

Ambuja Cements

Estimate change



TP change



Rating change




SAVE THE DATE
21st Aug - 25th Aug, 2023
Witness the unfolding of our
grandeur event,
as the curtain rises!
INDIA RISING | NATION ON THE MOVE

Bloomberg	ACEM IN
Equity Shares (m)	1986
M.Cap.(INRb)/(USDb)	915.3 / 11.1
52-Week Range (INR)	598 / 315
1, 6, 12 Rel. Per (%)	6/20/9
12M Avg Val (INR M)	5076
Free float (%)	36.9

Financial Snapshot (INR b)

Y/E Dec	FY23*	FY24E	FY25E
Sales	199.9	182.2	202.7
EBITDA	32.2	36.7	46.1
Adj. PAT	25.2	23.8	29.8
EBITDA Margin (%)	16.1	20.1	22.7
Adj. EPS (INR)	12.7	12.0	12.1
EPS Gr. (%)	18.2	-5.8	1.2
BV/Sh. (INR)	143.6	152.0	191.1

Ratios

Net D:E	-0.3	-0.2	-0.4
RoE (%)	18.4	13.5	11.1
RoCE (%)	20.4	14.0	11.5
Payout (%)	19.4	29.3	37.2

Valuations

P/E (x)	29.5	31.4	31.0
P/BV (x)	2.6	2.5	2.0
EV/EBITDA(x)	20.2	17.7	16.3
EV/ton (USD)	252	251	234
Div. Yield (%)	0.5	0.8	1.0
FCF Yield (%)	-0.1	-0.7	-0.1

*FY23 is 15m period due to change in accounting year

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	63.2	63.2	63.1
DII	14.4	14.7	15.2
FII	12.5	11.3	12.9
Others	9.9	10.9	8.7

FII Includes depository receipts

CMP: INR461

TP: INR450 (-2%)

Neutral

Higher volume and low opex drive better performance

Capacity expansion of 14mtpa to be completed in the next 24 months

- ACEM reported significantly higher EBITDA (23% above our estimate), led by strong volume growth and increased cost-reduction measures. EBITDA grew 39% YoY to INR9.5b (est. INR7.7b). EBITDA/t stood at INR1,045 (vs. est. INR984) and OPM surged 3pp YoY to 20% (est. 18.6%). Adj. PAT was down ~28% YoY, due to dividend income from ACC in the same quarter previous year.
- The management reiterated its expansion plan of doubling grinding capacity to 140mtpa by FY28. In the first phase, it has outlined capacity expansion of 14mtpa, which will be completed in the next 24 months. It targets sustainable cost reductions of INR400/t through lower energy, freight, and other costs.
- We raise our FY24E/FY25E EBITDA by 13%/12%, given the outperformance in 1QFY24. ACEM trades at 17.7x/16.3x FY24E/FY25E EV/EBITDA. We maintain our Neutral rating with a revised TP of INR450, based on 15x FY25E EV/EBITDA.

Sales volumes up 23% YoY; opex/t down 7% YoY

- ACEM's standalone revenue/EBITDA/adj. PAT stood at INR47b/INR9.5b/INR6.4b (up 18%/up 39%/down 28% YoY and 14%/23%/19% above our estimate). Sales volumes grew 23% YoY to 9.1mt (16% above estimate). Realization declined 4% YoY (2% below estimate).
- Opex/t declined 7% YoY, led by 25%/6% YoY decline in freight cost/other expense. While variable cost/t was up 2% YoY (5% below estimate), employee cost declined 15% YoY to INR1.3b.
- OPM was up 3pp YoY at 20%. EBITDA/t was up 13% YoY to INR1,045. Lower 'other income' was due to the absence of dividend income in this quarter.

Highlights from the management commentary

- Consolidated volume growth of 9% YoY in 1QFY24 was in line with the industry. It targets volume growth of 10-15% consolidated level in FY24. Cement prices have remained largely flat in this quarter.
- Kiln fuel costs fell 17% YoY to INR2.07/Kcal as the company benefitted from its tie-ups with different sources. Fuel cost will decline further with increasing usage of coal from its captive coal mines.
- Capex (consolidated) stood at INR5.7b in 1QFY24. Out of this, INR3b pertains to ACEM and the remaining INR2.7n for ACC. Capex is pegged at INR70b in FY24, out of which 60-65% is for ACEM and the remaining for ACC.

