

January 31, 2024

RESULT REPORT Q3 FY24 | Sector: Cement

Ambuja Cements

Reclaiming market share with 140MTPA target

Result Synopsis

Ambuja Cements (ACEM) reported a healthy performance, where revenue grew by 8% y/y aided by +7% y/y volume growth and 1% y/y NSR growth in Q3FY24. RM cost/te surged by 42% y/y due to higher clinker transfer because of maintenance shutdown during the quarter. Despite that, the total cost/te decline by 4% y/y aided by eased power cost/te by 34% y/y translates in EBITDA of Rs1038/te (+28% y/y). EBITDA/PAT grew by 36/19% y/y to Rs8.5/5.1bn in Q3FY24. Under new management, ACEM targets to reach 140MTPA by FY28E to regain the lost market share. In this endeavor, ACEM is adding 19.6MTPA of cement capacity with 10.25MTPA clinker. Moreover, with the SNGI/ACCPL acquisition, the console capacity to reach 110MTPA by FY28E. As a result, the incremental volume from newly commissioned capacities will start from FY26E onwards, while standalone volume should grow at ~10% CAGR over FY24-26E supported by master supply agreement with subsidiaries.

ACEM narrowed the efficiency gap with its peers by adopting cost-effective measures. Management has aspirational target of +Rs1400/te of EBITDA by improving the efficiencies with a fresh set of investments in 1) augmenting WHRS & RE capacities, 2) Ramping up AFR usage, 3) upgrading equipment & debottlenecking for kiln efficiencies 4) Higher trade & premium sales 5) Reduction of lead distance/logistic cost. The promoter group committed to infuse Rs200bn towards subscribing share warrants, of which Rs50bn has been received and the rest is expected to exercise on or before April'24. Moreover, ACEM is a net cash company with a cash & cash equivalent of Rs86bn, through which ACEM can fuel the expansion without stressing the B/S. We value ACEM on SOTP based valuation with a standalone entity valued at 17x EV/EBITDA and ACEM's stake in ACC at 10x EV/EBITDA on FY26E by adding ~Rs40bn net cash and SNGI at Rs50bn EV. Thus, we arrived at TP of Rs572 with a NEUTRAL rating.

Result Highlights

- Standalone volume grew by +7% y/y to 8.2MT (YSECe 8.1MT) and NSR by +1% y/y resulted in-line revenue growth of 8% y/y to Rs44.3bn in Q3FY24.
- After removing the inter-segmental volume on console level, ACEM volume grew by 3% y/y in Q3FY24.
- Total cost/te declined by 4% y/y (+2% higher than YSECe) aided by eased power/te by 34% y/y although RM/te surged by 42% y/y in Q3FY24.
- As a result, the EBITDA grew by +36% y/y to Rs8.5bn v/s YSECe 9.3bn, translates in EBITDA/te of Rs1038 v/s YSECe of Rs1153 in Q3FY24
- PAT came in at Rs5.1bn (YSECe Rs6.4bn), grew by +19% y/y in Q3FY24 on account of lower-than-expected operating profit and other income.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YSec	Consensus	YSec	Consensus	
Sales	44,395	43,818	42,341	1.3	4.9	Revenue in-line; Operating performance missed due to RM cost inflation
EBITDA	8,511	9,283	8,284	(8.3)	2.7	
Margin (%)	19.2	21.2	19.6	-202 bps	-40 bps	
Adj. PAT	5,137	6,460	4,945	(20.5)	3.9	

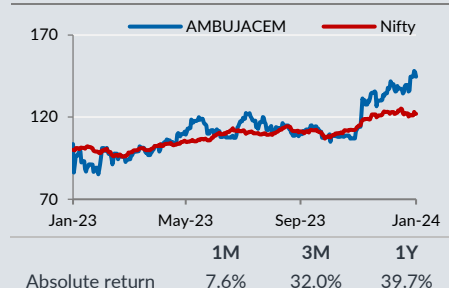
Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 560
Target Price	: Rs 572
Potential Return	: +2%

Stock data (as on Jan 31, 2024)

