

Robust performance

4th Nov, 2014

CMP: Rs. 228
Target Price Rs. 257
Rating: Accumulate

Stock Info

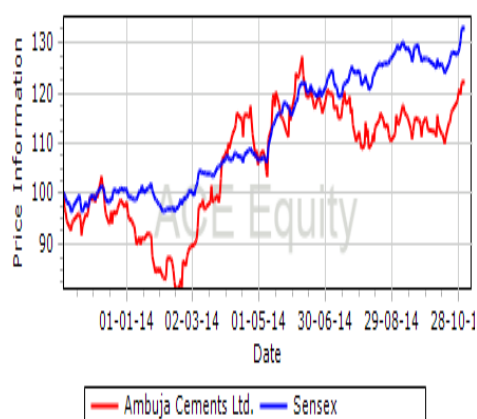
| | |
|------------|-----------|
| BSE Group | A |
| BSE Code | 500425 |
| NSE Symbol | AMBUJACEM |
| Bloomberg | ACEM.IN |
| Reuters | ABUJ.BO |
| BSE Sensex | 27,860 |
| NSE Nifty | 8,324 |

Market Info

| | |
|-------------------|--------------|
| Market Capital | Rs. 35,184cr |
| Equity Capital | Rs. 309cr |
| Avg. Trading Vol. | 20,24,140 |
| 52 Wk High/ Low | 244/150 |
| Face Value | 2 |

Shareholding Pattern (%) (Sep. 2014)

| | |
|-----------------------|------|
| Promoters | 50.4 |
| Domestic Institutions | 10.1 |
| Foreign Institutions | 29.6 |
| Public & Others | 9.9 |



Ambuja's 3QCY14 result came in line with estimates largely driven by higher realisations. Volumes came below estimates and were down marginally by 1.1% YoY. However, realisations improved significantly YoY by 10.3% to Rs 4,684 per ton. We expect demand to increase by 10-12% for Gujarat Ambuja over next 1 year on back of GOI emphasis on housing and infrastructure development. Realisations too are expected to increase ~ 10% over next 1 year.

Per tonne cost analysis:

On the back of improved realisations and reduction in operating costs the blended EBITDA per tonne increased by 48% YoY to Rs 842 per ton. Ambuja continued to keep tight check on its overall operating cost in this quarter as well. EBITDA margins for the quarter increased sharply by 459 bps YoY to 17.9%.

Profit after tax increased by 44% YoY to Rs 239cr.

Valuations:

We expect revival in investment cycle over long term, however, over short to medium term issues like weak demand and excess capacity will continue to hit earnings of the company. Going forward, we forecast Ambuja's margins to increase to 24% by CY15E and capacity utilization level to increase from 75% in CY13 to 88% in CY15E which will give a big boost to its top-line and bottom-line. We have modelled for volume growth of 7% CAGR and realizations to increase by 11% CAGR over the next 2 years. We have valued stock on EV/EBITDA of 11.0(x) its CY15 estimates and have arrived at a fair value of Rs 257 per share. At CMP of Rs 228 the stock is available at CY15E P/E(x) and EV/EBITDA(x) of 16.6x and 9.5x, respectively at which valuations look cheap in our view. We recommend **Accumulate** rating on the stock.

Financials:

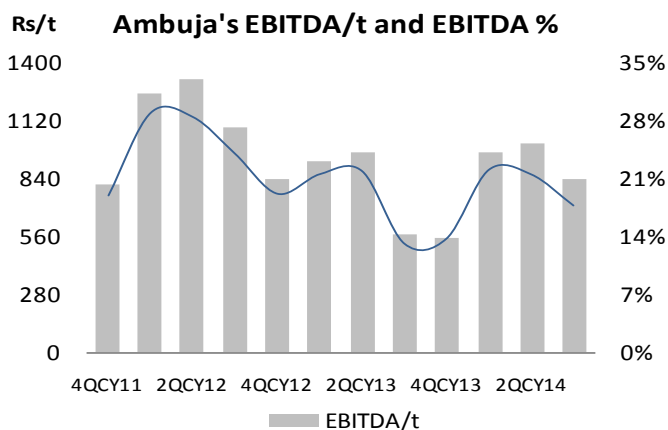
| (Rs Cr) | CY12 | CY13 | CY14E | CY15E |
|----------------|-------|-------|--------|--------|
| Net Revenue | 9,730 | 9,160 | 10,602 | 12,743 |
| EBITDA | 2,473 | 1,651 | 2,065 | 2,933 |
| Reported PAT | 1,297 | 1,295 | 1,417 | 2,120 |
| Reported EPS | 8.4 | 8.4 | 9.2 | 13.7 |
| EPS Growth (%) | 5.0 | (0.4) | 9.5 | 49.6 |
| RONW (%) | 14.7 | 13.6 | 13.9 | 18.4 |
| P/E (x) | 27.1 | 27.2 | 24.8 | 16.6 |
| EV/EBITDA (x) | 12.5 | 18.5 | 14.3 | 9.5 |

