

Capacity expansion and operational efficiency to drive growth ahead

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CMP: INR 371

Rating: Accumulate

Target Price: INR 420

Stock Info

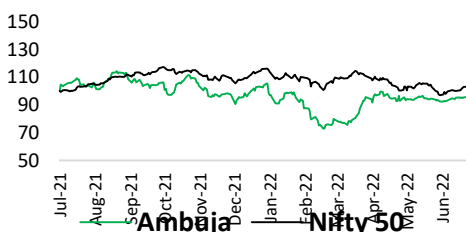
BSE	500425
NSE	AMBUJA
Bloomberg	ACEM IN
Reuters	ACEM.BO
Sector	Cement
Face Value (INR)	2
Equity Capital (INR Cr)	397
Mkt Cap (INR Cr)	73657
52w H/L (INR)	442/ 274
Avg Yearly Vol (in 000')	4547

Shareholding Pattern %

(As on June 2022)

Promoters	63.11
Public & Others	36.89

Ambuja Cements Ltd. Vs Nifty



Source: Arihant Research, NSE

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Ambuja Cement reported numbers which were above our estimate on all front. Revenue from operations grew by 18.5% YoY, and 1.7% QOQ to INR 3,993 cr above our estimates of INR 3806 cr. Growth in topline YoY basis was backed by volume growth and improved realization Sales volume grew by 16.9% YoY and declined by 1.3% QoQ to 7.4 mn tonnes above our estimate of 7.2 mn tonnes. Volume growth was backed by improving demand scenario in areas where company has major presence and swift ramp up of recently commissioned Marwar Plant. Realization/ton grew by 1.3 % YoY, and 3.1% QoQ to INR 5,397 per tonne above our expectation of INR 5,286 per tonne. Growth in realization on YoY basis was mainly supported by price hike taken across the region and increased share of premium products. Share of premium products stood at 16%.

EBIDTA declined by 28.6 % YoY and 13.2 QoQ to INR 685 cr above our estimate of INR 682 Cr. EBIDTA margin contracted by 1129 bps YoY and 295 bps QoQ to 17.2%. Contraction was led by rising fuel cost and related inflammatory impacts. However efficiencies delivered under flagship ICAN program partly mitigated the impact of cost headwinds. In addition, the Master Supply Agreement with ACC also led to strong performance on logistics costs. EBIDTA /ton declined by 38.9% YoY and declined by 12% QOQ to INR 926/ton below our expectation of INR 948/ton.

PAT grew by 45% YoY and 111.7% QoQ to INR 1048 cr. Exceptional rise in PAT despite poor operating performance was mainly due to one time exceptional rise in other income. Other income grew by 292% YoY and 1608% QoQ to INR 632 cr

Other Income for the quarter and half year ended 30th June 2022 includes dividend received from ACC, INR 140mn profit on sale of investment in subsidiary and INR 1.8bn reversal of tax & interest thereon.

Outlook & valuation: At a CMP of INR 371 Ambuja Cement is trading at EV/EBITDA of 20.2(x) and 17.6(x) to its CY22E & CY23E . Despite of weak quarter due to rise in input cost. Cement demand growth in longer run is expected to remain positive backed by increased demand for housing combined with the government's thrust on infrastructure development. Company's on-going capacity expansion plan and MSA agreement with ACC will bring volume growth going ahead. Company's focus on product premiumisation will result in better pricing and improved margin going ahead. however operational efficiency through I CAN program will aid in mitigating cost headwinds to some extent. Also stabilizing of crude oil prices will help reducing input cost. We believe Margins have bottomed out and cost pressure should come down going forward. We value the stock at an EV/EBIDTA of 16(x) to its CY23E EBIDTA of INR 3975 cr. to arrive at a target price of INR 420 and maintain accumulate rating on stock.

Q2CY22 - Quarterly Performance (Standalone)

(in INR Cr)

INR Cr (standalone)	Q2CY22	Q1CY22	Q2CY21	Q-o-Q	Y-o-Y
Net Revenue	3,993	3,925	3,371	1.7%	18.5%
Operating Costs	2,545	2,431	1,752	4.7%	45.3%
Employee cost	164	153	162	7.2%	1.2%
Other Expenses	599	552	498	8.5%	20.3%
EBITDA	685	789	959	-13.2%	-28.6%
<i>EBITDA margin %</i>	<i>17.2%</i>	<i>20.1%</i>	<i>28.4%</i>	<i>-295bps</i>	<i>-1129bps</i>
Depreciation	154	151	130	2.0%	18.5%
EBIT	531	638	829	-16.8%	-35.9%
Other Income	632	37	161	1608.1%	292.5%
Finance cost	25	21	24	19.0%	4.2%
Exceptional item	-	66	-	-	-
PBT	1,138	654	966	74.0%	17.8%
Tax Expense	90	159	243	-43.4%	-63.0%
<i>Effective tax rate %</i>	<i>7.9%</i>	<i>24.3%</i>	<i>25.2%</i>	<i>-1640bps</i>	<i>-1725bps</i>
PAT	1,048	495	723	111.7%	45.0%
<i>PAT margin %</i>	<i>26.2%</i>	<i>12.6%</i>	<i>21.4%</i>	<i>1363bps</i>	<i>480bps</i>
EPS (INR)	5.28	2.49	3.64	112.0%	45.1%

Source: Company, Arianth Research

Other important Highlights

- Company stated that recently commissioned Marwar cement plant at Rajasthan has seen good ramp-up. Additional cement capacity expansions of ~8.5MTPA at Ropar and Bhatapara remain on track.
- WHRS projects at Marwar, Darlaghat and Bhatapara plants are on track and should be commissioned in 3QCY22 while work next phase of WHRS projects at Ambujanagar and Maratha is also in full swing. Total WHRS capacity will reach ~87 MW post implementation of the above projects
- During Q2CY22, Clinker factor stood at 62% and Thermal Substitution Rate came at 6%.

