

# Ambuja Cement

## SELL

Valuation rich, prefer ACC

### Summary

Ambuja Cements (ACEM) Q2FY24 Standalone EBITDA came in-line with our and consensus estimate. In consolidated business, we noticed improved EBITDA/t at Rs994 and is better than peers. However, lower volume growth has been concerning, as consolidated volume growth was muted at 2% YoY. Volume growth was impacted from flood in HP and Central and ACEM guides volume growth has picked up in Q3FY24. But we understand till new capacity get commissioned, volume growth could be constrained versus peers. Company has provided granular details on capacity addition, and on target commissioning its capacity to increase by 18% in FY25E and 8% in FY26E. We retain estimate for ACEM post the result with unchanged TP of Rs371 and SELL rating. Valuing at 15x FY25EV/EBITDA, we see valuation is rich for ACEM and prefer ACC.

### Result Highlights and Investment Rationale

- **Q2FY24 snapshot:** Revenue increased by 8% YoY and is led by increase in volumes by 7% YoY. Realisation remained flat YoY. EBITDA margin stood at 19.5% vs. 8.3% YoY, 20.1% QoQ. EBITDA/t stood at Rs1018 vs. 1042 QoQ and Rs431 YoY. Consolidated Cash stood at Rs118bn as on June'23 vs. Rs115bn in Mar'23.
- **Plant wise capacity expansion announced:** Company envisages reaching 140mtpa cement capacity on consol. level by FY28E and expansion of clinker capacity by 40mtpa, with around 10 new Clinker lines. For doubling the capacity to 140mtpa, 35 new grinding units are to be set up, announced 6 new facilities with 14mtpa capacity of which 3 units are mapped for Bhatapara & 3 are mapped for Chandrapur plant. Other 2 projects Bhatapara & Maratha 14mtpa of capacity will be added & GU.

TP **Rs371**

**CMP Rs407**

Potential upside/downside -9%

Previous Rating SELL

### Price Performance (%)

	-1m	-3m	-12m
Absolute	(4.3)	(11.9)	(25.2)
Rel to Sensex	(0.9)	(7.6)	(29.3)

### V/s Consensus

EPS (Rs)	FY24E	FY25E
IDBI Capital	11	13
Consensus	15	17
% difference	(28.7)	(24.3)

### Key Stock Data

Bloomberg/Reuters	ACEM IN / ABUJ.BO
Sector	Cement
Shares o/s (mn)	1,986
Market cap. (Rs mn)	807,661
3-m daily avg Trd value (Rs mn)	58.8
52-week high / low	Rs598 / 315
Sensex / Nifty	63,591 / 18,989

### Shareholding Pattern (%)

Promoters	63.2
FII	11.7
DII	14.3
Public	10.8

### Financial snapshot

(Rs mn)

Year	CY20	CY21	15MFY23	FY24E	FY25E
Revenue	113,719	139,790	199,854	170,350	176,636
Change (yoy, %)	(3)	23	43	(15)	4
EBITDA	26,255	32,152	32,204	31,938	38,057
Change (yoy, %)	22	22	0	(1)	19
EBITDA Margin(%)	23.1	23.0	16.1	18.7	21.5
Adj.PAT	17,690	21,489	27,108	21,763	26,192
EPS (Rs)	9	11	14	11	13
Change (yoy, %)	15.7	21.5	26.1	(20)	20
PE(x)	45.7	37.6	29.8	37	31
Dividend Yield (%)	4.4	1.5	2.2	2	2
EV/EBITDA (x)	29.8	23.9	25.0	25.2	21.1
RoE (%)	8.3	10.1	10.7	8	9
RoCE (%)	9.7	12.2	9	8	9

Source: IDBI Capital Research

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### Conference call highlights