Valuation and view

- ACEM's (consolidated) cash balance increased INR410m (from Mar'23) to INR119b as of Jun'23, despite a capex of INR5.7b.
- The company has delivered strong performance, led by better volumes and increased cost-reduction measures. We will monitor the sustainability of cost-saving measures and the progress in improving profitability. Valuation at 17.7x/16.3x FY24E/FY25E EV/EBITDA appears rich. We maintain our Neutral rating on the stock with a revised TP of INR450, valued at 15x FY25E EV/EBITDA.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Standalone quarterly performance

(INR b)

Y/E December/March	FY23*					FY24				FY23*	FY24E	MOFSL 1QE	Var. (%)
	1Q	2Q	3Q	4Q	5Q	1Q	2QE	3QE	4QE				
Net Sales	39.3	39.9	36.7	41.3	42.6	47.3	41.8	45.1	47.9	199.9	182.2	41.4	(2)
Change (YoY %)	8.4	18.5	13.4	10.5	8.4	18.4	14.0	9.3	12.7	43.0	-8.8	3.7	
EBITDA	7.9	6.8	3.0	6.3	7.9	9.5	7.8	9.1	10.4	32.2	36.7	7.7	23
Margin (%)	20.2	17.1	8.3	15.2	18.5	20.1	18.5	20.1	21.6	16.1	20.1	18.6	145
Depreciation	1.5	1.5	1.6	1.6	2.0	2.3	2.0	2.0	2.1	8.3	8.5	1.6	50
Interest	0.2	0.3	0.2	0.3	0.3	0.4	0.3	0.4	0.4	1.3	1.5	0.2	72
Other Income	0.3	6.3	0.5	0.9	1.7	1.9	1.3	1.0	1.0	9.5	5.2	1.4	38
PBT before EO Item	6.5	11.4	1.7	5.3	7.2	8.7	6.7	7.6	8.9	32.1	31.9	7.3	19
Extraordinary Inc./ (Exp.)	0.0	0.0	-0.2	-0.6	-0.8	0.0	0.0	0.0	0.0	-1.6	0.0	0.0	
PBT after EO Exp./ (Inc.)	6.5	11.4	1.6	4.6	6.4	8.7	6.7	7.6	8.9	30.6	31.9	7.3	19
Tax	1.6	0.9	0.2	0.9	1.4	2.2	1.7	2.0	2.3	5.0	8.2	1.9	
Prior period tax adj and reversal	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	0.0	0.0	
Rate (%)	24.2	21.1	11.8	20.4	21.9	25.6	25.6	25.6	25.7	21.3	25.6	26.0	
Reported Profit	4.9	10.5	1.4	3.7	5.0	6.4	5.0	5.7	6.6	25.5	23.8	5.4	19
Adjusted PAT	4.9	9.0	1.5	4.1	5.6	6.4	5.0	5.7	6.6	25.2	23.8	5.4	19
Change (YoY %)	(25.6)	24.2	(66.2)	37.9	13.8	(28.2)	233.2	37.1	18.0	18.4	(5.8)	(39.9)	

Source: MOFSL, Company *Note: FY23 is 15-month period as the company changed its accounting year-end from December to March

