

February 21, 2022

Q4CY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	CY22E	CY23E	CY22E	CY23E
Rating	BUY		BUY	
Target Price	390		440	
Sales (Rs. m)	3,27,637	3,51,047	3,35,766	3,62,552
% Chng.	(2.4)	(3.2)		
EBITDA (Rs. m)	62,898	72,616	71,055	79,107
% Chng.	(11.5)	(8.2)		
EPS (Rs.)	13.5	15.7	16.7	18.2
% Chng.	(18.8)	(13.8)		

Key Financials - Consolidated

Y/e Dec	CY20	CY21	CY22E	CY23E
Sales (Rs. bn)	245	301	328	351
EBITDA (Rs. bn)	50	63	63	73
Margin (%)	20.3	20.8	19.2	20.7
PAT (Rs. bn)	24	28	27	31
EPS (Rs.)	12.3	14.1	13.5	15.7
Gr. (%)	40.1	14.3	(3.7)	16.2
DPS (Rs.)	18.0	6.3	6.0	7.0
Yield (%)	5.3	1.9	1.8	2.1
RoE (%)	10.4	11.6	10.6	11.8
RoCE (%)	16.3	21.1	19.5	21.6
EV/Sales (x)	2.4	1.9	1.7	1.6
EV/EBITDA (x)	15.8	12.1	11.9	10.3
PE (x)	27.5	24.1	25.0	21.5
P/BV (x)	3.0	2.7	2.6	2.5

Key Data

ABUJ.BO | ACEM IN

52-W High / Low	Rs.443 / Rs.261
Sensex / Nifty	57,833 / 17,276
Market Cap	Rs.672bn/ \$ 8,998m
Shares Outstanding	1,986m
3M Avg. Daily Value	Rs.1037.02m

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	(11.1)	(17.4)	19.6
Relative	(6.6)	(20.5)	6.2

Kamlesh Bagmar

kamleshbagmar@plindia.com | 91-22-66322237

Amit Khimesra

amitkhimesra@plindia.com | 91-22-66322244

Misses estimates; Theme of capacity growth and cost reduction remains intact

Quick Pointers:

- Announced 7.0mtpa expansion in East region for a capex of Rs35bn
- Volumes covered under Master supply agreement (MSA) increased 70% YoY

Ambuja Cement (ACEM) reported weak Q4CY21 earnings. EBITDA fell 26% YoY to Rs5.7bn, below our/consensus estimates by 16%/20%. Miss was on account of higher than expected energy cost and other expenses. ACEM's power & fuel cost increased 58% YoY/Rs576 per ton compared to 27%/39% (Rs255/Rs375) increase in ACC/Ultratech. High cost inventory and restrictions on usage of cheaper high Sulphur pet coke in Gujarat operations resulted in steeper increase in ACEM's energy cost. We trim our EBITDA estimates for CY22e/CY23e by 11.5%/8.2%, largely due to lower margins.

ACEM delivered material turnaround in earnings over last couple of years. This is manifested by multifold increase in volumes under MSA, acceleration in investments on waste heat recovery plants (share of renewable energy to increase by 6.6x to 38% by end of CY22) and new expansion plans (60% increase in capacity to 50mnt in medium term). These constructive changes shall translate in meaningful improvement in margins and volume growth in coming years. Given the better visibility on volume growth and improved margins trajectory, we maintain BUY rating with revised TP of Rs390 (earlier Rs440), EV/EBITDA of 13.5x CY23e.

- Higher than expected costs led the miss on margins:** Driven by capacity addition in Rajasthan, volumes grew 1.6% YoY to 7.2mnt (PLe:7.1mnt). Realisations increased by 4.5% YoY/Rs220 (↓0.3% QoQ/Rs15) at Rs5,140/t (PLe:Rs5,200/t). Impacted by 58%/17% YoY increase in Energy Cost/Other Expenses, Cost rose 13% YoY/Rs530/t at Rs4,425/t (PLe: Rs4,290). Due to higher than expected costs, EBITDA/t missed our estimates by 17% at Rs795 (PLe: Rs960) with fall of 27% YoY. Impacted by 25% increase in depreciation, Adj. PAT fell 40% YoY at Rs3.0bn (PLe:Rs4.2bn, CE:Rs4.4bn)
- Key takeaways from earnings call:** **1)** East expansion includes 3.0mnt/1.6mnt/1.6mnt grinding unit (GU) capacity at Barh (Bihar)/Sankrail (West Bengal)/Farakka (West Bengal) and 3.2mtpa clinker expansion at Bhatapara (Chhattisgarh) with 17MW WHR **2)** Including ongoing expansion of 1.5mnt at Ropar (Punjab), capacity would increase to 40mnt from current 31.5mnt **3)** Company is expected to announce more expansion plans and debottlenecking projects to meet its capacity target of 50mnt **5)** Target to increase share of power from WHR to 25-28% against current 4% by CY23 **6)** In spite of 24% YoY increase in diesel price, Freight cost fell by 4% YoY/8% QoQ due to reduction in lead distance by 40km though MSA, direct despatches and rationalisation of secondary freight

