

Strong performance trend continues with growth plans on track.

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<http://www.asiamoney.com/brokers>

CMP: INR 402

Rating: Accumulate

Target Price: INR 459

Stock Info

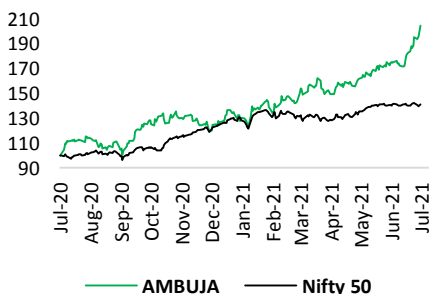
BSE	500425
NSE	AMBUJA
Bloomberg	ACEM IN
Reuters	ACEM.BO
Sector	Cement
Face Value (INR)	2
Equity Capital (INR Cr)	397
Mkt Cap (INR Cr)	79873
52w H/L (INR)	409/ 197
Avg Yearly Vol (in 000')	6,366

Shareholding Pattern %

(As on June, 2021)

Promoters	63.3
Public & Others	36.7

Ambuja Cements Ltd. Vs Nifty



Source: Arihant Research, NSE

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Ambuja Cement Limited reported robust set of numbers for Q2CY21. Revenue from operations grew by 54.9% YoY, however declined by 6.9% QoQ to INR 3371 cr above our estimates of INR 3300 cr. YoY growth was backed by good growth in volumes & realization. Sales volume grew by 51.1% YoY, however declined by 11.7% QoQ to 6.33 mn tons in line with our estimates of 6.2 mn tonnes. Growth in YoY sales volume was backed by increase in demand for urban housing and infrastructure. Sales volume of premium products grew by 69% YoY. Realization/ton grew by 2.5% YoY, and 5.4% QoQ to INR 5325 per tonne against our expectation of INR 5323 per tonne. Growth in realization was mainly due to increase in cement prices.

EBIDTA grew by 61% YoY however declined by 1.9% QoQ to INR 959cr above our estimate of INR 858 Cr backed by strong growth in sale of premium products and successful execution of efficiency improvement programs which has partly been impacted by rising energy and raw material costs. EBIDTA margin expanded by 110 bps YoY and 146 bps QoQ to 28.4% backed by healthy top line growth and reduction in operating cost per tonne led by operational efficiency programs in the plants along with logistics efficiencies EBIDTA /ton grew by 6.7% YoY and 11.2% QoQ to INR 1515/ton against our expectation of INR1384/ton.

PAT grew by 59.5% YoY and 8.7% QoQ to INR 723 cr above our estimate of INR 650cr. PAT margin expanded by 62 bps YoY and 308 bps QoQ to 21.4%. PAT margin expanded mutedly on YOY basis despite healthy growth in operating profit because of decline in other income and rise in finance cost.

Q2CY21 Operational Highlights

The greenfield integrated plant at Marwar Mundwa to commence operations in the third quarter of 2021 In line with company's expansion plans, the Board has approved 1.5 million tonnes cement capacity expansion at the existing grinding unit at Ropar in Punjab.

Outlook & valuation: :Going ahead strong demand for cement coupled with improved visibility of upcoming capacity in Rajasthan and next line of expansion in Punjab will help in sales volume growth going ahead. Also rise in cement prices across all region will help in realization to improve going ahead. Company's top line is expected to grow at a CAGR 11% over CY20 to CY22E to INR 16105 cr led by healthy volume and realization growth. Further, continued emphasis on reducing operating cost by improving efficiency, thrust on higher green energy are likely to aid Ambuja in sustaining strong operating performance, going ahead. We expect EBIDTA margin to improve from 23% in CY20 to 26% in CY22E At CMP of INR 402, Ambuja Cement is trading at EV/EBITDA of 20.6x and 17.2x to its CY21E and CY22E. We value the standalone business to 16x to its CY22E EBITDA of INR 4187 cr and arrive at a fair value of INR 377.7/share while Ambuja's 50% stake in ACC has been valued at INR 81.5 per share (based on our ACC's TP of INR 2460). Our SOTP valuation yields a fair value of INR 459 per share. We assign Accumulate rating on the stock.

Q2 CY21 - Quarterly Performance (Standalone)

(in INR Cr)

INR Cr (standalone)	Q2CY21	Q1CY21	Q2CY20	Q-o-Q	Y-o-Y
Net Revenue	3,371	3,621	2,177	-6.9%	54.9%
Operating Costs	1,752	1,958	1,149	-10.5%	52.5%
Employee cost	162	169	149	-4.2%	8.4%
Other Expenses	498	516	283	-3.6%	75.8%
EBITDA	959	977	595	-1.9%	61.1%
<i>EBITDA margin %</i>	<i>28.4%</i>	<i>27.0%</i>	<i>27.3%</i>	<i>146bps</i>	<i>110bps</i>
Depreciation	130	125	129	3.6%	0.9%
EBIT	829	852	466	-2.7%	77.8%
Other Income	161	55	192	192.7%	-16.2%
Finance cost	24	20	18	20.0%	31.4%
PBT	966	887	640	8.9%	50.9%
Tax Expense	243	222	187	9.5%	30.1%
<i>Effective tax rate %</i>	<i>25.2%</i>	<i>25.0%</i>	<i>29.2%</i>	<i>13bps</i>	<i>-403bps</i>
PAT	723	665	453	8.7%	59.5%
<i>PAT margin %</i>	<i>21.4%</i>	<i>18.4%</i>	<i>20.8%</i>	<i>308bps</i>	<i>62bps</i>
EPS (Rs)	3.64	3.35	2.28	8.7%	59.6%