Per tonne analysis

Y/E December/March	FY23*					FY24				FY23*	FY24E	MOFSL 1QE	Var. (%)
	1Q	2Q	3Q	4Q	5Q	1Q	2QE	3QE	4QE				
Volume	7.49	7.39	7.04	7.71	8.07	9.08	7.99	8.71	9.13	37.78	34.91	7.83	16
Change (YoY %)	3	15	14	8	8	23	13	13	13	12	16	6	
Blended Realization	5,243	5,404	5,213	5,352	5,273	5,209	5,235	5,180	5,253	5,290	5,219	5,291	(2)
Change (YoY %)	4.8	2.9	-0.2	2.6	0.6	-3.6	0.4	-3.2	-0.4	2.2	-1.3	-2.1	
Raw Material	708	435	420	970	1,077	972	910	910	950	732	937	800	22
Staff Cost	205	221	218	207	208	144	204	188	172	212	176	217	(34)
Power and fuel	1,377	1,786	2,009	1,570	1,281	1,290	1,260	1,185	1,139	1,592	1,218	1,500	(14)
Freight	1,160	1,224	1,192	1,084	1,155	1,153	1,170	1,188	1,177	1,160	1,172	1,120	3
Other expenditure	732	810	941	710	574	605	720	670	678	750	667	670	(10)
Total cost	4,183	4,478	4,780	4,540	4,296	4,164	4,266	4,145	4,122	4,445	4,169	4,307	(3)
EBITDA	1,059	926	432	812	977	1,045	969	1,035	1,130	845	1,050	984	6

Source: MOFSL, Company *Note: 15-month period due to change in accounting year from December to March; 2) Quarterly numbers of FY23 don't add up to full year numbers due to restatement of financials



Highlights from the management commentary

Capacity expansion and capex guidance

- It maintains its guidance of its doubling capacity to 140mtpa by FY28. In the first phase, the company has outlined capacity addition of 14mtpa, which will be completed in the next 24months. It has placed orders for two clinker lines of 4mtpa each for Bhatapara (Chhattisgarh) and Maratha (Maharashtra) locations. With these clinker lines, six grinding units will be commissioned at Sankrail, Kharagpur, Farakka (will be backed from Bhatapara unit), and Jalgaon, Amravati and Pune (will be backed from Maratha unit). It also plans to increase Bhatinda (Punjab) grinding unit capacity by 1mtpa.
- The expansion at ACC (subsidiary) of 3.1mtpa clinker and 1mtpa cement is nearing completion and should be commissioned in 2QFY24.
- The company is also planning to set up an integrated cement plant at Mundra, Gujarat with a clinker/cement capacity of 2.3mtpa/4mtpa. It has already procured land and environmental clearances. This plant's location offers a

significant competitive advantage, enabling multi-model logistic supply chain and easy access to abundant raw materials.

- Capex (consolidated) stood at INR5.7b in 1QFY24. Out of this, INR3b pertains to ACEM and the remaining INR2.7n for ACC. Cash and cash equivalent (consolidated) stood at INR119b as of Jun'23.
- Capex in FY24 is expected to be INR70b, out of which, 60-65% is for ACEM and the remaining for ACC. Capex includes both capacity expansion and cost-reduction initiatives.

Operational highlights

- The company has successfully achieved reduction in costs, driven by a 27% YoY decline in energy costs, made possible through strategic coal tie-ups. Additionally, kiln fuel costs declined 17% YoY to INR2.07/Kcal. Further cost reductions were achieved through measures such as optimizing packing costs, terminating technical know-how fees to the Holcim group, and implementing other effective cost-cutting measures.
- The company targets a cost reduction of INR400/t through reduced energy, freight, and other costs. Reduction in energy costs (targeting reduction of INR250/t) will be driven by increasing WHRS capacity to 175MW by 2QFY25, AFR share from 7.5% to 30% (15% by FY24), other renewable power (increasing solar power plants capacity to 200MW) and increasing production at captive coal mines (Gare Palma and Dahegaon Gowari).
- It targets INR100/t savings in logistics cost, through lead distance reduction (targeting average lead distance of 150Km from 170Km at present), warehouse footprint optimization by increasing direct dispatches (increased to 51% from 44% in Sep'22) and rail:road mix optimization.
- The company is aiming to achieve cost savings amounting to INR50/t. The company plans to undertake several strategic measures, such as realigning the employee hierarchy, eliminating redundancy in roles, implementing debottlenecking initiatives, and making changes to the product mix.
- ACEM's (consolidated volume growth) of 9% YoY in 1QFY24 was in line with the industry. With new capacity commissioning, it estimates a volume growth of 10-15% in FY24. Premium products volume grew 10% YoY.

