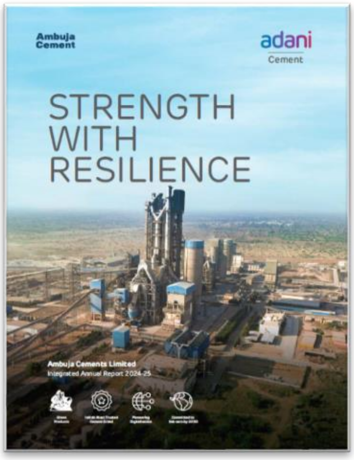
Ambuja Cements

BSE SENSEX	S&P CNX
81,445	24,812

CMP: INR545 **TP: INR630 (+16%)** **Buy**



Stock Info

Bloomberg	ACEM IN
Equity Shares (m)	2463
M.Cap.(INRb)/(USDb)	1342.5 / 15.5
52-Week Range (INR)	707 / 453
1, 6, 12 Rel. Per (%)	-2/-6/-24
12M Avg Val (INR M)	1768
Free float (%)	32.5

Financials Snapshot (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	340.8	414.4	468.5
EBITDA	50.1	67.9	91.0
Adj. PAT	19.6	25.3	34.7
EBITDA Margin (%)	14.7	16.4	19.4
Adj. EPS (INR)	8.0	10.3	14.1
EPS Gr. (%)	-42.6	29.0	37.1
BV/Sh. (INR)	217	223	231
Ratios			
Net D:E	-0.1	-0.0	-0.0
RoE (%)	4.1	4.7	6.2
RoCE (%)	4.7	5.3	7.4
Payout (%)	11.8	48.6	42.6
Valuations			
P/E (x)	59.4	46.1	33.6
P/BV (x)	2.2	2.1	2.1
EV/EBITDA(x)	26.5	21.1	15.8
EV/ton (USD)	170	145	138
Div. Yield (%)	0.4	0.9	1.1
FCF Yield (%)	-4.7	-0.3	2.5

Acquisition-led growth; efficiency push yet to materialize

The key highlights of ACEM's FY25 annual report: 1) the company's consolidated cement capacity has risen to 100.3mtpa currently from 76.9mtpa in FY24-end, primarily led by inorganic growth. However, most of the company's organic grinding unit expansions are witnessing delays of around 6-12 months from the scheduled timeline; 2) various cost-saving measures, including group synergy initiatives, are currently underway but have yet to yield meaningful results; 3) it reported a sharp increase in related-party transactions, aimed at improving process efficiency and leveraging group synergies; and 4) projecting cement demand growth of ~7-8% YoY in FY26, led by strong demand from infrastructure, housing and commercial sectors.

Aggressive on M&A; organic growth yet to catch up

- The company's consolidated cement capacity has increased from 76.9mtpa as of Mar'24 to 100.3mtpa, including the acquisition of Orient Cement, brownfield expansion at Farakka, West Bengal, and a small capacity addition through debottlenecking in Apr'25.
- Under the new management, ACEM has been focusing on capacity expansion through strategic acquisitions, including Sanghi Industries (6.0mtpa), Penna Cement (10.0mtpa), and Orient Cement (8.5mtpa). In contrast, the progress on organic expansions has been slower, with construction going on at 12 sites and commissioning expected in FY26E. The board has also approved 21mtpa of additional grinding capacity, slated for FY27-28, as part of its plan to increase the capacity to 140mtpa.
- ACEM's consolidated sales volumes grew ~10% YoY to 65.2mt, aided by incremental growth from inorganic expansions. However, standalone cement production increased ~3% YoY. The company's cement capacity utilization (consolidated) stood at ~78% in FY25 vs. ~82% in FY24.

Cost reduction drive underway; yet to deliver results

- ACEM has undertaken a series of cost-reduction initiatives to improve efficiency and profitability. These include long-term sourcing agreements for key raw materials like fly-ash, with nearly 40% of fly-ash now secured through such arrangements. It has increased the use of fly-ash sourced from group companies across its manufacturing plants to optimize the cost. It has significantly increased its limestone reserves to ~9.0b tons, ensuring a stable supply of a key raw material.
- A significant push is being made toward green energy, with investments of INR100b planned in WHRS, solar, and wind projects. Green power capacity has increased notably in FY25, and the company aims to raise the green power share to ~60% by FY28, which could reduce power costs by INR90/t. Efforts are also underway to improve energy efficiency and increase the use of alternative fuels, with ambitious targets for lowering both thermal and electrical energy consumption by FY30.

