

April 29, 2022

Q1CY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	CY22E	CY23E	CY22E	CY23E
Rating	HOLD		ACCUMULATE	
Target Price	400		359	
Sales (Rs. m)	3,28,125	3,46,515	3,28,156	3,46,547
% Chng.	-	-	-	-
EBITDA (Rs. m)	56,679	67,863	56,506	67,980
% Chng.	0.3	(0.2)	-	-
EPS (Rs.)	12.7	15.5	10.3	13.0
% Chng.	23.6	18.8	-	-

Key Financials - Consolidated

Y/e Dec	CY20	CY21	CY22E	CY23E
Sales (Rs. bn)	245	290	328	347
EBITDA (Rs. bn)	50	62	57	68
Margin (%)	20.4	21.4	17.3	19.6
PAT (Rs. bn)	25	28	25	31
EPS (Rs.)	12.4	14.3	12.7	15.5
Gr. (%)	41.5	14.9	(10.9)	21.8
DPS (Rs.)	18.0	6.3	6.0	7.0
Yield (%)	4.7	1.6	1.6	1.8
RoE (%)	10.5	11.8	9.9	11.7
RoCE (%)	16.4	20.9	17.3	20.1
EV/Sales (x)	2.7	2.2	2.0	1.8
EV/EBITDA (x)	18.0	14.0	15.2	12.5
PE (x)	30.9	26.9	30.2	24.8
P/BV (x)	3.3	3.0	3.0	2.8

Key Data

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52-W High / Low	Rs.443 / Rs.274
Sensex / Nifty	57,521 / 17,245
Market Cap	Rs.761bn/ \$ 9,952m
Shares Outstanding	1,986m
3M Avg. Daily Value	Rs.2407.68m

Shareholding Pattern (%)

Promoter's	63.21
Foreign	14.69
Domestic Institution	15.10
Public & Others	7.00
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	31.4	(1.7)	24.1
Relative	31.5	2.5	7.3

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Beat on estimates; Clarity on Holcim's exit holds the key

Quick Pointers:

- Beat in margins due to lower other expenses
- High clinker sales led the volume growth
- Approved 27.5MW of new Waste heat recovery at Maharashtra and Gujarat plants. The capacity would increase to 87MW from current 6.5MW by CY23e.

Ambuja Cement (ACEM) started the new calendar year with better than expected earnings. EBITDA fell 19% YoY to Rs7.9bn, above our/consensus estimates (CE) by 10%/16%. Higher clinker sales volume and lower other expenses drove the beat. While, we maintain our estimates as elevated other expenses in H2, a usual trend, would keep margins under check.

ACEM delivered material turnaround in earnings over last couple of years. The major contributors to this turnaround were multifold increase in volumes under MSA, optimisation of fixed costs and reduction in specific energy consumption. On the incremental basis, we don't see meaningful scope for further cost reduction. Theme of capacity expansion would get delayed due to likely exit of parent. As the valuations have surged to rich territory with EV/EBITDA of 14x and EV/t of USD170/t, we downgrade rating on stock to Hold with TP of Rs400 with EV/EBITDA of 14.5x CY23e.

- Volume growth boosted by clinker sales:** Led by 3.5x YoY/1x QoQ increase in clinker sales volume to 0.32mt, ACEM's overall sales volumes grew 3.5% YoY to 7.5mnt (PLe:7.2mnt). Cement sales volumes remained flat YoY, in line with our estimates.
- Miss on realisations due to high share of clinker volumes:** Realisations increased marginally by 0.2% QoQ/4% QoQ to Rs5,147 (PLe:Rs5,204) as higher sale of clinker negated the increase in cement realisations.
- Lower other expenses aided the margins:** Cost increased 14.6% YoY/Rs530/t at Rs4,185/t (PLe: Rs4,285) due to 36% YoY increase in power & fuel cost, offset by 5% YoY reduction in freight cost. The beat on our estimates was primarily due to marginal increase of 3% YoY in other expenses (Rs737 v/s PLe:Rs830) in spite of steep increase in packaging, stores& spares and repairs costs. This restricted fall in EBITDA/t to 22% at Rs1,055 (PLe: Rs1,000). Aided by lower than expected depreciation and tax rate (down 70bps YoY at 24.3% v/s PLe:25.2%), PAT came above our estimates by 19% at Rs4.95bn (PLe: Rs4.16bn, CE:Rs4.05bn), down 25% YoY.

