# AMBUJA CEMENTS

nuvama institutional equities

VISIT NOTE

## KEY DATA

| Rating | BUY |
|---|---|
| Sector relative | Outperformer |
| Price (INR) | 581 |
| 12 month price target (INR) | 694 |
| 52 Week High/Low | 707/453 |
| Market cap (INR bn/USD bn) | 1,422/16.6 |
| Free float (%) | 27.0 |
| Avg. daily value traded (INR mn) | 1,548.4 |

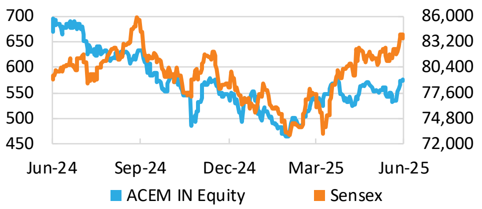
## SHAREHOLDING PATTERN

| | Mar-25 | Dec-24 | Sep-24 |
|---|---|---|---|
| Promoter | 67.57% | 67.57% | 67.57% |
| FII | 8.6% | 9.14% | 10.61% |
| DII | 17.09% | 16.41% | 14.98% |
| Pledge | 0% | 0% | 0% |

## FINANCIALS (INR mn)

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Revenue | 3,31,596 | 3,42,184 | 4,56,361 | 4,98,964 |
| EBITDA | 63,995 | 51,443 | 78,669 | 96,107 |
| Adjusted profit | 45,463 | 51,656 | 52,645 | 60,798 |
| Diluted EPS (INR) | 20.7 | 21.0 | 21.4 | 24.7 |
| EPS growth (%) | 26.0 | 1.4 | 1.9 | 15.5 |
| RoAE (%) | 17.7 | 12.3 | 9.1 | 10.2 |
| P/E (x) | 21.8 | 25.5 | 25.0 | 21.6 |
| EV/EBITDA (x) | 15.5 | 26.3 | 17.5 | 14.4 |
| Dividend yield (%) | 0.4 | 0.4 | 0.4 | 0.4 |

## PRICE PERFORMANCE




# On the right track

We interacted with management of Ambuja Cements (ACEM) during the recent Mundwa plant visit in Rajasthan. Takeaways: i) Adani group capacity has touched ~103MnT and is poised to reach 140MnT by FY28E. ii) On track to achieve cost savings of ~INR500–550/t by FY28E. iii) Aspires for 25% YoY volume growth in FY26E aided by acquisitions. iv) ACEM believes prices have bottomed. v) Expects market share to grow from 14.5% currently to 17–18% by FY28E and 20%-+ by FY30E. vi) On track to commission 1GW of green power by Jun-26.

We like ACEM due to its healthy capex plans and measures being undertaken for cost efficiency improvement. Retain 'BUY' with an unchanged TP of INR694 based on EV/EBITDA valuation of 20x FY27E.

### Industry outlook positive

Management expects capacity utilisation of the industry to improve marginally. The company expect cement demand to be healthy driven by government spending on infra projects. It believes prices have bottomed. ACEM expects market share (14.5% currently) to improve by ~100bp in FY26E and reach 17–18% by FY28E and 20%-plus by FY30E.

### Capex trajectory remains intact

The Adani group cement business successfully crossed ~100MnT capacity (currently at 102.8MnT) and is on course to reach 118MnT by FY26E and 140MnT by FY28E (clinker capacity shall reach 107MnT by FY28E). The company has commissioned 375MW of green power and expects to reach 1GW capacity by Jun-26. It aims to meet 60% of the power requirement via green power by FY30E (21% currently). The capex on greenfield capacity, which is being set up is ~USD75–80/t.