Exhibit 1: Q4CY21 Result Overview (Rs mn)

Y/e Dec	Q4CY21	Q4CY20	YoY gr. (%)	Q3CY21	CY21	CY20	YoY gr. (%)
Net Sales	36,790	34,680	6.1	31,930	1,37,930	1,11,750	23.4
Raw Material	3,709	4,486	(17.3)	2,694	11,595	11,863	(2.3)
<i>% of Net Sales</i>	10.1	12.9		8.4	8.4	10.6	
Staff Costs	1,778	1,850	(3.9)	1,692	6,777	6,688	1.3
<i>% of Net Sales</i>	4.8	5.3		5.3	4.9	6.0	
Power & Fuel	11,263	7,010	60.7	7,714	34,210	22,519	51.9
<i>% of Net Sales</i>	30.6	20.2		24.2	24.8	20.2	
Freight	8,441	8,690	(2.9)	7,954	33,083	28,549	15.9
<i>% of Net Sales</i>	22.9	25.1		24.9	24.0	25.5	
Other Expenses	6,482	5,437	19.2	5,287	21,910	17,634	24.2
<i>% of Net Sales</i>	17.6	15.7		16.6	15.9	15.8	
Total Expenditure	31,672	27,473	15.3	25,341	1,07,575	87,253	23.3
EBITDA	5,118	7,207	(29.0)	6,589	30,355	24,497	23.9
<i>Margin (%)</i>	13.9	20.8		20.6	22.0	21.9	
Depreciation	1,698	1,257	35.0	1,257	5,512	5,212	5.8
Other income	893	865	3.2	805	4,576	5,689	(19.6)
EBIT	4,314	6,816	(36.7)	6,137	29,419	24,974	17.8
Interest	252	233	8.3	215	909	831	9.5
PBT	4,061	6,583	(38.3)	5,922	28,509	24,144	18.1
Extraordinary income/(expense)	(657)	-		-	(657)	-	
PBT (After EO)	3,405	6,583	(48.3)	5,922	27,853	24,144	15.4
Tax	888	1,612		1,510	7,047	6,243	12.9
<i>% PBT</i>	26.1	24.5		25.5	25.3	25.9	
Reported PAT	2,517	4,971	(49.4)	4,412	20,805	17,901	16.2
Adjusted PAT	3,002	4,971	(39.6)	4,412	21,296	17,901	19.0

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e Dec	Q4CY21	Q4CY20	YoY gr. (%)	Q3CY21	CY21	CY20	YoY gr. (%)
Volume (mn te)	7.2	7.1	1.6	6.2	27.0	22.7	19.1
Net Realisations/t (Rs)	5,138	4,919	4.5	5,154	5,105	4,926	3.6
EBITDA/t (Rs)	715	1,022	(30.1)	1,064	1,124	1,080	4.0

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Dec	CY20	CY21	CY22E	CY23E
Net Revenues	2,45,162	3,00,608	3,27,637	3,51,047
YoY gr. (%)	(9.5)	22.6	9.0	7.1
Cost of Goods Sold	31,242	41,133	44,642	50,323
Gross Profit	2,13,919	2,59,475	2,82,995	3,00,724
Margin (%)	87.3	86.3	86.4	85.7
Employee Cost	15,404	15,138	16,142	16,950
Other Expenses	37,710	42,590	43,711	46,869
EBITDA	49,814	62,502	62,898	72,616
YoY gr. (%)	12.0	25.5	0.6	15.5
Margin (%)	20.3	20.8	19.2	20.7
Depreciation and Amortization	11,618	11,553	13,104	15,480
EBIT	38,196	50,949	49,794	57,136
Margin (%)	15.6	16.9	15.2	16.3
Net Interest	1,402	1,457	1,511	1,539
Other Income	4,254	1,644	2,372	2,110
Profit Before Tax	39,530	50,588	50,654	57,707
Margin (%)	16.1	16.8	15.5	16.4
Total Tax	8,848	13,860	14,834	16,168
Effective tax rate (%)	22.4	27.4	29.3	28.0
Profit after tax	30,682	36,728	35,820	41,539
Minority interest	7,414	9,324	9,090	10,446
Share Profit from Associate	144	137	130	130
Adjusted PAT	24,405	27,899	26,860	31,223
YoY gr. (%)	40.1	14.3	(3.7)	16.2
Margin (%)	10.0	9.3	8.2	8.9
Extra Ord. Income / (Exp)	(993)	(358)	-	-
Reported PAT	23,413	27,541	26,860	31,223
YoY gr. (%)	20.4	17.6	(2.5)	16.2
Margin (%)	9.5	9.2	8.2	8.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	23,413	27,541	26,860	31,223
Equity Shares O/s (m)	1,986	1,986	1,986	1,986
EPS (Rs)	12.3	14.1	13.5	15.7

