

CMP	: INR 407
Reco	: BUY ↔
Target Price	: INR 505 ↓
Target Price Change	: -8%
Target 1HFY26E EV/EBITDA (x)	: 14
EBITDA Change FY24/ 25	: 0%/-6%

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Market data	
Sensex	: 63,591
Sector	: Cement
Market Cap (INR bn)	: 807.5
Market Cap (USD bn)	: 9.695
O/S Shares (mn)	: 1,985.6
52-wk HI/LO (INR)	: 598/315
Avg. Daily Vol ('000)	: 1,977
Bloomberg	: ACEM IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	11.1	12.8	14.8
P/E (x) Consol	36.6	31.8	27.5
P/BV (x)	2.9	2.7	2.5
EV/EBITDA (x) Consol	16.5	14.4	12.4
Dividend Yield (%)	0.6	0.6	0.7

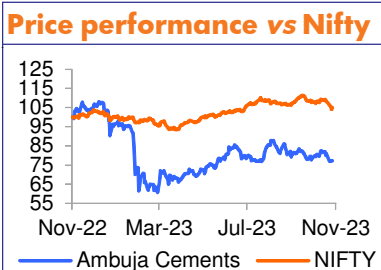
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	(4)	(12)	3	(25)
Relative	(1)	(9)	(1)	(28)

Source: Bloomberg

Shareholding pattern	
Promoters	: 63%
Public	: 37%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

2QFY24 RESULT REVIEW

Ambuja Cements

Costs efficiencies drive profitability; newer capacities see delay

Ambuja Cements' (ACEM) 2QFY24 standalone EBITDA at INR 7.7 bn was 4%–7% below our/ consensus estimates. Cost/ton declined 12% YoY/ increased ~2% QoQ whereas realization increased ~1% QoQ. Accordingly, standalone EBITDA/ton declined ~2% QoQ to INR 1,020 (Antique est.: INR 1,044). Consolidated volume grew only 2% YoY/ declined 15% QoQ (vs. industry growth of low double digits YoY). Consolidated EBITDA/ton declined 8% QoQ to INR 994—comparable with larger peers. Management expects profitability to improve further to INR 1,400–1,500 over the next 2–3 years through substantial cost savings (INR 400–500/ton) from Adani Group synergies, besides massive WHRS addition, significant logistic optimization, and improved cost efficiencies. With announced capacities seeing some delays, volume growth may be constrained in the near term. Factoring lower volumes/ profitability, we reduce our FY25E EBITDA by 6% and cut our target price to INR 505 (earlier INR 550) based on 14x 1HFY26E consolidated EV/EBITDA. Maintain BUY on attractive valuation of 11x 1HFY26E EV/EBITDA.

Volume growth disappoints

Standalone volume grew 8% YoY/ declined 17% QoQ to 7.6 mn ton, while realization (including other operating income) increased ~1% QoQ. However, ACEM's consolidated 2Q volume grew only 2% YoY/ declined 15% QoQ to 13.1 MT owing to floods in HP, heavy rains in the Central region, and weak demand in the East. Quarterly MSA volume stood at 2.6 MT (20% of consolidated volume) and rose from 1.1 MT YoY but declined from 3.1 MT QoQ. Utilization (on a consolidated basis) increased to 78%. Management aspires to grow in line/ ahead of industry growth over the near term.

Industry-leading consolidated EBITDA/ton at INR 994, down ~INR 90 QoQ

Standalone EBITDA at INR 7.7 bn, declined ~2% QoQ (consensus/ Antique est.: INR 8.3 bn/ INR 8 bn) and EBITDA/ton at INR 1,020, declined ~INR 22 QoQ. Consolidated EBITDA/ton at INR 994 declined 8% QoQ. Cost/ton declined 12% YoY/ increased ~2% QoQ. Kiln fuel cost reduced from INR 2.72 per kcal to INR 1.79 per kcal and is expected to decline further through mix and source optimization. PAT remained flat QoQ at INR 6.4 bn (Antique est.: INR 6.1 bn) owing to higher other income.

