

**Strong performance trend continues with growth plans on track.**

**CMP: INR 314**

**Rating: BUY**

**Target Price: INR 397**

**Stock Info**

BSE	500425
NSE	AMBUJA
Bloomberg	ACEM IN
Reuters	ACEM.BO
Sector	Cement
Face Value (INR)	2
Equity Capital (INR Cr)	397
Mkt Cap (INR Cr)	62,349
52w H/L (INR)	330/ 162
Avg Yearly Vol (in 000')	6,508

**Shareholding Pattern %**

(As on Mar, 2021)

Promoters	63.3
Public & Others	36.7

*Ambuja Cements Limited (Ambuja) reported robust set of numbers for Q1CY21. Revenue from operations grew by 28.1% YoY and 3% QoQ to INR 3621 cr marginally below our estimates of INR 3676 cr backed by good growth in volumes & realization. Sales volume grew by 24.5% YoY and 2.3% QoQ to 7.17 mn tons. Realization/ton grew by 2.9% YoY, and 0.7% QoQ to INR 5050 per tonne against our expectation of INR 5036 per tonne.*

*EBIDTA grew by 62% YoY and 27.3% QoQ to INR 977cr above our estimate of INR 780 Cr backed by strong volume growth and better operational efficiency. EBIDTA margin expanded by 566 bps YoY and 514 bps QoQ to 27% backed by healthy topline growth and reduction in operating cost per tonne led by operational efficiency programs in the plants along with logistics efficiencies such as direct dispatches, reduction in lead and increased home market sales. These initiatives have compensated for the impact of rising fuel and raw material costs. EBIDTA /ton grew by 30% YoY and 8.6% QoQ to INR 1361/ton against our expectation of INR1068/ton.*

*PAT grew by 66.6% YoY and 33.8% QoQ to INR 665 cr above our estimate of INR 525cr. PAT margin expanded by 425 bps YoY and 423 bps QoQ to 18.4%. Higher operating profit coupled with reduction in depreciation expenses and finance cost led to expansion in PAT Margin.*

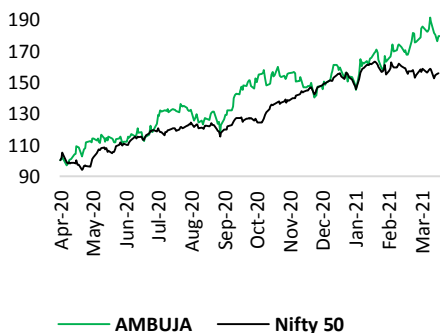
**Q1CY21 Operational Highlights**

Company's growth plans are on track. The Greenfield integrated plant at Marwar Mundwa to commence operations in 3rd Quarter,2021 will enhance clinker capacity by 3 MTPA and help improve cement sales by 5 MTPA. Company is progressing well towards its ambitious plan to reach 50 million tons capacity in medium term. Ambuja 'Kawach' has been endorsed globally by the "Solar Impulse Efficient Solution" label, recognizing the company's innovative product that protects the environment in a profitable way. Ambuja 'Kawach' is the first cement brand from India to be awarded this label.

**Outlook & valuation:**

Cement demand likely to remain robust going ahead backed by government focus on infrastructure, Affordable housing, healthcare and rural and social development. MSA agreement will continue to yield good results for both the companies ACC & Ambuja. For Ambuja it will help in capacity utilization, Ambuja will also continue to capture growth through its strategic stake in ACC. Capacity expansion plan of company will help to boost volume growth and improve profitability. Lower operating cost led by cost initiatives program of I CAN and improved product mix will support operating profit growth going ahead At CMP of INR 314, Ambuja Cement is trading at EV/EBITDA of 16.5x and 13x to its CY21E and CY22E. We value the standalone business to 13.5x to its CY22E EBITDA of INR 4187 cr and arrive at a fair value of INR 324/share while Ambuja's 50% stake in ACC has been valued at INR 72.5 per share (based on our ACC's TP of INR 2187). Our SOTP valuation yields a fair value of INR 397 per share. We maintain Buy rating on the stock.

