

## Marching ahead step by step: Ambuja Cement Ltd

April 30, 2025 | CMP: INR 534 | Target Price: INR 625

Expected Share Price Return: 17.1% | Dividend Yield: 0.4% | Expected Total Return: 17.5%

Sector View: Positive

Change in Estimates	✓
Target Price Change	✓
Recommendation	✗

## Company Info

BB Code	ACEM IN EQUITY
Face Value (INR)	2.0
52 W High/Low (INR)	706.9/452.9
Mkt Cap (Bn)	INR 1,315.6 / \$15.5
Shares o/s ( Mn)	2,463.1
3M Avg. Daily Volume	29,75,987

## Change in Estimates

	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	221.2	193.3	14.4	242.3	207.8	16.6
EBITDA	39.9	36.3	10.2	49.7	40.9	21.2
EBITDAM %	18.1	18.7	(63) bps	20.5	19.7	79 bps
PAT	31.4	21.9	42.9	38.5	27.3	41.1
EPS	12.7	8.9	42.9	15.6	11.1	41.1

## Actual vs Consensus

INR Bn	Q4FY25A	Consensus Est.	Dev. %
Revenue	56.8	56.9	(0.2)
EBITDA	10.4	9.7	7.0
EBITDAM %	18.3	17.1	122 bps
PAT	9.3	6.3	48.8

## Key Financials

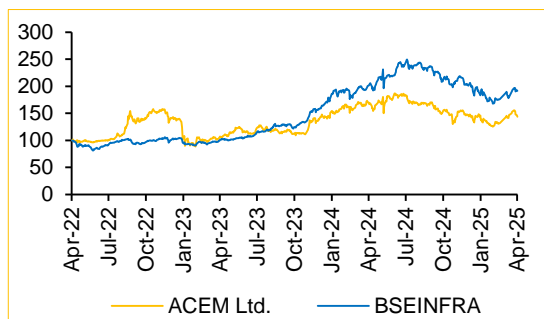
INR Bn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	179.2	194.5	221.1	242.3	265.4
YoY (%)	(10.3)	8.6	13.7	9.5	9.5
EBITDA	33.7	29.7	40.0	49.7	61.1
EBITDAM %	18.8	15.2	18.1	20.5	23.0
Adj PAT	23.3	37.5	31.4	38.5	47.0
EPS	11.7	15.3	12.7	15.6	19.1
ROE %	6.3	7.7	6.1	7.0	8.0
ROCE %	6.5	3.9	5.4	6.5	7.7
PE(x)	52.3	35.0	42.0	34.2	28.0
EV/EBITDA	29.3	25.7	18.9	14.9	11.7
EV/IC	3.7	2.0	1.8	1.7	1.6

## Shareholding Pattern (%)

	Mar-25	Dec-24	Sep-24
Promoters	67.57	67.57	67.57
FII	8.60	9.14	10.61
DII	17.09	16.41	14.98
Public	6.74	6.88	6.84

## Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Infra	91.5	90.9	(4.9)
ACEM Ltd.	43.6	34.8	(15.2)



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## Q4FY25 Cement Result Preview

## Well thought out strategy being executed!

We maintain our BUY rating but increase our TP to INR625 as we factor in 1) INR300/t **cost reduction benefit** over FY25-28E due to higher share of renewable energy, **railroad mix optimization** that drives reduction in lead distance, 2) increase in **premium product** share that drives better realisation, 3) **turnaround and consolidation** of Sanghi, Penna, Orient Cement assets. We now incorporate a robust **EV to CE** (Enterprise Value to Capital Employed) valuation framework (Exhibit 3), which allows us a rational basis to assign a valuation multiple that captures improving fundamentals (ROCE expansion by 377bps over FY25-28E).

We forecast ACEM EBITDA to grow at a CAGR of 27.3% over FY25-28E, supported by our assumptions of volume growth at 12.0%/9.0%/9.0% and realisation growth of 1.5%/0.5%/0.5% in FY26E/FY27E/FY28E, respectively. We remain positive on ACEM, supported by the group's strong presence in the cement sector and the recently announced **merger** of Sanghi Industries and Penna Cement with the parent company, Ambuja.

Over the medium to long term, management may look to **consolidate** all its cement entities under a single platform, which in our view would be a significant **re-rating event** for Ambuja. At this stage, consistent focus on cost reduction, targeting a higher share of premium products, and focus on capacity expansion are positive, while a not-so-straightforward corporate structure is a drag.

