Ambuja Cement SELL

Weak result

Summary

Ambuja Cements (ACEM) Q4FY24 EBITDA came lower than estimate by 13%. This is led by decrease in cement prices. ACEM is expected to increase its capacity by 27% / 11% in FY25E and FY26E and currently the expansion programme is on track. ACEM is also planning to reduce opex and improve EBITDA by various methods. We retain TP and rating (SELL) on ACEM and prefer ACC (as its profitability is improving). On ACEM TP retained at Rs522 we value at 15x FY26EV/EBITDA and its ACC stake is valued at 20% discount to CMP. Overall capex intensity to remain high. For FY24, Capex stood at Rs70bn, for FY25 expecting Capex of Rs50-60bn. The capacity expansion plan for 140mtpa, will be funded by internal accruals & operating cashflows, the targets are set to reach 100mtpa by FY25, 120mtpa by FY26 & 140mtpa by FY28.

Result Highlights and Investment Rationale

- **Q4FY24 snapshot:** Standalone revenue at Rs47.8bn +12% YoY led by volume increase of 17% YoY. EBITDA/t was down QoQ at Rs 840 and is lower than reported by peers like Ultratech. PAT Stood At Rs5.4bn -6%%YoY/+7% QoQ. During Quarter Company completed acquisition of1.5mtpa GU in Tuticorin,TN, overall Ambuja Consol capacity has reached 78.9mtpa.

- **Capacity addition plans:** Company has target to reach the capacity of 140mtpa by FY28, the capacity is in progress ACEM is coming up with 35 new units. Two plants at Chandrpur of Maratha Cement 1 in Jalgaon & 1 in Amravati the contracts have been awarded and expect to commission in Q2FY26. Salai Banwa-2.4mtpa/Sindri-1.6mtpa/Marwar-2.4mtpa/ Mundra-4.8mtpa is on track expected completion by FY26. Apart from this 2 new units are proposed 1 in Hoshiarpur, Punjab & Pune,Maharashtra.

TP	Rs522
CMP	Rs625
Potential upside/downside	-17%
Previous Rating	SELL

Price Performance (%)

	-1m	-3m	-12m
Absolute	(1.4)	12.2	58.6
Rel to Sensex	(2.4)	8.7	37.0

V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	12	18
Consensus	18	22
% difference	*(34.4)*	*(18.1)*

Key Stock Data

Bloomberg/Reuters	ACEM IN / ABUJ.BO
Sector	Cement
Shares o/s (mn)	2,675
Market cap. (Rs mn)	1,673,041
3-m daily avg Trd value (Rs mn)	81.5
52-week high / low	Rs649 / 376
Sensex / Nifty	74,611 / 22,648

Shareholding Pattern (%)

Promoters	66.7
FII	11.1
DII	13.2
Public	9.0

Financial snapshot (Rs mn)

Year	CY21	15MFY23	FY24	FY25E	FY26E
Revenue	139,790	199,854	179,193	194,686	239,054
Change (yoy, %)	*23*	*43*	*(10)*	*9*	*23*
EBITDA	32,152	32,204	33,708	38,721	57,759
Change (yoy, %)	*22*	*0*	*5*	*15*	*49*
EBITDA Margin(%)	*23.0*	*16.1*	*18.8*	*19.9*	*24.2*
Adj.PAT	21,489	27,108	23,505	26,067	38,469
EPS (Rs)	11	14	11	12	18
Change (yoy, %)	*21.5*	*26.1*	*(22)*	*11*	*48*
PE(x)	57.7	45.7	58	53	36
Dividend Yield (%)	1.0	1.4	0	0	1
EV/EBITDA (x)	37.3	37.7	38.1	32.7	21.6
RoE (%)	10.1	10.7	7	7	9
RoCE (%)	12.2	9	7	7	11

