

Ambuja Cements

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR626 TP: INR600 (-4%) Neutral

Weak realization hurts; focus remains on cost control

Targets capacity to increase to 100mtpa/140mtpa by FY26/FY28

- Ambuja Cement (ACEM)'s standalone EBITDA was up 1% YoY to INR8.0b (vs. est. of INR9.3b). EBITDA/t came in at INR837 (est. INR1,038) and OPM stood at 16.7% (vs. est. 19.8%). PAT (adjusted for loss on the sale of Sanghi's share in open market) was INR5.4b (vs. est. INR6.3b). Consolidated volume grew 17% YoY in 4QFY24. EBITDA grew 37% YoY to INR17b and EBITDA/t was up ~17% YoY (down 17% QoQ) to INR1,025.
- ACEM targets further cost reduction by INR530/t to INR3650/t (at consol.) by FY28 to become the cost leader in the industry. Its key focus areas would be Logistics optimization, reduction in energy and raw materials costs. It aims to commission clinker/grinding capacity of 4mtpa/4.8mtpa by 4QFY25.
- We maintain our earnings estimate for FY25/FY26. ACEM trades at 19.6x/16.8x FY25E/FY26E EV/EBITDA (standalone). We maintain our Neutral rating on the stock as we await clarity on the expansion plans of the company.

Higher realization drop offsets cost benefits; OPM down 1.8pp YoY

- ACEM's standalone revenue/EBITDA/Adj. PAT stood at INR47.8b/INR8.0b/INR5.4b (up 12%/1%/down 3% YoY and up 1%/down 14%/down 14% vs. our estimate) in 4Q. Sales volume up 18% YoY to 9.5mt (+6% vs. estimate).
- Realization/t declined 5% YoY (4% below our estimate). Opex/t declined 3% YoY and 5% QoQ (1% below our est.). Freight costs/other expenses/t down 5% YoY each. However, variable cost/t was up 2% YoY (down 1% QoQ). EBITDA/t declined 14% YoY to INR837. OPM contracted 1.8pp YoY to 16.7%. Depreciation/interest cost grew 19%/1%, while 'Other Income' grew 2% YoY.
- In FY24 (TTM), the company's standalone revenue grew 12% YoY, led by 14% YoY growth in volume, while realization declined 2% YoY. EBITDA grew 40% YoY to INR33.7b. EBITDA/t was up 23% YoY to INR980. Adj. PAT was up 16% YoY to INR23b.

Highlights from the management commentary

- Kiln fuel cost declined 17% YoY (flat QoQ) to INR1.84/Kcal. It expects further savings of INR0.04-0.05/Kcal in the coming quarter.
- It aims to increase green power share to 31%/60% by FY25/FY28. This would drive cost savings of INR100/t.
- Consol. capex stood at INR45b in FY24 and the company plans to further spend INR50-60b in FY25 toward its growth plans.

Valuation and view

- The management guides for further cost-reduction initiatives by increasing the share of green power and alternative fuel resources (AFR), engaging in long-term procurement strategies for critical raw materials, and optimizing logistics. Successfully execution of these plans could result in a positive surprise.
- It reiterated its capacity target of 140mtpa by FY28, for which, work is in progress at different stages. Though the company has ambitious growth plans, it has placed orders for only two kilns with an aggregate production capacity of 8mtpa till now. The stock trades at 19.6x/16.8x FY25E/FY26E EV/EBITDA (standalone). We maintain our Neutral rating with a TP of INR600 based on 16x FY26E EV/EBITDA.