- Company has capacity expansion plans of increasing capacity to 140mtpa by FY28, of which 40mtpa will be clinker, 35 new grinding units will be added, capacity expansion have started, Ametha unit commissioned in Q2FY24, Bhatapara 4mtpa expansion have started, Sankrail & Farakka 1 Grinding units each- EPC & piling work have begun, Chandrapur Maratha & Amravati unit Environment clearance pending, Salai Banwa, 2 units Ground activities have begun. Each unit will comply with 42Mwh WHRS plant & Klin compactible with 50% AFR Fuels.
- Company has planned to improve EBITDA/t by Rs400/t on cost efficiencies. of WHRS capacity addition which has increased from 40mw in Q2FY23 to 90mw in Q1FY24, targeting to reach 175mw capacity by Q1F25E. Bidding for coal mine to become self-sufficient and mine to contribute 40-50% of coal requirement, freight cost (reduction lead distance to 100km vs 165km currently, rail road mix optimization, & reduce redundancy between two group companies also to bid for new limestone mine 584mton of limestone reserves.
- Ambuja acquired Sanghi Industries at an EV of Rs50 bn and is to be fully funded through internal accruals; acquisition is expected to close in Q3FY24. This acquisition would help to accelerate Adani's goal of reaching 140mtpa ahead of 2028 and reinforce its position as a leader in construction materials sector.
- Capex stood at Rs5.95bn/ Rs11.2bn in Q2FY24/ H1FY24. Company expects capex of Rs75 bn (vs. earlier Rs69bn) for FY24; Rs50bn/ Rs25bn for ACEM/ ACC.
- Ambuja has already a strategy in place and will continue to sell cement through ACC and Ambuja brands and not Sanghi Industries. It will use more or less same arrangement as it does for ACC and Ambuja once the acquisition is completed
- Lead distance for the quarter stood at 170kms v/s 172kms in Q4FY23, Rail to road share stood at 29:71 respectively, & direct dispatches share has increased to 51% in Q1FY24 from 44% in Q2FY23.
- Trade share for the quarter remained at 79%, company will focus more on Trade segment & Blended cement in Q2FY24 stood at 89%, Premium Share of trade sales stood at 23%.

**Exhibit 1: Financial snapshot (Rs mn)**

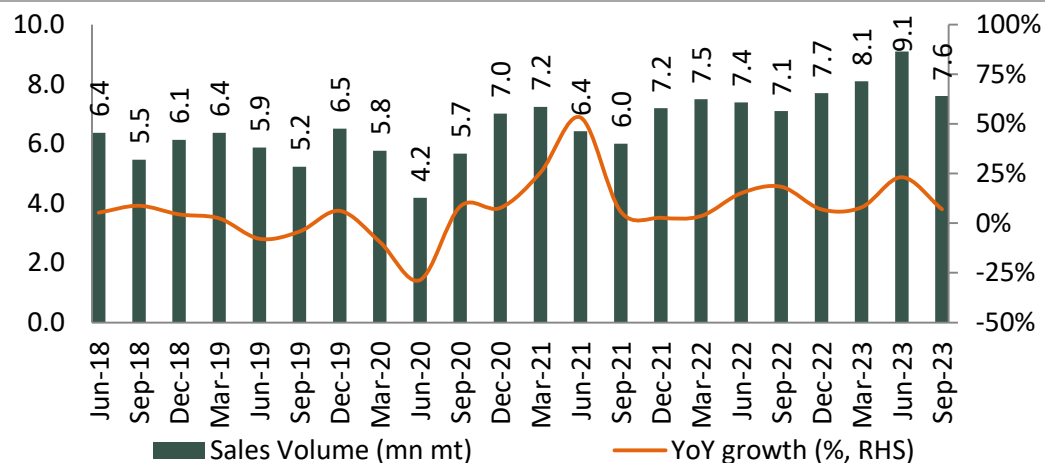
Particulars	Q2FY24	Q1FY24	QoQ % Chg	Q2FY23	YoY % Chg
<b>Net Sales</b>	<b>39,698</b>	<b>47,297</b>	<b>(16.1)</b>	<b>36,756</b>	<b>8.0</b>
<b>EBITDA</b>	<b>7,734</b>	<b>9,486</b>	<b>(18.5)</b>	<b>3,060</b>	<b>152.8</b>
<b>EBITDA margin (%)</b>	<b>19.5</b>	<b>20.1</b>	<b>-57bps</b>	<b>8.3</b>	<b>1116bps</b>
Other income	3,781	1,895	99.6	465	712.7
Depreciation	2,286	2,319	(1.4)	1,572	45.4
Interest	435	396	9.8	228	90.8
Pre tax profit	8,795	8,665	1.5	1,725	409.8
Tax	2,357	2,216	6.3	184	1180.1
<b>Profit after tax</b>	<b>6,438</b>	<b>6,449</b>	<b>(0.2)</b>	<b>1,541</b>	<b>317.8</b>
Extra ordinary income/ (exp.)	-	-	NA	(152)	NA
<b>Adjusted net profit</b>	<b>6,438</b>	<b>6,449</b>	<b>(0.2)</b>	<b>1,389</b>	<b>363.5</b>

