

Ambuja Cement (ACEM IN)

Rating: BUY | CMP: Rs594 | TP: Rs692

July 2, 2025

Visit Report

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current FY26E	Previous FY27E	Current FY26E	Previous FY27E
Rating	BUY	BUY		
Target Price	692	658		
Sales (Rs. m)	4,42,000	4,81,053	4,41,322	4,72,664
% Chng.	0.2	1.8		
EBITDA (Rs. m)	87,120	1,09,037	86,418	1,03,675
% Chng.	0.8	5.2		
EPS (Rs.)	15.0	18.7	15.7	17.4
% Chng.	(4.5)	7.6		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	3,31,596	3,50,448	4,42,000	4,81,053
EBITDA (Rs. m)	63,995	59,707	87,120	1,09,037
Margin (%)	19.3	17.0	19.7	22.7
PAT (Rs. m)	32,920	41,963	36,827	46,154
EPS (Rs.)	15.0	17.0	15.0	18.7
Gr. (%)	8.0	13.7	(12.2)	25.3
DPS (Rs.)	1.8	2.0	2.2	2.4
Yield (%)	0.3	0.3	0.4	0.4
RoE (%)	9.0	8.8	6.7	7.8
RoCE (%)	13.0	7.3	9.4	10.8
EV/Sales (x)	3.9	4.2	3.5	3.2
EV/EBITDA (x)	20.1	24.9	17.8	14.1
PE (x)	39.7	34.9	39.7	31.7
P/BV (x)	3.2	2.7	2.6	2.4

Key Data

	ABUJ.BO ACEM IN
52-W High / Low	Rs.707 / Rs.453
Sensex / Nifty	83,410 / 25,453
Market Cap	Rs.1,464bn/ \$ 17,076m
Shares Outstanding	2,463m
3M Avg. Daily Value	Rs.1554.79m

Shareholding Pattern (%)

Promoter's	67.57
Foreign	8.60
Domestic Institution	17.30
Public & Others	6.53
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.0	8.1	(14.2)
Relative	4.3	3.6	(18.3)

Tushar Chaudhari

tusharchaudhari@plindia.com | 91-22-663222391

Satyam Kesarwani

satyamkesarwani@plindia.com | 91-22-66322218

On the path of becoming an agile behemoth

Quick Pointers:

- ACEM is on track to achieve its FY28 capacity target of 140mtpa well in advance.
- Transition of Penna and Orient Cement into ACEM/ACC brands is on track and both companies are ramping up volumes under its own brands now.

We visited Ambuja Cements' (ACEM) Marwar Mundwa integrated cement unit and interacted with the senior management. ACEM has added ~28mtpa capacities via the inorganic route over the last three years and has effectively worked on aligning multiple working cultures with the Adani group culture, targeting a 'one business, one company' approach. With the planned 140mtpa mark in sight, ACEM is focusing on replicating the most efficient ways of cement manufacturing processes across all its locations. At newer plants, ACEM has increased the usage of digitalisation across functions such as real-time analyzer on OLBC, line cameras at kilns, drone-led internal inspections, and in-plant automation for logistics. The plan is to replicate the success of automation across locations to improve efficiencies and reduce human intervention. With its own target of reducing the cost of production by Rs500-550/t envisaged in Dec'23, ACEM is working on cutting costs across locations and has effectively put pressure on the entire industry to follow suit.

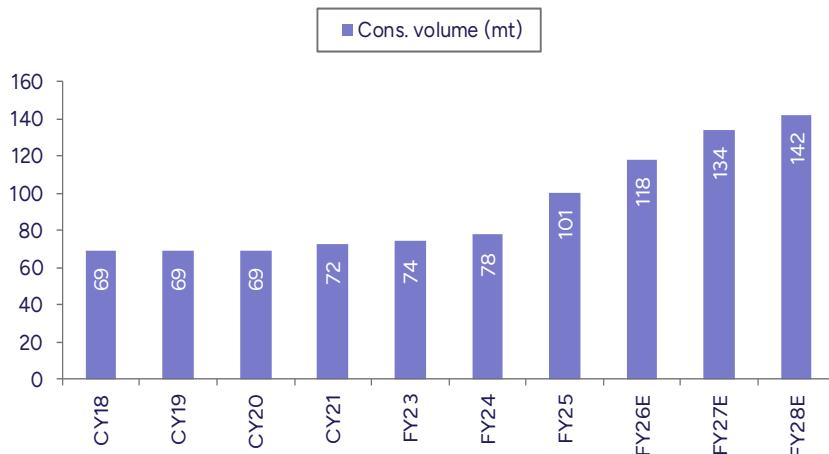
We expect near-term performance to remain strong led by higher cement pricing, strong volume growth and flattish cost structure. Incorporating recent price increases and AR25, we upgrade our EBITDA estimates by 1.4%/3% for FY26/27E. We expect ACEM to deliver 34% EBITDA CAGR over FY25-27E on low base of FY25. At CMP, the stock is trading at 17.8x/14.1x EV on FY26/27E EBITDA. Maintain 'Buy' rating with revised TP of Rs692 (Rs658 earlier) valuing the company at 17x EV/Mar'27E EBITDA.

