

HOLD

TP: Rs 618 | ▲ 4%

AMBUJA CEMENTS

| Cement

| 02 July 2025

Growth focused, cost savings to aid margins

- Focus stays on capacity addition that will help achieve incremental market share aimed at ~18%/22% by FY28/FY30
- Cost savings to boost margin expansion with focus on moderating power cost (60% green power) and 100km lead distance cut by FY28
- We value ACEM (consolidated) at 13x 1YF and revise TP to Rs 618 from Rs 587. Retain HOLD with FY26/FY27 EBITDA revised up by 3%/5%

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Focused on growth and improving market share: Adani management will continue to press on growth with capacity addition of 17mnt (ACC + ACEM) in FY26 (120mnt) and additional ~20mn tonnes by FY28 to reach 140mnt. This will be well-backed by the clinker capacity with a healthy clinker conversion ratio of ~1.42x by FY28. ACEM will focus on regaining market share. It commands 18% and 11% market share in trade/non-trade, thereby adding 2-2.5% in the past two years; taking the aggregate share to 14.5%. ACEM aims to achieve a 17-18% market share by FY28 and further take it to 21-22% in FY30.

Cost savings to continue, key to aid margins: Management indicated cost savings to be the key contributor to margins. This will be achieved by focusing on reducing logistic cost by 100km by FY28, with the aim of having 17 sea-based terminals in the southern coastline. Further addition of green power contribution to 60% by FY28, aided by focus on premiumisation with 3 dedicated plants for premium products. Cumulatively, this will facilitate margins improvement.

Aims to graduate to a construction-solutions company; focus on cement: Management indicated to graduate ACEM from its current commodity focus to providing building material solutions. This will be achieved by a strong focus on digitisation and talent addition; though focus is on its initial aim of attaining 140mnt of cement capacity by FY28.

Capacity addition on track: ACEM's cement capacity reached ~104mn tonnes (mnt) (FY25-end). The Sankrail GU (2.4mnt) capacity was commissioned in Q1FY26. Further, Bhatapara (clinker unit 4.0mnt), Sindri 1.6mnt GU and Salai Banwa 2.4mnt GU are expected to commission shortly.

Valuations: We revise our FY26e/FY27e EBITDA estimates upwards by ~3%/5%, helped by additional cost saving efforts by ACEM. Our revenue/EBITDA/PAT CAGR of 17%/16%/15% over FY24-FY27. We value ACEM (consolidated) by assigning EV/EBITDA of 13x 1YF earnings and revise our TP to Rs 618 (Rs 587) translating into replacement cost of 10bn/mnt ~ 33% industry premium. Maintain HOLD.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ACEM IN/Rs 594
Market cap	US\$ 13.8bn
Free float	37%
3M ADV	US\$ 17.2mn
52wk high/low	Rs 699/Rs 453
Promoter/FPI/DII	63%/11%/17%

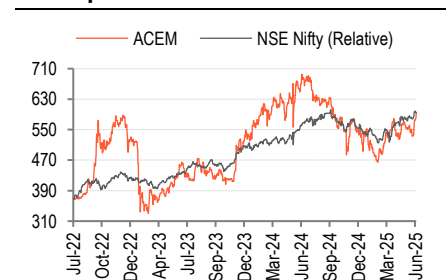
Source: NSE | Price as of 2 Jul 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	3,50,448	4,58,726	5,25,628
EBITDA (Rs mn)	77,190	78,665	1,00,174
Adj. net profit (Rs mn)	41,889	36,568	50,658
Adj. EPS (Rs)	18.0	14.8	20.6
Consensus EPS (Rs)	18.0	13.1	17.2
Adj. ROAE (%)	9.0	7.5	9.0
Adj. P/E (x)	33.1	40.0	28.9
EV/EBITDA (x)	14.6	16.0	12.8
Adj. EPS growth (%)	11.7	(17.4)	38.5

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



Key Takeaways:

Adani Cement management arranged a 2-day analyst/investor plant visit on 30th June/1st July 2025 at Marwar-Mundra.

Key takeaways from the management meeting are:

