

## Set to witness robust growth...

**About the stock:** Ambuja Cements, a part of Adani Group, is a Pan-India cement manufacturer with a market share of ~14% at present

- As of March 2024, company's cement capacity stands at 78.9 million tonnes (mtpa). Northern & eastern region contributes ~27% each to total sales volumes, followed by western (~24%), central (~14%) and southern (~9%).
- Company's revenues have increased by 25.4% CAGR over the period FY21-24 while EBITDA and PAT have grown at 26.4% and 36.1% CAGR respectively over the same period

### Investment Rationale:

- Aggressive capacity additions & master-supply agreement with group companies to drive volume growth:** Company's consolidated volume growth stood at 8.1% YoY in FY24 to 59.2 mtpa, mainly driven by timely capacity additions (in both ACC & Ambuja) and master supply agreement with its group company - Sanghi Industries. Company is in process of further expanding its total capacity to 83 mtpa by FY25E and 100 mtpa by FY26E (from 78.9 mtpa at present). Company aims to reach total capacity of 140 mtpa by FY28. Going ahead, we expect volume growth to remain healthy over FY25-26E, led by pick-up in demand, further capacity additions and improvement in overall utilisation levels across all the three entities. Moreover, company targets to increase its market share to 20% by FY28 from 14% at present. We estimate volume CAGR of ~11.5% CAGR over FY24-26E to 73.60 mtpa in FY26E.
- Continuous focus on operational efficiencies to further improve EBITDA/ton:** Company's EBITDA/ton improved to Rs 1081/ton in FY24 (vs Rs 676/ ton in FY23), mainly led by lower power & fuel cost/ton & operating leverage advantage. Going forward, we expect EBITDA/ton to improve further to ₹ 1360/ton by FY26E, primarily driven by continuous focus on improving cost efficiencies. Management guides further savings of ₹ 530/ton in total cost by FY28E from FY24 level (targets EBITDA/ton of ₹ 1500+/ton by FY28E). The cost efficiency measures would be primarily led by increasing share of lower-cost green power (targets 31% of total by FY25E and 60% by FY28E), increasing share of captive coal, further optimising logistics & raw material cost (driven by group synergies) and increase in share of premium products

### Rating and Target Price

- With a strong focus on increasing overall market share (through strategic capacity expansion plans), further operational efficiencies and cash rich balance sheet, we believe that Ambuja Cements' operational performance to improve substantially in the coming period. We expect revenue growth of 12.3% CAGR over FY24-26E, while EBITDA & PAT CAGR at 25.1% & 22.9% respectively over the same period
- We value FY26E consolidated EBITDA at 19x EV/EBITDA and adjusted the minorities (ACC & Sanghi) value. We recommend BUY on Ambuja Cements with a target price of ₹ 720 per share

### Key Financial Summary

(Year-end March)	CY20	CY21	FY23*	FY24	3 Year CAGR (FY20-24) <sup>^</sup>	FY25E	FY26E	2 Year CAGR (FY24-26E)
Revenues	24,516	28,965	38,937	33,160	10.6%	36,973	41,843	12.3%
EBITDA	5,006	6,210	5,122	6,400	8.5%	8,053	10,009	25.1%
EBITDA margin (%)	20.4	21.4	13.2	19.3		21.8	23.9	
Net Profit	2,365	2,780	2,583	3,577	14.8%	4,342	5,402	22.9%
EPS (Rs)	11.9	14.0	13.0	18.0		17.6	21.9	
P/E (x)	47.1	41.1	45.7	34.6		33.7	27.1	
EV/EBITDA (x)#	31.4	25.3	30.7	24.5		19.5	15.7	
RoCE (%)	18.8	21.3	13.3	14.3		13.9	15.8	
RoE (%)	11.0	11.3	8.2	8.2		8.1	9.3	

Source: Company, ICICI Direct Research \* FY23 is 15 months period <sup>^</sup>CAGR calculated after adjusting FY23 for 12 months

