

January 30, 2025

RESULT REPORT Q3 FY25 | Sector: Cement

Ambuja Cements

Strong volume and high incentive led numbers.

Result Synopsis

ACL's consolidated 3Q FY25 numbers were above ours and street estimate due to higher incentive included in revenue numbers supported by strong volumes. If we ignore the one-off incentive figure of Rs8.3bn the numbers are as follows 1). Revenue (+5% YoY/ +13% QoQ) and 2). EBITDA (a fall of 49% YoY and 20% QoQ, while EBITDA/tn down by ~56% YoY (-31% QoQ) to Rs537 vs. the reported EBITDA/tn of Rs1037. The bottom line is, the numbers were pretty good when incentive is added, otherwise it's not so impressive. We assume the company have chosen, volume over price strategy to hold market share in 3Q. Volumes were up by ~16% YoY (+16% QoQ) whereas cement realizations (Excl. Incentive amount) were down ~3% QoQ which is lowest among all the larger players reported their number so far. And the major portion of incentive have flown from ACC. As per the management the incentive numbers are expected to be Rs6-6.5bn per annum going forward which is vs. Rs4bn earlier.

On consolidated basis, ACL at present capacity of 95mtpa enjoys 15% of market share and expected to reach 20% by FY28. The company is doubling the capacity by FY28 by adding ~45mt of capacity across the demand rich regions though organic and inorganic roots. While recent acquisition with Penna (in southern region), Master Supply Agreement with Sanghi Industry (Western region) and ACC to gain volumes going ahead at lower cost. Also, Orient Cement (in southern region) transaction is expected to conclude soon will have synergy benefits especially logistic and various cost saving benefits. But the real concern is with south based acquired companies i.e., Penna and Orient cement's capacity utilization and pricing power. Southern region is a over-supply zone where avg. capacity utilization is low in the range of 50-55% with weak pricing. It may take several quarters for Penna cement to achieve ACL's efficiency level. While its being more than a year, we have not observed any significant improvement at Sanghi Cement. However, the near-term target to have a cost saving of Rs450-500/tn through various energy, raw-material and logistic cost saving programs likely to result gradual improvement in margins. However, this may take 1.5 to 2 years of time to reflect in the numbers.

Outlook & Valuation: We remain SELL on ACL with certain backdrops such as a). weak pricing in key market regions, b). lower capacity utilization of acquired companies, and c). more than expected time-taking for cost saving programs. We are factoring 12.3% volume CAGR over FY24-FY27E and assuming avg. realization of -1.9% over FY24-FY27E to arrive Revenue/ EBITDA/ PAT CAGR of 9.5%/ 10%/ 8% over FY24-FY27E. We value ACL at 16x Sep'26 EV/EBITDA to arrive at TP of Rs432 (earlier Rs471). Any significant price hike or strong demand recovery, higher than expected cost reduction are the key upside risk to our assumptions.

Exhibit 1: Actual vs estimates

Rs Mn	Actual	Estimate		% Variation		Remarks
		YSec	Consensus	YSec	Consensus	
Sales	93,286	80,218	75,077	16.3	14.5	Better than expected volume and higher incentive missed est.
EBITDA	17,119	12,967	11,494	32.0	19.7	
Margin (%)	18.4	16.2	17.5	219 bps	80 bps	
Rept. PAT	21,153	7,435	7,111	184.5	206.6	

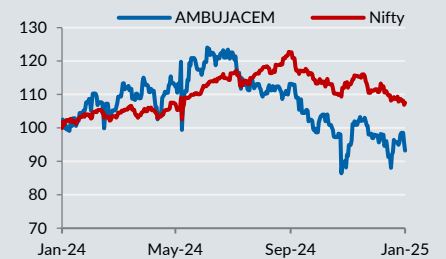
Source: Company, YES Sec

Reco	: SELL
CMP	: Rs 522
Target Price	: Rs 432
Potential Return	: -17%

Stock data (as on Jan 30, 2025)

Nifty	23,163
52 Week h/l (Rs)	707 / 453
Market cap (Rs/USD mn)	1337846 / 15458
Outstanding Shares (mn)	2,463
6m Avg t/o (Rs mn):	1,989
Div yield (%):	0.4
Bloomberg code:	ACEM IN
NSE code:	AMBUJACEM

Stock performance



	1M	3M	1Y
Absolute return	-4.7%	-9.2%	-9.1%

Shareholding pattern (As of Dec'24 end)

Promoter	67.5%
FII+DII	25.8%
Others	6.7%

Δ in stance

(1-Yr)	New	Old
Rating	SELL	SELL
Target Price	432	471

Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	11.8	17.0	14.5
EPS (Old)	11.8	17.0	10.8
% Change	0.0	0.0	34.7

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Revenue	339,046	393,049	435,240
Growth	2.2	15.9	10.7
EBITDA	50,470	64,741	85,210
Margin	14.9	16.5	19.6
Adj PAT	35,830	31,238	45,009
Growth	(4.1)	(12.8)	44.1
EPS	14.5	12.7	18.3
ND/EBITDA	(1.2)	(1.3)	(1.5)
ROE	7.0	5.7	7.5
ROCE	3.8	5.1	6.9
EV/EBITDA	24.2	18.6	13.6