Exhibit 1: Q1CY22 Result Overview (Rs mn)

Y/e Dec	Q1CY22	Q1CY21	YoY gr. (%)	Q4CY21	CY22E	CY21	YoY gr. (%)
Net Sales	38,550	35,790	7.7	36,790	1,54,829	1,37,930	12.3
Raw Material	5,312	3,436	54.6	3,709	14,309	11,595	23.4
<i>% of Net Sales</i>	<i>13.8</i>	<i>9.6</i>		<i>10.1</i>	<i>9.2</i>	<i>8.4</i>	
Staff Costs	1,529	1,692	(9.6)	1,778	6,980	6,777	3.0
<i>% of Net Sales</i>	<i>4.0</i>	<i>4.7</i>		<i>4.8</i>	<i>4.5</i>	<i>4.9</i>	
Power & Fuel	10,309	7,352	40.2	11,263	46,047	34,210	34.6
<i>% of Net Sales</i>	<i>26.7</i>	<i>20.5</i>		<i>30.6</i>	<i>29.7</i>	<i>24.8</i>	
Freight	8,682	8,803	(1.4)	8,441	35,968	33,083	8.7
<i>% of Net Sales</i>	<i>22.5</i>	<i>24.6</i>		<i>22.9</i>	<i>23.2</i>	<i>24.0</i>	
Other Expenses	5,517	5,164	6.8	6,482	23,988	21,910	9.5
<i>% of Net Sales</i>	<i>14.3</i>	<i>14.4</i>		<i>17.6</i>	<i>15.5</i>	<i>15.9</i>	
Total Expenditure	31,348	26,446	18.5	31,672	1,27,293	1,07,575	18.3
EBITDA	7,202	9,344	(22.9)	5,118	27,536	30,355	(9.3)
<i>Margin (%)</i>	<i>18.7</i>	<i>26.1</i>		<i>13.9</i>	<i>17.8</i>	<i>22.0</i>	
Depreciation	1,515	1,254	20.8	1,698	6,452	5,512	17.0
Other income	1,069	976	9.6	893	9,839	4,576	115.0
EBIT	6,756	9,065	(25.5)	4,314	30,924	29,419	5.1
Interest	214	204	4.9	252	1,006	909	10.7
PBT	6,543	8,861	(26.2)	4,061	29,917	28,509	4.9
Extraordinary income/(expense)	-	-		(657)	-	(657)	
PBT (After EO)	6,543	8,861	(26.2)	3,405	29,917	27,853	7.4
Tax	1,591	2,215		888	7,779	7,047	10.4
<i>% PBT</i>	<i>24.3</i>	<i>25.0</i>		<i>26.1</i>	<i>26.0</i>	<i>25.3</i>	
Reported PAT	4,952	6,646	(25.5)	2,517	22,139	20,805	6.4
Adjusted PAT	4,952	6,646	(25.5)	3,002	22,139	21,296	4.0

