

Current	Previous
CMP: Rs 220	
Rating: Hold	Rating: Hold
Target: Rs 232	Target: Rs 216

(NR-Not Rated)

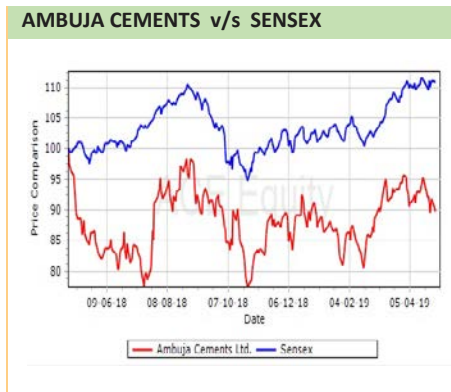
Stock Info	
INDEX	
BSE	500425
NSE	AMBUJACEM
Bloomberg	ACEM IN
Reuters	ABUJ.BO
Sector	Cement
Face Value (Rs)	2
Equity Capital (Rs Cr)	397
Market Cap (Rs Cr)	43,684
52w H/L (Rs)	253/188
Avg Weekly Vol (BSE+NSE)	3,692,210

Shareholding Pattern	%
(As on March, 2019)	
Promoters	63.4
Public & Others	36.6

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
AMBUJA CEMENTS	8.1	14.6	-11.7
SENSEX	9.7	15.2	11.0

Source: ACE Equity, Arihant Research



Source: ACE Equity, Arihant Research

Ambuja Cements reported mixed set of Q1CY19 numbers which were below our estimates. Revenue increased 2.3% YoY to Rs 2928cr below our estimate of Rs 2945cr, EBITDA declined 8.6% YoY to Rs 463cr against our estimate Rs 515cr, while PAT jumped 57.1% YoY to Rs 427cr ahead of our estimate of Rs 362cr, mainly due to Rs 132cr as dividend from ACC (included in other income). We are bullish on Cement Sector from medium term perspective, however due to expensive valuations, we maintain our Hold rating on Ambuja with a revised target price of Rs 232.

Q1CY19 Operational Highlights

- Ambuja Cement's PAT for Q1CY19 grew 57.1% YoY to Rs 427cr, mainly on account of higher other income (373.6% YoY rise) and lower tax (effective tax rate of 23% against 30.8% in Q1CY18). Total income for the quarter came in at Rs 2928cr as compared to Rs 2863cr in the corresponding quarter of CY18, up 2.3% YoY and 2.2% sequentially. EBITDA for the company stood at Rs 463cr against Rs 507cr YoY. EBITDA margin for the quarter stood at 15.8% against 17.7% in the corresponding quarter of the previous year. The fall in margin has been mainly due to rise in power and fuel costs (+9% YoY) despite 10% YoY decrease in raw material costs.
- Cement Business volume came at 6.37MT higher by 2.4% YoY compared to the corresponding quarter of the previous year. Realisation for the quarter improved by 3.8% YoY to Rs 4776 per ton, however due to higher power and fuel costs EBITDA per ton declined by 7.3% YoY. Capacity utilisation improved to 86.6% in Q1CY19 from 85% in Q1CY18.

Valuations

At CMP of Rs 220 Ambuja Cement is available at EV/EBITDA of 19.4x and 17.2x its CY19E and CY20E estimates respectively. After factoring in Q1CY19 results we have kept our CY19E and CY20E estimates unchanged, however we have increased our target EV/EBITDA multiple slightly to 12.5x CY20E estimate against 12x earlier to value Ambuja's standalone business which gives a value of Rs 165.3, while Ambuja's 50% stake in ACC has been valued at Rs 66.4 per share giving 25% holding company discount to its market cap (valued @ our target price of Rs 1871 on ACC). Our SOTP valuation yields a fair value of Rs 232 for the stock. We are bullish on Cement Sector from medium term perspective, however due to expensive valuations of Ambuja, **We maintain our 'HOLD' rating on the stock.**

