



Robust Performance!

28th July, 2016

CMP: Rs. 268
Target Price Rs. 290
Rating: HOLD

Stock Info

BSE Group	A
BSE Code	500425
NSE Symbol	AMBUJACEM
Bloomberg	ACEM.IN
Reuters	ABUJ.BO
BSE Sensex	28,024
NSE Nifty	8,616

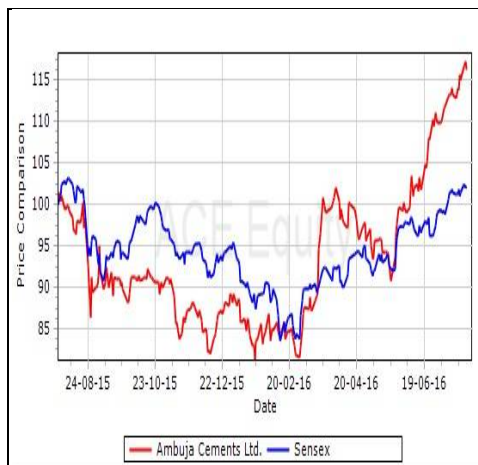
Market Info

Market Capital	Rs. 41,552 cr
Equity Capital	Rs. 310 cr
Avg. Trading Vol.	26,31,040 cr
52 Wk High/ Low	278/185
Face Value	2

Shareholding Pattern (%) (June 2016)

Promoters	50.1
Domestic Institutions	14.4
Foreign Institutions	25.2
Public & Others	10.3

Price Chart:



Ambuja cements ltd. reported 76.5% rise in its net profit for the quarter ended June, 2016, which came in at Rs 400 crore vs. Rs 226 crore in corresponding quarter of the previous year mainly due to the reduced costs and higher realisations. Total income of the company increased by 2.1% to Rs 2,561 crore for quarter under review as compared to Rs 2,508 crore for the quarter ended June 30, 2015.

Cost optimization

EBITDA for the quarter came in at Rs 601 crore rising by 56.6% as compared to corresponding quarter of previous year and by 33.6% sequentially. EBITDA margin expanded from 15.3% in Q2 FY 15 to 23.5% in Q2 FY 16. Energy cost dropped significantly due to low fuel prices and increased usage of pet coke in kiln which stood at 60% as against 45% in corresponding quarter of the previous year. Various cost optimization initiatives undertaken by the company resulted in reduction in freight and forwarding cost this quarter. Packing cost was also lower on account of reduced PP granule prices.

Volumes & Prices

Cement volume for the quarter was down by 2% to 5.8 million tonnes (MT) for the quarter ended June 30, 2016 as compared to 5.9 MT in corresponding quarter of previous year and down by 3.4% sequentially. Realisations for the company improved by 4% YoY and by 8.7% sequentially leading to overall increase in revenue for the company.

Other Highlights

Acquisition of 24% shares of HIPL (Holcim India Pvt. Ltd.) for a cash consideration of Rs 3,500 Crores and subsequent reverse merger of HIPL through a share swap was approved by CCEA in July, 2016.