Source: Company; IDBI Capital Research

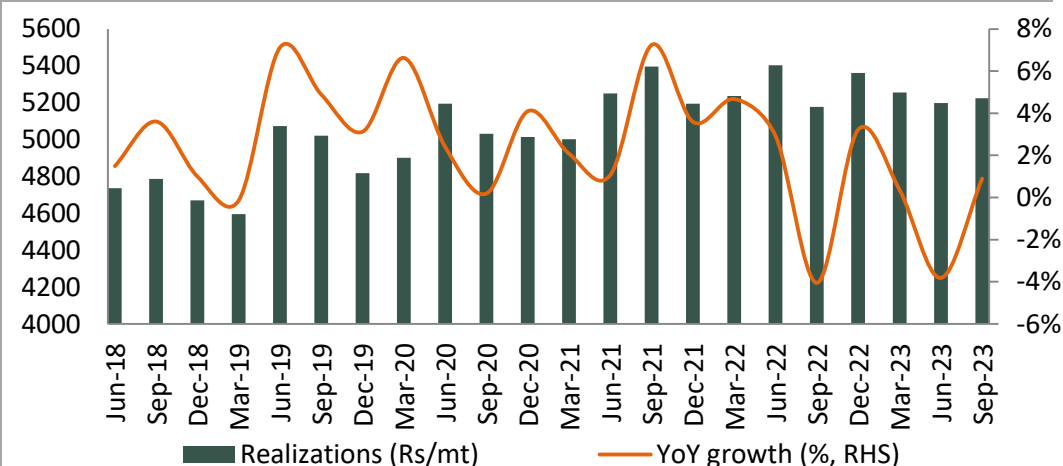
**Exhibit 2: Operational snapshot**

Year-end: December	Q2FY24	Q1FY24	QoQ % Chg	Q2FY23	YoY % Chg
<b>Sales (mn mt)</b>	<b>7.6</b>	<b>9.1</b>	<b>(16.5)</b>	<b>7.1</b>	<b>7.0</b>
<b>Net realization Rs per mt</b>	<b>5,223</b>	<b>5,197</b>	<b>0.5</b>	<b>5,177</b>	<b>0.9</b>
<b>Total expenditure Rs per mt</b>	<b>4,206</b>	<b>4,155</b>	<b>1.2</b>	<b>4,746</b>	<b>(11.4)</b>
Composite raw materials Rs per mt	956	970	(1.4)	416	130.0
Employees Cost Rs per mt	196	144	36.2	217	(9.7)
Power & Fuel Cost Rs per mt	1,270	1,287	(1.3)	1,993	(36.3)
Freight & Handling Expenses Cost Rs per mt	1,122	1,150	(2.5)	1,183	(5.2)
Other Expenditure Rs per mt	662	604	9.6	936	(29.3)
<b>EBITDA Rs per mt</b>	<b>1,018</b>	<b>1,042</b>	<b>(2.4)</b>	<b>431</b>	<b>136.1</b>