Nifty	21,726
52 Week h/l (Rs)	586 / 315
Market cap (Rs/USD mn)	1133506 / 13657
Outstanding Shares (mn)	1,986
6m Avg t/o (Rs mn):	1,802
Div yield (%):	0.4
Bloomberg code:	ACEM IN
NSE code:	AMBUJACEM

Stock performance



Shareholding pattern (As of Dec'23 end)

Promoter	63.2%
FII+DII	27.7%
Others	9.1%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	BUY
Target Price	572	487

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Revenue	183,546	196,912	215,230
Growth	(8.2)	7.3	9.3
EBITDA	39,212	45,772	54,501
Margin	21.4	23.2	25.3
Adj. PAT	28,961	32,320	38,073
Growth	13.4	11.6	17.8
EPS	14.6	13.1	15.5
ND/EBITDA	(0.1)	(3.2)	(2.9)
ROE	9.4	6.6	7.3
ROCE	12.8	9.1	10.0
EV/EBITDA	21.3	21.0	17.5

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Exhibit 2: Quarterly snapshot (Standalone)

Particulars (Rs mn)	Q4CY22	Q1CY23	Q1FY24	Q2FY24	Q3FY24	y/y (%)	q/q (%)	FY23*	CY21	y/y (%)
Net Revenue	41,285	42,563	47,297	39,698	44,395	7.5	11.8	199,854	139,650	43.1
Total Expenses	35,024	34,681	37,812	31,964	35,885	2.5	12.3	167,650	107,575	55.8
COGS	7,480	8,695	8,827	7,268	11,278	50.8	55.2	27,644	11,595	138.4
Employee Expenses	1,595	1,680	1,309	1,490	1,369	(14.2)	(8.1)	8,002	6,777	18.1
Power & fuel	12,111	10,343	11,715	9,653	8,582	(29.1)	(11.1)	60,129	34,210	75.8
Freight Exp	8,362	9,326	10,465	8,525	9,133	9.2	7.1	43,835	33,083	32.5
Other Expenses	5,475	4,637	5,495	5,028	5,522	0.9	9.8	28,041	22,112	26.8
EBITDA	6,261	7,883	9,486	7,734	8,511	35.9	10.0	32,204	32,075	0.4
EBITDA (%)	15.2	18.5	20.1	19.5	19.2	400 bps	-31 bps	16.1	23.0	-685 bps
D&A	1,648	2,047	2,319	2,286	2,335	41.6	2.1	8,324	5,512	51
Other Income	890	1,740	1,895	3,781	1,082	21.6	(71.4)	9,523	2,856	233
Interest Expense	253	335	396	435	454	79.6	4.3	1,280	909	41
Exceptional/EO items	614	807	-	-	-	(100.0)	-	1,573	657	139
Share JV/Associates	-	-	-	-	-	-	-	-	-	-
EBT	4,637	6,434	8,665	8,795	6,804	46.7	(22.6)	30,551	27,853	9.7
Tax	947	1,410	2,216	2,357	1,668	76.1	(29.2)	5,016	7,047	(28.8)
Reported PAT	3,690	5,024	6,449	6,438	5,137	39.2	(20.2)	25,535	20,805	22.7
Less: Minority Interest	-	-	-	-	-	-	-	-	-	-
Adj. PAT	4,303	5,831	6,449	6,438	5,137	19.4	(20.2)	27,108	21,462	26.3

Source: Company, YES Sec | Note: * Company changed its financial year end from Dec to Mar as result, the figure for current year is for 15months.