### Cost-saving measures to drive EBITDA improvement

Management reiterated their guidance to reduce costs by INR500–550/t by FY28E. The major levers shall be power & fuel costs (INR280–300/t), freight cost (INR100/t), raw material cost (INR100/t) and other expenses in the form of admin/overhead cost and initiatives in digitalisation (INR50–100/t). FY26E would report some improvement in the cost structure while FY27E/28E shall post a major reduction. Management feels that acquisition challenges are behind it and profitability should improve backed by: i) increasing digitisation; ii) synergies from Adani group companies; iii) higher share of RE power; iv) improved logistics, lower lead distance, better use of marine transport; v) increase in share of premium cement (currently at 29% of trade sales; aim is to reach 35% in FY26).

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# Financial Statements

### Income Statement (INR mn)

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Total operating income | 3,31,596 | 3,42,184 | 4,56,361 | 4,98,964 |
| Gross profit | 1,95,482 | 1,93,431 | 2,63,091 | 2,90,796 |
| Employee costs | 13,528 | 14,034 | 15,612 | 16,765 |
| Other expenses | 1,17,959 | 1,27,954 | 1,68,810 | 1,77,925 |
| EBITDA | 63,995 | 51,443 | 78,669 | 96,107 |
| Depreciation | 16,279 | 24,783 | 34,027 | 41,410 |
| Less: Interest expense | 2,764 | 2,159 | 2,155 | 2,368 |
| Add: Other income | 11,664 | 34,806 | 27,886 | 28,920 |
| Profit before tax | 58,961 | 59,224 | 70,353 | 81,248 |
| Prov for tax | 11,615 | 7,640 | 17,708 | 20,450 |
| Less: Other adjustment | 0 | 0 | 0 | 0 |
| Reported profit | 47,346 | 51,584 | 52,645 | 60,798 |
| Less: Excp.item (net) | (1,883) | 72 | 0 | 0 |
| Adjusted profit | 45,463 | 51,656 | 52,645 | 60,798 |
| Diluted shares o/s | 2,198 | 2,463 | 2,463 | 2,463 |
| Adjusted diluted EPS | 21 | 21 | 21 | 25 |
| DPS (INR) | 2.0 | 2.0 | 2.0 | 2.0 |
| Tax rate (%) | 19.7 | 12.9 | 25.2 | 25.2 |

### Balance Sheet (INR mn)

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Share capital | 4,395 | 4,926 | 4,926 | 4,926 |
| Reserves | 4,10,121 | 6,33,188 | 6,80,907 | 7,36,779 |
| Shareholders funds | 4,14,517 | 6,38,114 | 6,85,833 | 7,41,705 |
| Minority interest | 93,908 | 0 | 0 | 0 |
| Borrowings | 7,739 | 8,812 | 8,900 | 8,989 |
| Trade payables | 94,309 | 1,10,692 | 1,22,376 | 1,35,217 |
| Other liab & prov | 26,979 | 27,761 | 27,761 | 27,761 |
| Total liabilities | 6,51,036 | 8,09,454 | 8,69,186 | 9,38,231 |
| Net block | 1,99,866 | 2,46,563 | 3,16,212 | 3,76,212 |
| Intangible assets | 1,22,077 | 1,79,215 | 1,79,215 | 1,79,215 |
| Capital WIP | 26,585 | 98,204 | 1,09,528 | 1,19,528 |
| Total fixed assets | 3,48,528 | 5,23,982 | 6,04,955 | 6,74,955 |
| Non current inv | 34,086 | 56,292 | 56,292 | 52,292 |
| Cash/cash equivalent | 1,11,216 | 79,943 | 54,644 | 54,445 |
| Sundry debtors | 11,896 | 15,903 | 17,369 | 19,009 |
| Loans & advances | 52,801 | 19,009 | 19,109 | 18,109 |
| Other assets | 27,998 | 39,886 | 39,986 | 38,986 |
| Total assets | 6,51,036 | 8,09,454 | 8,69,186 | 9,38,231 |