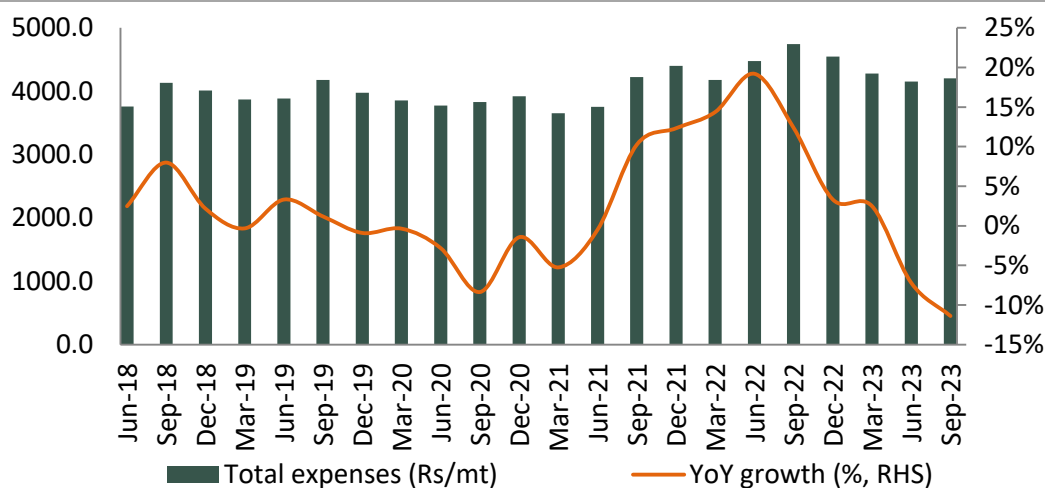
Source: Company; IDBI Capital Research

**Exhibit 3: Q2FY24 volume up by 7% YoY**


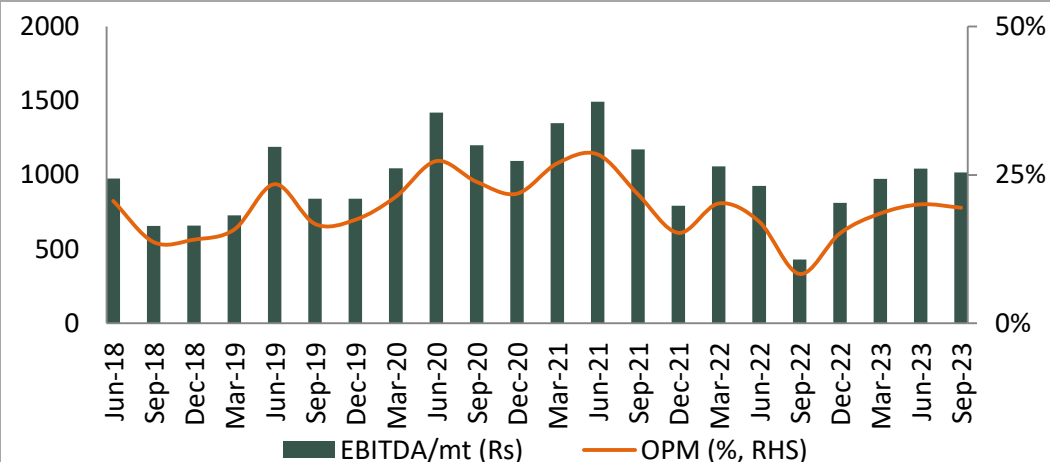
Source: IDBI Capital Research

**Exhibit 4: Q2FY24 realizations flat YoY**


Source: IDBI Capital Research

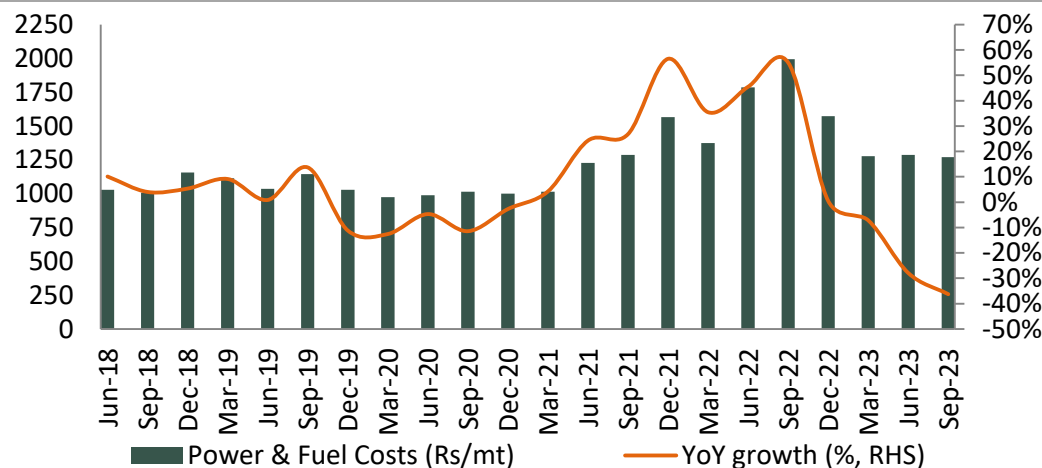
**Exhibit 5: Opex/t was down 11% YoY in Q2FY24**


