

Ambuja Cements

Strong cost controls + healthy realisation

Ambuja delivered earnings beat in 2QCY20 as other expenses fell sharply, cushioning the impact of the COVID-led revenue loss. Standalone revenue/EBITDA fell 27/15% YoY to Rs 21.77/5.95bn. Dividend income from ACC, however, buoyed APAT by 10% to Rs 4.53bn. Volume fell 29% YoY, mainly on the large sales loss in April. However, execution of pent-up retail demand drove flattish volume growth in May/June. We expect continued traction in retail sales to yield slower volume decline of 10% in 2HCY20 vs the 19% YoY fall in 1H. We expect buoyant pricing in north markets, subdued energy cost outlook and healthy cost controls, to drive 8% EBITDA CAGR (CY19-22E). We maintain BUY with a revised target price of Rs 230.

- 2QCY20 highlights:** The sales loss in April and continued demand slump in Maharashtra led to 29% YoY volume decline. This implies that Ambuja registered a slight volume growth in May/June (ex-Maharashtra), despite COVID. A 6% QoQ price rise drove up NSR +2% YoY. Unitary opex fell 3% YoY on lower freight cost and strong fixed cost cuts. Thus, unitary EBITDA went up 19% YoY to Rs 1,421/MT, cushioning the impact of lower sales.
- Outlook:** We expect the volume decline to slow down in 2HCY20E, and rebound in CY21E as demand normalises. Subdued petcoke and coal prices should also continue to support margin expansion. Enthused by healthy agile fixed cost controls seen in 1H, we lower our cost assumptions. Subsequently, we upgrade EBITDA estimates for CY20/21/22E by 12/5/5% respectively. Ambuja's upcoming north expansion should accelerate volume growth CY21 onwards. We maintain BUY with a revised SOTP of Rs 230/sh; we value standalone Ambuja at 11x its Jun'22E EBITDA and its 50% holding in ACC at a 20% discount to our target Mcap for ACC.

Standalone Quarterly/Annual Financial summary

YE Dec (Rs mn)	2Q CY20	2Q CY19	YoY (%)	1Q CY20	QoQ (%)	CY18	CY19	CY20E	CY21E	CY22E
Sales (mn MT)	4.2	5.9	(28.6)	5.8	(27.4)	24.2	24.0	20.4	23.1	25.4
NSR (Rs/T)	5,195	5,083	2.2	4,900	6.0	4,697	4,870	4,938	5,002	5,120
Opex (Rs/T)	3,775	3,893	(3.0)	3,855	(2.1)	3,913	3,973	3,889	3,977	4,040
EBITDA (Rs/T)	1,421	1,190	19.4	1,045	35.9	784	897	1,049	1,026	1,080
Net Sales	21,768	29,836	(27.0)	28,275	(23.0)	113,568	116,679	100,910	115,509	130,056
EBITDA	5,952	6,984	(14.8)	6,032	(1.3)	18,953	21,489	21,436	23,680	27,439
APAT	4,534	4,121	10.0	3,991	13.6	12,129	14,770	13,540	14,656	17,377
AEPS (Rs)	2.3	2.1	10.0	2.0	13.6	6.1	7.4	6.8	7.4	8.8
EV/EBITDA (x)						13.1	10.9	10.9	9.8	8.1
EV/MT (Rs bn)						8.40	7.94	7.45	7.41	7.09
P/E (x)						32.9	27.0	29.5	27.2	23.0
RoE (%)						5.9	6.8	6.0	6.2	7.1

Source: Company, HSIE Research, Standalone Financials

Change in Estimates

Rs Bn	CY20E Old	CY20E Revised	Change %	CY21E Old	CY21E Revised	Change %	CY22E Old	CY22E Revised	Change %
Net Revenues	100.4	100.9	0.5	114.9	115.5	0.5	129.4	130.1	0.5
EBITDA	19.2	21.4	11.6	22.6	23.7	4.6	26.2	27.4	4.5
APAT	11.9	13.5	14.1	13.9	14.7	5.6	16.5	17.4	5.4
AEPS	6.0	6.8	14.1	7.0	7.4	5.6	8.3	8.8	5.4

Source: Company, HSIE Research

BUY

CMP (as on 24 July 2020)	Rs 201
Target Price	Rs 230
NIFTY	11,194

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 220	Rs 230
EBITDA %	CY20E	CY21E
	11.6	4.6

KEY STOCK DATA

Bloomberg code	ACEMIN
No. of Shares (mn)	1,986
MCap (Rs bn) / (\$ mn)	399/5,334
6m avg traded value (Rs mn)	949
52 Week high / low	Rs 225/137

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	19.6	(6.9)	(6.8)
Relative (%)	(2.1)	1.4	(7.6)

SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	63.28	63.27
FIs & Local MFs	14.56	13.60
FPIs	15.26	16.25
Public & Others	6.90	6.88
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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