Source: IDBI Capital Research

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Conference call highlights

- During the quarter ACEM acquired 1.5mtpa Grinding unit in Tuticorin, TN to improve the market share in southern India. ACEM & all subsidiaries consisting ACC & Sanghi industries will have intense commitment towards capacity expansion plans & the Adani group will try to cater 20% of the market share by FY28 from 14% currently.
- Company has target to reach the capacity of 140mtpa by FY28, the capacity is in progress ACEM is coming up with 35 new units,the 3 units at Bhatapara,CH are on track with 67% completion done expected to commission from Q4FY25. 2 plants at Chandrpur of Maratha Cement 1 in Jalgaon & 1 in Amravati the contracts have been awarded and expect to commission in Q2FY26. Salai Banwa-2.4mtpa/Sindri-1.6mtpa/Marwar-2.4mtpa/ Mundra-4.8mtpa is on track expected completion by FY26. Apart from this 2 new units are proposed 1 in Hoshiarpur, Punjab & Pune,Maharashtra.
- ACEM has planned to improve EBITDA/t by Rs400/t on cost efficiencies of WHRS capacity addition which has increased from 40mw in Q2FY23 to 186mw in Q4FY25E currently the capacity is at 134mw. Also company aims to reach a capacity of 100mw of Renewable energy of which 60% will be green power & this will help reduce cost by Rs90/t by FY28E. Further, Rs 50-60/t savings is expected from the logistics, by using GPWIS wagons and also company has ordered 26 DCFC rakes to transport fly ash smoothly to optimize the wastages. Rs50-60/t from Raw materials ACEM will bid for coal mines in Dahegoan Gowri & planning to use 80-90% captive coal by FY26 , Rs50-60/t from footprint optimization.
- The capacity expansion plan for 140mtpa, will be funded by internal accruals & operating cashflows, the targets are set to reach 100mtpa by FY25, 120mtpa by FY26 & 140mtpa by FY28.
- Sanghi cements currently has 2 klins accounting to 6.6mtpa but currently requires refurbishment & it will be done by H1FY24, & both klins will be 100% operational by H2FY25.
- For FY24, Capex stood at Rs70bn, for FY25 expecting Capex of Rs50-60bn
- Trade sales stood at 74% for Q4FY24 & the fuel cost stood at Rs1.84 p/kcal vs. Rs2.04 p/kcal in Q3FY24, also the freight costs at consol level were flat that is due t footprint optimization, & increase in direct dispatches to 54% in Q4FY24 vs. 52% in previous quarter. Share for premium products stood at 25% for Q4FY24.

Exhibit 1: Financial snapshot (Rs mn)

Particulars	Q4FY24	Q3FY24	*QoQ % Chg*	Q4FY23	*YoY % Chg*
Net Sales	**47,803**	**44,395**	***7.7***	**42,563**	***12.3***
EBITDA	**7,978**	**8,511**	***(6.3)***	**7,883**	***1.2***
EBITDA margin (%)	***16.7***	***19.2***	***-248bps***	***18.5***	***-183bps***
Other income	1,768	1,082	*63.4*	1,740	*1.6*
Depreciation	2,440	2,335	*4.5*	2,047	*19.2*
Interest	338	454	*(25.5)*	335	*1.0*
Pre tax profit	6,968	6,804	*2.4*	7,241	*(3.8)*
Tax	1,487	1,668	*(10.8)*	1,410	*5.5*
Profit after tax	**5,481**	**5,137**	***6.7***	**5,831**	***(6.0)***
Extra ordinary income/ (exp.)	(158)	-	*NA*	(807)	*NA*
Adjusted net profit	**5,323**	**5,137**	***3.6***	**5,024**	***5.9***