Bloomberg	ACEM IN
Equity Shares (m)	1986
M.Cap.(INRb)/(USDb)	1375.1 / 16.5
52-Week Range (INR)	649 / 376
1, 6, 12 Rel. Per (%)	-2/31/34
12M Avg Val (INR M)	2010
Free float (%)	29.7

Financial Snapshot (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	179.2	199.4	221.3
EBITDA	33.7	41.4	48.4
Adj. PAT	23.5	28.5	32.8
EBITDA Margin (%)	18.8	20.8	21.9
Adj. EPS (INR)	10.7	11.6	13.3
EPS Gr. (%)	5.3	8.1	15.3
BV/Sh. (INR)	168.4	191.1	200.0

Ratios

Net D:E	-0.3	-0.4	-0.3
RoE (%)	11.8	10.1	9.6
RoCE (%)	12.4	10.5	9.9
Payout (%)	18.8	38.9	33.8

Valuations

P/E (x)	47.0	43.5	37.8
P/BV (x)	3.0	2.6	2.5
EV/EBITDA(x)	25.9	19.6	16.8
EV/ton (USD)	324	278	255
Div. Yield (%)	0.3	0.7	0.7
FCF Yield (%)	0.9	-0.7	0.7

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	66.7	63.2	63.2
DII	14.5	15.8	14.7
FII	11.2	12.0	11.3
Others	7.7	9.1	10.9

FII Includes depository receipts

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Standalone quarterly performance

(INR b)

Y/E December/March	FY23*					FY24				FY23*	FY24	MOFSL	Var.
	1Q	2Q	3Q	4Q	5Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	39.3	39.9	36.8	41.3	42.6	47.3	39.7	44.4	47.8	199.9	179.2	47.1	(3)
Change (YoY %)	8.4	18.5	13.5	10.5	8.4	18.4	8.0	7.5	12.3	43.0	-10.3	10.7	
EBITDA	7.9	6.8	3.1	6.3	7.9	9.5	7.7	8.5	8.0	32.2	33.7	9.3	(14)
Margin (%)	20.2	17.1	8.5	15.2	18.5	20.1	19.5	19.2	16.7	16.1	18.8	19.8	(311)
Depreciation	1.5	1.5	1.6	1.6	2.0	2.3	2.3	2.3	2.4	8.3	9.4	2.4	2
Interest	0.2	0.3	0.2	0.3	0.3	0.4	0.4	0.5	0.3	1.3	1.6	0.3	7
Other Income	0.3	6.3	0.4	0.9	1.7	1.9	3.8	1.1	1.8	9.5	8.5	1.9	(5)
PBT before EO Item	6.5	11.4	1.7	5.3	7.2	8.7	8.8	6.8	7.0	32.1	31.2	8.5	(18)
Extraordinary Inc./ (Exp.)	0.0	0.0	-0.2	-0.6	-0.8	0.0	0.0	0.0	-0.2	-1.6	-0.2	0.0	
PBT after EO Exp./ (Inc.)	6.5	11.4	1.6	4.6	6.4	8.7	8.8	6.8	6.8	30.6	31.1	8.5	(20)
Tax	1.6	0.9	0.2	0.9	1.4	2.2	2.4	1.7	1.5	5.0	7.7	2.1	
Prior period tax adj and reversal	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	0.0	0.0	
Rate (%)	24.2	21.1	11.7	20.4	21.9	25.6	26.8	24.5	21.8	21.3	24.9	25.3	
Reported Profit	4.9	10.5	1.4	3.7	5.0	6.4	6.4	5.1	5.3	25.5	23.3	6.3	(16)
Adjusted PAT	4.9	9.0	1.5	4.1	5.6	6.4	6.4	5.1	5.4	25.2	23.5	6.3	(14)
Change (YoY %)	(25.6)	24.2	(65.9)	37.9	13.8	(28.2)	328.5	23.8	(3.3)	18.4	(6.9)	12.8	

Source: MOFSL, Company *Note: FY23 is 15-month period as the company changed its accounting year-end from December to March; 2) Quarterly numbers of FY23 don't add up to full year numbers due to restatement of financials

