

CMP: ₹ 585

Target: ₹ 690 (18%)

Target Period: 12 months

July 2, 2025

BUY

Well-structured blueprint in place for scaling up...

About the stock: Ambuja Cements, a part of Adani Group, is a Pan-India cement manufacturer with a market share of ~15% at present

- Company's cement capacity stands at 103 mtpa at present (including Penna Cement & Orient Cement)
- Company's revenue has grown by ~7% CAGR over CY21-FY25 while PAT has grown at ~14% CAGR over the same period

We met with the key management personnel of Ambuja Cements (including CEO, CFO and heads of other departments). The management laid out its long-term growth strategy in terms of capacity additions, volume growth, cost saving measures and other operational efficiencies

Investment Rationale

- Volume growth to remain strong led by aggressive capacity additions:** Ambuja's consolidated volume growth of 10.1% YoY in FY25 remains better-than-industry, mainly led by capacity additions including consolidation of acquired capacities of Sanghi Industries & Penna Cement. Company's capacity has been recently increased to 103 mtpa (post the acquisition of Orient Cement and recent commissioning of 2.4 mtpa at WB). Further, company is aggressively expanding its capacity to 118 mtpa by FY26E (through organic expansion of ~15 mtpa) and targets to reach 140 mtpa by FY28E. We estimate company's consolidated volumes to grow at ~14% CAGR over FY25-27E
- Focus on operational efficiencies to drive EBITDA/ton improvement:** Ambuja's EBITDA/ton was impacted during FY25, mainly on account of lower realisations and consolidation of Sanghi & Penna during Q3FY25. However, company's profitability to improve substantially going ahead, led by improvement in prices & sharp focus on cost savings and operating leverage benefits. Cost saving measures would be primarily led by increasing share of low-cost green power (targets 60% by FY28E from ~21% at present), increasing share of captive coal, further optimising logistics & raw material cost (driven by group synergies) & increase in share of premium products. Management targets to save total cost/ton further by ~Rs 500/ton by FY28E. We expect EBITDA/ton to improve to ₹ 1187/ton in FY27E (vs Rs 789/ton in FY25)

Rating and Target Price

- With healthy volume growth and significant improvement in EBITDA/ton over FY25-27E, we expect revenue to grow ~10% CAGR over FY25-27E while EBITDA & PAT are expected to grow at ~19% & ~6% CAGR respectively
- We maintain BUY on Ambuja Cements with a revised target price of Rs 690 (based on 18.5x EV/EBITDA on FY27E) with adjusting value of minorities (ACC & Sanghi)

Key Financial Summary

(Year-end March)	CY21	FY23*	FY24	FY25	4 Year CAGR (CY21-FY25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	28,965	38,937	33,160	35,045	6.6%	40,502	46,476	9.9%
EBITDA	6,210	5,122	6,400	5,971	-1.3%	7,463	10,104	19.2%
EBITDA margin (%)	21.4	13.2	19.3	17.0		18.4	21.7	
Net Profit	2,780	2,583	3,577	4,167	14.4%	3,747	5,002	6.3%
EPS (Rs)	14.0	13.0	18.0	16.9		15.2	20.3	
P/E (x)	40.5	45.0	34.1	34.4		38.5	28.8	
EV/EBITDA (x) #	25.8	31.3	25.1	26.9		21.5	15.9	
EV/ton (\$)		286.4	245.0	194.6		160.0	145.2	
RoCE (%)	21.3	13.3	14.3	11.5		10.7	13.2	
RoE (%)	11.3	8.2	8.2	7.8		6.6	8.2	

Source: Company, ICICI Direct Research, * for 15 months



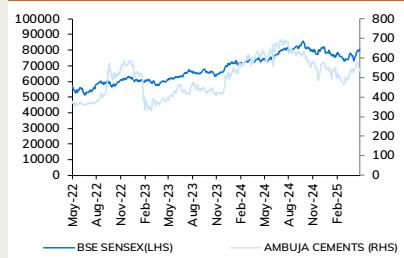
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	1,44,014
FY25 Gross Debt (Rs Crore)	27
FY25 Cash (Rs Crore)	6,172
EV (Rs Crore)	1,37,869
52 Week H/L (Rs)	700/453
Equity Capital	439.5
Face Value	2.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	70.3	67.6	67.6	67.6
FII	9.6	10.6	9.1	8.6
DII	13.0	15.0	16.4	17.1
Others	7.0	6.8	6.9	6.7

