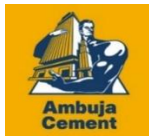


# Ambuja Cements

BSE SENSEX 85,567 S&P CNX 26,172



## Stock Info

Bloomberg	ACEM IN
Equity Shares (m)	2472
M.Cap.(INRb)/(USD\$)	1334.7 / 14.9
52-Week Range (INR)	625 / 455
1, 6, 12 Rel. Per (%)	-2/-3/-13
12M Avg Val (INR m)	1461
Free Float (%)	32.4

## Financials Snapshot (INR b)

Y/E Dec	FY26E	FY27E	FY28E
Sales	404.4	455.3	513.6
EBITDA	77.6	94.5	110.9
Adj. PAT	28.2	36.9	44.2
EBITDA Margin (%)	19.2	20.7	21.6
Adj. EPS (INR)	11.4	14.9	17.9
EPS Gr. (%)	41.2	30.9	19.8
BV/Sh. (INR)	231	243	258

## Ratios

Net D:E	0.0	0.0	-0.0
RoE (%)	5.1	6.3	7.1
RoCE (%)	8.2	6.8	8.0
Payout (%)	17.5	20.1	22.4

## Valuations

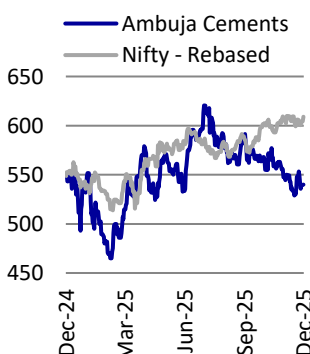
P/E (x)	41.5	31.7	26.4
P/BV (x)	2.0	1.9	1.8
EV/EBITDA(x)	18.8	15.4	13.1
EV/ton (USD)	143	128	119
Div. Yield (%)	0.4	0.6	0.7
FCF Yield (%)	-1.3	1.4	1.9

## Shareholding Pattern (%)

As of	Sep-25	Jun-25	Sep-24
Promoter	67.6	67.5	67.5
DII	19.6	18.7	15.2
FII	6.0	7.5	10.7
Others	6.8	6.3	6.6

FII includes depository receipts

## Stock Performance (1-year)



**CMP: INR540**

**TP: INR750 (+39%)**

**Buy**

## Consolidation of the cement business under one entity

- The Adani group has announced the simplification of its group structure and decided to consolidate the cement business under one entity. Currently, ACEM holds a 50.05% stake in ACC and 72.66% in Orient Cement.
- Under the merger of ACC and Orient Cement with ACEM, the company will issue: 1) 328 equity shares of FV INR2/sh for every 100 equity shares of FV INR10/sh of ACC, and the merger ratio is almost at par at today's closing price of ACC; and 2) 33 equity shares of FV INR2/sh for every 100 equity shares of FV INR10/sh of Orient Cement, and the deal values Orient Cement at a ~9% premium to today's closing price. There will be no cash consideration in the schemes.
- Earlier, the group had announced the amalgamation of Sanghi Industries and Penna Cement with the company and is awaiting regulatory approvals for the same. Upon this merger becoming effective, 12 equity shares of FV INR2 of ACEM will be issued for every 100 equity shares of FV INR10 of Sanghi Industries. ACEM will pay INR321.5/share to the eligible shareholders of Penna Cement.
- This will lead to an equity dilution of ~12% for ACEM, and the promoter group holding in the company will reduce to 60.94% from 67.65%, post-amalgamation of all the companies as discussed above. Though the deal appears to be neutral for ACC, we believe that it is positive for ACEM shareholders, as ACC trades at a steep discount to ACEM.
- At CMP, ACEM trades at 15.4x FY27E EV/EBITDA and USD128 FY27E EV/ton, while ACC trades at 7.1x FY27E EV/EBITDA and USD71 FY27E EV/ton. This deal also removes the uncertainties about the merger timelines (subject to regulatory approvals) and would help to create a single pure-play cement entity for the Adani group.

## Strategic merger to simplify structure and drive long-term value

- The transaction represents a step towards simplifying the group's cement structure and is in line with management's stated focus on consolidation, scale, and capital efficiency. The merger improves balance sheet flexibility and strengthens ACEM's ability to drive synergies across the cement portfolio.
- The amalgamation will unify ownership and control of the group's cement operations, streamline manufacturing and supply chain functions, logistics, and procurement, and simplify the corporate structure for better decision-making.
- It aims to enable more efficient allocation of capital and management, unlock scale benefits, and enhance long-term shareholder value. The merger will simplify and rationalize the network, branding, and sales promotion-related spending. This will help to optimize costs and improve margin by INR100/t. Also, the merger will facilitate achieving targeted cost, margin expansion, and growth metrics.

