

Ambuja Cement

HOLD

Growth expected in H2FY25

Summary

Ambuja Cement's (ACEM) Q2FY25 EBITDA came higher than consensus estimates by 30%. This is primarily due to cost reduction. ACEM is expected to increase its capacity by 27% / 11% in FY25E and FY26E and currently the expansion program is on track. ACEM is also planning to reduce opex and improve EBITDA by various methods. We retain HOLD rating on ACEM with a revised TP at Rs600 valuing it at 32x FY26EV/EBITDA and its ACC stake is valued at 20% discount to CMP. Overall capex intensity to remain high. For FY25E, Capex would be at Rs70bn, of which company has utilized 50% till H1FY25. The capacity expansion plan of 140mtpa will be funded by internal accruals & operating cashflows, the targets are set to reach 100mtpa by FY25, 120mtpa by FY26 & 140mtpa by FY28.

Result Highlights and Investment Rationale

- Q2FY25 snapshot:** Standalone revenue at Rs42bn -6% QoQ due to decrease in ASP, but EBITDA/t was up QoQ at Rs782 and is higher than reported by peers like Ultratech. PAT Stood At Rs5bn -22%YoY/-12% QoQ. During the quarter company acquired 46.8% Orient Cement, and with this acquisition the total consolidated Capacity will be increased to 97.5mtpa.
- Cost reduction Plan:** ACEM has planned to reduce the total cost by Rs500-550/t, which would gradually improve the EBITDA margins. The main focus to reduce the costs will be to improve WHRS capacities & improvise the fuel mix ratios & increase the use of alternate fuels. Currently ACEM has achieved 30% target of the cost efficiency initiative. ACEM is also coming up with strategies to reduce the primary lead distance & order special railway rakes to ease the fly ash movement from the mother plants.

TP	Rs600
CMP	Rs569
Potential upside/downside	5%
Previous Rating	SELL

Price Performance (%)			
	-1m	-3m	-12m
Absolute	(10.2)	(17.0)	36.4
Rel to Sensex	(3.6)	(15.4)	11.0

V/s Consensus		
EPS (Rs)	FY25E	FY26E
IDBI Capital	12	18
Consensus	16	21
% difference	(23.1)	(15.2)

Key Stock Data	
Bloomberg/Reuters	ACEM IN / ABUJ.BO
Sector	Cement
Shares o/s (mn)	2,463
Market cap. (Rs mn)	1,402,626
3-m daily avg Trd value (Rs mn)	67.6
52-week high / low	Rs707 / 404
Sensex / Nifty	80,005 / 24,339

Shareholding Pattern (%)	
Promoters	67.6
FII	10.6
DII	13.1
Public	8.7

Financial snapshot

Year	CY21	15MFY23	FY24	FY25E	FY26E
Revenue	139,790	199,854	179,193	194,686	239,054
Change (yoy, %)	23	43	(10)	9	23
EBITDA	32,152	32,204	33,708	38,721	57,759
Change (yoy, %)	22	0	5	15	49
EBITDA Margin(%)	23.0	16.1	18.8	19.9	24.2
Adj.PAT	21,489	27,108	23,505	26,067	38,469
EPS (Rs)	11	14	11	12	18
Change (yoy, %)	21.5	26.1	(22)	11	48
PE(x)	57.7	45.7	58	53	36
Dividend Yield (%)	1.0	1.4	0	0	1
EV/EBITDA (x)	37.3	37.7	38.1	32.7	21.6
RoE (%)	10.1	10.7	7	7	9
RoCE (%)	12.2	9	7	7	11