- Management indicated it will reach 120 mnt by FY26 and add another 20mnt to reach 140mn in 2028.
- Premiumisation will be the key to boost realisations with 3 dedicated plants for the premium products. Premium products ACC (Concrete + / Xtra Strong) and Ambuja Kawach are preferred in the semi urban and rural areas too.
- Margin boost will be driven by power cost savings by focusing on green power with addition from 376MW currently to 1000MW by FY28, taking the contribution to 60% in the total power requirement. Additionally, management aims to lower lead distance by 100 kms by FY28 by adding 17 sea-based terminals in the southern coastline. Further, 40% fly-ash long term agreements for cost optimisation strategy will increase to 50%.
- Adani groups aggregate group presence in logistics and fuel will bring advantage to the Adani cement.
- The company will focus on its work force to be lean with the current average age ~37 years and sales force average age at ~35years. Front-end sales force age is expected to be ~30 years. Sales hierarchy will be lean with only 3 layers regional head, Zonal ahead and Front-end managers. ACEM already has its presence in 636 district that is 81% of the total 780 districts in India.
- With an aggressive sales strategy, the company aims to achieve market share ~ 18% by FY28 and ~22% by FY30. Focus will be on 4Cs prudent 1) capital allocation (increased share of green power) 2) Cash generation with zero debt 3) Customer 4) Cost (reduction).
- The company will gradually graduate into a building material solutions provider from only a cement product company with the help of aggressive use of digitization and use of Artificial Intelligence (AI). Currently, 0.7mn contractors are connected with digital app to become business partners. Strategy will be the same for architects and engineers. However, this will be steadily achieved following the company's target to achieve 140mnt of cement capacity as its first target.
- Management expects that with increased focus on infrastructure, its presence in the non-trade segment will also increase leading to higher capacity utilisation and increased clinker factor from the current 55-60%. Despite the same, ACEM has spread out an aggressive EBITDA/tonne target of Rs1500/tn by FY28.

Plant Visit takeaways:

We visited the Marwar Mundra plant and mine of Ambuja Cement. Key takeaways of the visit are:

- Current plant is spread over 300 acres out of the 600 acres land allocated.
- M1 and M2 mines are without premium and will go for auction in 2038 and 2057 respectively. M3 mines were allocated with 25% premium on Rs500 saleable value, leading to total royalty payment of Rs125 +Rs105 taxes adding to Rs230/tn. The residual reserves are 95% of the total usable reserves.
- The company has a tie up with RSSM Lignite mine for water availability, which is located 40 kms away.
- Currently, line 1 is operational with line 2 & 3 clearances complete and under commissioning with line 4 clearances under process and near completion. Current clinker capacity is 3.4mn tonnes and similar additional 3 kilns (3.4mn capacity) can be added at the existing location.
- Coal additives and clinker (11000 tpd) are transferred via rail. Cement is (2mnt) transferred via road. Clinker is transferred to Dadri, Tikaria and Bhatinda. The road and rail connectivity is near mines.
- The WHRS capacity is 14MW with total requirement of 32 mw.

Glimpses of Mines and Plant at Marwar Mundra:

Fig 1 – Aerial view of the clinker silo and cement silo



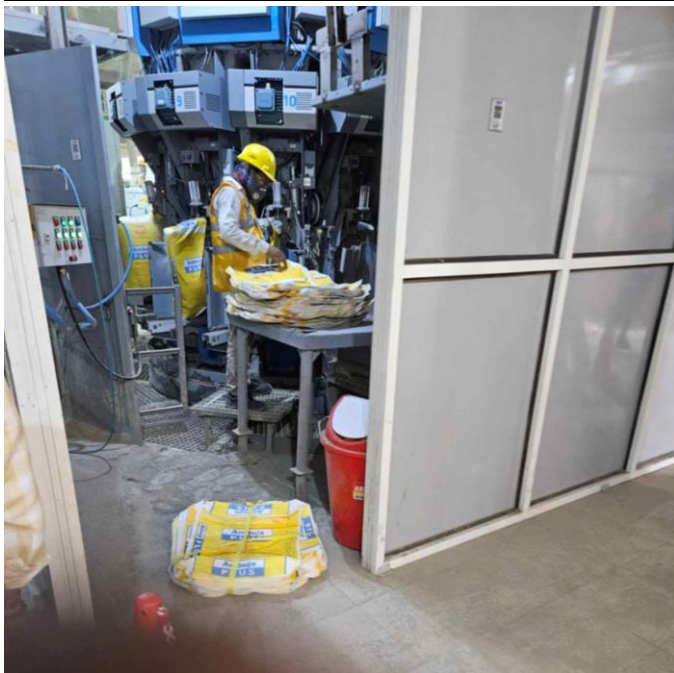
Source: Company, BOBCAPS Research

Fig 2 – The plant has excellent road and rail connectivity



Source: Company, BOBCAPS Research

Fig 3 – Batches of various types of cement can be batched packed simultaneously



Source: Company, BOBCAPS Research

Fig 4 – Mine details including the M3 new mine allocated



Source: Company, BOBCAPS Research

Fig 5 – ACEM M1 M2 (existing) Mine details

Details of mining lease	ML-01	ML-02
Area in hectares	699.9	635
Lease Validity (yr)	2,038	2,057
Resources (mnt)	152.21	157.1
Reserves (mnt)	124.06	137.71
as a %	81.51	87.66
Current EC* capacity (mnt)	3	2
as a % of reserves	2.42	1.45
Life of mine at current capacity	41.4	68.9
Proposed EC* capacity (mnt)	14	4.5
as a % of reserves	11.28	3.27
Life of mine at proposed capacity	8.9	30.6

Source: Company, BOBCAPS Research | * Environment Clearance

Valuation methodology

We revise our EBITDA estimates for FY26/FY27 by 3%/5%, but maintain our topline estimates factoring health volume growth; though realisation growth may be challenging given the heightened competitive pressure in FY26/FY27.

