

Capacity expansion and operational efficiency to drive growth ahead

CMP: INR 383

Rating: Accumulate

Target Price: INR 456

Stock Info

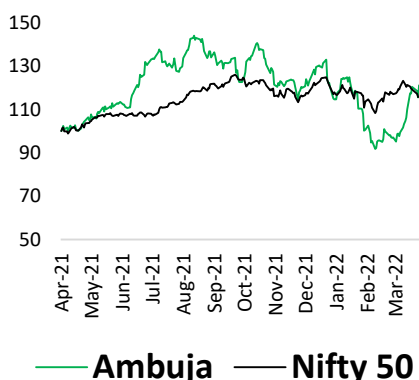
BSE	500425
NSE	AMBUJA
Bloomberg	ACEM IN
Reuters	ACEM.BO
Sector	Cement
Face Value (INR)	2
Equity Capital (INR Cr)	397
Mkt Cap (INR Cr)	76159
52w H/L (INR)	442/ 274
Avg Yearly Vol (in 000')	4547

Shareholding Pattern %

(As on March 2022)

Promoters	63.19
Public & Others	36.81

Ambuja Cements Ltd. Vs Nifty



Source: Arihant Research, NSE

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Ambuja Cement reported numbers which were above our estimate on all front. Revenue from operations grew by 8.4% YoY, and 5.1% QOQ to INR 3,925 cr above our estimates of INR 3729 cr. Growth in topline was backed by volume growth, better product mix and improved realization. Sales volume grew by 4.2% YoY and 7.1% QoQ to 7.5 mn tonnes above our estimate of 7.1 mn tonnes. Volume growth was backed by improving demand scenario in areas where company has major presence. Realization/ton grew by 4.1% YoY, however declined by 1.9% QoQ to INR 5,233 per tonne marginally below our expectation of INR 5,253 per tonne. Growth in realization on YoY basis was mainly supported by price hike taken across the region and increased share of value added products.

EBIDTA declined by 19.3 % YoY however grew by 38.7% QoQ to INR 789 cr above our estimate of INR 661 Cr. EBIDTA margin contracted by 689 bps YoY and expanded by 487 bps QoQ to 20.1%. YoY contraction was led by rise in operating costs. Operating cost grew by 24.2% YoY and 3.9% QoQ to INR 2341 cr led by rise in energy and fuel cost. However efficiencies delivered under flagship ICAN program partly mitigated the impact of cost headwinds. EBIDTA /ton declined by 22.5% YoY and grew by 29.4% % QOQ to INR 1052/ton above our expectation of INR 930/ton.

PAT declined by 25.6% YoY and grew by 96.6% QoQ to INR 495 cr above our estimate of INR 416 cr PAT margin contracted by 575 bps YoY and grew by 587 bps QOQ to 12.6%. Decline in bottom line on YoY basis was mainly due poor operating performance, higher depreciation expenses and decline in other income.

Outlook & valuation: :At a CMP of INR 383 Ambuja Cement is trading at EV/EBITDA of 20.8 x) & 18.2(x) to its CY22E & CY23E Cement demand growth is expected to remain positive backed by increased demand for housing combined with the government's thrust on infrastructure development. Also we expect rural demand to pick up from next quarter. led by strong demand from rural housing Company's on-going capacity expansion plan and MSA agreement with ACC will bring volume growth going ahead. Company's focus on product premiumsation will result in better pricing and improved margin going ahead. We believe margin to be impacted in near term led by higher input cost, however operational efficiency through I CAN program and company's on-going investment in WHRS will aid in mitigating cost headwinds to some extent. Holcim group is planning to exit India business by selling stake in ACC and Ambuja. We value the stock at EV/EBIDTA of 18(x) to its CY23E to arrive at a target price of INR 456 and maintain accumulate rating on the stock.

Q1CY22 - Quarterly Performance (Standalone)

(in INR Cr)

INR Cr (standalone)	Q1CY22	Q4CY21	Q1CY21	Q-o-Q	Y-o-Y
Net Revenue	3,925	3,735	3,621	5.1%	8.4%
Operating Costs	2,431	2,340	1,958	3.9%	24.2%
Employee cost	153	178	169	-14.0%	-9.6%
Other Expenses	552	648	516	-14.8%	6.9%
EBITDA	789	569	977	38.7%	-19.3%
<i>EBITDA margin %</i>	<i>20.1%</i>	<i>15.2%</i>	<i>27.0%</i>	<i>487bps</i>	<i>-689bps</i>
Depreciation	151	170	125	-11.2%	20.4%
EBIT	638	399	852	59.9%	-25.1%
Other Income	37	33	55	12.1%	-32.7%
Finance cost	21	25	20	-16.7%	5.0%
Exceptional item	-	66	-	-	-
PBT	654	341	887	91.9%	-26.3%
Tax Expense	159	89	222	78.7%	-28.4%
<i>Effective tax rate %</i>	<i>24.3%</i>	<i>26.1%</i>	<i>25.0%</i>	<i>-180bps</i>	<i>-72bps</i>
PAT	495	252	665	96.6%	-25.6%
<i>PAT margin %</i>	<i>12.6%</i>	<i>6.7%</i>	<i>18.4%</i>	<i>587bps</i>	<i>-575bps</i>
EPS (INR)	2.49	1.27	3.35	96.1%	-25.7%

Source: Company, Arianth Research

Other important Highlights

- Company approved for Waste Heat Recovery project at Ambujanagar and Maratha. Total capacity to reach is 87 MW
- Company Marwar Cement plant is fully operating additional cement capacity expansions of around 9 million tons at Ropar and Bhatapara are on track. Company's plan is to grow Cement capacity to 100 million tons per annum.
- Ambuja Kawach, green cement, has demonstrated growth of 66% year on year.
- Ambuja Cements has been ranked as India's Most Trusted Cement Brand in 2022 by TRA Research.