Source: IDBI Capital Research

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Conference call highlights

- During the quarter ACEM acquired 46.8% stake in Orient Cements at Rs395.4 per share. This acquisition will increase the Ambuja's consol. capacity to 97.4mtpa. Adani Cement's current market share is about 15%, with an internal target of 20% by FY28.
- ACEM is expecting cement demand to improve by 4 to 5% in FY25 backed by new infra projects & housing projects.
- Company has target to reach the capacity of 140mtpa by FY28, the capacity is in progress ACEM is coming up with 35 new units, the 3 units at Bhatapara, CH are on track with 67% completion done expected to commission from Q4FY25. 2 plants at Chandrapur of Maratha Cement 1 in Jalgaon & 1 in Amravati the contracts have been awarded and expect to commission in Q2FY26. Salai Banwa-2.4mtpa/Sindri-1.6mtpa/Marwar-2.4mtpa/ Mundra-4.8mtpa is on track expected completion by FY26. Apart from this 2 new units are proposed 1 in Hoshiarpur, Punjab & Pune, Maharashtra.
- ACEM has planned to improve EBITDA/t by Rs500-550/t on cost efficiencies, out of which ACEM has achieved 30% of cost saving till date. WHRS capacity addition which has increased from 40mw in Q2FY23 to 195mw in Q2FY25E & plans to expand 220mw by FY25. Also company aims to reach a capacity of 100mw of Renewable energy of which 60% will be green power & this will help reduce cost by Rs90/t by FY28E. Further, Rs 50-60/t savings is expected from the logistics, by using GPWIS wagons and also company has ordered 26 DCFC rakes to transport fly ash smoothly to optimize the wastages. Rs50-60/t from Raw materials ACEM will bid for coal mines in Dahegoan Gowri & planning to use 80-90% captive coal by FY26, Rs50-60/t from footprint optimization.
- The capacity expansion plan for 140mtpa, will be funded by internal accruals & operating cashflows, the targets are set to reach 100mtpa by FY25, 120mtpa by FY26 & 140mtpa by FY28.
- Sanghi cements currently has 2 klins accounting to 6.6mtpa but currently requires refurbishment & it will be done by Oct'24, & both klins will be 100% operational by H2FY25.
- The Penna Cement Acquisition is in advance stage, ACEM is expecting the deal to close by Fortnight, also ACEM will not close down Penna Cement brand will continue to sell cement in Penna Cement brand name in southern India.

Exhibit 1: Financial snapshot (Rs mn)

Particulars	Q2FY25	Q1FY25	QoQ % Chg	Q2FY24	YoY % Chg
Net Sales	42,132	45,158	(6.7)	39,698	6.1
EBITDA	6,805	6,460	5.3	7,734	(12.0)
EBITDA margin (%)	16.2	14.3	185bps	19.5	-333bps
Other income	2,650	4,203	(37.0)	3,781	(29.9)
Depreciation	2,398	2,450	(2.1)	2,286	4.9
Interest	323	409	(21.1)	435	(25.8)
Pre tax profit	6,735	7,804	(13.7)	8,795	(23.4)
Tax	1,728	1,969	(12.2)	2,357	(26.7)
Profit after tax	5,007	5,835	(14.2)	6,438	(22.2)
Extra ordinary income/ (exp.)	-	(129)	NA	-	NA
Adjusted net profit	5,007	5,707	(12.3)	6,438	(22.2)

