

Ambuja Cements Ltd.

Reduce

Choice

Targeting total cost to reduce by INR530/t by FY28E

Ambuja Cements Ltd. Q1FY25 volumes came at INR9.3mnt, down 2.1% QoQ but up 2.4% YoY, driven by high acceptance of premium products and Offering value added solutions beyond cement. Revenue for quarter came at INR45,157mn, down 5.5% QoQ and 4.5% YoY. Company had achieved above 79% utilization for Q1FY25. EBITDA/t for the quarter came at INR695/t, down 17.3% QoQ and 33.5% YoY. The decline in EBITDA/t was mainly led by lower realizations. Realization lower by 7% (INR249 vs INR267/bag) mainly due to election and tepid demand. PAT for quarter stood at INR5,707mn, up 7.2% QoQ but down 11.5% YoY. The QoQ spike in PAT is led by higher other income. EPS for the quarter was INR2.3.

- Expansion Plan:** The company is currently undergoing a continuous expansion of its cement capacity by 23.4MTPA, with projects under execution expected to be completed by FY26E. Additionally, the board has approved an additional cement capacity expansion of 41 MTPA, targeted for completion by FY28E, which will bring the total capacity to 140 MTPA. Brownfield expansions at 14 sites are progressing well as planned, with a clinker facility of 11 MTPA and a cement capacity of 23.4 MTPA. As part of this, a 4 MTPA clinker line (Line 3) at Bhatapara in Chhattisgarh is expected to be completed by Q4FY25E, while a 6.4MTPA grinding facility (comprising 2.4MTPA at Sankrail, 2.4MTPA at Farakka, and 1.6MTPA at Sindri) is expected between Q3E and Q4FY25E. Additionally, preoperative work for a 28 MTPA grinding facility and a 22MTPA clinker facility is underway, with land acquisitions and statutory approvals currently in progress. This strategic roadmap aims to achieve a total capacity of 112 MTPA by FY26E and 140 MTPA by FY28E.
- Targeting total cost/t to reduce by 500-530/t by FY28E:** Ambuja Cement is implementing various initiatives aimed at reducing its total cost/t by INR500-530/t by FY28E. The company is focusing on increasing the share of WHRS in its energy mix. As of September 2022, the WHRS capacity was 40MW, which the company plans to increase to 186MW by the end of FY25E. Currently, the WHRS capacity stands at 165MW. The share of green power, currently at 18.4%, is expected to improve to approximately 31% by FY25E and 60% by FY28E. This shift to greener energy sources is projected to reduce the overall cost of power by 33%, which will positively impact EBITDA. Specifically, the power cost is expected to decrease by INR90/t by FY28E. Additionally, the company is focusing on reducing freight and forwarding costs. To achieve this, they are targeting three key areas: reducing heat dispersion, optimizing warehouse operations, and improving railroad mix efficiency. One of their specific goals is to reduce the average primary road lead distance by approximately 100 km over time.

Valuation and Outlook: The GDP is expected to grow at a rate of 7-9% in FY25E, while cement demand is anticipated to rise by 8-9%, which is 1.2 times higher than the rate of capacity expansion. Ambuja Cement aims to reduce its total cost per ton by INR 530/t by FY28E. This goal is driven by substantial investments in green power initiatives, including WHRS, solar, and wind energy, as well as enhancements in alternative fuel and raw material (AFR) management, railway infrastructure, and fly ash handling systems. These strategic efforts are expected to significantly boost the company's profitability. The Government plans to invest approximately USD 3 trillion in infrastructure and housing development through ongoing initiatives like the 'Housing for All' scheme, the National Infrastructure plan, and the PM Gati Shakti National Master Plan. Additionally, the Budget for FY25E includes an allocation of Rs. 11.11 lakh crore for capital expenditure, which represents 3.4% of GDP. We expect Revenue/EBITDA to grow at a CAGR of 8.9%/22.5% respectively over FY24-FY26E. We value ACEM on a SoTP basis to arrive at a TP of INR707 by assigning 22.0x on FY26E EBITDA, downgrading our rating to **REDUCE**.