### Important Ratios (%)

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| EBITDA/tonne | 1,081.0 | 789.0 | 939.9 | 1,065.9 |
| Net Debt/EBITDA | (2.4) | (1.4) | (0.6) | (0.5) |
| Op. exp. as a % of Rev. | 0.8 | 0.8 | 0.8 | 0.8 |
| EBITDA margin (%) | 19.3 | 15.0 | 17.2 | 19.3 |
| Net profit margin (%) | 13.7 | 15.1 | 11.5 | 12.2 |
| Rev. Growth (% YoY) | (14.8) | 3.2 | 33.4 | 9.3 |
| EBITDA growth (% YoY) | 24.9 | (19.6) | 52.9 | 22.2 |
| Adj. profit growth (%) | 39.4 | 13.6 | 1.9 | 15.5 |

### Free Cash Flow (INR mn)

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Reported profit | 58,961 | 59,224 | 70,353 | 81,248 |
| Add: Depreciation | 16,279 | 24,783 | 34,027 | 41,410 |
| Interest (net of tax) | (8,900) | (32,647) | (25,711) | (26,552) |
| Others | (11,823) | 5,025 | 8,003 | 6,101 |
| Less: Changes in WC | 1,941 | (34,012) | 26,407 | 10,164 |
| Operating cash flow | 56,458 | 22,374 | 1,13,080 | 1,12,372 |
| Less: Capex | (39,611) | (85,915) | (1,15,000) | (1,11,410) |
| Free cash flow | 16,847 | (63,541) | (1,920) | 962 |

### Assumptions (%)

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| GDP (YoY %) | 6.5 | 6.5 | 6.5 | 6.5 |
| 10 year yield (%) | 5.3 | 5.3 | 5.3 | 5.3 |
| USD/INR (average) | 82.0 | 84.0 | 84.0 | 84.0 |
| Volumes (MT) | 59.2 | 65.2 | 83.7 | 90.2 |
| Realisation/t | 5,601.3 | 5,248.2 | 5,452.5 | 5,533.9 |
| P&F cost/t | 1,365.8 | 1,280.3 | 1,218.1 | 1,189.9 |
| Freight/t | 1,351.5 | 1,273.2 | 1,350.8 | 1,334.7 |
| RM cost/t | 933.4 | 1,001.1 | 1,091.1 | 1,118.8 |
| Other exp./t | 641.1 | 689.3 | 666.1 | 638.6 |

### Key Ratios

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| RoE (%) | 17.7 | 12.3 | 9.1 | 10.2 |
| RoCE (%) | 15.9 | 11.5 | 10.8 | 11.6 |
| Inventory days | 92 | 96 | 82 | 81 |
| Receivable days | 13 | 15 | 13 | 13 |
| Payable days | 257 | 252 | 220 | 226 |
| Working cap (% sales) | 2.3 | (6.2) | (6.4) | (7.8) |
| Gross debt/equity (x) | 1.5 | 1.4 | 1.3 | 1.2 |
| Net debt/equity (x) | (20.4) | (11.1) | (6.7) | (6.1) |
| Interest coverage (x) | 17.3 | 12.3 | 20.7 | 23.1 |

### Valuation Metrics

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Diluted P/E (x) | 21.8 | 25.5 | 25.0 | 21.6 |
| Price/BV (x) | 2.8 | 2.1 | 1.9 | 1.8 |
| EV/EBITDA (x) | 15.5 | 26.3 | 17.5 | 14.4 |
| Dividend yield (%) | 0.4 | 0.4 | 0.4 | 0.4 |

*Source: Company and Nuvama estimates*

### Valuation Drivers

| Year to March | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| EPS growth (%) | 26.0 | 1.4 | 1.9 | 15.5 |
| RoE (%) | 17.7 | 12.3 | 9.1 | 10.2 |
| EBITDA growth (%) | 24.9 | (19.6) | 52.9 | 22.2 |
| Payout ratio (%) | 9.3 | 9.5 | 9.4 | 8.1 |

## Other key takeaways

The integration of Penna Cements and Orient Cement has gone well.