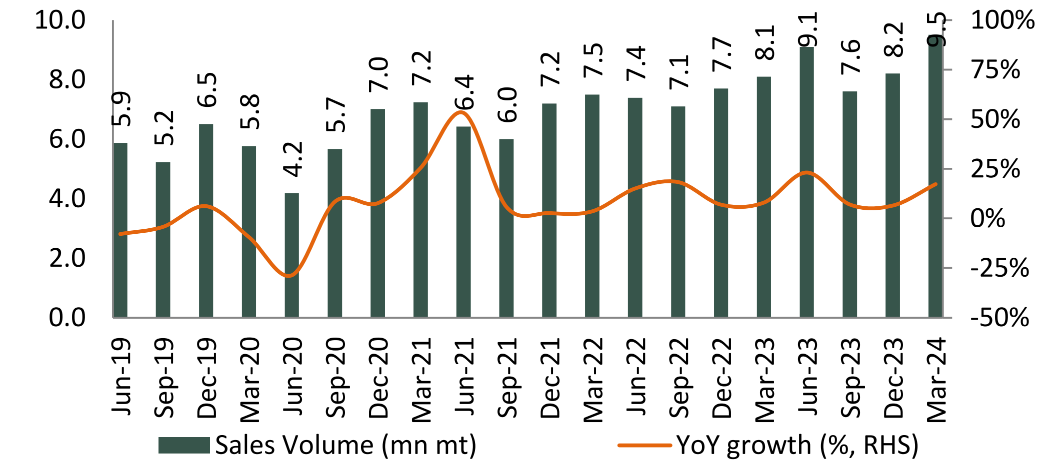
Source: Company; IDBI Capital Research

Exhibit 2: Operational snapshot

Year-end: December	Q4FY24	Q3FY24	*QoQ % Chg*	Q4FY23	*YoY % Chg*
Sales (mn mt)	**9.5**	**8.2**	***15.9***	**8.1**	***17.3***
Net realization Rs per mt	**5,032**	**5,414**	***(7.1)***	**5,255**	***(4.2)***
Total expenditure Rs per mt	**4,192**	**4,376**	***(4.2)***	**4,282**	***(2.1)***
Composite raw materials Rs per mt	1,468	1,375	*6.7*	1,073	*36.7*
Employees Cost Rs per mt	139	167	*(16.8)*	207	*(33.0)*
Power & Fuel Cost Rs per mt	934	1,047	*(10.7)*	1,277	*(26.8)*
Freight &Handling Expenses Cost Rs per mt	1,102	1,114	*(1.1)*	1,151	*(4.3)*
Other Expenditure Rs per mt	550	673	*(18.4)*	572	*(4.0)*
EBITDA Rs per mt	**840**	**1,038**	***(19.1)***	**973**	***(13.7)***