#calculated adjusting ACC & Sanghi minority interest



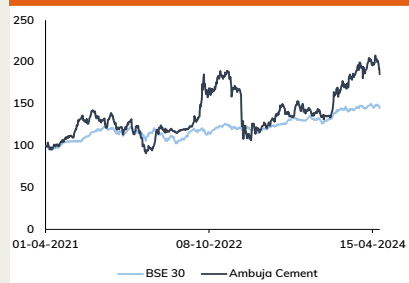
### Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	1,15,475
FY24 Gross Debt (₹ Crore)	37
FY24 Cash (₹ Crore)	11,069
EV (₹ Crore)	1,04,443
52 Week H/L (Rs)	649/396
Equity Capital	439.5
Face Value	2.0

### Shareholding pattern

	Sep-23	Dec-23	Mar-24	Apr-24
Promoter	63.2	63.2	66.7	70.3
FII	11.7	11.9	11.1	9.9
DII	15.3	15.6	14.2	12.7
Others	9.4	9.4	7.9	7.0

### Price Chart



### Key risks

- (i) Slowdown in demand (ii) Delay in capacity expansion (iii) Increase in commodity prices (iv) High competition

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## Recent earnings call highlights

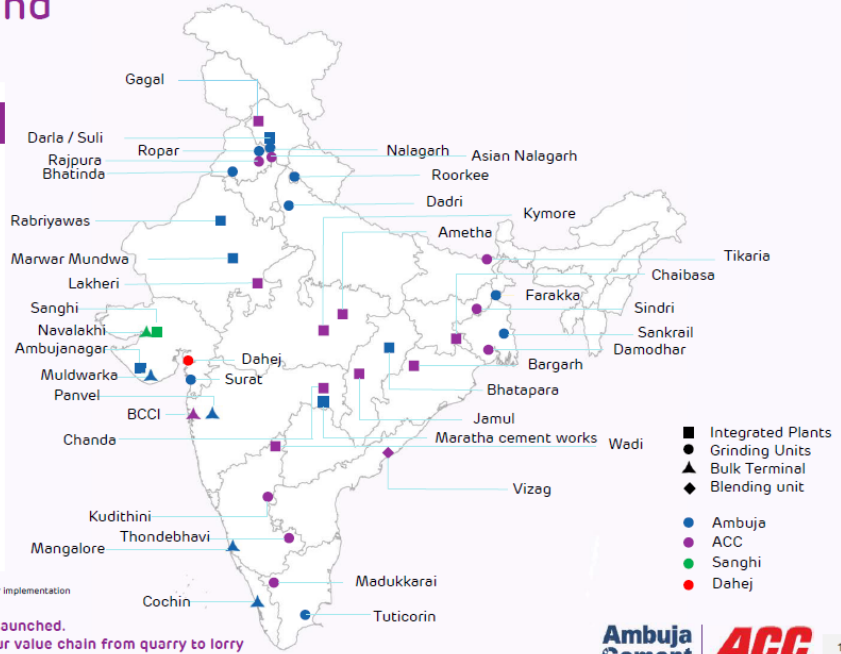
- The company is in process of expanding its consolidated cement capacity to 83 mtpa by FY25E and 100 mtpa by FY26E (from 78.9 mtpa at present), as ~20 mtpa of cement expansion projects are under execution. Company targets 140 mtpa of total capacity by FY28E as further ~40 mtpa of expansions are under various stages of land acquisition and other approvals. The associated clinker capacity will be expanded to 82 mtpa by FY28E (from 54 mtpa at present)
- Clinker expansion at Bhatapara (4 mtpa) is expected to be completed by Q4FY25. Three grinding units will be mapped with this clinker facility: Sankrail, WB (2.4 mtpa), Farakka, WB (4.8 mtpa) and Warisaliganj, Bihar. Sankrail & Farakka units are expected to be completed by Q3FY25
- Clinker expansion at Maratha (4 mtpa) is expected to be completed by Q2FY26. Two grinding units will be mapped with this clinker facility: Jalgaon, MH (2 mtpa) & Amravati, MH (2 mtpa)
- Grinding expansions at Salai Banwa, UP (2.4 mtpa), Sindri, RJ (1.6 mtpa) & Marwar, RJ (2.4 mtpa) & Mundra, GJ (4.8 mtpa) are expected to be commissioned by FY26 end. Grinding expansions at Hoshiarpur, PB and Pune, MH are expected to be commissioned by FY27
- Company plans additional 12 mtpa clinker expansion (apart from Bhatapara and Maratha) of 4 mtpa each in 3 different regions (west, north, south), wherein entire land possession is already done while environmental clearance is under process
- Capex during FY24 stood at ~₹ 4500 crore and estimated to be ₹ 5000-6000 crore for FY25E. The capex will be met through internal accruals
- The promoters of the company have infused ₹ 20000 crores (in 3 tranches), thereby increasing their stake by 3.6% to 70.3%
- Utilization level of industry is likely to improve in the coming period as incremental demand is expected to outpace increment supply
- Sanghi Industries clinker capacity stands at 6.6 mtpa, wherein kilns refurbishment is in process (expected to be over by H1FY25E). Post refurbishment, the clinker capacity will be augmented to 7 mtpa. The company expects 100% utilization level from H2FY25. Company expects clinker volume of 5 mtpa in FY25E in Sanghi Industries
- Sanghi Industries volumes stood at 3.4 mtpa (+42% YoY against 2.4 mtpa) in FY24 under MSA (Master Supply Agreement)
- Operational cost/ton for the quarter currently stands at ₹ 4345/ton. Company expects operational cost/ton to further reduce by ₹ 530/ton, majorly driven by cost savings through increasing usage of cost-effective power & fuel, raw materials procurement, optimisation in logistics cost and positive operating leverage
- AFR (Alternative Fuels) mix in fuel is increased to 10.6% (earlier 8.7%) & WHRS (Waste Heat Recovery) mix in power is increased to 13.5% (earlier 9%)
- The company won bids for three coal mines: Gare Palma (1.3 million tons), Dahegaon (2 million tons) & Lama Tola (2 million tons). Together these three mines can fulfil 50% of current fuel requirement. In next 12 months, company plans to source 80-90% of coal requirement through captive coal mines & pet-coke
- The company plans 1000 MW of green power capacity by FY26E (200 MW is getting commissioned in Q1FY25) which would ensure 60% of the power requirement. Power cost savings from green power is estimated to be ~Rs 90/ton by FY28. The company targets Waste Heat Recovery Systems capacity to be 186 MW by FY25 (134 MW at present). The company expects green power share to increase (31% by FY25, 60% by FY28)
- Blended cement as a mix of total sales maintained at 86%, while premium cement as a percentage of trade sales increased to 24%