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QUARTERLY RESULT ANALYSIS

Exhibit 2: Quarterly snapshot (Consolidated)

Y/E Mar (Rs mn)	3QFY25	3QFY24	YoY %	2QFY25	QoQ%	Our Est.	Var. (%)	9MFY25	9MFY24	YoY%
Net Revenue	93,286	81,288	14.8	75,161	24.1	80,218	16.3	251,562	242,657	3.7
Total Expenses	76,167	63,967	19.1	64,047	18.9			210,531	195,648	7.6
COGS	17,861	11,896	50.1	14,202	25.8			47,836	34,935	36.9
Employee Expenses	3,823	3,197	19.6	3,486	9.7			10,480	10,386	0.9
Power & fuel	20,816	19,158	8.7	18,175	14.5			59,660	60,914	(2.1)
Freight Exp	20,438	18,692	9.3	18,252	12.0			59,651	58,816	1.4
Other Expenses	13,229	11,024	20.0	9,932	33.2			32,904	30,598	7.5
EBITDA	17,119	17,321	(1.2)	11,114	54.0	12,967	32.0	41,031	47,009	(12.7)
EBITDA (%)	18.4	21.3	-296 bps	14.8	356 bps	16.2	219 bps	16.3	19.4	-306 bps
D&A	6,640	4,177	59.0	5,520	20.3			16,920	11,703	44.6
Other income	13,522	1,937	598.3	3,740	261.5			20,810	9,329	123.1
Interest Expense	670	701	(4.5)	669	0.2			2,017	1,835	9.9
Exceptional/EO items	-	-	NA	(1,562)	(100.0)			(1,562)	-	#DIV/0!
Share JV/Associates	30	102	(71.1)	22	32.9			86	195	(56.0)
EBT	23,361	14,481	61.3	7,127	227.8			41,428	42,995	(3.6)
Tax	(2,840)	3,586	(179.2)	2,398	(218.5)			2,666	10,872	(75.5)
Minority Interest	5,048	-	NA	169	2,881.5			6,650	4,241	56.8
Reported PAT	21,153	10,896	94.1	4,560	363.9			32,112	27,881	15.2
Adjusted PAT	21,153	10,896	94.1	5,731	269.1	7,435	184.5	33,283	27,881	19.4
Adjusted PAT (%)	22.7	13.4	927 bps	7.6	1505 bps			13.2	11.5	174 bps
Adj. EPS	10.7	5.5	94.1	2.9	269.1			13.5	11.3	19.4

Source: Company, YES Sec

Exhibit 3: Quarterly Operational Performance Analysis (Consolidated)

Particulars (Rs m)	3QFY25	3QFY24	YoY %	2QFY25	QoQ%	Our Est.	Var. (%)	9MFY25	9MFY24	YoY%
Total Volumes (MMT)	16.50	14.17	16.4	14.20	16.2	15.05	9.6	46.47	42.58	9.1
NSR/te (Blended)	5,654	5,737	(1.4)	5,293	6.8	5,330	6.1	5,413	5,699	(5.0)
RM/te	1,082	839	28.9	1,000	8.2			1,029	820	25.5
Employees/te	232	226	2.7	245	(5.6)			226	244	(7.5)
Power/te	1,262	1,352	(6.7)	1,280	(1.4)			1,284	1,431	(10.3)
Freight/te	1,239	1,319	(6.1)	1,285	(3.6)			1,284	1,381	(7.1)
Others/te	802	778	3.1	699	14.6			708	719	(1.5)
Opex/te (Blended)	4,616	4,514	2.3	4,510	2.3			4,530	4,595	(1.4)
EBITDA/te (Blended)	1,037	1,222	(15.1)	783	32.6	862	20.4	883	1,104	(20.0)

