

Ambuja Cements

India | Cement | Company Update



1 July 2025

Reaffirming FY28 growth roadmap

We attended Ambuja Cements' (ACEM IN) capital market day recently. Key takeaways are: 1) reiteration of its ambition of expanding cement capacity to 140mn tonne by FY28, 2) continued focus on cost reduction, with a targeted cost savings of INR 550/tonne, and 3) long-term vision of consolidation of all businesses into a single entity through the "One business, One Company" strategy. We reiterate **Accumulate** with a TP of INR 616.

Targeting 140mn tonne capacity by FY28: ACEM has reiterated aggressive growth strategy, targeting a ~36% increase in cement capacity from the current ~102mn tonne to 140mn tonne by FY28. Clinker capacity is also expected to rise from ~62mn tonne to ~107mn tonne during the same period. Currently, ~17mn tonne of capacity is under execution, with plans for an additional 21mn tonne. The expansion is projected at a competitive capital cost of USD 70–80/tonne. Currently, ACEM holds ~9bn tonne of low-premium limestone reserves. It aims to expand its domestic market share from the current 14.5% to 17–18% by FY28, with an aim to surpass 20% by FY30.

Aims INR 550/tonne cost savings: ACEM has reiterated its cost optimization roadmap with a targeted cost reduction of INR 550/tonne, with most benefits likely to materialize from FY27. Key levers include: 1) power and fuel cost savings of INR 280-300/tonne, driven by scaling up of green power capacity from 375MW to 1,000MW by June 2026 and targeting 60% of power from renewable sources, 2) raw material cost reduction of INR 100/tonne through long-term fly ash tie-ups (covering currently ~40% of requirement for the next decade) and securing 10mn tonne of slag supply in East India, 3) logistics savings of INR 100/tonne through network optimization & structural reorganization, and 4) overhead savings of INR 50/tonne from administrative efficiency, including workforce rejuvenation -- average employee age has dropped from 41 years to 37, with plans to reduce it further to 35. ACEM is actively pursuing premiumization with select premium brands, earning an EBITDA premium of INR 400/tonne. At a steady state, ACEM targets an EBITDA/tonne of INR 1,500.

Consolidation strategy -- "One Business, One Company": The Adani Group is pursuing a "One Business, One Company" approach across its cement verticals. In line with this, ACEM is in the process of merging Sanghi Industries and Penna Cement with itself, which is likely to be completed in the next two quarters. A merger between ACC with ACEM is also on the cards. The recent acquisition of Orient Cement (ORCMNT IN, Sell, CMP: INR 242, TP: INR 225) has been executed smoothly with no volume disruption, despite brand and pricing differences. Notably, 60% of ORCMNT dealers have already started stocking ACC and ACEM products. ORCMNT is likely to operate only as a manufacturing entity.

Reiterate Accumulate with a TP of INR 616: We believe ACEM is well-positioned to deliver healthy volume growth, led by better demand, ramp-up in acquired assets, and completion of ongoing capacity expansions. Also, its continued focus on cost saving initiatives should help it to keep a check on margin in the long term. Thus, we reiterate **Accumulate** with a TP of INR 616 based on 18x FY27E EV/EBITDA. Sub-par demand, weak cement price, and a sharp rise in fuel price are key risks to our call.

Key financials

YE March	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	331,596	342,184	422,061	463,041	495,375
YoY (%)	6.5	3.2	23.3	9.7	7.0
EBITDA (INR mn)	63,995	51,443	76,097	103,053	123,501
EBITDA margin (%)	19.3	15.0	18.0	22.3	24.9
Adj PAT (INR mn)	31,681	20,898	22,684	33,519	39,812
YoY (%)	59.3	(34.0)	8.5	47.8	18.8
Fully DEPS (INR)	14.4	8.5	9.2	13.6	16.2
RoE (%)	7.1	3.6	3.4	4.6	5.1
RoCE (%)	10.6	4.6	6.4	7.8	8.4
P/E (x)	40.1	68.1	62.7	42.4	35.7
EV/EBITDA (x)	22.9	33.8	23.4	16.9	14.0