- Transition from acquisition to consummation phase:** Post acquiring Holcim's stake, ACEM has increased its capacity from 68mtpa to 103mtpa, the majority of which is through the inorganic route. ACEM acquired ~28mtpa, while ~6mtpa got commissioned via planned organic expansions. In FY26, another 16.2mtpa is expected to get commissioned along with 11mtpa of clinker. With significant assets under its wing now, we expect the management to merge and consolidate all acquired entities into ACEM to simplify processes. The merger process of three companies viz. Sanghi, Penna, and Adani Cementation into ACEM is on track and expected to be completed by the end of CY25. The transition of Penna (ACEM holds a 99.94% stake) and Orient Cement (72.66%) into ACEM/ACC brands is on track, and both companies are ramping up under its own brands now. Orient is expected to be a production source for ACC/ACEM similar to Sanghi (58.08%).
- Replicating best practices across locations to achieve targeted cost savings:** ACEM management reiterated its target of Rs500-550/t cost reduction; the majority (65%) would come through Adani group synergies viz. green power (Rs280-300/t), logistics (Rs100/t), raw material procurement

efficiencies (Rs100/t), and other admin costs (Rs50/t). Management expects this reduction to happen in phases (achieved ~Rs150 by end-FY25), with the majority expected to come in FY27.

- **On track to achieve capacity and cost efficiency targets by FY28E:** ACEM has achieved commercial production at its newly commissioned grinding units at Farakka and Sankrail of 2.4mtpa each, which took ACEM's consolidated capacity to 103mtpa. With ongoing expansions of 16.2mtpa at various sites, ACEM is on track to achieve 118mtpa by end-FY26 and can be well ahead of its FY28 target of achieving 140mtpa, backed by ~89mtpa clinker capacity.

Exhibit 1: On track to achieve 140mtpa by FY28E



Source: Company, PL

Cost efficiency measures includes a) Increasing Green energy share from 21% in FY25 to ~60% by FY28 aided by 250MW WHRS (by end FY26), 1000MW RE (350MW already commissioned) and AFR share increase, b) captive coal (imported share fallen to 50% from 70% earlier), c) Raw material sourcing (long term contracts for fly ash and slag with group cos and outside), d) logistics (100km lead distance reduction, usage of sea route to 10% by FY28, deploying specialized EV trucks, higher rakes & shipping vessels), and e) building factories for future (with the help of AI and technology).

Exhibit 2: Green energy share to reach 60% by FY28E

Year	WHRS (MW)	Solar (MW)	Wind (MW)	Total	Green power share (%)
FY25	218	200	99	517	21%
FY28E	376		1,000	1,376	60%