Delays in capacity expansion may constrain volume growth

Bhatapara Line 3 (CU) has been delayed by a quarter to 2QFY26 and Maratha Line 2 (CU) has been delayed by nine months to 4QFY26. For FY24/ 25, management has guided for a capex of INR 75 bn, of which 2/3rd will be incurred on ACEM and 1/3rd on ACC. For 1HFY24, ACEM (consolidated) generated an OCF of INR 23 bn (EBITDA conversion of 77%). FCF generation stood at INR 9.1 bn post the w/cap blockage of INR 3.2 bn and capex of INR 13.9 bn. Sanghi's acquisition would be concluded by 3QFY24 and accordingly we have factored the same.

On consolidated basis, total costs/ton decline 15% YoY but increased ~1% QoQ

Raw material cost/ton increased 16% YoY (~INR 80/ton)/ ~4% QoQ (~INR 20/ton) due to fly ash, gypsum, and limestone purchase. ACEM has taken strategic initiatives like long-term sourcing of fly ash, manufacturing of synthetic gypsum, and measures to reduce limestone costs. Power and fuel costs/ton decreased 33% YoY (~INR 710/ton)/ 5% QoQ (~INR 80/ton) due to source and mix optimization, increased usage of WHRS, replacing costlier fuel with low cost source, maximizing AFR consumption, and reduction in kiln fuel cost. RM + P&F cost/ton declined 24% YoY (~INR 620/ton)/ ~3% QoQ (~INR 60/ton). Freight cost/ton declined by ~3% YoY (~INR 40/ton)/ 5% QoQ (~INR 70/ton) due to stricter adherence to route planning, renegotiation of commercial terms, digitization, increase in direct dispatch, increase in rail coefficient, and reduction in lead distance. The company has rolled out strategic initiatives to further reduce freight cost by INR 150/ton. Other expenses/ton declined 11% YoY (~INR 100/ton) but increased 28% QoQ (~INR 180/ton). Thus, total costs/ton declined 15% YoY (~INR 770/ton) but increased ~1% QoQ (INR 50/ton).

Investment Summary

We factor 10% volume CAGR over FY24–26E and expect consolidated EBITDA/ton to inch up from INR 742/ton in FY23 to INR 1,140 in FY24 and INR 1,213 by FY25E led by improved cost efficiencies. We maintain BUY rating on ACEM with a revised TP of INR 505 based on 14x consolidated 1HFY26 EV/EBITDA. ACEM currently trades at ~11x EV/EBITDA and at ~USD 135 EV/ton based on 1HFY26E consolidated EBITDA estimates.

Quarterly performance

Actual vs estimated performance

(INR mn)	Actual	Estimated	% Variance	Consensus	% Variance
Net sales	39,698	40,181	(1.2)	40,635	(2.3)
EBITDA	7,734	8,012	(3.5)	7,711	0.3
EBITDA margin (%)	19.5	19.9	-46bps	19.0	51bps
Adj net income	6,438	6,054	6.4	4,911	31.1
FDEPS (INR)	28.4	26.7	6.4	21.7	31.1

Source: Company, Antique

Quarterly financials

(INR mn)	Q2FY24	Q3FY23	YoY (%)	Q1FY24	QoQ (%)	YTDFY24	YTDFY23	YoY (%)
Sales	39,698	36,704	8.2	47,297	(16.1)	86,995	76,639	13.5
Cost of Material Consumed	25,446	25,494	(0.2)	31,007	(17.9)	56,454	50,958	10.8
% of sales	79.6	75.8	386bps	82.0	-240bps	64.9	58.6	632bps
Employee cost	1,490	1,532	(2.8)	1,309	13.8	2,799	3,169	(11.7)
% of sales	4.7	4.6	11bps	3.5	(89.2)	3.2	3.6	-43bps
Other expenses	5,028	6,627	(24.1)	5,495	(8.5)	10,523	12,616	(16.6)
% of sales	15.7	19.7	-396bps	14.5	120bps	12.1	14.5	-241bps
Total Exp	31,964	33,653	(5.0)	37,812	(15.5)	69,775	66,743	4.5
EBIDTA	7,734	3,051	153.5	9,486	(18.5)	17,220	9,896	74.0
Margin %	24.2	9.1	1513bps	25.1	-89bps	19.8	11.4	842bps
Other income	3,781	470	704.0	1,895	99.6	5,676	6,488	(12.5)
Depreciation	2,286	1,571	45.5	2,319	(1.4)	4,605	3,110	48.1
Interest expenses	435	228	90.8	396	9.8	831	479	73.6
Profit Before Tax	8,795	1,722	410.6	8,665	1.5	17,460	12,795	36.5
Exceptional item	-	(152)	NA	-	NA	-	(152)	NA
PBT after exceptional	8,795	1,570	460.1	8,665	1.5	17,460	12,643	38.1
Tax	2,357	184	1,180.1	2,216	6.3	4,573	2,583	77.1
Tax Rate %	26.8	11.7	1507bps	25.6	122bps	26.2	20.4	576bps
Reported Net Profit	6,438	1,386	364.5	6,449	(0.2)	12,887	10,061	28.1
Adjusted Net Profit	6,438	1,538	318.5	6,449	(0.2)	12,887	10,213	26.2
EPS (INR)	3.2	0.8	318.5	3.2	(0.2)	6.5	5.1	26.2