Exhibit 1: Ambuja's regional presence

Presence in 30 states and 580+ districts (~75%)\*

For the Quarter Ended March 31, 2024

78.9 <sup>#</sup> MTPA Cement Capacity	60.6% Clinker Factor
18 Integrated Units	10 Captive Ships
86% Share of Blended Cement	86+ Ready-Mix Concrete plants
10.6% Thermal Substitution Rate	6 Bulk Cement Terminals
1,00,000+ Channel partners across India	19* Grinding Units



CNOC – Cement Network Operating Centre launched. Provides seamless integration of our value chain from quarry to lorry



Source: Company, ICICI Direct Research

Exhibit 2: Ambuja's expansion plan along with timeline of commencement

Roadmap to 140 MTPA by 2028, @ 79 at present, 100 by 2026

Expansion Project	Capacity(MTPA)		Expected timelines for completion	Status Update
	Clinker	Cement		
Bathinda	-	1.2	Q2 FY'26	- Land available, EC applied, expected Jul' 24
Bhatapara Line 3 (CU)	4.0	-	Q4 FY'25	- Civil work 67 % completed, Overall project 30 % completed Receipt of major equipment commenced
Maratha Line 2 (CU)	4.0	-	Q2 FY'26	- EPC contract awarded -- Project activities started
Sankrail (GU)	-	2.4	Q3 FY'25	- EPC contract awarded - 90% of pilling work & 52 % Civil work has been completed. Overall project 27 % completed.
Marwar (GU)	-	2.4	Q2 FY'26	- EC recd. LOI Issued, EPC contract to be awarded by May'24 - Pre project activities started
Farakka (GU)	-	4.8	Q3 FY'25 (Phase I)	- Phase I, 2.4 MTPA and balance will be taken as Phase II - EPC contract awarded, 87% of pilling work & 40 % Civil work has been completed. Overall project 27 % completed.
Sindhri (GU)	-	1.6	Q4 FY'25	- EPC contract awarded - Project activities started
Salai Banwa (GU)	-	2.4	Q1 FY'26	- EPC contract awarded - Project activities started
Mundra (GU)	-	4.8	Q3 FY'26 (1st Line) Q1 FY'27 (2nd Line)	- CTE / EC approvals expected by May'24 - LOI Issued - Pre Project activity under progress
<b>Total</b>	<b>8.0</b>	<b>19.6</b>		

