

# Ambuja Cement Ltd

ADD

CMP Rs 314

Target Rs 355

Upside 13%

## Result Highlights

- ✓ Cement volumes for the quarter was in-line with our estimates at 7.17 MT; translating into 24.5% y/y growth. Low base and robust demand scenario in operating markets led to healthy volume growth.
- ✓ Blended NSR/te was Rs 5,051 during the quarter witnessing a moderate improvement of ~3% y/y (vs. est. of +3.6% y/y). Company's special product volumes grew 82% y/y aiding to improvement in net realization for the company.
- ✓ Accordingly, net sales for the company stood at Rs 36.2 bn – a growth of 28% y/y and 1% above our estimates.
- ✓ Company's operational performance has been a very positive surprise during the quarter. Absolute EBITDA at Rs 9.7 bn grew by 62% y/y and was 21% above our estimates/34% above consensus estimates. EBITDA/te came in at robust levels of Rs 1,362 (est. of Rs 1,145); a healthy improvement of 30% y/y. Beat on operational level was on the back of (1) stringent control on fixed costs, (2) lower than expected clinker cost, (3) improvement in operating efficiencies on freight side and (4) optimization of sales mix.
- ✓ Net profit for the company stood at Rs 6.65 bn which grew by 67% y/y.

## Our View:

- ✓ Ambuja delivered exceptional set of nos for Q1CY21 with cement volumes in-line with estimates at 7.17 MT (+24.5% y/y and 1% above est.) but a massive beat on operational level. Company's EBITDA came in at Rs 9.77 bn; a sharp increase of 62% y/y and 21% above our estimates/34% above consensus estimates. Although realizations were in-line with our estimates, stringent control on fixed costs along with improvement in operating efficiencies on freight and optimization of sales mix resulted into outperformance on EBITDA level.
- ✓ Company plans to commission Greenfield integrated plant at Marwar Mundwa (3 MTPA clinker and 1.8 MTPA grinding) by Q3CY21E providing visibility of incremental volume dispatches of 5 MT in medium term. Accordingly, in the near term, we expect volume/EBITDA CAGR of 14.2%/19.4% over CY20-CY22E. Balance sheet would continue to grow stronger as we expect net cash reserves of Rs 55.3 bn by CY22E vs Rs ~29 bn in CY20 despite capex plan of ~Rs 21 bn during the same period in the form of on-going capacity addition and investments in WHRS.

## Exhibit 1: Result table

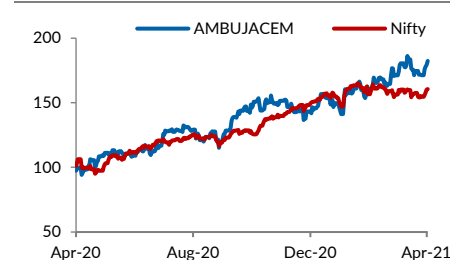
Y/e 31 Mar (Rs mn)	Q1CY21	Q4CY20	qoq(%)	Q1CY20	yoy (%)
Revenue	36,214	35,151	3.0	28,275	28.1
Operating Profit	9,768	7,678	27.2	6,031	62.0
OPM (%)	27.0	21.8	513 bps	21.3	564 bps
Other Income	552	394	39.9	881	(37.4)
Depreciation	1,254	1,257	(0.2)	1,379	(9.0)
EBIT	9,065	6,816	33.0	5,534	63.8
Interest	204	233	(12.4)	231	(11.5)
PBT	8,861	6,583	34.6	5,303	67.1
Tax	2,215	1,612	37.4	1,313	68.7
PAT	6,646	4,971	33.7	3,990	66.6

Source: Company, YES Sec – Research

## Stock data (as on April 29, 2021)

Nifty	14,895
52 Week h/l (Rs)	330 / 162
Market cap (Rs/USD mn)	623592 / 8423
Outstanding Shares	1,986
6m Avg t/o (Rs mn):	2,081
Div yield (%):	0.3
Bloomberg code:	ACEM IN
NSE code:	AMBUJACEM

## Stock performance



	1M	3M	1Y
Absolute return	6.5%	29.5%	100.0%

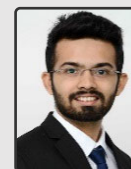
## Shareholding pattern (As of March'21 end)

Promoter	63.27%
FII+DII	29.61%
Others	6.85%

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# Ambuja Cement Ltd

- ✓ To support growth in the longer term, company has ambitious plans of scaling to 50 MTPA capacity (from ~30 MTPA currently). However, there is lack of clarity on timelines of the same. Company is evaluating Eastern and Maharashtra markets for capacity addition in longer term. We believe execution of aforementioned plans would translate into secular and profitable growth for the company.
- ✓ At CMP of Rs 314, Ambuja is trading at EV/EBITDA of 11.2x on CY22E. We assign an EV/EBITDA multiple of 13x to its standalone business on CY22E and 20% holdco discount to its stake in ACC. Accordingly, we arrive at a TP of Rs 355 for Ambuja, translating into 13% upside. **We have an ADD rating on the stock.**
- ✓ **Key Risk:** Further lockdowns across states due to second wave of COVID would hamper volume growth and timelines of capex commissioning.

## Exhibit 2: Per tonne analysis (blended)

Per te (in Rs)	Q1CY21	Q4CY20	qoq(%)	Q1CY20	yoy (%)
Cement volumes (MT)	7.17	7.05	1.7	5.76	24.5
Net realization	5,051	4,986	1.3	4,909	2.9
Raw Material cost	479	636	(24.7)	437	9.7
Employee cost	236	262	(10.1)	299	(21.1)
Power and fuel cost	1,025	994	3.1	976	5.1
Freight cost	1,228	1,233	(0.4)	1,289	(4.7)
Other expenses	720	771	(6.6)	862	(16.4)
<b>EBITDA</b>	<b>1,362</b>	<b>1,089</b>	<b>25.1</b>	<b>1,047</b>	<b>30.1</b>

Source: Company, YES Sec – Research

## Exhibit 3: Financial Summary

Y/e 31 Dec (In Rs mn)	CY19A	CY20A	CY21E	CY22E
Cement volumes (MTPA)	23.96	22.63	26.52	29.54
Revenues	116,679	113,719	136,705	155,536
EBITDA	21,489	26,466	31,603	37,711
EBITDA/te (Rs)	897	1,170	1,192	1,277
Inv. In PPE	(11,178)	(9,855)	(12,950)	(8,000)
Net debt	(46,584)	(28,807)	(35,674)	(55,350)
Net debt/Equity (x)	(0.2)	(0.1)	(0.2)	(0.2)
Net debt/EBITDA (x)	(2.2)	(1.1)	(1.1)	(1.5)
ROE (%)	6.9	8.8	9.5	10.2
ROCE (%)	9.8	13.7	13.9	16.4
EV/EBITDA (x)	14.2	15.1	14.0	11.2

Source: Company, YES Sec – Research

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