We arrive at a 1-year forward TP of INR 625/share for ACEM. We now value ACEM on our EV/CE framework – we assign an EV/CE multiple of 2.3x/2.3x for FY27E/28E, which we believe is conservative given the increase of ROCE from 3.9% in FY25 to ~7.7% in FY28E under reasonable operational assumptions. This valuation framework gives us the flexibility to assign a commensurate valuation multiple based on an objective assessment of the quantifiable forecast financial performance of the company. We do a sanity check of our EV/CE TP using the implied EV/EBITDA multiple. On our TP of INR 625 ,FY28E implied EVEBITDA multiple would be in the range of ~10-11x. Management has indicated the cement industry is expected to grow by 7-8% in FY26. Increase in RM Cost, slowdown in construction activities due to heatwaves, sudden large spike in petcoke prices as a result of various global dynamics are risks to our BUY rating.

## Q4FY25: Revenue inline, while EBITDA &amp; Profitability were a beat

ACEM reported Q4FY25 Revenue and EBITDA of INR56,814 Mn (+18.8% YoY, 12.7% QoQ) and INR10,382 Mn (+30.1% YoY, +72.9% QoQ) vs CEBPL estimates of INR57,848 Mn and INR8,534 Mn, respectively. In our view market expectation of Q4FY25 EBITDA was in the range of INR 8,300 – 9,500 Mn, so the reported numbers are better than street expectations. Volume for Q4 stood at 11.6 Mnt (vs CEBPL est. 11.4 Mnt), up 22.1% YoY, and 14.9% QoQ.

**Realization/t came in at INR4,898/t (-2.7% YoY, -1.9% QoQ), which is lower than CEBPL's est. of INR5,068/t. Total cost/t came in at INR4,003/t (-4.5% YoY, -9.0% QoQ). As a result, EBITDA/t came in at INR895/t (vs CEBPL est. of INR748/t), up 6.6% YoY and up 50.5% QoQ.**

**Targeting INR300/t cost reduction between FY26 to FY28:** We believe ACEM's management is on track to achieve its targeted total cost of INR 3,650/t by FY28, having already delivered a cost reduction of ~INR175/t. We expect Power & Fuel costs to decline by ~INR150/t, aided by the company's target to achieve 30% WHRS capacity by FY28. Additionally, ACEM is entering into long-term supply agreements, which are expected to drive an ~8-10% reduction in raw material costs. With continued focus on cost optimization, we estimate ACEM's EBITDA/t to grow at a CAGR of 24.5%, reaching INR1,157/t by FY28.

**Focusing on premium push and aggressive capacity expansion to drive volume growth:** ACEM's consolidated cement capacity is expected to increase from 100 Mnt at the end of FY25 to 140 Mnt by FY28, with a near-term target of reaching 118 Mnt by FY26. The company is also focusing on driving premiumization, aiming to increase the share of premium products to 35% by FY26, up from 29% in FY25. Supported by its robust capacity expansion, premium product push, and improving cement realisations, we project ACEM's revenue to reach INR 221.1 Bn in FY26, INR 242.3 Bn in FY27, and INR 265.4 Bn Mnt in FY28.

## Management Call - Highlights

- There are three key focus areas for cost reduction: reduction in lead distance, warehouse footprint optimization, and railroad mix optimization. In the current quarter, the primary lead distance improved to 265 km from 280 km, while the secondary lead distance reduced to 46 km from 48 km. These improvements were driven by a 600 bps increase in direct dispatch, rising from 52% to 58%, along with overall network optimization.
- The focus for FY26 is on commissioning several projects in the advanced stages of completion, including Sankrail, Sindri, Dahej, Marwar, Kalamboli, Krishnapatnam, Bhatinda, and Jodhpur. ACEM is on track to commission its 4 MTPA clinker unit at Bhatapara in Chhattisgarh, along with the associated grinding units at Sankrail in West Bengal and Sindri in Jharkhand, by Q1FY26.
- The grinding unit at Salai Banwa in Uttar Pradesh is expected to be commissioned in Q2FY26, while the expansion of the Kalamboli unit in Maharashtra is targeted for commissioning in Q3. Ground-level expansions are also underway at Bathinda (Punjab), Marwar and Jodhpur (Rajasthan), and Dahej (Gujarat).
- Power and fuel costs are steadily declining, supported by increased green power share, higher captive coal usage, and greater AFR consumption. These actions have reduced kiln fuel cost from INR1.84 to INR1.58 per '000 kCal and boosted green power share by 10.5%, from 15.6% to 26.1%. The share of wind power in the overall power mix has increased significantly, rising to 26% from 15.6%.
- Freight and forwarding costs are on a downward trend, with the reduction expected to continue, driven by several initiatives including increased use of sea transport (targeting 10% share by FY28), automation and digitization, wheel rationalization, improved direct dispatches, and renegotiation of freight and handling rates.
- At the industry level, cement supply is expected to grow at a CAGR of 6% up to 2032, while demand could outpace supply with an estimated CAGR of 8%. Total industry capacity is projected to reach 950 MTPA by 2032, with capacity utilisation likely to improve to 68%+ by FY32.
- For FY25, Sanghi's capacity utilisation is expected to be around 40-45%. Penna is performing well with utilisation at 75-80% at clinker level and 45-50% at cement level. Orient, a listed company, has a capacity utilisation ranging between 60-75%.