Sanjeev Kumar Singh - Research analyst (Sanjeev.Singh@MotilalOswal.com)

Research analyst - Mudit Agarwal (Mudit.Agarwal@MotilalOswal.com) | Abhishek Sheth (Abhishek.Sheth@MotilalOswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

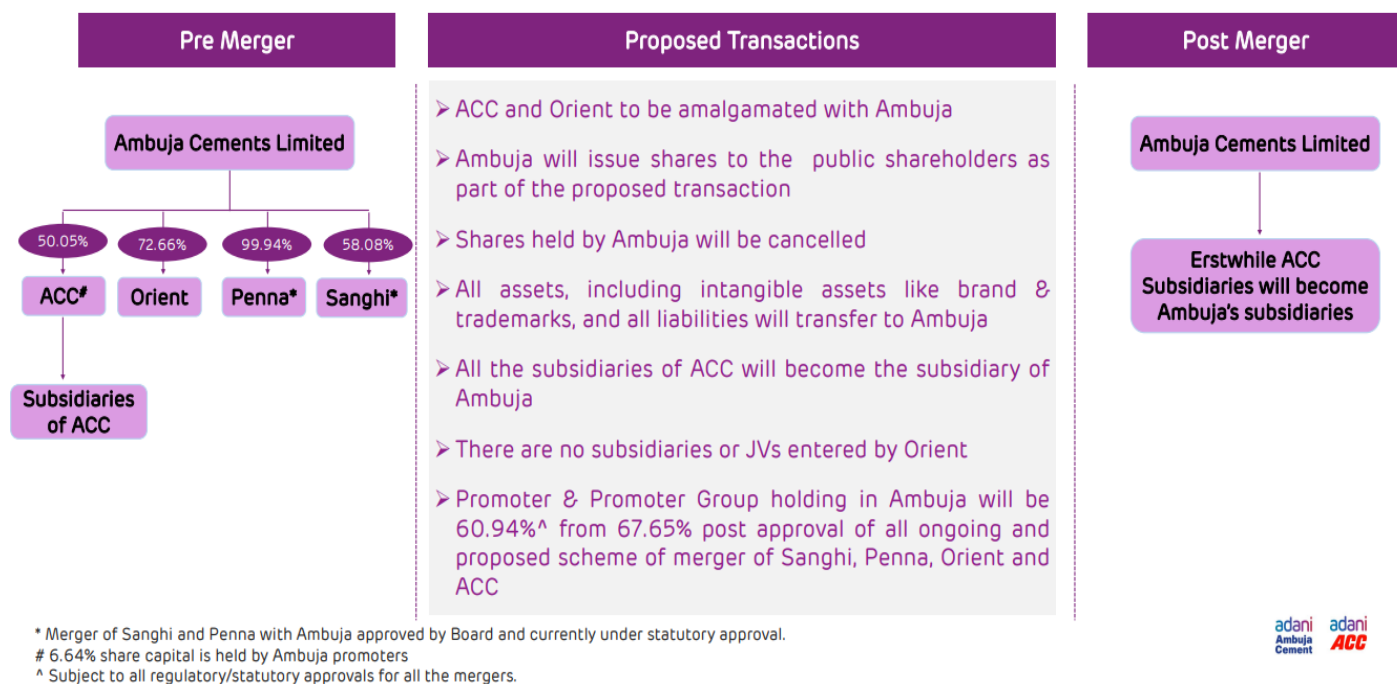
- Post completion of the mergers, the ACEM and ACC brands will continue to operate independently, with each brand retaining its leadership and positioning in its respective segments. Further, the incentives benefit under various state industrial promotion schemes, which are available to ACC (such as Maharashtra, Madhya Pradesh, and Uttar Pradesh), will continue to accrue to ACEM for the remaining period of the incentive schemes.
- We had highlighted in our earlier company update note [\(Link\)](#) that we expected the Adani Group to consolidate its cement operations under a single listed entity, to streamline the group structure, and to improve operational synergies.