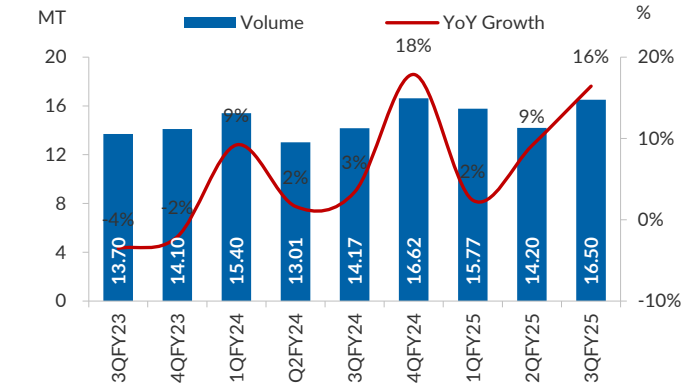
Source: Company, YES Sec

ADANI CEMENTS KEY CON-CALL HIGHLIGHTS & ANALYSIS

- **Market Demand and Pricing Trends:** Cement demand remained strong, supported by government infrastructure projects, real estate growth, and improving rural demand. Adani Cements (Ambuja + ACC) saw 12% YoY volume growth, reaching ~16.7 MTPA in Q3FY25. Prices were stable to slightly positive, with a Rs.5-10/bag hike in key regions (North & West). The company expects pricing discipline to continue, with premium products contributing to higher realizations (Rs. 5,230/tn). Demand momentum is expected to remain strong in Q4FY25 and FY26, aided by urbanization trends.
- **Capacity Expansion and Investment Roadmap:** The company is aggressively expanding capacity, targeting 140 MTPA by FY28. In Q3FY25, it commissioned 8 MTPA across Ametha (MP) and Ropar (Punjab). Another 14 MTPA is under execution, with upcoming grinding units in Himachal, Bihar, and Telangana, and clinker expansions at Maratha and Bhatapara. Capex for FY25 is projected at Rs.8,000-9,000 cr, primarily funded through internal accruals, ensuring a disciplined approach to growth.
- **Operational Efficiency and Energy Optimization:** Cost optimization remained a key focus, particularly in power & fuel costs, which declined 8% QoQ due to:
 - Higher linkage coal usage (62% of total fuel mix)
 - Increased WHRS utilization
 - Lower pet coke prices
 - Renewable energy investments targeting 60% green power by FY30
- This shift significantly contributed to EBITDA/tn improving to Rs. 1,065.
- **Logistics Optimization and Cost Management:** The company improved freight efficiency, reducing lead distance to 280-300 km. Optimizing the rail-road mix (rail share at ~34%) resulted in a 5-7% YoY logistics cost reduction. Expansion of bulk terminals and a more efficient distribution network continues to be a key focus to further lower logistics costs.
- **Orient Cement:** The acquisition of Orient Cement is at an advanced stage and is expected to contribute significantly to the increase in capacity. The anticipated outflow for the Orient Cement acquisition is Rs. 4,000 cr in Q4. However, the Rs. 8,800 cr transaction for the acquisition has yet to be fully accounted for, with the exception of the SEBI escrow deposit.
- **Strategic Developments and Growth Outlook:** The company continues to focus on premiumization and sustainability, with increased sales of blended cement and premium products. Additionally, its digital initiatives and automation investments are driving operational efficiencies. The management remains bullish on long-term industry growth, expecting double-digit volume growth in FY25.
- **Debt Position and Financial Strength:** Strong balance sheet with near-zero net debt. Expansion is being funded through internal accruals, ensuring low leverage. Cash reserves remain healthy, providing flexibility for capex and future M&A opportunities.

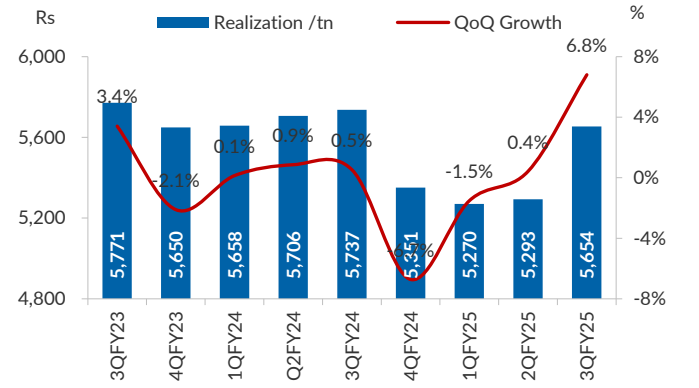
QUARTERLY CHARTS & ANALYSIS

Exhibit 4: Volume up by ~16% YoY (+16% QoQ) implies volume over pricing strategy to gain market share



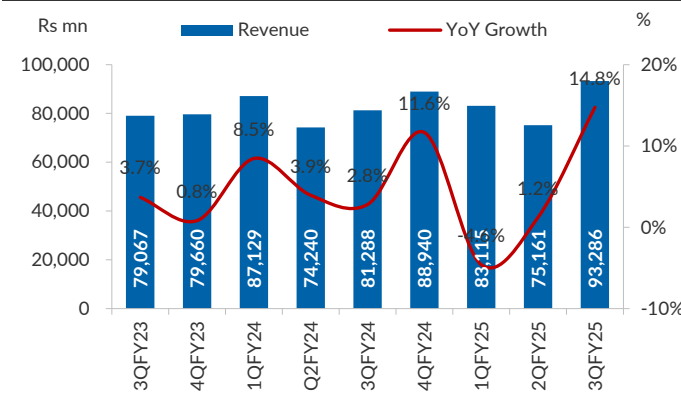
Source: Company, YES Sec

Exhibit 5: Blended realization up by 6.8% QoQ – the impact of higher incentive (Rs8.26bn) added in revenue



