% amid election and global uncertainties, while introducing FY26 forecasts, baking in a brisk FY23-FY26 EBITDA/PAT CAGR of 26%/32%. Factoring in effective cost management, healthy growth and a strong balance sheet, we now value the stock at 16x FY26E EV/EBITDA (vs. 15x on FY25E) to arrive at a new TP of Rs 11,510 (Rs 9,396) and upgrade UTCEM from HOLD to BUY.

**Key changes**

Target	Rating
▲	▲

Ticker/Price	UTCEM IN/Rs 9,997
Market cap	US\$ 35.1bn
Free float	40%
3M ADV	US\$ 38.4mn
52wk high/low	Rs 10,526/Rs 6,604
Promoter/FPI/DII	60%/15%/17%

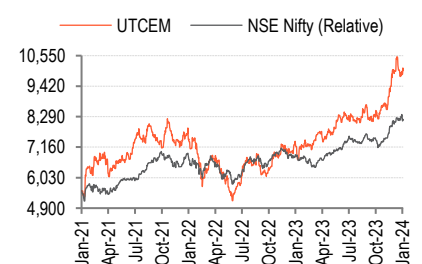
Source: NSE | Price as of 20 Jan 2024

**Key financials**

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	6,04,626	6,54,026	7,49,381
EBITDA (Rs mn)	99,312	1,33,015	1,67,224
Adj. net profit (Rs mn)	49,169	67,904	91,888
Adj. EPS (Rs)	170.3	235.2	318.3
Consensus EPS (Rs)	170.3	257.0	324.0
Adj. ROAE (%)	9.6	12.2	14.7
Adj. P/E (x)	58.7	42.5	31.4
EV/EBITDA (x)	28.6	21.4	17.1
Adj. EPS growth (%)	(24.7)	38.1	35.3

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



**BUY**  
 TP: Rs 2,895 | ▲ 17%

**HINDUSTAN UNILEVER**

Consumer Staples

20 January 2024

### Volume growth subdued in a challenging environment

- Delayed rural recovery and elevated competition from regional players impacted volume recovery in Q3
- Gross margin up 400bps YoY but higher A&P spend depletes EBITDA margin
- Maintain BUY with revised TP of Rs 2,895 (earlier Rs 3,069), assigning a target P/E of 51.5x on FY26E (earlier 52.5x on FY25E)

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**Volume growth fails to pick up:** HUVR’s underlying volume growth (UVG) was flat sequentially at 2% in Q3FY24 as heightened competition from regional players and delayed recovery in rural markets constrained sales. Consolidated revenue was also flat at Rs 155.7bn, below our expectations of 2.1% YoY growth largely due to price corrections taken in key portfolios. Urban volumes continued to grow ahead of rural and premium products and clocked 2.5x higher growth than the mass category as on 9MFY24. The company’s gross margin expanded 400bps YoY, but EBITDA margin slipped 20bps amid a spike in brand investments, with A&P spend stepped up by 270bps.

**Key categories deliver modest growth:** On a YoY basis in Q3, HUVR’s home care (HC) and beauty & personal care (BPC) segment volumes grew in mid-single-digits, while foods & refreshment (F&R) declined in low-single-digits, though underlying sales growth for both segments stayed flat. Household care and fabric wash reported low- to mid-single-digit volume growth. Skin cleansing declined due to price cuts, and oral care reported mid-single-digit growth led by *Closeup* toothpaste. The tea business saw a muted performance owing to continuous downtrading in the category.

**Innovation remains a focus area:** HUVR continues to strengthen its core portfolio by launching new products across segments. In the BPC segment, its launches during Q3 included *Glow & Lovely Powder* finish crème, a new active skin barrier care range by *Simple*, *Sunsilk* hair serums, a *Closeup* naturals range and *Lakme*’s range of make-up products. In F&R, HUVR strengthened its portfolio by launching *Knorr* Korean K-Pot noodles and *Bru Gold* in three flavours.

**Maintain BUY:** HUVR’s volume and value growth remained weak in a challenging environment amid elevated regional competition and delayed rural recovery. We cut our FY24/FY25 EPS expectations by 12%/14% to build in slower volumes and lower margins. We now introduce FY26 estimates and roll valuations forward, translating to a new TP of Rs 2,895 (earlier Rs 3,069), based on a target P/E 51.5x on FY26E (vs. 52.5x on FY25E earlier), and retain BUY. Our multiple is in-line with the long-term mean.

### Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	HUVR IN/Rs 2,469
Market cap	US\$ 70.6bn
Free float	38%
3M ADV	US\$ 47.4mn
52wk high/low	Rs 2,770/Rs 2,393
Promoter/FPI/DII	62%/14%/24%

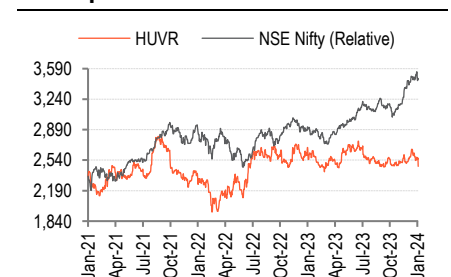
Source: NSE | Price as of 20 Jan 2024

### Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	605,800	621,718	673,056
EBITDA (Rs mn)	141,490	148,446	166,661
Adj. net profit (Rs mn)	101,600	104,643	117,759
Adj. EPS (Rs)	43.2	44.5	50.1
Consensus EPS (Rs)	43.2	44.8	50.7
Adj. ROAE (%)	20.4	20.5	22.6
Adj. P/E (x)	57.1	55.4	49.3
EV/EBITDA (x)	41.0	39.1	34.8
Adj. EPS growth (%)	14.1	2.7	13.3

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



**HOLD**

TP: Rs 4,300 | ▲ 6%

**SUPREME INDUSTRIES**

Building Materials

22 January 2024

**Results broadly in line; guidance upgraded on strong pipe demand**

- Q3 broadly in line with our estimates; strong pipe performance for the eighth consecutive quarter
- Guidance raised slightly on robust demand traction for plastic pipes across end user industries
- Maintain HOLD as bright prospects baked into current valuations; TP unchanged at Rs 4,300

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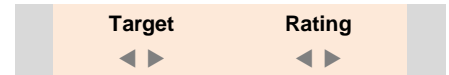
**Q3 broadly in line:** SI's Q3FY24 result largely met our expectations, but EPS fell short of our forecast by 4.4% due to an above-expected correction in pipe realisations (-8.1% QoQ vs. our estimate of -4%). Overall, SI's revenue/EBITDA/adj. PAT grew by 6%/25%/22% YoY mainly due to a weak base effect as the year-ago quarter had a large MTM inventory loss.

**Key result highlights:** Pipe segment EBITDA grew at a strong 26% YoY in Q3 led by healthy volume growth of 17% (despite a high base of 82% YoY growth in the year-ago quarter) and improvement in pipe EBITDA per unit by 7.5% YoY to Rs 21.6/kg off a weak base. On a 4Y CAGR basis, the company clocked pipe volume growth of 15% in Q3. Non-pipe segment EBITDA increased 22% YoY for the quarter driven by higher volumes (+5%) and expansion in EBITDA per unit (+16% YoY to Rs 33.5/kg) due to a better mix.

**Guidance raised:** SI has gained market share in plastic pipes as its PVC/CPVC portfolio (+24%/+8% YoY) has grown faster than the industry (+15%/+2% YoY) in 9MFY24. Management has raised pipe volume growth guidance slightly from 28% to 30% for FY24 (12-15% for FY25) due to affordable resin prices, good demand from the infrastructure and housing sectors, and a weak base of Jan-Feb'23. Pipe EBIT per unit is guided to be in the range of Rs 18-20/kg. Overall, SI has maintained its volume growth guidance of 23% YoY and raised operating margin guidance from 14.5% to 15.5% for FY24.

**Maintain HOLD:** We maintain our TP of Rs 4,300 and HOLD rating on the stock due to stretched valuations (trades at 42.3x on 1Y forward P/E vs. the 5Y average of 27.7x), even after factoring in reasonably optimistic assumptions (pipe/non-pipe volume CAGR of 18.9%/8% over FY23-FY26 vs. 7.9%/3.8% seen over FY15-FY23). We tweak our EPS estimates by +1.6%/+0.4%/+1% for FY24/FY25/FY26 based on the minor guidance upgrade. Our target P/E multiple remains unchanged at 40x on Sep'25E EPS – a large premium to the stock's historical multiple given SI's bright prospects. For details, see our Sector Report of 17 Jan: [Strong foundations](#).

**Key changes**



Ticker/Price	SI IN/Rs 4,070
Market cap	US\$ 6.3bn
Free float	51%
3M ADV	US\$ 8.3mn
52wk high/low	Rs 4,888/Rs 2,335
Promoter/FPI/DII	49%/24%/13%

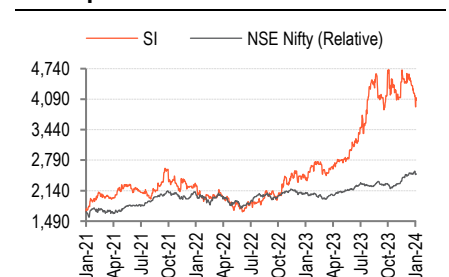
Source: NSE | Price as of 20 Jan 2024

**Key financials**

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	92,016	99,972	1,14,999
EBITDA (Rs mn)	11,997	15,499	18,880
Adj. net profit (Rs mn)	8,653	10,528	12,574
Adj. EPS (Rs)	68.1	82.9	99.0
Consensus EPS (Rs)	68.1	85.9	103.6
Adj. ROAE (%)	21.0	22.2	22.9
Adj. P/E (x)	59.8	49.1	41.1
EV/EBITDA (x)	43.6	33.8	27.9
Adj. EPS growth (%)	(11.7)	21.7	19.4

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



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**BUY** – Expected return >+15%

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**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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