Source: - Company data, Arian Research



Per tonne Analysis:

| | 4QCY11 | 1QCY12 | 2QCY12 | 3QCY12 | 4QCY12 | 1QCY13 | 2QCY13 | 3QCY13 | 4QCY13 | 1QCY14 | 2QCY14 | 3QCY14 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Realisation (Rs/t) | 4202 | 4261 | 4632 | 4519 | 4316 | 4270 | 4360 | 4248 | 3955 | 4356 | 4674 | 4684 |
| RM | 606 | 268 | 210 | 96 | 267 | 410 | 192 | 430 | 387 | 421 | 278 | 224 |
| Employee cost | 226 | 167 | 223 | 240 | 255 | 225 | 245 | 275 | 216 | 213 | 232 | 246 |
| Power & Fuel | 850 | 1014 | 1081 | 1169 | 1021 | 922 | 1033 | 968 | 904 | 954 | 1030 | 880 |
| Mfg Exp | 844 | 634 | 754 | 882 | 889 | 746 | 834 | 922 | 883 | 714 | 830 | 758 |
| S&D Exp | 915 | 974 | 1060 | 1051 | 1085 | 1203 | 1142 | 1112 | 1043 | 1099 | 1139 | 905 |



Valuations:

| | CY14E | CY15E |
|-------------|-------|-------|
| EV/EBITDA | 11 | 11 |
| EBITDA | 2065 | 2933 |
| EV | 22713 | 32262 |
| Net debt | -4996 | -6703 |
| CWIP | 654 | 697 |
| Market Cap | 28363 | 39662 |
| No shares | 154.6 | 154.6 |
| Share price | 183 | 257 |
| CMP | 228 | 228 |
| Upside | -19% | 13% |

| Rs in Crore | 3QCY14 | 3QCY13 | YOY (%) | 2QCY14 | QoQ (%) |
|-------------------------------|--------|--------|---------|--------|---------|
| Net Sales | 2202 | 2017 | 9.2 | 2720 | -19.0 |
| Expenditure | 1809 | 1750 | 3.4 | 2132 | -15.2 |
| EBITDA | 393 | 268 | 46.9 | 588 | -33.1 |
| EBITDA Margins (%) | 17.9 | 13.3 | | 21.6 | |
| Other Income | 89 | 81 | 8.6 | 138 | -35.9 |
| Interest | 18 | 18 | | 20 | |
| Depreciation | 130 | 125 | | 124 | |
| PBT | 334 | 232 | 44.1 | 581 | -42.6 |
| Tax | 95 | 66 | | 173 | |
| Tax rate (%) | 28% | 28% | | 30% | |
| PAT after extraordinary items | 239 | 166 | 44.0 | 409 | -41.5 |
| Net Profit Margin (%) | 11% | 8% | | 15% | |
| EPS (Rs) | 1.6 | 1.1 | 44.0 | 2.7 | -41.5 |

Source: - Company data, Aриhant Research



Profit and Loss Account, Year Ending December

| Particulars, in Rs crore | CY12 | CY13 | CY14 E | CY15E |
|---------------------------------|--------------|--------------|---------------|---------------|
| Income from Operations | 9,730 | 9,160 | 10,602 | 12,743 |
| YoY% | 13.7% | -5.9% | 15.7% | 20.2% |
| Power & Fuel Cost | 2329 | 2063 | 2406 | 2708 |
| Employee Cost | 479 | 502 | 551 | 663 |
| Selling & Distribution Expenses | 1866 | 1954 | 2186 | 2478 |
| Other Expenditure | 2584 | 2990 | 3394 | 3961 |
| Total Expenditure | 7257 | 7510 | 8538 | 9811 |
| Operating EBITDA | 2473 | 1651 | 2065 | 2933 |
| Operating EBITDA margin % | 25% | 18% | 19% | 23% |
| Depreciation | 565 | 490 | 562 | 588 |
| Operating EBIT | 1908 | 1161 | 1503 | 2345 |
| Other Income | 349 | 394 | 445 | 535 |
| Interest | 76 | 65 | 59 | 53 |
| PBT before Excp Items | 2181 | 1489 | 1889 | 2827 |
| Extraordinary Excp | -279 | 25 | 0 | 0 |
| PBT | 1902 | 1514 | 1889 | 2827 |
| Tax Expense | 605 | 220 | 472 | 707 |
| Reported Net Profit | 1297 | 1295 | 1417 | 2120 |
| YoY% | 5.5% | -0.2% | 9.5% | 49.6% |
| Effective Tax Rate | 32% | 15% | 25% | 25% |
| Reported EPS | 8.4 | 8.4 | 9.2 | 13.7 |

