

Ambuja Cements Limited . (Ambuja Cements)

Ambuja Cements Ltd. is among the leading cement companies in India. It is a member of the Adani Group. Currently, Ambuja Cement has a cement capacity of 31 million tonnes with six integrated cement manufacturing plants and eight cement grinding units across the country.

Investment Rationale :

- Capacity expansion to drive volume and revenue growth
- EBITDA margins to improve to 18%-19% in FY26E
- Overall industry to grow at the healthy rate of 6%-7% in FY24-FY26E
- Strategic Acquisitions and Market Positioning

Outlook: Ambuja Cements is well-positioned for strong growth, backed by its capacity expansion plans, cost optimization strategies, and sustainability initiatives. The company aims to increase its production capacity to 140 MTPA by 2028, ensuring a stronger market presence. EBITDA margins are expected to improve to 18%-19% by FY26, driven by lower clinker factor, optimized logistics, increased green power usage, and higher blended cement sales.

With a ₹9,000 crore capex plan for FY25, Ambuja is focused on technology upgrades, operational efficiency, and acquisitions to enhance profitability. Increasing green energy share to 60% by FY28 will also reduce power costs by 33%. Given its debt-free status and strong liquidity, the company is poised for long-term sustainable growth and higher market share. Given the company's superior positioning and increasing foothold in South India, along with its cost-saving initiatives and synergies with other Adani group companies, the growth momentum is expected to continue. Additionally, considering the government's strong focus on infrastructure development and affordable housing, increasing private capex, and robust real estate demand, we anticipate ACL to deliver industry-leading performance moving forward.

Valuation At a CMP of Rs 496 stock is trading at an P/E of 20.6(x) to its FY26E EPS of Rs 24.0. We value stock at a P/E of 26(x) to its FY26E EPS to arrive at a target price of Rs 624 and have a Buy rating on the stock.

Stock Data

| | |
|---------------------|---------------|
| CMP(11-03-2025) | ₹496 |
| Rating | Buy |
| Target Price | ₹624 |
| 52 Week High/Low | ₹707/453 |
| Face Value | ₹2 |
| Market Cap (In Crs) | ₹122210 |
| NSE | AMBUJACEM |
| BSE | 500425 |
| Bloomberg | AMBUJACEM :IN |
| Sector | Cement |

Shareholding Pattern (in %)

| | Sep 2024 | Dec 2024 |
|------------|----------|----------|
| Promoters | 67.57 | 67.57 |
| FII | 10.61 | 9.14 |
| DII | 14.98 | 16.41 |
| Government | 0.21 | 0.21 |
| Public | 6.64 | 6.66 |

Price Performance (in %)

| (%) | 1M | 6M | 1Year |
|----------|------|-------|-------|
| Nifty 50 | -2.5 | -9.7 | 0.7 |
| Ambuja | -0.8 | -20.4 | -17.7 |

Institutional Desk
Mangal Keshav

INVESTMENT RATIONALE:

Capacity expansion to drive volume and revenue growth

The company is actively expanding its production capacity from the current 97 million tonnes per annum (MTPA), which includes 8.5 MTPA from Orient Cement, to 118 MTPA. This expansion is scheduled to be completed in phases between FY25 and FY26. Additionally, the company is evaluating further growth opportunities to reach a total capacity of 140 MTPA by FY28. This strategic expansion aims to drive long-term growth and strengthen its market position. With these developments, the company anticipates a compound annual growth rate (CAGR) of 11% in volume and 10% in revenue over the FY24-FY26 period, reinforcing its sustained growth momentum..

EBITDA margins to improve to 18%-19% in FY26E

The company is focused on cost optimization initiatives to improve margins and overall operational efficiency. Key business strategies include reducing the clinker factor, optimizing logistics costs, increasing the share of green power, boosting blended cement sales, and expanding EBITDA margins. These measures are expected to drive sustainable cost savings and profitability. The company projects its EBITDA margins to improve to 18%-19% by FY26, with a long-term goal of reducing production costs to ₹3,850 per tonne by FY28, further strengthening its competitive edge in the industry.

Overall industry to grow at the healthy rate of 6%-7% in FY24-FY26E

Cement demand in the country is expected to remain robust due to increased government emphasis on infrastructure development and affordable housing. Private capex is also anticipated to drive cement demand, supported by strong real estate activity. We expect the overall industry to grow in the range of 7%-9% in FY24-FY26E.

Strategic Acquisitions and Market Positioning:

The company's strategic acquisitions, including Penna Cement and Sanghi Industries, have bolstered its market presence, particularly in South and West India. These acquisitions are expected to enhance Ambuja's pan-India market share by approximately 2%, strengthening its competitive position against industry leaders.