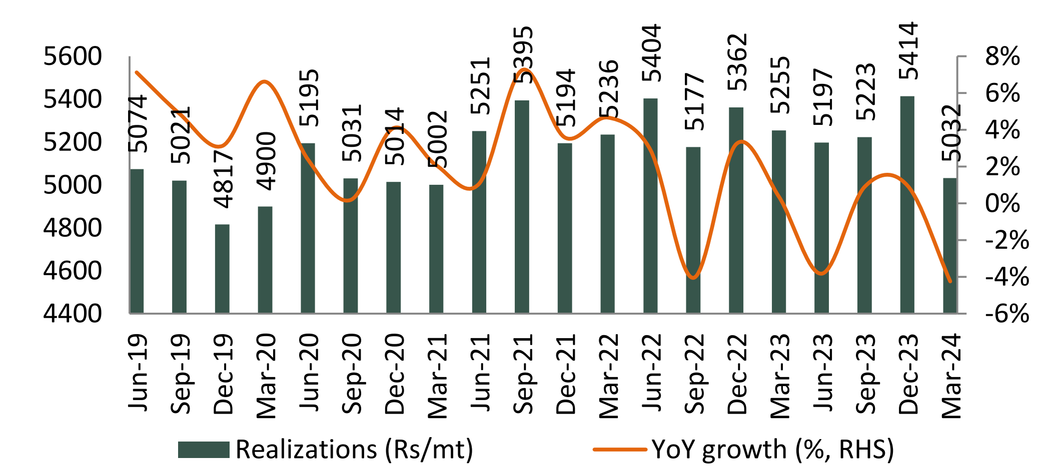
Source: Company; IDBI Capital Research

Exhibit 3: Q4FY24 volume up by 17% YoY



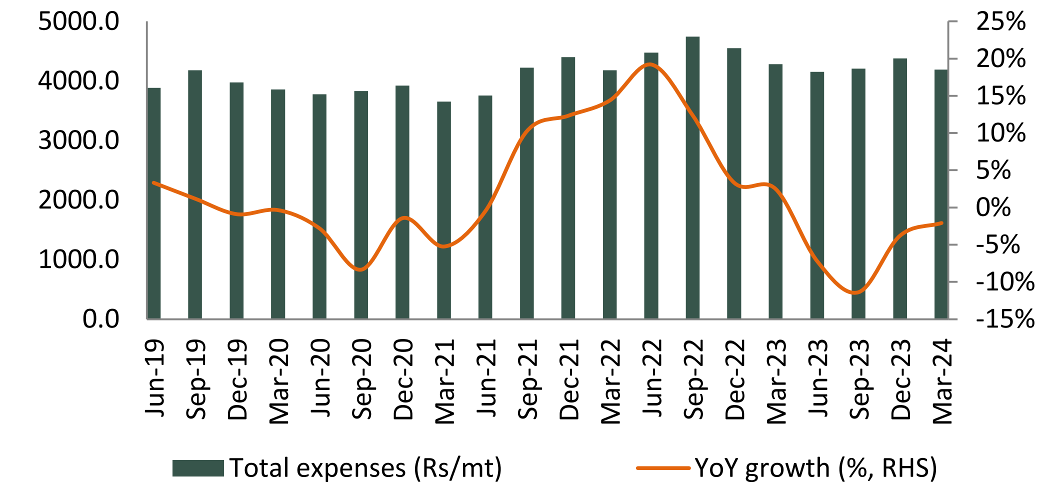
Source: IDBI Capital Research

Exhibit 4: Q4FY24 realizations down YoY



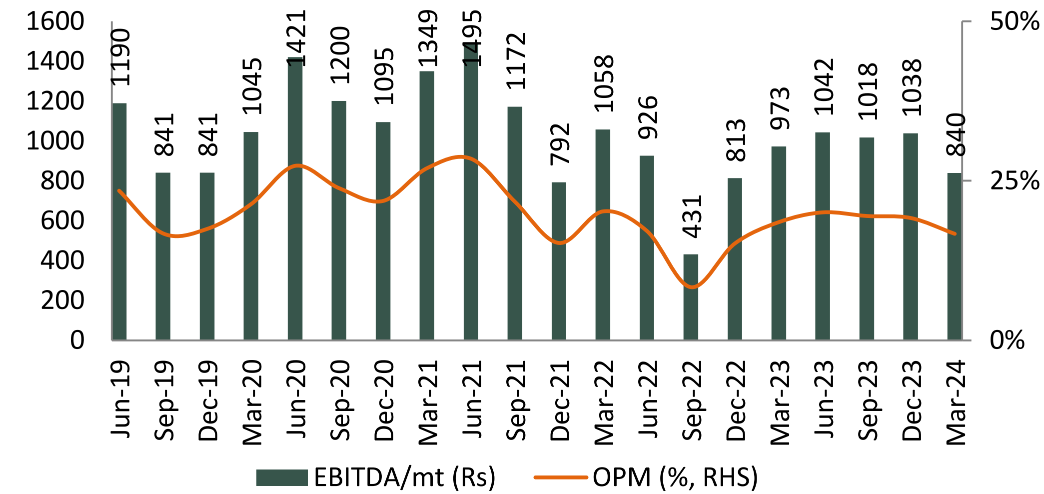
Source: IDBI Capital Research

Exhibit 5: Opex/t was down 4% YoY in Q4FY24



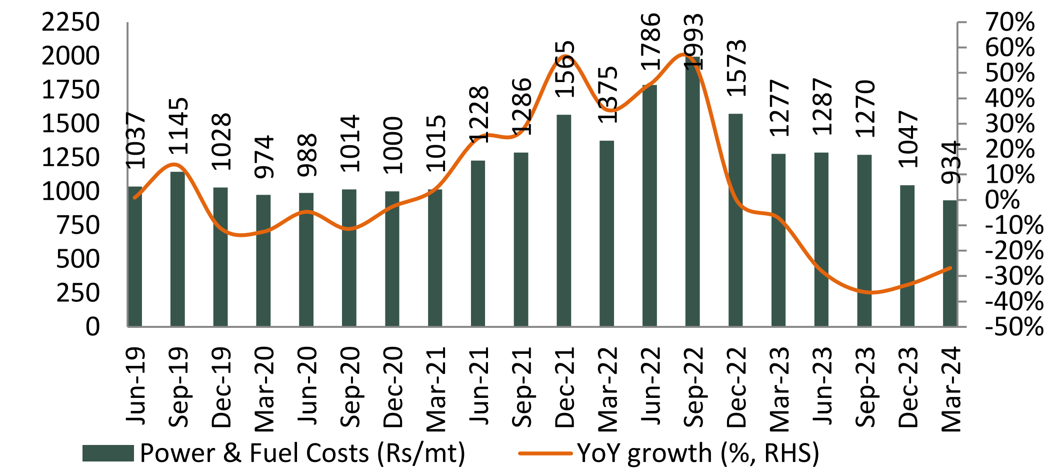
Source: IDBI Capital Research

Exhibit 6: EBITDA/t improved 17% YoY, margins at 17%