Exhibit 3: Quarterly Operational Performance Analysis (Standalone)

Particulars (Rs mn)	Q4CY22	Q1CY23	Q1FY24	Q2FY24	Q3FY24	y/y (%)	q/q (%)	FY23*	CY21	y/y (%)
Total Volumes (MMT)	7.7	8.1	9.1	7.6	8.2	6.5	7.9	37.8	27.0	39.8
NSR/te (Blended)	5,362	5,255	5,197	5,223	5,414	1.0	3.6	5,290	5,168	2.4
RM/te	971	1,073	970	956	1,375	41.6	43.8	732	429	70.5
Employees/te	207	207	144	196	167	(19.4)	(14.8)	212	251	(15.6)
Power/te	1,573	1,277	1,287	1,270	1,047	(33.5)	(17.6)	1,592	1,266	25.7
Freight/te	1,086	1,151	1,150	1,122	1,114	2.6	(0.7)	1,160	1,224	(5.2)
Others/te	711	572	604	662	673	(5.3)	1.8	742	818	(9.3)
Opex/te (Blended)	4,549	4,282	4,155	4,206	4,376	(3.8)	4.1	4,438	3,981	11.5
EBITDA/te (Blended)	813	973	1,042	1,018	1,038	27.6	2.0	852	1,187	(28.2)

Source: Company, YES Sec

CONFERENCE CALL KEY TAKEWAYS

- Management reiterated the 140MTPA capacity expansion target by FY28E for which the company will augment 10 clinker plants totaling to 40MTPA and 35 grinding units across locations on a console basis.
 - For all the announced capacities, the order for equipment has been placed and work progressing on schedule, which is expected to commission in phase manner over FY25-26E.
 - On the console level, the Company foresees generating an EBITDA of Rs80-100bn each in the next 4-5 years of which the company expect to spend Rs40-50bn every year to achieve 140MTPA target by FY28E.
- For FY24E, management guided CAPEX of ~Rs70bn (65% under ACEM standalone and the rest towards ACC).
 - Management will spend Rs2bn in Sanghi industries for capacity advancement. Both ACC and Ambuja have signed MSA with the Sanghi industries and already started replacing the Sanghi brand with the ACC and Ambuja brand.
- In Q3FY24, MSA volume came at 3MT of which 1.7MT from ACC to ACEM and 1.3MT from Ambuja to ACC.
- Company secured 585MT of New Limestone Reserves (Rajasthan, MP, Gujarat, Maharashtra and Odisha), This is in addition to 1000MT of limestone Reserves of Sanghi Industries.
- As of Q3FY24, Company has wind power capacity of 26MW and WHRS/Solar of 119/57MW, which is expected to reach 134/257MW by FY24 end (green power share 22%)
 - By FY28, company announced to added 1006MW of renewable energy capacity (Solar 850MW and Wind 156MW). Management guided this initiative to generate a saving of Rs90/te.
 - Inbuilt WHRS with Brownfield expansion will take green power (RE+WHRS) to 1466MW (green power share to 60%) by FY28.
 - Currently, green power share is at 12.7% v/s 3.5% at the time of acquisition.
- Management targets to achieve 100km of lead distance, which is currently 284km as compared to 291km at the time of acquisition.
 - Ordered rail rakes for fly ash logistics from thermal power plants.
- Management reiterates its focus towards optimizing logistic cost through lead distance reduction, warehousing optimization, and increasing Rail coefficient
- Kiln fuel cost reduced by 25% y/y from Rs2.45 to Rs1.84/kCal per kg and it is expected to reduce in a similar trend on account of low-cost inventories, fuel mix and allotted coal mines.
- Standalone Input cost was higher due to higher clinker sourced from ACC on account of maintenance capex and capacity breakdown. Management guided to see Rs130-150/te of cost getting reversed in Q4FY24E.
- Management reiterates its saving target of Rs400/te, of which till now savings have flown through cost efficiency and another Rs200-300/te is expected in the next 12-24 months.
 - Rs90/te from WHRS, Rs50-60/te from Logistic optimization, another Rs50-60/te from footprint optimization and Rs50/te from Raw material.
- Maratha/Bhatapara clinker expansion of 4MTPA each will be catering 2MTPA of new grinding capacity each at Amaravati, Jalgaon, Sankrail and Farakka will be commissioned in the next 24 months