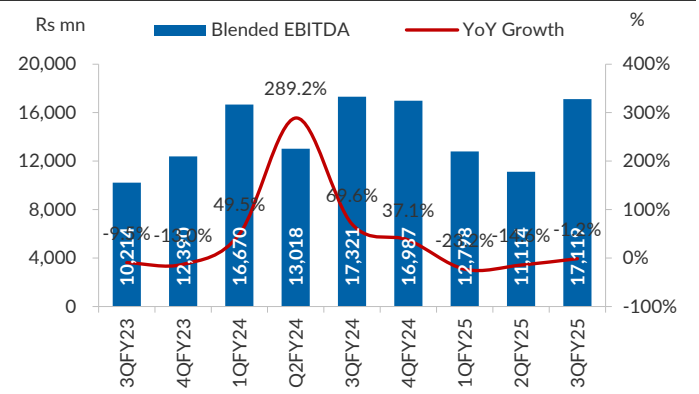
Source: Company, YES Sec

Exhibit 6: Revenue up by ~15% YoY (+24% QoQ) – the impact of strong volume, higher incentive and low base



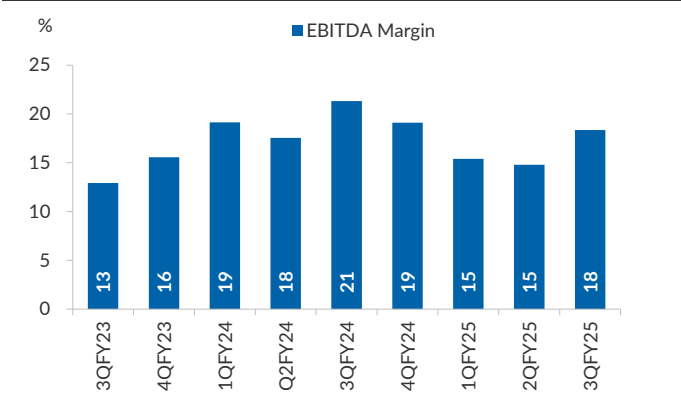
Source: Company, YES Sec

Exhibit 7: Sharp increase in EBITDA (+54% QoQ) led by higher incentive which has partially off-set by higher other expenses ...



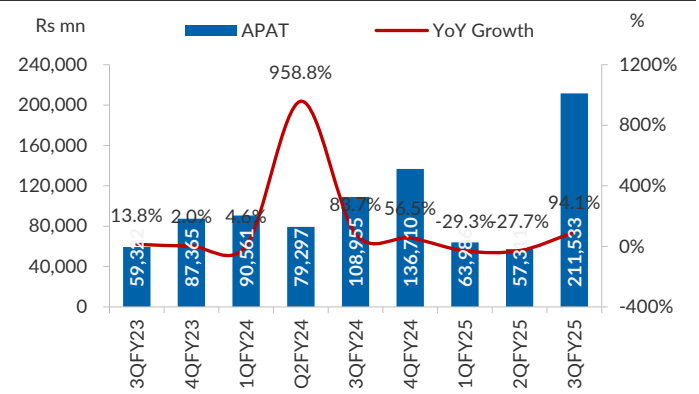
Source: Company, YES Sec

Exhibit 8: .. leads to margin expansion.



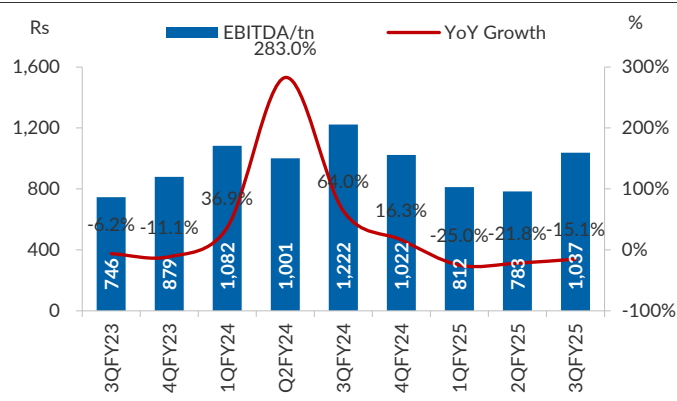
Source: Company, YES Sec

Exhibit 9: Sharp increase in Adj. PAT led by low base, higher incentive, and increase in other income



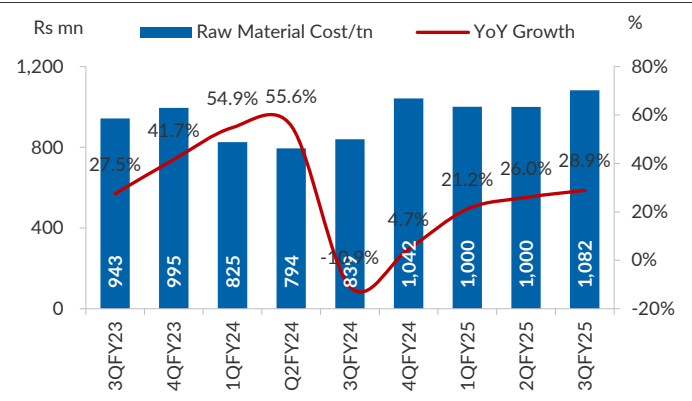
Source: Company, YES Sec

Exhibit 10: Blended EBITDA/tn (Reported) have improved, while without incentive its only ~Rs530 remained flattish QoQ/ a fall of ~8% YoY)