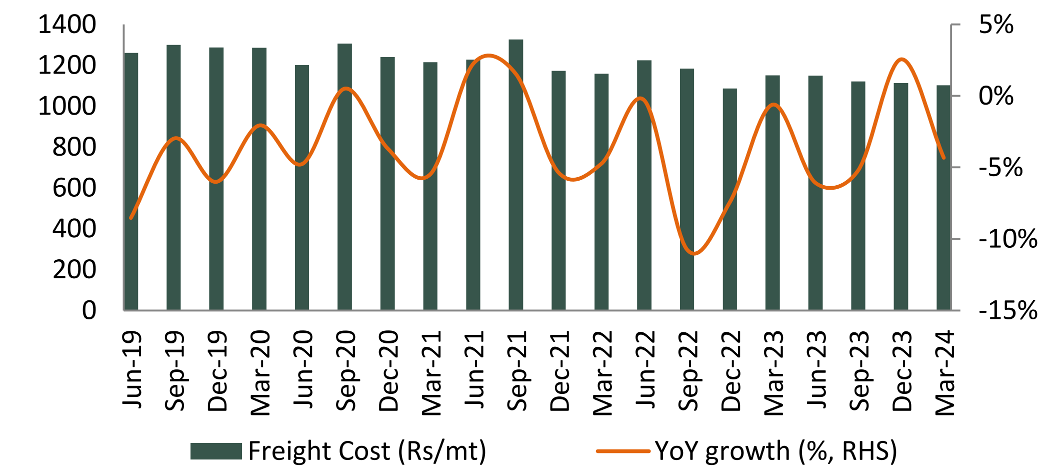
Source: IDBI Capital Research

Exhibit 7: Power/t -27% YoY



Source: IDBI Capital Research

Exhibit 8: Freight/t down by 4% YoY in Q4FY24



Source: IDBI Capital Research

Exhibit 9: Target Price

		FY26
EBITDA		57,759
EV/EBITDA Multiple		15
EV	A	8,66,387
Market Cap of ACC		4,74,952
Ambuja's Stake at 20% Disc	B	1,91,881
FY24 Net Cash	C	87,966
Total Equity value	A + B + C	11,46,234
Target Price		**522**