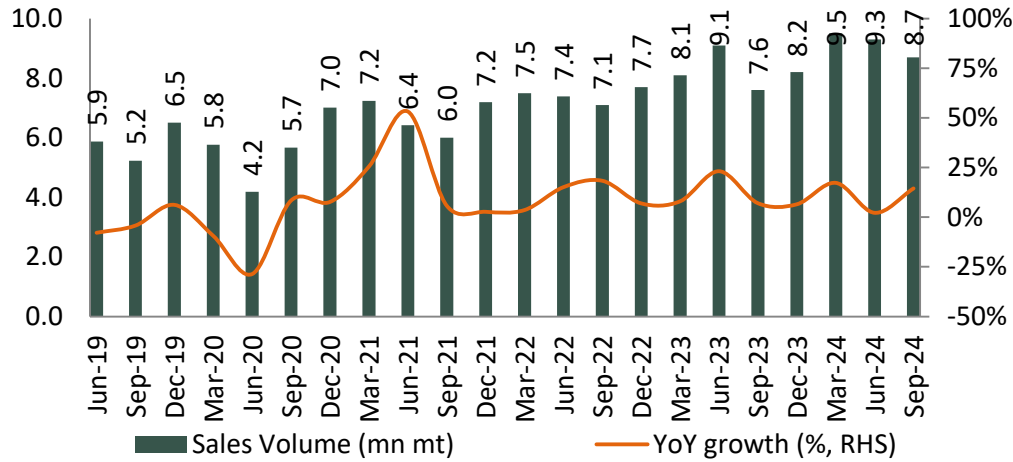
Source: Company; IDBI Capital Research

Exhibit 2: Operational snapshot

Year-end: December	Q2FY25	Q1FY25	QoQ % Chg	Q2FY24	YoY % Chg
Sales (mn mt)	8.7	9.3	(6.5)	7.6	14.5
Net realization Rs per mt	4,843	4,856	(0.3)	5,223	(7.3)
Total expenditure Rs per mt	4,061	4,161	(2.4)	4,206	(3.5)
Composite raw materials Rs per mt	1,484	1,480	0.3	956	55.2
Employees Cost Rs per mt	151	149	2.0	196	(22.7)
Power & Fuel Cost Rs per mt	923	978	(5.7)	1,270	(27.3)
Freight & Handling Expenses Cost Rs per mt	1,001	1,095	(8.6)	1,122	(10.8)
Other Expenditure Rs per mt	501	459	9.1	662	(24.3)
EBITDA Rs per mt	782	695	12.6	1,018	(23.1)