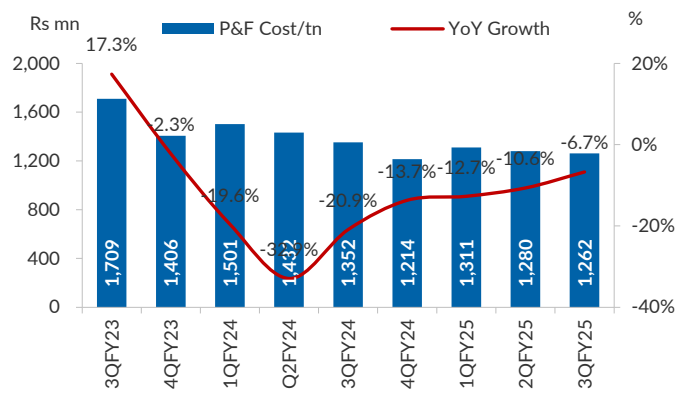
Source: Company, YES Sec

Exhibit 11: RM Cost/tn up ~29% YoY (+8% QoQ) – an impact of MSA with subsidiary companies have kept RM cost at normalize level despite reclassification of Royalty expenses from cost of RM consumed to other expense



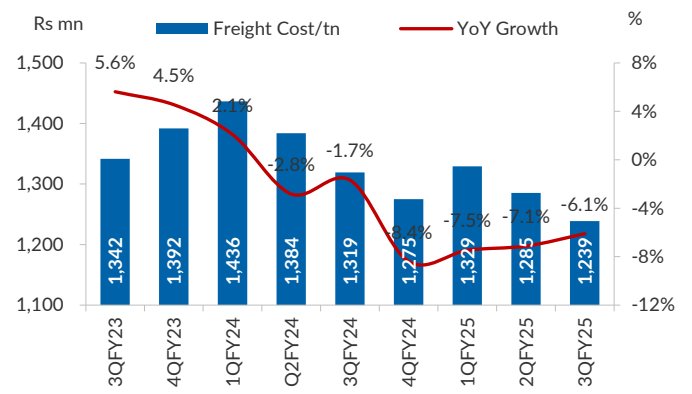
Source: Company, YES Sec

Exhibit 12: P&F Cost/tn down ~7% YoY (-1.4% QoQ) despite on-going various energy cost savings programs



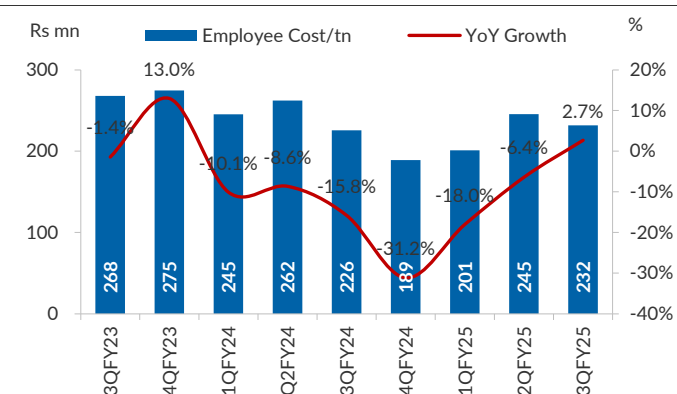
Source: Company, YES Sec

Exhibit 13: Freight Cost/tn down by ~6% YoY (-3.6% QoQ) – impact of efficient logistic system



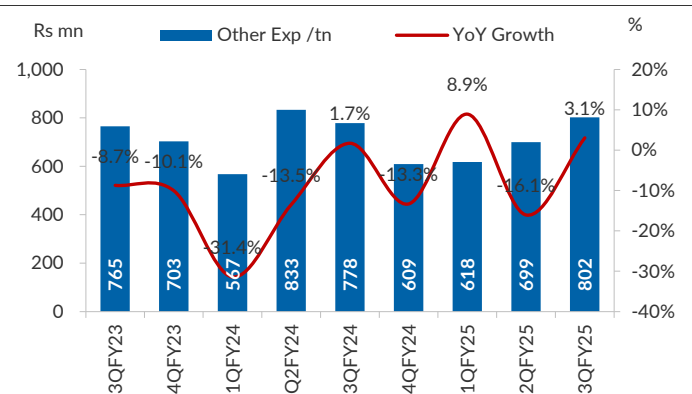
Source: Company, YES Sec

Exhibit 14: Employee Cost/tn up by ~3% YoY (-6% QoQ) – the impact of one-off in 2Q