Financial Snapshot

Quarter end: March	CY21	FY23	FY24	FY25E	FY26E
Revenue (INR Mn.)	1,39,790	1,99,854	1,79,193	1,86,176	2,12,534
EBITDA (INR Mn.)	32,152	32,204	33,708	35,723	50,604
EBITDA Margins (%)	23.0	16.1	18.8	19.2	23.8
PAT	20,832	25,535	23,347	26,520	34,839
PAT Margins (%)	14.9	12.8	13.0	14.2	16.4
EPS	10.5	12.9	10.6	12.1	15.9

Source: Company, CEBPL

Aug 01, 2024

CMP (Rs.)	680
Target Price (Rs.)	707
Potential Upside (%)	3.9

Company Info

BB Code	ACEM IN EQUITY
ISIN	INE079A01024
Face Value (Rs.)	2.0
52 Week High (Rs.)	706.9
52 Week Low (Rs.)	404.0
Mkt Cap (Rs bn)	1,674.3
Mkt Cap (\$ bn)	20.0
Shares o/s (Mn)/F.Float	2,463.1/33
FY24 EPS (Rs.)	10.6
FY26E EPS(Rs.)	15.9

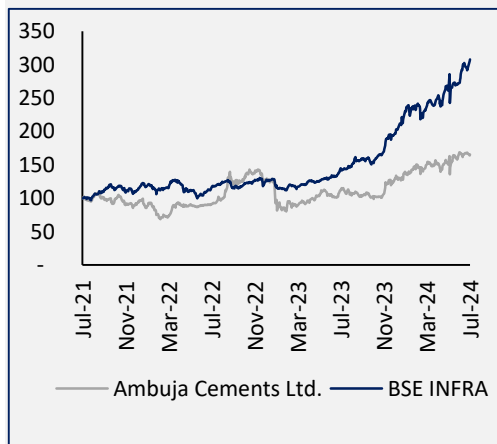
Shareholding Pattern (%)

	Jun-24	Mar-24	Dec-23
Promoters	70.33	66.74	63.19
FII's	9.59	11.09	11.88
DII's	13.03	14.24	15.56
Public	7.05	7.93	9.37

Relative Performance (%)

YTD	3Y	2Y	1Y
BSEINFRA	207.7	168.4	112.4
Ambuja	65.4	81.6	46.9

Rebased Price Performance



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Sequential Operating Performance

Operating Metrics	INR/t	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
Blended Realisation		5,255	5,209	5,237	5,414	5,032	4,856
Raw Material Cost		443	522	491	473	429	582
Employee Cost		207	144	197	167	139	149
Power & Fuel Cost		1,277	1,290	1,274	1,047	934	978
Freight & Handling Expense		1,151	1,153	1,125	1,114	1,102	1,095
Other Expenses		572	605	663	673	550	459
Total Costs		4,282	4,164	4,217	4,376	4,192	4,161
EBITDA		973	1,045	1,020	1,038	840	695

Source: Company, CEBPL

CEBPL Estimates vs Actual for Q1FY25

Ambuja (INR Mn.)	Q1FY25	Q1FY24	YoY(%)	Q4FY24	QoQ (%)	CEBPL Est.	Dev. (%)
Volumes	9.3	9.08	2.4	9.50	(2.1)	9.1	2.2
Revenues	45,158	47,297	(4.5)	47,803	(5.5)	44,789	0.8
Freight Exp	5,414	4,743	14.2	4,075	32.9		
Power and Fuel Cost	9,099	11,715	(22.3)	8,878	2.5		
Employee Exp	10,181	10,465	(2.7)	10,465	(2.7)		
EBITDA (INR Mn.)	6,460	9,486	(31.9)	7,978	(19.0)	7,047	(8.3)
EBITDA Margin (%)	14.3	20.1	(575)bps	16.7	(238)bps	15.7	(139)bps
Depreciation	2,450	2,319	5.7	2,440	0.4		
EBIT (INR Mn.)	4,010	7,167	(44.1)	5,538	(27.6)	4,773	(16.0)
EBIT Margin (%)	8.9	15.2	(627)bps	11.6	(271)bps	10.7	(182)bps
Other Income	4203	1895	121.9	1768	137.7		
Interest	409	396	3.2	338	20.9		
PBT	7675	8,665	(11.4)	6,810	12.7		
Tax	1969	2216	(11.2)	1487	32.4		
PAT (INR Mn.)	5,707	6,449	(11.5)	5,323	7.2	5,081	12.3
Basic EPS (INR)	2.3	3.2		2.4	(4.3)	2.6	