ACEM prefers to set up green power plants on its own rather than enter into tie-ups with green power companies due to cost savings/better RoCEs.

Incremental capacity of 19MnT will be commissioned in FY26E.

ACEM has the highest premium share in the industry. It has three plants, which supply only premium cement. Premium cement provides additional EBITDA of INR400/t.

Clinker factor is 65–66% currently, which can rise to 66–67% due to higher non-trade sales.

Direct dispatches to customers is 75% and is likely to reach 85% by FY27.

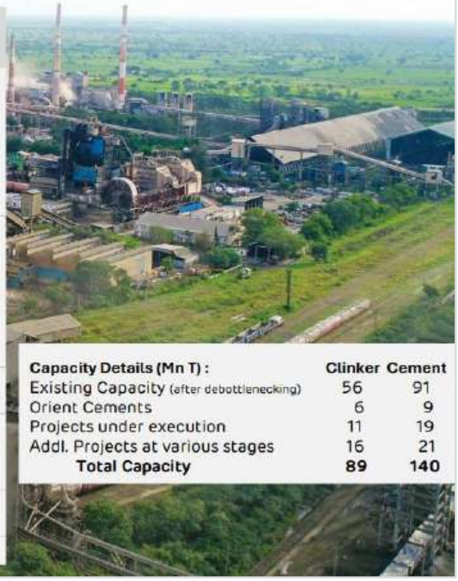
ACEM has entered into an agreement on fly ash with Adani group power plants for the next ten years.

The trend of premiumisation in real estate is picking up. Hence demand for premium cement is also going up.

**Exhibit 1: Progress on organic capacity expansion plans**

Roadmap to 140 MTPA - 100+ at present, 118 by FY'26 and 140 MTPA by FY'28

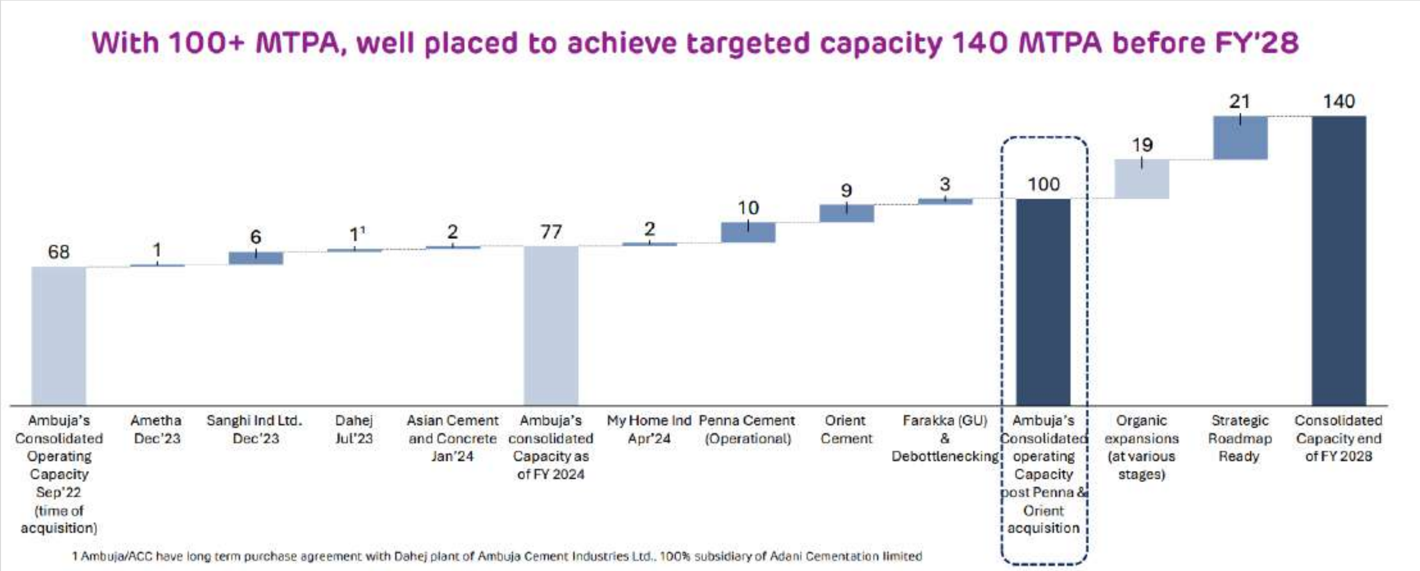
| Expansion Project | Capacity (MTPA) | | Expected completion | Status Update |
|---|---|---|---|---|
| | Clinker | Cement | | |
| Bhatapara Line 3 (CU) | 4.0 | - | Q1 FY'26 | • In advanced stage of completion and expected to complete by Q1 FY'25 |
| Sankrail (GU) | - | 2.4 | Q1 FY'26 | |
| Sindri (GU) | - | 1.6 | Q1 FY'26 | |
| Salai Banwa (GU) | - | 2.4 | Q2 FY'26 | |
| Bathinda | - | 1.2 | Q3 FY'26 | • Civil & Mechanical work is in progress, Delivery of major equipments' commenced, |
| Marwar (GU) | - | 2.4 | Q3 FY'26 | |
| Maratha Line 2 (CU) | 4.0 | - | Q4 FY'26 | |
| Dahej Line-2 (GU) | - | 1.2 | Q3 FY'26 | |
| Kalamboli (Blending) | - | 1.0 | Q3 FY'26 | • Civil work is in progress, delivery of major equipments has commenced |
| Jodhpur (Penna IU) | 3.0 | 2.0 | Q3 FY'26 | • Major equipments received at site, Civil work completed for main plant buildings. Equipments installation is in progress. |
| Krishnapatnam Penna (GU) | - | 2.0 | Q2 FY'26 | |
| Warisaliganj (GU) | - | 2.4 | Q4 FY'26 | • Civil work is in progress,, delivery of major equipments commenced. |
| **Total** | **11.0** | **18.6** | | |