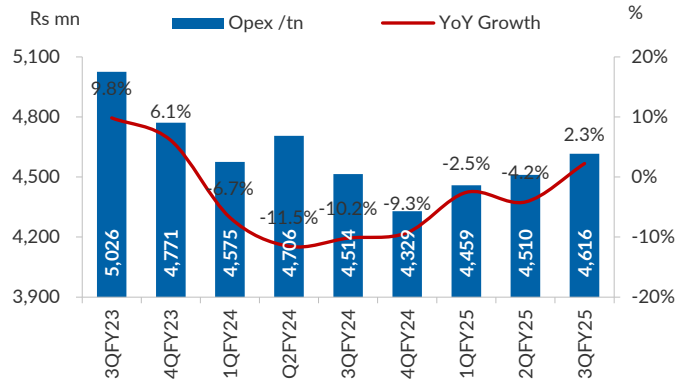
Source: Company, YES Sec

Exhibit 15: Significant increase in other exp/tn (+3% YoY / 15% QoQ) due to reclassification of Royalty from RM cost, kilns shutdown and consolidation expenses



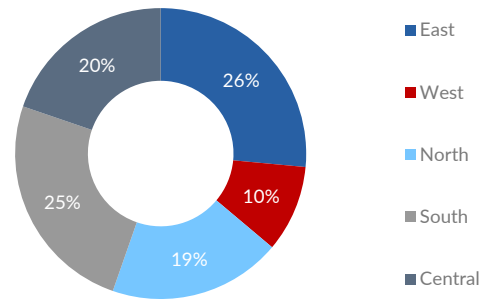
Source: Company, YES Sec

Exhibit 16: Opex/tn up by 2.3% YoY (+2.3% QoQ)



Source: Company, YES Sec

Exhibit 17: Regional Mix as on date



Source: Company, YES Sec

Exhibit 18: Change in estimates

Rs mn	New Estimates			Old Estimates			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	339,046	393,049	435,240	349,010	404,453	457,812	(2.85)	(2.82)	(4.93)
EBITDA	50,470	64,741	85,210	57,284	72,529	96,025	(11.9)	(10.7)	(11.3)
EBITDA Margin (%)	14.9	16.5	19.6	16.4	17.9	21.0	(151)bps	(143)bps	(142)bps
APAT	35,830	31,238	45,009	26,555	35,461	51,042	34.9	(11.9)	(11.8)
Adj. EPS (Rs)	11.8	17.0	14.5	12	17	11	0.0	(0.0)	34.7

Source: Company, YES Sec

Exhibit 19: Annual Operational Performance Estimates (Consolidated)

Operating Details	FY23	FY24	FY25E	FY26E	FY27E
Volume (mt)	69	59	64	75	82
YoY (%)	26.6	(14.3)	7.6	17.1	10.4
Utilization (%)	102	76	67	64	64
Realization (Rs)	5,635	5,601	5,321	5,268	5,286
YoY (%)	6.2	(0.6)	(5.0)	(1.0)	0.3
Cost per tonne (Rs)					
Raw Material Cost (Rs/mt)	740	832	1,035	1,095	1,155
Employee Cost/tn (Rs)	269	229	226	237	242
Power & Fuel Cost (Rs/mt)	1,702	1,370	1,271	1,141	991
Freight Cost/tn (Rs)	1,378	1,351	1,258	1,198	1,138
Other Expenses (Rs/mt)	812	741	742	732	727
Blended EBITDA(Rs/tn)	741	1,081	792	868	1,035

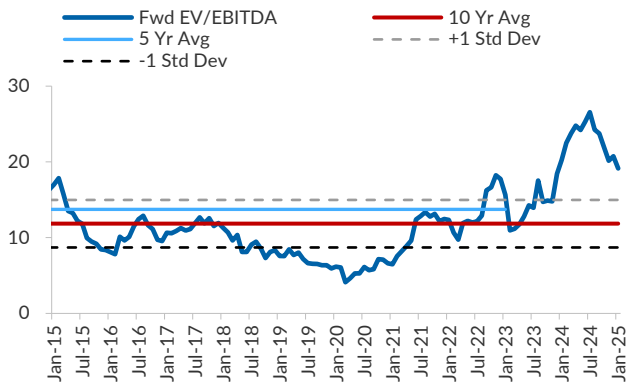
Source: Company, YES Sec

Exhibit 20: Valuation Summary

Valuation	Rs mn
Sep'26E EBITDA	74,976
Target EBITDA (x)	16
EV	1,199,612
Less: ACC Minority Interest	225,653
Less: Sanghi Minority Interest	6,432
Less: Net Debt & CWIP	(95,551)
ACEM's Eq Value	1,063,078
No. of Shares	2,463
Target Price (Rs)	432
CMP (Rs)	522
Up/Downside	-17%

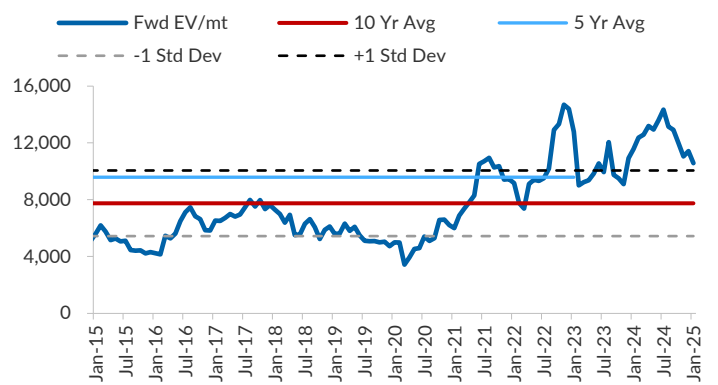
Source: Company, YES Sec

Exhibit 21: 1-yr forward EV/EBITDA band



Source: Company, YES Sec

Exhibit 22: 1-yr forward EV/te (\$) band



Source: Company, YES Sec

FINANCIALS

Exhibit 23: Balance Sheet (Consolidated)