### Exhibit 1: Q4FY25 results better than market expectations

Ambuja Cement Ltd.	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	CEBPL Est.	Dev. (%)
Volumes	11.6	9.5	22.1	10.1	14.9	11.4	1.6
Revenues (INR mn)	56,814	47,803	18.8	50,432	12.7	57,848	(1.8)
COGS	19,461	13,942	39.6	17,487	11.3		
Power and Fuel Cost	9,448	8,878	6.4	9,493	(0.5)		
Freight Exp.	10,795	10,465	3.1	9,643	11.9		
Employee Expenses	1,451	1,319	9.9	1,425	1.8		
Other Expenses	5,278	5,221	1.1	6,377	(17.2)		
EBITDA (INR mn)	10,382	7,978	30.1	6,006	72.9	8,534	21.7
EBITDA Margins (%)	18.3	16.7	159 bps	11.9	636 bps	14.8	352 bps
Depreciation	2,964	2,440	21.5	2,529	17.2		
EBIT (INR mn)	7,418	5,538	34.0	3,477	113.3	5,752	29.0
EBIT Margin (%)	13.1	11.6	147 bps	6.9	616 bps	9.9	311 bps
Other Income	4,421	1,768	150.0	7,717	(42.7)		
Interest	-131	338	(138.7)	355	(136.9)		
Exceptional Item	-	-158		0			
PBT	11,970	6,810	75.8	10,840	10.4		
Tax	2,681	1,487	80.3	(6,740)	(139.8)		
PAT (INR mn)	9,289	5,323	74.5	17,580	(47.2)	6,290	47.7
Basic EPS (INR)	3.8	2.4	55.7	7.1	(47.2)	2.6	

Source: Company, CEBPL

**Exhibit 2: Volume growth & Cost reduction initiatives to drive EBITDA higher (in INR/t)**

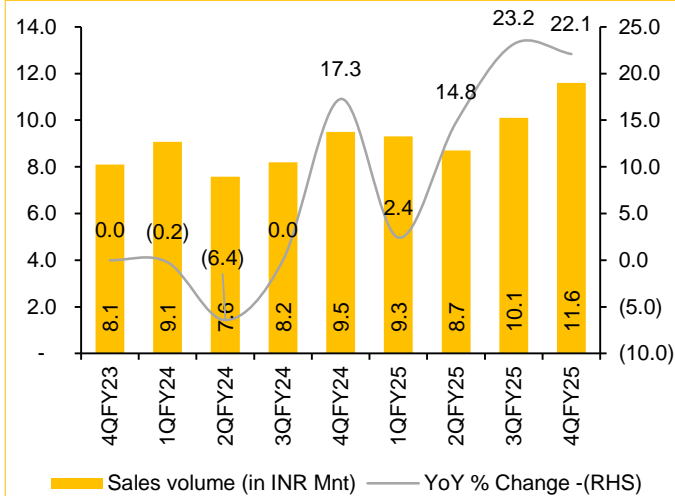
Particular	FY23	FY24	FY25	FY26E	FY27E	FY28E
Volume (in Mnt)	37.8	34.4	39.7	44.5	48.5	52.8
Realisation/t	5,290	5,215	4,900	4,974	4,999	5,024
COGS/t	732	1,299	1,603	1,616	1,625	1,608
Employee Cost/t	212	171	140	149	150	151
Power & Fuel Cost/t	1,592	1,123	909	836	786	754
Freight Expenses/t	1,160	1,123	991	951	913	876
Other Expenses/t	742	518	511	522	500	477
Total Cost/t	4,438	4,234	4,153	4,075	3,973	3,866
EBITDA/t	852	981	747	899	1,026	1,157
Revenue (in INR Mn)	1,99,854	1,79,193	1,94,536	2,21,148	2,42,257	2,65,380
EBITDA (in INR Mn)	32,204	33,708	29,654	39,969	49,702	61,138
PAT (IN INR Mn)	25,535	23,347	37,550	31,382	38,480	47,001

