

## On a strong footing...

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

- As of September 24, company's cement capacity stands at 97 mtpa (including Penna Cement & Orient Cement).

**Q2FY25 Result:** Consolidated revenue increased by 1.2% YoY (-9.6% QoQ) to ₹ 7516 crores, led by volume growth of 8.4% YoY (-10.1% QoQ). Sales realisation declined by 6.6% YoY (+0.6% QoQ). EBITDA/ton was down 21.2% YoY (-3.4% QoQ) to ₹ 783/ton, Subsequently, EBITDA declined by 14.6% YOY (-13.2% QoQ) to ₹ 1111.4 crores. PAT declined by 52.1% YoY (-26.1% QoQ) to ₹ 473 crores

### Investment Rationale:

- Volume growth to remain strong led by aggressive capacity additions:** Ambuja's consolidated volume growth of 5.3% YoY in H1FY25 remains better-than-industry, led by led by aggressive capacity additions (including additions through acquisitions of Sanghi & Penna). Company's capacity has been recently increased to 97.4 mtpa (post the acquisition of Orient Cement). Further, company is aggressively expanding its capacities (through organic or in-organic route) to reach 118 mtpa by FY26E with a target to reach 140 mtpa by FY28E (aiming for 20% market share vs 15% at present). We estimate company's consolidated volumes to grow at ~13% CAGR over FY24-27E
- Focus on operational efficiencies to further improve EBITDA/ton:** Ambuja's EBITDA/ton contracted by 23.5% YoY to ₹ 797/ton in H1FY25 due to lower realisations & higher RM cost/ton. However, we believe company's profitability to improve substantially going ahead, led by demand pick-up, improvement in prices & sharp focus on cost savings and operating leverage benefits. The cost saving measures would be primarily led by increasing share of low-cost green power (targets 60% by FY28E from ~18% 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 350/ton by FY28E. We expect EBITDA/ton to improve to ₹ 1252/ton in FY27E (vs Rs 871/ton in FY25E)

### Rating and Target Price

- With double-digit volume growth (on aggressive capacity additions), Ambuja is well positioned to gain market share over the next few years. Moreover, a better cost saving structure and cash rich balance sheet, we believe that company's financial performance to improve substantially in the coming period. We expect revenue growth of 12.3% CAGR over FY24-27E, while EBITDA & PAT CAGR at 18.5% & 20.6% respectively over the same period
- We revise downward our EBITDA estimates for FY25E/FY26E/27E respectively to factor in lower-than expected sales realisation. We have cut our target price to ₹ 690 per share (based on 18x EV/EBITDA to consolidated business) and adjusted the value of minorities (ACC & Sanghi). Recommend BUY



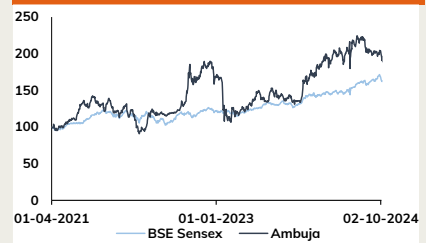
### Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	1,41,553
FY24 Gross Debt (₹ Crore)	37
FY24 Cash (₹ Crore)	11,068
EV (₹ Crore)	1,30,521
52 Week H/L (Rs)	707/404
Equity Capital	439.5
Face Value	2.0

### Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	63.2	66.7	70.3	67.6
FII	11.9	11.1	9.6	10.6
DII	15.6	14.2	13.0	15.0
Others	9.4	7.9	7.0	6.8

### 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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## Key Financial Summary

(Year-end March)	CY21	FY23*	FY24	3 Year CAGR (FY20-24) <sup>^</sup>	FY25E	FY26E	FY27E	3 Year CAGR (FY24-27E)
Revenues	28,965	38,937	33,160	10.6%	33,717	41,185	46,983	12.3%
EBITDA	6,210	5,122	6,400	8.5%	5,530	8,201	10,640	18.5%
EBITDA margin (%)	21.4	13.2	19.3		16.4	19.9	22.6	
Net Profit	2,780	2,583	3,577	14.8%	2,768	4,723	6,277	20.6%
EPS (Rs)	14.0	13.0	18.0		11.2	19.2	25.5	
P/E (x)	39.8	44.2	33.5		51.2	30.0	22.6	
EV/EBITDA (x)#	26.2	31.8	25.5		29.5	19.9	15.3	
RoCE (%)	21.3	13.3	14.3		9.1	12.8	15.3	
RoE (%)	11.3	8.2	8.2		5.3	8.5	10.2	