Source: Company, Antique

Per tonne analysis

(INR/ton)	Q2FY24	Q3FY23	YoY (%)	Q1FY24	QoQ (%)
Volumes (mn ton)	7.58	7.04	7.7%	9.10	-16.7%
Raw material costs	370	247	123	458	-88
Power & Fuel Cost	1,274	2,009	-736	1,287	-14
Freight Cost	1,713	1,365	349	1,662	51
Staff Cost	197	218	-21	144	53
Other Cost	663	941	-278	604	59
Total Cost/ton	4,217	4,780	-11.8%	4,155	1.5%
Realisation/ton	5,175	5,158	0.3%	5,146	0.6%
EBITDA/ton	1,020	433	587	1,042	-22

Source: Company, Antique

We have cut FY25 EBITDA estimates by 6%

Change in estimates	FY24E			FY25E		
	Old	New	% Chg	Old	New	% Chg
Revenue (INR mn)	1,79,003	1,82,646	2.0	1,93,242	2,08,671	8.0
EBITDA (INR mn)	38,722	38,554	(0.4)	47,972	45,238	(5.7)
EBITDA margin (%)	21.6	21.1	-52bps	24.8	21.7	-315bps
Net profit (INR mn)	26,761	27,409	2.4	33,288	31,514	(5.3)
EPS (INR)	10.9	11.1	2.4	13.5	12.8	(5.3)

Source: Company, Antique

Key Assumptions

	CY18	CY19	CY20	CY21	FY23	FY24e	FY25e	FY26e
Capacity (MTPA)	29.7	29.7	29.7	31.5	31.5	33.0	39.0	51.0
utilization (%)	81.6	80.8	76.3	78.9	77.2	83.7	81.1	81.6
Volume (mn ton)	24.3	24.1	22.7	27.0	37.7	34.8	38.6	44.2
Volume growth (%)	5.4	(0.8)	(5.8)	19.1	11.8	15.2	10.9	14.5
Realization/ton (INR)	4,525	4,717	4,930	5,109	5,233	5,251	5,409	5,499
YoY realization (%)	1.6	4.2	4.5	3.6	2.4	0.4	3.0	1.7
Cost/ton (INR)	3,902	3,955	3,849	3,972	4,443	4,197	4,289	4,336
RM Cost/ton (INR)	388	468	523	427	733	1,072	1,121	565
Employee Cost/ton (INR)	280	279	295	251	212	168	170	159
Power Cost/ton (INR)	1,051	1,075	994	1,260	1,593	1,175	1,243	1,276
Freight Cost/ton (INR)	1,351	1,286	1,260	1,224	1,162	1,144	1,132	1,719
Other Cost/ton (INR)	831	848	778	811	743	638	623	617
EBITDA/ton (INR)	780	893	1,168	1,200	853	1,108	1,173	1,210
Capex (INR bn)	7	12	14	13	21	81	50	53
Net Cash (INR bn)	32	46	28	40	83	189	171	160

