



Volumes down!

21st Feb, 2017

CMP: Rs. 240
Target Price Rs. 232
Rating: Neutral

Stock Info

BSE Group	A
BSE Code	500425
NSE Symbol	AMBUJACEM
Bloomberg	ACEM.IN
Reuters	ABUJ.BO
BSE Sensex	28,628
NSE Nifty	8,870

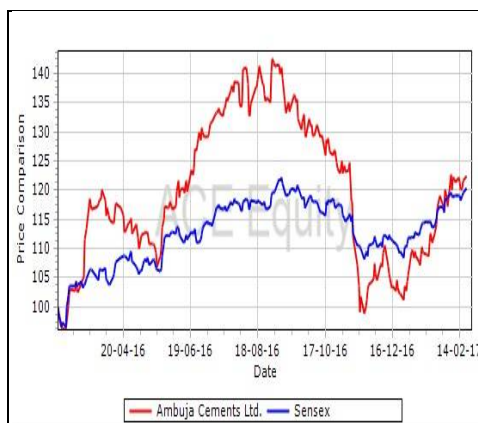
Market Info

Market Capital	Rs. 47,536 cr
Equity Capital	Rs. 397 cr
Avg. Trading Vol.	27,10,000 cr
52 Wk High/ Low	282/185
Face Value	2

Shareholding Pattern (%) (Dec 2016)

Promoters	63.6
Domestic Institutions	10.7
Foreign Institutions	18.5
Public & Others	7.1

Price Chart:



Ambuja cements ltd. reported 60% rise in its net profit for the quarter ended Dec, 2016, which came in at Rs 176 crore vs. Rs 110 crore in corresponding quarter of the previous year owing majorly to the lower tax outgo for the quarter. Total income of the company dropped by 6.2% to Rs 2,231 crore for quarter under review as compared to Rs 2,379 crore for the corresponding quarter of previous year.

Cost Optimization

EBITDA for the quarter came in at Rs 329 crore marginally up by 0.4% as compared to corresponding quarter of previous year and by 8.5% sequentially. EBITDA margin expanded to 14.8% vs. 13.8% YoY and stood steady sequentially. However, energy cost dropped significantly due to better fuel mix with higher consumption of pet coke at 65% against 50% in corresponding quarter of previous year.

Volumes & Prices

Cement volume for the quarter was down by 9% to 5.0 million tonnes (MT) as compared to 5.5 MT in corresponding quarter of previous year. Realisations for the company improved by 2% YoY and dropped by 1% sequentially.

Update on Acquisition

During the year, company has received approval from FIPB for acquisition of 24% equity shares of Holcim India Pvt. Ltd. for cash of Rs 3,500 crore and balance 76% by issuing equity shares of the company. Further, HIPL has been amalgamated with Ambuja Cement resulting in acquisition of 50.05% stake in ACC Cement.

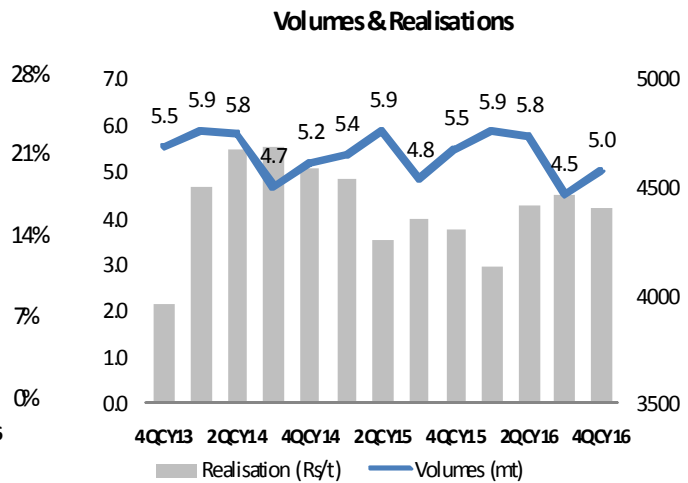
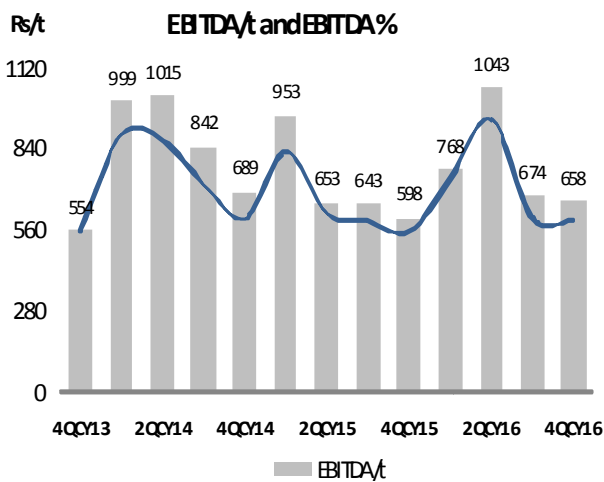
Valuation