Source: IDBI Capital Research

**Exhibit 6: EBITDA/t improved 136% YoY, margins at 19%**


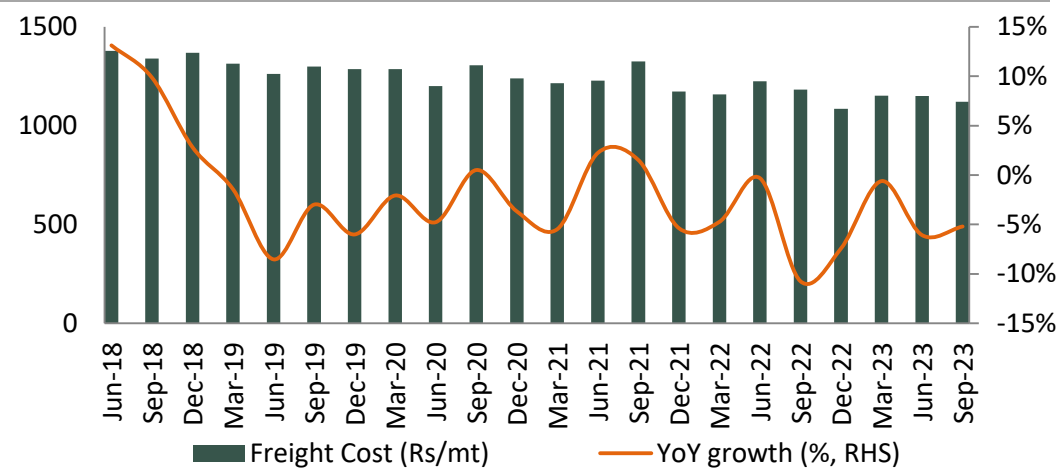
Source: IDBI Capital Research

Exhibit 7: Power/t -36% YoY



Source: IDBI Capital Research

Exhibit 8: Freight/t down 5% YoY in Q2FY24



Source: IDBI Capital Research

Exhibit 9: Capacity addition plans

	Q2FY25	Q3FY25	Q4FY25	FY25E	Q1FY26	Q2FY26	Q3FY26	FY26E
<b>Clinker</b>								
Bhatpara Line 3						4.0		4.0
Maratha Line 2						4.0		4.0
<b>GU</b>								
Bhatinda		1.3		1.3				0.0
Sankrail		2.3		2.3				0.0
Mundra				0.0			4.6	4.6
Marwar			2.4	2.4				0.0
Sindri	1.6			1.6				0.0
Salai Banwa				0.0	2.4			2.4
Farakka		4.6		4.6				0.0
<b>Total</b>				<b>12.2</b>				<b>15.0</b>

Source: Company

Exhibit 10: Target Price

FY25E EBITDA			38,057
EV/EBITDA Multiple			15
EV	A		5,70,861
Market Cap of ACC			3,46,064
Ambuja's Stake at 20% Disc	B		1,41,557
FY23E Net Cash	C		24,861
Total Equity value	A + B + C		7,37,280
Target Price			371

