QUARTERLY UPDATE

May 17, 2013

Ambuja Cements Ltd.

BSE Code: 500425 **NSE Code:** AMBUJACEM **Reuters Code:** ABUJ.NS **Bloomberg Code:** ACEM:IN

Ambuja Cements Ltd (ACL), India leading cement producing company, with its headquarters in Mumbai, Maharashtra, was established in 1986. The company operates in one segment - Cementitious Materials. The types of cement produced by the company include Portland Pozzolano Cement (PPC) and Ordinary Portland Cement (OPC).

Investor's Rationale

Top-line remained pressurized in Q1CY'13, down by 3.3% YoY - ACL registered a marginal decline in its net sales by 3.3% YoY to ₹25.4 bn in Q1CY'13 as against ₹26.3 bn in the corresponding quarter previous year mainly on account of poor demand in market and higher operating expenses. Although the realization remained stable YoY, the dispatches witnessed YoY de-growth causing deterioration in the top-line. Rather the realization is also witnessing downward pressure as it has sharply come down compared to the previous quarter. During the quarter, the cement volumes fell 4% to 5.8 mn tonnes, while the blended realization marginally improved to 4,388 per tonne in Q1CY'13 as compared to 4,353 in Q1CY'12.

Net profit surged 56.3% YoY backed by higher other income - ACL posted an increase in its net profit by 56.3% YoY to ₹4.9 bn in Q1CY'13 as other income grew 60.8% YoY to ₹1.5 bn against ₹0.9 bn in the same period a year ago. Moreover, decline in financial expenses like taxation, interest and depreciation charges also boosted the bottom-line. Taxation charges fell 37.7% YoY to ₹0.8 bn, while interest and depreciation charges declined 21.2% and 0.4% YoY to ₹0.1 bn and ₹1.2 bn, respectively. Consequently, NPM expanded by 665bps YoY to 18.0% in Q1CY'13 against 11.4% in Q1CY'12.

EBITDA margin contracted 727bps YoY on higher other and freight expenses - The company reported a fall in EBITDA by 27.8% YoY to ₹5.5 bn in Q1CY'13 against ₹7.7 bn in the same quarter previous year. This was due to a massive rise (as a percentage of net sales) in other expenses and freight charges by 273bps and 244bps YoY to 17.5% and 25.3% from 14.7% and 22.9%, respectively. Rise in freight charges was caused by the recent increase in diesel prices. As a result, OPM contracted 727bps YoY to 21.6% in Q1CY'13 against 28.9% in Q1CY'12.

Expansion plans - The company has announced its expansion plans for its Sankrail grinding unit. The Sankrail plant's expansion programme includes an investment of ₹3,250 mn where the capacity would increase from its present capacity of 1.5 mn tonne per annum to 2.4 mn tonne cement per annum.

Market Data

Rating		BUY
CMP (₹)		190.5
Target Price		230
Stop Loss		170
Duration		Short-term
52-week High-Low (₹)		223/136
Rise from 52WL (%)		40.3
Correction from 52WH (%)		(14.6)
Beta		1.0
1 year Average Volume (mn)		2.4
Stock Return (%)	3M-	(0.8)
	6M-	(6.1)
	1Y-	32.3
Market Cap (₹bn)		294.0
Book Value (₹)		57.1

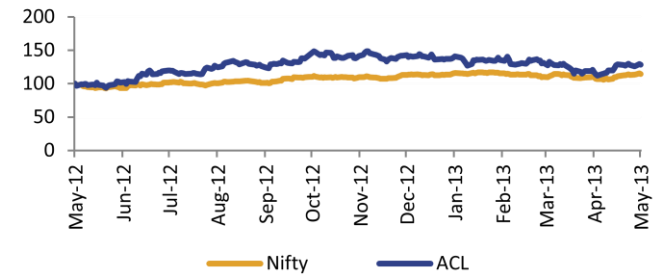
Shareholding Pattern

	Mar'13	Dec'12	Chg
Promoters (%)	50.6	50.6	-
FII (%)	30.1	28.8	1.3
DII (%)	8.5	9.5	(1.0)
Public & Others (%)	10.8	11.1	(0.3)

Quarterly Performance (Standalone)

(₹bn)	Q1 CY'13	Q1 CY'12	Q4 CY'12	YoY Change(%)	QoQ Change(%)
Revenue	25.4	26.3	23.1	(3.3)	10.0
Op. exp	20.0	18.8	18.9	6.3	6.3
EBITDA	5.5	7.7	4.5	(27.8)	22.9
OPM (%)	21.6	28.9	19.3	(727bps)	236bps
Net profit	4.9	3.1	2.1	56.3	130.2
NPM (%)	18.0	11.4	8.7	665bps	928bps
EPS (₹)	3.2	2.0	1.4	55.2	129.9

One Year Price Chart



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