

## Weak performance on every count

CMP:	Rs. 197
Target Price	Rs. 160
Rating:	Reduce

Ambuja reported weak earnings for quarter as profit after tax declined 45% yoy and 49% qoq to Rs 166cr. Adjusted for exceptional gain of Rs 25cr, PAT would have come lower by 61% yoy and 54% qoq, respectively.

Volumes declined 9.1% qoq to 4.9mn tonnes, while it rose 2.1% yoy. Realisation drop of 6% qoq came in more than expectation of 1.5% qoq decline. We attribute this to significantly higher exposure (~80% of volumes) to North and Western region, where demand and realisations were weakest in particular. Blended realisation for the quarter was at Rs 4100 per tonne. Effectively, Ambuja reported 7% yoy and 15% qoq drop in revenues at Rs 2017cr.

### Stock Info

BSE Group	A
BSE Code	500425
NSE Symbol	AMBUJACEM
Bloomberg	ACEM.IN
Reuters	ABUJ.BO
BSE Sensex	20768
NSE Nifty	6178

### Market Info

Market Capital	₹ 30068cr
Equity Capital	₹ 208 cr
Avg. Trading Vol.	194040
52 Wk High/ Low	220/148
Face Value	2

### Shareholding Pattern (%) (30<sup>th</sup> Sep.2013)

Promoters	50.6
Domestic Institutions	10.2
Foreign Institutions	28.7
Non Promoters Corp.	3.1
Public & Others	7.4

### Per tonne cost analysis:

Operating cost per tonne increased 3.8% qoq (Rs 132 per tonne) to Rs 3578 per tonne. Within cost elements, raw material cost per tonne increased 117% qoq, to Rs 415 per tonne, employee cost by 8% to Rs 934 per tonne and other expenses by 7% to Rs 890 per tonne. However, 10% qoq decline in power & fuel cost (Rs 934 per tonne) and 6% qoq decline freight cost (Rs 1073 per tonne) averted significant drop in EBITDA per tonne. Effectively, EBITDA per tonne came in at Rs 548 per tonne (2Q13: Rs 972 per tonne, 3Q12: Rs 1090 per tonne) and EBITDA margin at 13.3% (-870bps qoq and -1080bps yoy).

### Valuations:

After reporting weak quarter, revival of Ambuja's margins is now depend upon pickup in construction activity; housing sector in particular. Ambuja derives ~80% of its volumes in trade segment and thus meaningfully linked to demand from housing sector. We expect better crop, on account of healthy monsoon, could drive up demand from housing projects in semi-urban and rural areas. Nonetheless, we see overall margins profile to remain weak as compared to its historically EBITDA margins of above 24%. We have valued stock on EV/EBITDA(x) of 9.5x its CY14 estimates and arrived at fair value of Rs 160 per share. We maintain Reduce recommendation on stock.

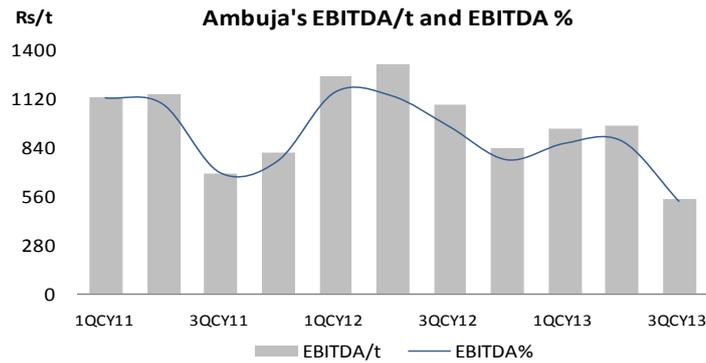
### Financials:

(Rs Cr)	CY11	CY12	CY13E	CY14E
Net Revenue	8,554	9,730	9,390	10,294
EBITDA	1977	2473	1736	2172
Reported PAT	1229	1297	1095	1398
Reported EPS	8.0	8.4	7.1	9.1
EPS Growth (%)	(3)	5	(15)	28
RONW (%)	15.2	14.9	11.8	13.9
P/E (x)	24.6	23.4	27.6	21.6
EV/EBITDA (x)	13.9	10.7	15.5	12.1

Date: 23-10-2013



	1QCY11	2QCY11	3QCY11	4QCY11	1QCY12	2QCY12	3QCY12	4QCY12	1QCY13	2QCY13	3QCY13
Realisation (Rs/t)	3981	4167	3905	4202	4261	4632	4519	4316	4388	4360	4100
RM	688	754	725	844	634	754	882	889	767	834	890
Employee cost	170	210	223	226	167	223	240	255	225	245	266
Power & Fuel	867	1079	1071	850	1014	1081	1169	1021	947	1033	934
S&D Exp	915	953	900	915	974	1060	1051	1085	1203	1142	1073



Rs in Crore	3QCY13	3QCY12	YOY (%)	2QCY13	QoQ (%)
<b>Net Sales</b>	<b>2017</b>	<b>2169</b>	<b>-7</b>	<b>2377</b>	<b>-15</b>
<b>Expenditure</b>	<b>1750</b>	<b>1647</b>	<b>6</b>	<b>1854</b>	<b>-6</b>
EBITDA	268	522	-49	523	-49
<b>EBITDA Margins (%)</b>	<b>13.3</b>	<b>24.1</b>		<b>22.0</b>	
<b>Other Income</b>	<b>81</b>	<b>89</b>	<b>-9</b>	<b>74</b>	<b>10</b>
<b>Interest</b>	<b>18</b>	<b>17</b>	<b>8</b>	<b>17</b>	<b>4</b>
<b>Depreciation</b>	<b>125</b>	<b>137</b>	<b>-9</b>	<b>122</b>	<b>2</b>
<b>Exceptional Items (Loss)</b>	<b>25</b>	<b>0</b>		<b>0</b>	
<b>PBT after exceptional items</b>	<b>232</b>	<b>457</b>	<b>-49</b>	<b>458</b>	<b>-49</b>
<b>Tax</b>	<b>66</b>	<b>154</b>	<b>-57</b>	<b>134</b>	<b>-51</b>
<b>Tax rate (%)</b>	<b>28%</b>	<b>34%</b>		<b>29%</b>	
<b>PAT after EI</b>	<b>166</b>	<b>304</b>	<b>-45</b>	<b>324</b>	<b>-49</b>
<b>Net Profit Margin (%)</b>	<b>8%</b>	<b>14%</b>		<b>14%</b>	
<b>EPS (Rs)</b>	<b>1.1</b>	<b>2.0</b>	<b>-45</b>	<b>2.1</b>	<b>-49</b>

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**Stock Rating Scale****Absolute Return**

BUY	:	>20%
ACCUMULATE	:	12-20%
HOLD	:	5-12%
NEUTRAL	:	0-5%
REDUCE	:	< 0%

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