#### Valuation and view

- ACEM has reported steady improvements in profitability, achieving EBITDA/t of +INR1,000/t in the third consecutive quarter. Resilient performance was led by steady realization and QoQ reduction in opex/t. Further, the integration of acquired assets (Orient Cement/Penna/Sanghi brands) with the company was encouraging.
- The company's net cash balance declined to INR25.6b as of Oct'25 vs. INR101.3b as of Mar'25, mainly due to its aggressive expansion strategy (both organic and inorganic expansions) and efficiency improvement initiatives (green power/modernization and upgrade of works/logistics capabilities). The company is estimated to move from a net cash position to net debt over FY26-27E due to high capex and turn net cash positive in FY28E, supported by healthy operating cash flow generation from expanded scale.
- We believe the announcement is a positive development. We maintain our constructive view on the company, given its rising scale of operation, balanced capacity mix, and profitability improvement. We value ACEM at 20x Sep'27E EV/EBITDA to arrive at our TP of INR750. We don't give any Holdco discount in our TP for ACC and Orient Cement.

## Story in charts

**Exhibit 1: Details of the corporate structure post-merger**



Source: Company, MOFSL

**Exhibit 2: Impact on the EPS of ACEM**

(INR m)	FY25	FY25	EPS change (%)	1HFY26	1HFY26	EPS change (%)
Net profit	51,584	51,584		33,566	33,566	
MI	9,910	-		7,307		
Net profit after MI	41,674	51,584		26,259	33,566	
No. of equity shares	2,472	2,779		2,472	2,779	
<b>EPS</b>	<b>16.9</b>	<b>18.6</b>	<b>10.1</b>	<b>10.6</b>	<b>12.1</b>	<b>13.7</b>

Source: Company, MOFSL

**Exhibit 3: Impact of the ACC merger with ACEM**

Category	Pre-merger (shares in m)	% holding	Post-merger (shares in m)	% holding
Promoter	1,672	67.7	1,713	61.6
Public	798	32.3	1,065	38.3
GDRs	1	0.1	1	0.1
<b>Total</b>	<b>2,472</b>	<b>100.0</b>	<b>2,780</b>	<b>100.0</b>

Source: Company, MOFSL

**Exhibit 4: Impact of Orient Cement merger with ACEM**

Category	Pre-merger (shares in m)	% holding	Post-merger (shares in m)	% holding
Promoter and promoter group	1,672	67.7	1,672	67.2
Public shareholders	798	32.3	817	32.8
GDRs	1	0.1	1	0.1
<b>Total</b>	<b>2,472</b>	<b>100.0</b>	<b>2,490</b>	<b>100.0</b>

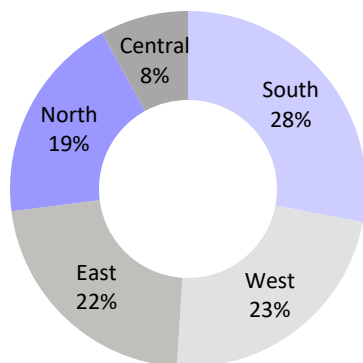
Source: Company, MOFSL

**Exhibit 5: Impact of all ongoing and proposed merger with ACEM**

Category	Pre-merger (shares in m)	% holding	Post-merger (shares in m)	% holding
Promoter and promoter group	1,672	67.7	1,694	60.9
Public shareholders	798	32.3	1,085	39.0
GDRs	1	0.1	1	0.1
<b>Total</b>	<b>2,472</b>	<b>100.0</b>	<b>2,779</b>	<b>100.0</b>