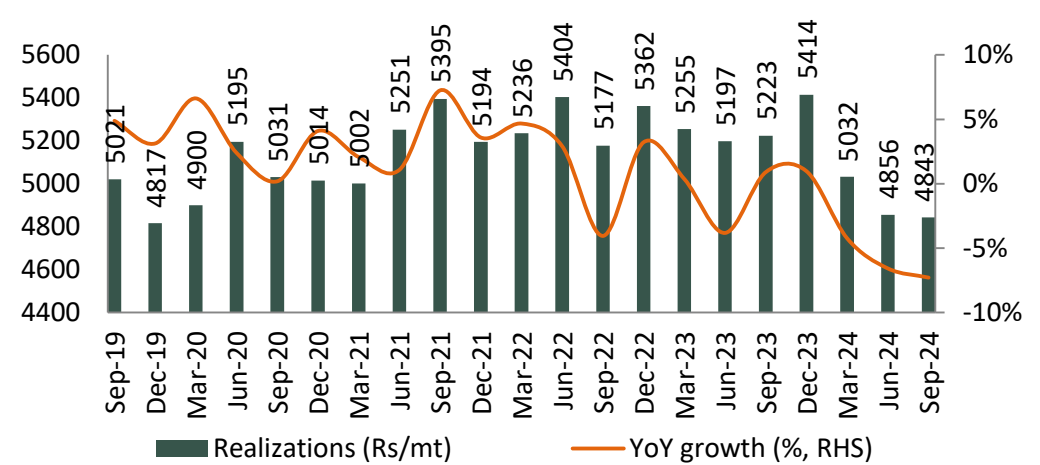
Source: Company; IDBI Capital Research

Exhibit 3: Q1FY25 volume up by 2% YoY



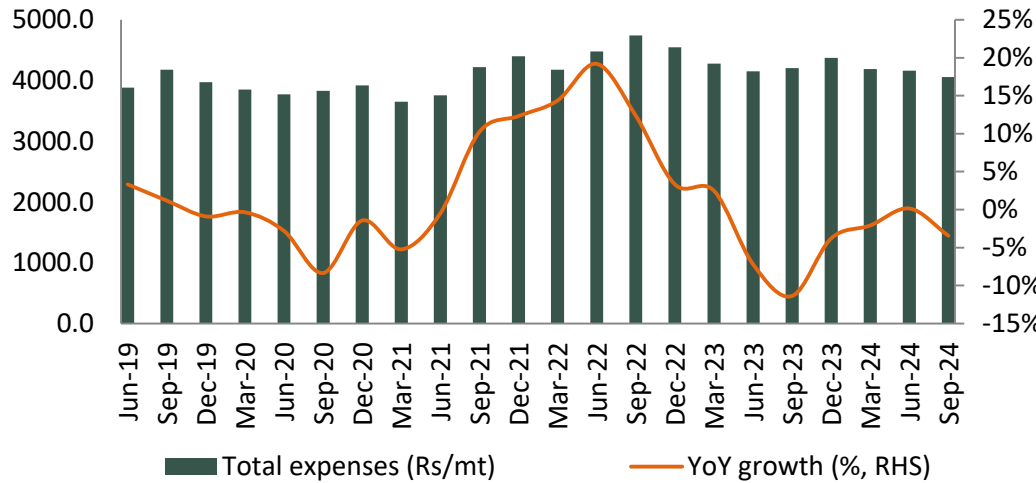
Source: IDBI Capital Research

Exhibit 4: Q1FY25 realizations down QoQ



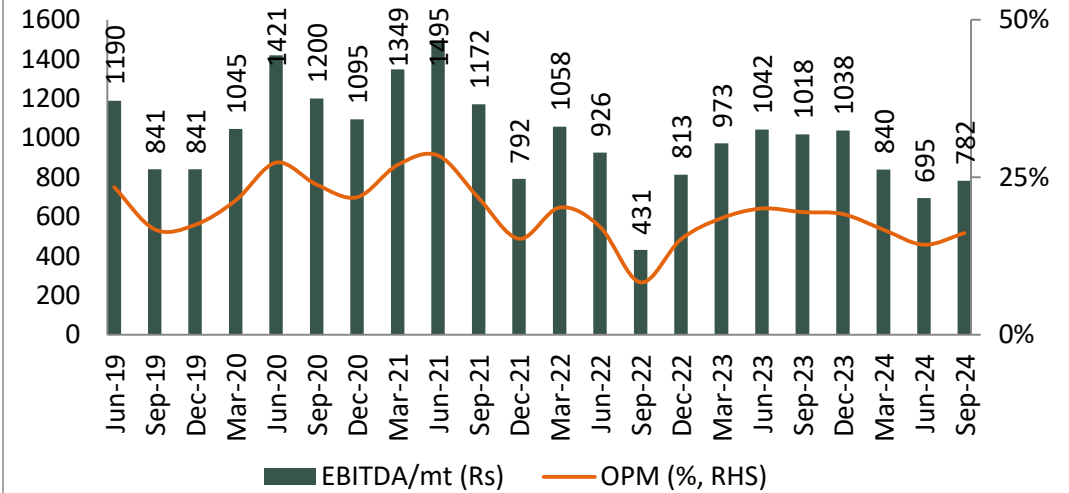
Source: IDBI Capital Research

Exhibit 5: Opex/t was flat YoY in Q1FY25



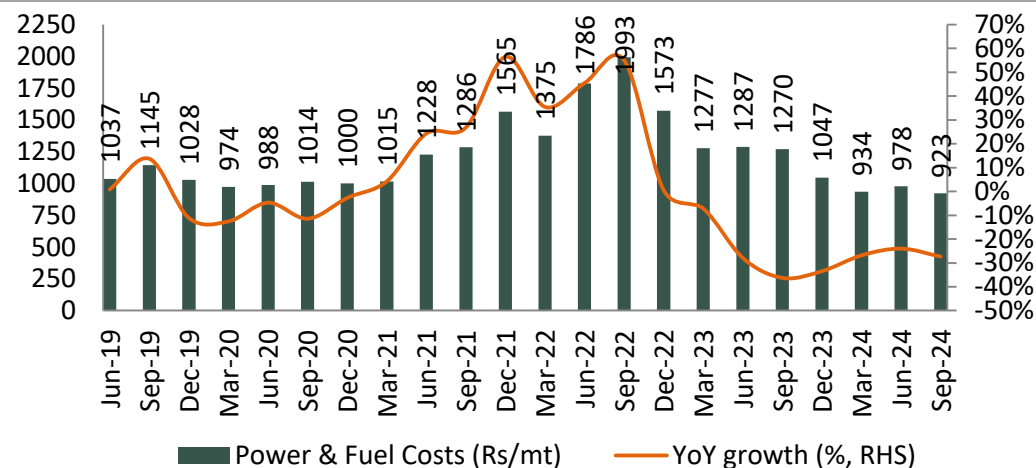
Source: IDBI Capital Research

Exhibit 6: EBITDA/t decreased 34% YoY, margins at 14%



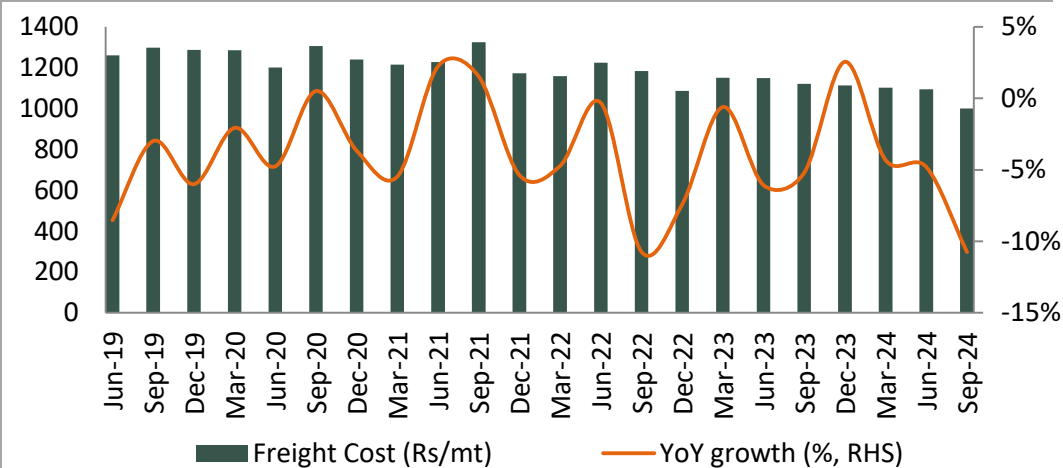
Source: IDBI Capital Research

Exhibit 7: Power/t down by 24% YoY in Q1FY25



Source: IDBI Capital Research

Exhibit 8: Freight/t down by 5% YoY in Q1FY25



Source: IDBI Capital Research

Exhibit 9: Target Price

		FY26
EBITDA		31,788
EV/EBITDA Multiple		32
EV	A	10,33,118
Market Cap of ACC		4,86,369
Ambuja's Stake at 20% Disc	B	1,96,493
FY24 Net Cash	C	87,966
Total Equity value	A + B + C	13,17,577
Target Price		600

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	CY20	CY21	15MFY23	FY24	FY25E	FY26E
