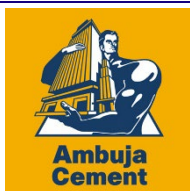


Ambuja Cements

BSE SENSEX
76,811

S&P CNX
23,399



Stock Info

Bloomberg	ACEM IN
Equity Shares (m)	2198
M.Cap.(INRb)/(USD\$b)	1636.7 / 19.6
52-Week Range (INR)	680 / 404
1, 6, 12 Rel. Per (%)	7/19/20
12M Avg Val (INR m)	1970
Free float (%)	29.7

Financials Snapshot (INR b)

Y/E Dec	FY24	FY25E	FY26E
Sales	179.2	199.2	225.5
EBITDA	33.7	41.3	49.6
Adj. PAT	23.5	29.1	34.5
EBITDA Margin (%)	18.8	20.7	22.0
Adj. EPS (INR)	10.7	11.8	14.0
EPS Gr. (%)	5.3	10.4	18.6
BV/Sh. (INR)	168.4	191.4	200.9

Ratios

Net D:E	-0.4	-0.4	-0.4
RoE (%)	11.8	10.3	10.0
RoCE (%)	12.4	10.7	10.3
Payout (%)	18.8	38.1	32.1

Valuations

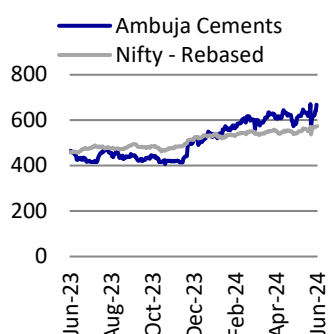
P/E (x)	50.7	45.9	38.7
P/BV (x)	3.2	2.8	2.7
EV/EBITDA(x)	25.8	19.4	16.4
EV/ton (USD)	280	201	186
Div. Yield (%)	0.3	0.7	0.7
FCF Yield (%)	0.6	0.2	0.2

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

Stock performance (one-year)



CMP: INR665

TP: INR640 (-4%)

Neutral

Announced acquisition of Penna cement

Acquisition will strengthen its presence in the south region

- Ambuja Cements (ACEM) has announced the acquisition of 100% stake in Penna Cement (PCIL) at an enterprise value (EV) of INR104.2b. PCIL has 14mtpa grinding capacity (including 4.0mtpa under construction). The acquisition cost (estimated EV includes capex required for under-construction capacity) works out to be USD90/t (on face value capacity). However, the management noted that surplus clinker at the under-construction capacity at its Jodhpur plant will support additional 3mtpa grinding capacity over and above 14mtpa. Considering the surplus clinker capacity, the adjusted EV/t works out to be USD80 (estimated INR10b for additional 3mtpa grinding capacity). This acquisition will be funded through internal accruals and is estimated to be completed within 3-4 months.
- PCIL has four integrated cement plants and two grinding units (refer exhibit:3) operational, with an aggregate clinker/cement capacity of 7.3mt/10.0mt. While 3.0mtpa/4.0mtpa clinker/cement capacity is under construction, which will be completed within 6-12 months. PCIL has limestone reserves of ~638mt, including subsidiary (as per its DRHP filed in May'21). About 90% of PCIL's capacity has railway siding and some plants are equipped with CPP and WHRS.
- ACEM management indicated that PCIL's strategic location and sufficient limestone reserves provide an opportunity to increase cement capacity through debottlenecking and additional investment. Additionally, the bulk cement terminals (BCTs) will provide access to the eastern and southern markets, apart from an entry into Sri Lanka through the sea route.
- Based on the data available with us, PCIL's capacity utilization was ~38-40% in FY23. Its EBITDA margin stood at ~5% in FY23. PCIL posted a net loss of INR1.9b in FY23 vs. PAT of INR472m in FY22.
- In Apr'24, ACEM announced the acquisition of My Home Group's 1.5mtpa grinding unit in Tuticorin, Tamil Nadu, for INR4.1b (EV/t of USD33). ACEM has reiterated its capacity target (consolidated) of 140mtpa by FY28 vs. 78.9mtpa now. Currently, it has initiated capacity expansion projects of 20mtpa across regions through the organic route. We expect ACEM's grinding capacity (based on the expansion plans announced till date and PCIL acquisition) to increase ~110mtpa by FY26-end (clocking capacity CAGR of ~19% over FY24-26E).