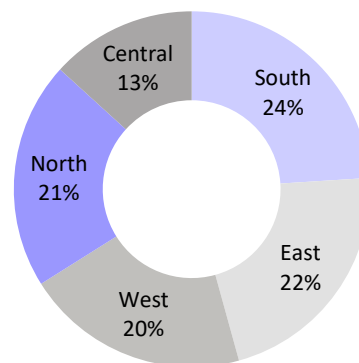
Source: Company, MOFSL

**Exhibit 1: ACEM's consolidated regional cement capacity mix currently**



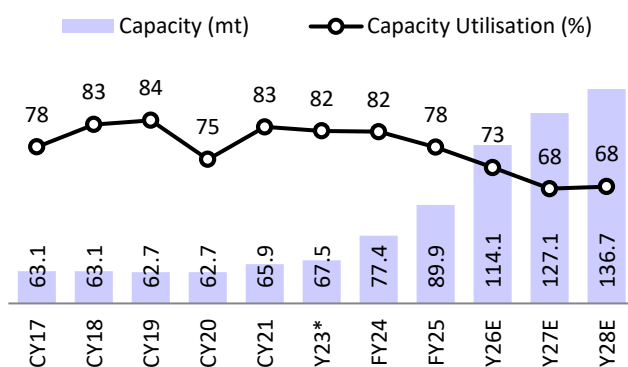
Source: Company, MOFSL

**Exhibit 2: ACEM's consolidated regional cement capacity mix by end-FY26E**



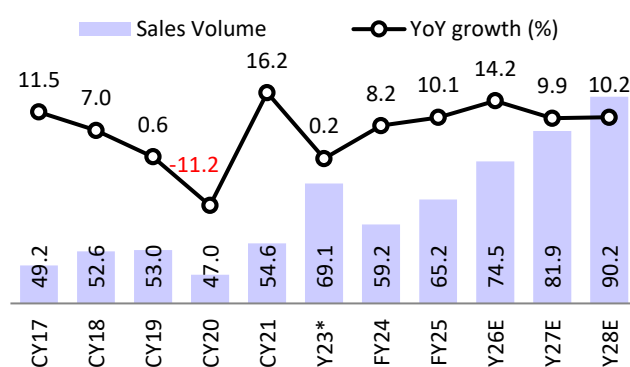
Source: Company, MOFSL; Note: In central, we have included JPA's standalone cement business acquisition

**Exhibit 3: ACEM's (consol.) capacity utilization trend**



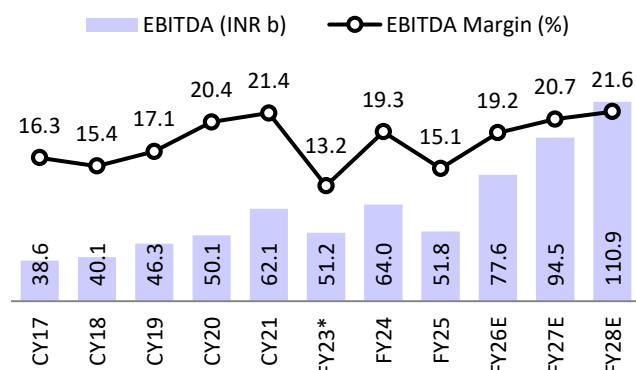
Source: MOFSL, Company; Note: FY23\* volume annualized for like to like comparison;

**Exhibit 4: ACEM's (consol.) volume and growth**



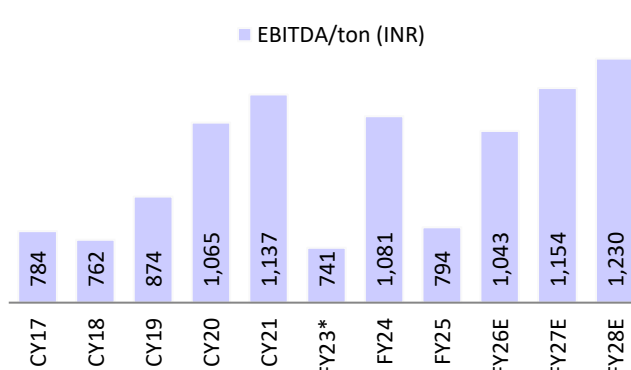
Source: MOFSL, Company; Note: FY23\* volume annualized for like to like comparison;

**Exhibit 5: Consol. EBITDA margin is estimated to improve**



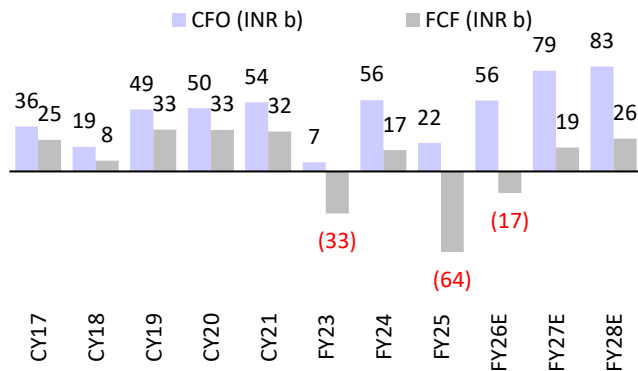
Source: MOFSL, Company; Note: FY23 was a 15M period

