

**Decent volume growth, stable realisation**

**19th February 2019**

**CMP** Rs. 200  
**Target Price** Rs. 216  
**Recommendation** **HOLD**

**Stock Info**

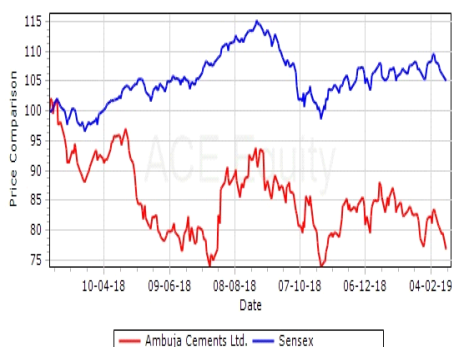
BSE Group	A
BSE Code	500425
NSE Symbol	AMBUJACEM
Bloomberg	ACEM.IN
Reuters	ABUJ.BO
BSE Sensex	35,353
NSE Nifty	10,604

**Market Info**

Market Capital	Rs 39,713 cr
Equity Capital	Rs 397cr
Avg. Trading Vol.	77,68,640
52 Wk High/ Low	270/188
Face Value	2

Shareholding Pattern (%)	(Dec 2018)
Promoters	63.46
Public & Others	36.54

**Price Chart**



**Q4CY18 Operational Highlights**

- Ambuja Cement's PAT for the quarter Q4CY18 grew 58.8% YoY and 200.9% QoQ to Rs. 537cr, mainly on account of higher other income (76.8% YoY rise) and lower tax (due to tax write back of Rs 278cr pertaining to previous years). Total income for the quarter came in at Rs. 2863cr as compared to Rs. 2715cr in the corresponding quarter of CY17, up 5.5% YoY and 9.5% sequentially. EBITDA for the company stood at Rs. 404cr vs. Rs. 541cr YoY. EBITDA margin for the quarter stood at 14.1% vs 19.9% in the corresponding quarter of the previous year. The fall in margin has been mainly due to the rise in logistics (freight & forwarding and other expenses) and fuel costs.
- Cement Business volume came at 6.13MT higher by 4.4% YoY compared to the corresponding quarter of the previous year. Raw material costs saw a decline in Q4CY18 vs Q4CY17 due to lower gypsum rate and lower purchases of clinker. Though on yearly basis raw material cost was 6% higher in CY18 vs CY17, on account of rising input costs. The management has indicated that the company has adopted various initiatives such as optimisation of additives and correctives in Raw Material Mix to contain costs. Realization for the quarter improved by 1% YoY to Rs 4671 per ton.

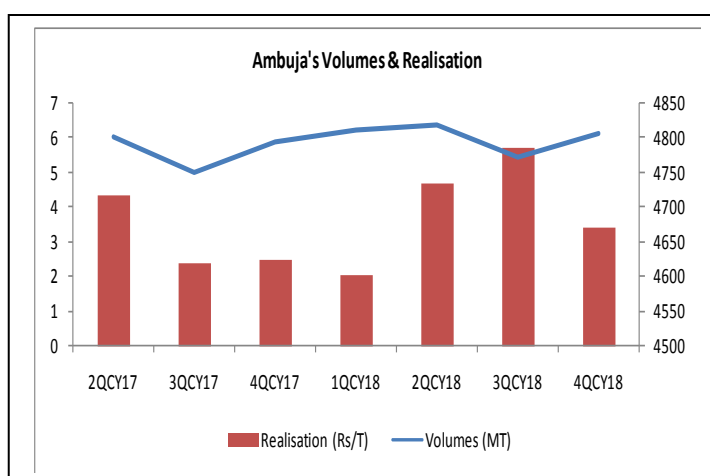
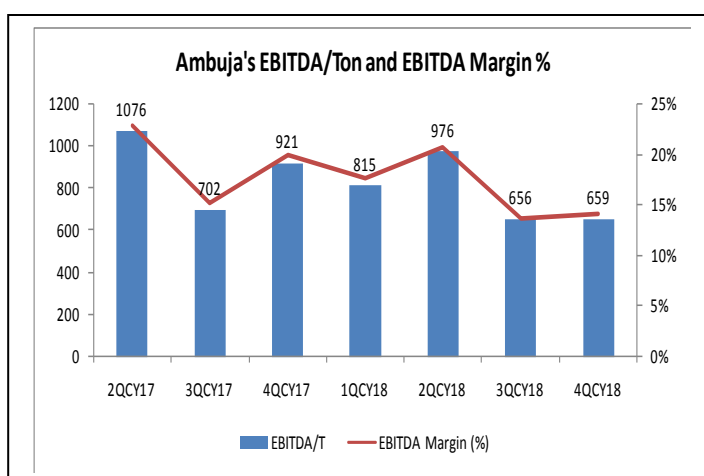
**Future Outlook**