| Capacity Details (Mn T) : | Clinker | Cement |
|---|---|---|
| Existing Capacity (after debottlenecking) | 56 | 91 |
| Orient Cements | 6 | 9 |
| Projects under execution | 11 | 19 |
| Addl. Projects at various stages | 16 | 21 |
| **Total Capacity** | **89** | **140** |

*Source: Company, Nuvama Research*

**Exhibit 2: Snapshot of capacity expansion since takeover**




*Source: Company, Nuvama Research*

**Exhibit 3: Marwar Mundwa plant site**

*Source: Company, Nuvama Research*

**Exhibit 4: Limestone mines**


*Source: Company, Nuvama Research*

**Exhibit 5: Storage facilities for limestone, coal and gypsum**

*Source: Company, Nuvama Research*

# AMBUJA CEMENTS

## Company Description

Ambuja Cements Limited is among India's leading cement companies. ACEM (consol) has a capacity of ~103 mtpa (including Orient Cements). The company has launched innovative products like Ambuja Plus, Ambuja Cool Walls, Ambuja Compocem and Ambuja Kawach etc. Adani Group acquired ~63.2% stake in the company from the Holcim Group in July'22. ACEM also holds a controlling 50.05% stake in ACC

## Investment Theme

ACEM has one of the strongest Balance Sheet and one of the highest ROEs in the Indian cement space. Adani group has ambitious plans to double the combined capacity of ACC and Ambuja Cement to ~140 mtpa in the next 5 years and emerge as the most efficient and profitable player in the country.

## Key Risks

Sharp decrease in cement prices/cement demand.