The focus on cost savings will be a key boost to earnings in a phase of moderate help from realisation gains. ACEM management is fully focused on the same, maintaining a delicate balance between growth/market share and margin expansion.

Our revenue/EBITDA/PAT CAGR of 17%/16%/15% over FY24-FY27. We value ACEM (consolidated) by assigning EV/EBITDA of 13x 1YF earnings and revise our TP to Rs 618 (Rs 587).

This translates into replacement cost of 10bn/mnt ~ 33% industry premium. Maintain HOLD.

Fig 6 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	4,58,726	5,25,628	4,06,890	4,58,726	0.0	0.0
EBITDA	78,665	1,00,174	70,121	76,552	2.8	4.5
Adj PAT	36,568	50,658	34,684	34,571	5.8	7.8
Adj EPS (Rs)	14.8	20.6	15.8	14	6.0	7.7

Source: BOBCAPS Research

Fig 7 – Valuation summary

Business (Rs mn)	FY27E
Target EV/EBITDA (x)	13
EBITDA	1,00,174
Target EV	13,46,343
Total EV	13,46,343
Net debt	(1,75,181)
Target market capitalisation	15,21,524
Target price (Rs/sh)	618
Weighted average shares (mn)	2197.7

Source: BOBCAPS Research

Key risks

Key upside/downside risks to our estimates are:

- Increased competitive pressure in the next two years can pose downside risks to our estimates.
- Faster-than-expected demand revival can raise growth ahead of our estimates, representing an upside risk.
- Rising fuel costs due to geo-political issues can pose downside risk to earnings.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Total revenue	3,84,449	3,25,442	3,50,448	4,58,726	5,25,628
EBITDA	51,224	63,995	77,190	78,665	1,00,174
Depreciation	(16,447)	(16,234)	(24,783)	(21,160)	(23,213)
EBIT	42,154	59,425	61,466	67,076	86,584
Net interest inc./(exp.)	(1,949)	(2,764)	(2,159)	(2,990)	(3,308)
Other inc./(exp.)	7,377	11,664	9,059	9,572	9,623
Exceptional items	0	0	0	0	0
EBT	40,205	56,662	59,306	64,086	83,276
Income taxes	(7,051)	(11,626)	(7,640)	(14,870)	(19,092)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(4,130)	(11,383)	(9,778)	(12,648)	(13,526)
Reported net profit	29,024	33,652	41,889	36,568	50,658
Adjustments	0	0	0	0	0
Adjusted net profit	29,024	33,652	41,889	36,568	50,658

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Accounts payables	72,283	63,338	69,671	83,606	1,00,327
Other current liabilities	42,707	55,711	66,569	64,455	72,543
Provisions	2,795	2,989	3,139	3,296	3,461
Debt funds	4,860	7,414	8,416	7,917	7,950
Other liabilities	7,004	15,491	24,076	24,557	25,048
Equity capital	3,971	3,971	4,395	4,926	4,926
Reserves & surplus	3,13,010	4,10,155	5,29,506	5,60,902	6,06,130
Shareholders' fund	3,87,565	5,08,035	6,37,583	6,82,382	7,41,360
Total liab. and equities	5,17,214	6,52,978	8,09,454	8,66,213	9,50,688
Cash and cash eq.	29,610	1,10,689	61,722	1,59,907	1,83,131
Accounts receivables	11,544	12,131	15,903	22,622	24,481
Inventories	32,728	36,086	42,480	55,298	61,923
Other current assets	1,80,423	1,35,118	1,45,600	1,45,604	1,50,313
Investments	2,137	8,486	18,511	1,087	1,196
Net fixed assets	1,42,485	1,92,413	2,19,137	3,15,465	3,58,164
CWIP	1,13,922	1,22,211	2,70,278	1,30,428	1,35,699
Intangible assets	4,366	35,846	35,823	35,802	35,780
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	5,17,215	6,52,978	8,09,454	8,66,213	9,50,688