Source: Company, CEBPL

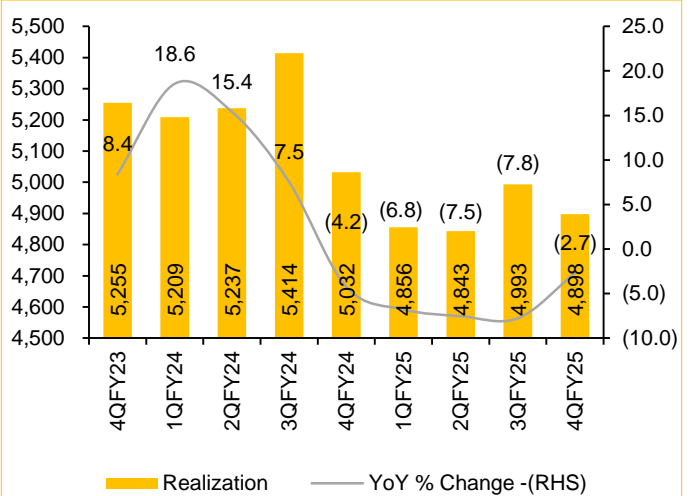
**Exhibit 3: Introducing EV/CE Valuation Framework**

INR Mn	FY23	FY24	FY25	FY26E	FY27E	FY28E
ROCE	8.1%	6.5%	3.9%	5.4%	6.5%	7.7%
WACC	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
ROCE less WACC %	-4.4%	-6.0%	-8.6%	-7.1%	-6.0%	-4.8%
EV	5,84,001	9,86,492	7,63,435	7,57,202	7,39,867	7,14,174
Capital Employed	2,94,807	3,76,643	4,94,119	5,20,575	5,54,129	5,96,204
EV/CE	2.0	2.6	1.5	1.5	1.3	1.2
Cement Industry EV/CE (Average)	2.46	2.56	2.60	2.33	2.16	2.08
Target EV/CE				2.3	2.3	2.3
Target EV				11,97,323	12,74,497	13,71,269
Gross Debt				268	268	268
Cash & Equivalents				70,610	87,944	1,13,638
Net Debt				(70,342)	(87,676)	(1,13,369)
LT Provision				969	969	969
EQUITY VALUE Ambuja Standalone				12,66,696	13,61,205	14,83,669
EQUITY VALUE ACC				4,30,040	4,40,322	4,82,350
Ambuja stake in ACC				50.05%	50.05%	50.05%
Holdco Discount				25.0%	25.0%	25.0%
EQUITY VALUE of ACC stake				1,61,426	1,65,286	1,81,062
EQUITY VALUE - AMBUJA Consolidated				14,28,123	15,26,491	16,64,731
EQUITY VALUE - AMBUJA Consolidated (INR/sh)				580	620	676
1 yr forward TP (INR/share)						625