Net sales	1,13,719	1,39,790	1,99,854	1,79,193	1,91,964	2,20,200
<i>Change (yoy, %)</i>	(3)	23	43	(10)	7	15
Operating expenses	(87,463)	(1,07,639)	(1,67,650)	(1,45,485)	(1,62,383)	(1,88,412)
EBITDA	26,255	32,152	32,204	33,708	29,580	31,788
<i>Change (yoy, %)</i>	22	22	0	5	(12)	7
<i>Margin (%)</i>	23.1	23.0	16.1	18.8	15.4	14.4
Depreciation	(5,212)	(5,517)	(8,324)	(9,380)	(10,110)	(12,309)
EBIT	21,044	26,634	23,880	24,329	19,470	19,479
Interest paid	(831)	(910)	(1,280)	(1,623)	(1,367)	(1,233)
Other income	3,720	2,812	9,523	8,526	9,761	9,956
Pre-tax profit	23,933	28,536	32,123	31,233	27,864	28,202
Tax	(6,243)	(7,047)	(5,016)	(7,728)	(7,028)	(7,050)
<i>Effective tax rate (%)</i>	26.1	24.7	15.6	24.7	25.2	25.0
Minority Interest	-	-	-	-	-	-
Net profit	17,690	21,489	27,108	23,505	20,836	21,151
Exceptional items	-	-	-	-	-	-
Adjusted net profit	17,690	21,489	27,108	23,505	20,836	21,151
<i>Change (yoy, %)</i>	16	21	26	(13)	(11)	2
EPS	8.9	10.8	13.7	10.7	9.5	9.6
Dividend per sh	18.0	6.3	9.0	2.0	2.1	2.1
<i>Dividend Payout (%)</i>	202.1	58.2	66	19	22	22

Balance Sheet

(Rs mn)

