



BLAZING PICKS

FREQUENCY	ALLOCATION	DURATION	APPROX RETURNS	RISK	MAX OPEN CALLS
Every Monday	20% of capital on every call	3 months	15-20%	<10%	5

SALIENT FEATURES:

- 👍 Allocation based product – 20% of capital on every call
- 👍 For Short to Medium term clients
- 👍 Mid Cap & Large Cap quality stocks
- 👍 Company with growth prospects and compliance free
- 👍 Moderate risk product

Key Data

NSE / BSE Code	AMBUJACEM
Sector	Cement
Industry	Cement
Face value / Book Value (₹ per share)	2 / 139
Dividend yield	0.75
52 H/L (₹)	244 / 188
Market Cap. (₹ mn)	399,015.4
Shares Outstanding (mn)	1990
2W Avg Traded Volume (lacs)	0.96

Key Ratios

	FY16	FY17	FY18	FY19
P/E (x)	39.05	37.05	35.51	20.46
P/B (x)	3.07	2.07	2.60	1.99
EV/Sales	3.04	1.81	2.02	1.47
EV/EBITDA	15.16	9.84	11.40	8.71
ROCE	12.40	14.60	14.60	14.27
ROE	7.95	9.46	9.54	13.75

Earnings Summary

(In ` Cr)	FY16	FY17	FY18	FY19
Net Sales	9451.37	20131.93	23608.69	26040.94
Sales Growth	-5.24	113.01	17.27	10.30
EBITDA	1928.27	1542.26	3181.19	3850.44
EBITDA Margin	17.58	16.14	16.53	16.83
PAT	807.88	1422.76	1932.11	2960.16
PAT Margin	7.49	6.20	7.64	11.37
EPS (₹)	5.21	5.57	7.64	10.97

Ambuja Cement Ltd.

CMP:201

► Ambuja Cements Ltd, a part of the global conglomerate LafargeHolcim, is among the leading cement companies in India. Ambuja Cement has provided hassle-free, home-building solutions with its unique sustainable development projects and environment-friendly practices since it started operations. Currently, Ambuja Cement has a cement capacity of 29.65 million tonnes with five integrated cement manufacturing plants and eight cement grinding units across the country.

► The company has many firsts to its credit – a captive port with four terminals that has facilitated timely, cost-effective, cleaner shipments of bulk cement to its customers. To further add value to our customers, the company has launched innovative products like Ambuja Plus Roof Special, Ambuja Plus Cool Walls and Ambuja Compecem. The new products not only fulfil important customer needs but also help in significantly reducing carbon footprints.

► **Upbeat realisation partly offset weakness in volumes:** Revenue was up 3.4% YoY to Rs. 7,069cr in Q2CY19, driven by growth in premium products. Average realisation improved 8.1% YoY to Rs. 5,429/tonne while sales volumes declined 4.3% to 13.02MT due to subdued demand in northern and western regions, slow pace of construction activities and liquidity issues in the market across India during the quarter. We expect a gradual increase in sales volume in CY19-20, led by improvements in infrastructure projects across the country.

► **Margins supported by lower costs and improved product mix:** Q2CY19 EBITDA rose 14.7% YoY to Rs. 1,484cr, beating the street estimates by 20.0%. EBITDA margins expanded 210bps YoY to 21.0%, primarily driven by healthy realisation (+8.1% YoY to Rs. 5,429/tonne), which more-than-offset higher costs (+5.4% YoY to Rs. 4,290/tonne). Raw material cost surged 26.3% to Rs. 693/tonne. Also, power and fuel cost rose 1.3% to Rs. 1,426cr, on account of rise in fuel cost, partially offset by increase in alternative fuel consumption. Meanwhile, freight & forwarding expense per tonne decreased 2.7% YoY to Rs. 1,368, driven by network optimisation, re-negotiations of contracts and change in mode mix .

► **Concall highlights:** Company expects foreign institutional investment in real estate investment trusts (REITs) and infrastructure investment trusts (INVITs) to indirectly benefit the cement industry. An infrastructure related move in the Union Budget 2019 could benefit the real estate industry, which may, in turn, increase cement demand. Management believes, optimised product portfolio, material source mix, reduction in lead distance and better planning for fuel source mix to boost profit margins.

► **Valuation:** Ambuja is trading at a EV/EBITDA valuation of 8x PE. We recommend a buy with the target price of Rs. 225.

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