Government continues to focus on housing and infrastructure development with increased allocations for road infra as well as awarding infrastructure status to affordable housing which should drive cement demand going ahead. We have valued stock on EV/EBITDA of 16(x) its CY17 estimates and have arrived at a fair value of Rs 232 per share. At CMP of Rs 240 the stock is available at CY17E P/E(x) and EV/EBITDA(x) of 43.9(x) and 23.9(x) respectively. Our fair market value for ACC cement stands at Rs 26,265cr. We have 'Neutral' rating on the stock.

(Rs Cr)	CY 14	CY 15	CY 16	CY 17E
Revenue from operations	9,952	9,431	9,268	10,045
EBITDA	1,928	1,531	1,683	1,850
PAT	1,496	808	970	1,086
EPS	9.7	5.2	4.9	5.5
ROE(%)	15.3	7.9	6.6	5.6
P/E (x)	23.7	39.0	42.3	43.9
EV/EBITDA (x)	16.1	17.3	22.4	23.9



Per Tonnes Analysis	4QCY13	1QCY14	2QCY14	3QCY14	4QCY14	1QCY15	2QCY15	3QCY15	4QCY15	1QCY16	2QCY16	3QCY16	4QCY16
Volumes (mt)	5.5	5.9	5.8	4.7	5.2	5.4	5.9	4.8	5.5	5.9	5.8	4.5	5.0
Realisation (Rs/t)	3955	4489	4674	4684	4575	4532	4239	4346	4299	4127	4412	4454	4393
RM	387	343	381	378	363	387	369	373	352	377	359	381	355
Employee cost	216	220	239	305	326	277	255	314	255	255	267	315	297
Power & Fuel	904	984	1078	1092	1063	1003	990	1009	817	873	812	972	831
Mfg Exp	883	736	869	984	957	813	848	1038	943	824	825	1068	1004
S&D Exp	772	874	892	864	833	885	894	838	862	880	886	916	903



Quarterly Analysis:

Rs in Crore	4QCY16	4QCY15	YOY (%)	3QCY16	QoQ (%)
Total Income	2231	2379	-6.2	2031	9.8
Expenditure	1902	2052	-7.3	1728	10.0
EBITDA	329	328	0.4	303	8.5
EBITDA Margins (%)	14.8	13.8	1.0	14.9	-0.2
Other Income	41	83		223	
Interest	14	18		19	
Depreciation	156	164		159	
Tax	24	119		71	
PAT	176	110	59.9	277	-36.5
Net Profit Margin (%)	8%	5%		14%	
EPS (Rs)	0.9	0.7	25.0	1.4	-36.5

Source: - Company Data Ace Equity, Aриhant Research

Valuations:

	CY 14	CY 15	CY 16	CY 17E
EV/EBITDA	16.1	17.3	22.4	16.0
EBITDA	1928	1531	1683	1850
EV	31078	26544	37744	29597
Debt/ (Cash)	-4388	-4968	-3264	-3425
Market Cap	35466	31511	41008	46155
No shares	155.0	155.2	198.8	198.8
Target price				232
CMP				240
Upside				-3%



