

Sanghi line 3 only post reaching set RoIC

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We visited Sanghi Industries (Ambuja Cement's (ACEM IN) subsidiary) - Sanghipuram plant (at Kutch in Gujarat). The key takeaway from the visit was that the management has successfully reduced variable clinker costs from >INR 2,400 per tonne to <INR 2,000, with an aspirational milestone of INR 1,500 per tonne. While the management is currently undertaking debottlenecking of cement capacity by 2,500 tonnes per day (TPD), next capex for the clinker line will only be initiated once the plant reaches 85% utilization and cost-saving targets are achieved. The management indicated that the focus will be on asset sweating and achieving RoIC of 15%. We reiterate **Accumulate** on [ACEM IN](#) with a TP of INR 591.

Variable cost of clinker reduced by INR 400 per tonne post acquisitions: To revitalize the distressed Sanghi asset, which was operating at utilization of as low as 25-30% prior to the acquisition, the new management has implemented a turnaround strategy centered on operational stability, energy efficiency, and group synergies. Key changes included a major overhauling of all kilns and mills to address reliability issues and frequent shutdowns, successfully pushing current utilization to ~74% for clinker and >70% for cement. Logistics were improved through dredging to allow 56,000-tonnes mother vessels, to be handled via lighterage and ordering seven new 7,000-tonnes vessels to double marine mobilization capacity. Additionally, the facility integrated group synergies by sourcing 700-800 tonnes of fly ash daily from Adani's Mundra plant (Kutch, Gujarat) to produce premium Portland Pozzolana Cement (PPC). The management optimized the captive power plant (CPP) to run on 100% lignite, which is 5-7% cheaper than other fuel sources.

Management plans to reduce clinker cost by another INR 500 per tonne by investing an incremental INR 6bn. The capex will be increased for setting up WHRS capacity, increasing jetty capacity, strengthening the 65KVA transmission line to facilitate 15-20MW of green power, and debottlenecking to unlock an additional 2,500 tonnes of daily grinding capacity. A railway line is expected to reach within 50-70kms of the plant in the next 2-3 years.

Ample limestone resources at Sanghipuram for next round of expansions: At present, Sanghipuram has 1bn tonnes of high-quality limestone resources. The plant currently operates in the lowest cost quartile for clinker production within the group. Thus, clinker expansion at Sanghipuram will be a priority versus using other resources in the state such as limestone reserves at Lakhpat (Kutch, Gujarat). The management is currently undertaking debottlenecking of cement capacity to increase daily capacity to 20,000 tonnes from existing 17,500 tonnes. However, the next clinker capex will be initiated only after the plant reaches ~85% utilization and targeted cost efficiencies are achieved. The management indicated that the near-term focus would remain on sweating existing assets and improving RoIC to ~15%.

Jetty expansion and rail connectivity to ease logistics bottlenecks: The Sanghi facility is in the western-most part of India, away from major urban centers. Currently, the company's logistics mix between road and sea stands is at ~50:50. Maritime logistics are supported by a dedicated jetty, whose capacity the company plans to increase from the present ~2mn tonnes to ~26mn tonnes in the long term. While the plant currently relies on sea and road transportation to service key markets such as Kutch, Surat, and Mumbai, a railway line is expected to be set up within 50-70kms of the site in the next 2-3 years. Despite its remote location, the plant's logistics cost remains below the pan-India average, primarily due to sea-based clinker movement.

Cost normalization in Q4 on cards at group level: Management highlighted that costs in Q3FY26 were elevated due to the temporary unavailability of two plants and higher branding and legal expenses. Costs are set to normalize in Q4FY26, which should prop margin. However, management indicated that inflation in the fuel basket due to the ongoing war in the Middle East is likely to remain a key challenge for the entire industry.

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Exhibit 1: Sanghipuram (Kutch, Gujarat) – A grinding unit of Sanghi Industries



Source: Company, Elara Securities Research

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