Valuation and View

- ACEM is focusing on further cost reduction by increasing the share of green power and AFR, engaging in long-term procurement strategies for critical raw materials, and optimizing logistics. A successful execution of these plans could result in a positive surprise.
- ACEM has reiterated its capacity target of 140mtpa by FY28, for which work is in progress at different stages. The stock trades at 19x/16x FY25E/FY26E EV/EBITDA. We maintain our Neutral rating with a TP of INR640, based on 16x FY26E EV/EBITDA.

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Mudit Agarwal - Research analyst (Mudit.Agarwal@MotilalOswal.com)

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Story in charts

Exhibit 1: Adani Cement market footprint post acquisition of PCIL



Source: MOFSL, Company;

Exhibit 2: PCIL's key financial indicators (standalone)

(INR m)	FY17	FY18	FY19	FY20	FY21	FY22*	FY23*
Revenue	16,502	17,762	21,554	21,660	24,669	31,513	19,525
YoY (%)	-1.4%	7.6%	21.4%	0.5%	13.9%	27.7%	-38.0%
EBITDA	3,726	3,913	3,089	3,384	4,798	4,467	995
YoY (%)	-20.4%	5.0%	-21.1%	9.5%	41.8%	-6.9%	-77.7%
EBITDA margin (%)	22.6%	22.0%	14.3%	15.6%	19.5%	14.2%	5.1%
Adj. PAT	1,815	1,567	851	230	1,521	472	-1,926
YoY (%)	-32.6%	-13.7%	-45.7%	-72.9%	560.5%	-69.0%	-508.4%
Sales Volume (mt)		4.2	5.3	5.2	5.5	6.7	3.9
Capacity Utilization (%)		43	54	53	54	67	39
Realization/t		4,339	4,076	4,168	4,519	4,675	5,021
Cost/t		3,416	3,492	3,518	3,643	4,012	4,765
EBITDA/t		923	584	651	876	663	256

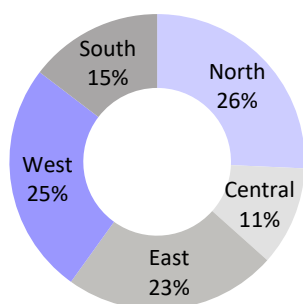
Source: MOFSL, Company; Penna DRHP, Note: realization of FY23 is estimated, based on south region players average realization

Exhibit 3: PCIL's cement and clinker capacity and other infrastructure details

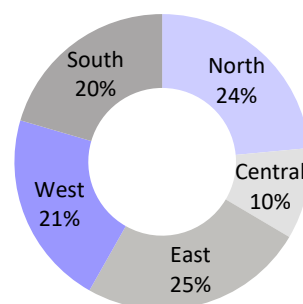
Plant	Clinker (MTPA)	Cement (MTPA)	CPP/WHRS	Railway Siding
Talariceruvu, AP	1.3	1.8		No
Boyareddypalli, AP	3.5	2.0	WHRS – 25 MW	Yes
Ganeshpahad, TG	1.0	1.2	CPP – 77MW WHRS – 7 MW	Yes
Tandur, TG	1.5	2.0		Yes
Krishnapatnam, AP	-	2.0		Yes
Patas, MH	-	1.0		Yes
Operational Capacity	7.3	10.0		
Jodhpur, RJ #	3.0	2.0		Yes
Krishnapatnam, AP		2.0		Yes
Under Construction Capacity	3.0	4.0		
Total Capacity	10.3	14.0		

- Surplus clinker at the Jodhpur plant will support an additional 3 MTPA cement grinding capacity over and above 14 MTPA.

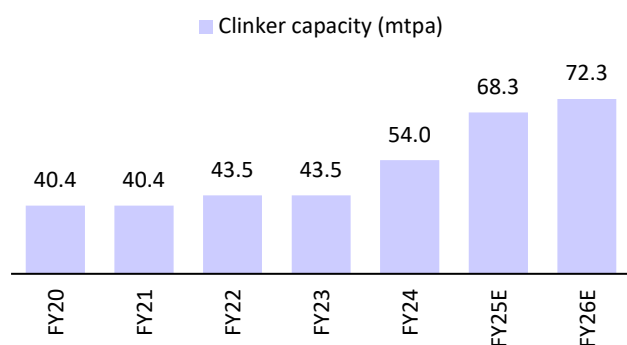
Source: MOFSL, Company;