Profit and Loss Account				
Particulars, in Rs crore	CY 14	CY 15	CY 16	CY 17E
Income from Operations	9,952	9,431	9,268	10,045
Power & Fuel Cost	2265	2053	1832	2128
Employee Cost	582	590	594	623
Selling & Distribution Expenses	1990	2006	1890	2039
Other Expenditure	3,186	3,251	3,270	3,406
Total Expenditure	8024	7900	7585	8195
EBITDA	1,928	1,531	1,683	1,850
Depreciation	510	626	850	773
EBIT	1,419	906	833	1,077
Other Income	429	358	576	552
Interest	64	92	71	79
PBT before Excp Items	1783	1172	1337	1551
Exceptional Income / Expenses	-	-	-	-
PBT	1783	1172	1337	1551
Provision for Tax	287	365	367	465
Net Profit	1496	808	970	1086

Cash Flow Statement				
Particulars, in Rs crore	CY 14	CY 15	CY 16	CY 17E
Operating Activities				
Profit before tax	1,783	1,172	1,337	1,551
Depreciation	510	626	850	773
Non-Operating Activities	(344)	(226)	(505)	(474)
Total	1,949	1,572	1,683	1,850
Taxes paid	(289)	(42)	(367)	(465)
Changes in Working Capital	15	23	1,389	59
Cash Flow from Operations	1,675	1,553	2,704	1,443
Investing Activities				
Investing activities	360	534	(11,169)	305
Capex	(820)	(617)	(643)	(450)
Cash Flow from Investing	(460)	(83)	(11,812)	(146)
Financing Activities				
Dividend & tax	(722)	(894)	(646)	(730)
Other financing activities	5	(3)	8,063	(406)
Cash Flow from Financing	(717)	(897)	7,417	(1,135)
Change in cash & equivalents	498	573	(1,691)	162
Opening Cash & Equivalents	3,961	4,459	5,032	3,341
Closing Cash & Equivalents	4,459	5,032	3,341	3,503

Note: Closing cash includes other investments

Balance Sheet				
Particulars, in Rs crore	CY 14	CY 15	CY 16	CY 17E
Liabilities + Equity				
Share capital	310	310	398	398
Reserves and surplus	9793	9995	18676	19032
Shareholders' funds	10103	10306	19074	19430
Non-current liabilities	660	629	570	538
Current liabilities	3138	3226	3611	3609
Total - Equity and liabilities	13900	14161	23255	23577
Assets				
Non-current assets	7906	7613	19145	19105
Fixed Assets	6227	6092	5699	5387
Long-term loans and advances	561	689	683	717
Non-current investments	106	107	11845	12082
Current assets	5995	6547	4109	4472
Cash and bank balances	2458	2847	1413	1837
Total - Assets	13900	14161	23255	23577

Ratio Analysis				
	CY 14	CY 15	CY 16	CY 17E
Profitability				
Revenue growth	8.1%	-5.2%	-1.7%	8.4%
EBITDA%	19.4%	16.2%	18.2%	18.4%
Profit Growth	17.0%	-46.0%	20.1%	11.9%
Du Pont ROAE breakup				
PAT Margin	15.0	8.6	10.5	10.8
Sales / Avg Total Fixed Assets	0.7	0.7	0.5	0.4
Avg Total Assets / Avg Eqty	1.4	1.4	1.3	1.2
ROE	15.3	7.9	6.6	5.6
Other Ratios				
Current Ratio	1.9	2.0	1.1	1.2
Debt / Equity	0.0	0.0	0.0	0.0
EPS	9.7	5.2	4.9	5.5
DPS	5.0	2.8	2.8	3.1
Valuation				
P/E	23.7	39.0	42.3	43.9
EV/EBITDA	16.1	17.3	22.4	23.9
P/BV	3.5	3.1	2.1	2.5

Source: - Company Data Ace Equity, 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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