**Ambuja Cements Ltd. Vs Nifty**



Source: Arihant Research, NSE

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## Q1 CY21 - Quarterly Performance (Standalone)

(in INR Cr)

INR Cr (standalone)	Q1CY21	Q4CY20	Q1CY20	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>3,621</b>	<b>3,515</b>	<b>2,828</b>	<b>3.0%</b>	<b>28.1%</b>
<b>Operating Costs</b>	<b>1,958</b>	<b>2,018</b>	<b>1,556</b>	<b>-3.0%</b>	<b>25.9%</b>
Employee cost	169	185	172	-8.6%	-1.7%
Other Expenses	516	544	496	-5.1%	4.0%
<b>EBITDA</b>	<b>977</b>	<b>768</b>	<b>603</b>	<b>27.3%</b>	<b>62.0%</b>
<i>EBITDA margin %</i>	<i>27.0%</i>	<i>21.8%</i>	<i>21.3%</i>	<i>514bps</i>	<i>566bps</i>
Depreciation	125	126	138	-0.4%	-9.0%
<b>EBIT</b>	<b>852</b>	<b>642</b>	<b>465</b>	<b>32.7%</b>	<b>83.1%</b>
Other Income	55	39	88	41.0%	-37.6%
Finance cost	20	23	23	-13.0%	-13.2%
<b>PBT</b>	<b>887</b>	<b>658</b>	<b>530</b>	<b>34.8%</b>	<b>67.2%</b>
Tax Expense	222	161	131	37.9%	69.1%
<i>Effective tax rate %</i>	<i>25.0%</i>	<i>24.5%</i>	<i>24.8%</i>	<i>56bps</i>	<i>27bps</i>
<b>PAT</b>	<b>665</b>	<b>497</b>	<b>399</b>	<b>33.8%</b>	<b>66.6%</b>
<i>PAT margin %</i>	<i>18.4%</i>	<i>14.1%</i>	<i>14.1%</i>	<i>423bps</i>	<i>425bps</i>
<b>EPS (Rs)</b>	<b>3.35</b>	<b>2.50</b>	<b>2.01</b>	<b>34.0%</b>	<b>66.7%</b>

Source: Company, Arianth Research

## Valuations

INR Cr	CY19	CY20	CY21E	CY22E
EV/EBITDA (x)	26.8	22.5	16.5	13.5
EBITDA	2149	2646	3420	4187
EV	57685	59469	56300	56529
Debt	35	44	54	64
Cash	4699	2924	6103	7939
Market Cap	62349	62349	62349	64404
No shares	199	199	199	199
<b>Value/Share (INR)</b>				<b>324.3</b>
ACC Stake Valuation				
ACC Target Price (INR)				2,187
ACC Market Cap				41,116
Ambuja's Stake in ACC (50%)				20,558
Holding Co. Discount				30%
Value of Stake				14,390
<b>Value/Share (INR)</b>				<b>72.5</b>
<b>Ambuja Fair Value (INR)</b>				397
CMP (INR)				314
<b>Upside (%)</b>				<b>26.4%</b>

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

## Key Financials

### Income Statement

Y/E March (INR Cr)	CY19	CY20	CY21E	CY22E
<b>Revenues</b>	11,668	11,372	13,679	16,105
<i>Change (%)</i>	2.7%	-2.5%	20.3%	17.7%
<b>Total Expenses</b>	9,519	8,725	10,260	11,918
<b>EBITDA</b>	2,149	2,646	3,420	4,187
Other Income	427	372	369	403
Depreciation	544	521	536	555
Interest	84	83	80	89
<b>PBT</b>	<b>1,948</b>	<b>2,414</b>	<b>3,173</b>	<b>3,946</b>
Extra-ordinary	0	0	0	0
<b>PBT after ext-ord.</b>	1,948	2,414	3,173	3,946
Tax	419	624	793	987
<i>Rate (%)</i>	21.5%	25.9%	25.0%	25.0%
<b>PAT</b>	<b>1,529</b>	<b>1,790</b>	<b>2,380</b>	<b>2,960</b>
<b>Adjusted PAT</b>	<b>1,529</b>	<b>1,790</b>	<b>2,380</b>	<b>2,960</b>
<i>Change (%)</i>	-5.5%	17.1%	32.9%	24.4%