	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
NSR /t	4,856	5,209	(6.8)	5,032	(3.5)
Cement Cost /t	4,161	4,164	(0.1)	4,192	(0.7)
EBITDA/t	695	1,045	(33.5)	840	(17.3)

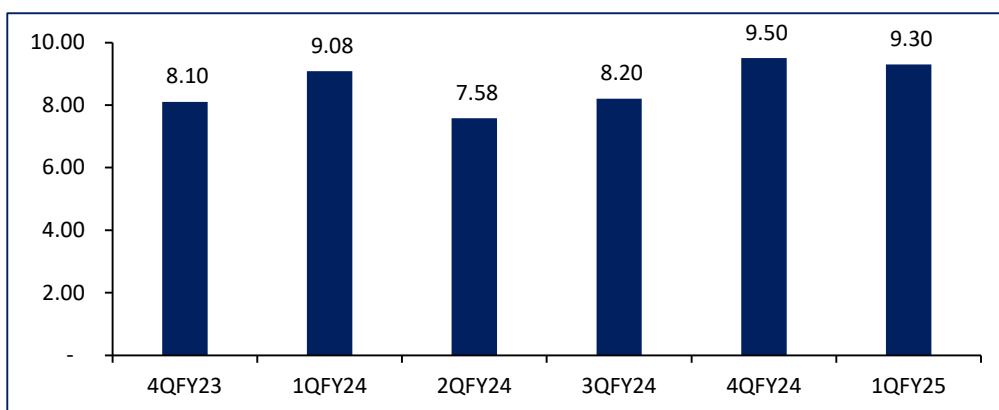
Source: Company, CEBPL

Change in estimates

Income Statement (INR Mn.)	FY25E			FY26E		
	Old	New	Dev. (%)	Old	New	Dev. (%)
Revenues	1,77,908	1,86,176	4.6	2,02,879	2,12,534	4.8
Gross Profit Margin (%)	70.9	72.9	200 bps	72.7	75.9	322 bps
EBIT	33,401	35,723	7.0	43,160	50,604	17.2
EBIT Margin (%)	18.7	19.2	49 bps	21.3	23.8	251 bps
EPS	11.1	12.1	8.7	14.5	15.9	9.3

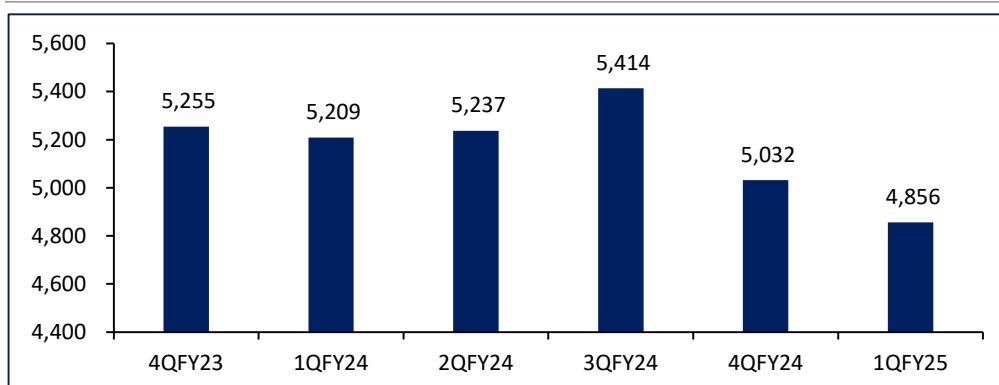
Source: Company, CEBPL

Sales Volume (MT)