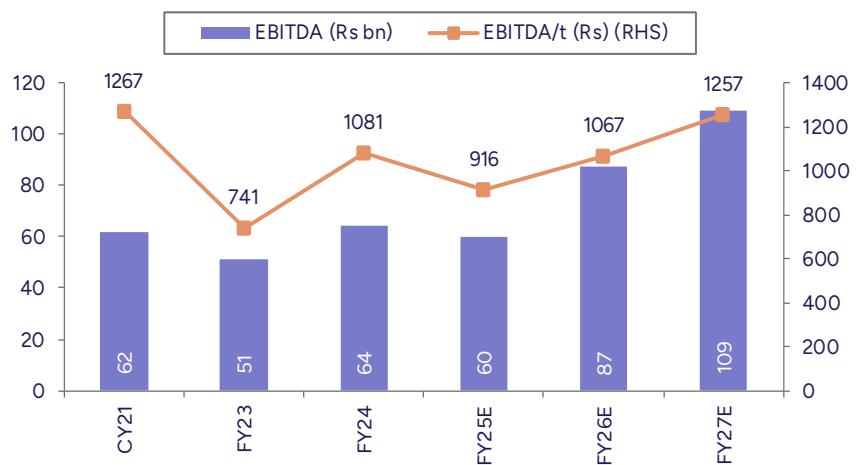
Source: Company, PL

Various other initiatives undertaken across locations are: a) Tech and Talent adoption (usage of AI for logistics and supply chain mgmt.; roping in fresh talent), b) De-layering at existing operations for faster decision making, c) Better engagement of all stakeholders including dealers, contractors and employees.

- **Targeting higher market share along with the launch of premium products:** Premiumization trend is rising across regions for ACEM with current share of premium products is expected to increase to 60-65% from current 30% over the next 5 years. ACEM's non-trade share (c.24%) can increase slightly along

with rising capacities and improving infrastructure capex over the next three years. In trade segment, ACEM's market share is improving again to ~14.5% and expected to increase to by 100bps in FY26, 300bps by FY28 and over 20% by FY30.

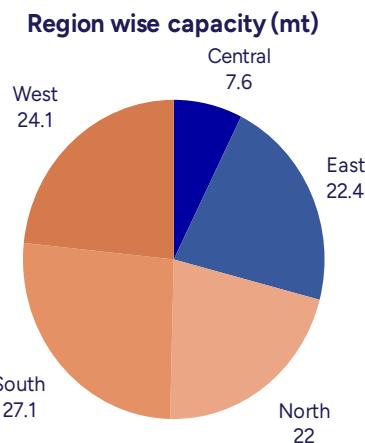
Exhibit 3: EBITDA/t to grow on better pricing and volume growth



Source: Company, PL

- Cement prices may remain in check with incremental capacities:** Management expects cement demand to grow at 7% CAGR to 621mt from ~443mt over FY25-30E, while capacities are expected to grow at a CAGR of 6.3% to 925mtpa from ~683mtpa. For FY26, incremental cement demand is expected to be 30mt, while capacity increase is ~60-70mt, which would keep pricing under check. However, the value-over-volume strategy adopted by a few players would aid the industry, as over the last two years cement prices have declined sharply and smaller players have witnessed repercussions in FY25. We believe ACEM is under transition and would benefit from newly commissioned efficient projects, rising WHRS/AFR contribution, reimagining and replacing existing processes with better processes, and effectively learning from data management. In its pursuit of becoming a building material solutions company with improved size and strategic self-improvement initiatives, ACEM is redefining industry norms of an old cement industry.

Exhibit 4: Region wise cons. cement capacities (103mtpa)



Source: Company, PL

- **Snapshot from Marwar Mundwa limestone Mines:** ACEM has two existing major mining blocks and few minor blocks newly auctioned for Marwar Mundwa complex at Nagaur district having total reserves of 470mt. Total mine life for existing operations is ~100 years with current EC capacity of 5mtpa. This capacity is expected to increase to 18.5mtpa by FY28 as there would be incremental capex announcement for three additional clinker lines at Marwar in line with mgmt.'s earlier guidance of 16mtpa clinker projects by FY28E.