Price Chart



Recent Event & Key risks

- (1) Slowdown in demand
- (2) Delays in capacity expansion
- (3) Increase in commodity prices
- (4) High competition

Research Analyst

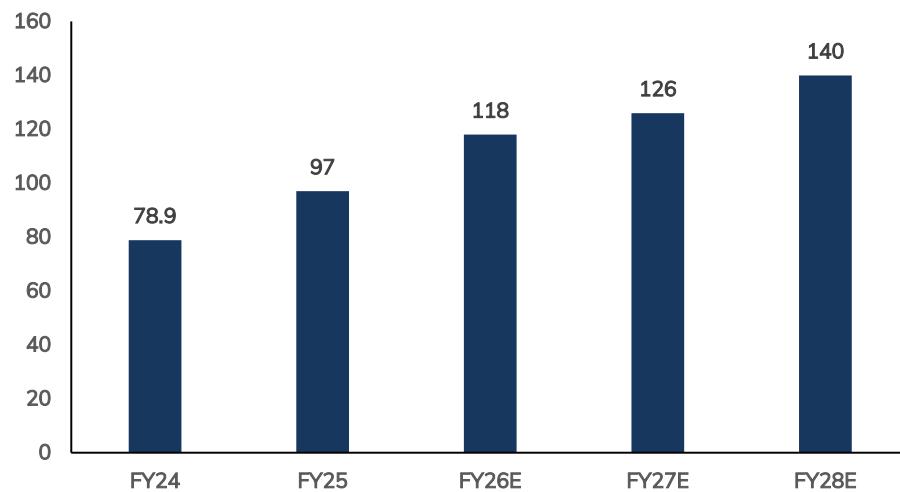
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Management meet – Key highlights:

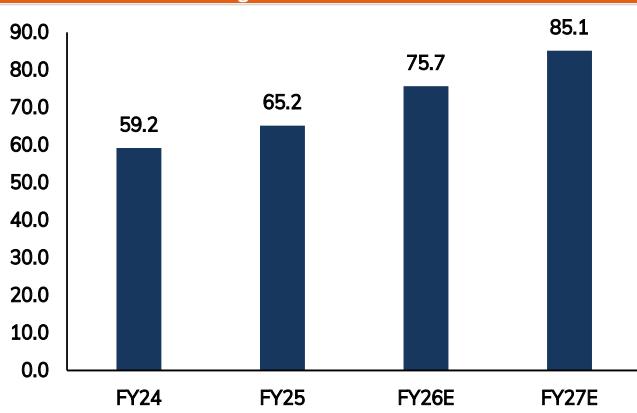
- Company's capacity expansion schedule is on track. Total cement capacity is expected to reach 118 mtpa by FY26E and 140 mtpa by FY28E (from 103 mtpa at present)
- Management aims for market share of 17-18% by FY28E and 20% by FY30E (from 14.5% at present)
- Cement demand has picked-up over the last few months. Company estimates cement demand growth of 7% CAGR over the next 4-5 years (vs 4% in FY25)
- Demand will be mainly driven by higher growth in infrastructure & industrials segments as compared to housing segment. Share of housing in total cement demand is estimated to decline marginally to 53-58% (vs 55-60% at present) over the next 3-4 years while share of infrastructure & industrials in total cement demand to improve to 42-47% (from 40-45% at present)
- Management retains its guidance of double-digit volume growth annually for the company (better-than-industry)
- Cement supply is estimated to be at ~6% CAGR over the period FY25-30E, which would be lower than demand CAGR of ~7% over the same period. As the demand is likely to outpace supply, industry's capacity utilization is expected to improve gradually (currently at ~65%) which will help in improvement in cement prices
- Share of trade volumes stands at ~74% while balance ~26% from non-trade volumes. As demand growth from infra & industrials segments will be relatively better, company's share of trade volume is also likely to come down marginally
- However, share of premium products (including AAC blocks, tile adhesives, Kavach leakproof sheets etc) of total trade volume is expected to improve in the coming periods, led by changing industry trends which is driving demand for premium products. Company guides that share of premium products can increase to 50% in the coming years (vs 26% at present)
- Company's realisations are expected to improve over the coming period (despite expected increase in share of non-trade volumes), mainly led by rising share of premium products (which have Rs 400-500/ton higher realisation)
- On the profitability front, company targets EBITDA/ton of Rs 1500/ton by FY28E through consistent focus on cost reduction (total cost/ton reduction of ~Rs 500/ton by FY28E), mainly through power & fuel, freight, raw materials & others
- In power & fuel cost, company targets Rs 200-300/ton savings through increasing share of green power and fuel mix optimisation through increasing usage of alternative fuels. Green power capacity stands at 376 MW and expected to increase to 1000 MW by Q1FY27. Share of green power (in total power consumption) is targeted to increase to 60% by FY28E (from 21% in FY25)
- Company targets TSR (thermal substitution rate) of 27% by FY28, led by increase in share of alternative fuels
- On logistics front, company targets cost reduction by Rs 100/ton by FY28E, through increasing share of sea transport (which is relatively cheaper by 40-60% as compared to transport through roads & railways) and reduction in lead distance
- On raw material cost front also, company targets savings of Rs 100/ton by FY28E through leveraging group synergies. Share of fly-ash (through long-term agreements) is targeted to increase to 60% (from 40% at present)
- Capex cost for upcoming capacity additions is likely to be in the range of USD 75-80/ton. Company aims to fund these expansions largely through internal accruals and will remain net-debt free
- Company plans to merge Penna Cements and Sanghi Industries with Adani Cements in the next two quarters. The merger of ACC with Ambuja will also be initiated at an appropriate time. Company's goal remains is one company, one business

Exhibit 1: Company targets to reach 140 mtpa by FY28E



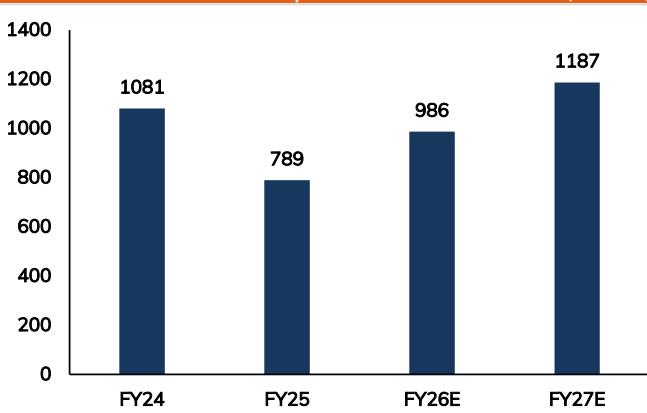
Source: Company, ICICI Direct Research

Exhibit 2: Volumes to grow at ~14% CAGR over FY25-27E



Source: Company, ICICI Direct Research

Exhibit 3: EBITDA/ton to improve over FY25-FY27E (Rs/ton)



Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue	33,160	35,045	40,502	46,476
% Growth	(14.8)	5.7	15.6	14.8
Other income	1,166	2,654	1,858	1,709
Total Revenue	33,160	35,045	40,502	46,476
% Growth	(14.8)	5.7	15.6	14.8
Total Raw Material Costs	4,923	6,630	7,717	8,682
Employee Expenses	1,353	1,403	1,600	1,760
Other expenses	20,485	21,041	23,722	25,930
Total Operating Expenditure	26,760	29,074	33,039	36,372
Operating Profit (EBITDA)	6,400	5,971	7,463	10,104
% Growth	24.9	(6.7)	25.0	35.4
Interest	276	216	210	210
PBDT	7,290	8,409	9,111	11,603
Depreciation	1,623	2,478	3,281	3,811
PBT before Exceptional Items	5,666	5,931	5,831	7,792
Total Tax	1,163	764	1,166	1,558
PAT before MI	4,715	5,145	4,665	6,234
PAT	3,577	4,167	3,747	5,002
% Growth	38.5	16.5	(10.1)	33.5
EPS	16.3	16.9	15.2	20.3