Financial Performance

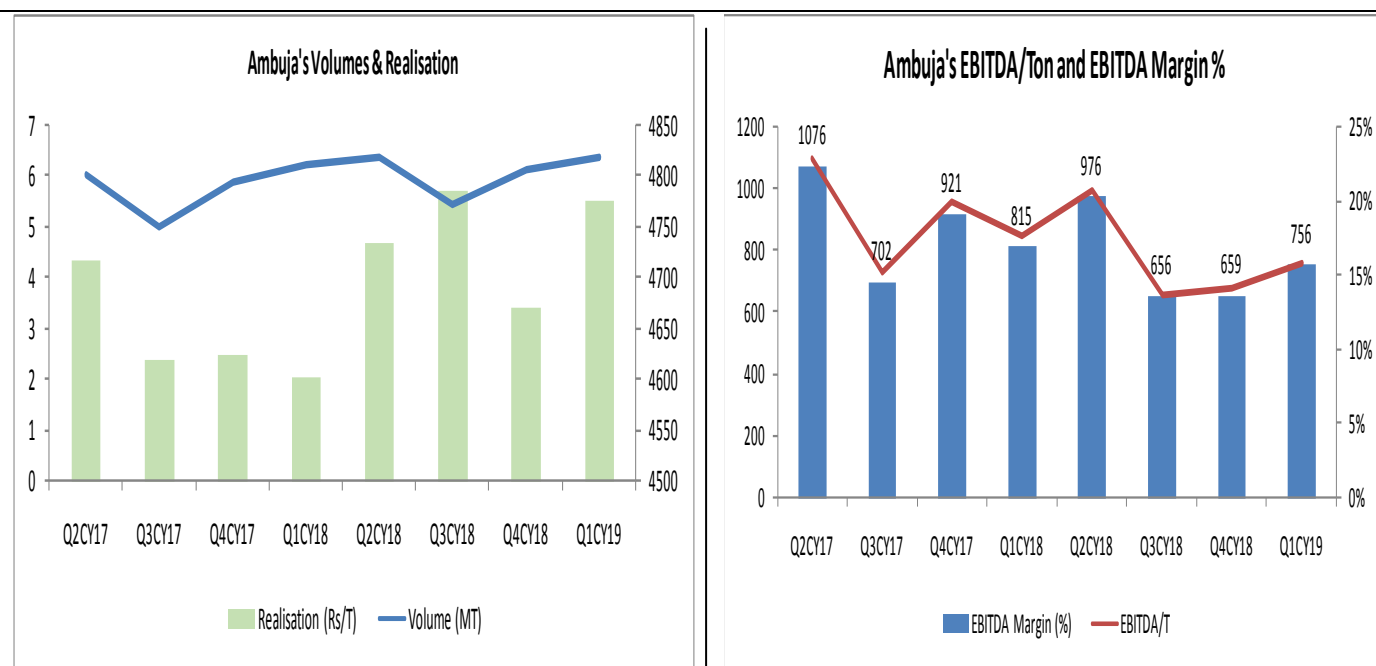
YE March (Rs Cr)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	EV/EBITDA (x)
CY17	10,446	1,940	1,250	6.3	18.6	6.3	20.7
CY18	11,357	1,891	1,617	8.1	16.7	7.7	21.4
CY19E	11,780	2,062	1,454	7.3	17.5	6.8	19.4
CY20E	12,368	2,288	1,565	7.9	18.5	7.2	17.2

Source: Company, Arihant Research

Per Ton Analysis	Q2CY17	Q3CY17	Q4CY17	Q1CY18	Q2CY18	Q3CY18	Q4CY18	Q1CY19
Volumes (MT)	6.05	5	5.87	6.22	6.37	5.46	6.13	6.37
Realisation (Rs/T)	4718	4621	4625	4602	4736	4787	4671	4776
RM	393	451	410	435	452	395	389	406
Employee Cost	280	321	277	273	276	299	279	273
Power & Fuel	933	968	1098	1021	1028	1007	1157	1158
Freight & Forwarding	737	612	782	829	878	731	839	837
Other Expenditure	502	437	475	510	474	504	529	494
Total Cost	2846	2789	3043	3067	3109	2936	3193	3167