Per tonne analysis

Y/E December/March	FY23*					FY24				FY23*	FY24E	MOFSL	Var.
	1Q	2Q	3Q	4Q	5Q	1Q	2Q	3Q	4Q			4QE	(%)
Volume	7.5	7.4	7.0	7.7	8.1	9.1	7.6	8.2	9.5	37.8	34.4	9.0	6
Change (YoY %)	3	15	14	8	8	23	8	6	18	12	14	11	
Blended Realization	5,243	5,404	5,220	5,352	5,273	5,209	5,235	5,414	5,016	5,290	5,209	5,243	(4)
Change (YoY %)	4.8	2.9	-0.1	2.6	0.6	-3.6	0.3	1.2	-4.9	2.2	-1.5	-0.6	
Raw Material	708	435	419	970	1,077	972	958	1,375	1,463	732	1,201	992	48
Staff Cost	205	221	219	207	208	187	196	167	138	212	171	163	(15)
Power and fuel	1,377	1,786	2,010	1,570	1,281	1,290	1,273	1,047	932	1,592	1,129	1,253	(26)
Freight	1,160	1,224	1,193	1,084	1,155	1,153	1,124	1,114	1,098	1,160	1,122	1,154	(5)
Other expenditure	732	810	934	710	574	563	663	673	548	742	607	643	(15)
Total cost	4,183	4,478	4,775	4,540	4,296	4,164	4,215	4,376	4,179	4,438	4,229	4,205	(1)
EBITDA	1,059	926	445	812	977	1,045	1,020	1,038	837	852	980	1,038	(19)

Source: MOFSL, Company *Note: 15-month period due to change in accounting year from December to March



Highlights from the management commentary

Cost reduction and targets

- The company targets further cost reduction of INR530/t to INR3650/t (at consol.) by FY28 to become the cost leader in the industry. Its key focus areas would be logistics optimization, and reduction in energy and raw materials costs. Logistics would drive ~40% of total cost savings; while ~50-55% would be from manufacturing efficiencies and ~5-10% from other initiatives.
- WHRS capacity will increase to 186MW by FY25 vs. 134MW currently. Its share of WHRS in total power consumption increased to 13.5% (up 4.5pp YoY) in 4Q and 12.4% (7.4pp YoY) in FY24. The company's all-clinker expansions would be equipped with WHRS. Further, it is seating up 1 GW of other renewable power capacity by mid-FY26 (200MW will be operational in May'24). It aims to increase green power share to 31%/60% by FY25/FY28. This would drive cost savings of INR100/t.
- It has captive coal mine at Gare Palma and has further won coal mine in Madhya Pradesh and Maharashtra with extractable capacity of 2mtpa. It is planning to increase the share of coal from captive mines to 80-90%. Further, AFR share increased to 10.6% in 4QFY24 vs. 8.5% earlier. It plans to increase TSR (%) to 27% by FY28.

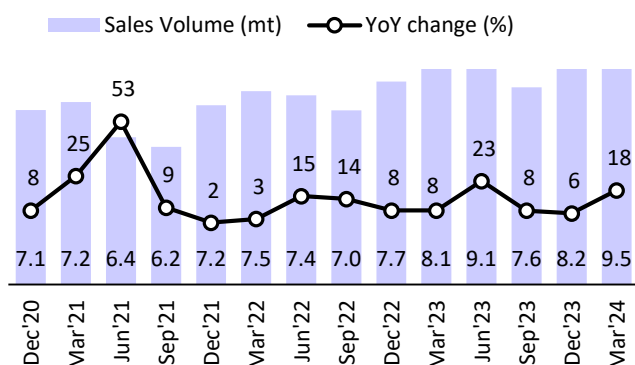
- The company is also procuring 11 general purpose wagons (8 delivered and 3 will be procured in FY25). Additionally, 26 BCFC rakes have been ordered to facilitate the movement of fly ash. Improvement in sea logistics (for which detailed plan will be shared in the coming quarters) and higher share of own rakes will help to reduce logistics cost. The company is developing sea infrastructure at its west coast plants for lowering logistics cost.
- **Sanghi Industries:** Clinker/cement production stood at 0.7mt/0.8mt in 4Q. Under MSA, volume from Sanghi to ACEM/ACC was 0.48mt/0.21mt. The rated clinker capacity of Sanghi is 6.6mtpa and it believes post refurbishment work (likely to complete in 1HFY25), it will increase to 7mtpa. It targets 5mt clinker production in FY25.