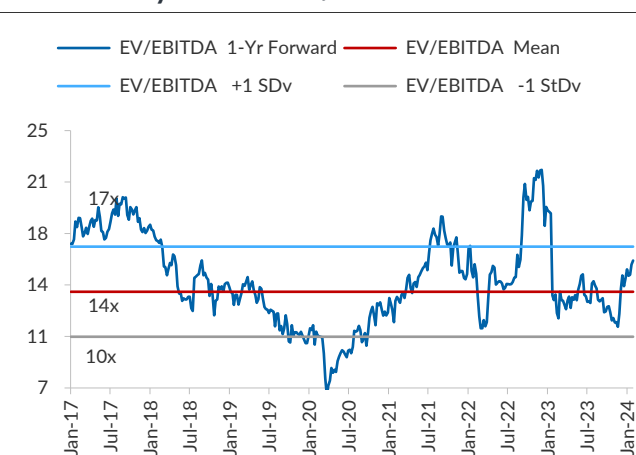
- Acquisition of Sanghi industries will aid ACC and Ambuja in fulfilling its clinker requirement and also cater for Maharashtra and Gujarat demand. Further, Management foresees expanding Sanghi's capacity from 6.5MTPA to 10MTPA (yet to be announced officially) to cater down the south market.
- Management plans to announce the next phase of brownfield clinker expansion in the coming quarter, which will take an additional 18-20month for its commissioning.

Exhibit 4: Annual Operational Performance Estimates (Standalone)

Particulars (Rs m)	CY21	FY23	FY24E	FY25E	FY26E
Total Volumes (MMT)	27.0	37.8	33.6	35.9	39.1
Utilization (%)	82%	86%	94%	69%	75%
Cement Realization/te	4,993	4,918	4,987	4,987	4,987
Net Realization/te (Blended)	5,168	5,290	5,469	5,492	5,500
RM/te	429	732	798	807	846
Power/te	1,266	1,592	1,336	1,223	1,175
Freight/te	1,224	1,160	1,146	1,153	1,152
Employees/te	251	212	257	265	267
Others/te	818	742	762	768	667
Opex/te (Blended)	3,981	4,438	4,300	4,216	4,107
EBITDA/te (Blended)	1,187	852	1,168	1,277	1,393

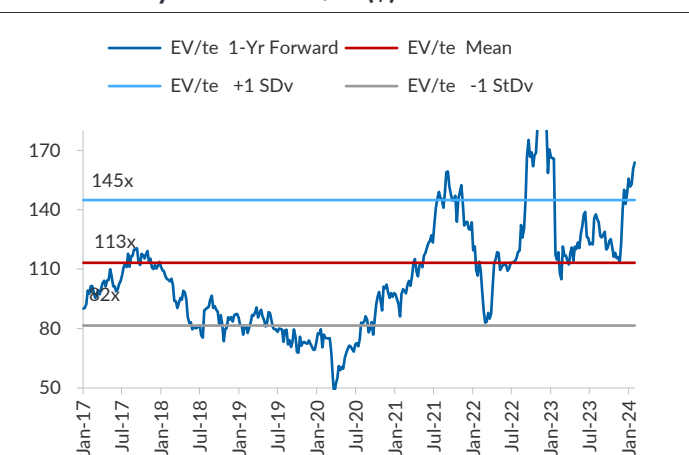
Source: Company, YES Sec

Exhibit 5: 1-yr forward EV/EBITDA band



Source: Company, YES Sec

Exhibit 6: 1-yr forward EV/te (\$) band



Source: Company, YES Sec

FINANCIALS

Exhibit 7: Balance Sheet (Standalone)

Y/e 31 Dec (Rs mn)	CY21	FY23	FY24E	FY25E	FY26E
Equity capital	3,971	3,971	3,971	4,926	4,926
Reserves	218,078	231,084	255,080	281,243	313,158
Net worth	222,049	285,055	309,052	486,170	518,086
Other LT Liabilities	2,980	6,370	6,370	6,370	6,370
LT provision.	660	858	858	858	858
Minority interest	-	-	-	-	-
Long-term Borrowing	435	342	332	322	312
Deferred tax liabilities. (net)	2,137	2,181	2,181	2,181	2,181