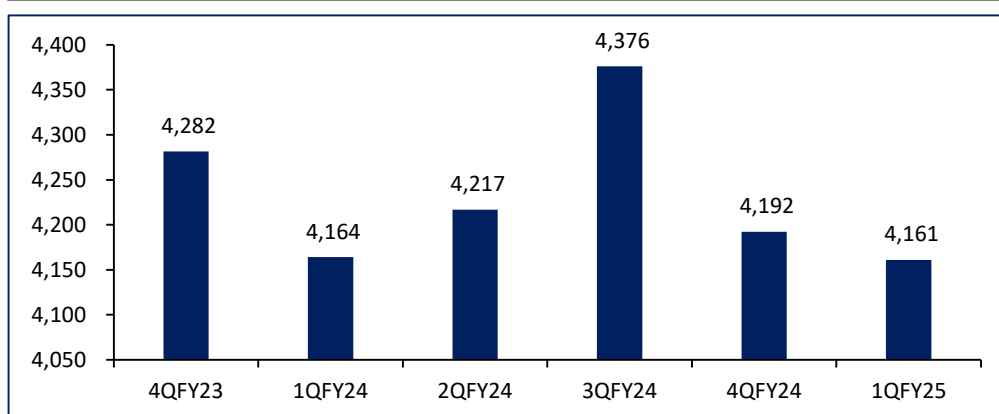
Source: Company, CEBPL

Sales Realisation Rs. per Tonne



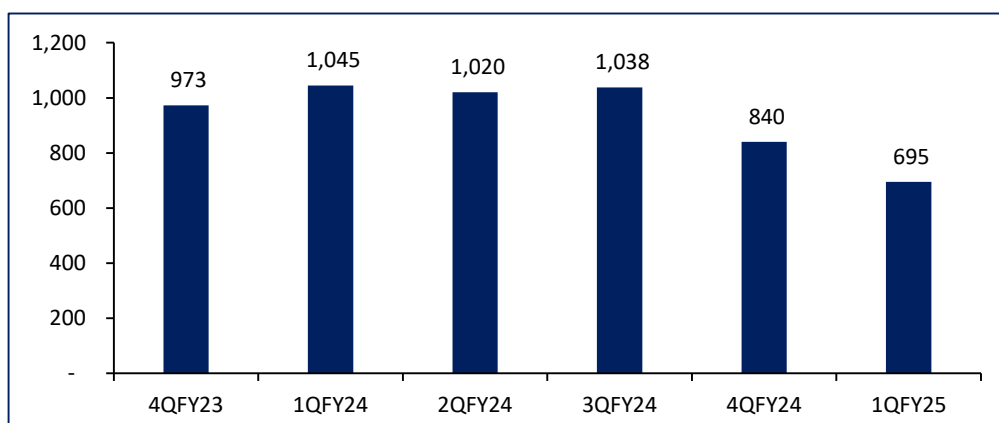
Source: Company, CEBPL

Total Costs per Tonne



Source: Company, CEBPL

EBITDA per Tonne



Source: Company, CEBPL

Management Call - Highlights

- The dealer network expanded, and blended cement sales volumes were maintained at 86%. Moreover, premium products as a percentage of trade volume increased by 200 basis points to 24%.
- The recent acquisition of Penna Cement is an excellent strategic move for ACEM for several reasons: 1) it significantly boosts ACEM's market share in South India, bringing it closer to the industry leader, UltraTech Cement; 2) it provides an alternative to organic expansion in the South and enhances ACEM's presence in North India; 3) it presents a unique opportunity to increase the share of low-cost sea logistics and strengthen coastal cement distribution by leveraging the parent group's expertise. Having completed two acquisitions at attractive valuations (Sanghi Industries at an effective USD 73/t and Penna at an effective USD 78/t), ACEM is open to exploring further deals, but will avoid being a desperate buyer.
- Increased linkage coal volumes and improved coal production from the Gare Palma captive coal mine have led to a 17% reduction in consolidated kiln fuel costs, decreasing from Rs. 2.08 to Rs. 1.73 per 1,000 Kcal.
- The integration of the recently acquired Tuticorin GU and the soon-to-be-closed Penna Cement is expected to enhance market share, boost overall profitability, and improve Return on Capital Employed (RoCE).
- Net worth increased by INR86,200mn during the quarter, reaching INR594bn, while the company remains debt-free.
- As of June 30th, consolidated cash and cash equivalents amounted to INR893bn. Approximately INR 60bn have been utilized, including INR 33bn for organic and inorganic growth initiatives, such as the Tuticorin grinding unit acquisition, ongoing CapEx programs, and the Penna acquisition.
- The share of Alternative Fuel Resources (AFR) in the fuel mix has improved to 9.3% from 7%, while the share of Waste Heat Recovery Systems (WHRS) in the power mix has increased to 15.1% from 11.5%.
- For Ambuja (consolidated) business level working capital stands at 30 days reflecting agility in unblocking the funds in inventory and receivables.
- The lead distance in the current quarter was 270 km compared to 275 km previously. To further optimize logistics costs, 11 GPWIS rakes have been ordered, with 9 already delivered and the remaining expected by the end of Q2FY25E.

