

Ambuja Cements

Stellar show yet again; dividend bonanza announced

During 3QCY20, Ambuja Cements (ACEM) reported strong results. Standalone net sales/EBITDA/APAT rose 9/55/88% YoY to Rs 28.53/6.80/4.41bn respectively. Volumes jumped 8% YoY on strong retail demand. Opex fell 8% YoY on robust (and structural) cost controls and low fuel prices, driving a 44% jump in unitary EBITDA to Rs 1,200/MT. In a positive surprise, ACEM announced Rs 17/share dividends, thus paying off 60% of its large cash pile up on books. We maintain BUY with a higher target price (SOTP-based) of Rs 283/share, owing to increased volume growth and robust unitary EBITDA visibility, and a leaner balance sheet, post the large dividend payout.

- **Strong 3QCY20 results, large dividend payout:** Riding on robust retail demand in north, central and east markets, ACEM printed 8% YoY volume rise. NSR also remained solid at +1% YoY. Opex reduction accelerated to 8% YoY, benefitting from structural metrics (fixed cost controls, logistics optimization and Material Supply Agreement with ACC) and lower fuel prices. Thus, its unitary EBITDA soared 44% YoY to Rs 1,200/MT. It also announced Rs 17/share dividend (60% of its cash balance, 7% pre-tax yield).
- **Outlook:** Buoyed by structural opex reduction and healthy pricing, we expect ACEM's unitary EBITDA to rebound to a 13-year high of Rs 1,176/MT in CY20E and to sustain during CY21/22E. Its upcoming expansion in Rajasthan by 2QCY21 will boost volume growth during CY21-23E. We raise our EBITDA estimates for CY20/21/22E by 6/7/6% factoring in the cost controls benefits. Robust margin, high growth visibility and leaner balance sheet (large dividend payout) should drive rerating. We raise our valuation multiple for standalone business to 12x Sep'22E EBITDA (earlier 11x), inline its 10-year mean. We value its 50% holding in ACC at a 20% discount, thus leading to a SOTP target price of Rs 283/share with a BUY rating.

Standalone Quarterly/Annual Financial summary

YE Dec (Rs mn)	3Q CY20	3Q CY19	YoY (%)	2Q CY20	QoQ (%)	CY18	CY19	CY20E	CY21E	CY22E
Sales (mn MT)	5.7	5.3	7.8	4.2	35.3	24.2	24.0	22.5	25.3	27.5
NSR (Rs/MT)	5,031	4,992	0.8	5,195	(3.2)	4,697	4,870	4,997	5,040	5,111
Opex (Rs/MT)	3,831	4,156	(7.8)	3,775	1.5	3,913	3,973	3,821	3,881	3,951
EBITDA (Rs/MT)	1,200	836	43.5	1,421	(15.5)	784	897	1,176	1,158	1,160
Net Sales	28,525	26,258	8.6	21,768	31.0	113,568	116,679	112,680	127,277	140,695
EBITDA	6,803	4,398	54.7	5,952	14.3	18,953	21,489	26,524	29,253	31,927
APAT	4,405	2,346	87.8	4,534	(2.8)	12,129	14,770	18,199	19,635	20,807
AEPS (Rs)	2.2	1.2	87.8	2.3	(2.8)	6.1	7.4	9.2	9.9	10.5
EV/EBITDA (x)						18.6	15.8	13.5	12.0	10.4
EV/MT (Rs bn)						11.96	11.50	12.11	11.20	10.64
P/E (x)						41.6	34.1	27.7	25.7	24.2
RoE (%)						5.9	6.8	8.5	9.2	9.1

Source: Company, HSIE Research, Standalone Financials

Estimates revision

Rs Bn	CY20E Old	CY20E Revised	Change %	CY21E Old	CY21E Revised	Change %	CY22E Old	CY22E Revised	Change %
Net Sales	109.8	112.7	2.6	124.0	127.3	2.6	137.1	140.7	2.6
EBITDA	24.9	26.5	6.4	27.4	29.3	6.9	30.0	31.9	6.3
APAT	16.2	18.2	12.6	17.4	19.6	12.7	19.3	20.8	7.7
AEPS (Rs)	8.1	9.2	12.6	8.8	9.9	12.7	9.7	10.5	7.7

Source: Company, HSIE Research

BUY

CMP (as on 22 Oct 2020)	Rs 254
Target Price	Rs 283
NIFTY	11,896

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 260	Rs 283
EBITDA %	CY20E 6.4	CY21E 6.9

KEY STOCK DATA

Bloomberg code	ACEM IN
No. of Shares (mn)	1,986
MCap (Rs bn) / (\$ mn)	504/6,838
6m avg traded value (Rs mn)	1,082
52 Week high / low	Rs 256/137

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	26.2	43.7	29.5
Relative (%)	19.1	14.4	25.4

SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	63.27	63.27
FIs & Local MFs	13.60	13.29
FPIs	16.25	16.79
Public & Others	6.88	6.65
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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