Year-end: March	CY20	CY21	15MFY23	FY24	FY25E	FY26E
Shareholders' funds	2,03,159	2,22,049	2,85,055	3,70,065	3,86,311	4,02,804
Share capital	3,971	3,971	3,971	4,395	4,395	4,395
Reserves & surplus	1,99,187	2,18,078	2,81,084	3,65,670	3,81,916	3,98,408
Total Debt	436	435	342	189	189	189
Other liabilities	5,784	5,777	9,409	6,389	6,389	6,389
Curr Liab & prov	45,435	53,567	64,235	64,645	70,463	78,251
Current liabilities	45,397	53,477	64,194	64,375	70,296	78,059
Provisions	39	90	41	270	167	191
Total liabilities	51,655	59,779	73,986	71,223	77,041	84,829
Total equity & liabilities	2,54,814	2,81,828	3,59,041	4,41,288	4,63,353	4,87,633
Net fixed assets	78,052	86,222	94,616	1,03,517	1,23,407	1,41,098
Investments	1,17,877	1,17,647	1,17,667	1,40,581	1,40,581	1,40,581
Other non-curr assets	14,531	10,155	34,293	47,129	47,129	47,129
Current assets	44,353	67,805	1,12,464	1,50,061	1,52,236	1,58,825
Inventories	7,466	14,641	16,394	15,903	17,300	19,844
Sundry Debtors	1,915	2,947	5,649	7,168	6,311	7,239
Cash and Bank	29,243	41,692	25,331	88,334	1,01,554	99,264
Loans and advances	5,728	8,524	65,090	38,656	27,072	32,478
Total assets	2,54,814	2,81,828	3,59,041	4,41,288	4,63,353	4,87,633

Cash Flow Statement

(Rs mn)

Year-end: March	CY20	CY21	15MFY23	FY24	FY25E	FY26E
Pre-tax profit	24,144	27,879	30,551	31,233	27,864	28,202
Depreciation	5,212	5,517	8,324	9,380	10,110	12,309
Tax paid	(4,648)	(3,632)	(3,346)	(7,321)	(7,028)	(7,050)
Chg in working capital	3,676	(4,584)	(7,855)	1,567	5,279	4,315
Other operating activities	(2,321)	(415)	(7,578)	(7,127)	(8,394)	(8,723)
Cash flow from operations (a)	26,062	24,765	20,096	27,574	27,831	29,052
Capital expenditure	(9,778)	(11,430)	(21,116)	(19,932)	(30,000)	(30,000)
Chg in investments	(118)	192	(79,900)	(62,171)	9,761	9,956
Other investing activities	1,914	1,218	(77,708)	6,032	-	-
Cash flow from investing (b)	(6,415)	(8,868)	(93,272)	(76,071)	(20,239)	(20,044)
Equity raised/(repaid)						
Debt raised/(repaid)	(439)	(908)	(715)	48,613	(1,367)	(1,233)
Dividend (incl. tax)	(36,646)	(2,021)	(12,514)	(4,964)	(4,590)	(4,659)
Chg in minorities						
Other financing activities	(516)	(238)	(655)	(3,147)	-	-
Cash flow from financing (c)	(37,601)	(3,167)	36,116	56,970	(5,956)	(5,892)
Net chg in cash (a+b+c)	(17,954)	12,730	(37,059)	8,473	1,636	3,116

Financial Ratios

Year-end: March	CY20	CY21	15MFY23	FY24	FY25E	FY26E
Book Value (Rs)	102	112	144	168	176	183
Adj EPS (Rs)	8.9	10.8	13.7	10.7	9.5	9.6
Adj EPS growth (%)	16	21	26	-22	-11	2
EBITDA margin (%)	23.1	23.0	16.1	18.8	15.4	14.4
Pre-tax margin (%)	21.0	20.4	16.1	17.4	14.5	12.8
Net Debt/Equity (x)	-0.1	-0.2	-0.1	-0.2	-0.3	-0.2
ROCE (%)	10	12	9	7	5	5
ROE (%)	8	10	11	7	6	5

DuPont Analysis

Asset turnover (x)	0.4	0.5	0.6	0.4	0.4	0.5
Leverage factor (x)	1.2	1.3	1.3	1.2	1.2	1.2
Net margin (%)	15.6	15.4	13.6	13.1	10.9	9.6

Working Capital & Liquidity ratio

Inventory days	24	38	30	32	33	33
Receivable days	6	8	10	15	12	12
Payable days	37	39	34	36	37	36

Valuations

Year-end: March	CY20	CY21	15MFY23	FY24	FY25E	FY26E
PER (x)	64.0	52.7	41.8	53.3	60.1	59.2
Price/Book value (x)	5.6	5.1	4.0	3.4	3.2	3.1
EV/Net sales (x)	9.7	7.8	5.5	6.5	6.0	5.2
EV/EBITDA (x)	42.0	33.9	34.4	34.5	38.9	36.3
Dividend Yield (%)	3.2	1.1	1.6	0.4	0.4	0.4

Source: Company; IDBI Capital Research

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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