- In the recently announced budget 2019, the Government has indicated its commitment to further augment the infrastructure sector (railways, roads, highways and irrigation projects). Government's concerted efforts to increase investment across several sectors will have a favourable impact which will stimulate cement demand and boost economic growth. Ambuja Cement will be a direct beneficiary of this improved demand.
- Ambuja Cement is also planning to set up a 3.1MT clinker plant at Marwar Mundwa in Rajasthan. The company's board has approved initial investment of Rs. 1,391 crore towards first phase of 1.7MT capacity which is expected to be commissioned in the second half of fiscal year 2020.
- In the December quarter there were some signs of easing of pet coke and fuel prices, which if continues, will improve the realization in the coming quarters, and the company can gain back pricing power if cement prices stabilise.

**Valuations**

At CMP of Rs 200 Ambuja Cement is available at EV/EBITDA of 17.4x and 15.5x its CY19E and CY20E estimates respectively. After factoring in Q4CY18 results we have revised our CY19E estimates and introduced CY20E estimates. We have valued standalone business of Ambuja at a target EV/EBITDA of 12x its CY20E estimates giving a value of Rs 159.6, while its 50% stake in ACC has been valued at Rs 56.8 per share giving 25% holding company discount to its market cap (valued @ our target price of Rs 1601 on ACC). Our SOTP valuation yields a fair value of Rs 216.4 for the stock. **We revise our rating to 'HOLD' from earlier 'Accumulate' on the stock.**

Per Ton Analysis	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18	4QCY18
Volumes (MT)	6.05	5	5.87	6.22	6.37	5.46	6.13
Realisation (Rs/T)	4718	4621	4625	4602	4736	4787	4671
RM	393	451	410	435	452	395	389
Employee Cost	280	321	277	273	276	299	279
Power & Fuel	933	968	1098	1021	1028	1007	1157
Freight & Forwarding	737	612	782	829	878	731	839
Other Expenditure	502	437	475	510	474	504	529
<b>Total Cost</b>	<b>2846</b>	<b>2789</b>	<b>3043</b>	<b>3067</b>	<b>3109</b>	<b>2936</b>	<b>3193</b>


**SOTP Valuations**

Rs Cr	CY18	CY19E	CY20E
EV/EBITDA	19.3	17.4	12.0
EBITDA	1891	2062	2288
EV	36423	35958	27456
Debt	40	50	60
Cash	3330	3805	4291
Market Cap			31687
No shares			199
Standalone Value/Share (Rs)			159.6
ACC Market Cap @TP of 1601			30099
Ambuja's stake in ACC (50%)			15049
Holding co. Discount			25%
Value of stake			11287
Value per Share (Rs)			56.8
<b>Ambuja Fair Value (Rs)</b>			<b>216.4</b>
CMP (Rs)			200
<b>Upside</b>			<b>8.2%</b>