Capacity expansion and capex plan

- At Bhatapara clinker expansion (line – 3) of 4mtpa, 67% of civil work is completed and 30% of overall project is completed. It is likely to be commissioned by 4QFY25. This will support grinding unit expansion at Sankrail (2.4mtpa) and Farakka (2.4mtpa; Phase I). At Maratha clinker expansion (line -2), EPC contract has been awarded and project activities have been started. This is expected to get commissioned by 2QFY26. The company is setting up two greenfield grinding units (2mtpa each) at Amravati and Jalgaon. These are likely to be commissioned in FY26.
- The company has plans to add three more clinker plants at West (at Sanghi's plant), North and South region (4mtpa each). It already has requisite land and limestone results while, environment clearance (EC) is awaited. Clinker capacity expansions are predominantly planned as brownfield projects, whereas grinding capacity expansions would be a mix of greenfield and brownfield initiatives. Overall, 80% of the capacity expansion will occur through brownfield projects, with the remainder attributed to greenfield expansions.
- The company targets to expand its grinding capacity to 100mtpa/120mtpa/140mtpa by FY26/FY27/FY28 vs. ~79mtpa currently. Out of these, 20mtpa is already under execution, while the remaining 41mtpa projects are at different stages of land acquisition and approvals.
- **Capex:** Consol. capex stood at INR45b in FY24 and it will further spend INR50-60b in FY25 toward its growth plans.

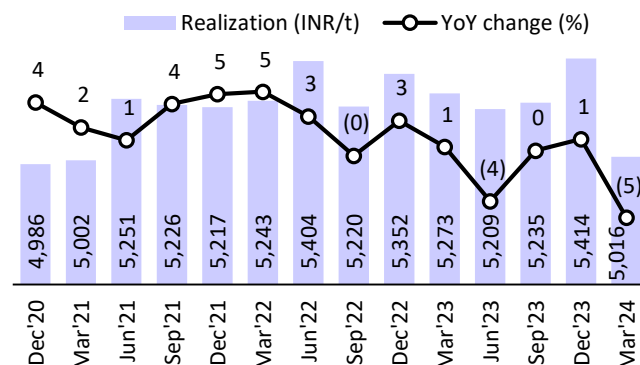
Story in charts

Exhibit 1: Sales volume* up 18% YoY



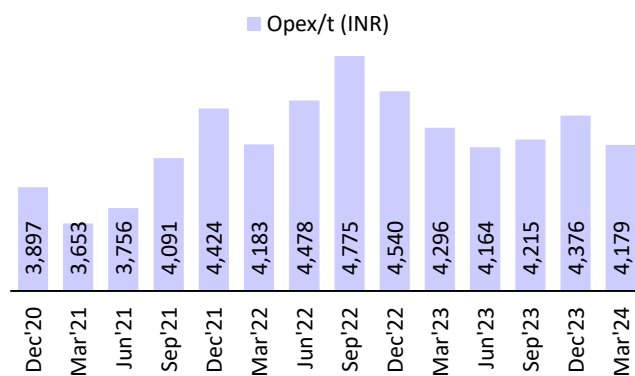
Source: Company, MOFSL; Note: *Standalone

Exhibit 2: Realization declined 5% YoY



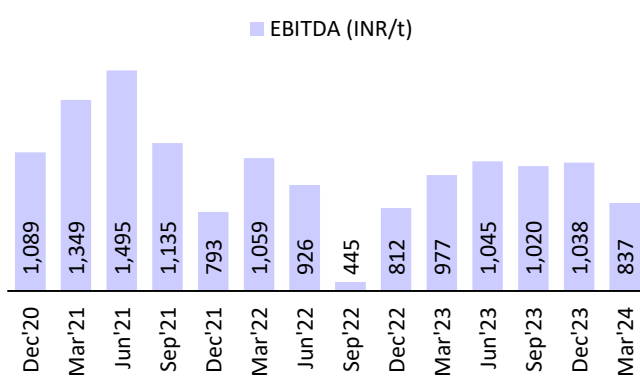
Source: Company, MOFSL; Note: FY23 is 15-month period