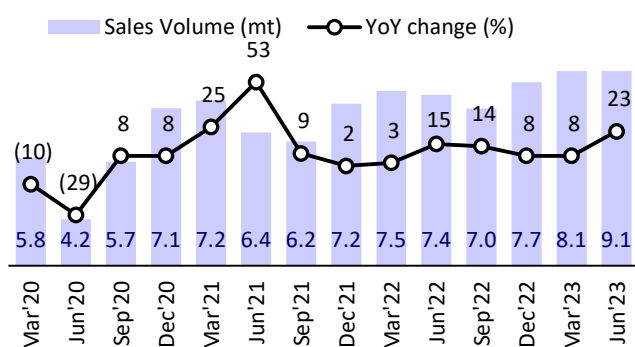
Exhibit 1: Revisions to our estimates

(INR b)	Revised		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	182.2	202.7	165.3	183.3	10	11
EBITDA	36.7	46.1	32.4	41.1	13	12
PAT	23.8	29.8	20.8	26.5	14	12
EPS (INR)	12.0	12.1	10.5	10.8	14	12

Source: Company, MOFSL estimates

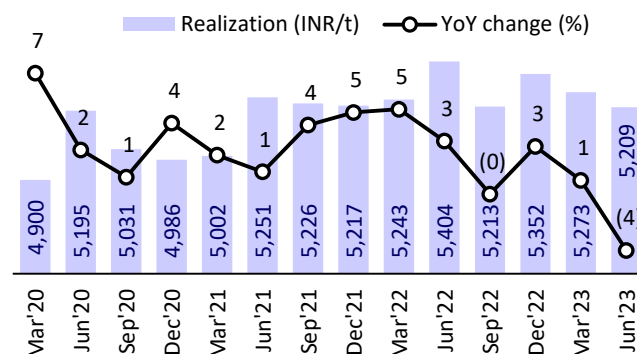
Story in charts

Exhibit 2: Sales volume (including clinker) up 23% YoY



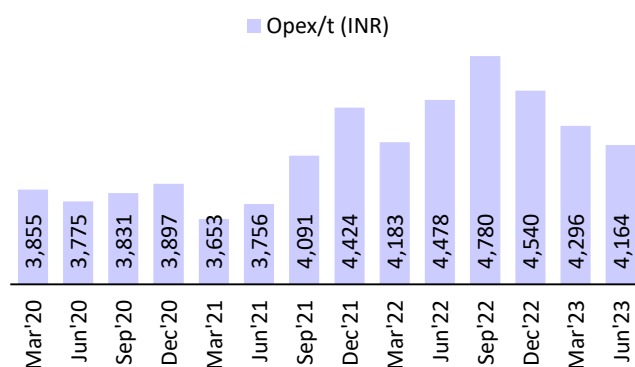
Source: Company, MOFSL; Note: FY23 is 15-month period

Exhibit 3: Realization declined 4% YoY



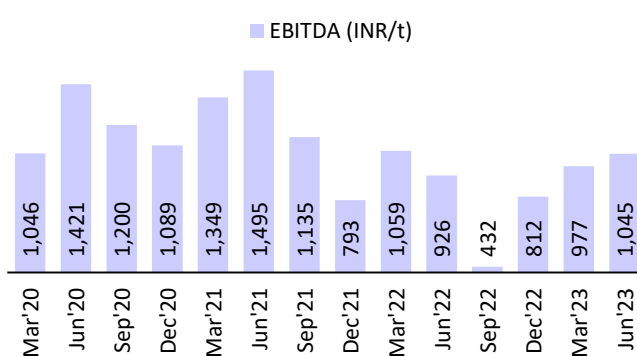
Source: Company, MOFSL; Note: FY23 is 15-month period