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Valuations

INR Cr	CY23E
EV/EBITDA (x)	18.0
EBITDA	3975
EV	71550
Debt	44
Cash	3987
Market Cap	75493
No shares	199
Value/Share (INR)	379.4
ACC Stake Valuation	
ACC Target Price (INR)	2,316
ACC Market Cap	43,541
Ambuja's Stake in ACC (50%)	21,770
Holding Co. Discount	30%
Value of Stake	15,239
Value/Share (INR)	76.6
Ambuja Fair Value (INR) (TP)	456
CMP (INR)	383
Upside (%)	19.0%

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Key Financials

Income Statement

Y/E March (INR Cr)	CY20	CY21	CY22E	CY23E
Revenues	11,372	13,965	15,813	16,933
Change (%)	-2.5%	22.8%	13.2%	7.1%
Total Expenses	8,611	11,114	12,310	12,959
EBITDA	2,761	2,851	3,502	3,975
Other Income	372	286	300	345
Depreciation	521	551	697	751
Interest	83	91	54	54
PBT	2,528	2,495	3,051	3,514
Extra-ordinary	0	0	0	0
PBT after ext-ord.	2,528	2,429	3,051	3,515
Tax	624	705	768	885
Rate (%)	25.9%	25.0%	25.0%	
PAT	1,790	2,146	2,283	2,630
Adjusted PAT	1,790	2,145	2,283	2,630
Change (%)	17.1%	19.9%	6.4%	15.2%

Source: Company, Aриhant Research

Key Ratios

Y/E March	CY20	CY21	CY22E	CY23E
Per share (INR)				
EPS	9.0	10.5	11.5	13.2
CEPS	11.6	13.3	15.0	17.0
BVPS	102.3	111.8	115.7	121.3
DPS	17.0	6.3	6.5	6.5
Valuation (x)				
P/E	42.5	36.5	33.3	29.0
P/CEPS	32.9	28.8	25.5	22.5
EV/EBITDA	26.6	25.3	20.8	18.2
Dividend Yield (%)	0.4%	4.8%	0.3%	0.5%
Return Ratio (%)				
EBITDA Margin	23.3%	23.0%	22.0%	23.5%
PAT Margin	15.7%	14.9%	14.4%	15.5%
ROE	21.0%	20.6%	20.4%	21.4%
ROCE	18.6%	17.8%	17.6%	18.6%
Leverage Ratio (x)				
Total D/E	0.0	0.0	0.0	0.0
Turnover Ratios				
Asset Turnover (x)	2.2	2.0	1.9	1.8
Receivable Days	11	6	15	15
Payable days	100	100	100	99

Source: Co, Aриhant Research

Balance Sheet

Y/E March (INR Cr)	CY20	CY21	CY22E	CY23E
Sources of Funds				
Share Capital	397	397	397	397.0
Reserves & Surplus	19,919	21,810	22,574	23685.0
Net Worth	20,316	22,207	22,971	24,082
Loan Funds	44	44	44	44.0
other Liabilities	1,412	1,696	1,698	1698
Creditors	3,559	4,107	4,558	4628
Total Current Liability	4,971	5,803	6,256	6,326
Capital Employed	25,330	28,054	29,271	30,452
Application of Funds				
Net Block	5,932	7,646	8,299	8349
CWIP	1,873	951	1,500	2800
Total Fixed Asset	7,805	8,597	9,799	11,149
Current Asset				
Investment	11,788	11,788	11,788	11788
Debtors	192	293	1,007	385
Inventories	747	1,463	1,222	1190
Cash & Bank Balance	2,924	4,163	3,253	3987
Loans & Advances & other CA	1,874	1,750	2,202	1953
Total Current Assets	17,525	19,457	19,472	19,303
Application of Funds	25,330	28,054	29,271	30,452

Source: Company, Aриhant Research

Cash Flow Statement

Y/E March (INR Cr)	CY20	CY21	CY22E	CY23E
PBT	1,790	2,081	2,283	2630
Depreciation	521	551	697	751
Inc/Dec in CA	1,456	-836	-924	902
Inc/Dec in CL & Provision	-323	848	452	70
Operating Cash Flow	3,444	2,644	2,509	4254
(Inc)/dec in F.A + CWIP	-1,406	-1,343	-1,900	-2100
(Pur)/sale of investment	1	0	0	0
Cash Flow from Investing	-1,405	-1,343	-1,900	-2,100
Cash Flow from Financing				
Loan raised/(repaid)	-28	0	0	0
Equity raised	0	0	0	
Interest & others	294	1,283	0	0
Dividend	-3,973	-1,472	-1,519	-1519
Cash Flow from Financing Activities	-3,707	-189	-1,519	-1,519
Net inc /(dec) in cash	-1,667	1,112	-910	734
Opening balance of cash	4,699	2,924	4,163	3253
Closing balance of cash	3,033	4,036	3,253	3987

Source: Company, Aриhant Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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