Exhibit 5: Deployment of EV trucks at mines



Source: Company, PL

Exhibit 6: 4.5km conveyor belt (OLBC) from mines to plant



Source: Company, PL

Exhibit 7: Bird's eye view of GU, silos and packaging units



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	3,31,596	3,50,448	4,42,000	4,81,053
YoY gr. (%)	(14.8)	5.7	26.1	8.8
Cost of Goods Sold	49,228	65,274	86,564	90,352
Gross Profit	2,82,369	2,85,173	3,55,437	3,90,701
Margin (%)	85.2	81.4	80.4	81.2
Employee Cost	13,528	14,034	16,160	19,159
Other Expenses	2,04,846	2,11,433	2,52,156	2,62,505
EBITDA	63,995	59,707	87,120	1,09,037
YoY gr. (%)	24.9	(6.7)	45.9	25.2
Margin (%)	19.3	17.0	19.7	22.7
Depreciation and Amortization	16,234	24,783	33,483	41,158
EBIT	47,761	34,923	53,637	67,879
Margin (%)	14.4	10.0	12.1	14.1
Net Interest	2,764	2,159	2,508	2,706
Other Income	11,664	26,543	12,811	11,624
Profit Before Tax	54,546	59,521	68,939	81,796
Margin (%)	16.4	17.0	15.6	17.0
Total Tax	11,626	7,640	17,284	20,723
Effective tax rate (%)	21.3	12.8	25.1	25.3
Profit after tax	42,920	51,881	51,656	61,073
Minority interest	11,612	9,910	11,587	11,678
Share Profit from Associate	229	132	28	28
Adjusted PAT	32,920	41,963	36,827	46,154
YoY gr. (%)	19.5	27.5	(12.2)	25.3
Margin (%)	9.9	12.0	8.3	9.6
Extra Ord. Income / (Exp)	(1,383)	140	3,270	3,270
Reported PAT	31,537	42,104	40,097	49,424
YoY gr. (%)	22.1	33.5	(4.8)	23.3
Margin (%)	9.5	12.0	9.1	10.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	31,537	42,104	40,097	49,424
Equity Shares O/s (m)	2,198	2,463	2,463	2,463
EPS (Rs)	15.0	17.0	15.0	18.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	4,25,956	5,53,665	7,85,665	8,60,665
Tangibles	4,25,956	5,53,665	7,85,665	8,60,665
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,02,071	1,27,887	1,61,370	2,02,529
Tangibles	1,02,071	1,27,887	1,61,370	2,02,529
Intangibles	-	-	-	-
Net fixed assets	3,23,885	4,25,778	6,24,294	6,58,136
Tangibles	3,23,885	4,25,778	6,24,294	6,58,136
Intangibles	-	-	-	-
Capital Work In Progress	40,708	1,14,405	22,405	17,405
Goodwill	-	-	-	-
Non-Current Investments	12,688	38,160	38,160	38,160
Net Deferred tax assets	(15,122)	(24,032)	(24,032)	(24,032)
Other Non-Current Assets	26,806	33,897	33,897	33,897
Current Assets				
Investments	7,587	18,222	18,222	18,222
Inventories	36,086	42,480	53,578	58,312
Trade receivables	12,131	15,903	14,532	15,815
Cash & Bank Balance	1,10,689	61,722	48,532	62,558
Other Current Assets	24,597	39,818	39,818	39,818
Total Assets	6,52,978	8,09,454	9,12,508	9,61,393
Equity				
Equity Share Capital	4,395	4,926	4,926	4,926
Other Equity	4,10,155	5,29,506	5,64,184	6,07,647
Total Networth	4,14,551	5,34,433	5,69,111	6,12,574
Non-Current Liabilities				
Long Term borrowings	2,000	268	42,268	32,268
Provisions	2,560	2,541	2,541	2,541
Other non current liabilities	-	1,552	1,552	1,552
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	31,088	27,595	42,384	46,128
Other current liabilities	88,391	1,07,692	1,07,692	1,07,692
Total Equity & Liabilities	6,52,978	8,09,454	9,12,508	9,61,393

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	59,006	59,224	68,939	81,796
Add. Depreciation	16,234	24,783	33,483	41,158
Add. Interest	2,764	2,159	2,508	2,706
Less Financial Other Income	11,664	26,543	12,811	11,624
Add. Other	(14,331)	(25,979)	(12,811)	(11,624)
Op. profit before WC changes	63,673	60,188	92,120	114,037
Net Changes-WC	1,941	(34,012)	5,063	(2,273)
Direct tax	(9,156)	(3,802)	(17,284)	(20,723)
Net cash from Op. activities	56,458	22,374	79,899	91,042
Capital expenditures	(99,801)	(1,39,376)	(1,40,000)	(70,000)
Interest / Dividend Income	-	-	-	-
Others	10,296	64,065	12,811	11,624
Net Cash from Invt. activities	(89,504)	(75,311)	(1,27,189)	(58,376)
Issue of share cap. / premium	66,610	83,391	-	-
Debt changes	(1,533)	(20,083)	42,000	(10,000)
Dividend paid	(5,848)	(5,630)	(5,419)	(5,961)
Interest paid	(2,341)	(1,758)	(2,508)	(2,706)
Others	-	-	-	-
Net cash from Fin. activities	56,888	55,920	34,073	(18,667)
Net change in cash	23,842	2,983	(13,217)	13,998
Free Cash Flow	11,634	(64,497)	(60,101)	21,042