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Cash flow from operations	10,675	1,13,362	81,775	63,247	99,668
Capital expenditures	(31,773)	(1,03,923)	(1,99,553)	22,384	(71,162)
Change in investments	(155)	(6,349)	(10,026)	17,424	(109)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(31,928)	(1,10,272)	(2,09,578)	39,807	(71,271)
Equities issued/Others	(4,996)	1,00,331	420	755	225
Debt raised/repaid	431	2,554	1,002	(499)	33
Interest expenses	0	0	0	0	0
Dividends paid	(13,027)	(4,964)	(4,973)	(5,125)	(5,431)
Other financing cash flows	(48,487)	(19,933)	82,388	0	0
Cash flow from financing	(66,079)	77,988	78,836	(4,868)	(5,174)
Chg in cash & cash eq.	(87,333)	81,078	(48,967)	98,186	23,223
Closing cash & cash eq.	29,610	1,10,689	61,721	1,59,907	1,83,131

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25P	FY26E	FY27E
Reported EPS	11.7	16.1	18.0	14.8	20.6
Adjusted EPS	11.7	16.1	18.0	14.8	20.6
Dividend per share	5.0	2.4	2.1	2.1	2.2
Book value per share	195.2	242.9	273.6	277.0	301.0

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25P	FY26E	FY27E
EV/Sales	3.0	3.3	3.2	2.7	2.4
EV/EBITDA	22.6	16.8	14.6	16.0	12.8
Adjusted P/E	50.8	36.9	33.1	40.0	28.9
P/BV	3.0	2.4	2.2	2.1	2.0

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25P	FY26E	FY27E
Tax burden (Net profit/PBT)	82.5	79.5	87.1	76.8	77.1
Interest burden (PBT/EBIT)	95.4	95.3	96.5	95.5	96.2
EBIT margin (EBIT/Revenue)	11.0	18.3	17.5	14.6	16.5
Asset turnover (Rev./Avg TA)	79.3	55.6	47.9	54.8	57.9
Leverage (Avg TA/Avg Equity)	1.4	1.3	1.3	1.3	1.3
Adjusted ROAE	9.3	10.1	9.0	7.5	9.0

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25P	FY26E	FY27E
YoY growth (%)					
Revenue	7.6	5.8	7.7	30.9	14.6
EBITDA	(34.0)	56.2	20.6	1.9	27.3
Adjusted EPS	(20.0)	37.6	11.7	(17.4)	38.5

Profitability & Return ratios (%)

EBITDA margin	13.1	19.3	21.0	16.9	18.8
EBIT margin	10.8	17.9	16.7	14.4	16.3
Adjusted profit margin	7.5	10.3	12.0	8.0	9.6
Adjusted ROAE	9.3	10.1	9.0	7.5	9.0
ROCE	9.2	12.8	10.2	9.7	11.6

Working capital days (days)

Receivables	14	14	17	18	17
Inventory	39	40	44	44	43
Payables	97	86	88	79	85

Ratios (x)

Gross asset turnover	1.6	1.0	0.9	0.9	0.9
Current ratio	2.2	2.4	1.9	2.5	2.4
Net interest coverage ratio	21.6	21.5	28.5	22.4	26.2
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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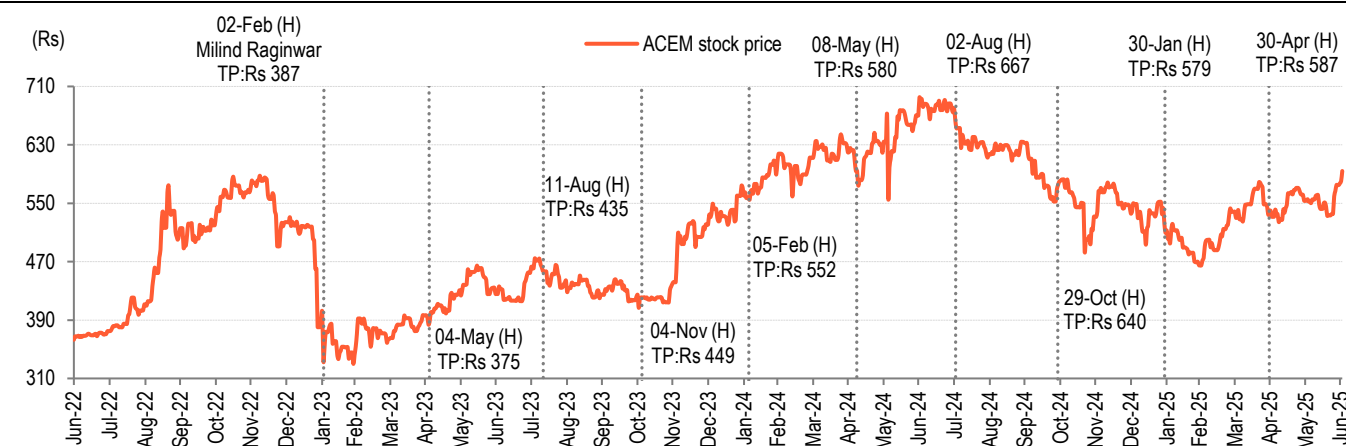
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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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Ratings and Target Price (3-year history): AMBUJA CEMENTS (ACEM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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