Exhibit 3: OPEX/t down 3% YoY



Source: Company, MOFSL; Note: FY23 is 15-month period

Exhibit 4: EBITDA/t was at INR837 (est. INR1,038)



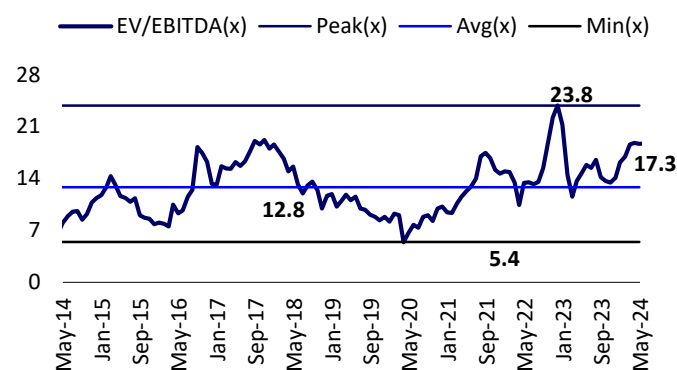
Source: Company, MOFSL; Note: FY23 is 15-month period

Exhibit 5: Key performance indicators – per ton analysis

INR/t	Mar'24	Mar'23	YoY (%)	Dec'23	QoQ (%)
Blended Realization	5,016	5,273	(5)	5,414	(7)
Raw Material	1,463	1,077	36	1,375	6
Staff Cost	138	208	(33)	167	(17)
Power and Fuel	932	1,281	(27)	1,047	(11)
Freight	1,098	1,155	(5)	1,114	(1)
Other exp.	548	873	(37)	673	(19)
Total Cost	4,179	4,296	(3)	4,376	(5)
EBITDA	837	977	(14)	1,038	(19)

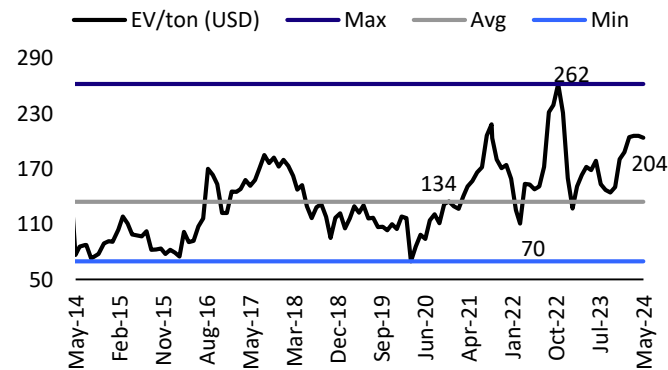
Source: Company, MOFSL

Exhibit 6: One-year forward EV/EBITDA chart



Source: Company, MOFSL

Exhibit 7: One-year forward EV/t chart



Source: Company, MOFSL

Standalone financials and valuations

Income Statement							(INR m)	
Y/E December	CY18	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E
Net Sales	1,13,568	1,16,679	1,13,719	1,39,790	1,99,854	1,79,193	1,99,352	2,21,325
Change (%)	8.6	2.7	-2.5	22.9	43.0	-10.3	11.2	11.0
Total Expenditure	94,653	95,190	87,253	1,07,639	1,67,650	1,45,485	1,57,977	1,72,931
As a percentage of Sales	83.3	81.6	76.7	77.0	83.9	81.2	79.2	78.1
EBITDA	18,915	21,489	26,466	32,152	32,204	33,708	41,375	48,394
Change (%)	-2.5	13.6	23.2	21.5	0.2	4.7	22.7	17.0
Margin (%)	16.7	18.4	23.3	23.0	16.1	18.8	20.8	21.9
Depreciation	5,481	5,438	5,212	5,517	8,324	9,380	10,380	11,780
EBIT	13,434	16,050	21,254	26,634	23,880	24,329	30,996	36,614
Interest	823	835	831	910	1,280	1,623	1,430	1,429
Other Income – Rec.	3,391	4,265	3,720	2,812	9,523	8,526	8,704	8,929
PBT before EO Exp.	16,002	19,480	24,144	28,536	32,123	31,233	38,270	44,115
EO Exp./(Inc.)	-2,779	0	0	657	1,573	158	0	0
PBT after EO Exp.	18,781	19,480	24,144	27,879	30,551	31,075	38,270	44,115
Current Tax	4,780	5,730	6,520	6,908	4,964	7,221	9,797	11,293
Deferred Tax	-869	-1,535	-278	139	52	507	0	0
Tax Rate (%)	20.8	21.5	25.9	25.3	16.4	24.9	25.6	25.6
Reported PAT	14,870	15,285	17,901	20,832	25,535	23,347	28,473	32,822
PAT Adj. for EO Items	12,091	14,415	17,901	21,323	25,212	23,505	28,473	32,822
Change (%)	-3.2	19.2	24.2	19.1	18.2	-6.8	21.1	15.3
Margin (%)	10.6	12.4	15.7	15.3	12.6	13.1	14.3	14.8