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	CY20	CY21	15MFY23	FY24E	FY25E	FY26E
Net sales	**113,719**	**139,790**	**199,854**	**179,193**	**194,686**	**239,054**
Change (yoy, %)	*(3)*	*23*	*43*	*(10)*	*9*	*23*
Operating expenses	(87,463)	(107,639)	(167,650)	(145,485)	(155,965)	(181,295)
EBITDA	**26,255**	**32,152**	**32,204**	**33,708**	**38,721**	**57,759**
Change (yoy, %)	*22*	*22*	*0*	*5*	*15*	*49*
Margin (%)	*23.1*	*23.0*	*16.1*	*18.8*	*19.9*	*24.2*
Depreciation	(5,212)	(5,517)	(8,324)	(9,380)	(11,343)	(14,072)
EBIT	**21,044**	**26,634**	**23,880**	**24,329**	**27,378**	**43,687**
Interest paid	(831)	(910)	(1,280)	(1,623)	(1,319)	(1,267)
Other income	3,720	2,812	9,523	8,526	8,697	8,871
Pre-tax profit	**23,933**	**28,536**	**32,123**	**31,233**	**34,756**	**51,291**
Tax	(6,243)	(7,047)	(5,016)	(7,728)	(8,689)	(12,823)
Effective tax rate (%)	*26.1*	*24.7*	*15.6*	*24.7*	*25.0*	*25.0*
Minority Interest	-	-	-	-	-	-
Net profit	**17,690**	**21,489**	**27,108**	**23,505**	**26,067**	**38,469**
Exceptional items	-	-	-	-	-	-
Adjusted net profit	**17,690**	**21,489**	**27,108**	**23,505**	**26,067**	**38,469**
Change (yoy, %)	*16*	*21*	*26*	*(13)*	*11*	*48*
EPS	8.9	10.8	13.7	10.7	11.9	17.5
Dividend per sh	18.0	6.3	9.0	2.0	2.6	3.9
Dividend Payout (%)	*202.1*	*58.2*	*66*	*19*	*22*	*22*

Balance Sheet (Rs mn)

Year-end: March	CY20	CY21	15MFY23	FY24E	FY25E	FY26E
Shareholders' funds	**203,159**	**222,049**	**285,055**	**370,065**	**390,390**	**420,385**
Share capital	3,971	3,971	3,971	4,395	4,395	4,395
Reserves & surplus	199,187	218,078	281,084	365,670	385,995	415,990
Total Debt	**436**	**435**	**342**	**189**	**189**	**189**
Other liabilities	5,784	5,777	9,409	6,389	6,389	6,389
Curr Liab & prov	**45,435**	**53,567**	**64,235**	**64,645**	**71,214**	**83,451**
Current liabilities	45,397	53,477	64,194	64,375	71,045	83,243
Provisions	39	90	41	270	169	208
Total liabilities	**51,655**	**59,779**	**73,986**	**71,223**	**77,792**	**90,029**
Total equity & liabilities	**254,814**	**281,828**	**359,041**	**441,288**	**468,183**	**510,414**
Net fixed assets	78,052	86,222	94,616	103,517	122,174	138,102
Investments	117,877	117,647	117,667	140,581	140,581	140,581
Other non-curr assets	14,531	10,155	34,293	47,129	47,129	47,129
Current assets	**44,353**	**67,805**	**112,464**	**150,061**	**158,299**	**184,603**
Inventories	7,466	14,641	16,394	15,903	17,545	21,543
Sundry Debtors	1,915	2,947	5,649	7,168	6,401	7,859
Cash and Bank	29,243	41,692	25,331	88,334	107,282	122,722
Loans and advances	5,728	8,524	65,090	38,656	27,072	32,478
Total assets	**254,814**	**281,828**	**359,040**	**441,288**	**468,183**	**510,414**