Exhibit 4: OPEX/t down 7% YoY and 3% QoQ



Source: Company, MOFSL; Note: FY23 is 15-month period

Exhibit 5: EBITDA/t was up 13% YoY



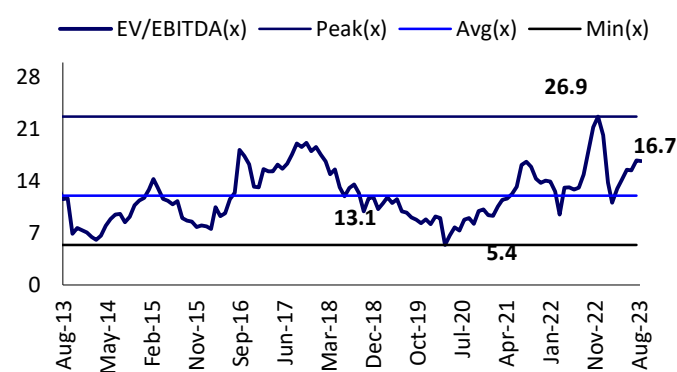
Source: Company, MOFSL; Note: FY23 is 15-month period

Exhibit 6: Key performance indicators – per ton analysis

INR/t	Jun'23	Jun'22	YoY (%)	Mar'23	QoQ (%)
Blended Realization	5,209	5,404	(4)	5,273	(1)
Raw Material	972	435	123	1,077	(10)
Staff Cost	144	221	(35)	208	(31)
Power and Fuel	1,290	1,786	(28)	1,281	1
Freight	1,153	1,224	(6)	1,155	(0)
Other exp.	605	929	(35)	574	5
Total Cost	4,164	4,478	(7)	4,296	(3)
EBITDA	1,045	926	13	977	7

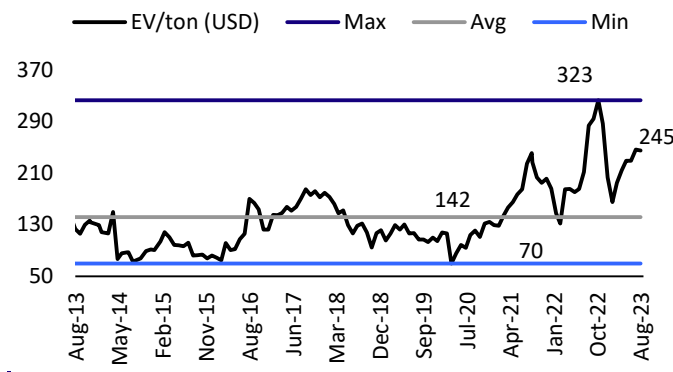
Source: Company, MOFSL

Exhibit 7: One-year forward EV/EBITDA chart



Source: Company, MOFSL

Exhibit 8: One-year forward EV/t chart



Source: Company, MOFSL

Standalone financials and valuations

Income Statement								(INR m)
Y/E December	CY17	CY18	CY19	CY20	CY21	FY23*	FY24E	FY25E
Net Sales	1,04,571	1,13,568	1,16,679	1,13,719	1,39,790	1,99,854	1,82,195	2,02,701
Change (%)	13.7	8.6	2.7	-2.5	22.9	43.0	-8.8	11.3
Total Expenditure	85,170	94,653	95,190	87,253	1,07,639	1,67,650	1,45,525	1,56,635
As a percentage of Sales	81.4	83.3	81.6	76.7	77.0	83.9	79.9	77.3
EBITDA	19,401	18,915	21,489	26,466	32,152	32,204	36,670	46,067
Change (%)	14.6	-2.5	13.6	23.2	21.5	0.2	13.9	25.6
Margin (%)	18.6	16.7	18.4	23.3	23.0	16.1	20.1	22.7
Depreciation	5,729	5,481	5,438	5,212	5,517	8,324	8,457	10,057
EBIT	13,672	13,434	16,050	21,254	26,634	23,880	28,212	36,009
Interest	1,072	823	835	831	910	1,280	1,458	1,541
Other Income – Rec.	3,591	3,391	4,265	3,720	2,812	9,523	5,170	5,617
PBT before EO Exp.	16,191	16,002	19,480	24,144	28,536	32,123	31,924	40,085
EO Exp./(Inc.)	0	-2,779	0	0	657	1,573	0	0
PBT after EO Exp.	16,191	18,781	19,480	24,144	27,879	30,551	31,924	40,085
Current Tax	4,107	4,780	5,730	6,520	6,908	4,964	8,173	10,262
Deferred Tax	-411	-869	-1,535	-278	139	52	0	0
Tax Rate (%)	22.8	20.8	21.5	25.9	25.3	16.4	25.6	25.6
Reported PAT	12,496	14,870	15,285	17,901	20,832	25,535	23,752	29,823
PAT Adj. for EO Items	12,496	12,091	14,415	17,901	21,323	25,212	23,752	29,823
Change (%)	34.0	-3.2	19.2	24.2	19.1	18.2	-5.8	25.6
Margin (%)	11.9	10.6	12.4	15.7	15.3	12.6	13.0	14.7