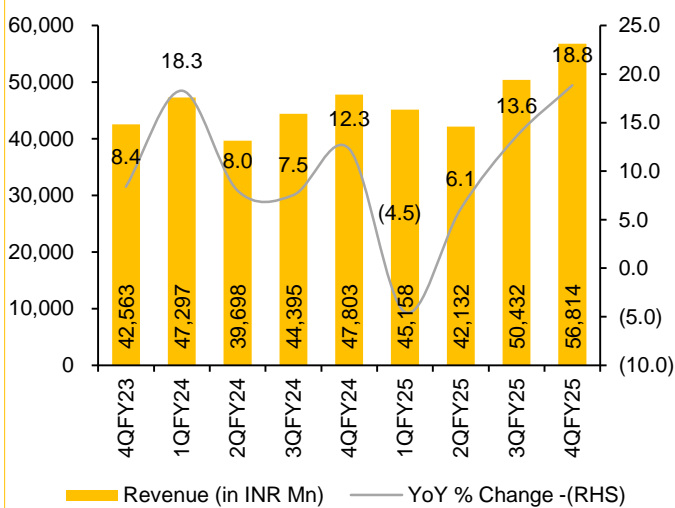
Source: Company, CEBPL

**Impressive volume growth in Q4**

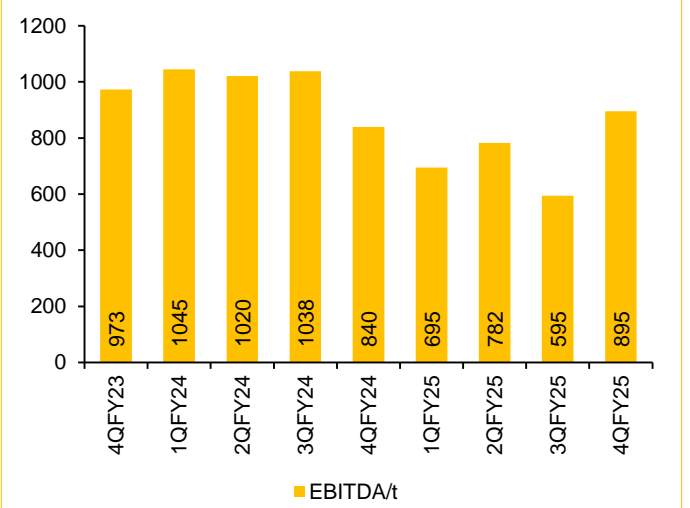
Source: Company, CEBPL

**Price increases continue beyond Q4FY25**

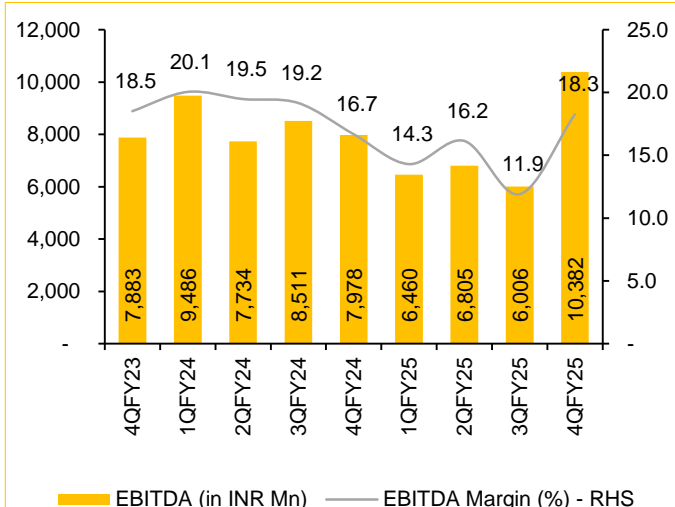
Source: Company, CEBPL

**Robust revenue growth in Q4, supported by higher volume**

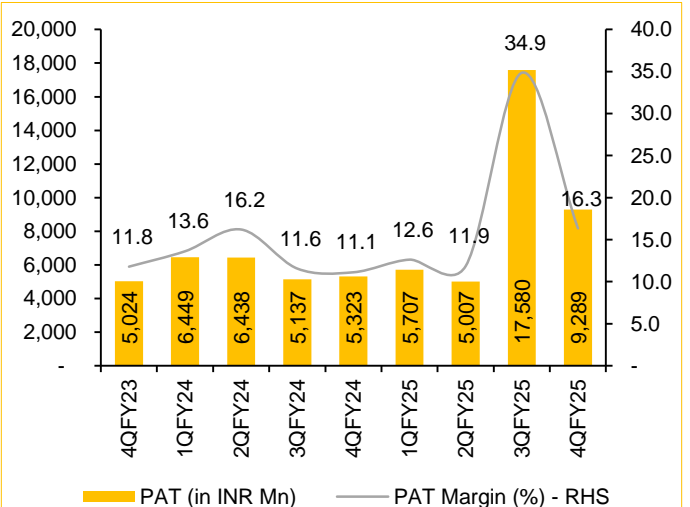
Source: Company, CEBPL

**Improved realisation & volume drive EBITDA/t**

Source: Company, CEBPL

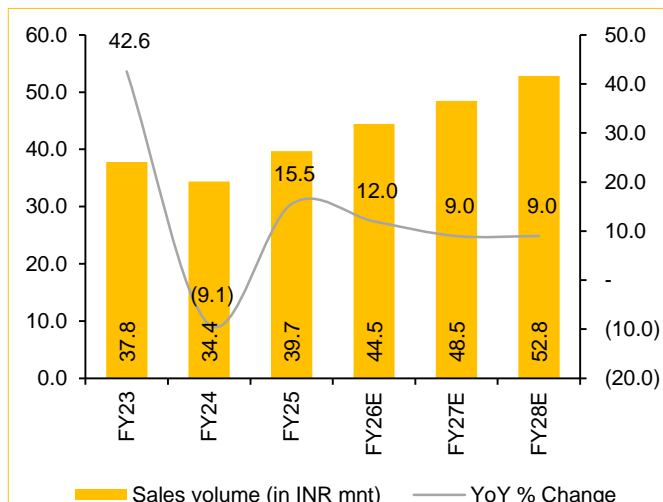
**EBITDA Margin grow by 159 bps on a YoY basis**