**Exhibit 6: Consol. EBITDA/t to improve over FY26-27E**



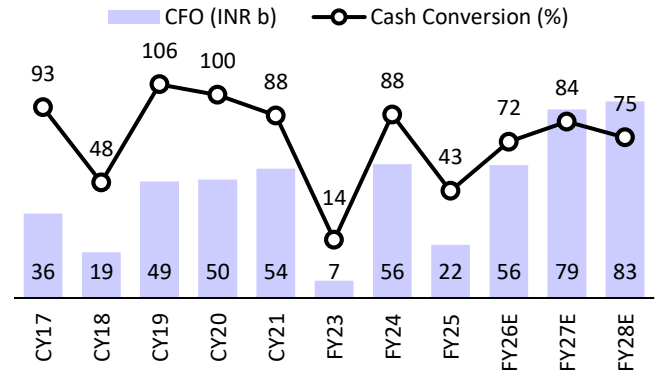
Source: MOFSL, Company; Note: FY23 was a 15M period

**Exhibit 7: CFO and FCF to improve over FY27-28E**



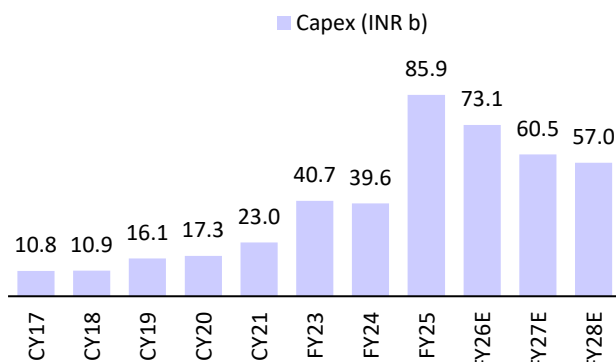
Source: Company, MOFSL; Note: FY23 was a 15M period

**Exhibit 8: Cash conversion to improve**



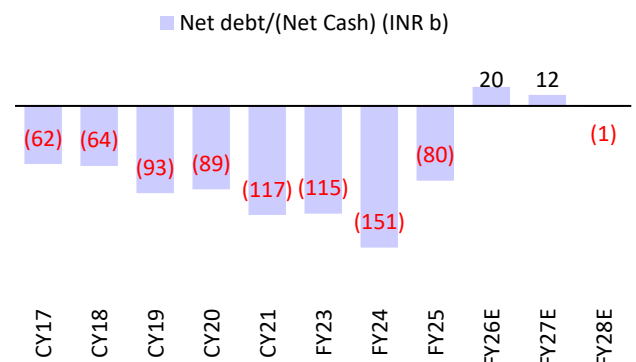
Source: Company, MOFSL; Note: FY23 was a 15M period

**Exhibit 9: Capex to remain elevated over FY26-28E**



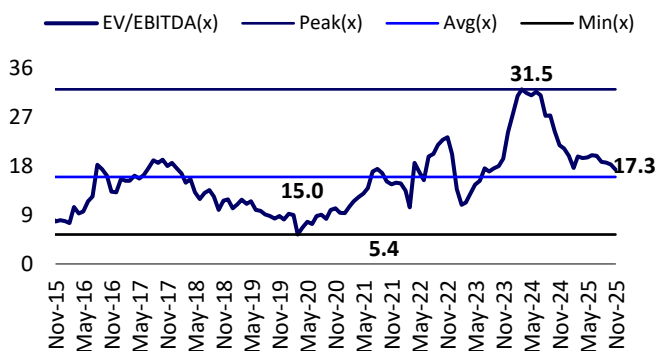
Source: Company, MOFSL; Note: FY23 was a 15M period

**Exhibit 10: Higher capex to drive temporary shift to net debt**



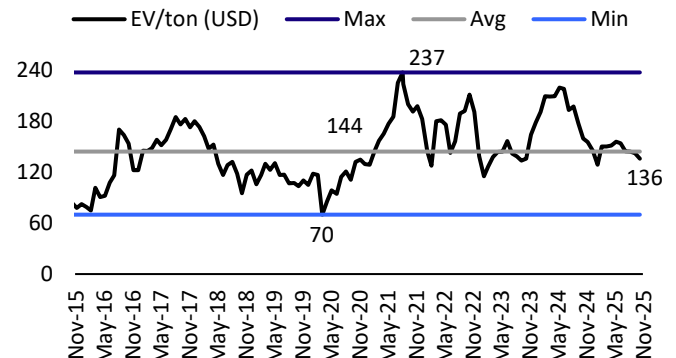
Source: Company, MOFSL; Note: FY23 was a 15M period