# Additional Data

### Management

| | |
|---|---|
| Chairman | Mr. Gautam Adani |
| MD | Mr. Ajay Kapur |
| CEO | Mr. Vinod Bahety |
| Director | Mr. Rajnish Kumar |
| Auditor | SRBC & CO LLP |

### Holdings – Top 10*

| | % Holding | | % Holding |
|---|---|---|---|
| Life Insurance | 5.55 | Kotak Mahindra | 1.10 |
| ICICI Pru AMC | 2.21 | SBI Pension Fun | 1.10 |
| CQG Partners Em | 1.67 | Mirae Asset | 0.92 |
| Vanguard | 1.32 | Blackrock | 0.87 |
| HDFC AMC | 1.11 | Aditya Birla Su | 0.69 |

*Latest public data

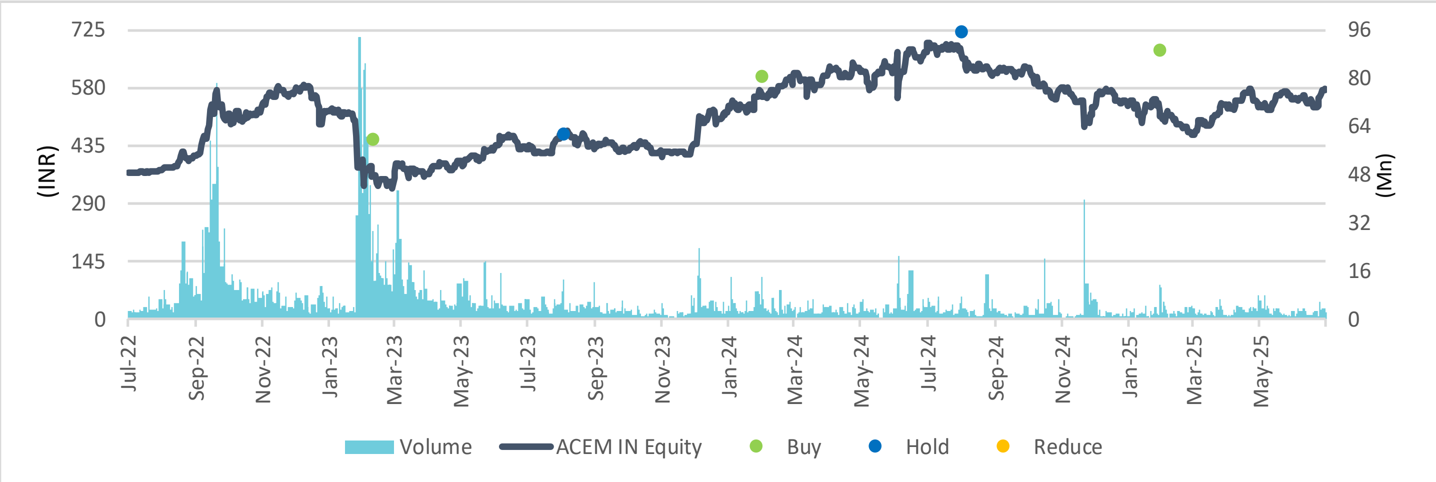
### Recent Company Research

| Date | Title | Price | Reco |
|---|---|---|---|
| 29-Apr-25 | Superior performance; *Result Update* | 534 | Buy |
| 29-Jan-25 | Minor blip; bright outlook; *Result Update* | 519 | Buy |
| 18-Dec-24 | Streamlining structure—a welcome move; *Company Update* | 571 | Hold |

### Recent Sector Research

| Date | Name of Co./Sector | Title |
|---|---|---|
| 17-Jun-25 | Cement | Pricing stable; capex improves; *Sector Update* |
| 06-Jun-25 | Cement | Pricing sentiments upbeat; *Sector Update* |
| 02-Jun-25 | Cement | Robust volumes; pricing improves; *Sector Update* |

### Rating and Daily Volume Interpretation




*Source: Bloomberg, Nuvama research*

### Rating Rationale & Distribution: Nuvama Research

| Rating | Expected absolute returns over 12 months | Rating Distribution |
|---|---|---|
| Buy | 15% | 203 |
| Hold | <15% and >-5% | 63 |
| Reduce | <-5% | 36 |

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