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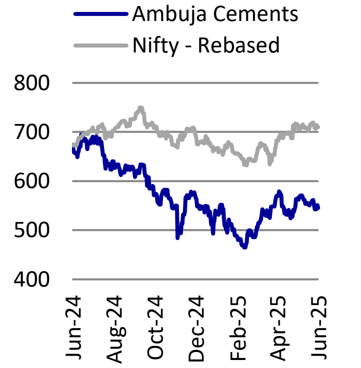
Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	67.5	67.5	66.7
DII	17.3	16.6	14.5
FII	8.7	9.2	11.2
Others	6.5	6.7	7.7

FII includes depository receipts

Stock Performance (1-year)



- Logistics efficiency is another key area of focus, with a significant shift toward sea transport, optimized depot networks, and investments in specialized rakes for bulk cement transport. It operates 14 sea vessels and plans to expand its marine fleet and terminal infrastructure to further reduce freight costs. In FY25, the company's total opex/t (consolidated) inched down ~1% YoY (INR60/t) to INR4,460/t, mainly due to a reduction in power & fuel costs and freight costs. ACEM is targeting to reduce opex/t to INR3,650/t by FY28.

Related-party transactions rise on leveraging group synergies

- ACEM strategically established MSA with its subsidiaries to realize economies of scale, improve operational and logistics cost efficiency, optimize fuel and resource usage and sourcing, integrate its supply chain, reinforce competitive edge, and expand market reach. These agreements are in place with ACC, Sanghi Industries (SIL), Asian Fine Cement, Penna Cement, Orient Cement and Adani Cement Industries.
- ACEM is leveraging synergies of the group to substantially increase transactions with group companies. The value of goods/services purchased from other related parties stood at INR49.2b in FY25 vs. INR14.7b in FY24 (average INR9.2b over CY18-FY23). After a sharp increase in the purchase of goods/services from other related parties, the amount outstanding from other related parties also surged to INR9.4b from INR1.8b in FY24 (average INR1.4b over CY18-FY23).
- In FY23, ACEM made an advance payment of INR9.25b to Mundra Petrochem (MPL) for exclusive long-term raw material/fuel supply rights for its Mundra cement plant, initially expected to be commissioned in FY26. Currently, the advances stand at the same level and the cement plant is now expected to be commissioned by FY27-28, based on the progress of polyvinyl chlorine unit of MPL.

View and valuation

- ACEM has reiterated its capacity target of 140mtpa and EBITDA/t target of INR1,500 by FY28. Until now, capacity growth was largely driven by the inorganic route. However, the expansion will be largely organic in FY26, with multiple projects progressing across various locations. The company is also expected to prioritize the integration of acquired assets. Profitability improvement will be driven by ongoing cost-saving measures and a rising share of premium products.
- We estimate a CAGR of ~17%/35%/33% in consolidated revenue/EBITDA/PAT over FY25-27, albeit on a low base. We estimate EBITDA/t to increase to INR906/INR1096 in FY26/FY27 from INR768 in FY25. ACEM (consol.) trades at 21x/16x FY26/FY27E EV/EBITDA and USD147/USD140 EV/t. We maintain our BUY rating with a TP of INR630 (valuing the stock at 18x FY27E EV/EBITDA).

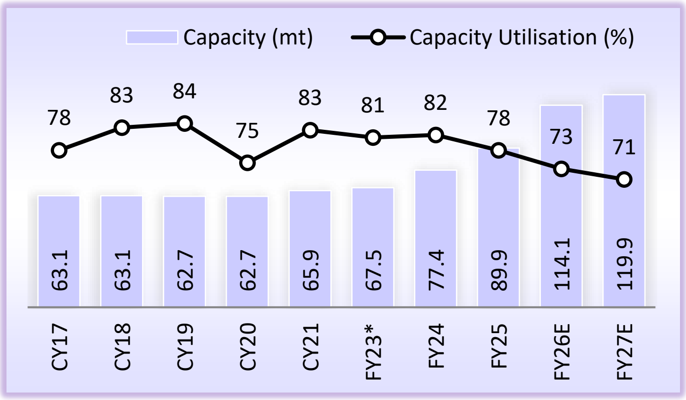
STORY IN CHARTS

ACEM's (consolidated) organic expansion plan (including expansion ongoing in new acquisitions)