Source: Company, Antique

Maintain BUY with target price of INR 505

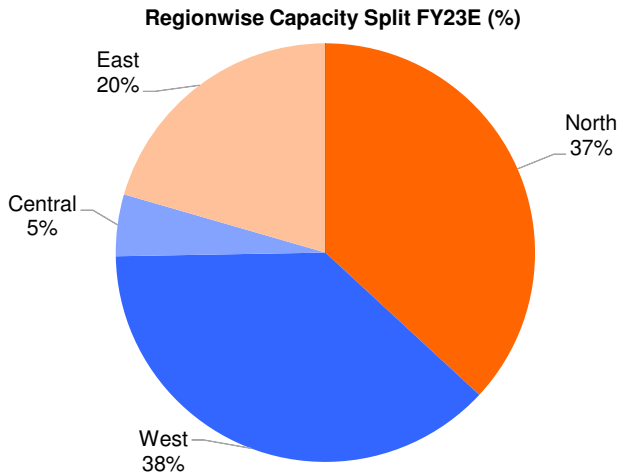
EV/E method	Sep-25E
Sep'25E EBITDA (INR bn)	87
EV/E multiple (x)	14
EV (INR bn)	1,216
Net debt (Sep'25E)	(239)
Equity value	1,455
No. of shares (mn)	2,463
Target price for core ACEM	593
50% stake in ACC	88
Sep'24 Target Price (INR)	505

Source: Company, Antique

Balance Sheet

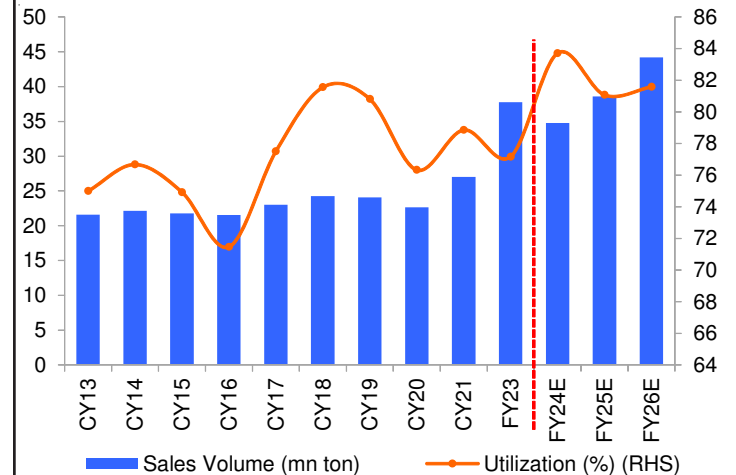
	CY21	H1 FY23	15 MFY23	H1 FY24
Non-current assets				
Property, Plant and Equipment	71,283	74,745	87,804	82,927
CWIP	9,513	10,473	8,418	10,675
Goodwill	-	-	193	193
Other intangible assets	5,173	1,698	2,200	2,247
Investment in associates and JV using equity method	1,17,877	-	1,17,666	1,17,666
Total	2,03,846	86,917	2,16,280	2,13,707
Financial assets				
- Investments	92	1,17,877	92	92
- Loans	15	13	10	2,998
- Others	3,387	92	5,722	5,579
Non-current tax assets	1,185	1,614	1,193	1,168
Deferred tax assets	-	-	-	-
Other non-current assets	5,459	8,573	7,274	16,245
Total non-current assets	10,138	1,28,169	14,291	26,082
Current Assets				
Inventories	14,635	17,142	16,394	18,473
Financial assets				
- Investments				
- Trade receivables	2,931	7,135	5,649	8,842
- Cash and cash equivalents	39,847	36,255	61,846	2,805
- Bank balances other than above	1,783	2,182	22,484	24,312
- Loans	48	51	44	36
- Others	2,048	1,305	4,320	59,016
Current Tax Assets (net)	6,204	-	-	-
Other current assets	-	6,875	15,728	7,959
Total- current assets	67,496	70,944	1,26,464	1,21,443
Assets classified as held for sale	247	-	-	-
TOTAL ASSETS	2,81,727	2,86,030	3,57,036	3,61,232
B. EQUITY AND LIABILITIES				
Equity				
Equity share capital	3,971	3,971	3,971	3,971
Other equity	2,18,101	2,21,064	2,31,083	2,39,029
Share application money pending allotment	-	-	50,000	50,000
Total Equity	2,22,072	2,25,036	2,85,054	2,93,000
Non-controlling interest				
Non-current liabilities				
Financial liabilities:				
- Borrowings	435	451	342	256
Lease liability	2,611	-	5,997	4,617
Provisions	651	699	858	881
Deferred tax liabilities (net)	2,017	2,267	2,180	2,651
Other non-current liabilities	367	3,025	372	465
Total non-current liabilities	6,081	6,442	9,749	8,869
Current liabilities				
Financial liabilities:				
Borrowings	-	36	135	186
Trade payables	11,441	12,514	15,711	13,806
Other financial liabilities	8,792	8,635	12,315	13,015
Other current liabilities	20,830	21,476	21,444	18,357
Provisions	89	46	41	59
Current tax liabilities (net)	12,422	11,845	12,587	13,939
Total current liabilities	53,574	54,552	62,233	59,362
TOTAL- EQUITY AND LIABILITIES	2,81,727	2,86,030	3,57,036	3,61,232