Source: Company, CEBPL

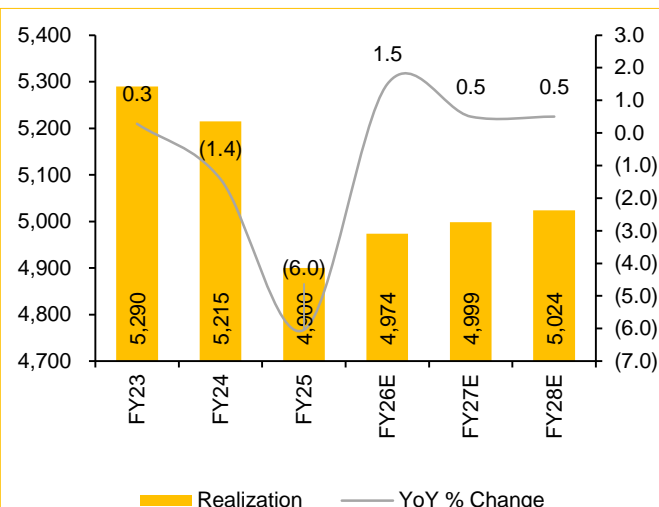
**PAT beats on street expectations**

Source: Company, CEBPL

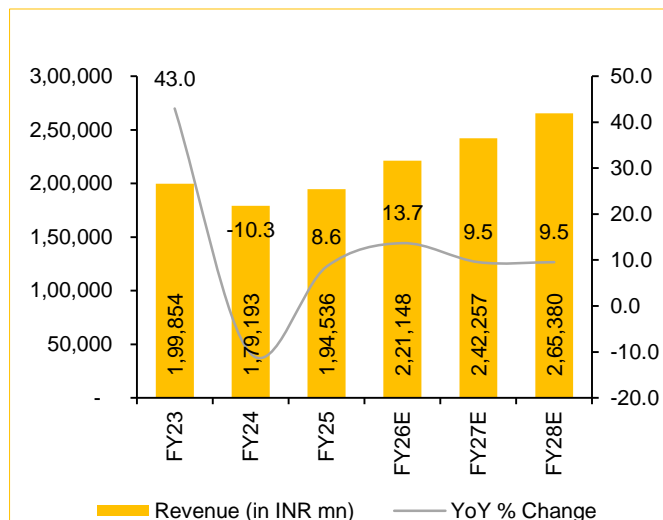
\*All figures are in INR Million

**Volume is expected to grow to 52.8 Mnt by FY28**

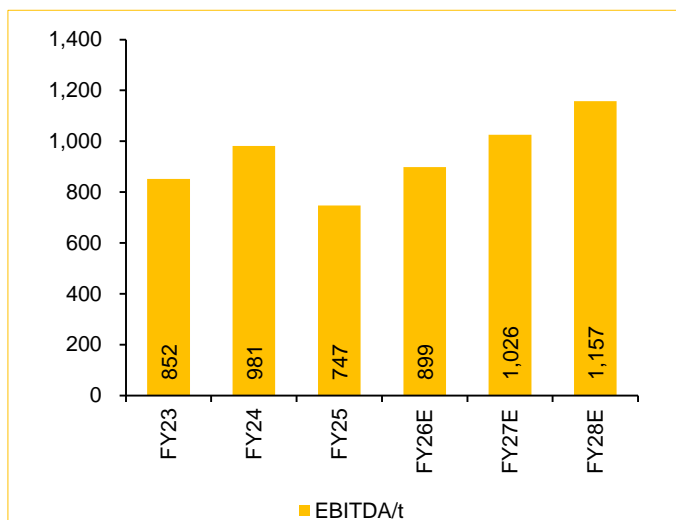
Source: Company, CEBPL

**Realisation started improving**

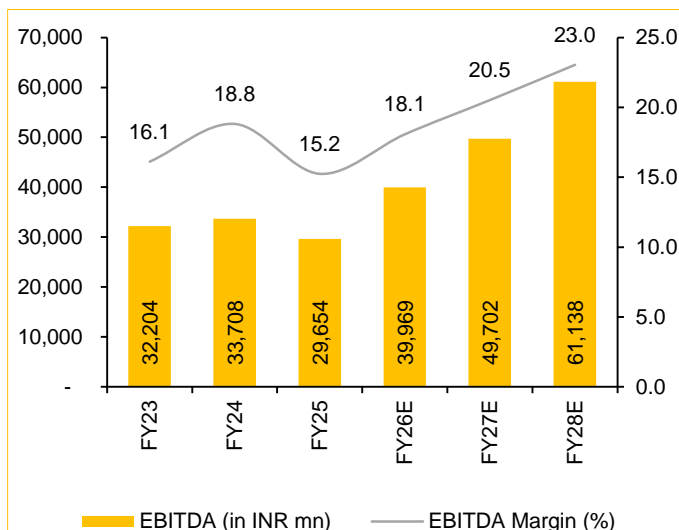
Source: Company, CEBPL

**Revenue expected to grow supported by higher volumes**

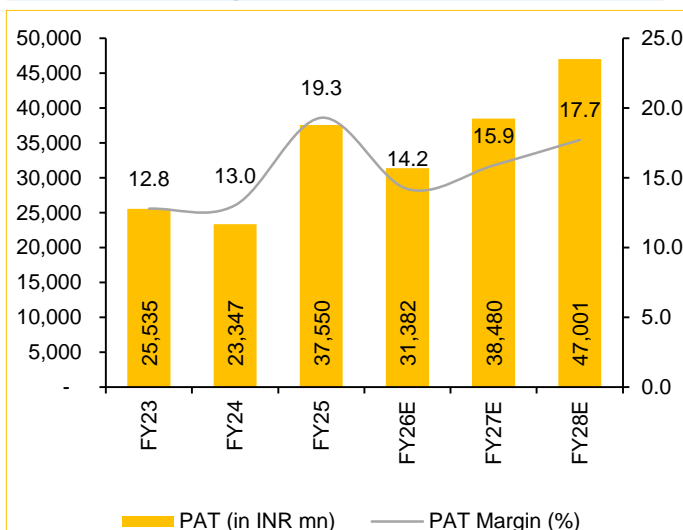
Source: Company, CEBPL

**Cost reduction initiatives led to an increase in EBITDA/t**

Source: Company, CEBPL

**EBITDA expected to grow at CAGR of 27.3% over FY25-28**

Source: Company, CEBPL

**PAT is expected to grow at a CAGR of 7.8% over FY25-28**

Source: Company, CEBPL

Income statement (Standalone in INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Revenue	1,79,193	1,94,536	2,21,148	2,42,257	2,65,380
Gross Profit	1,34,557	1,30,906	1,49,275	1,63,523	1,80,459
EBITDA	33,708	29,654	39,969	49,702	61,138
Depreciation	9,380	10,385	11,820	13,620	15,420
EBIT	24,329	19,269	28,149	36,082	45,718
