

CMP: Rs 220
Rating : Hold

AGM Highlights (10th July 2020)

Highlights from Chairman's Speech

Stock Info

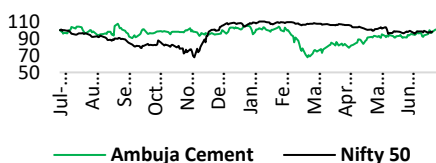
BSE	500425
NSE	AMBUJACEM
Bloomberg	ACEM.IN
Reuters	ACEM.BO
Sector	CEMENT
Face Value (Rs)	2
Equity Capital (Rs Cr)	397
Mkt Cap (Rs Cr)	43684
52w H/L (Rs)	225 / 137
Avg Yearly Volume (in 000')	4119

Shareholding Pattern %

(As on June, 2020)

Promoters	63.25
FII	16.25
DII	13.60
Public & Others	6.90

AMBUJA CEMENT Vs Nifty



- The Board had recommended a final dividend @ Rs. 1.50 / - per share for the calendar year 2019 which had to be recalled due to deferment of AGM. Keeping the interest of large shareholders base, the Company has paid Interim Dividend at same rate as of final dividend (Rs.1.50/- per share) resulting in total outgo of Rs.298 crores.
- Management and Board of Directors will remain focused on our 3 priorities of Health, Cost and Cash.
- On receiving approval from Government to restart operations on lifting of lockdown, phase-wise operations resumed. All five integrated plants and eight grinding units are operating to serve customers while ensuring that very stringent health and safety standards and protocols are followed.
- Company firmly embraced the use of technology to stay connected – whether to enable working from home or to virtually engage with contractors, customers and other stakeholders. Company ran multiple campaigns that connected as many as 20,000 contractors and over 5000 channel partners to underscore the customer value proposition of our unique products, services, and solutions. More than 5000 contractors underwent virtual training sessions designed to enhance their knowledge of construction best practices and concrete mix design.
- Company's digital platform "Ambuja Brahmaand" won the best customer relationship platform' and 'best marketing technology Stack' at the MarTech Leadership Awards.
- The economic environment in India during the year 2019 was challenged on account of global headwinds and domestic volatility, with a muted GDP growth of ~ 5%.Cement demand growth was subdued at ~2% amid low infrastructure spend and muted private sector participation in the housing and construction sector. However, the company despite operational turbulence delivered a strong operational and financial performance.

Peer Group Comparison (TTM Cons.)

in Cr	AMBUJA CEMENT	RAMCO CEMENT	ULTRATEC H CEMENT
Revenue	24097	5285	38353
EBITDA	4429	1147	8408
EBITDAM (%)	18.4	21.7	21.9
PAT	1988	604	5331
PATM (%)	8.2	11.4	13.9
EPS (Rs)	10	25	185
PE(x)	22.0	26.9	22.3
EV/EBIDTA(x)	18.2*	16.4	16.6
ROE(%)	8.0	12.1	13.6
D/E(x)	0.0	0.5	0.5

* EV/EBIDTA(x) is as on CY19 (standalone)

Financial Highlights (Standalone)

in Cr	CY18	CY19	CY20E	CY21E
Revenue	11357	11668	11036	12140
EBITDA	1891	2149	2042	2246
EBITDAM (%)	16.7	18.4	18.5	18.5
Adj PAT	1617	1529	1375	1516
PATM (%)	14.2	13.1	12.5	12.5
EPS	8.1	7.7	6.9	7.6
EV/EBIDTA(x)	21.5	18.2	19.4	17.2
PE(x)	27.0	28.6	31.8	28.8

Source: Arihant Research, Company Filings, Bloomberg Consensus

AGM Highlights continued:

- Company's strategy of taking strong measures to enhance overall efficiency and productivity, as well as fuel mix optimization and strategic sourcing helped mitigate rising input costs such as raw materials and fuel. Ambuja is digitizing its entire supply chain to improve visibility of the process, deliver quality customer service, and optimize cost. The Transport analytics centre set up to improve operational efficiencies and distribution safety is yielding positive results in logistics costs.
- Thus, absolute EBITDA registered healthy growth of 13.6% at Rs.2,149 crore and Net Profit After Tax after adjustments improved 19% to Rs.1,426 crore. Company is further enhancing its 'New Products and Solutions vertical' by developing application-based offerings. An example is Ambuja Wall Solution which is a product basket offered as a complete package comprising Ambuja Cool WallBlock, Ambuja Block Jointing Mortar, Ambuja Plazto Ready mix Plaster and AmbujaColorSave Wall Putty.
- In December 2019, Company launched a stronger, denser and water-resistant cement product - Ambuja Kawach, which was developed through its strong in-house manufacturing and product innovation capabilities.
- Besides responding to customer needs, these diverse offerings also allow our retail partners to expand their business. Your company continues to nurture loyalty and build long-term relations with its customers and partners.
- The Master Supply Agreement between Ambuja Cement and ACC is progressing well and the synergy projects are delivering expected to have supply chain benefits. Company is working to take more advantage of the synergy potentials through this agreement.
- In order to further support the growth of your company, we are pleased to update that our greenfield expansion project at Marwar-Mundwa is on track and is expected to commence operations by next year. This project will add about 3 million tonnes of Clinker to produce 4.5 million tonnes more of Cement.
- Company is in the enviable position of being a debt free company with adequate cash reserves and a comfortable liquidity position. It embarked on a robust program in CY 2019 to reduce costs and conserve cash, with successful outcomes. This sustained performance can be attributed to the determination of Ambuja's employees who are the bedrock of the organisation.
- Company's clinker factor is 64.9%; Thermal Substitution Rate is 5.36% and ratio of blended Products at 89% gives an opportunity to establish the role as a company that cares for the planet.
- Its strong renewable energy portfolio includes biomass power plants, wind power stations, solar power plants and a waste heat recovery (WHR) system, which will be further strengthened in the future.
- Management is very optimistic about our future and believe that despite the Covid 19 pandemic, our country will continue on its growth trajectory soon. The recent initiatives by the Government will help resurgence of rural demand and infrastructure projects including affordable housing. Our country has a strong record of growth and sound economic policies and hence we remain confident that current business impact is at best temporary.

AGM Highlights continued:**Highlights from Q&A section**

- Agreement between ACC and Ambuja seen as an acceleration in 2019. The management change will further accelerate the synergy between the two Companies. However management is not considering merger between ACC and Ambuja presently.
- Ambuja and ACC long term plan is to grow faster and the Company has made a move with Marwar Mudwa Project. Company's focus will be not only be retaining market share but also strengthening market position.
- Marwa Mudwa project will increase the cement output by 4 to 4.5 million tonnes and will improve the market position in Northern and Western region.
- Company will look for organic and inorganic growth and will continue to invest in opportunity. Company is also planning to grow beyond cement in other construction material.
- Ambuja has a strong brand because it has good quality cement and strong distribution network.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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