Out of the total capex, Greenfield projects – 55% Brownfield projects – 45%

In addition, Board has also approved

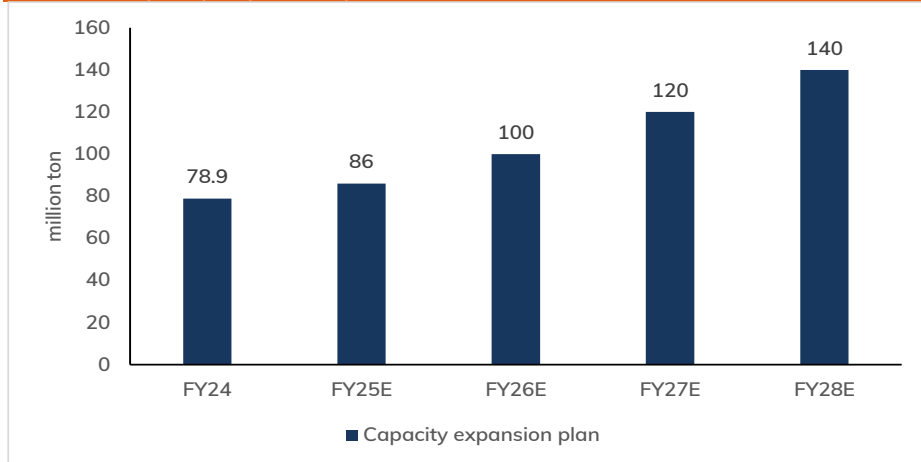
- 2.25 MTPA Clinker Unit in Mundra (Calcium Hydroxide process)
- 17 Cement Grinding Units (2.4 MTPA) each identified at 17 locations (Land acquisitions and statutory approvals for these projects are under progress)

Capacity Details:

Existing Capacity	Mn T
79	
Projects under execution	20
Add. Projects at various stages	41
<b>Total Capacity</b>	<b>140</b>

