



Good Quarter!

2<sup>nd</sup> May, 2016

**CMP:** Rs. 220  
**Target Price** Rs. 229  
**Rating:** Neutral

Stock Info

BSE Group	A
BSE Code	500425
NSE Symbol	AMBUJACEM
Bloomberg	ACEM.IN
Reuters	ABUJ.BO
BSE Sensex	25,606
NSE Nifty	7,850

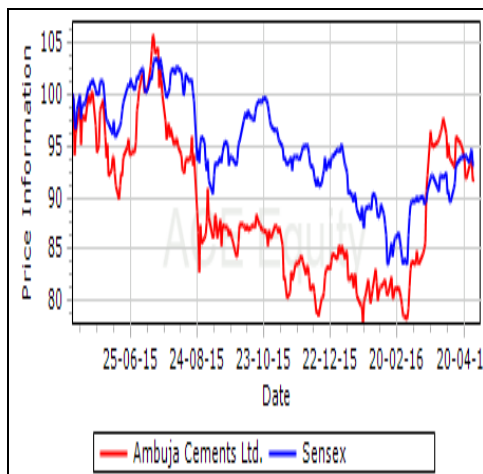
Market Info

Market Capital	Rs. 34,281 cr
Equity Capital	Rs. 310 cr
Avg. Trading Vol.	23,91,880 cr
52 Wk High/ Low	256/185
Face Value	2

Shareholding Pattern (%) (Dec. 2015)

Promoters	51.2
Domestic Institutions	17.0
Foreign Institutions	23.8
Public & Others	8.0

Price Chart:



Ambuja cements reported 4.38% fall in its net profit at Rs 303.76 crore for the quarter, as compared to Rs 317.69 crore for the same quarter in the previous year mainly due to lower prices, additional provision towards contribution to District Mineral Foundation and increased advertising and promotion expenses. Total income of the company has decreased by 0.75% at Rs 2444.63 crore for quarter under review as compared to Rs 2463.04 crore for the quarter ended March 31, 2015.

Lower EBITDA:

During the quarter, operating EBITDA fell 11.8% to Rs 450 crore in Q1 March 2016 over Q1 March 2015, though energy cost was lower by 19% due to lower fuel prices and increased usage of pet coke and alternate fuel. Pet coke consumption in kiln for the quarter increased from 40% to 60% against the corresponding quarter of the previous year. The distribution cost was marginally lower this quarter due to cost optimisation initiatives undertaken by the company as well as low packing cost, despite increased railway freight.

Rise in cement volume:

Cement volume was up by 9.5% to 5.9 Million tonnes (MT) for quarter ended March 31, 2016 as compared to 5.4 MT in corresponding year ago period on the back of good cement demand. The volume was higher by 7% as compared to preceding quarter ended December 2015.

Other information:

The company's board has withdrawn the scheme of amalgamation of Dirk India, a wholly owned subsidiary with the company. The board on 27 July 2015 had approved the scheme.

Valuations:

The revival in cement demand is likely to remain positive considering Government's focus on housing, concrete roads, smart cities & infrastructural development.. Going forward, we forecast the company's EBITDA margin to go up to 17% for the CY16E. We have valued stock on EV/EBITDA of 18(x) its CY16 estimates and have arrived at a fair value of Rs 229 per share. At CMP of Rs 220 the stock is available at CY16E P/E(x) and EV/EBITDA(x) of 35.9(x) and 17.2(x) respectively. We have 'Neutral' rating on the stock.

Financial Snapshot:

(Rs Cr)	CY13	CY14	CY15	CY16E
Revenue from operations	9,206	10,000	9,481	10,079
EBITDA	1,659	1,928	1,542	1,672
PAT	1,278	1,487	808	953
EPS	8.3	9.6	5.2	6.1
ROE(%)	14.0	15.2	7.9	9.2
P/E (x)	22.1	23.9	39.0	35.9
EV/EBITDA (x)	14.7	16.1	17.3	17.2

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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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