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e Dec	Q1CY22	Q1CY21	YoY gr. (%)	Q4CY21	CY22E	CY21	YoY gr. (%)
Volume (mn te)	7.5	7.2	3.5	7.2	28.9	27.0	6.9
Net Realisations/t (Rs)	5,147	4,943	4.1	5,138	5,360	5,105	5.0
EBITDA/t (Rs)	962	1,291	(25.5)	715	953	1,124	(15.1)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Dec	CY20	CY21	CY22E	CY23E
Net Revenues	2,45,162	2,89,655	3,28,125	3,46,515
YoY gr. (%)	(9.5)	18.1	13.3	5.6
Cost of Goods Sold	31,242	29,623	45,741	50,983
Gross Profit	2,13,919	2,60,032	2,82,384	2,95,532
Margin (%)	87.3	89.8	86.1	85.3
Employee Cost	15,404	15,292	15,737	16,524
Other Expenses	37,468	43,432	46,915	49,385
EBITDA	50,056	62,104	56,679	67,863
YoY gr. (%)	12.6	24.1	(8.7)	19.7
Margin (%)	20.4	21.4	17.3	19.6
Depreciation and Amortization	11,618	11,525	12,547	15,000
EBIT	38,438	50,579	44,132	52,863
Margin (%)	15.7	17.5	13.4	15.3
Net Interest	1,402	1,457	1,507	1,519
Other Income	4,254	3,104	4,367	4,410
Profit Before Tax	39,772	51,442	46,991	55,755
Margin (%)	16.2	17.8	14.3	16.1
Total Tax	8,848	14,534	13,440	15,144
Effective tax rate (%)	22.2	28.3	28.6	27.2
Profit after tax	30,924	36,908	33,551	40,610
Minority interest	7,414	9,307	8,441	9,987
Share Profit from Associate	144	202	130	130
Adjusted PAT	24,647	28,317	25,241	30,753
YoY gr. (%)	41.5	14.9	(10.9)	21.8
Margin (%)	10.1	9.8	7.7	8.9
Extra Ord. Income / (Exp)	(993)	(513)	-	-
Reported PAT	23,654	27,804	25,241	30,753
YoY gr. (%)	21.7	17.5	(9.2)	21.8
Margin (%)	9.6	9.6	7.7	8.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	23,654	27,804	25,241	30,753
Equity Shares O/s (m)	1,986	1,986	1,986	1,986
EPS (Rs)	12.4	14.3	12.7	15.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Dec	CY20	CY21	CY22E	CY23E
Non-Current Assets				
Gross Block	2,66,356	2,94,881	3,05,011	3,47,111
Tangibles	2,66,356	2,94,881	3,05,011	3,47,111
Intangibles	-	-	-	-
Acc: Dep / Amortization	61,496	72,345	84,892	99,892
Tangibles	61,496	72,345	84,892	99,892
Intangibles	-	-	-	-
Net fixed assets	2,04,860	2,22,536	2,20,119	2,47,219
Tangibles	2,04,860	2,22,536	2,20,119	2,47,219
Intangibles	-	-	-	-
Capital Work In Progress	30,268	26,198	40,578	14,059
Goodwill	-	-	-	-
Non-Current Investments	15,637	14,648	15,068	15,488
Net Deferred tax assets	(6,231)	(7,533)	(7,839)	(8,171)
Other Non-Current Assets	18,365	18,438	18,466	18,496
Current Assets				
Investments	-	-	-	-
Inventories	16,486	27,380	24,281	25,542
Trade receivables	5,611	6,458	9,760	10,349
Cash & Bank Balance	89,356	1,16,943	1,12,307	1,36,994
Other Current Assets	12,250	14,347	14,580	15,365
Total Assets	3,97,207	4,52,073	4,60,279	4,88,626
Equity				
Equity Share Capital	3,971	3,971	3,971	3,971
Other Equity	2,23,605	2,49,566	2,50,379	2,67,230
Total Network	2,27,576	2,53,537	2,54,350	2,71,202
Non-Current Liabilities				
Long Term borrowings	900	1,141	435	435
Provisions	2,714	2,815	2,815	2,815
Other non current liabilities	401	367	367	367
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	22,134	29,128	31,041	32,863
Other current liabilities	70,006	82,445	85,330	88,054
Total Equity & Liabilities	3,97,207	4,52,073	4,60,279	4,88,626

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Dec	CY20	CY21	CY22E	CY23E
PBT	39,916	51,645	46,991	55,755
Add. Depreciation	11,618	11,525	12,547	15,000
Add. Interest	1,402	1,457	1,507	1,519
Less Financial Other Income	4,254	3,104	4,367	4,410
Add. Other	(483)	(1,744)	(4,367)	(4,410)
Op. profit before WC changes	52,453	62,882	56,679	67,863
Net Changes-WC	7,572	(3,314)	4,049	1,596
Direct tax	(11,702)	(6,476)	(13,134)	(14,812)
Net cash from Op. activities	48,323	53,092	47,594	54,648
Capital expenditures	(17,253)	(22,963)	(24,510)	(15,581)
Interest / Dividend Income	-	-	-	-
Others	4,081	2,893	4,367	4,410
Net Cash from Inv. activities	(13,173)	(20,071)	(20,143)	(11,171)
Issue of share cap. / premium	-	-	-	-
Debt changes	(384)	(541)	(706)	-
Dividend paid	(37,959)	(3,334)	(29,874)	(17,271)
Interest paid	(864)	(1,072)	(1,507)	(1,519)
Others	(355)	(211)	-	-
Net cash from Fin. activities	(39,562)	(5,158)	(32,087)	(18,790)
Net change in cash	(4,412)	27,864	(4,636)	24,687
Free Cash Flow	30,987	29,751	23,084	39,067

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Dec	Q2CY21	Q3CY21	Q4CY21	Q1CY22
Net Revenue	33,420	31,930	36,790	38,550
YoY gr. (%)	55.8	14.0	6.1	7.7
Raw Material Expenses	1,757	2,694	3,709	5,312
Gross Profit	31,664	29,236	33,081	33,238
Margin (%)	94.7	91.6	89.9	86.2
EBITDA	9,305	6,589	5,118	7,202
YoY gr. (%)	65.1	4.6	(29.0)	(22.9)
Margin (%)	27.8	20.6	13.9	18.7
Depreciation / Depletion	1,304	1,257	1,698	1,515
EBIT	8,001	5,332	3,420	5,687
Margin (%)	23.9	16.7	9.3	14.8
Net Interest	239	215	252	214
Other Income	1,902	805	893	1,069
Profit before Tax	9,665	5,922	4,061	6,543
Margin (%)	28.9	18.5	11.0	17.0
Total Tax	2,434	1,510	888	1,591
Effective tax rate (%)	25.2	25.5	21.9	24.3
Profit after Tax	7,231	4,412	3,174	4,952
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	7,231	4,412	3,002	4,952
YoY gr. (%)	59.5	0.2	(39.6)	(25.5)
Margin (%)	21.6	13.8	8.2	12.8
Extra Ord. Income / (Exp)	-	-	(486)	-
Reported PAT	7,231	4,412	2,517	4,952
YoY gr. (%)	59.5	0.2	(49.4)	(25.5)
Margin (%)	21.6	13.8	6.8	12.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,231	4,412	2,517	4,952
Avg. Shares O/s (m)	1,986	1,986	1,986	1,986
EPS (Rs)	3.6	2.2	1.5	2.5