Source: Company, Arianth Research

Valuations

INR Cr	CY19	CY20	CY21E	CY22E
EV/EBITDA (x)	35.0	29.1	20.6	16.0
EBITDA	2149	2646	3566	4187
EV	75159	76942	73510	66997
Debt	35	44	54	64
Cash	4699	2924	6367	8060
Market Cap	79823	79823	79823	74993
No shares	199	199	199	199
Value/Share (INR)			402.0	377.7
ACC Stake Valuation				
ACC Target Price (INR)			1,724	2,460
ACC Market Cap			32,411	46,248
Ambuja's Stake in ACC (50%)			16,206	23,124
Holding Co. Discount			30%	30%
Value of Stake			11,344	16,187
Value/Share (INR)			57.1	81.5
Ambuja Fair Value (INR) (TP)			459	459
CMP (INR)			402	402
Upside (%)			14.2%	14.2%

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

Key Financials

Income Statement

Y/E March (INR Cr)	CY19	CY20	CY21E	CY22E
Revenues	11,668	11,372	14,264	16,105
<i>Change (%)</i>	2.7%	-2.5%	25.4%	12.9%
Total Expenses	9,519	8,725	10,698	11,918
EBITDA	2,149	2,646	3,566	4,187
Other Income	427	372	385	403
Depreciation	544	521	536	555
Interest	84	83	80	89
PBT	1,948	2,414	3,335	3,946
Extra-ordinary	0	0	0	0
PBT after ext-ord.	1,948	2,414	3,335	3,946
Tax	419	624	834	987
<i>Rate (%)</i>	21.5%	25.9%	25.0%	25.0%
PAT	1,529	1,790	2,501	2,960
Adjusted PAT	1,529	1,790	2,501	2,960
<i>Change (%)</i>	-5.5%	17.1%	39.7%	18.3%

Source: Company, Aриhant Research

Key Ratios

Y/E March	CY19	CY20	CY21E	CY22E
Per share (INR)				
EPS	7.7	9.0	12.6	14.9
CEPS	10.4	11.6	15.3	17.7
BVPS	111.8	102.3	113.9	126.8
DPS	1.5	18.3	1.0	2.0
Div. Payout (%)	20.0%	202.5%	7.9%	13.4%
Valuation (x)				
P/E	52.2	44.6	31.9	27.0
P/CEPS	38.5	34.5	26.3	22.7
P/BV	3.6	3.9	3.5	3.2
EV/EBITDA	35.0	29.1	20.6	17.2
Dividend Yield (%)	0.4%	4.5%	0.2%	0.5%
Return Ratio (%)				
EBIDTA Margin	18.4%	23.3%	25.0%	26.0%
PAT Margin	13.1%	15.7%	17.5%	18.4%
ROE	6.9%	8.8%	11.1%	11.8%
ROCE	5.9%	8.3%	9.9%	10.7%
Leverage Ratio (x)				
Total D/E	0.0	0.0	0.0	0.0
Net D/E	-0.2	-0.1	-0.3	-0.3
Turnover Ratios				
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
Sources of Funds				
Share Capital	397	397	397	397
Reserves & Surplus	21,808	19,919	22,221	24,784
Net Worth	22,205	20,316	22,618	25,181
Loan Funds	35	44	54	64
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	5,823	6,618
Capital Employed	26,991	25,481	30,683	34,051
Application of Funds				
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
Total Non Current Asset	20,143	21,050	21,150	22,469
Current Asset				
Debtors	513	192	586	662
Inventories	954	747	977	1,103
Cash & Bank Balance	4,699	2,924	6,367	8,060
Loans & Advances & other CA	681	568	1,382	1,537
Total Current Assets	6,848	4,431	9,533	11,583
Application of Funds	26,991	25,481	30,683	34,051

Source: Company, Aриhant Research

Cash Flow Statement

Y/E March (INR Cr)	CY19	CY20	CY21E	CY22E
PBT	1,948	2,414	3,335	3,946
Depreciation	544	521	536	555
Interest & others	-379	-626	-1,606	-1,107
Cash flow before WC changes	2,292	2,926	2,159	3,394
(Inc)/dec in working capital	1,836	714	486	439
Operating CF after WC changes	4,129	3,639	2,646	3,833
Less: Taxes	-419	-624	-834	-987
Operating Cash Flow	3,709	3,015	1,812	2,847
(Inc)/dec in F.A + CWIP	-2,367	-1,764	-1,270	-1,350
(Pur)/sale of investment	56	1	1,005	-987
Cash Flow from Investing	-2,312	-1,762	-265	-2,337
Free Cash Flow (FCF)	2,562	1,651	942	1,897
Loan raised/(repaid)	-4	8	10	10
Equity raised	0	0	0	0
Interest & others	461	589	2,085	1,571
Dividend	-306	-3,625	-199	-397
Cash Flow from Financing Activities	151	-3,028	1,896	1,183
Net inc /(dec) in cash	1,549	-1,775	3,443	1,693
Opening balance of cash	3,150	4,699	2,924	6,367
Closing balance of cash	4,699	2,924	6,367	8,060

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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