Current Liabilities

Trades Payables	11,457	15,711	12,365	11,280	11,866
Short-term Borrowing	34	135	26	25	25
Other current liabilities	41,985	48,348	48,348	48,348	48,348
Short Term Provision	90	41	41	41	41
Total Liabilities	281,828	359,041	379,573	555,596	588,086

Assets

Total Net Block	73,083	77,765	73,922	104,421	123,127
CWIP & Other Assets	13,139	16,851	40,554	45,554	45,554
Investments	117,739	117,759	142,269	142,269	142,269
Other Non-current Asset	10,063	34,201	34,206	34,206	34,206
Deferred tax asset (net)	-	-	-	-	-

Current Assets

Inventories	14,641	16,394	13,379	13,865	15,061
Trades Receivables	2,947	5,649	4,123	4,091	4,432
Other current assets	8,476	65,047	65,047	65,047	65,047
Short Term Loans & advances	48	44	63	67	74
Cash & Bank Balances	41,692	25,331	6,011	146,075	158,316
Total Assets	281,828	359,041	379,573	555,596	588,086

Source: Company, YES Sec

Exhibit 8: Income statement (Standalone)

Y/e 31 Mar (Rs mn)	CY21	FY23	FY24E	FY25E	FY26E
Net Revenue	139,650	199,854	183,546	196,912	215,230
EBITDA	32,075	32,204	39,212	45,772	54,501
D&A	5,512	8,324	7,043	9,600	11,394
EBIT	26,562	23,880	32,168	36,172	43,107
Interest Expense	909	1,280	896	954	952
Other Income	2,856	9,523	7,342	7,876	8,609
Exceptional/EO items	657	1,573	-	-	-
EBT	27,853	30,551	38,614	43,094	50,764
Tax	7,047	5,016	9,654	10,773	12,691
Share of Profit/(Loss) in JV/Associates	-	-	-	-	-
Reported PAT	20,805	25,535	28,961	32,320	38,073
Less: Minority Interest	-	-	-	-	-
Adj. PAT	21,462	27,108	28,961	32,320	38,073

Source: Company, YES Sec

Exhibit 9: Cash Flow (Standalone)

Y/e 31 Dec (Rs mn)	CY21	FY23	FY24E	FY25E	FY26E
Cash flow from operation	23,367	(16,596)	37,181	40,377	48,510
Profit before tax	28,509	32,123	38,614	43,094	50,764
Depreciation	5,512	8,324	7,043	9,600	11,394
Tax paid	(7,047)	(5,016)	(9,654)	(10,773)	(12,691)
Working capital Δ	(2,951)	(50,455)	1,177	(1,544)	(957)
Other operating items	(657)	(1,573)	-	-	-
Cash flow from Investing Activities	(9,213)	(40,857)	(26,908)	(45,100)	(30,100)
Capital expenditure	(13,682)	(16,719)	(26,903)	(45,100)	(30,100)
Change in other non-current assets	4,469	(24,139)	(5)	-	-
Free cash flow	9,685	(33,314)	10,278	(4,723)	18,410
Cash flow from Financing activities	(1,705)	41,091	(29,593)	144,787	(6,169)
Equity raised	10,595	42,435	-	150,956	0
Investments	183	(20)	(24,510)	-	-
Debt financing/disposal	33	8	(119)	(11)	(11)
Dividends paid	(12,510)	(4,964)	(4,964)	(6,158)	(6,158)
Other items	(7)	3,632	-	-	-
Net Δ in cash	12,449	(16,362)	(19,320)	140,064	12,241