Source: Company Data, PL Research

Key Financial Metrics

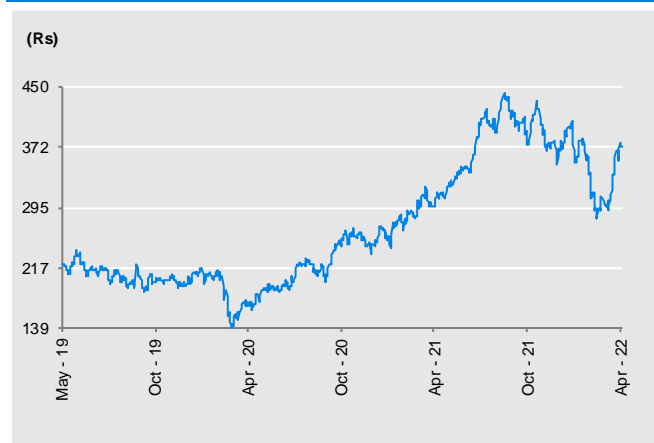
Y/e Dec	CY20	CY21	CY22E	CY23E
Per Share(Rs)				
EPS	12.4	14.3	12.7	15.5
CEPS	18.3	20.1	19.0	23.0
BVPS	114.6	127.7	128.1	136.6
FCF	15.6	15.0	11.6	19.7
DPS	18.0	6.3	6.0	7.0
Return Ratio(%)				
RoCE	16.4	20.9	17.3	20.1
ROIC	20.5	29.1	22.1	30.5
RoE	10.5	11.8	9.9	11.7
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.5)	(0.4)	(0.5)
Net Working Capital (Days)	0	6	3	3
Valuation(x)				
PER	30.9	26.9	30.2	24.8
P/B	3.3	3.0	3.0	2.8
P/CEPS	21.0	19.1	20.1	16.6
EV/EBITDA	18.0	14.0	15.2	12.5
EV/Sales	2.7	2.2	2.0	1.8
Dividend Yield (%)	4.7	1.6	1.6	1.8

Source: Company Data, PL Research

Key Operating Metrics

Y/e Dec	CY20	CY21	CY22E	CY23E
Stand. Volume	22.7	27.0	28.9	30.9
Stand. Net Realisations (Rs/te)	4,929	5,105	5,360	5,065
Stand. EBITDA/ te (Rs/te)	1,081	1,124	953	1,050
Stand. RM cost (Rs/ te)	481	574	495	495
Stand. Power, Oil & Fuel (Rs/ te)	1,009	1,296	1,594	1,224
Stand. Freight Charges (Rs/ te)	1,259	1,224	1,245	1,261
Cons. Volume	48.2	55.9	58.4	63.9
Cons. Net Realisations (Rs/te)	5,086	5,181	5,623	5,422
Cons. EBITDA/ te (Rs/te)	1,039	1,111	971	1,062

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	Accumulate	359	326
2	21-Feb-22	BUY	390	338
3	10-Jan-22	BUY	440	399
4	16-Dec-21	BUY	445	378
5	26-Oct-21	BUY	445	380
6	06-Oct-21	BUY	460	404
7	06-Sep-21	BUY	460	437
8	25-Jul-21	BUY	460	402
9	06-Jul-21	BUY	405	340
10	01-Jul-21	BUY	405	341

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,300	2,057
2	Ambuja Cement	Accumulate	359	326
3	Coal India	Accumulate	220	195
4	Dalmia Bharat	Accumulate	1,806	1,593
5	Heidelberg Cement India	Reduce	200	202
6	Hindalco Industries	Hold	673	582
7	Hindustan Zinc	Reduce	322	338
8	Jindal Steel & Power	BUY	615	564
9	JK Lakshmi Cement	Hold	560	453
10	JSW Steel	Accumulate	835	757
11	NMDC	Accumulate	198	175
12	Shree Cement	Hold	25,687	24,743
13	Steel Authority of India	Accumulate	128	111
14	Tata Steel	BUY	1,745	1,371
15	The Ramco Cements	Hold	831	810
16	Ultratech Cement	Accumulate	7,180	6,723

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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