**Exhibit 11: One-year forward EV/EBITDA chart**



Source: Company, MOFSL

**Exhibit 12: One-year forward EV/t chart**



Source: Company, MOFSL

## Consolidated financials and valuations

Income Statement								(INR m)
Y/E December/March	CY20	CY21	FY23*	FY24	FY25	FY26E	FY27E	FY28E
<b>Net Sales</b>	<b>2,45,162</b>	<b>2,89,655</b>	<b>3,89,370</b>	<b>3,31,596</b>	<b>3,42,529</b>	<b>4,04,406</b>	<b>4,55,335</b>	<b>5,13,635</b>
Change (%)	-9.5	18.1	7.5	6.5	3.3	18.1	12.6	12.8
Total Expenditure	1,95,106	2,27,551	3,38,147	2,67,601	2,90,741	3,26,763	3,60,854	4,02,715
As a Percentage of Sales	79.6	78.6	86.8	80.7	84.9	80.8	79.3	78.4
<b>EBITDA</b>	<b>50,056</b>	<b>62,104</b>	<b>51,224</b>	<b>63,995</b>	<b>51,788</b>	<b>77,643</b>	<b>94,482</b>	<b>1,10,921</b>
Change (%)	8.2	24.1	-34.0	56.2	-19.1	49.9	21.7	17.4
Margin (%)	20.4	21.4	13.2	19.3	15.1	19.2	20.7	21.6
Depreciation	11,618	11,525	16,447	16,234	24,468	35,119	38,514	42,713
<b>EBIT</b>	<b>38,438</b>	<b>50,579</b>	<b>34,777</b>	<b>47,761</b>	<b>27,320</b>	<b>42,524</b>	<b>55,968</b>	<b>68,207</b>
Interest	1,402	1,457	1,949	2,764	2,159	3,015	3,240	3,541
Other Income – Rec.	4,438	3,524	7,377	11,664	12,435	10,197	10,706	11,242
<b>PBT Before EO Exp.</b>	<b>41,474</b>	<b>52,647</b>	<b>40,205</b>	<b>56,662</b>	<b>37,595</b>	<b>49,706</b>	<b>63,434</b>	<b>75,908</b>
EO Exp./ (Inc.)	1,702	1,205	3,190	-2,116	-23,537	1,828	0	0
<b>PBT After EO Exp.</b>	<b>39,772</b>	<b>51,442</b>	<b>37,015</b>	<b>58,777</b>	<b>61,132</b>	<b>47,878</b>	<b>63,434</b>	<b>75,908</b>
Tax Expense	8,848	14,534	7,051	11,626	7,719	-4,453	16,239	19,433
Tax Rate (%)	22.2	28.3	19.0	19.8	12.6	-9.3	25.6	25.6
Add: Share of Profit from Associate	144	202	280	229	132	132	132	132
Less: Minority Interest	7,414	9,307	4,410	11,612	9,910	11,676	10,463	12,441
<b>Reported PAT</b>	<b>23,654</b>	<b>27,804</b>	<b>25,834</b>	<b>35,768</b>	<b>43,636</b>	<b>40,787</b>	<b>36,864</b>	<b>44,167</b>
<b>PAT Adj. for EO Items</b>	<b>25,357</b>	<b>28,707</b>	<b>28,227</b>	<b>30,545</b>	<b>19,878</b>	<b>28,169</b>	<b>36,864</b>	<b>44,167</b>
Change (%)	20.9	13.2	-21.3	35.3	-34.9	41.7	30.9	19.8
Margin (%)	10.3	9.9	7.2	9.2	5.8	7.0	8.1	8.6