Source: Company, Aриhant Research

Volume, Realisation, EBITDA margin and EBITDA per ton metrics of Ambuja Cements over the quarters



Source: Company, Aриhant Research

Q1CY19 Financial Performance

Rs Cr (standalone)	Q1CY19	Q4CY18	Q1CY18	Q-o-Q	Y-o-Y
Net Revenue	2,928	2,863	2,863	2.2%	2.3%
Operating Costs	1,803	1,760	1,676	2.5%	7.6%
Employee cost	167	171	170	-2.2%	-1.5%
Other Expenses	494	529	510	-6.5%	-3.2%
EBITDA	463	404	507	14.7%	-8.6%
<i>EBITDA margin %</i>	<i>15.8%</i>	<i>14.1%</i>	<i>17.7%</i>	<i>+172bps</i>	<i>-189bps</i>
Depreciation	131	136	139	-3.7%	-5.6%
EBIT	332	267	368	24.1%	-9.8%
Other Income	240	85	51	182.8%	373.6%
Finance cost	17	18	26	-4.0%	-32.1%
Exceptional Item	-	-130	-	-	-
PBT	555	204	393	171.6%	41.2%
Tax Expense	128	-333	121	NA	5.4%
Effective tax rate %	23.0%	-163.2%	30.8%	NA	-781bps
PAT	427	537	272	-20.5%	57.1%
<i>PAT margin %</i>	<i>14.6%</i>	<i>18.8%</i>	<i>9.5%</i>	<i>-418bps</i>	<i>+509bps</i>
EPS (Rs)	2.2	2.7	1.4	-20.5%	57.1%

Source: Company, Arianth Research

SOTP Valuations

Rs Cr	CY18	CY19E	CY20E
EV/EBITDA	21.4	19.4	12.5
EBITDA	1891	2062	2288
EV	40394	39929	*28600
Debt	40	50	60
Cash	3330	3805	4291
Market Cap			32831
No shares			199
Standalone Value/Share (Rs)			165.3
ACC Market Cap @TP of 1871)			35175
Ambuja's stake in ACC (50%)			17587
Holding co. Discount			25%
Value of stake			13191
Value per Share (Rs)			66.4
Ambuja Fair Value (Rs)			232
CMP (Rs)			220
Upside			5.4%

* EV is based on target EV/EBITDA multiple of 12.5x

Standalone Financials

Income Statement

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

Source: Company, Arianth Research

Balance Sheet

Y/E March (Rs Cr)	CY17	CY18	CY19E	CY20E
Sources of Funds				
Share Capital	397	397	397	397
Reserves & Surplus	19,576	20,615	20,988	21,340
Net Worth	19,973	21,013	21,385	21,737
Loan Funds	24	40	50	60
MI, Deferred Tax & other Liabilities	458	372	372	372
Capital Employed	20,465	21,432	21,807	22,169
Application of Funds				
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
Net Fixed Assets	6,460	6,614	6,545	6,440
Investments	11,845	11,845	11,845	11,845
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
Total Current Assets	6,313	6,777	7,355	8,018
Current Liabilities	3,034	3,624	3,937	4,134
Provisions	1,118	180	0	0
Net Current Assets	2,160	2,973	3,417	3,884
Total Assets	20,465	21,432	21,807	22,169

Source: Company, Arianth Research

Cash Flow Statement

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

Key Ratios

Y/E March	CY17	CY18	CY19E	CY20E
Per share (Rs)				
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%
Valuation (x)				
P/E	35.0	27.0	30.0	27.9
P/CEPS	24.0	20.2	21.6	20.1
P/BV	2.2	2.1	2.0	2.0
EV/EBITDA	20.7	21.4	19.4	17.2
Dividend Yield (%)	1.3%	1.5%	1.3%	1.4%
Return Ratio (%)				
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%
Leverage Ratio (x)				
Total D/E	0.0	0.0	0.0	0.0
Net D/E	-0.2	-0.2	-0.2	-0.2
Turnover Ratios				
Asset Turnover (x)	0.5	0.5	0.5	0.6
Receivable Days	11	15	15	15
Payable days	145	122	122	122

Source: Co, Aриhant Research

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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%

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