**Q2FY25 Result Highlights:**

- Consolidated revenue improved by 1.2% YoY to ₹ 7516 crores, led by volume growth of 8.4% YoY to 14.2 MT, which was partially offset by lower sales realisation by 6.6% YoY. On sequential basis, revenue de-grew by 9.6% led by decline in volumes by 10.1% coupled with flattish sales realization
- EBITDA/ton declined by 21.2% YoY to ₹ 783/ton, driven by lower sales realization & higher raw material cost per tonne on YoY basis. On sequential basis, EBITDA/ton declined by 3.4%, led by negative operating leverage
- Subsequently, EBITDA decreased by 14.6% YoY (-13.2% QoQ) to ₹ 1111.4 crores. PAT declined 40.4% YoY (-26.1% QoQ) to ₹ 472 crores

**Q2FY25 earnings call highlights:**

- The company aims to increase its pan India market share of 20% by FY28 (from 15% at present)
- The company added 70 million tonne of limestone reserves in Q2FY25 with total reserves reaching 8.2 billion MT.
- The company is in process of expanding its consolidated capacity to 118 mtpa (including 10 mtpa of Penna Cement, 8.5 mtpa of Orient Cement & 20 mtpa of expansion) by FY26 & 140 mtpa by FY28. At present, capacity stands at 97.4 MT (including Penna Cement & Orient Cement)
- Penna Cement had a utilization of close to 70% in Q2FY25 (was operational for 45 days). The acquisition cost of Penna was ₹ 10400 crores (₹ 7800 already paid, balance to paid by FY26E)
- The company expects 6.4 MT of cement (2.4 MT each in Sankrail & Farakka, 1.6 MT in Sindri) & 4 MT of clinker to commence in Q4FY25
- The acquisition of Orient Cement lead to synergy benefits like increase in footprint, reduce lead distance (to result in lower logistics cost) & improve efficiency
- The focus remains on organic & in-organic growth. The company is looking for opportunities in-organically
- The company has guided for organic growth capex (consolidated basis) of ₹ 7000-8000 crores (already spent ₹ 3500 crores in 1HFY25) in FY25. They have also guided for capex of ₹ 1000 crores in FY25 in ACC.
- The company has guided for industry volume growth of 4 -5% in FY25E (8-9% in 2HFY25).
- During the quarter, Penna & My Home posted 1 lakh tonne each of cement volumes.
- MSA volumes during the quarter stands at 3.7 MT vs 4.4 MT in Q1FY25.
- Realisation were better owing to higher OPC sales, premium products & better market mix
- In terms of cost/ton, the company has guided for total cost saving of ₹ 500/ton (out of which ₹ 150/t has been already accrued). The company plans to cut cost through captive coal mines, increased share of sea freight in total freight mix, increase share of renewable in total power mix
- The company aim to increase its Waste Heat Recovery System to 218 MW by FY25 (196 MW at present. The company plans to increase its green share to 60% by FY28E (18% at present). This will translate into savings of ₹ 90/ton.
- Fuel cost during the quarter reduced to ₹ 1.59/kcal vs ₹ 1.82/kcal in Q1FY25.
- Ambuja Cement has been holding coal inventory of 65-70 days
- Lead distance stood at 271 km in Q2FY25. The company plans to reduce its lead distance time by 100 km by FY28/FY29. Further, ₹ 50-60/ton saving is expected from logistics cost
- The share of premium products stood at 26% of trade sales
- Incentives booked during the quarter is ₹ 250 crores & is expected to be ₹ 600-650 crores.

- Cash & bank balance stood at ₹ 10100 crores in Q2FY25. Cash utilization during 1<sup>st</sup> half of the year (₹ 5000 crores towards capacity expansion, ₹ 7800 crores towards Penna Cement acquisition, ₹ 560 crores towards dividend & ₹ 4000 crores towards WC requirement).

**Exhibit 1: Quarterly Analysis**

	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comments
Operating Income	7,516.1	7,424.0	1.2	8,311.5	-9.6	Revenue decreased due to decline in sales realisation
Other income	374.0	476.0	-21.4	354.7	5.4	
Total Revenue	7,890.1	7,900.0	-0.1	8,666.2	-9.0	
Raw materials costs	1,420.2	1,033.0	37.5	1,577.3	-10.0	
Employees Expenses	348.6	341.2	2.2	317.0	9.9	
Other Expenses	974.3	1,030.5	-5.5	1,157.7	-15.8	
Total Expenditure	6,404.7	6,122.1	4.6	7,031.7	-8.9	
EBITDA	1,111.4	1,301.8	-14.6	1,279.8	-13.2	Margins declined due to lower sales realization & higher raw material cost per tonne
EBITDA margins (%)	14.8	17.5	-275 bps	15.4	-61 bps	
Interest	66.9	61.3		67.8		
Depreciation	552.0	380.9	44.9	476.1	15.9	
Tax	239.8	352.5	-32.0	310.9	-22.9	
PAT	472.9	793.0	-40.4	639.9	-26.1	