Valuations

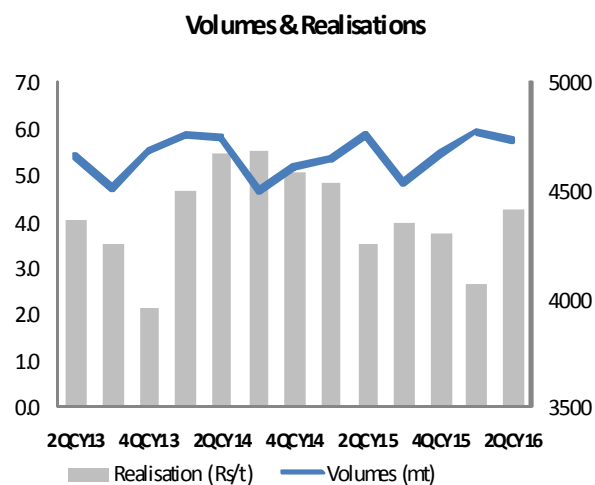
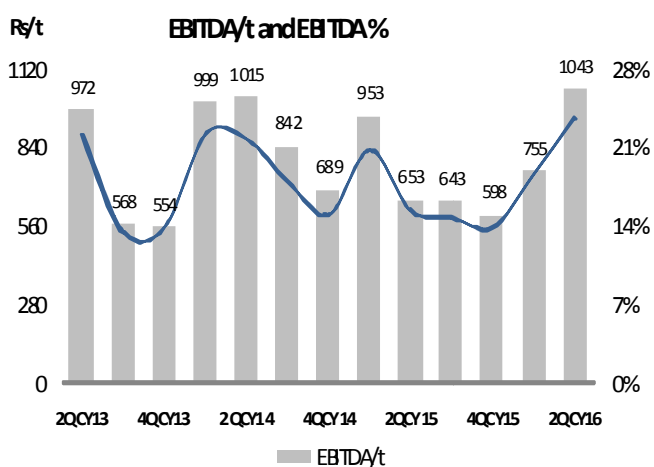
Post monsoon construction activities are likely to pick up. The medium to long term outlook for cement demand remains positive considering above normal monsoon forecast this year and government's focus on housing, concrete roads, smart cities and infrastructure development. We have valued stock on EV/EBITDA of 16(x) its CY17 estimates and have arrived at a fair value of Rs 290 per share. At CMP of Rs 268 the stock is available at CY17E P/E(x) and EV/EBITDA(x) of 28(x) and 14.6(x) respectively. We have 'HOLD' rating on the stock.

Financial Snapshot

(Rs Cr)	CY14	CY15	CY16E	CY17E
Revenue from operations	10,000	9,481	10,002	10,885
EBITDA	1,928	1,542	2,052	2,386
PAT	1,487	808	1,322	1,484
EPS	9.6	5.2	8.5	9.6
ROE(%)	15.2	7.9	12.4	12.8
P/E (x)	23.9	39.0	27.3	28.0
EV/EBITDA (x)	16.1	17.4	14.8	14.6



Per Tonnes Analysis	2QCY13	3QCY13	4QCY13	1QCY14	2QCY14	3QCY14	4QCY14	1QCY15	2QCY15	3QCY15	4QCY15	1QCY16	2QCY16
Volumes (mt)	5.4	4.7	5.5	5.9	5.8	4.7	5.2	5.4	5.9	4.8	5.5	6.0	5.8
Realisation (Rs/t)	4360	4248	3955	4489	4674	4684	4575	4532	4239	4346	4299	4058	4412
RM	192	430	387	343	381	378	363	387	369	373	352	370	359
Employee cost	245	275	216	220	239	305	326	277	255	314	255	251	266
Power & Fuel	1033	968	904	984	1078	1092	1063	1003	990	1009	817	859	812
Mfg Exp	834	922	883	736	869	984	957	813	848	1038	943	810	825
S&D Exp	849	870	772	874	892	864	833	885	894	838	862	865	886



Quarterly Analysis:

Valuations:

	CY14	CY15	CY16E	CY17E
EV/EBITDA	16.1	17.4	14.8	16.0
EBITDA	1928	1542	2052	2386
EV	31067	26815	30377	38170
Debt/ (Cash)	-4399	-4697	-5712	-6879
Market Cap	35466	31511	36089	45049
No shares	155.0	155.2	155.2	155.2
Target price				290
CMP				268
Upside				8%

Rs in Crore	2QCY16	2QCY15	YOY (%)	1QCY16	QoQ (%)
Total Income	2561	2508	2.1	2445	4.7
Expenditure	1960	2124	-7.7	1995	-1.8
EBITDA	601	384		450	
EBITDA Margins (%)	23.5	15.3	8.2	18.4	5.1
Other Income	117	106		136	
Interest	21	32		18	
Depreciation	151	149		148	
Tax	147	83		116	
PAT	400	226	76.5	304	31.5
Net Profit Margin (%)	16%	9%		12%	
EPS (Rs)	2.6	1.5	76.3	2.0	31.5