Balance Sheet								(INR m)
Y/E December	CY17	CY18	CY19	CY20	CY21	FY23*	FY24E	FY25E
Equity Share Capital	3,971	3,971	3,971	3,971	3,971	3,971	3,971	4,926
Money received against issue of warrants						50,000	50,000	
Total Reserves	1,95,761	2,06,154	2,18,081	1,99,187	2,18,078	2,31,084	2,47,886	4,65,670
Net Worth	1,99,732	2,10,125	2,22,052	2,03,159	2,22,049	2,85,055	3,01,857	4,70,596
Def. Liabilities	4,583	3,722	2,161	1,860	2,137	2,181	2,181	2,181
Total Loans	241	397	353	436	469	477	435	435
Capital Employed	2,04,557	2,14,244	2,24,565	2,05,454	2,24,655	2,87,713	3,04,473	4,73,212
Gross Block	69,035	73,721	80,435	86,658	1,08,864	1,26,928	1,49,428	2,06,928
Less: Accum. Depn.	11,816	17,085	22,310	27,343	32,407	40,731	49,188	59,245
Net Fixed Assets	57,220	56,636	58,125	59,315	76,457	86,198	1,00,240	1,47,683
Capital WIP	8,625	9,996	14,562	21,300	10,859	9,430	23,512	4,012
Investments in subsidiaries	1,18,151	1,18,138	1,17,890	1,17,877	1,17,647	1,17,667	1,17,667	1,17,667
Investments – Trade	15,128	2,305	6,537	788	5,266	17,180	17,180	17,180
Curr. Assets	47,144	64,792	72,793	55,534	71,348	1,28,567	1,17,874	2,59,888
Inventory	10,525	12,778	9,541	7,466	14,641	16,394	17,226	19,188
Debtors	3,080	4,703	5,132	1,915	2,947	5,649	6,425	7,157
Cash and Bank Bal.	20,189	31,045	40,638	28,500	36,942	68,280	54,729	1,92,799
Others	13,351	16,267	17,483	17,652	16,818	38,244	39,494	40,744
Curr. Liability and Prov.	41,712	37,623	45,342	49,360	57,173	71,328	72,001	73,218
Creditors	40,488	36,327	43,985	48,765	56,423	70,429	70,666	71,883
Provisions	1,223	1,296	1,357	595	750	899	1,335	1,335
Net Current Assets	5,433	27,169	27,451	6,174	14,176	57,239	45,874	1,86,670
Appl. of Funds	2,04,557	2,14,244	2,24,565	2,05,454	2,24,404	2,87,713	3,04,473	4,73,212

Source: Company, MOFSL; * Note: 15-month period due to change in accounting year from December to March