Capacity to grow at 24% CAGR over FY24-26E



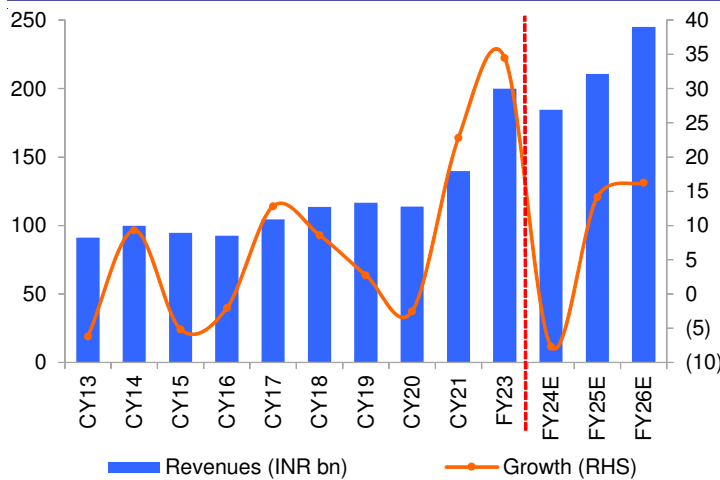
Source: Company, Antique

Volume to grow at 13% CAGR over FY24-26E



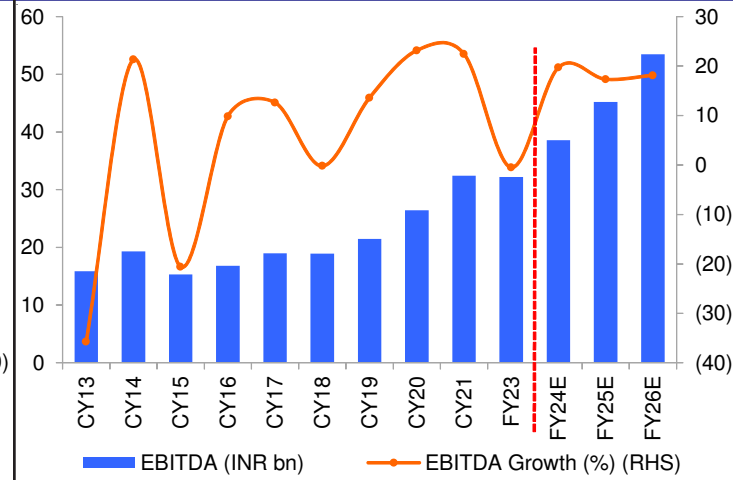
Source: Company, Antique

Revenue to grow at 15% CAGR over FY24-26E



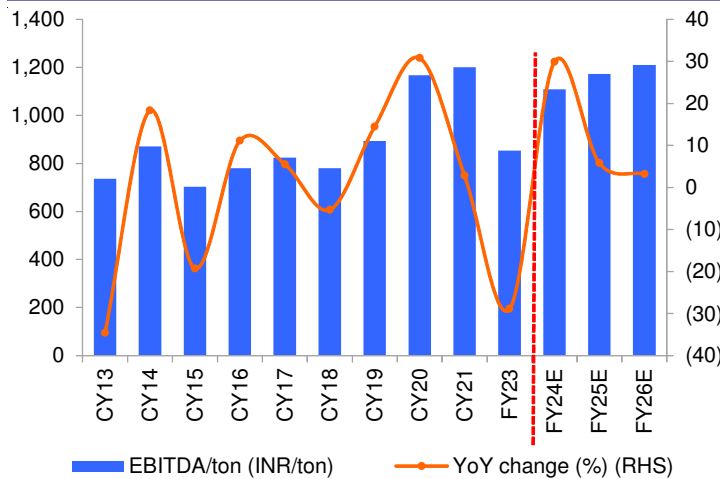
Source: Company, Antique

EBITDA to grow at 18% CAGR over FY24-26E



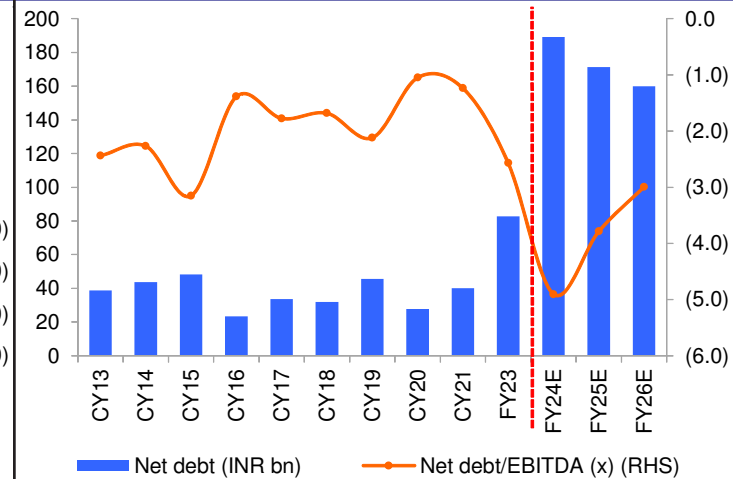
Source: Company, Antique

EBITDA/t to improve to INR 1,210 by FY26E



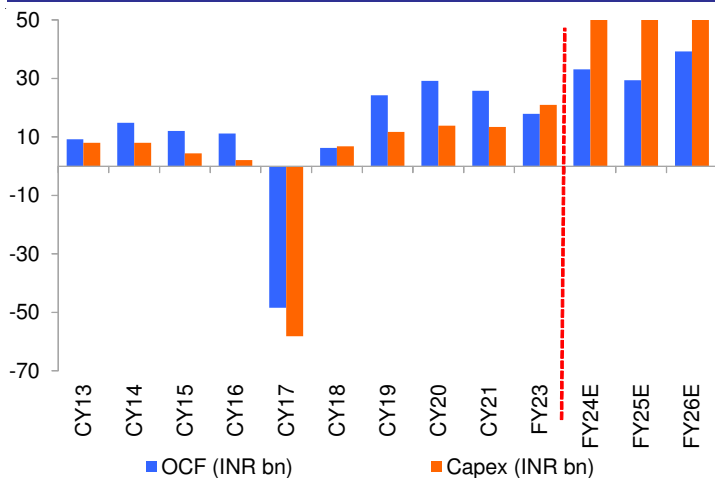
Source: Company, Antique

Net cash to increase by INR ~ 29 bn over FY24-26E



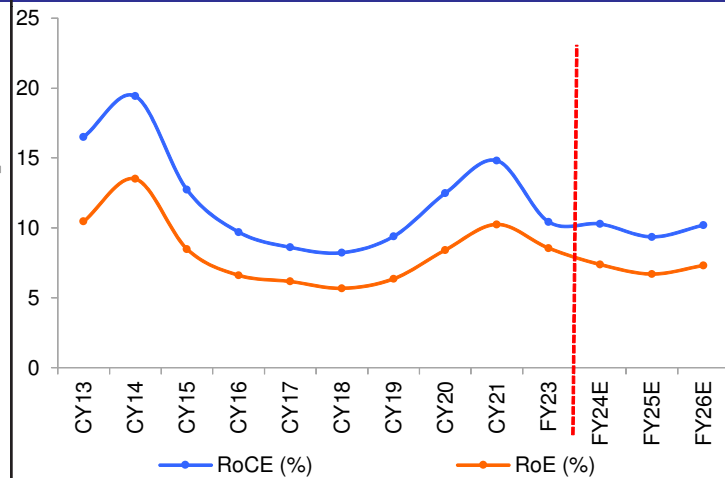
Source: Company, Antique

Capex of INR 184 bn over FY24-26E



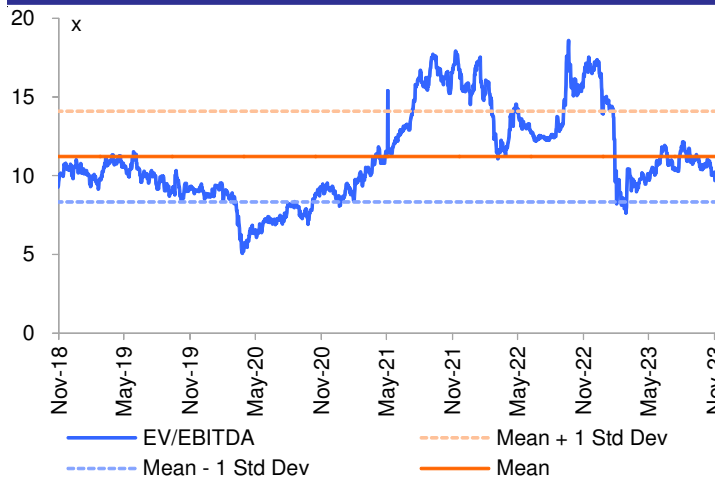
Source: Company, Antique

RoE, RoCE to improve on utilization of proposed cash infusion



Source: Company, Antique

EV/EBITDA 1-yr forward



Source: Company, Antique

EV/ton 1-yr forward



Source: Company, Antique

Financials (standalone)

Profit and loss account (INR mn)

