

Another weak quarter

CMP:	Rs. 156
Target Price	Rs. 158
Rating:	Neutral

Ambuja reported marginally lower than estimated revenues on higher than expected drop in realisations. However, better volumes averted meaningful drop in topline. Volumes came in higher than expected at 5.5mn tonnes (estimated 5.4mn tonnes). For CY13, total volumes were lower 1.8% yoy at 21.6mn tonnes. Blended realisations for the quarter dropped 3.4% qoq and 8.2% yoy to Rs 3963 per tonne. For CY13, realisations were 4.3% lower yoy at Rs 4207 per tonne. Effectively, revenues declined 5.4% yoy and rose 10% qoq to Rs2209cr

Stock Info

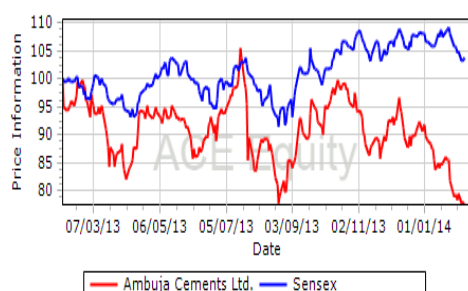
BSE Group	A
BSE Code	500425
NSE Symbol	AMBUJACEM
Bloomberg	ACEM.IN
Reuters	ABUJ.BO
BSE Sensex	20311
NSE Nifty	6037

Market Info

Market Capital	₹ 25143cr
Equity Capital	₹ 309cr
Avg. Trading Vol.	194040
52 Wk High/ Low	212/148
Face Value	2

Shareholding Pattern (%) (Dec.2013)

Promoters	50.5
Domestic Institutions	9.4
Foreign Institutions	30.5
Non Promoters Corp.	3.1
Public & Others	6.5



Per tonne cost analysis:

Albeit suppressed market conditions Ambuja's cost cutting and efficiency improvement measures yielded positive results with operating cost coming down ~4% qoq to Rs 3440 per tonne. Power & fuel cost and employee cost per tonne declined qoq to Rs 905 per tonne (Rs 934 per tonne) and Rs 216 per tonne (Rs 266 per tonne). RM cost declined qoq from Rs 415 per tonne to Rs 387 per tonne. Selling & distribution expense dropped to Rs 1405 per tonne. Blended EBITDA per tonne thus improved qoq from Rs 548 per tonne to Rs 555 per tonne. EBITDA margin improved 60bps qoq to Rs 13.9%.

Valuations:

After reporting weak quarter, revival of Ambuja's margins are now contingent upon pickup in construction activity; housing sector in particular. Ambuja derives ~80% of its volumes in trade segment and thus meaningfully linked to housing sector. We expect pricing and demand to remain subdued near term and meaningful recovery, if any, may come only post general elections. We forecast Ambuja's overall margins profile to improve gradually over next two years; however those will still be lower than its historical highs (above 25%). We have valued stock on EV/EBITDA(x) of 9.5x its CY14 estimates and have arrived at a fair value of Rs 158 per share. Post recent correction we recommend Neutral rating on the stock.

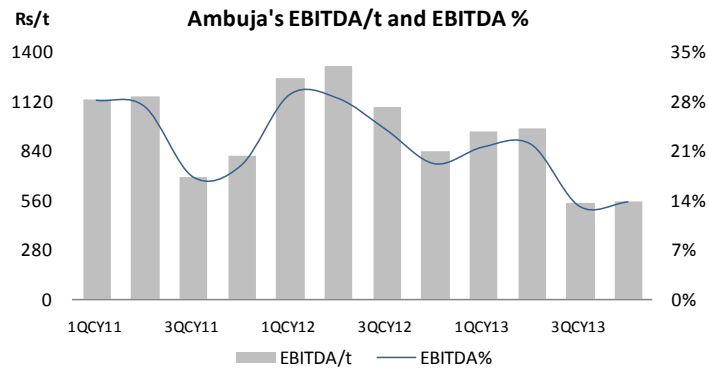
Financials:

(Rs Cr)	CY12	CY13	CY14E	CY15E
Net Revenue	9,730	9,160	10,060	11,290
EBITDA	2473	1651	1914	2383
Reported PAT	1297	1295	1328	1576
Reported EPS	8.4	8.4	8.6	10.2
EPS Growth (%)	5	(0)	3	19
RONW (%)	14.9	13.6	13.1	14.2
P/E (x)	18.5	18.6	18.1	15.3
EV/EBITDA (x)	8.1	12.1	10.1	7.8

Date: 07-02-2014



	1QCY12	2QCY12	3QCY12	4QCY12	1QCY13	2QCY13	3QCY13	4QCY13
Realisation (Rs/t)	4261	4632	4519	4316	4388	4360	4100	3963
RM	268	210	96	267	421	192	415	387
Employee cost	167	223	240	255	225	245	266	216
Power & Fuel	1014	1081	1169	1021	947	1033	934	905
Mfg Exp	634	754	882	889	767	834	890	884
S&D Exp	974	1060	1051	1085	1203	1142	1073	1045



Rs in Crore	4QCY13	4QCY12	YOY (%)	3QCY13	QoQ (%)
Net Sales	2209	2335	-5	2017	10
Expenditure	1902	1885	1	1750	9
EBITDA	307	450	-32	268	15
EBITDA Margins (%)	13.9	19.3		13.3	
Other Income	88	88	0	81	8
Interest	17	24	-30	18	-5
Depreciation	123	186	-34	125	-1
Exceptional Items (Loss)	0	0		25	
PBT after exceptional items	256	328	-22	232	10
Tax	-61	116	-152	66	-193
Tax rate (%)	-24%	35%		28%	
PAT after EI	317	212	49	166	91
Net Profit Margin (%)	14%	9%		8%	
EPS (Rs)	2.1	1.4	49	1.1	91



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Stock Rating Scale

Absolute Return

BUY	:	>20%
ACCUMULATE	:	12-20%
HOLD	:	5-12%
NEUTRAL	:	0-5%
REDUCE	:	< 0%

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