Cash Flow Statement

(Rs mn)

Year-end: March	CY20	CY21	15MFY23	FY24E	FY25E	FY26E
Pre-tax profit	24,144	27,879	30,551	31,233	34,756	51,291
Depreciation	5,212	5,517	8,324	9,380	11,343	14,072
Tax paid	(4,648)	(3,632)	(3,346)	(7,321)	(8,689)	(12,823)
Chg in working capital	3,676	(4,584)	(7,855)	1,567	5,695	6,779
Other operating activities	(2,321)	(415)	(7,578)	(7,127)	(7,378)	(7,604)
Cash flow from operations (a)	**26,062**	**24,765**	**20,096**	**27,574**	**35,727**	**51,716**
Capital expenditure	(9,778)	(11,430)	(21,116)	(19,932)	(30,000)	(30,000)
Chg in investments	(118)	192	(79,900)	(62,171)	8,697	8,871
Other investing activities	1,914	1,218	(77,708)	6,032	-	-
Cash flow from investing (b)	**(6,415)**	**(8,868)**	**(93,272)**	**(76,071)**	**(21,303)**	**(21,129)**
Equity raised/(repaid)						
Debt raised/(repaid)	(439)	(908)	(715)	48,613	(1,319)	(1,267)
Dividend (incl. tax)	(36,646)	(2,021)	(12,514)	(4,964)	(5,742)	(8,473)
Chg in monorities						
Other financing activities	(516)	(238)	(655)	(3,147)	-	-
Cash flow from financing (c)	**(37,601)**	**(3,167)**	**36,116**	**56,970**	**(7,060)**	**(9,740)**
Net chg in cash (a+b+c)	**(17,954)**	**12,730**	**(37,059)**	**8,473**	**7,364**	**20,846**

Financial Ratios

Year-end: March	CY20	CY21	15MFY23	FY24E	FY25E	FY26E
Book Value (Rs)	102	112	144	168	178	191
Adj EPS (Rs)	*8.9*	*10.8*	*13.7*	*10.7*	*11.9*	*17.5*
Adj EPS growth (%)	*16*	*21*	*26*	*-22*	*11*	*48*
EBITDA margin (%)	*23.1*	*23.0*	*16.1*	*18.8*	*19.9*	*24.2*
Pre-tax margin (%)	*21.0*	*20.4*	*16.1*	*17.4*	*17.9*	*21.5*
Net Debt/Equity (x)	*-0.1*	*-0.2*	*-0.1*	*-0.2*	*-0.3*	*-0.3*
ROCE (%)	*10*	*12*	*9*	*7*	*7*	*11*
ROE (%)	*8*	*10*	*11*	*7*	*7*	*9*
DuPont Analysis						
Asset turnover (x)	0.4	0.5	0.6	0.4	0.4	0.5
Leverage factor (x)	1.2	1.3	1.3	1.2	1.2	1.2
Net margin (%)	*15.6*	*15.4*	*13.6*	*13.1*	*13.4*	*16.1*
Working Capital & Liquidity ratio						
Inventory days	24	38	30	32	33	33
Receivable days	6	8	10	15	12	12
Payable days	37	39	34	36	39	41

Valuations

Year-end: March	CY20	CY21	15MFY23	FY24E	FY25E	FY26E
PER (x)	70.0	57.7	45.7	58.3	52.6	35.6
Price/Book value (x)	6.1	5.6	4.3	3.7	3.5	3.3
EV/Net sales (x)	10.6	8.6	6.1	7.2	6.5	5.2
EV/EBITDA (x)	46.1	37.3	37.7	38.1	32.7	21.6
Dividend Yield (%)	*2.9*	*1.0*	*1.4*	*0.3*	*0.4*	*0.6*

Source: Company; IDBI Capital Research

Notes

Dealing	(91-22) 6836 1111	dealing@idbicapital.com

Key to Ratings Stocks:

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

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