Exhibit 4: ACEM's consol. regional capacity mix currently

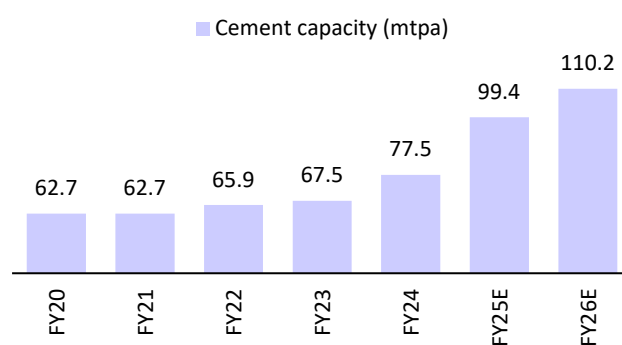
Source: MOFSL, Company

Exhibit 5: ACEM's consol. regional capacity mix by FY26E

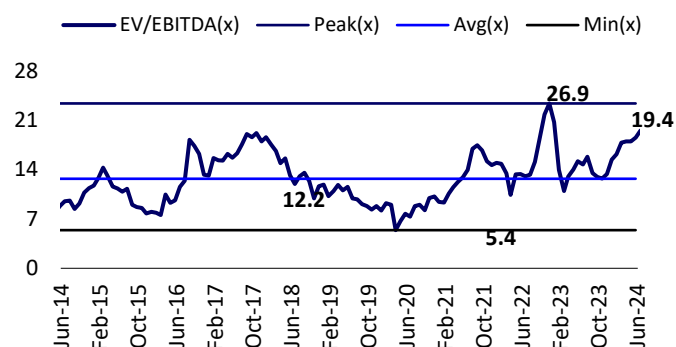
Source: MOFSL, Company

Exhibit 6: ACEM's consolidated clinker capacity growth

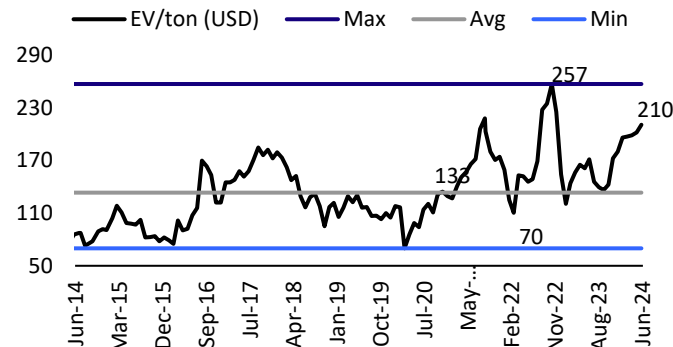
Source: MOFSL, Company; Note: estimated 14mtpa full capacity

Exhibit 7: ACEM's consolidated grinding capacity growth

Source: MOFSL, Company; Note: Capacity is including ACC and SNGI

Exhibit 8: One-year forward EV/EBITDA chart

Source: Company, MOFSL

Exhibit 9: 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	1,99,242	2,25,492
Change (%)	8.6	2.7	-2.5	22.9	43.0	-10.3	11.2	13.2
Total Expenditure	94,653	95,190	87,253	1,07,639	1,67,650	1,45,485	1,57,961	1,75,925
As a percentage of Sales	83.3	81.6	76.7	77.0	83.9	81.2	79.3	78.0
EBITDA	18,915	21,489	26,466	32,152	32,204	33,708	41,281	49,567
Change (%)	-2.5	13.6	23.2	21.5	0.2	4.7	22.5	20.1
Margin (%)	16.7	18.4	23.3	23.0	16.1	18.8	20.7	22.0
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	30,902	37,788
Interest	823	835	831	910	1,280	1,623	1,263	1,215
Other Income – Rec.	3,391	4,265	3,720	2,812	9,523	8,526	9,054	9,329
PBT before EO Exp.	16,002	19,480	24,144	28,536	32,123	31,233	38,693	45,902
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	38,693	45,902
Current Tax	4,780	5,730	6,520	6,908	4,964	7,221	9,622	11,415
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	24.9	24.9
Reported PAT	14,870	15,285	17,901	20,832	25,535	23,347	29,071	34,487
PAT Adj. for EO Items	12,091	14,415	17,901	21,323	25,212	23,505	29,071	34,487
Change (%)	-3.2	19.2	24.2	19.1	18.2	-6.8	23.7	18.6
Margin (%)	10.6	12.4	15.7	15.3	12.6	13.1	14.6	15.3