Year-ended	CY22	FY23*	FY24e	FY25e	FY26e
Net Revenue	1,39,660	1,99,854	1,84,520	2,10,690	2,44,936
Op. Expenses	1,07,251	1,67,650	1,45,965	1,65,452	1,91,486
EBITDA	32,409	32,204	38,554	45,238	53,449
Depreciation	5,512	8,324	9,279	10,083	11,599
EBIT	26,897	23,880	29,276	35,155	41,850
Other income	2,858	9,523	9,169	9,108	9,215
Interest Exp.	909	1,280	1,605	1,905	2,115
Extra Ordinary Items -gain/(loss)	(657)	(1,573)	-	-	-
Reported PBT	28,845	32,123	36,839	42,358	48,951
Tax	7,047	5,016	9,431	10,844	12,531
Reported PAT	21,141	25,535	27,409	31,514	36,420
Net Profit	21,141	25,535	27,409	31,514	36,420
Adjusted PAT	21,798	27,107	27,409	31,514	36,420
Adjusted EPS (INR)	10.6	12.9	11.1	12.8	14.8

Balance sheet (INR mn)

Year-ended	CY22	FY23*	FY24e	FY25e	FY26e
Share Capital	3,971	3,971	4,926	4,926	4,926
Reserves & Surplus	2,18,101	2,81,083	4,52,562	4,78,106	5,07,560
Networth	2,22,072	2,85,054	4,57,488	4,83,032	5,12,486
Debt	435	477	477	477	477
Net deferred Tax liabilities	2,017	2,180	2,235	2,290	2,348