Financial Summary (in INR Mn.)

Income Statement (INR Mn.)	CY21	FY23	FY24	FY25E	FY26E
Revenue	1,39,790	1,99,854	1,79,193	1,86,176	2,12,534
Gross profit	1,28,236	1,72,211	1,37,878	1,35,640	1,61,386
EBITDA	32,152	32,204	33,708	35,723	50,604
Depreciation	5,517	8,324	9,380	10,640	11,840
EBIT	29,446	33,403	32,855	36,473	46,491
Other income	2,812	9,523	8,526	11,391	7,727
Interest expense	910	1,280	1,623	846	342
PAT	20,832	25,535	23,347	26,520	34,839
EPS (INR)	10.5	12.9	10.6	12.1	15.9

Balance Sheet (INR Mn.)	CY21	FY23	FY24	FY25E	FY26E
Tangible fixed assets	76,708	86,198	85,686	1,15,046	1,23,205
Capital Work in Progress	9,514	8,419	15,485	15,485	15,485
Investments	1,17,986	1,17,759	1,40,581	1,56,388	1,78,529
Cash & Cash equivalents	41,692	25,331	88,334	53,717	46,061
Loans & Advances and Other Assets	18,339	99,293	88,130	92,157	1,07,330
Net Working Capital	6,132	6,332	8,549	12,315	16,207
Total assets	2,70,371	3,43,330	4,26,765	4,45,108	4,86,817
Shareholder's funds	2,22,049	2,85,055	3,70,065	3,96,585	4,31,424
Borrowings	2,137	2,181	2,693	2,793	3,188
Total Debt	435	342	189	-	-
Other Liabilities & Provisions	45,749	55,752	53,818	45,730	52,204
Total equity & liabilities	2,70,371	3,43,330	4,26,765	4,45,108	4,86,817
Capital Employed	2,22,484	2,85,398	3,70,254	3,96,585	4,31,424
Invested Capital	1,71,278	2,51,648	2,66,435	3,27,383	3,69,878

Cash Flows (INR Mn.)	CY21	FY23	FY24	FY25E	FY26E
Cash flows from Operations	24,663	20,096	27,574	64,172	73,936
Cash flows from Investing	-8,818	-93,271	-76,071	-40,000	-20,000
Cash flows from financing	-3,168	36,116	56,970	-3,838	3,876

Ratio Analysis	FY22	FY23	FY24	FY25E	FY26E
Growth Ratios (%)					
Revenues	22.9	43.0	(10.3)	3.9	14.2
Gross Profit	25.9	34.3	(19.9)	(1.6)	19.0
EBITDA	21.5	0.2	4.7	6.0	41.7
EBIT	16.4	22.6	(8.6)	13.6	31.4
Margin Ratios (%)					
Gross Profit Margin	91.7	86.2	76.9	72.9	75.9
EBITDA Margin	23.0	16.1	18.8	19.2	23.8
EBIT Margin	21.1	16.7	18.3	19.6	21.9
Profitability (%)					
Return on equity	9.4	9.0	6.3	6.7	8.1
Return on invested capital	12.8	11.1	9.3	8.3	9.5
Return on capital employed	13.2	11.7	8.9	9.2	10.8
Valuation					
OCF / IC (%)	14.4	8.0	10.3	19.6	20.0
EV / EBITDA (x)	36.9	37.4	33.2	31.8	22.2
EV/IC (x)	6.9	4.8	4.2	3.5	3.0

Source: Company, CEBPL

Historical recommendations and target price: ACEM



Ambuja Cement Ltd.

1.	21-02-2022	ADD,	Target Price, 379
2.	29-04-2022	NEUTRAL,	Target Price, 404
3.	20-07-2022	NEUTRAL,	Target Price, 390
4.	28-10-2022	NEUTRAL,	Target Price, 507
5.	09-02-2023	ADD,	Target Price, 417
6.	03-05-2023	OUTPERFORM	Target Price, 502
7.	03-08-2023	ADD	Target Price 484
8.	02-11-2023	ADD	Target Price 450
9.	01-02-2024	ADD	Target Price 590
10.	02-05-2024	BUY	Target Price 665
11.	01-08-2024	REDUCE	Target Price 707

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SELL	The security expected to show Below 0% next 12 months

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