



Higher Volumes!

3<sup>rd</sup> May, 2017

**CMP:** Rs. 241  
**Target Price** Rs. 266  
**Rating:** HOLD

**Stock Info**

BSE Group	A
BSE Code	500425
NSE Symbol	AMBUJACEM
Bloomberg	ACEM.IN
Reuters	ABUJ.BO
BSE Sensex	29,895
NSE Nifty	9,312

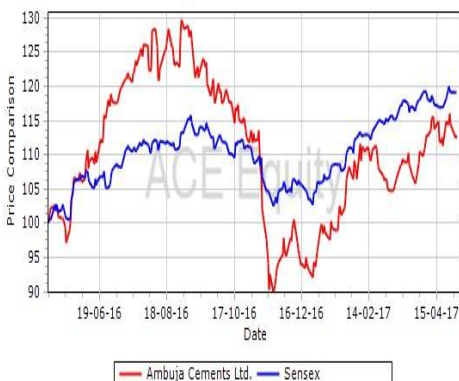
**Market Info**

Market Capital	Rs. 48,350 cr
Equity Capital	Rs. 397 cr
Avg. Trading Vol.	26,80,940 cr
52 Wk High/ Low	282/191
Face Value	2

**Shareholding Pattern (%)**

Promoters	63.62
Domestic Institutions	10.81
Foreign Institutions	18.35
Public & Others	7.22

**Price Chart:**



Ambuja Cements Ltd. reported 361% rise in its net profit for the quarter ended March, 2017, which came in at Rs 247 crore vs. Rs 54 crore in corresponding quarter of the previous year owing majorly to the lower tax outgo for the quarter. Total income of the company increased by 5.4% to Rs 2,562 crore for quarter under review as compared to Rs 2,432 crore for the corresponding quarter of previous year.

**EBITDA**

EBITDA for the quarter came in at Rs 394 crore decreased by 12.8% as compared to corresponding quarter of previous year. EBITDA margin contracted to 15.4% vs. 18.6% YoY.

**Volumes**

Cement volume for the quarter was up by 2.73% to 6.02 million tonnes (MT) as compared to 5.86 MT in corresponding quarter of previous year.

**ACC-Ambuja restructuring to result in synergy benefits of ~ Rs.900 crore**

With FIPB approval, Lafarge Holcim’s stake in Ambuja increased from 50.5% to 61.1% (leading to equity dilution of 43.6 crore). Further, Lafarge Holcim received Rs.3,500 crore from Ambuja. In turn, Ambuja now owns Lafarge Holcim’s 50.05% stake in ACC. Although the cash outflow of Rs.3500 crore from the books of Ambuja would lower the pace of major capex in the medium term, the synergy benefit in terms of cost saving (~Rs.900 crore) and dividend from ACC would start generating healthy cash flow from CY17E.

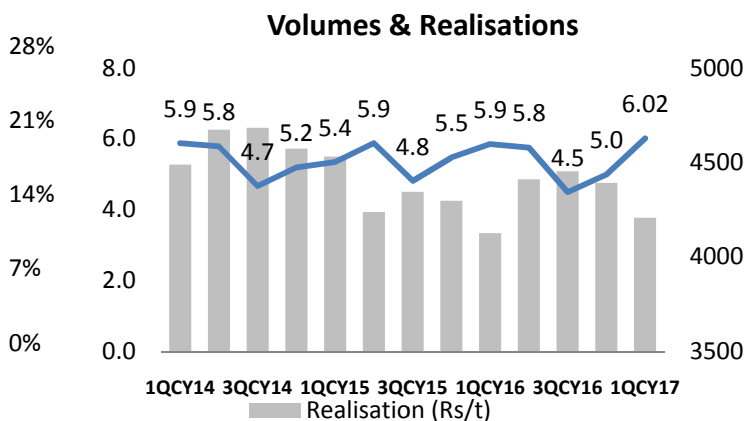
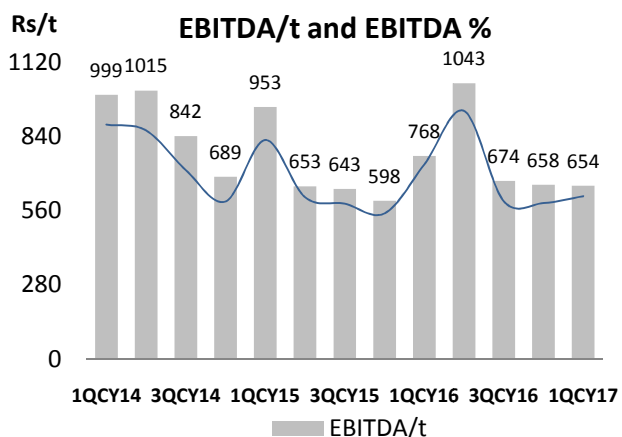
**Valuation**