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	3,01,469	3,13,569	3,55,669
Tangibles	2,66,356	3,01,469	3,13,569	3,55,669
Intangibles	-	-	-	-
Acc: Dep / Amortization	61,496	73,049	86,153	1,01,633
Tangibles	61,496	73,049	86,153	1,01,633
Intangibles	-	-	-	-
Net fixed assets	2,04,860	2,28,419	2,27,415	2,54,035
Tangibles	2,04,860	2,28,419	2,27,415	2,54,035
Intangibles	-	-	-	-
Capital Work In Progress	30,268	18,263	36,923	22,904
Goodwill	-	-	-	-
Non-Current Investments	15,637	16,063	16,483	16,903
Net Deferred tax assets	(6,231)	(6,587)	(6,930)	(7,291)
Other Non-Current Assets	18,365	18,392	18,422	18,452
Current Assets				
Investments	-	-	-	-
Inventories	16,486	24,080	24,242	25,879
Trade receivables	5,611	8,597	9,736	10,482
Cash & Bank Balance	89,356	1,09,241	1,00,461	1,14,540
Other Current Assets	12,250	13,929	14,596	15,531
Total Assets	3,97,207	4,41,352	4,52,641	4,83,083
Equity				
Equity Share Capital	3,971	3,971	3,971	3,971
Other Equity	2,23,605	2,49,159	2,51,592	2,68,913
Total Networkth	2,27,576	2,53,131	2,55,563	2,72,884
Non-Current Liabilities				
Long Term borrowings	900	436	436	436
Provisions	2,714	2,714	2,714	2,714
Other non current liabilities	401	401	401	401
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	22,134	30,997	30,967	33,281
Other current liabilities	70,006	71,832	76,731	80,361
Total Equity & Liabilities	3,97,207	4,41,352	4,52,641	4,83,083

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Dec	CY20	CY21	CY22E	CY23E
PBT	39,916	50,588	50,654	57,707
Add. Depreciation	11,618	11,553	13,104	15,480
Add. Interest	1,402	1,457	1,511	1,539
Less Financial Other Income	4,254	1,644	2,372	2,110
Add. Other	(483)	(1,644)	(2,372)	(2,110)
Op. profit before WC changes	52,453	61,954	62,898	72,616
Net Changes-WC	7,572	(1,881)	2,586	2,311
Direct tax	(11,702)	(13,504)	(14,491)	(15,808)
Net cash from Op. activities	48,324	46,569	50,994	59,119
Capital expenditures	(17,253)	(23,108)	(30,760)	(28,081)
Interest / Dividend Income	-	-	-	-
Others	4,080	1,644	2,372	2,110
Net Cash from Inv. activities	(13,173)	(21,464)	(28,388)	(25,971)
Issue of share cap. / premium	-	-	-	-
Debt changes	(384)	(464)	-	-
Dividend paid	(37,959)	(3,301)	(29,874)	(17,531)
Interest paid	(864)	(1,457)	(1,511)	(1,539)
Others	(355)	-	-	-
Net cash from Fin. activities	(39,562)	(5,221)	(31,385)	(19,070)
Net change in cash	(4,412)	19,885	(8,780)	14,079
Free Cash Flow	30,987	23,462	20,234	31,038