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

Valuations

INR Cr	CY23E
EV/EBITDA (x)	16.0
EBITDA	3975
EV	63600
Debt	44
Cash	3987
Market Cap	67543
No shares	199
Value/Share (INR)	339.4
ACC Stake Valuation	
ACC Target Price (INR)	2,435
ACC Market Cap	45,778
Ambuja's Stake in ACC (50%)	22,889
Holding Co. Discount	30%
Value of Stake	16,022
Value/Share (INR)	80.5
Ambuja Fair Value (INR) (TP)	420
CMP (INR)	371
Upside (%)	13.2%

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

Key Financials

Income Statement

Y/E March (INR Cr)	CY20	CY21	CY22E	CY23E
Revenues	11,372	13,965	15,813	16,933
Change (%)	-2.5%	22.8%	13.2%	7.1%
Total Expenses	8,611	11,114	12,310	12,959
EBITDA	2,761	2,851	3,502	3,975
Other Income	372	286	300	345
Depreciation	521	551	697	751
Interest	83	91	54	54
PBT	2,528	2,495	3,051	3,514
Extra-ordinary	0	0	0	0
PBT after ext-ord.	2,528	2,429	3,051	3,515
Tax	624	705	768	885
Rate (%)	25.9%	25.0%	25.0%	
PAT	1,790	2,146	2,283	2,630
Adjusted PAT	1,790	2,145	2,283	2,630
Change (%)	17.1%	19.9%	6.4%	15.2%

Source: Company, Aриhant Research

Key Ratios

Y/E March	CY20	CY21	CY22E	CY23E
Per share (INR)				
EPS	9.0	10.5	11.5	13.2
CEPS	11.6	13.3	15.0	17.0
BVPS	102.3	111.8	115.7	121.3
DPS	17.0	6.3	6.5	6.5
Valuation (x)				
P/E	42.5	36.5	33.3	29.0
P/CEPS	32.9	28.8	25.5	22.5
EV/EBITDA	25.7	24.5	20.2	17.6
Dividend Yield (%)	4.9%	0.3%	0.5%	0.5%
Return Ratio (%)				
EBITDA Margin	23.3%	23.0%	22.0%	23.5%
PAT Margin	15.7%	14.9%	14.4%	15.5%
ROE	21.0%	20.6%	20.4%	21.4%
ROCE	18.6%	17.8%	17.6%	18.6%
Leverage Ratio (x)				
Total D/E	0.0	0.0	0.0	0.0
Turnover Ratios				
Asset Turnover (x)	2.2	2.0	1.9	1.8
Receivable Days	11	6	15	15
Payable days	100	100	100	99

Source: Co, Aриhant Research

Balance Sheet

Y/E March (INR Cr)	CY20	CY21	CY22E	CY23E
Sources of Funds				
Share Capital	397	397	397	397.0
Reserves & Surplus	19,919	21,810	22,574	23685.0
Net Worth	20,316	22,207	22,971	24,082
Loan Funds	44	44	44	44.0
other Liabilities	1,412	1,696	1,698	1698
Creditors	3,559	4,107	4,558	4628
Total Current Liability	4,971	5,803	6,256	6,326
Capital Employed	25,330	28,054	29,271	30,452
Application of Funds				
Net Block	5,932	7,646	8,299	8349
CWIP	1,873	951	1,500	2800
Total Fixed Asset	7,805	8,597	9,799	11,149
Current Asset				
Investment	11,788	11,788	11,788	11788
Debtors	192	293	1,007	385
Inventories	747	1,463	1,222	1190
Cash & Bank Balance	2,924	4,163	3,253	3987
Loans & Advances & other CA	1,874	1,750	2,202	1953
Total Current Assets	17,525	19,457	19,472	19,303
Application of Funds	25,330	28,054	29,271	30,452

Source: Company, Aриhant Research

Cash Flow Statement

Y/E March (INR Cr)	CY20	CY21	CY22E	CY23E
PBT	1,790	2,081	2,283	2630
Depreciation	521	551	697	751
Inc/Dec in CA	1,456	-836	-924	902
Inc/Dec in CL & Provision	-323	848	452	70
Operating Cash Flow	3,444	2,644	2,509	4254
(Inc)/dec in F.A + CWIP	-1,406	-1,343	-1,900	-2100
(Pur)/sale of investment	1	0	0	0
Cash Flow from Investing	-1,405	-1,343	-1,900	-2,100
Cash Flow from Financing				
Loan raised/(repaid)	-28	0	0	0
Equity raised	0	0	0	
Interest & others	294	1,283	0	0
Dividend	-3,973	-1,472	-1,519	-1519
Cash Flow from Financing Activities	-3,707	-189	-1,519	-1,519
Net inc /(dec) in cash	-1,667	1,112	-910	734
Opening balance of cash	4,699	2,924	4,163	3253
Closing balance of cash	3,033	4,036	3,253	3987

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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