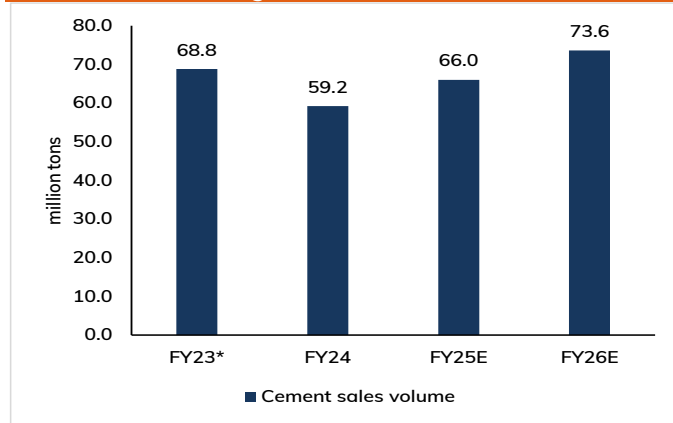
Source: Company, ICICI Direct Research

Exhibit 3: Capacity expansion plan over FY24-FY28E



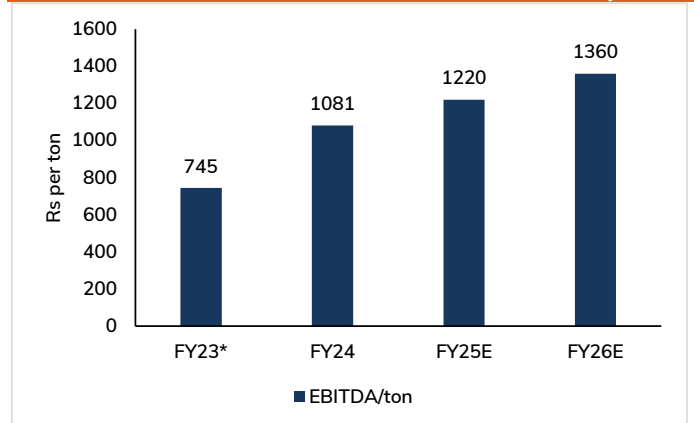
Source: Company, ICICI Direct Research

Exhibit 4: Volumes to grow at 11.5% CAGR to 73.6 mn ton



Source: Company, ICICI Direct Research \* FY23 is 15 months period

Exhibit 5: EBITDA/ton to ahead towards ₹ 1360/ton by FY26E



Source: Company, ICICI Direct Research \* FY23 is 15 months period

Exhibit 6: Per tonne analysis - Consolidated

Rs/ton	CY20	CY21	FY23*	FY24	FY25E	FY26E
<b>Blended Realisation</b>	<b>5216</b>	<b>5465</b>	<b>5659</b>	<b>5601</b>	<b>5601</b>	<b>5685</b>
Per tonne costs						
RM Cost	665	559	743	831	865	860
Employee Cost	328	289	270	229	236	243
Power & Fuel cost	1027	1281	1710	1370	1265	1230
Freight Cost	1334	1346	1384	1351	1280	1260
Others	797	819	808	739	736	732
<b>Total Expenditure/ton</b>	<b>4151</b>	<b>4293</b>	<b>4915</b>	<b>4520</b>	<b>4381</b>	<b>4325</b>
<b>EBITDA/tonne</b>	<b>1065</b>	<b>1172</b>	<b>745</b>	<b>1081</b>	<b>1220</b>	<b>1360</b>

Source: Company, ICICI Direct Research \*FY23 is 15 months period

Exhibit 7: Valuation table

Ambuja Consol FY26E EBITDA (₹ crore)	10009
EV/EBITDA (x)	19
Enterprise Value (₹ crore)	190164
FY26E Consol Net Debt (₹ crore)	-17934
<b>Ambuja Equity Value</b>	<b>208098</b>
Less: ACC Minority stake value (49.95%)	30250
Less : Minority stake Sanghi (39.56%)	1130
<b>Ambuja Target market Cap (₹ crore)</b>	<b>176718</b>
NoS (crore)	246
<b>Target Price</b>	<b>720</b>

Source: Company, ICICI Direct Research

## Financial summary - Consolidated

### Exhibit 8: Profit and loss statement ₹ crore

(Year-end March)	FY23*	FY24	FY25E	FY26E
<b>Revenue</b>	<b>38,937</b>	<b>33,160</b>	<b>36,973</b>	<b>41,843</b>
% Growth	34.4	(14.8)	11.5	13.2
Other income	738	1,166	1,283	1,411
Total Revenue	38,937	33,160	36,973	41,843
% Growth	34.4	(14.8)	11.5	13.2
Total Raw Material Costs	5,111	4,923	5,710	6,330
Employee Expenses	1,857	1,353	1,556	1,789
Other expenses	26,847	20,485	21,655	23,716
Total Operating Expenditure	33,815	26,760	28,920	31,835
<b>Operating Profit (EBITDA)</b>	<b>5,122</b>	<b>6,400</b>	<b>8,053</b>	<b>10,009</b>
% Growth	(17.5)	24.9	25.8	24.3
Interest	195	276	245	240
PBDT	5,665	7,290	9,091	11,180
Depreciation	1,645	1,623	1,904	2,226
PBT before Exceptional Items	4,021	5,666	7,187	8,954
Total Tax	705	1,163	1,437	1,791
PAT before MI	2,996	4,715	5,749	7,163
<b>PAT</b>	<b>2,583</b>	<b>3,577</b>	<b>4,342</b>	<b>5,402</b>
% Growth	(7.1)	38.5	21.4	24.4
<b>EPS</b>	<b>13.0</b>	<b>16.3</b>	<b>17.6</b>	<b>21.9</b>