Balance Sheet, Year Ending December

| Particulars, in Rs crore | CY12 | CY13 | CY14 E | CY15E |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Liabilities + Equity | | | | |
| (a) Share capital | 308 | 309 | 309 | 309 |
| (b) Reserves and surplus | 8497 | 9176 | 9870 | 11239 |
| Shareholders' funds | 8805 | 9486 | 10179 | 11548 |
| Non-current liab & Prov | 609 | 636 | 623 | 625 |
| Current liabilities | 2899 | 2843 | 3218 | 3890 |
| Total - Equity and liabilities | 12313 | 12965 | 14019 | 16064 |
| Assets | | | | |
| Non-current assets | | | | |
| Fixed assets | 5862 | 6063 | 6052 | 5970 |
| CWIP | 520 | 695 | 654 | 697 |
| Long Term Inv | 112 | 105 | 105 | 105 |
| Loans + Adv + Others | 542 | 566 | 572 | 662 |
| Current assets | | | | |
| Cash & Cash equiv | 2254 | 2341 | 3330 | 5037 |
| Other Current Assets | 3023 | 3196 | 3306 | 3595 |
| Total - Assets | 12313 | 12965 | 14019 | 16064 |

Cash Flow Statement, Year Ending December

| Particulars, in Rs crore | CY12 | CY13 | CY14 E | CY15E |
|----------------------------------|--------------|--------------|--------------|--------------|
| Operating Activities | | | | |
| PBT | 1,902 | 1,514 | 1,889 | 2,827 |
| Add Depr | 565 | 490 | 562 | 588 |
| Others | 72 | (338) | 484 | 774 |
| Total | 2,539 | 1,666 | 2,936 | 4,189 |
| Cash Taxes | (640) | (510) | (472) | (707) |
| Changes in Working Cap | (42) | 45 | (264) | (385) |
| Cash Flow from Operations | 1,857 | 1,200 | 2,199 | 3,098 |
| Investing Activities | | | | |
| Change in investments | 299 | 251 | - | - |
| Capex | (692) | (725) | (511) | (549) |
| Cash Flow from Investing | (393) | (474) | (511) | (549) |
| Financing Activities | | | | |
| Dividends + Taxes paid | (570) | (647) | (706) | (751) |
| Change in Non Curr Liab | 65.3 | 21.0 | 6.0 | (91.7) |
| Cash Flow from Financing | (504) | (626) | (699) | (842) |
| Opening Cash | 1,293 | 2,240 | 2,341 | 3,330 |
| Changes during year | 960 | 101 | 989 | 1,707 |
| Closing Cash | 2,254 | 2,341 | 3,330 | 5,037 |

Ratio Analysis

| | CY12 | CY13 | CY14 E | CY15E |
|--------------------------------|-------------|-------------|-------------|-------------|
| Profitability | | | | |
| Operating EBITDA% | 25% | 18% | 19% | 23% |
| Operating EBIT% | 20% | 13% | 14% | 18% |
| PAT% | 13% | 14% | 13% | 17% |
| Du Pont ROAE breakup | | | | |
| PAT / Sales | 13% | 14% | 13% | 17% |
| Sales / Avg Total Fixed Assets | 1.6 | 1.5 | 1.8 | 2.1 |
| Avg Total Assets / Avg Eqty | 1.42 | 1.38 | 1.37 | 1.38 |
| ROE | 14.7 | 13.6 | 13.9 | 18.4 |
| Other Ratios | | | | |
| Current Ratio | 1.8 | 1.9 | 2.1 | 2.2 |
| Long Term Debt / Equity | 0 | 0 | 0 | 0 |
| EPS | 8.4 | 8.4 | 9.2 | 13.7 |
| DPS | 3.6 | 3.6 | 3.9 | 4.5 |
| Dividend Payout ratio | 42.8% | 43.0% | 42.5% | 32.8% |
| P/E | 27.1 | 27.2 | 24.8 | 16.6 |
| BVPS | 57.1 | 61.4 | 65.8 | 74.7 |
| P/BV | 4.0 | 3.7 | 3.5 | 3.0 |

Source: Company data, Arihant 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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