**Q4CY18 Results (Standalone)**

Rs In Crore	Q4 CY18	Q3 CY18	QoQ (%)	Q4 CY17	YoY (%)
<b>Total Income</b>	<b>2863</b>	<b>2614</b>	<b>9.5%</b>	<b>2715</b>	<b>5.5%</b>
Expenditure	2459	2256	9.0%	2174	13.1%
<b>EBITDA</b>	<b>404</b>	<b>358</b>	<b>12.8%</b>	<b>541</b>	<b>-25.3%</b>
EBITDA Margin (%)	14.1	13.7	-	19.9	-
Other Income	85	48	76.2%	48	76.8%
Interest	18	19	-5.2%	22	-16.3%
Depreciation	136	136	0.4%	143	-4.4%
Exceptionals	130				
<b>PBT</b>	<b>204</b>	<b>251</b>	<b>-18.7%</b>	<b>424</b>	<b>-51.9%</b>
Tax	-333	73	-	86	-
<b>PAT</b>	<b>537</b>	<b>179</b>	<b>200.9%</b>	<b>338</b>	<b>58.8%</b>
PAT Margin (%)	18.8%	6.8%	-	12.5%	-
<b>EPS (Rs)</b>	<b>2.7</b>	<b>0.9</b>	<b>200.9%</b>	<b>1.7</b>	<b>58.8%</b>

**Standalone Financials**
**Income Statement**

Y/E March (Rs Cr)	CY17	CY18	CY19E	CY20E
<b>Revenues</b>	10,446	11,357	11,780	12,368
<i>Change (%)</i>	13.2%	8.7%	3.7%	5.0%
<b>Total Expenses</b>	8,506	9,465	9,719	10,080
<b>EBITDA</b>	1,940	1,891	2,062	2,288
Other Income	382	375	471	495
Depreciation	573	548	569	604
Interest	130	82	99	119
<b>PBT</b>	<b>1,619</b>	<b>1,636</b>	<b>1,864</b>	<b>2,059</b>
Extra-ordinary	0	130	0	0
<b>PBT after ext-ord.</b>	1,619	1,506	1,864	2,059
Tax	370	19	410	494
<i>Rate (%)</i>	22.8%	1.3%	22.0%	24.0%
<b>PAT</b>	<b>1,250</b>	<b>1,487</b>	<b>1,454</b>	<b>1,565</b>
<b>Adjusted PAT</b>	<b>1,250</b>	<b>1,617</b>	<b>1,454</b>	<b>1,565</b>
<i>Change (%)</i>	34.0%	29.4%	-10.1%	7.6%

Source: Company, Arihant Research

**Balance Sheet**

Y/E March (Rs Cr)	CY17	CY18	CY19E	CY20E
<b>Sources of Funds</b>				
Share Capital	397	397	397	397
Reserves & Surplus	19,576	20,615	20,988	21,340
<b>Net Worth</b>	<b>19,973</b>	<b>21,013</b>	<b>21,385</b>	<b>21,737</b>
<b>Loan Funds</b>	<b>24</b>	<b>40</b>	<b>50</b>	<b>60</b>
MI, Deferred Tax & other Liabilities	458	372	372	372
<b>Capital Employed</b>	<b>20,465</b>	<b>21,432</b>	<b>21,807</b>	<b>22,169</b>
<b>Application of Funds</b>				
Net Block	5,722	5,664	5,595	5,491
CWIP	398	610	610	610
Other Non-current Assets	340	340	340	340
Deferred Tax Assets	0	0	0	0
<b>Net Fixed Assets</b>	<b>6,460</b>	<b>6,614</b>	<b>6,545</b>	<b>6,440</b>
<b>Investments</b>	<b>11,845</b>	<b>11,845</b>	<b>11,845</b>	<b>11,845</b>
Debtors	308	470	484	508
Inventories	1,053	1,278	1,291	1,355
Cash & Bank Balance	3,497	3,330	3,805	4,291
Loans & Advances & other CA	1,455	1,699	1,775	1,864
<b>Total Current Assets</b>	<b>6,313</b>	<b>6,777</b>	<b>7,355</b>	<b>8,018</b>
Current Liabilities	3,034	3,624	3,937	4,134
Provisions	1,118	180	0	0
<b>Net Current Assets</b>	<b>2,160</b>	<b>2,973</b>	<b>3,417</b>	<b>3,884</b>
<b>Total Assets</b>	<b>20,465</b>	<b>21,432</b>	<b>21,807</b>	<b>22,169</b>