Source: Company, Aриhant Research

### Key Ratios

Y/E March	CY19	CY20	CY21E	CY22E
<b>Per share (INR)</b>				
EPS	7.7	9.0	12.0	14.9
CEPS	10.4	11.6	14.7	17.7
BVPS	111.8	102.3	113.3	126.2
DPS	1.5	18.3	1.0	2.0
Div. Payout (%)	20.0%	202.5%	8.3%	13.4%
<b>Valuation (x)</b>				
P/E	40.8	34.8	26.2	21.1
P/CEPS	30.1	27.0	21.4	17.7
P/BV	2.8	3.1	2.8	2.5
EV/EBITDA	26.8	22.5	16.5	13.0
Dividend Yield (%)	0.5%	5.8%	0.3%	0.6%
<b>Return Ratio (%)</b>				
EBIDTA Margin	18.4%	23.3%	25.0%	26.0%
PAT Margin	13.1%	15.7%	17.4%	18.4%
ROE	6.9%	8.8%	10.6%	11.8%
ROCE	5.9%	8.3%	9.5%	10.7%
<b>Leverage Ratio (x)</b>				
Total D/E	0.0	0.0	0.0	0.0
Net D/E	-0.2	-0.1	-0.3	-0.3
<b>Turnover Ratios</b>				
Asset Turnover (x)	0.4	0.4	0.5	0.5
Receivable Days	16	6	15	15
Payable days	141	148	149	150

Source: Co, Aриhant Research

### Balance Sheet

Y/E March (INR Cr)	CY19	CY20	CY21E	CY22E
<b>Sources of Funds</b>				
Share Capital	397	397	397	397
Reserves & Surplus	21,808	19,919	22,100	24,662
<b>Net Worth</b>	<b>22,205</b>	<b>20,316</b>	<b>22,497</b>	<b>25,059</b>
<b>Loan Funds</b>	<b>35</b>	<b>44</b>	<b>54</b>	<b>64</b>
MI, Deferred Tax & other Liabilities	216	186	887	887
Other long term liability	36	337	1,301	1,301
Current Liability & Provision	4,498	4,599	5,584	6,618
<b>Capital Employed</b>	<b>26,991</b>	<b>25,481</b>	<b>30,323</b>	<b>33,930</b>
<b>Application of Funds</b>				
Net Block	5,634	5,383	5,867	5,549
CWIP	1,109	1,873	2,093	2,343
Intangible Asset under development	179	175	175	175
Other Non-current Assets	1,432	1,832	2,232	2,632
Investments	11,789	11,788	10,783	11,770
<b>Total Non Current Asset</b>	<b>20,143</b>	<b>21,050</b>	<b>21,150</b>	<b>22,469</b>
<b>Current Asset</b>				
Debtors	513	192	562	662
Inventories	954	747	937	1,103
Cash & Bank Balance	4,699	2,924	6,103	7,939
Loans & Advances & other CA	681	568	1,350	1,537
<b>Total Current Assets</b>	<b>6,848</b>	<b>4,431</b>	<b>9,173</b>	<b>11,462</b>
<b>Application of Funds</b>	<b>26,991</b>	<b>25,481</b>	<b>30,323</b>	<b>33,930</b>

Source: Company, Aриhant Research

### Cash Flow Statement

Y/E March (INR Cr)	CY19	CY20	CY21E	CY22E
<b>PBT</b>	<b>1,948</b>	<b>2,414</b>	<b>3,173</b>	<b>3,946</b>
Depreciation	544	521	536	555
Interest & others	-379	-626	-1,590	-1,107
Cash flow before WC changes	2,292	2,926	2,119	3,394
<b>(Inc)/dec in working capital</b>	<b>1,836</b>	<b>714</b>	<b>344</b>	<b>581</b>
Operating CF after WC changes	4,129	3,639	2,463	3,976
Less: Taxes	-419	-624	-793	-987
<b>Operating Cash Flow</b>	<b>3,709</b>	<b>3,015</b>	<b>1,670</b>	<b>2,989</b>
(Inc)/dec in F.A + CWIP	-2,367	-1,764	-1,270	-1,350
(Pur)/sale of investment	56	1	1,005	-987
<b>Cash Flow from Investing</b>	<b>-2,312</b>	<b>-1,762</b>	<b>-265</b>	<b>-2,337</b>
<b>Free Cash Flow (FCF)</b>	<b>2,562</b>	<b>1,651</b>	<b>800</b>	<b>2,039</b>
Loan raised/(repaid)	-4	8	10	10
Equity raised	0	0	0	0
Interest & others	461	589	1,963	1,571
Dividend	-306	-3,625	-199	-397
<b>Cash Flow from Financing Activities</b>	<b>151</b>	<b>-3,028</b>	<b>1,775</b>	<b>1,183</b>
<b>Net inc /(dec) in cash</b>	<b>1,549</b>	<b>-1,775</b>	<b>3,179</b>	<b>1,836</b>
Opening balance of cash	3,150	4,699	2,924	6,103
<b>Closing balance of cash</b>	<b>4,699</b>	<b>2,924</b>	<b>6,103</b>	<b>7,939</b>

Source: Company, 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% to -12%
SELL	<-12%

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