Balance Sheet							(INR m)	
Y/E December	CY18	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E
Equity Share Capital	3,971	3,971	3,971	3,971	3,971	4,395	4,926	4,926
Money received against issue of warrants					50,000	27,797		
Total Reserves	2,06,154	2,18,081	1,99,187	2,18,078	2,31,084	3,37,843	4,65,880	4,87,618
Net Worth	2,10,125	2,22,052	2,03,159	2,22,049	2,85,055	3,70,035	4,70,807	4,92,544
Def. Liabilities	3,722	2,161	1,860	2,137	2,181	2,693	2,693	2,693
Total Loans	397	353	436	469	477	368	435	435
Capital Employed	2,14,244	2,24,565	2,05,454	2,24,655	2,87,713	3,73,096	4,73,935	4,95,672
Gross Block	73,721	80,435	86,658	1,08,864	1,26,928	1,38,143	1,83,627	2,18,627
Less: Accum. Depn.	17,085	22,310	27,343	32,407	40,731	50,110	60,490	72,269
Net Fixed Assets	56,636	58,125	59,315	76,457	86,198	88,032	1,23,138	1,46,358
Capital WIP	9,996	14,562	21,300	10,859	9,430	15,485	15,000	13,000
Investments in subsidiaries	1,18,138	1,17,890	1,17,877	1,17,647	1,17,667	1,40,489	1,40,489	1,40,489
Investments – Trade	2,305	6,537	788	5,266	17,180	22,147	22,147	22,147
Curr. Assets	64,792	72,793	55,534	71,348	1,28,567	1,75,135	2,44,144	2,46,300
Inventory	12,778	9,541	7,466	14,641	16,394	15,903	18,932	21,025
Debtors	4,703	5,132	1,915	2,947	5,649	7,168	7,977	8,858
Cash and Bank Bal.	31,045	40,638	28,500	36,942	68,280	88,334	1,52,256	1,50,187
Others	16,267	17,483	17,652	16,818	38,244	63,730	64,980	66,230
Curr. Liability and Prov.	37,623	45,342	49,360	57,173	71,328	68,193	70,983	72,622
Creditors	36,327	43,985	48,765	56,423	70,429	66,938	69,728	71,367
Provisions	1,296	1,357	595	750	899	1,255	1,255	1,255
Net Current Assets	27,169	27,451	6,174	14,176	57,239	1,06,942	1,73,161	1,73,677
Appl. of Funds	2,14,244	2,24,565	2,05,454	2,24,404	2,87,713	3,73,096	4,73,935	4,95,672

Source: Company, MOFSL; * Note: 15-month period due to change in accounting year from December to March