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 22(x) its CY19 estimates and have arrived at a fair value of Rs 266 per share. At CMP of Rs 241 the stock is available at CY19E EV/EBITDA(x) of 20.5(x). We have ‘HOLD’ rating on the stock.

(Rs Cr)	CY 16	CY 17E	CY 18E	CY 19E
Revenue from operations	9,268	10,045	10,638	11,589
EBITDA	1,683	1,850	2,009	2,220
PAT	970	1,086	1,176	1,329
EPS	4.9	5.5	5.9	6.7
ROE(%)	6.6	5.6	6.0	6.6
P/E (x)	42.3	45.6	42.1	37.3
EV/EBITDA (x)	22.4	24.9	22.8	22.0



Per Tonnes Analysis	1QCY14	2QCY14	3QCY14	4QCY14	1QCY15	2QCY15	3QCY15	4QCY15	1QCY16	2QCY16	3QCY16	4QCY16	1QCY17
Volumes (mt)	5.9	5.8	4.7	5.2	5.4	5.9	4.8	5.5	5.9	5.8	4.5	5.0	6.02
Realisation (Rs/t)	4489	4674	4684	4575	4532	4239	4346	4299	4127	4412	4454	4393	4208
RM	343	381	378	363	387	369	373	352	377	359	381	355	339
Employee cost	220	239	305	326	277	255	314	255	255	267	315	297	279
Power & Fuel	984	1078	1092	1063	1003	990	1009	817	873	812	972	831	895



Quarterly Analysis:

Valuations:

	CY16	CY17E	CY18E	CY19E
EV/EBITDA	22.4	24.9	22.8	22.0
EBITDA	1683	1850	2009	2220
EV	37744	46091	45818	48850
Debt/(Cash)	-3264	-3425	-3698	-4089
Market Cap	41008	49516	49516	52939
No shares	198.8	198.8	198.8	198.8
Target price				266
QVP				241
Upside				11%

Rs in Crore	1QCY17	1QCY16	YOY (%)
Total Income	2562	2432	5.4
Expenditure	2168	1980	9.5
EBITDA	394	452	-12.8
EBITDA Margins (%)	15.4	18.6	-3.2
Other Income	102	125	
Interest	38	19	
Depreciation	146	383	
Tax	66	122	
PAT	247	54	360.7
Net Profit Margin (%)	10%	2%	
EPS (Rs)	1.2	0.3	359.3

Source: - Company Data Ace Equity, Aриhant Research



Profit and Loss Account				
Particulars, in Rs crore	CY 16	CY 17E	CY 18E	CY 19E
<b>Income from Operations</b>	<b>9,268</b>	<b>10,045</b>	<b>10,638</b>	<b>11,589</b>
Power & Fuel Cost	1832	2128	2253	2455
Employee Cost	594	623	660	718
Selling & Distribution Expense	1890	2039	2128	2318
Other Expenditure	3,270	3,406	3,589	3,877
Total Expenditure	7585	8195	8629	9368
<b>EBITDA</b>	<b>1,683</b>	<b>1,850</b>	<b>2,009</b>	<b>2,220</b>
Depreciation	850	773	828	865
<b>EBIT</b>	<b>833</b>	<b>1,077</b>	<b>1,181</b>	<b>1,356</b>
Other Income	576	552	585	637
Interest	71	79	86	95
<b>PBT before Excp Items</b>	<b>1337</b>	<b>1551</b>	<b>1680</b>	<b>1898</b>
Exceptional Income / Expenses	-	-	-	-
<b>PBT</b>	<b>1337</b>	<b>1551</b>	<b>1680</b>	<b>1898</b>
Provision for Tax	367	465	504	569
<b>Net Profit</b>	<b>970</b>	<b>1086</b>	<b>1176</b>	<b>1329</b>