Source: - Company Data Ace Equity, Aриhant Research



Profit and Loss Account				
Particulars, in Rs crore	CY14	CY15	CY16E	CY17E
Income from Operations	10,000	9,481	10,002	10,885
YoY%	8.6%	-5.2%	5.5%	8.8%
Power & Fuel Cost	2269	2058	2181	2425
Employee Cost	586	594	600	653
Selling & Distrib. Expens.	2444	2512	2701	2765
Other Expenditure	2773	2776	2468	2657
Total Expenditure	8071	7939	7950	8499
EBITDA	1928	1542	2052	2386
EBITDA margin %	19%	16%	21%	22%
Depreciation	513	630	639	667
EBIT	1415	913	1414	1718
Other Income	424	353	500	457
Interest	66	92	78	86
PBT before Excp Items	1774	1173	1836	2090
Extraordinary Excp	0	0	0	0
PBT	1774	1173	1836	2090
Tax Expense	288	365	514	606
Net Profit	1487	808	1322	1484

Cash Flow Statement				
Particulars, in Rs crore	CY14	CY15	CY16E	CY17E
Operating Activities				
PBT	1,774	1,173	1,836	2,090
Add Depr	513	630	639	667
Others	(342)	(235)	(367)	(418)
Total	1,949	1,568	2,107	2,339
Cash Taxes	(289)	(235)	(386)	(439)
Changes in Working Cap	15	(137)	91	103
Cash Flow from Operations	1,676	1,197	1,813	2,003
Investing Activities				
Change in investments	369	489	574	659
Capex	(825)	(913)	(965)	(1,008)
Cash Flow from Investing	(456)	(425)	(391)	(349)
Financing Activities				
Dividends + Taxes paid	(719)	(551)	(315)	(445)
Change in Non Curr Liab	(2)	72	(89)	(103)
Cash Flow from Financing	(721)	(479)	(404)	(548)
Opening Cash	3,965	4,463	4,756	5,774
Changes during year	498	293	1,018	1,105
Closing Cash	4,463	4,756	5,774	6,879

Note: Closing cash includes other investments

Balance Sheet				
Particulars, in Rs crore	CY14	CY15	CY16E	CY17E
Liabilities + Equity				
(a) Share capital	310	310	310	310
(b) Reserves & surplus	9760	9961	10761	11799
Shareholders' funds	10070	10271	11071	12109
Non-current liab & Prov	652	631	621	592
Current liabilities	3155	3230	3165	3352
Total - Equity and liabilities	13878	14133	14858	16053
Assets				
Non-current assets	7876	7612	7403	7342
Fixed assets	7002	6539	6416	6306
Long Term Inv	30	30	105	130
Loans + Adv + Others	844	1043	883	906
Current assets	6003	6521	7455	8711
Cash & Bank	2462	2853	2856	3321
Other Current Assets	3540	3668	4598	5390
Total - Assets	13878	14133	14858	16053

Ratio Analysis				
	CY14	CY15	CY16E	CY17E
Profitability				
EBITDA%	19%	16%	21%	22%
EBIT%	14%	10%	14%	16%
PAT%	15%	9%	13%	14%
Du Pont ROAE breakup				
PAT / Sales %	14.9	8.5	13.2	13.6
Sales / Avg Total Fixed Assets	0.7	0.7	0.7	0.7
Avg Total Assets / Avg Eqty	1.4	1.4	1.4	1.3
ROE	15.2	7.9	12.4	12.8
Other Ratios				
Current Ratio	1.9	2.0	2.4	2.6
Debt / Equity	0.0	0.0	0.0	0.0
EPS	9.6	5.2	8.5	9.6
DPS	5.0	2.8	5.3	7.4
Valuation				
P/E	23.9	39.0	27.3	28.0
EV/EBITDA	16.1	17.4	14.8	14.6
P/BV	3.5	3.1	3.3	3.4

Source: - Company Data Ace Equity, Arihant Research

**Arihant Research Desk**

E. research@arihantcapital.com
T. 022-42254800

Head Office

#1011, Solitaire Corporate park,
Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road,
Chakala, Andheri (E).
Mumbai - 400093
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% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

**Research Analyst
Registration No.**

INH000002764

Contact

SMS: 'Arihant' to 56677

Websitewww.arihantcapital.com**Email Id**research@arihantcapital.com**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

ARIHANT Capital Markets Ltd.

www.arihantcapital.com