Other Income	8,526	18,991	13,269	14,535	15,923
Interest Expense	1,623	955	1,055	1,155	1,255
PBT	31,075	37,176	40,234	49,334	60,257
Reported PAT	23,347	37,550	31,382	38,480	47,001
EPS	11.7	15.3	12.7	15.6	19.1
Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth Ratios</b>					
Revenues	(10.3)	8.6	13.7	9.5	9.5
EBITDA	4.7	(12.0)	34.8	24.4	23.0
PAT	(8.6)	60.8	(16.4)	22.6	22.1
<b>Margins</b>					
Gross Profit Margin	75.1	67.3	67.5	67.5	68.0
EBITDA Margin	18.8	15.2	18.1	20.5	23.0
Tax Rate	24.9%	(1.0)%	22.0%	22.0%	22.0%
PAT Margin	13.0	19.3	14.2	15.9	17.7
<b>Profitability</b>					
Return On Equity (ROE)	6.3	7.7	6.1	7.0	8.0
Return On Invested Capital (ROIC)	6.9	5.0	5.3	6.6	8.0
Return On Capital Employed (ROCE)	6.5	3.9	5.4	6.5	7.7
<b>Financial leverage</b>					
OCF/EBITDA (x)	0.8	0.6	1.1	1.1	1.0
OCF / IC (%)	10.3	4.5	10.3	12.5	13.9
EV/EBITDA (x)	29.3	25.7	18.9	14.9	11.7
<b>Earnings</b>					
EPS	11.7	15.3	12.7	15.6	19.1
Shares Outstanding	2,198	2,463	2,463	2,463	2,463
<b>Working Capital</b>					
Inventory Days (x)	32	31	31	31	31
Receivable Days (x)	15	13	13	13	13
Creditor Days (x)	30	30	30	30	30
Working Capital Days	17	14	14	14	14