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<i>Sources of funds:</i>					
Eq. Share Capital	3,971	4,395	4,926	4,926	4,926
Reserves & Surplus	313,011	410,155	413,546	440,013	479,019
Shareholders' Funds	316,982	414,551	418,472	444,939	483,945
Non-Controlling Interest	70,584	93,908	103,299	123,959	148,751
Total Loan Funds	5,227	6,990	6,682	7,570	8,478
Other liabilities	10,025	18,051	18,286	18,731	19,079
Total Liabilities	517,215	652,978	674,862	742,513	822,771
<i>Application of funds:</i>					
Net Block	150,937	234,109	307,956	334,185	349,562
Right use of Assets	5,882	7,583	7,583	7,583	7,583
CWIP	25,259	26,585	17,810	8,843	9,000
Investments	2,137	8,486	8,524	8,601	8,678
Other non-current assets	140,508	135,281	140,083	149,233	156,381
Inventories	32,728	36,086	30,364	34,254	37,489
Trade Receivables	11,544	12,131	11,370	12,566	13,058
Cash & Bank Balances	29,610	110,689	61,596	83,405	126,031
Other current Assets	118,612	82,029	89,574	103,841	114,988
Total Current Assets	192,494	240,935	192,905	234,067	291,566
Trade Payables	27,739	31,088	31,602	35,418	38,612
Other Current Liabilities	86,658	88,391	96,521	111,895	123,906
Total Current Liabilities	114,397	119,478	128,123	147,313	162,518
Net Current Assets	77,357	127,233	70,439	92,159	134,259
Total Assets	517,215	652,978	674,862	742,513	822,771

Source: Company, YES Sec

Exhibit 24: Income statement (Consolidated)

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	389,370	331,596	339,046	393,049	435,240
Expenses:					
Raw Materials	51,109	49,228	65,928	81,674	95,088
Employee Cost	18,565	13,528	14,378	17,656	19,900
P&F Cost	117,619	81,093	80,984	85,130	81,609
Freight cost	95,237	80,006	80,146	89,371	93,701
Other Expenses	55,616	43,746	47,140	54,477	59,731
EBITDA	51,224	63,995	50,470	64,741	85,210
Depreciation & Amortization	16,447	16,234	23,977	26,955	29,466
EBIT	34,777	47,761	26,494	37,787	55,744
Other Income	7,377	11,664	23,968	6,852	7,587
Finance cost	1,949	2,764	2,689	2,987	3,319
Exceptional items	3,190	(2,116)	-	-	-
PBT	37,015	58,777	47,773	41,651	60,012
Tax Expenses	7,051	11,626	11,943	10,413	15,003
Share in Profit / (Loss) of Asso and JV	280	229	-	-	-
Minority Interest	4,410	11,612	-	-	-
RPAT	25,834	35,768	35,830	31,238	45,009
APAT	23,441	37,355	35,830	31,238	45,009

Source: Company, YES Sec

Exhibit 25: Cash Flow (Consolidated)

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Operating profit before WC changes	49,463	63,673	74,439	71,593	92,797
Net chg in working capital	(34,729)	1,941	7,732	121	553
Income tax Paid	(7,385)	(9,156)	(11,943)	(10,413)	(15,003)
CFO	7,349	56,458	70,228	61,301	78,347
Adj. CFO	5,400	53,694	67,539	58,314	75,028
Capital Expenditure					
Capital expenditure	(40,659)	(39,611)	(89,050)	(44,217)	(45,000)
Other Investments	(104,148)	(49,893)	(4,841)	(9,226)	(7,225)
CFI	(144,808)	(89,504)	(93,891)	(53,443)	(52,225)
Adj FCF	(35,259)	14,083	(21,511)	14,097	30,028
Change in Equity					
Change in Equity	50,000	66,610	(18,122)	20,815	24,947
Debt (Incl. Interest)	(2,735)	(3,874)	(2,912)	(1,938)	(2,285)
Dividend	(17,955)	(5,848)	(4,395)	(4,926)	(6,158)
CFF	29,310	56,888	(25,429)	13,951	16,504
Net Change in Cash					
Net chg in cash	(108,148)	23,842	(49,092)	21,809	42,625
Opening Cash & Eq	116,930	29,610	110,689	61,596	83,405
Othe Adj:	20,829	57,237	-	-	-
Closign Cash & Eq	29,610	110,689	61,596	83,405	126,031