Capital Employed	2,24,524	2,87,711	4,60,199	4,85,799	5,15,311
Gross Fixed Assets	1,09,311	1,31,376	1,76,158	2,13,158	2,63,158
Accumulated Depreciation	32,855	41,179	49,108	58,841	71,940
Capital work in progress	9,513	8,418	44,627	58,015	60,916
Net Fixed Assets	85,969	98,614	1,71,677	2,12,332	2,52,134
Investments	1,57,166	1,41,240	1,41,240	1,41,240	1,41,240
Non Current Investments	1,17,877	1,17,666	1,17,666	1,17,666	1,17,666
Current Investments	39,289	23,574	23,574	23,574	23,574
Current Assets, Loans & Adv.	38,592	1,17,182	2,17,264	2,08,088	2,01,647
Inventory	14,635	16,394	17,846	20,757	24,007
Debtors	2,931	5,649	4,043	4,666	5,485
Cash & Bank balance	2,341	60,756	1,67,089	1,49,260	1,37,896
Loans & advances and others	18,685	34,382	28,286	33,405	34,260
Current Liabilities & Provisions	57,203	69,325	69,982	75,861	79,710
Liabilities	56,462	68,426	66,895	72,565	76,185
Provisions	740	899	3,087	3,296	3,525
Net Current Assets	(18,611)	47,857	1,47,283	1,32,228	1,21,937
Application of Funds	2,24,524	2,87,711	4,60,199	4,85,799	5,15,311