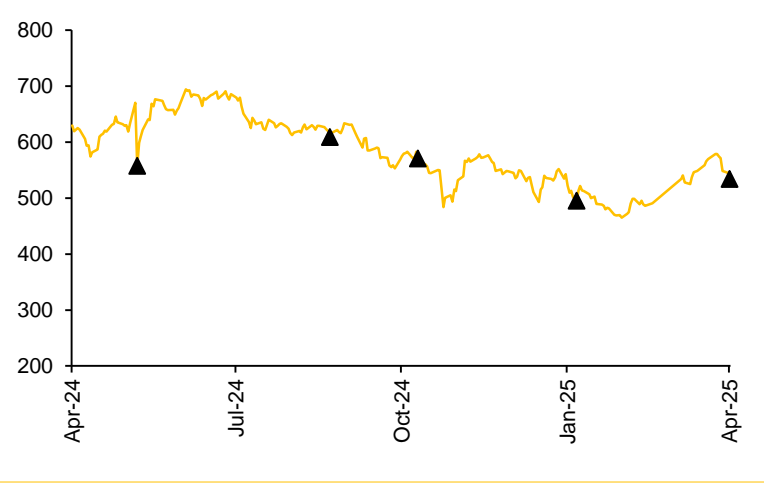
Source: Company, CEBPL

Balance sheet (Standalone in INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Net Worth	3,70,065	4,86,057	5,12,512	5,46,067	5,88,141
Borrowings	189	268	268	268	268
Deferred Tax	2,693	4,538	4,538	4,538	4,538
Other Liabilities & Provisions	53,818	64,491	64,491	64,491	64,491
<b>Total Net Worth &amp; Liabilities</b>	<b>4,26,765</b>	<b>5,55,353</b>	<b>5,81,809</b>	<b>6,15,363</b>	<b>6,57,438</b>
Net Block	85,686	1,04,961	1,23,141	1,39,521	1,54,101
Capital WIP	15,485	53,223	53,223	53,223	53,223
Goodwill & Intangible Assets					
Investments	1,40,581	2,57,255	2,57,255	2,57,255	2,57,255
Cash & Cash Equivalents	88,334	41,900	48,134	65,468	91,161
Loans & Other Assets	88,130	90,327	90,327	90,327	90,327
Net Working Capital	8,549	7,687	9,729	9,569	11,370
<b>Total Assets</b>	<b>4,26,765</b>	<b>5,55,353</b>	<b>5,81,809</b>	<b>6,15,363</b>	<b>6,57,438</b>
Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows From Operations	27,574	17,693	42,215	53,416	61,874
Cash Flows From Investing	(76,071)	(65,415)	(30,000)	(30,000)	(30,000)
Cash Flows From Financing	56,970	73,773	(5,981)	(6,081)	(6,181)
DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Tax Burden	75.1%	101.0%	78.0%	78.0%	78.0%
Interest Burden	127.7%	192.9%	142.9%	136.7%	131.8%
EBIT Margin	13.6%	9.9%	12.7%	14.9%	17.2%
Asset Turnover	0.4	0.4	0.4	0.4	0.4
Equity Multiplier	1.2	1.1	1.1	1.1	1.1
ROE	6.3%	7.7%	6.1%	7.0%	8.0%



Historical share price chart: Ambuja Cement Limited



Date	Rating	Target Price
February 01, 2024	ADD	590
May 02, 2024	BUY	665
August 01, 2024	REDUCE	707
October 29, 2024	BUY	634
January 30, 2025	BUY	600
April 30,2025	BUY	625

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CHOICE RATING DISTRIBUTION & METHODOLOGY

Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be stable over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

\*Large Cap: More Than INR 20,000 Cr Market Cap  
\*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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