Balance Sheet								(INR m)
Y/E December	CY20	CY21	FY23*	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	3,971	3,971	3,971	4,395	4,926	4,944	4,944	4,944
Money Received Against Issue of Warrants			50,000	27,797				
Total Reserves	2,23,605	2,49,566	2,63,010	3,82,325	5,29,506	5,66,290	5,96,679	6,31,899
<b>Net Worth</b>	<b>2,27,576</b>	<b>2,53,537</b>	<b>3,16,982</b>	<b>4,14,517</b>	<b>5,34,433</b>	<b>5,71,233</b>	<b>6,01,623</b>	<b>6,36,843</b>
Minority Interest	63,409	71,450	70,584	93,908	1,03,682	1,14,606	1,24,224	1,35,820
Def. Liabilities	6,260	7,562	7,004	13,214	24,032	24,032	24,032	24,032
Total Loans	436	435	477	368	268	25,435	20,435	5,435
<b>Capital Employed</b>	<b>2,97,681</b>	<b>3,32,985</b>	<b>3,95,046</b>	<b>5,22,007</b>	<b>6,62,414</b>	<b>7,35,307</b>	<b>7,70,314</b>	<b>8,02,130</b>
Gross Block	1,85,238	2,13,828	2,43,254	3,36,585	4,44,355	6,00,280	6,71,330	7,32,380
Less: Accum. Depn.	59,140	69,989	86,436	1,02,669	1,27,138	1,49,713	1,76,790	2,07,933
<b>Net Fixed Assets</b>	<b>1,26,099</b>	<b>1,43,839</b>	<b>1,56,818</b>	<b>2,33,916</b>	<b>3,17,217</b>	<b>4,50,567</b>	<b>4,94,541</b>	<b>5,24,448</b>
Capital WIP	24,219	21,964	25,259	26,585	98,857	72,020	61,495	57,470
Capital Advances	6,050	4,234	4,810	14,266	15,548	15,548	15,548	15,548
Goodwill	78,761	78,697	78,697	88,028	1,08,561	1,28,621	1,28,621	1,28,621
Investments in Subsidiaries	1,546	1,705	1,861	623	604	604	604	604
Investments – Trade	7,026	8,861	276	7,863	18,511	3,511	3,511	3,511
<b>Curr. Assets</b>	<b>1,53,507</b>	<b>1,92,773</b>	<b>2,49,495</b>	<b>2,79,388</b>	<b>2,50,113</b>	<b>2,11,383</b>	<b>2,11,206</b>	<b>2,15,489</b>
Inventory	16,486	27,380	32,728	36,086	42,480	53,566	55,268	57,577
Debtors	5,611	6,458	11,544	11,896	15,903	23,181	20,683	21,768
Cash and Bank Bal.	82,457	1,08,358	1,15,610	1,43,985	61,722	1,877	5,497	3,386
Others	48,953	50,577	89,613	87,422	1,30,008	1,32,758	1,29,758	1,32,758
<b>Curr. Liability and Prov.</b>	<b>99,526</b>	<b>1,19,088</b>	<b>1,22,168</b>	<b>1,28,660</b>	<b>1,46,996</b>	<b>1,46,947</b>	<b>1,45,211</b>	<b>1,43,560</b>
Creditors	96,601	1,16,026	1,19,373	1,25,671	1,43,904	1,43,855	1,42,119	1,40,469
Provisions	2,926	3,062	2,795	2,989	3,092	3,092	3,092	3,092
<b>Net Current Assets</b>	<b>53,980</b>	<b>73,685</b>	<b>1,27,327</b>	<b>1,50,728</b>	<b>1,03,117</b>	<b>64,436</b>	<b>65,995</b>	<b>71,929</b>
<b>Appl. of Funds</b>	<b>2,97,681</b>	<b>3,32,985</b>	<b>3,95,046</b>	<b>5,22,007</b>	<b>6,62,414</b>	<b>7,35,307</b>	<b>7,70,314</b>	<b>8,02,130</b>

Source: Company, MOFSI; \* Note: 15-month period due to change in accounting year from December to March

## Consolidated financials and valuations

### Ratios

Y/E December/March	CY20	CY21	FY23*	FY24	FY25	FY26E	FY27E	FY28E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>12.8</b>	<b>14.5</b>	<b>14.2</b>	<b>13.9</b>	<b>8.1</b>	<b>11.4</b>	<b>14.9</b>	<b>17.9</b>
Cash EPS	18.6	20.3	22.5	21.3	18.0	25.6	30.5	35.1
BV/Share	114.6	127.7	159.6	188.6	217.0	231.1	243.4	257.6
DPS	18.5	6.3	2.5	2.0	2.0	2.0	3.0	4.0
Payout (%)	144.9	43.6	17.6	14.4	24.8	17.5	20.1	22.4
<b>Valuation (x)</b>								
P/E Ratio	37.0	32.7	33.2	34.0	58.5	41.5	31.7	26.4
Cash P/E Ratio	25.4	23.3	21.0	22.2	26.2	18.5	15.5	13.4
P/BV Ratio	4.1	3.7	3.0	2.5	2.2	2.0	1.9	1.8
EV/Sales Ratio	4.6	3.8	2.8	3.6	3.9	3.6	3.2	2.8
EV/EBITDA Ratio	22.6	17.9	21.6	18.5	25.6	18.8	15.4	13.1
EV/t (Cap) - USD	202	188	183	171	165	143	128	119
Dividend Yield (%)	3.4	1.2	0.5	0.4	0.4	0.4	0.6	0.7
<b>Return Ratios (%)</b>								
RoE	10.9	12.0	10.0	8.4	4.2	5.1	6.3	7.1
RoCE	12.8	15.2	9.9	10.5	5.0	8.2	6.8	8.0
RoIC	14.5	18.6	12.4	12.7	5.6	8.0	6.1	7.0
<b>Working Capital Ratios</b>								
Asset Turnover (x)	0.8	0.9	1.0	0.6	0.5	0.5	0.6	0.6
Debtor (Days)	8.4	8.1	10.8	13.1	16.9	20.9	16.6	15.5
Inventory (Days)	25	35	31	40	45	48	44	41
Work Cap (Days)	80.4	92.9	119.4	165.9	109.9	58.2	52.9	51.1
<b>Leverage Ratio (x)</b>								
Current Ratio	1.5	1.6	2.0	2.2	1.7	1.4	1.5	1.5
Debt/Equity Ratio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