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	CY19	CY20	CY21	15MFY23	FY24E	FY25E
<b>Net sales</b>	<b>116,679</b>	<b>113,719</b>	<b>139,790</b>	<b>199,854</b>	<b>170,350</b>	<b>176,636</b>
<i>Change (yoy, %)</i>	2.7	(3)	23	43	(15)	4
Operating expenses	(95,190)	(87,463)	(107,639)	(167,650)	(138,412)	(138,578)
<b>EBITDA</b>	<b>21,489</b>	<b>26,255</b>	<b>32,152</b>	<b>32,204</b>	<b>31,938</b>	<b>38,057</b>
<i>Change (yoy, %)</i>	13.6	22	22	0	(1)	19
<i>Margin (%)</i>	18.4	23.1	23.0	16.1	18.7	21.5
Depreciation	(5,438)	(5,212)	(5,517)	(8,324)	(9,314)	(9,998)
<b>EBIT</b>	<b>16,050</b>	<b>21,044</b>	<b>26,634</b>	<b>23,880</b>	<b>22,624</b>	<b>28,060</b>
Interest paid	(835)	(831)	(910)	(1,280)	(1,687)	(1,662)
Other income	4,265	3,720	2,812	9,523	8,358	8,525
<b>Pre-tax profit</b>	<b>19,480</b>	<b>23,933</b>	<b>28,536</b>	<b>32,123</b>	<b>29,295</b>	<b>34,923</b>
Tax	(4,195)	(6,243)	(7,047)	(5,016)	(7,532)	(8,731)
<i>Effective tax rate (%)</i>	21.5	26.1	24.7	15.6	25.7	25.0
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	<b>15,285</b>	<b>17,690</b>	<b>21,489</b>	<b>27,108</b>	<b>21,763</b>	<b>26,192</b>
Exceptional items	-	-	-	-	-	-
<b>Adjusted net profit</b>	<b>15,285</b>	<b>17,690</b>	<b>21,489</b>	<b>27,108</b>	<b>21,763</b>	<b>26,192</b>
<i>Change (yoy, %)</i>	(5.5)	16	21	26	(20)	20
EPS	7.7	8.9	10.8	13.7	11.0	13.2
Dividend per sh	4.4	18.0	6.3	9.0	7.7	9.3
<i>Dividend Payout (%)</i>	57.8	202.1	58.2	66	70	70

**Balance Sheet**

(Rs mn)

Year-end: March	CY19	CY20	CY21	15MFY23	FY24E	FY25E
<b>Shareholders' funds</b>	<b>222,052</b>	<b>203,159</b>	<b>222,049</b>	<b>285,055</b>	<b>291,528</b>	<b>299,318</b>
Share capital	3,971	3,971	3,971	3,971	3,971	3,971
Reserves & surplus	218,081	199,187	218,078	281,084	287,556	295,346
<b>Total Debt</b>	<b>353</b>	<b>436</b>	<b>469</b>	<b>477</b>	<b>477</b>	<b>477</b>
Other liabilities	2,878	5,664	5,586	9,027	9,027	9,027
<b>Curr Liab &amp; prov</b>	<b>46,335</b>	<b>1,915</b>	<b>2,947</b>	<b>5,649</b>	<b>5,601</b>	<b>5,807</b>
Current liabilities	44,978	45,992	54,192	64,958	62,337	64,141
Provisions	1,357	595	750	899	937	940
<b>Total liabilities</b>	<b>47,856</b>	<b>51,655</b>	<b>59,779</b>	<b>73,986</b>	<b>71,364</b>	<b>73,168</b>
<b>Total equity &amp; liabilities</b>	<b>269,907</b>	<b>254,814</b>	<b>281,828</b>	<b>359,041</b>	<b>362,892</b>	<b>372,485</b>
Net fixed assets	69,212	74,313	82,789	86,377	107,062	127,064
Investments	117,890	117,877	117,647	117,667	117,667	117,667
Other non-curr assets	14,325	18,271	13,587	42,533	42,533	42,533
<b>Current assets</b>	<b>68,481</b>	<b>44,353</b>	<b>67,805</b>	<b>112,465</b>	<b>95,630</b>	<b>85,221</b>
Inventories	9,541	7,466	14,641	16,394	18,669	19,357
Sundry Debtors	5,132	1,915	2,947	5,649	5,601	5,807
Cash and Bank	45,123	27,169	39,906	2,846	3,299	5,655
Loans and advances	45	89	48	44	44	44
<b>Total assets</b>	<b>269,907</b>	<b>254,814</b>	<b>281,828</b>	<b>359,041</b>	<b>362,892</b>	<b>372,485</b>