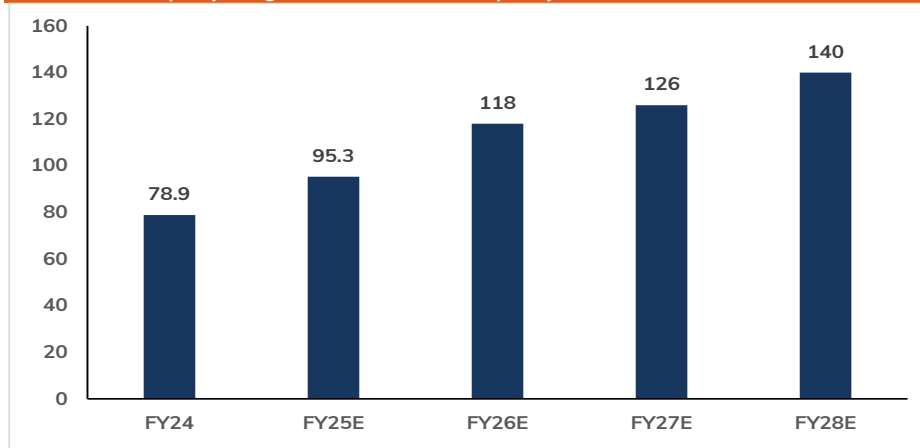
Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

Rs Crore	FY25E			FY26E			FY27E			Comments
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)	
Revenue	35464.0	33716.7	-4.9	42101.0	41184.9	-2.2	48497.0	46983.3	-3.1	Estimates revised downwards factoring in lower realisations
EBITDA	6364.0	5530.3	-13.1	9150.0	8200.7	-10.4	11814.0	10639.7	-9.9	
EBITDA Margin (%)	17.9	16.4		21.7	19.9		24.4	22.6		
PAT	3208.0	2767.7	-13.7	5243.0	4723.3	-9.9	6976.0	6276.8	-10.0	
EPS (Rs)	13.0	11.2	-13.6	21.3	19.2	-10.0	28.3	25.5	-10.0	

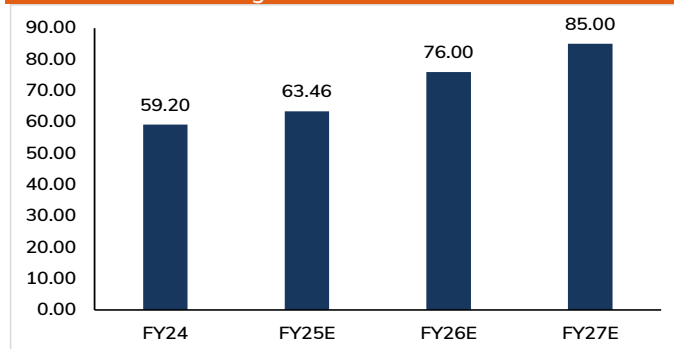
Source: Company, ICICI Direct Research

**Exhibit 3: Company targets to reach 140 mtpa by FY28E**



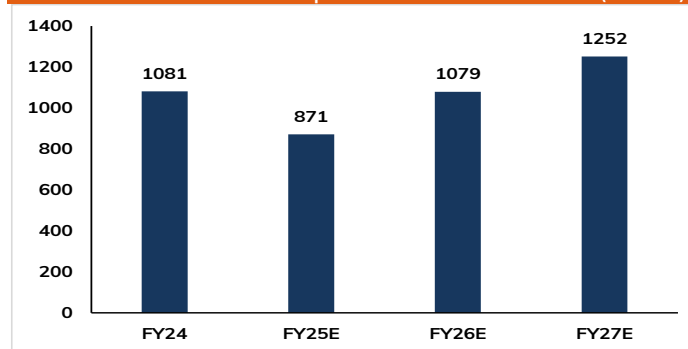
Source: Company, ICICI Direct Research

**Exhibit 4: Volumes to grow at ~13% CAGR over FY24-27E**



Source: Company, ICICI Direct Research

**Exhibit 5: EBITDA/ton to improve over FY25E-FY27E (Rs/ton)**



Source: Company, ICICI Direct Research

## Financial summary - Consolidated

### Exhibit 6: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Revenue	33,160	33,717	41,185	46,983
% Growth	(14.8)	1.7	22.1	14.1
Other income	1,166	1,411	1,623	1,867
Total Revenue	33,160	33,717	41,185	46,983
% Growth	(14.8)	1.7	22.1	14.1
Total Raw Material Costs	4,923	6,410	7,790	8,713
Employee Expenses	1,353	1,413	1,540	1,679
Other expenses	20,485	20,364	23,654	25,953
Total Operating Expenditure	26,760	28,186	32,984	36,344
Operating Profit (EBITDA)	6,400	5,530	8,201	10,640
% Growth	24.9	(13.6)	48.3	29.7
Interest	276	272	245	220
PBDT	7,290	6,670	9,579	12,286
Depreciation	1,623	2,225	2,677	3,101
PBT before Exceptional Items	5,666	4,444	6,902	9,185
Total Tax	1,163	889	1,380	1,837
PAT before MI	4,715	3,556	5,522	7,348
PAT	3,577	2,768	4,723	6,277
% Growth	38.5	(22.6)	70.7	32.9
EPS	16.3	11.2	19.2	25.5

