

HSIE Results Daily

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Results Reviews

- **Ambuja Cements:** During 4QCY20, ACEM printed a healthy performance, capitalising on strong demand and pricing (primarily in the north). Cost controls further bolstered margin. Thus, standalone net sales/EBITDA/APAT rose 12/40/49% to INR 35.2/7.7/5.0 bn respectively. Over the next two years, ACEM's profitability will benefit from its capacity expansion in the north and low-cost WHRS and solar power expansions. ACEM also hinted that it is exploring capacity expansion at various locations to drive long-term growth visibility. We maintain BUY with a revised SOTP-based target price of INR 308/sh.

HSIE Research Team

hdfcsec-research@hdfcsec.com

Ambuja Cements

Healthy quarter; multiple triggers ahead

During 4QCY20, ACEM printed a healthy performance, capitalising on strong demand and pricing (primarily in the north). Cost controls further bolstered margin. Thus, standalone net sales/EBITDA/APAT rose 12/40/49% to INR 35.2/7.7/5.0 bn respectively. Over the next two years, ACEM's profitability will benefit from its capacity expansion in the north and low-cost WHRS and solar power expansions. ACEM also hinted that it is exploring capacity expansion at various locations to drive long-term growth visibility. We maintain BUY with a revised SOTP-based target price of INR 308/sh.

- 4QCY20 key highlights:** Sales volumes rose 8% YoY, on strong demand in the northern India. ACEM's NSR rose 4% YoY on sustenance of healthy pricing in the north. Logistics and fixed cost controls led unitary opex declined by 1.5% YoY, bolstering unitary EBITDA to INR 1,089/MT (+30% YoY). Premium cement accounted for 12% of its trade sales in 4Q. ACEM guided that it saved ~INR 200/MT in opex in CY20 through MSA (with ACC) and its various ongoing initiatives, which moderated the impact of rising input costs. The company expects these savings to sustain, going ahead.
- Capex updates and outlook:** ACEM will commission its north capacity by 2QCY21, which will boost growth CY21 onwards. Thereafter, it will also explore expansion at other locations. It is also adding 54MW WHRS in Rajasthan, HP and Chhattisgarh by early CY22, thus accounting for ~20% of its electricity requirements. It is working to source 15% of its electricity needs through solar power. These initiatives will boost volume growth and improve its profitability, in our view. We have marginally increased ACEM's EBITDA estimates by 5/4% each for CY21/22E. We maintain BUY with a target price of INR 308 (SOTP based- standalone business at 12x Dec'22E EBITDA and 50% holding in ACC at a 20% discount to our target MCap).

Standalone Financial Summary

YE Mar (INR mn)	Q4 CY20	Q4 CY19	YoY (%)	Q3 CY20	QoQ (%)	CY19	CY20	CY21E	CY22E	CY23E
Sales (mn MT)	7.1	6.5	7.8	5.7	24.3	24.0	22.7	25.3	27.5	29.5
NSR (INR/MT)	4,986	4,795	4.0	5,031	(0.9)	4,870	5,016	5,085	5,157	5,232
Opex (INR/MT)	3,897	3,958	(1.5)	3,831	1.7	4,010	3,936	3,973	4,063	4,148
EBITDA (INR/MT)	1,089	837	30.1	1,200	(9.2)	897	1,167	1,217	1,211	1,203
Net Sales	35,151	31,359	12.1	28,525	23.2	116,679	113,719	128,424	141,965	154,103
EBITDA	7,678	5,474	40.3	6,803	12.9	21,489	26,466	30,744	33,329	35,432
APAT	4,971	3,327	49.4	4,405	12.8	14,770	17,901	20,612	21,617	22,966
AEPS (INR)	2.5	1.7	49.4	2.2	12.8	7.4	9.0	10.4	10.9	11.6
EV/EBITDA (x)						17.8	15.1	12.7	11.3	10.2
EV/MT (INR bn)						12.91	13.51	12.48	12.06	11.49
P/E (x)						37.0	30.5	26.5	25.3	23.8
RoE (%)						6.8	8.4	9.8	9.5	9.5

Source: Company, HSIE Research

Estimates Revision Consolidated

INR Bn	CY21E Old	CY21E Revised	Chg%	CY22E Old	CY22E Revised	Chg%
Net Revenues	127.3	128.4	0.90	140.7	142.0	0.90
EBITDA	29.3	30.7	5.10	31.9	33.3	4.39
APAT	19.6	20.6	4.98	20.8	21.6	3.89
AEPS	9.9	10.4	4.98	10.5	10.9	3.89

Source: Company, HSIE Research

BUY

CMP (as on 19 Feb 2021) INR 275

Target Price INR 308

NIFTY 14,982

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 294	INR 308
EBITDA %	CY21E 5.1	CY22E 4.4

KEY STOCK DATA

Bloomberg code	ACEM IN
No. of Shares (mn)	1,986
MCap (INR bn) / (\$ mn)	547/7,518
6m avg traded value (INR mn)	1,836
52 Week high / low	INR 291/137

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.4	21.3	33.8
Relative (%)	(10.5)	(10.7)	10.4

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	63.27	63.27
FIs & Local MFs	13.29	11.54
FPIs	16.79	18.07
Public & Others	6.65	7.12
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi

rajesh.ravi@hdfcsec.com

+91-22-6171-7352

Saurabh Dugar

saurabh.dugar@hdfcsec.com

+91-22-6171-7353

Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Rajesh Ravi	Ambuja Cements	MBA	NO
Saurabh Dugar	Ambuja Cements	MBA	NO

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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HDFC securities**Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com