Per share data

Year-ended	CY22	FY23*	FY24e	FY25e	FY26e
No. of shares (mn)	1,986	1,986	2,463	2,463	2,463
Diluted no. of shares (mn)	1,986	2,463	2,463	2,463	2,463
BVPS (INR)	111.8	115.8	185.8	196.1	208.1
CEPS (INR)	13.4	13.7	14.9	16.9	19.5
DPS (INR)	1.0	6.3	2.5	2.4	2.8

Source: Company, Antique;

*Numbers of FY23E is for 15months

Cash flow statement (INR mn)

Year-ended	CY22	FY23*	FY24e	FY25e	FY26e
PBT	28,845	32,123	36,839	42,358	48,951
Depreciation & amortization	5,512	8,324	9,279	10,083	11,599
Interest expense	909	1,280	1,605	1,905	2,115
(Inc)/Dec in working capital	1,043	(8,211)	4,719	(2,983)	(1,304)
Tax paid	(7,047)	(5,016)	(9,431)	(10,844)	(12,531)
Less: Interest/Div. Income Recd.	2,858	9,523	9,169	9,108	9,215
Other operating Cash Flow	(6,340)	(20,115)	(19,050)	(20,205)	(18,759)
CF from operating activities	25,780	17,909	33,130	29,421	39,286
Capital expenditure	(13,429)	(20,969)	(80,991)	(50,388)	(52,901)
Inc/(Dec) in investments	(12,345)	15,927	-	-	-
Add: Interest/Div. Income Recd.	2,858	9,523	9,169	9,108	9,215
CF from investing activities	(22,916)	4,480	(71,822)	(41,281)	(43,685)
Inc/(Dec) in share capital	-	-	955	-	-
Inc/(Dec) in debt	(1)	42	-	-	-
Dividend Paid	(2,021)	(12,509)	(4,975)	(5,970)	(6,965)
Others	(188)	50,067	1,49,045	(0)	0
CF from financing activities	(2,210)	37,601	1,45,025	(5,970)	(6,965)
Net cash flow	(3)	59,989	1,06,333	(17,829)	(11,365)
Opening balance	2,344	2,341	60,756	1,67,089	1,49,260
Closing balance	2,341	62,330	1,67,089	1,49,260	1,37,896

Growth indicators (%)

Year-ended	CY22	FY23*	FY24e	FY25e	FY26e
Revenue (%)	22.8	34.5	-7.7	14.2	16.3
EBITDA (%)	22.5	-0.5	19.7	17.3	18.2
Adj PAT (%)	21.8	19.5	1.1	15.0	15.6
Adj EPS (%)	18.1	16.6	-13.5	15.0	15.6

Valuation (x)

Year-ended	CY22	FY23*	FY24e	FY25e	FY26e
P/E (x)	38.2	31.6	36.6	31.8	27.5
P/BV (x)	7.8	4.8	2.9	2.7	2.5
EV/EBITDA (x)	24.2	28.9	16.5	14.4	12.4
EV/Sales (x)	4.2	2.7	2.4	2.2	1.9
Dividend Yield (%)	0.3	1.5	0.6	0.6	0.7

Financial ratios

Year-ended	CY22	FY23*	FY24e	FY25e	FY26e
RoE (%)	10.3	8.6	7.4	6.7	7.3
RoCE (%)	14.8	10.4	10.3	9.4	10.2
Asset/T.O (x)	2.2	1.5	0.8	0.6	0.7
Net Debt/Equity (x)	(0.2)	(0.3)	(0.4)	(0.4)	(0.3)
EBIT/Interest (x)	32.7	26.1	24.0	23.2	24.1

Margins (%)

Year-ended	CY22	FY23*	FY24e	FY25e	FY26e
EBITDA Margin (%)	23.2	16.1	20.9	21.5	21.8
EBIT Margin (%)	19.3	11.9	15.9	16.7	17.1
PAT Margin (%)	15.6	13.6	14.9	15.0	14.9

Source: Company, Antique;

*Numbers of FY23E is for 15months

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