Robust Financial Health: Ambuja Cements maintains a strong financial risk profile, characterized by a debt-free balance sheet and robust liquidity. As of April 30, 2024, the company reported a liquid surplus of approximately ₹24,000 crore. This financial strength supports its capacity expansion plans and provides a buffer against industry cyclicalities, ensuring sustainable growth.

Key Risk & Concerns

Raw Material & Input Cost Volatility: The cement industry is highly dependent on raw materials such as limestone, coal, petcoke, and gypsum. Fluctuations in commodity prices, coupled with supply chain disruptions, can lead to increased production costs, impacting profitability. Additionally, any adverse changes in fuel costs or electricity tariffs could further strain margins.

Pricing Pressure & Competitive Intensity: The Indian cement sector is highly competitive, with major players vying for market share. Price wars, especially in key markets, could pressure realizations and affect profitability. If demand does not keep pace with the increased supply from capacity expansions, it may lead to weaker pricing power.

Regulatory & Environmental Compliance: Cement manufacturing is subject to stringent environmental regulations regarding carbon emissions, waste disposal, and energy consumption. Any tightening of policies related to emissions, carbon trading, or mining regulations could increase compliance costs and impact operations. Delays in environmental clearances for expansion projects also pose a risk.

Company Background:

Company Overview

Ambuja Cements Limited, a key subsidiary of the Adani Group, is one of India's leading cement manufacturers, known for its extensive market presence, commitment to sustainability, and high-quality products.

Manufacturing Capacity and Sales Volume

Ambuja Cements has an annual production capacity of 89 million tonnes per annum (MTPA) as of 2024, with plans to exceed 100 MTPA by early 2025. The company has set an ambitious goal to achieve 140 MTPA by 2028 through organic expansion and acquisitions. In the quarter ending September 2024, the company recorded a cement sales volume of 14.2 million tonnes, marking a strong 9% year-on-year growth.

Product Offerings

Ambuja Cements offers a wide range of cement products catering to diverse construction needs:

Ordinary Portland Cement (OPC): Ideal for general construction applications.

Portland Pozzolana Cement (PPC): Preferred for durability and sustainable construction.

Ready-Mix Concrete (RMC): Ensures consistent quality for customized construction requirements.

Specialty Cements: Tailored for unique applications such as marine structures and oil wells.

Revenue Split

Ambuja Cements operates across India, catering to regional demands with strategically located manufacturing plants. The company's revenue is derived from multiple segments, including retail, infrastructure, and institutional sales, though specific regional and business-wise revenue splits remain undisclosed.

Capital Expenditure (Capex) Plans

Ambuja Cements is heavily investing in expansion and operational efficiency:

Capacity Expansion: Plans to reach 140 MTPA by 2028 through new manufacturing units, acquisitions, and process enhancements.

Sustainability Investments: Focuses on energy efficiency, alternative fuels, and waste heat recovery systems to enhance operational sustainability.

Recent Acquisitions

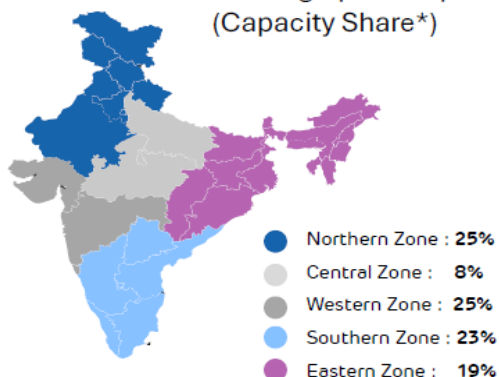
Ambuja Cements has been actively acquiring assets to strengthen its market position:

Orient Cement Acquisition: Acquired a 46.8% stake in Orient Cement in 2024, increasing its presence in South and West India.

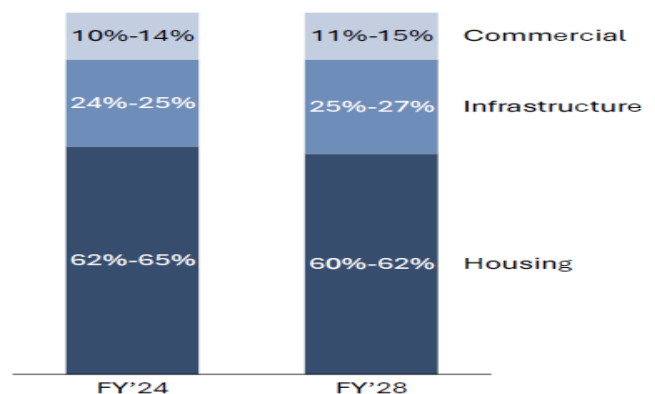
Penna Cement & Sanghi Industries: Acquired these entities in 2023-24, with plans to merge them into Ambuja Cements, optimizing operations and simplifying compliance.