Location	Capacity		Expected completion timeline	
	Clinker	Cement	Old	New
Farakka (GU)		4.6	3QFY25	1QFY26 (2.4mtpa commissioned)
Bhatapara Line 3	4.0	0.0	2QFY26	1QFY26
Sankrail (GU)		2.4	3QFY25	1QFY26
Sindri (GU)		1.6	2QFY25	1QFY26
Salai Banwa (GU)		2.4	1QFY26	2QFY26
Krishnapatnam Penna (GU)		2.0	NA*	2QFY26
Bathinda (GU)		1.2	3QFY25	3QFY26
Marwar (GU)		2.4	4QFY25	3QFY26
Dahej Line-2 (GU)		1.2	NA*	3QFY26
Jodhpur (Penna IU)	3.0	2.0	NA*	3QFY26
Warisaliganj (GU)		2.4	NA*	4QFY26
Maratha Line 2 (CU)	4.0		4QFY26	4QFY26
Mundra (GU)		4.6	2QFY26 (Line I) 3QFY26 (Line II)	FY27-28

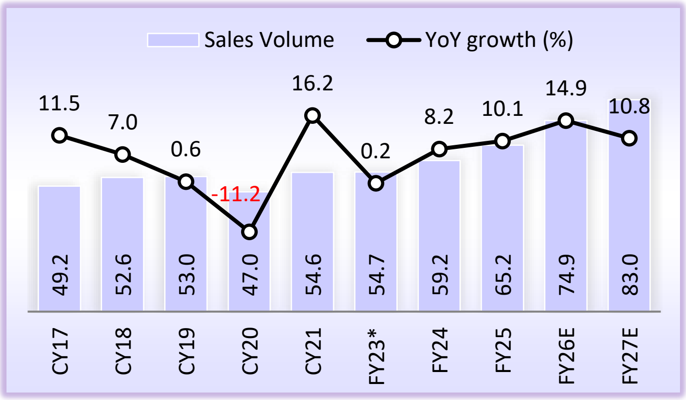
Source: Company, MOFSL; NA indicated *new announcements

ACEM's (consol.) capacity and utilization trends



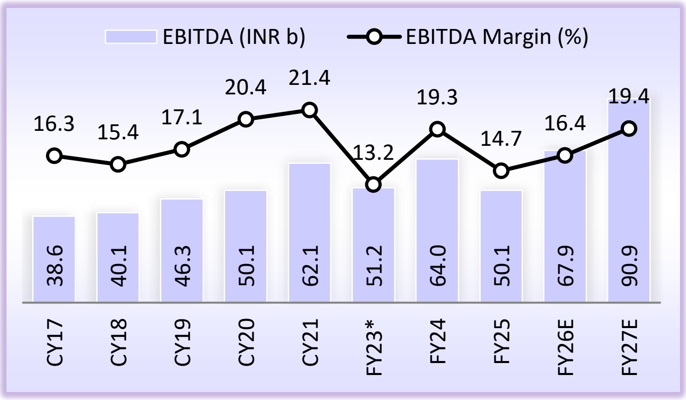
Source: MOFSL, Company; Note: FY23* volume annualized for like to like comparison;

ACEM (consol.) volume and growth



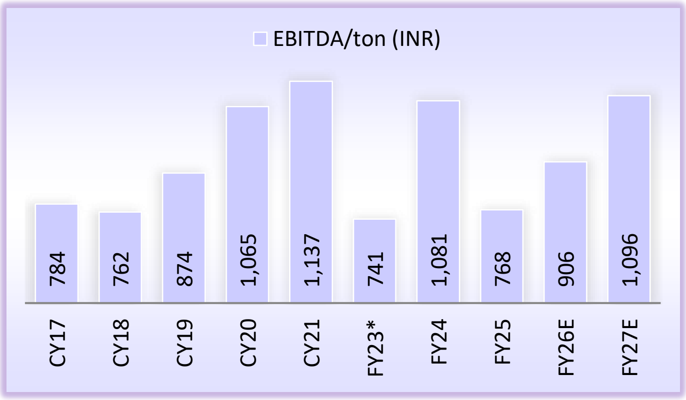
Source: MOFSL, Company; Note: FY23* volume annualized for like to like comparison