Source: Company, ICICI Direct Research

### Exhibit 7: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Profit after Tax	3,577	2,768	4,723	6,277
Depreciation	1,623	2,225	2,677	3,101
Interest	276	272	245	220
Cash Flow before WC changes	5,477	5,265	7,645	9,598
Changes in inventory	(336)	6	(798)	(620)
Changes in debtors	(59)	(6)	(270)	(210)
Changes in loans & Advances	2	(1)	-	(1)
Changes in other current assets	1,491	100	(523)	(406)
Net Increase in Current Assets	3,264	(502)	(2,687)	(2,458)
Changes in creditors	335	50	700	543
Changes in provisions	28	(13)	15	2
Net Inc in Current Liabilities	611	(5)	1,536	1,183
Net CF from Operating activities	9,351	4,758	6,495	8,322
Changes in deferred tax assets	1,091	-	-	-
(Purchase)/Sale of Fixed Assets	(10,593)	(20,500)	(7,000)	(7,000)
Net CF from Investing activities	(7,136)	(19,327)	(8,671)	(7,374)
Dividend and Dividend Tax	(496)	(659)	(791)	(887)
Net CF from Financing Activities	5,893	7,461	(1,036)	(1,107)
Net Cash flow	8,108	(7,109)	(3,213)	(159)
Opening Cash/Cash Equivalent	2,960	11,068	3,959	747
Closing Cash/ Cash Equivalent	11,068	3,959	747	588

Source: Company, ICICI Direct Research

### Exhibit 8: Balance sheet ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Equity Capital	440	493	493	493
Reserve and Surplus	41,015	51,462	55,394	60,784
Total Shareholders funds	41,454	51,955	55,887	61,277
Total Debt	37	37	37	37
Total Liabilities	53,186	63,686	67,619	73,009
Gross Block	23,033	46,107	56,107	64,107
Acc: Depreciation	9,492	11,717	14,394	17,495
Net Block	19,957	34,390	41,713	46,612
Capital WIP	2,658	6,500	3,500	2,500
Total Fixed Assets	35,047	53,322	57,645	61,544
Non Current Assets	5,336	4,164	5,835	6,209
Inventory	3,609	3,603	4,401	5,020
Debtors	1,213	1,219	1,489	1,699
Other Current Assets	2,460	2,360	2,883	3,289
Cash	11,068	3,959	747	588
Total Current Assets	24,093	17,486	16,960	19,260
Current Liabilities	3,109	3,159	3,859	4,402
Provisions	256	90	91	92
Total Current Liabilities	12,111	12,106	13,642	14,825
Net Current Assets	11,982	5,380	3,318	4,435
Total Assets	53,186	63,686	67,619	73,009

Source: Company, ICICI Direct Research

### Exhibit 9: Key ratios

(Year-end March)	FY24	FY25E	FY26E	FY27E
EPS	18.0	11.2	19.2	25.5
Cash per Share	59.6	19.2	6.1	5.5
DPS	14.0	14.0	15.0	16.0
BV	208.8	210.9	226.9	248.8
EBITDA Margin	19.3	16.4	19.9	22.6
PAT Margin	10.8	8.2	11.5	13.4
RoE	8.2	5.3	8.5	10.2
RoCE	14.3	9.1	12.8	15.3
RoIC	15.7	6.9	10.0	12.4
EV / EBITDA	25.5	29.5	19.9	15.3
P/E	33.5	51.2	30.0	22.6
EV/ton (\$)	249	206	175	158
EV / Net Sales	3.9	4.1	3.4	3.0
Sales / Equity	0.8	0.6	0.7	0.8
Market Cap / Sales	4.3	4.2	3.4	3.0
Price to Book Value	2.8	2.7	2.5	2.3
Asset turnover	0.8	0.6	0.7	0.8
Debtors Turnover Ratio	28.0	27.7	30.4	29.5
Creditors Turnover Ratio	11.3	10.8	11.7	11.4
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.9	1.0	1.0
Quick Ratio	0.4	0.4	0.5	0.5

Source: Company, ICICI Direct Research

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