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	15.0	17.0	15.0	18.7
CEPS	22.4	27.1	28.5	35.4
BVPS	188.6	217.0	231.1	248.7
FCF	5.3	(26.2)	(24.4)	8.5
DPS	1.8	2.0	2.2	2.4
Return Ratio(%)				
RoCE	13.0	7.3	9.4	10.8
ROIC	15.1	7.7	7.9	9.3
RoE	9.0	8.8	6.7	7.8
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.1)	0.0	(0.1)
Net Working Capital (Days)	19	32	21	21
Valuation(x)				
PER	39.7	34.9	39.7	31.7
P/B	3.2	2.7	2.6	2.4
P/CEPS	26.6	21.9	20.8	16.8
EV/EBITDA	18.6	23.2	16.5	13.0
EV/Sales	3.6	3.9	3.3	2.9
Dividend Yield (%)	0.3	0.3	0.4	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Revenue	83,115	73,781	85,022	98,886
YoY gr. (%)	(4.6)	(0.6)	4.6	11.2
Raw Material Expenses	15,773	14,202	17,861	18,268
Gross Profit	67,342	59,579	67,161	80,618
Margin (%)	81.0	80.8	79.0	81.5
EBITDA	12,798	9,734	8,855	18,676
YoY gr. (%)	(23.2)	(25.2)	(48.9)	9.9
Margin (%)	15.4	13.2	10.4	18.9
Depreciation / Depletion	4,674	5,520	6,640	7,864
EBIT	8,124	4,215	2,215	10,812
Margin (%)	9.8	5.7	2.6	10.9
Net Interest	678	669	670	143
Other Income	3,547	3,740	7,729	5,733
Profit before Tax	10,993	7,469	23,331	15,054
Margin (%)	13.2	10.1	27.4	15.2
Total Tax	3,131	2,398	(2,840)	4,973
Effective tax rate (%)	28.5	32.1	(12.2)	33.0
Profit after Tax	7,862	5,071	26,171	10,081
Minority interest	-	-	-	-
Share Profit from Associates	34	22	30	47
Adjusted PAT	7,896	5,093	26,201	10,128
YoY gr. (%)	(30.5)	(48.4)	140.5	(33.6)
Margin (%)	9.5	6.9	30.8	10.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7,896	5,093	26,201	10,128
YoY gr. (%)	(30.5)	(48.4)	140.5	(33.6)
Margin (%)	9.5	6.9	30.8	10.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,896	5,093	26,201	10,128
Avg. Shares O/s (m)	2,463	2,463	2,463	2,463
EPS (Rs)	3.2	2.1	10.6	4.1

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Cons. Volume (mt)	59	65	82	87
Cons. Net Realisations (Rs/t)	5,601	5,375	5,415	5,545
Cons. EBITDA/t (Rs/t)	1,081	916	1,067	1,257

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	30-Apr-25	BUY	658	545
2	07-Apr-25	BUY	643	529
3	30-Jan-25	BUY	628	522
4	08-Jan-25	BUY	707	538
5	29-Oct-24	BUY	708	569
6	22-Oct-24	BUY	756	559
7	07-Oct-24	BUY	756	611
8	01-Aug-24	Accumulate	701	664
9	07-Jul-24	Accumulate	701	686

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,383	1,938
2	Ambuja Cement	BUY	658	545
3	Dalmia Bharat	Accumulate	2,273	2,100
4	Hindalco Industries	Accumulate	724	663
5	Jindal Stainless	BUY	678	580
6	Jindal Steel & Power	Accumulate	978	893
7	JSW Steel	Accumulate	1,068	1,009
8	National Aluminium Co.	BUY	212	185
9	NMDC	Accumulate	75	71
10	Nuvoco Vistas Corporation	Accumulate	374	343
11	Shree Cement	Reduce	28,336	30,788
12	Steel Authority of India	Hold	133	130
13	Tata Steel	BUY	176	149
14	Ultratech Cement	BUY	13,668	12,114

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