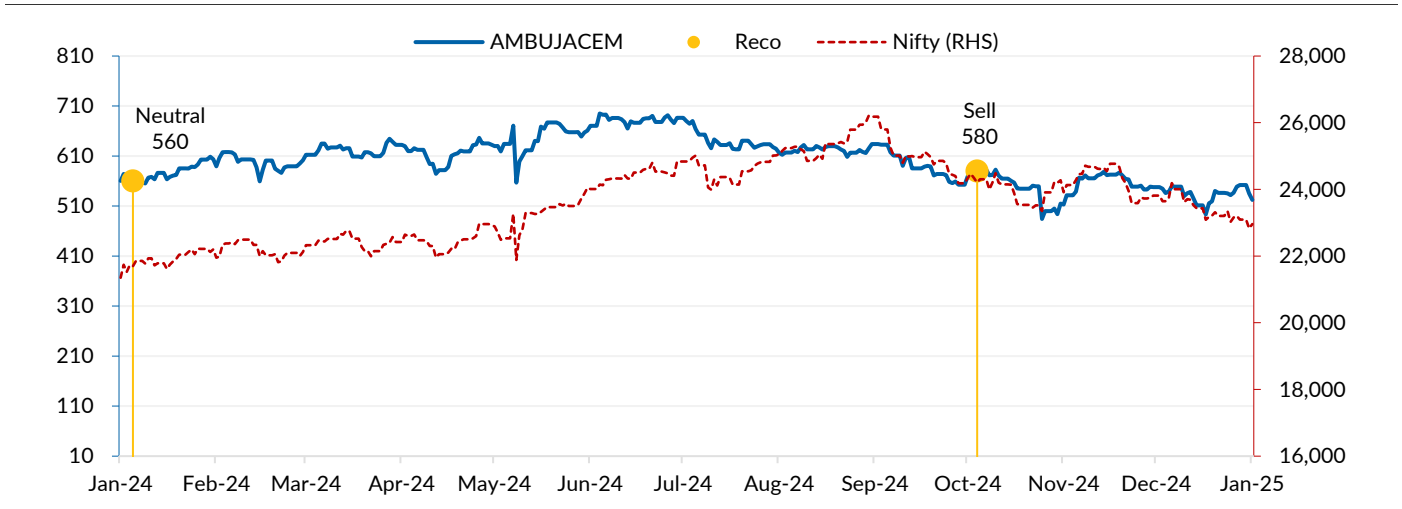
Source: Company, YES Sec

Exhibit 26: Ratio Analysis (Consolidated)

YE March	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratio (%)					
Revenue	34.4	(14.8)	2.2	15.9	10.7
EBITDA	(17.5)	24.9	(21.1)	28.3	31.6
Adjusted PAT	(12.9)	59.4	(4.1)	(12.8)	44.1
Margin Ratios (%)					
Gross Profit	86.9	85.2	80.6	79.2	78.2
EBITDA	13.2	19.3	14.9	16.5	19.6
EBIT	8.9	14.4	7.8	9.6	12.8
Core PBT	6.5	10.1	(0.0)	7.1	10.3
Adjusted PAT	6.0	11.3	10.6	7.9	10.3
Return Ratios (%)					
ROE	6.6	8.3	7.0	5.7	7.5
ROCE	7.8	8.4	3.8	5.1	6.9
Turnover Ratios (days)					
Gross Block Turnover (x)	1.8	1.2	0.9	0.9	0.9
Adj OCF/Adj PAT (%)	23.0	143.7	188.5	186.7	166.7
Inventory	13.0	9.6	10.2	12.2	12.1
Debtors	43.9	28.0	28.9	32.8	34.0
Creditors	13.7	11.3	10.8	11.7	11.8
Cash conversion cycle	9.8	18.5	14.7	10.0	9.8
Solvency Ratio (x)					
Debt-equity	0.0	0.0	0.0	0.0	0.0
Net debt-equity	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)
Gross Debt/EBITDA	0.1	0.1	0.1	0.1	0.1
Current Ratio	1.7	2.0	1.5	1.6	1.8
Interest coverage ratio	17.8	17.3	9.9	12.6	16.8
Dividend					
DPS	2.5	2.0	2.0	2.5	3.0
Dividend Yield (%)	0.7	0.4	0.4	0.5	0.6
Dividend Payout (%)	21.2	11.8	13.7	19.7	16.4
Per share Ratios (Rs)					
Basic EPS (reported)	13.0	16.3	14.5	12.7	18.3
Adjusted EPS	11.8	17.0	14.5	12.7	18.3
CEPS	20.1	24.4	24.3	23.6	30.2
BVPS	195	231	212	231	257
Valuation (x)					
Adj P/E	31.3	27.6	35.9	41.2	28.6
P/BV	1.9	2.0	2.5	2.3	2.0
EV/EBITDA	13.9	14.4	24.2	18.6	13.6
EV/Sales	1.8	2.8	3.6	3.1	2.7
Adj Mcap / Core PBT	27.7	27.4	(7,429.5)	42.7	25.7
Adj Mcap / Adj OCF	130.5	17.0	18.0	20.5	15.4

Source: Company, YES Sec

Recommendation Tracker



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