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Dec	Q1CY21	Q2CY21	Q3CY21	Q4CY21
Net Revenue	35,790	33,420	31,930	36,790
YoY gr. (%)	29.7	55.8	14.0	6.1
Raw Material Expenses	3,436	1,757	2,694	3,709
Gross Profit	32,354	31,664	29,236	33,081
Margin (%)	90.4	94.7	91.6	89.9
EBITDA	9,344	9,305	6,589	5,118
YoY gr. (%)	74.4	65.1	4.6	(29.0)
Margin (%)	26.1	27.8	20.6	13.9
Depreciation / Depletion	1,254	1,304	1,257	1,698
EBIT	8,090	8,001	5,332	3,420
Margin (%)	22.6	23.9	16.7	9.3
Net Interest	204	239	215	252
Other Income	976	1,902	805	893
Profit before Tax	8,861	9,665	5,922	4,061
Margin (%)	24.8	28.9	18.5	11.0
Total Tax	2,215	2,434	1,510	888
Effective tax rate (%)	25.0	25.2	25.5	21.9
Profit after Tax	6,646	7,231	4,412	3,174
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	6,646	7,231	4,412	3,002
YoY gr. (%)	66.5	59.5	0.2	(39.6)
Margin (%)	18.6	21.6	13.8	8.2
Extra Ord. Income / (Exp)	-	-	-	(486)
Reported PAT	6,646	7,231	4,412	2,517
YoY gr. (%)	66.5	59.5	0.2	(49.4)
Margin (%)	18.6	21.6	13.8	6.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,646	7,231	4,412	2,517
Avg. Shares O/s (m)	1,986	1,986	1,986	1,986
EPS (Rs)	3.3	3.6	2.2	1.5

Source: Company Data, PL Research

Key Financial Metrics

Y/e Dec	CY20	CY21	CY22E	CY23E
Per Share(Rs)				
EPS	12.3	14.1	13.5	15.7
CEPS	18.1	19.9	20.1	23.5
BVPS	114.6	127.5	128.7	137.4
FCF	15.6	11.8	10.2	15.6
DPS	18.0	6.3	6.0	7.0
Return Ratio(%)				
RoCE	16.3	21.1	19.5	21.6
ROIC	20.4	28.1	22.8	27.4
RoE	10.4	11.6	10.6	11.8
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.4)	(0.4)	(0.4)
Net Working Capital (Days)	0	2	3	3
Valuation(x)				
PER	27.5	24.1	25.0	21.5
P/B	3.0	2.7	2.6	2.5
P/CEPS	18.7	17.0	16.8	14.4
EV/EBITDA	15.8	12.1	11.9	10.3
EV/Sales	2.4	1.9	1.7	1.6
Dividend Yield (%)	5.3	1.9	1.8	2.1

Source: Company Data, PL Research

Key Operating Metrics

Y/e Dec	CY20	CY21	CY22E	CY23E
Stand. Volume	22.7	26.9	29.4	31.4
Stand. Net Realisations (Rs/te)	4,929	5,122	5,296	5,084
Stand. EBITDA/ te (Rs/te)	1,081	1,127	1,088	1,149
Stand. RM cost (Rs/ te)	481	463	469	468
Stand. Power, Oil & Fuel (Rs/ te)	1,010	1,273	1,505	1,233
Stand. Freight Charges (Rs/ te)	1,259	1,229	1,235	1,250
Cons. Volume	48.2	55.7	58.6	64.2
Cons. Net Realisations (Rs/te)	5,086	5,402	5,586	5,466
Cons. EBITDA/ te (Rs/te)	1,033	1,123	1,072	1,131

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	10-Jan-22	BUY	440	399
2	16-Dec-21	BUY	445	378
3	26-Oct-21	BUY	445	380
4	06-Oct-21	BUY	460	404
5	06-Sep-21	BUY	460	437
6	25-Jul-21	BUY	460	402
7	06-Jul-21	BUY	405	340
8	01-Jul-21	BUY	405	341
9	30-Apr-21	BUY	375	314
10	07-Apr-21	BUY	340	306

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,370	2,151
2	Ambuja Cement	BUY	440	399
3	Coal India	Accumulate	172	163
4	Dalmia Bharat	Accumulate	2,130	1,785
5	Heidelberg Cement India	Reduce	200	215
6	Hindalco Industries	BUY	645	547
7	Hindustan Zinc	Reduce	288	330
8	Jindal Steel & Power	BUY	555	417
9	JK Lakshmi Cement	Hold	663	559
10	JSW Steel	Accumulate	760	666
11	NMDC	Accumulate	175	156
12	Shree Cement	Hold	26,830	24,724
13	Steel Authority of India	Accumulate	152	110
14	Tata Steel	BUY	1,745	1,183
15	The Ramco Cements	Hold	925	897
16	Ultratech Cement	Accumulate	8,535	7,870

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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