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	4,66,478	4,89,881
Net Worth	2,10,125	2,22,052	2,03,159	2,22,049	2,85,055	3,70,035	4,71,405	4,94,808
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	4,74,532	4,97,935
Gross Block	73,721	80,435	86,658	1,08,864	1,26,928	1,38,143	1,78,627	2,21,627
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	1,18,138	1,49,358
Capital WIP	9,996	14,562	21,300	10,859	9,430	21,444	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	30,701	30,701	30,701
Curr. Assets	64,792	72,793	55,534	71,348	1,28,567	1,60,622	2,41,186	2,37,337
Inventory	12,778	9,541	7,466	14,641	16,394	15,903	18,862	21,369
Debtors	4,703	5,132	1,915	2,947	5,649	7,168	7,977	9,037
Cash and Bank Bal.	31,045	40,638	28,500	36,942	68,280	1,00,890	1,76,437	1,67,770
Others	16,267	17,483	17,652	16,818	38,244	36,660	37,910	39,160
Curr. Liability and Prov.	37,623	45,342	49,360	57,173	71,328	68,193	70,982	72,950
Creditors	36,327	43,985	48,765	56,423	70,429	66,938	69,726	71,695
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	92,429	1,70,204	1,64,387
Appl. of Funds	2,14,244	2,24,565	2,05,454	2,24,404	2,87,713	3,73,096	4,74,532	4,97,935

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

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	11.8	14.0
Cash EPS	8.8	10.0	11.6	13.5	16.9	15.0	16.0	18.8
BV/Share	105.8	111.8	102.3	111.8	143.6	168.4	191.4	200.9
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	38.1	32.1
Valuation (x)								
P/E ratio	89.0	74.7	60.1	50.5	42.7	50.7	45.9	38.7
Cash P/E ratio	61.3	54.2	46.6	40.1	32.1	36.2	33.8	28.9
P/BV ratio	5.1	4.8	5.3	4.8	3.8	3.2	2.8	2.7
EV/Sales ratio	9.1	8.7	9.0	7.3	4.9	5.9	5.9	5.2
EV/EBITDA ratio	54.6	47.2	38.8	31.8	30.5	25.8	19.4	16.4
EV/t (Cap) - USD	400	392	397	373	357	280	201	186
Dividend Yield (%)	0.2	0.2	2.8	0.9	0.4	0.3	0.7	0.7
Return Ratios (%)								
RoE	13.8	14.6	18.7	22.3	18.4	11.8	10.3	10.0
RoCE	15.2	16.1	19.3	22.9	20.4	12.4	10.7	10.3
RoIC	18.9	23.6	35.3	41.0	26.3	18.0	18.4	17.8
Working Capital Ratios								
Asset Turnover (x)	0.5	0.5	0.6	0.6	0.7	0.5	0.4	0.5
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	188.3	311.8	266.1
Leverage Ratio (x)								
Current Ratio	1.7	1.6	1.1	1.2	1.8	2.4	3.4	3.3
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	38,693	45,902
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	-9,622	-11,415
(Inc.)/Dec. in WC	-6,166	3,877	3,676	-4,557	-7,855	1,567	3,730	-2,849
CF from Operations	7,416	26,472	27,015	24,966	25,807	30,664	43,180	43,418
Others	-2,406	-1,632	-952	-201	-5,711	-3,090	0	0
CF from Operations incl. EO	5,009	24,840	26,062	24,765	20,096	27,574	43,180	43,418
(Inc.)/Dec. in FA	-5,936	-11,114	-9,756	-11,430	-21,116	-19,932	-40,000	-41,000
Free Cash Flow	-927	13,726	16,307	13,336	-1,020	7,641	3,180	2,418
(Pur.)/Sale of Investments	3,393	3,734	3,342	-4,095	-11,501	-39,745	0	0
Others	13,174	-3,999	5,819	2,370	7,744	7,744	0	0
CF from Investments	10,631	-11,379	-595	-13,155	-24,873	-51,934	-40,000	-41,000
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	8,442	31,339	32,610	75,547	-8,666
Opening Balance	20,189	31,045	40,638	28,500	36,942	68,280	1,00,890	1,76,437
Closing Balance	31,045	40,638	28,500	36,942	68,280	1,00,890	1,76,437	1,67,770

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

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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