Standalone financials and valuations

Ratios

Y/E December/March	CY18	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E
Basic (INR)								
EPS	6.1	7.3	9.0	10.7	12.7	10.7	11.6	13.3
Cash EPS	8.8	10.0	11.6	13.5	16.9	15.0	15.8	18.1
BV/Share	105.8	111.8	102.3	111.8	143.6	168.4	191.1	200.0
DPS	1.5	1.5	18.5	6.3	2.5	2.0	4.5	4.5
Payout (%)	22.3	19.5	205.2	60.1	19.4	18.8	38.9	33.8
Valuation (x)								
P/E ratio	82.6	69.3	55.8	46.9	39.6	47.0	43.5	37.8
Cash P/E ratio	56.9	50.3	43.2	37.2	29.8	33.6	31.9	27.8
P/BV ratio	4.8	4.5	4.9	4.5	3.5	3.0	2.6	2.5
EV/Sales ratio	8.4	8.0	8.3	6.8	4.5	5.6	5.6	5.0
EV/EBITDA ratio	50.6	43.6	35.9	29.4	28.1	25.9	19.6	16.8
EV/t (Cap) - USD	390	382	387	364	348	324	278	255
Dividend Yield (%)	0.2	0.2	3.0	1.0	0.4	0.3	0.7	0.7
Return Ratios (%)								
RoE	13.8	14.6	18.7	22.3	18.4	11.8	10.1	9.6
RoCE	15.2	16.1	19.3	22.9	20.4	12.4	10.5	9.9
RoIC	18.9	23.6	35.3	41.0	26.3	16.5	15.6	15.2
Working Capital Ratios								
Asset Turnover (x)	0.5	0.5	0.6	0.6	0.7	0.5	0.4	0.4
Debtor (Days)	15.1	16.1	6.1	7.7	10.3	14.6	14.6	14.6
Inventory (Days)	41	30	24	38	30	32	35	35
Work Cap (Days)	87.3	85.9	19.8	37.0	104.5	217.8	317.0	286.4
Leverage Ratio (x)								
Current Ratio	1.7	1.6	1.1	1.2	1.8	2.6	3.4	3.4
Debt/Equity ratio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

Y/E December	CY18	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E
(INR m)								
OP/(Loss) before Tax	15,061	19,480	24,144	27,879	30,551	31,075	38,270	44,115
Depreciation	5,481	5,438	5,212	5,517	8,324	9,380	10,380	11,780
Interest and Finance Charges	-709	-1,515	-1,369	-214	-1,868	-4,036	0	0
Direct Taxes Paid	-6,251	-808	-4,648	-3,659	-3,346	-7,321	-9,797	-11,293
(Inc.)/Dec. in WC	-6,166	3,877	3,676	-4,557	-7,855	1,567	-2,297	-2,586
CF from Operations	7,416	26,472	27,015	24,966	25,807	30,664	36,556	42,015
Others	-2,406	-1,632	-952	-201	-5,711	946	0	0
CF from Operations incl. EO	5,009	24,840	26,062	24,765	20,096	31,610	36,556	42,015
(Inc.)/Dec. in FA	-5,936	-11,114	-9,756	-11,430	-21,116	-19,932	-45,000	-33,000
Free Cash Flow	-927	13,726	16,307	13,336	-1,020	11,678	-8,444	9,015
(Pur.)/Sale of Investments	3,393	3,734	3,342	-4,096	-11,502	-56,138	0	0
Others	13,174	-3,999	5,819	2,370	7,744	7,545	0	0
CF from Investments	10,631	-11,379	-595	-13,156	-24,874	-68,526	-45,000	-33,000
Issue of Shares	0	0	0	0	0	424	531	0
Inc./(Dec.) in Debt	216	0	-237	35	-31	-141	67	0
Interest Paid	-513	-558	-633	-756	-679	-1,388	0	0
Dividend Paid	-4,498	-3,320	-36,646	-2,021	-12,514	-4,964	-11,084	-11,084
Others	12	11	-88	-427	49,340	63,039	82,852	0
CF from Fin. Activity	-4,784	-3,868	-37,604	-3,169	36,115	56,970	72,366	-11,084
Inc./Dec. in Cash	10,856	9,593	-12,137	8,441	31,338	20,054	63,922	-2,069
Opening Balance	20,189	31,045	40,638	28,500	36,942	68,280	88,334	1,52,256
Closing Balance	31,045	40,638	28,500	36,941	68,279	88,334	1,52,256	1,50,187

Source: Company, MOFSL; * Note: 15-month period due to change in accounting year from December to March

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