Consol. EBITDA and EBITDA margin



Source: MOFSL, Company; Note: FY23 was a 15M period

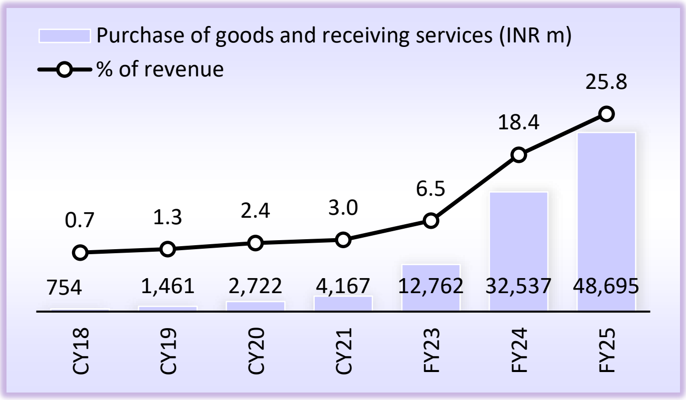
EBITDA/t declined in FY25 due to lower realization



Source: MOFSL, Company; Note: FY23 was a 15M period

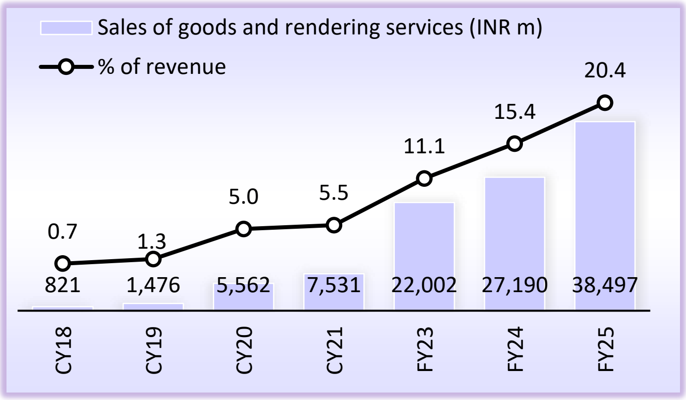
STORY IN CHARTS

Goods/services purchased from subsidiaries



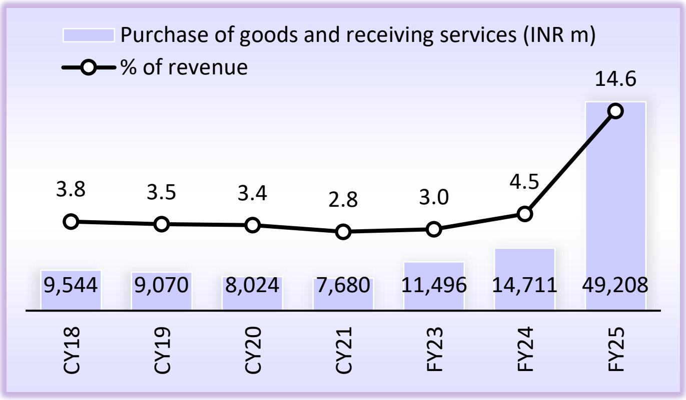
Source: Company, MOFSL; Note: Standalone

Goods/services sold to subsidiaries



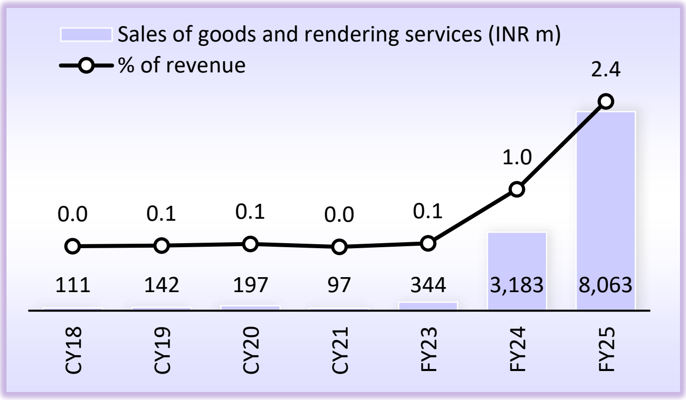
Source: Company, MOFSL; Note: Standalone