Balance Sheet				
Particulars, in Rs crore	CY 16	CY 17E	CY 18E	CY 19E
<b>Liabilities + Equity</b>				
Share capital	398	398	398	398
Reserves and surplus	18676	19032	19502	20034
<b>Shareholders' funds</b>	<b>19074</b>	<b>19430</b>	<b>19900</b>	<b>20431</b>
Non-current liabilities	570	538	517	498
Current liabilities	3611	3609	3801	4157
<b>Total - Equity and liabilities</b>	<b>23255</b>	<b>23577</b>	<b>24218</b>	<b>25086</b>
<b>Assets</b>				
<b>Non-current assets</b>	<b>19145</b>	<b>19105</b>	<b>19200</b>	<b>19357</b>
Fixed Assets	5699	5387	4967	4602
Long-term loans and advances	683	717	753	790
Non-current investments	11845	12082	12323	12570
Current assets	4109	4472	5019	5729
Cash and bank balances	1413	1837	2225	2752
<b>Total - Assets</b>	<b>23255</b>	<b>23577</b>	<b>24218</b>	<b>25086</b>

Cash Flow Statement				
Particulars, in Rs crore	CY 16	CY 17E	CY 18E	CY 19E
<b>Operating Activities</b>				
<b>Profit before tax</b>	<b>1,337</b>	<b>1,551</b>	<b>1,680</b>	<b>1,898</b>
Depreciation	850	773	828	865
Non-Operating Activities	(505)	(474)	(499)	(542)
Total	1,683	1,850	2,009	2,220
Taxes paid	(367)	(465)	(504)	(569)
Changes in Working Capital	1,389	59	34	173
<b>Cash Flow from Operations</b>	<b>2,704</b>	<b>1,443</b>	<b>1,539</b>	<b>1,824</b>
<b>Investing Activities</b>				
Investing activities	(11,169)	305	244	262
Capex	(643)	(450)	(546)	(610)
<b>Cash Flow from Investing</b>	<b>(11,812)</b>	<b>(146)</b>	<b>(301)</b>	<b>(348)</b>
<b>Financing Activities</b>				
Dividend & tax	(646)	(730)	(706)	(797)
Other financing activities	8,063	(406)	(256)	(285)
<b>Cash Flow from Financing</b>	<b>7,417</b>	<b>(1,135)</b>	<b>(962)</b>	<b>(1,083)</b>
Change in cash & equivalents	(1,691)	162	275	394
Opening Cash & Equivalents	5,032	3,341	3,503	3,779
<b>Closing Cash &amp; Equivalents</b>	<b>3,341</b>	<b>3,503</b>	<b>3,779</b>	<b>4,172</b>

Ratio Analysis				
	CY 16	CY 17E	CY 18E	CY 19E
<b>Profitability</b>				
Revenue growth	-1.7%	8.4%	5.9%	8.9%
EBITDA%	18.2%	18.4%	18.9%	19.2%
Profit Growth	20.1%	11.9%	8.3%	13.0%
<b>Du Pont ROAE breakup</b>				
PAT Margin	10.5	10.8	11.1	11.5
Sales / Avg Total Fixed Assets	0.5	0.4	0.4	0.5
Avg Total Assets / Avg Eqty	1.3	1.2	1.2	1.2
<b>ROE</b>	<b>6.6</b>	<b>5.6</b>	<b>6.0</b>	<b>6.6</b>
<b>Other Ratios</b>				
Current Ratio	1.1	1.2	1.3	1.4
Debt / Equity	0.0	0.0	0.0	0.0
EPS	4.9	5.5	5.9	6.7
DPS	2.8	3.1	3.0	3.3
<b>Valuation</b>				
P/E	42.3	45.6	42.1	37.3
EV/EBITDA	22.4	24.9	22.8	20.5
P/BV	2.1	2.5	2.5	2.4

Source: - Company Data Ace Equity, Aриhant Research

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**Stock Rating Scale**

	<b>Absolute Return</b>
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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