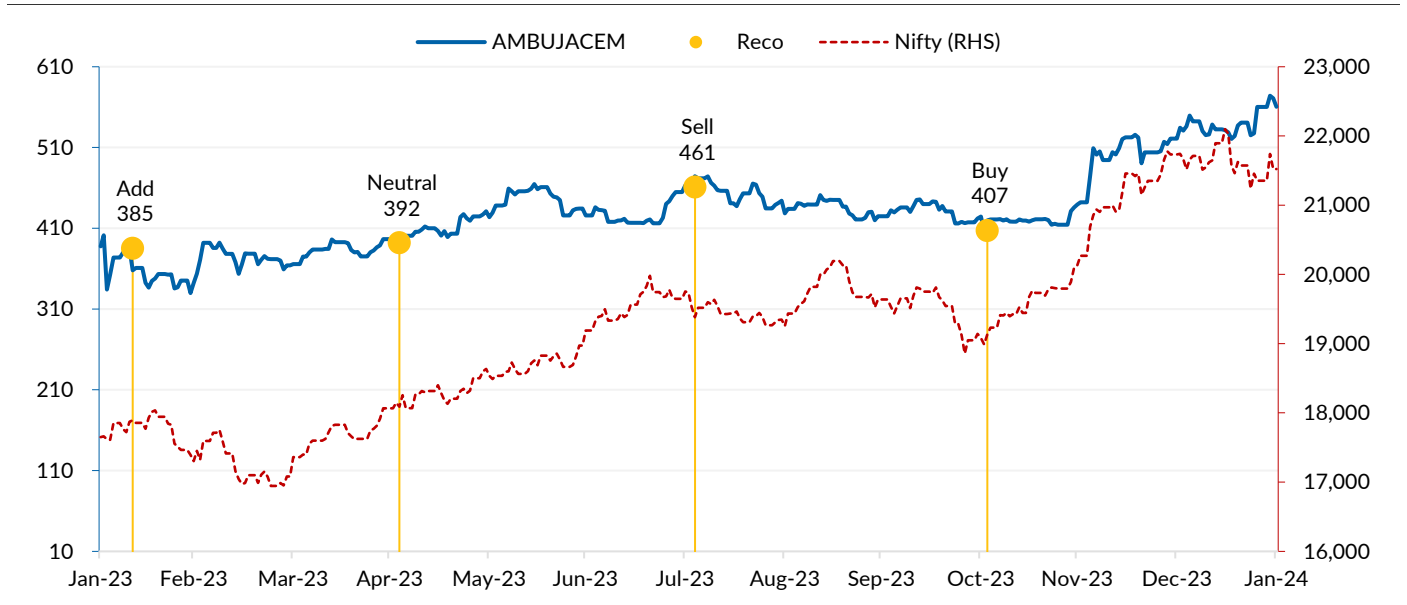
Source: Company, YES Sec

Exhibit 10: Ratio Analysis (Standalone)

Y/e 31 Dec	CY21	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Revenue	22.8	43.1	(8.2)	7.3	9.3
EBITDA	21.2	0.4	21.8	16.7	19.1
EBT	15.4	9.7	26.4	11.6	17.8
PAT	16.2	22.7	13.4	11.6	17.8
EPS	16.2	22.7	13.4	(10.0)	17.8
Profitability ratios (%)					
EBITDA (%)	23.0	16.1	21.4	23.2	25.3
EBIT (%)	21.1	16.7	21.5	22.4	24.0
PAT (%)	14.9	12.8	15.8	16.4	17.7
RoCE	13.2	11.7	12.8	9.1	10.0
RoE	9.4	9.0	9.4	6.6	7.3
RoA	25.2	29.6	27.0	22.6	23.6
Per share ratios (Rs)					
EPS	10.5	12.9	14.6	13.1	15.5
Dividend per share	6.3	2.5	2.5	2.5	2.5
Cash EPS	13.3	17.1	18.1	17.0	20.1
Book value per share	112	144	156	197	210
Payout (%)					
Dividend payout	60	19	17	19	16
Tax payout	25	16	25	25	25
Liquidity ratios					
Debtor days	147	83	83	83	83
Inventory days	54	43	43	43	43
Creditor days	6	8	8	8	8
Leverage ratios (x)					
Interest coverage	32.3	26.1	44.1	46.1	54.3
Net debt / equity	(0.7)	(0.5)	(0.5)	(0.6)	(0.6)
Net debt / EBITDA	(1.3)	(0.8)	(0.1)	(3.2)	(2.9)

Source: Company, YES Sec

Recommendation Tracker



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BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

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