

Robust performance

CMP: Rs. 212
Target Price Rs. 228
Rating: HOLD

Stock Info

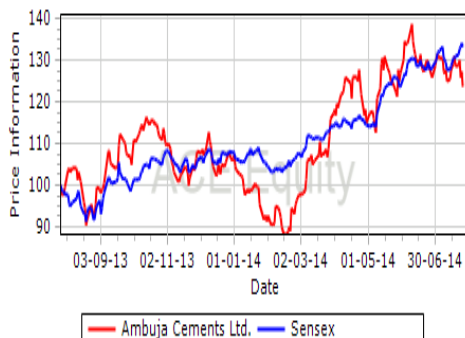
BSE Group	A
BSE Code	500425
NSE Symbol	AMBUJACEM
Bloomberg	ACEM.IN
Reuters	ABUJ.BO
BSE Sensex	26,127
NSE Nifty	7,790

Market Info

Market Capital	Rs. 32,810cr
Equity Capital	Rs. 309cr
Avg. Trading Vol.	2,25,089
52 Wk High/ Low	243/147
Face Value	2

Shareholding Pattern (%) (June. 2014)

Promoters	50.4
Domestic Institutions	9.1
Foreign Institutions	30.9
Public & Others	9.6



Ambuja's 2QCY14 result came above estimates largely driven by higher volumes and realisations. Volumes came well ahead of estimates and were up by 7.8% YoY. Realisations too improved significantly YoY by 7.2% to Rs 4,674 per ton. We expect demand to increase by 10-12% for Gujarat Ambuja in second half on back of GOI emphasis on housing and infrastructure development.

Per tonne cost analysis:

On the back of improved volumes, realisations and reduction in operating costs the blended EBITDA per tonne increased by 4.5% YoY to Rs 1,015 per ton. Ambuja continued to keep tight check on its overall operating cost in this quarter as well. On blended basis EBITDA margins declined marginally by 40 bps YoY to 21.6%. However, EBITDA per tonne increased by 4.5% to Rs. 1,015.

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 FY16E. 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 9.5(x) its CY15 estimates and have arrived at a fair value of Rs 228 per share. At CMP of Rs 211 the stock is available at CY15E P/E(x) and EV/EBITDA(x) of 15.5x and 8.7x, respectively at which valuations look cheap in our view. We recommend **HOLD** rating on the stock.

Financials:

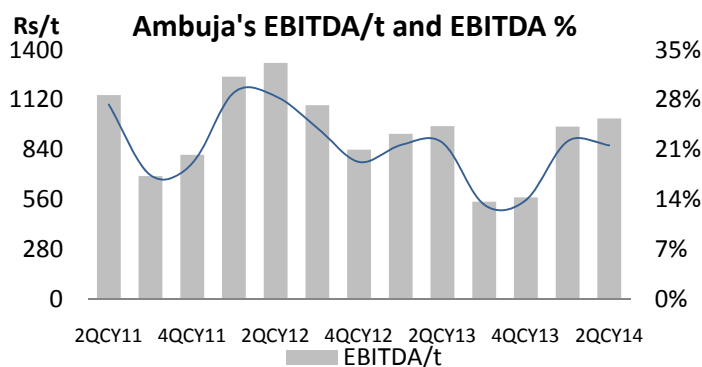
(Rs Cr)	CY12	CY13	CY14E	CY15E
Net Revenue	9,730	9,160	10,602	12,743
EBITDA	2,473	1,651	2,065	2,933
Reported PAT	1,297	1,295	1,417	2,120
Reported EPS	8.4	8.4	9.2	13.7
EPS Growth (%)	5.0	(0.4)	9.5	49.6
RONW (%)	14.7	13.6	13.9	18.4
P/E (x)	25.2	25.3	23.2	15.5
EV/EBITDA (x)	11.5	17.0	13.2	8.7

Source: - Company data, Arian Research

Date: 25-07-2014

Per tonne Analysis:

	2QCY11	3QCY11	4QCY11	1QCY12	2QCY12	3QCY12	4QCY12	1QCY13	2QCY13	3QCY13	4QCY13	1QCY14	2QCY14
Realisation	4167	3905	4202	4261	4632	4519	4316	4270	4360	4100	4081	4356	4674
RM	50	312	606	268	210	96	267	410	192	415	399	421	278
Employee cost	210	223	226	167	223	240	255	225	245	266	223	213	232
Power & Fuel	1079	1071	850	1014	1081	1169	1021	922	1033	934	932	954	1030
Mfg Exp	754	770	844	634	754	882	889	746	834	890	911	714	830
S&D Exp	953	900	915	974	1060	1051	1085	1203	1142	1073	1076	1099	1139


Valuations:

	CY14E	CY15E
EV/EBITDA	9.5	9.5
EBITDA	2065	2933
EV	19616	27863
Net debt	-4996	-6703
CWIP	654	697
Market Cap	25266	35263
No shares	154.6	154.6
Share price	163	228
CMP	212	212
Upside	-23%	7%

Rs in Crore	2QCY14	2QCY13	YOY (%)	1QCY14	QoQ (%)
Net Sales	2720	2377	14.5	2649	2.7
Expenditure	2132	1854	15.0	2062	3.4
EBITDA	588	523	12.4	587	0.1
EBITDA Margins (%)	21.6	22.0		22.2	
Other Income	138	74	85.7	132	4.7
Interest	20	17	18.6	16	25.8
Depreciation	124	122	1.5	120	3.7
PBT	581	458	27.0	583	-0.3
Tax	173	134	29.4	63	173.4
Tax rate (%)	30%	29%		11%	
PAT after extraordinary items	409	324	26.1	520	-21.4
Net Profit Margin (%)	15%	14%		20%	
EPS (Rs)	2.7	2.1	26.1	3.4	-21.4

Source: - Company data, Arianth 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

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	25.2	25.3	23.2	15.5
BVPS	57.1	61.4	65.8	74.7
P/BV	3.7	3.5	3.2	2.8

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	5276	5537	6636	8631
Cash & Cash equiv	2254	2341	3330	5037
Other Current Assets	3023	3196	3306	3595
Total - Assets	12313	12965	14019	16064

Source: - Company data, Arihant Research



Arihant Research Desk

E. research@arihantcapital.com
T. 022-42254827

Head Office

3rd Floor, Krishna Bhavan,
67 Nehru Road, Vile Parle (East),
Mumbai - 400057
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

E-5 Ratlam Kothi
Indore - 452003,
(M.P.)
Tel: (91-731)
3016100
Fax: (91-731)
3016199

Stock Rating Scale

	Absolute Return
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
NEUTRAL	0-5
REDUCE	<0

Disclaimer:

This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

ARIHANT capital markets Ltd.

3rd Floor Krishna Bhavan, 67 Nehru Road, Vile Parle (E) Mumbai - 400057

Tel. 022-42254800 Fax. 022-42254880

www.arihantcapital.com