Source: Company, ICICI Direct Research \*FY23 is 15 months period

### Exhibit 9: Cash flow statement ₹ crore

(Year-end March)	FY23*	FY24	FY25E	FY26E
Profit after Tax	2,583	3,577	4,342	5,402
Depreciation	1,645	1,623	1,904	2,226
Interest	195	276	245	240
Cash Flow before WC changes	4,423	5,477	6,491	7,868
Changes in inventory	(535)	(336)	(443)	(534)
Changes in debtors	(509)	(59)	(154)	(180)
Changes in loans & Advances	1	2	(1)	-
Changes in other current assets	(2,491)	1,491	(498)	(390)
Net Increase in Current Assets	(10,960)	3,264	(2,309)	(1,706)
Changes in creditors	(139)	335	335	454
Changes in provisions	(10)	28	(10)	13
Net Inc in Current Liabilities	272	611	641	1,002
Net CF from Operating activities	(6,265)	9,351	4,822	7,165
Changes in deferred tax assets	1	1,091	-	-
(Purchase)/Sale of Fixed Assets	(3,272)	(10,593)	(5,500)	(6,000)
Net CF from Investing activities	(6,039)	(7,136)	(4,907)	(7,393)
Dividend and Dividend Tax	(1,251)	(549)	(659)	(791)
Net CF from Financing Activities	3,570	5,894	7,488	(1,031)
Net Cash flow	(8,733)	8,109	7,403	(1,260)
Opening Cash/Cash Equivalent	11,693	2,960	11,069	18,472
Closing Cash/ Cash Equivalent	2,960	11,069	18,472	17,212

Source: Company, ICICI Direct Research \*FY23 is 15 months period

### Exhibit 10: Balance sheet ₹ crore

(Year-end March)	FY23*	FY24	FY25E	FY26E
Equity Capital	397	440	493	493
Reserve and Surplus	31,300	41,016	53,037	57,648
Total Shareholders funds	31,697	41,455	53,530	58,141
Total Debt	48	37	37	37
<b>Total Liabilities</b>	<b>40,220</b>	<b>53,187</b>	<b>65,262</b>	<b>69,873</b>
Gross Block	20,497	29,884	35,242	41,242
Acc: Depreciation	8,304	9,927	11,831	14,057
Net Block	14,729	19,957	23,411	27,185
Capital WIP	2,526	2,658	2,800	2,800
Total Fixed Assets	26,077	35,047	38,643	42,417
Non Current Assets	6,209	5,336	4,743	6,136
Inventory	3,273	3,609	4,052	4,586
Debtors	1,154	1,213	1,367	1,548
Other Current Assets	3,951	2,460	2,958	3,347
Cash	2,960	11,069	18,472	17,212
Total Current Assets	19,248	24,093	33,806	34,252
Current Liabilities	2,774	3,109	3,444	3,898
Provisions	265	256	90	91
Total Current Liabilities	11,500	12,111	12,752	13,754
Net Current Assets	7,748	11,982	21,054	20,499
<b>Total Assets</b>	<b>40,220</b>	<b>53,187</b>	<b>65,262</b>	<b>69,873</b>

Source: Company, ICICI Direct Research \*FY23 is 15 months period

### Exhibit 11: Key ratios

(Year-end March)	FY23*	FY24	FY25E	FY26E
EPS	13.0	18.0	17.6	21.9
Cash per Share	14.9	59.6	78.1	73.0
DPS	9.3	14.0	14.0	15.0
BV	159.6	208.8	217.3	236.0
EBITDA Margin	13.2	19.3	21.8	23.9
PAT Margin	6.6	10.8	11.7	12.9
RoE	8.2	8.2	8.1	9.3
RoCE	13.3	14.3	13.9	15.8
RoIC	12.1	15.7	17.5	19.0
EV / EBITDA	30.7	24.5	19.5	15.7
P/E	45.7	34.6	33.7	27.1
EV/ton (\$)	280	240	220	189
EV / Net Sales	2.9	3.1	2.6	2.3
Sales / Equity	1.2	0.8	0.7	0.7
Market Cap / Sales	3.0	3.5	3.1	2.8
Price to Book Value	3.7	2.8	2.7	2.5
Asset turnover	1.2	0.8	0.7	0.7
Debtors Turnover Ratio	43.3	28.0	28.7	28.7
Creditors Turnover Ratio	13.7	11.3	11.3	11.4
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.2	0.9	1.0	1.0
Quick Ratio	0.8	0.4	0.5	0.5

Source: Company, ICICI Direct Research \*FY23 is 15 months period

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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## ANALYST CERTIFICATION

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