With a strong financial position, strategic expansions, and a commitment to sustainable growth, Ambuja Cements continues to be a dominant force in India's cement industry, shaping the country's infrastructure and construction landscape.

Adani Cement Geographical Spread
(Capacity Share*)



Cement Demand Segments (% share)



Q3FY25 Result analysis:

Ambuja Cements Limited (ACL) delivered better-than-expected quarterly results, primarily driven by higher incentives and additional income for the period. However, after adjusting for these factors, sales aligned with projections, while the EBITDA margin fell short of the estimated 16.6%, settling at 9.5%.

On an adjusted basis, ACL recorded a 3.5% year-on-year (YoY) revenue increase, supported by a strong 17% growth in sales volume, reaching 16.5 million tonnes per annum (MTPA). This growth was largely attributed to a rise in trade sales and an uptick in premium product demand.

The adjusted EBITDA margin stood at 9.5%, significantly lower than the 17.5% reported in the previous year. This decline was mainly due to lower price realizations and an increase in other operational expenses. The company's blended EBITDA per tonne came in at ₹1,038, marking a 16% YoY drop, while the adjusted EBITDA per tonne stood at ₹485.

On an adjusted basis, blended realizations per tonne were recorded at ₹5,100, reflecting an 11% YoY decline and a 4% drop quarter-on-quarter (QoQ). Meanwhile, the cost per tonne increased by 2% both YoY and QoQ, reaching ₹4,616.

Despite the margin contraction, ACL reported a net profit of ₹2,115 crore, reflecting a significant 157% YoY growth.

Con Call Highlights

Capacity Expansion & Growth Strategy Ambuja Cements is expanding its production capacity from 89 MTPA to 140 MTPA by 2028, with ongoing expansions set for completion by FY26. The company is establishing 10 clinker lines (40 MTPA) and 35 grinding units across key locations, including Bhatapara, Chandrapur, Amravati, Jalgaon, and Salai Banwa. Additionally, integrating the Tuticorin Grinding Unit and Penna Cement is expected to strengthen market share, profitability, and RoCE.

Operational & Cost Efficiencies The company reported 17% YoY volume growth, with trade sales contributing 71% and blended cement sales reaching 82% of total sales. Freight costs declined 7% YoY, with ongoing efforts to reduce lead distances for further savings. Ambuja Cements is increasing green power share from 21% to 60% by FY28, which is projected to lower overall power costs by 33%, improving margins.

Financial Performance & Pricing Blended realization per tonne declined 4% YoY to ₹5,100, adjusted for incentives, but improved 7% QoQ when incentives were included. The company optimized its fuel mix, reducing fuel costs to ₹1.66 per kcal from ₹1.84. However, other operational expenses increased 15% YoY to ₹802 per tonne, mainly due to asset optimization efforts, impacting short-term profitability while positioning

Financial Strength & Capex Plans Ambuja Cements remains a debt-free company with strong financial stability, holding Crisil AAA (Stable) and A1+ ratings. Its net worth increased by ₹62,535 crore, while cash and cash equivalents stood at ₹8,755 crore. The company has earmarked a ₹9,000 crore capex for FY25, focusing on capacity expansion, sustainability initiatives, and cost efficiencies, reinforcing its leadership in the cement industry and long-term growth trajectory.

| Particulars | FY 24 | FY 25E | FY 26E |
|---------------------------|-------|--------|-----------|
| Financial Position | | | (₹ In Cr) |
| Equity Share Capital | 397 | 440 | 493 |
| Reserve & Surplus | 26301 | 38236 | 41712 |
| Net worth | 26698 | 38676 | 42205 |
| Borrowing | 734 | 1568 | 1568 |
| Fixed Asset | 22615 | 30774 | 39484 |
| Total Asset/Liability | 65298 | 78319 | 82511 |
| | | | |
| Operating Results | | | (₹ In Cr) |
| Revenue | 33160 | 35023 | 40254 |
| Operating Expenditure | 26760 | 29268 | 32699 |
| EBIDTA | 6400 | 5755 | 7506 |
| Interest | 276 | 300 | 322 |
| Depreciation | 1623 | 2348 | 2561 |
| Profit/(Loss) Before Tax | 5666 | 5434 | 5750 |
| Provision For Tax | 1163 | 554 | 1437 |
| Share of Associates | 28 | 23 | 14 |
| Minority Int | 1161 | 932 | 989 |
| Adj PAT | 3370 | 3971 | 3337 |
| Ratios | | | |
| EBIDTA Margin% | 19.3% | 16.4% | 18.6% |
| PAT Margin% | 4.4% | 6.3% | 5.3% |
| ROE% | 12.7% | 9.6% | 8.1% |
| D/E(x) | 0.0 | 0.0 | 0.0 |
| P/E(x) | 20.9 | 19.8 | 20.6 |
| Adj EPS Rs | 23.7 | 25.0 | 24.0 |

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