Note: Pricing as on 30 June 2025; Source: Company, Elara Securities Estimate

Rating: [Accumulate](#)

Target Price: [INR 616](#)

Upside: [7%](#)

CMP: [INR 577](#)

As on 30 June 2025

Key data

Bloomberg	ACEM IN
Reuters Code	ABUJ. NS
Shares outstanding (mn)	2,463
Market cap (INR bn/USD mn)	1,422/16,584
EV (INR bn/USD mn)	1,454/16,953
ADTV 3M (INR mn/USD mn)	1,548/18
52 week high/low	707/453
Free float (%)	26

Note: as on 30 June 2025; Source: Bloomberg

Price chart



Source: Bloomberg

	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
Shareholding (%)				
Promoter	70.3	67.5	67.5	67.5
% Pledge	0.0	0.0	0.0	0.0
FII	9.7	10.7	9.2	8.7
DII	13.2	15.2	16.7	17.3
Others	6.8	6.6	6.6	6.5

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	8.5	7.9	6.3
Ambuja Cements	7.3	7.8	(13.8)
NSE Mid-cap	11.8	5.5	5.2
NSE Small-cap	17.8	0.3	4.0

Source: Bloomberg

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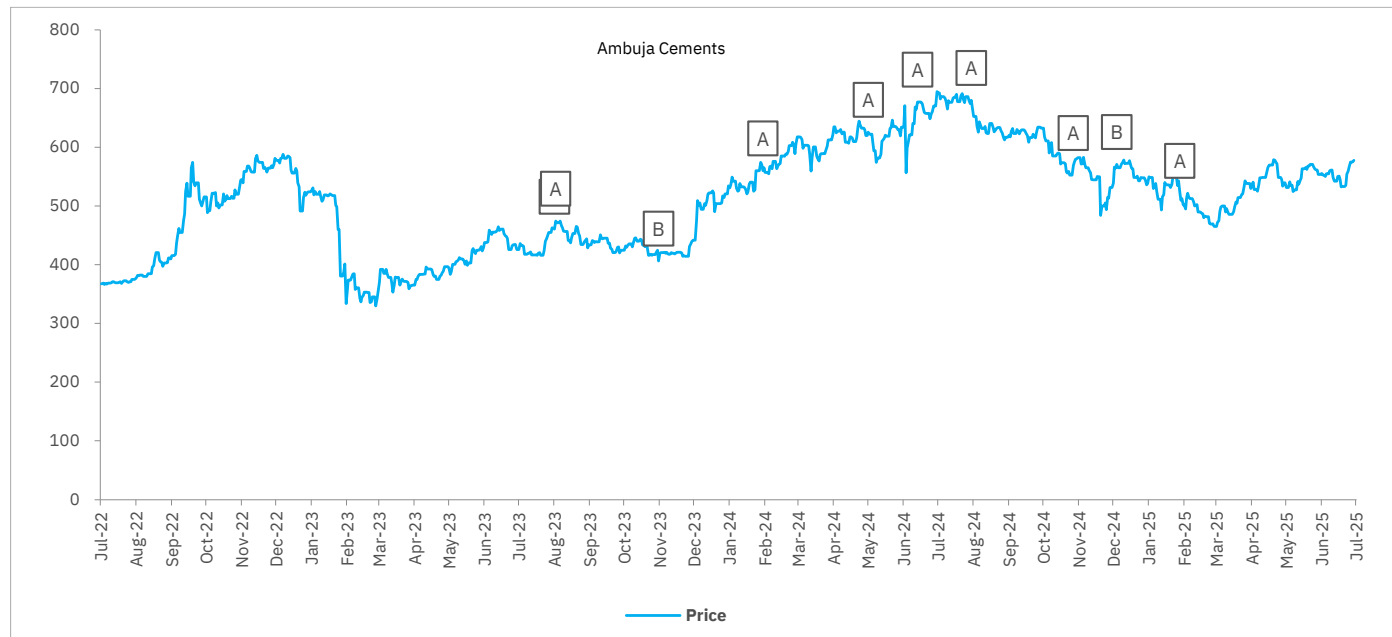


Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	331,596	342,184	422,061	463,041	495,375
EBITDA	63,995	51,443	76,097	103,053	123,501
EBIT	47,716	26,659	47,288	67,059	76,893
Interest expense	2,764	2,159	11,654	11,670	11,519
Other income	11,664	12,432	6,181	4,127	7,070
Exceptional/ Extra-ordinary items	4,688	22,160	-	-	-
PBT	61,304	59,092	41,815	59,516	72,443
Tax	14,187	7,640	12,212	16,890	21,438
Minority interest/Associates income	(11,383)	(9,778)	(6,919)	(9,107)	(11,193)
Reported PAT	35,734	41,674	22,684	33,519	39,812
Adjusted PAT	31,681	20,898	22,684	33,519	39,812
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	414,517	534,433	597,495	638,424	676,888
Minority Interest	93,908	103,682	110,733	119,972	131,298
Trade Payables	29,641	27,595	42,014	44,032	46,131
Provisions & Other Current Liabilities	91,469	110,734	109,911	111,030	112,170
Total Borrowings	368	268	126,269	128,723	131,264
Other long term liabilities	21,134	32,743	12,582	12,792	13,003
Total liabilities & equity	651,037	809,454	999,004	1,054,973	1,110,754
Net Fixed Assets	260,500	416,074	530,114	570,970	604,461
Goodwill	88,028	108,561	108,561	108,561	108,561
Business Investments / other NC assets	62,627	87,648	93,215	98,291	103,616
Cash, Bank Balances & treasury investments	159,990	101,250	150,165	152,885	164,663
Inventories	36,086	42,480	52,907	54,586	57,007
Sundry Debtors	11,896	15,903	23,435	24,069	26,096
Other Current Assets	31,910	37,538	40,607	45,612	46,351
Total Assets	651,037	809,454	999,004	1,054,973	1,110,754
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	56,458	22,374	45,087	82,075	100,207
Capital expenditure	(39,611)	(87,826)	(142,850)	(76,850)	(80,100)
Other Business cashflow	(49,893)	12,515	3,771	(981)	1,710
Free Cash Flow	(33,046)	(52,938)	(93,991)	4,244	21,817
Cashflow from Financing	77,736	(5,803)	142,906	(1,524)	(10,039)
Net Change in Cash / treasury investments	44,690	(58,740)	48,915	2,720	11,777
Key assumptions & Ratios (%)	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	2.0	2.0	2.0	2.0	2.0
Book value per share (INR)	188.6	217.0	242.6	259.2	274.8
RoCE (Pre-tax)	10.6	4.6	6.4	7.8	8.4
ROIC (Pre-tax)	15.4	6.0	7.7	9.5	10.2
ROE	7.1	3.6	3.4	4.6	5.1
Asset Turnover (x)	1.5	1.0	0.9	0.8	0.8
Net Debt to Equity (x)	(0.4)	(0.2)	0.0	0.0	0.0
Net Debt to EBITDA (x)	(2.5)	(2.0)	(0.3)	(0.2)	(0.3)
Interest cover (x)	23.2	23.8	6.5	8.8	10.7
Total Working capital days	120.3	63.8	110.0	100.7	103.4
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	40.1	68.1	62.7	42.4	35.7
P/Sales (x)	4.3	4.2	3.4	3.1	2.9
EV/ EBITDA (x)	22.9	33.8	23.4	16.9	14.0
EV/ OCF (x)	25.8	65.0	32.2	17.7	14.5
FCF Yield (%)	(2.3)	(3.6)	(6.5)	0.3	1.5
Price to BV (x)	3.1	2.7	2.4	2.2	2.1
Dividend yield (%)	0.3	0.3	0.3	0.3	0.3

Note: Pricing as on 30 June 2025; Source: Company, Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
02-Aug-2023	Accumulate	483	461
03-Aug-2023	Accumulate	501	474
01-Nov-2023	Buy	501	407
31-Jan-2024	Accumulate	620	560
02-May-2024	Accumulate	655	626
14-Jun-2024	Accumulate	729	677
31-Jul-2024	Accumulate	711	680
28-Oct-2024	Accumulate	658	569
05-Dec-2024	Buy	707	571
29-Jan-2025	Accumulate	616	522

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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