Source: Company, Arihant Research

**Cash Flow Statement**

Y/E March (Rs Cr)	CY17	CY18	CY19E	CY20E
<b>PBT</b>	<b>1,619</b>	<b>1,636</b>	<b>1,864</b>	<b>2,059</b>
Depreciation	573	548	569	604
Interest & others	-261	-300	-372	-375
Cash flow before WC changes	1,931	1,884	2,062	2,288
<b>(Inc)/dec in working capital</b>	<b>134</b>	<b>-1,067</b>	<b>31</b>	<b>19</b>
Operating CF after WC changes	2,065	818	2,092	2,307
Less: Taxes	-370	-19	-410	-494
<b>Operating Cash Flow</b>	<b>1,695</b>	<b>799</b>	<b>1,682</b>	<b>1,813</b>
(Inc)/dec in F.A + CWIP	81	-366	-500	-500
(Pur)/sale of investment	0	0	0	0
<b>Cash Flow from Investing</b>	<b>81</b>	<b>-366</b>	<b>-500</b>	<b>-500</b>
<b>Free Cash Flow (FCF)</b>	<b>1,759</b>	<b>433</b>	<b>1,182</b>	<b>1,313</b>
Loan raised/(repaid)	8	16	10	10
Equity raised	0	0	0	0
Interest & others	-311	31	-136	-211
Dividend	-555	-647	-582	-626
<b>Cash Flow from Financing Activities</b>	<b>-858</b>	<b>-600</b>	<b>-707</b>	<b>-827</b>
<b>Net inc /(dec) in cash</b>	<b>919</b>	<b>-167</b>	<b>475</b>	<b>486</b>
Opening balance of cash	2,579	3,497	3,330	3,805
Closing balance of cash	3,497	3,330	3,805	4,291

Source: Company, Arihant Research

**Key Ratios**

Y/E March	CY17	CY18	CY19E	CY20E
<b>Per share (Rs)</b>				
EPS	6.3	8.1	7.3	7.9
CEPS	9.2	10.9	10.2	10.9
BVPS	100.6	105.8	107.7	109.5
DPS	2.8	3.3	2.9	3.2
Div. Payout (%)	44.4%	40.0%	40.0%	40.0%
<b>Valuation (x)</b>				
P/E	31.8	24.6	27.3	25.4
P/CEPS	21.8	18.3	19.6	18.3
P/BV	2.0	1.9	1.9	1.8
EV/EBITDA	18.7	19.3	17.4	15.5
Dividend Yield (%)	1.4%	1.6%	1.5%	1.6%
<b>Return Ratio (%)</b>				
EBIDTA Margin	18.6%	16.7%	17.5%	18.5%
PAT Margin	12.0%	14.2%	12.3%	12.7%
ROE	6.3%	7.7%	6.8%	7.2%
ROCE	6.7%	6.3%	6.8%	7.6%
<b>Leverage Ratio (x)</b>				
Total D/E	0.0	0.0	0.0	0.0
Net D/E	-0.2	-0.2	-0.2	-0.2
<b>Turnover Ratios</b>				
Asset Turnover (x)	0.5	0.5	0.5	0.6
Receivable Days	11	15	15	15
Payable days	145	122	122	122

Source: Company, Arihant Res

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### Stock Rating Scale

	<b>Absolute Return</b>
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

### Research Analyst Registration No.

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