Standalone financials and valuations

Ratios

Y/E December/March	CY17	CY18	CY19	CY20	CY21	FY23*	FY24E	FY25E
Basic (INR)								
EPS	6.3	6.1	7.3	9.0	10.7	12.7	12.0	12.1
Cash EPS	9.2	8.8	10.0	11.6	13.5	16.9	16.2	16.2
BV/Share	100.6	105.8	111.8	102.3	111.8	143.6	152.0	191.1
DPS	3.6	1.5	1.5	18.5	6.3	2.5	3.5	4.5
Payout (%)	64.9	22.3	19.5	205.2	60.1	19.4	29.3	37.2
Valuation (x)								
P/E ratio		61.6	51.7	41.6	34.9	29.5	31.4	31.0
Cash P/E ratio		42.4	37.5	32.2	27.8	22.2	23.1	23.2
P/BV ratio		3.5	3.4	3.7	3.4	2.6	2.5	2.0
EV/Sales ratio		6.2	5.9	6.1	5.0	3.3	3.6	3.7
EV/EBITDA ratio		37.1	31.8	26.2	21.5	20.2	17.7	16.3
EV/t (Cap) - USD		288	281	285	268	252	251	234
Dividend Yield (%)		0.3	0.3	4.0	1.4	0.5	0.8	1.0
Return Ratios (%)								
RoE	15.8	13.8	14.6	18.7	22.3	18.4	13.5	11.1
RoCE	16.8	15.2	16.1	19.3	22.9	20.4	14.0	11.5
RoIC	18.2	18.9	23.6	35.3	41.0	26.3	20.9	20.0
Working Capital Ratios								
Asset Turnover (x)	0.5	0.5	0.5	0.6	0.6	0.7	0.6	0.4
Debtor (Days)	10.7	15.1	16.1	6.1	7.7	10.3	12.9	12.9
Inventory (Days)	37	41	30	24	38	30	35	35
Work Cap (Days)	19.0	87.3	85.9	19.8	37.0	104.5	91.9	336.1
Leverage Ratio (x)								
Current Ratio	1.1	1.7	1.6	1.1	1.2	1.8	1.6	3.5
Debt/Equity ratio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

Y/E December	CY17	CY18	CY19	CY20	CY21	FY23*	FY24E	FY25E
							(INR m)	
OP/(Loss) before Tax	16,191	15,061	19,480	24,144	27,879	30,551	31,924	40,085
Depreciation	5,729	5,481	5,438	5,212	5,517	8,324	8,457	10,057
Interest and Finance Charges	-58	-709	-1,515	-1,369	-214	-1,868	0	0
Direct Taxes Paid	-3,101	-6,251	-808	-4,648	-3,659	-3,346	-8,173	-10,262
(Inc.)/Dec. in WC	2,136	-6,166	3,877	3,676	-4,557	-7,855	-2,186	-2,726
CF from Operations	20,898	7,416	26,472	27,015	24,966	25,807	30,023	37,154
Others	-2,356	-2,406	-1,632	-952	-201	-5,711	0	0
CF from Operations incl. EO	18,541	5,009	24,840	26,062	24,765	20,096	30,023	37,154
(Inc.)/Dec. in FA	-5,427	-5,936	-11,114	-9,756	-11,430	-21,116	-36,581	-38,000
Free Cash Flow	13,115	-927	13,726	16,307	13,336	-1,020	-6,559	-846
(Pur.)/Sale of Investments	3,468	3,393	3,734	3,342	-4,096	-11,502	0	0
Others	-4,509	13,174	-3,999	5,819	2,370	7,744	0	0
CF from Investments	-6,468	10,631	-11,379	-595	-13,156	-24,874	-36,581	-38,000
Issue of Shares	0	0	0	0	0	0	0	955
Inc./(Dec.) in Debt	-793	216	0	-237	35	-31	-42	0
Interest Paid	-1,143	-513	-558	-633	-756	-679	0	0
Dividend Paid	-5,550	-4,498	-3,320	-36,646	-2,021	-12,514	-6,950	-11,084
Others	0	12	11	-88	-427	49,340	0	1,49,045
CF from Fin. Activity	-7,487	-4,784	-3,868	-37,604	-3,169	36,115	-6,992	1,38,916
Inc./Dec. in Cash	4,587	10,856	9,593	-12,137	8,441	31,338	-13,550	1,38,070
Opening Balance	15,602	20,189	31,045	40,638	28,500	36,942	68,280	54,729
Closing Balance	20,189	31,045	40,638	28,500	36,941	68,279	54,729	1,92,799

Source: Company, MOFSL; * Note: 15-month period due to change in accounting year from December to March

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