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	3,577	4,167	3,747	5,002
Depreciation	1,623	2,478	3,281	3,811
Interest	276	216	210	210
Cash Flow before WC changes	5,477	6,862	7,237	9,023
Changes in inventory	(336)	(639)	(413)	(433)
Changes in debtors	(59)	(377)	(185)	(7)
Changes in loans & Advances	2	(1)	1	(1)
Changes in other current assets	1,491	(1,506)	(85)	(597)
Net Increase in Current Assets	3,264	1,302	(977)	(1,361)
Changes in creditors	335	(349)	569	491
Changes in provisions	28	12	1	14
Net Inc in Current Liabilities	611	1,722	1,159	1,043
Net CF from Operating activities	9,351	9,885	7,419	8,705
Changes in deferred tax assets	1,091	33	-	-
(Purchase)/Sale of Fixed Assets	(10,593)	(19,895)	(9,500)	(8,000)
Net CF from Investing activities	(7,136)	(22,377)	(10,241)	(9,593)
Dividend and Dividend Tax	(496)	(493)	(659)	(739)
Net CF from Financing Activities	5,893	7,596	(869)	(949)
Net Cash flow	8,108	(4,896)	(3,691)	(1,837)
Opening Cash/Cash Equivalent	2,960	11,068	6,172	2,481
Closing Cash/ Cash Equivalent	11,068	6,172	2,481	644

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	440	493	493	493
Reserve and Surplus	41,015	52,951	56,038	60,301
Total Shareholders funds	41,454	53,443	56,531	60,794
Total Debt	37	27	27	27
Total Liabilities	53,186	67,113	70,200	74,463
Gross Block	23,033	36,626	48,447	57,947
Acc: Depreciation	9,492	11,970	15,251	19,062
Net Block	19,957	24,656	33,196	38,885
Capital WIP	2,658	9,820	7,500	6,000
Total Fixed Assets	35,047	52,463	58,683	62,872
Non Current Assets	5,336	8,704	9,445	11,038
Inventory	3,609	4,248	4,661	5,093
Debtors	1,213	1,590	1,775	1,783
Other Current Assets	2,460	3,966	4,050	4,648
Cash	11,068	6,172	2,481	644
Total Current Assets	24,093	17,895	15,181	14,705
Current Liabilities	3,109	2,759	3,329	3,820
Provisions	256	90	91	92
Total Current Liabilities	12,111	13,833	14,991	16,034
Net Current Assets	11,982	4,062	189	(1,329)
Total Assets	53,186	67,113	70,200	74,463

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
EPS	18.0	16.9	15.2	20.3
Cash per Share	59.6	32.5	17.5	10.0
DPS	14.0	14.0	15.0	16.0
BV	208.8	217.0	229.5	246.8
EBITDA Margin	19.3	17.0	18.4	21.7
PAT Margin	10.8	11.9	9.3	10.8
RoE	8.2	7.8	6.6	8.2
RoCE	14.3	11.5	10.7	13.2
RoIC	15.7	7.4	7.7	10.5
EV / EBITDA	25.1	26.9	21.5	15.9
P/E	34.1	34.4	38.5	28.8
EV/ton (\$)	245	195	160	145
EV / Net Sales	4.0	3.9	3.5	3.0
Sales / Equity	0.8	0.7	0.7	0.8
Market Cap / Sales	4.3	4.1	3.6	3.1
Price to Book Value	2.8	2.7	2.5	2.4
Asset turnover	0.8	0.7	0.7	0.8
Debtors Turnover Ratio	28.0	25.0	24.1	26.1
Creditors Turnover Ratio	11.3	11.9	13.3	13.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.9	0.9	1.0
Quick Ratio	0.4	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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