### Cash Flow Statement

(INR m)

Y/E December	CY20	CY21	FY23*	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) Before Tax	39,916	51,645	37,295	59,006	59,224	48,010	63,567	76,041
Depreciation	11,618	11,525	16,447	16,234	24,783	22,575	27,077	31,143
Interest and Finance Charges	1,699	1,402	1,905	2,764	2,159	2,159	3,015	3,240
Direct Taxes Paid	-11,702	-6,476	-7,385	-9,156	-3,802	4,453	-16,239	-19,433
(Inc.)/Dec. in WC	8,492	-3,602	-40,913	-12,390	-59,991	-21,163	2,061	-8,045
<b>CF from Operations</b>	<b>50,022</b>	<b>54,494</b>	<b>7,349</b>	<b>56,458</b>	<b>22,374</b>	<b>56,034</b>	<b>79,480</b>	<b>82,945</b>
Others	0	0	0	0	0	0	0	0
<b>CF from Operations incl. EO</b>	<b>50,022</b>	<b>54,494</b>	<b>7,349</b>	<b>56,458</b>	<b>22,374</b>	<b>56,034</b>	<b>79,480</b>	<b>82,945</b>
(Inc.)/Dec. in FA	-17,253	-22,963	-40,659	-39,611	-85,915	-73,088	-60,525	-57,025
<b>Free Cash Flow</b>	<b>32,769</b>	<b>31,530</b>	<b>-33,310</b>	<b>16,847</b>	<b>-63,541</b>	<b>-17,054</b>	<b>18,955</b>	<b>25,920</b>
(Pur.)/Sale of Investments	4,080	2,893	2,668	-49,893	10,604	-41,000	0	0
Others	19,865	-1,963	8,585	4,533	-85,246	-20,060	0	0
<b>CF from Investments</b>	<b>6,692</b>	<b>-22,034</b>	<b>-29,407</b>	<b>-84,971</b>	<b>-1,60,557</b>	<b>-1,34,149</b>	<b>-60,525</b>	<b>-57,025</b>
Issue of Shares	0	0	0	424	531	17	0	0
Inc.)/(Dec.) in Debt	0	0	-1,155	-1,533	-20,083	25,167	-5,000	-15,000
Interest Paid	-1,699	-1,402	-1,581	-2,341	-1,758	-2,159	-3,015	-3,240
Dividend Paid	-37,959	-3,334	-12,514	-4,964	-4,926	-4,944	-7,415	-9,887
Others	-1,603	-1,823	44,560	65,302	82,157	189	95	95
<b>CF from Fin. Activity</b>	<b>-41,261</b>	<b>-6,560</b>	<b>29,310</b>	<b>56,888</b>	<b>55,920</b>	<b>18,270</b>	<b>-15,335</b>	<b>-28,032</b>
<b>Inc./Dec. in Cash</b>	<b>15,453</b>	<b>25,901</b>	<b>7,253</b>	<b>28,375</b>	<b>-82,263</b>	<b>-59,844</b>	<b>3,620</b>	<b>-2,111</b>
Opening Balance	67,003	82,457	1,08,358	1,15,610	1,43,985	61,722	1,877	5,497
<b>Closing Balance</b>	<b>82,457</b>	<b>1,08,357</b>	<b>1,15,610</b>	<b>1,43,985</b>	<b>61,722</b>	<b>1,877</b>	<b>5,497</b>	<b>3,386</b>

Source: Company, MOFSL; \* Note: 15-month period due to change in accounting year from December to March

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	$\geq 15\%$
SELL	$< -10\%$
NEUTRAL	$< -10\%$ to $15\%$
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@motilaloswal.com

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