**Cash Flow Statement**

(Rs mn)

Year-end: March	CY19	CY20	CY21	15MFY23	FY24E	FY25E
Pre-tax profit	19,480	23,933	28,536	32,123	29,295	34,923
Depreciation	5,438	5,212	5,517	8,324	9,314	9,998
Tax paid	(808)	(4,648)	(3,632)	(3,346)	(7,532)	(8,731)
Chg in working capital	3,877	3,676	(4,584)	(7,855)	(4,847)	908
Other operating activities	(3,147)	(2,321)	(415)	(7,578)	(6,671)	(6,863)
<b>Cash flow from operations (a)</b>	<b>24,840</b>	<b>25,852</b>	<b>25,422</b>	<b>21,669</b>	<b>19,559</b>	<b>30,235</b>
Capital expenditure	(11,178)	(9,855)	(11,606)	(21,537)	(30,000)	(30,000)
Chg in investments	-	-	-	-	-	-
Other investing activities	3,797	3,440	2,738	(71,735)	8,358	8,525
<b>Cash flow from investing (b)</b>	<b>(7,380)</b>	<b>(6,415)</b>	<b>(8,868)</b>	<b>(93,272)</b>	<b>(21,642)</b>	<b>(21,475)</b>
Equity raised/(repaid)	-	-	-	50,000	-	-
Debt raised/(repaid)	(558)	(439)	(908)	(715)	(1,687)	(1,662)
Dividend (incl. tax)	(3,320)	(36,646)	(2,021)	(12,514)	(15,290)	(18,402)
Chg in minorities	-	-	-	-	-	-
Other financing activities	38	(516)	(238)	(655)	-	-
<b>Cash flow from financing (c)</b>	<b>(3,841)</b>	<b>(37,601)</b>	<b>(3,167)</b>	<b>36,116</b>	<b>(16,978)</b>	<b>(20,065)</b>
<b>Net chg in cash (a+b+c)</b>	<b>13,620</b>	<b>(18,164)</b>	<b>13,387</b>	<b>(35,487)</b>	<b>(19,060)</b>	<b>(11,304)</b>

**Financial Ratios**

Year-end: March	CY19	CY20	CY21	15MFY23	FY24E	FY25E
Book Value (Rs)	111.8	102	112	144	147	151
Adj EPS (Rs)	7.7	8.9	10.8	13.7	11.0	13.2
Adj EPS growth (%)	-5.5	16	21	26	-20	20
EBITDA margin (%)	18.4	23.1	23.0	16.1	18.7	21.5
Pre-tax margin (%)	16.7	21.0	20.4	16.1	17.2	19.8
Net Debt/Equity (x)	-0.2	-0.1	-0.2	0.0	0.0	0.0
ROCE (%)	7.3	10	12	9	8	9
ROE (%)	7.1	8	10	11	8	9

**DuPont Analysis**

Asset turnover (x)	0.4	0.4	0.5	0.6	0.5	0.5
Leverage factor (x)	1.2	1.2	1.3	1.3	1.3	1.2
Net margin (%)	13.1	15.6	15.4	13.6	12.8	14.8

**Working Capital & Liquidity ratio**

Inventory days	30	24	38	30	40	40
Receivable days	16	6	8	10	12	12
Payable days	36	37	39	34	38	40

**Valuations**

Year-end: March	CY19	CY20	CY21	15MFY23	FY24E	FY25E
PER (x)	52.9	45.7	37.6	29.8	37.1	30.9
Price/Book value (x)	3.6	4.0	3.6	2.8	2.8	2.7
EV/Net sales (x)	6.5	6.9	5.5	4.0	4.7	4.5
EV/EBITDA (x)	35.5	29.8	23.9	25.0	25.2	21.1
Dividend Yield (%)	1.1	4.4	1.5	2.2	1.9	2.3

Source: Company; IDBI Capital Research



# Notes

Dealing	(91-22) 6836 1111	dealing@idbicapital.com
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**Key to Ratings Stocks:**

**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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