Goods/services purchase from other related parties



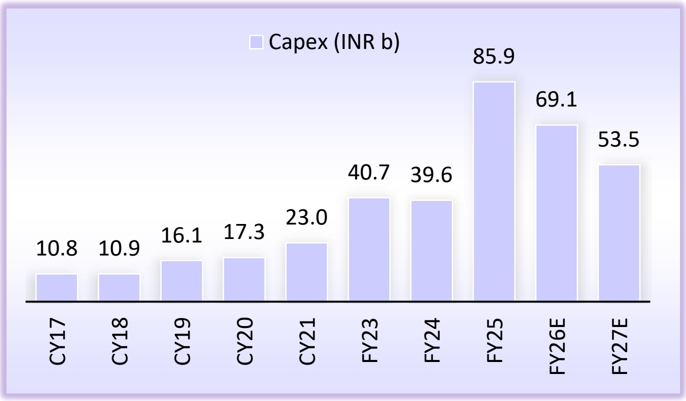
Source: Company, MOFSL; Note: Consolidated

Goods/services sold to other related parties



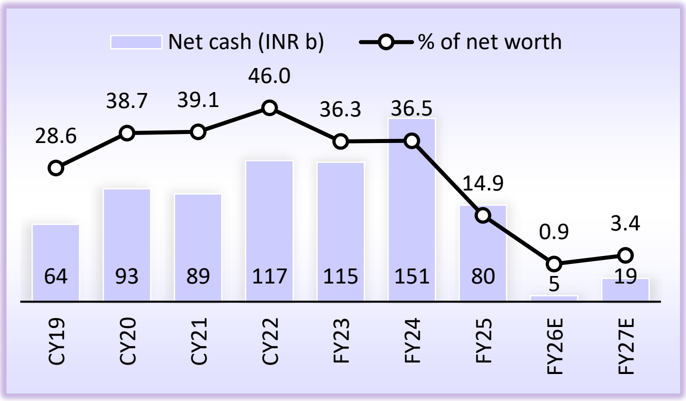
Source: Company, MOFSL; Note: Consolidated

ACEM's consolidated capex



Source: Company, MOFSL; Note: Consolidated

ACEM's consolidated net cash balance declined



Source: Company, MOFSL; Note: Consolidated

Aggressive on M&A; organic growth yet to catch up

- Under its new management, ACEM has primarily expanded its capacity through a series of strategic M&A. Key acquisitions include Sanghi Industries (6.0mtpa), Penna Cement (10.0mtpa), and Orient Cement (8.5mtpa). Meanwhile, its organic expansion pipeline is progressing at a slower pace. Construction is underway at 12 sites, with the commissioning expected in FY26. Additionally, the board has approved 21mtpa of new grinding capacity (details yet to be disclosed), which is targeted for commissioning over FY27-28, aligning with its ambitious capacity target of 140mtpa.
- The company's consolidated cement capacity has increased from 76.9mtpa as of Mar'24 to 100.3mtpa now, including the acquisition of Orient Cement, brownfield expansion at Farakka, West Bengal, and a small capacity addition through debottlenecking in Apr'25.
- In Exhibit 1, we highlighted the company's organic cement capacity (GU) expansions that are witnessing delays of around 6-12 months from their previous expected date of completion.

Exhibit 1: ACEM's (consolidated) organic expansion plan (including expansion ongoing in new acquisitions)

Location	Capacity		Expected completion timeline	
	Clinker	Cement	Old	New
Farakka (GU)		4.6	3QFY25	1QFY26 (2.4mtpa commissioned)
Bhatapara Line 3	4.0	0.0	2QFY26	1QFY26
Sankrail (GU)		2.4	3QFY25	1QFY26
Sindri (GU)		1.6	2QFY25	1QFY26
Salai Banwa (GU)		2.4	1QFY26	2QFY26
Krishnapatnam Penna (GU)		2.0	NA*	2QFY26
Bathinda (GU)		1.2	3QFY25	3QFY26
Marwar (GU)		2.4	4QFY25	3QFY26
Dahej Line-2 (GU)		1.2	NA*	3QFY26
Jodhpur (Penna IU)	3.0	2.0	NA*	3QFY26
Warisaliganj (GU)		2.4	NA*	4QFY26
Maratha Line 2 (CU)	4.0		4QFY26	4QFY26
Mundra (GU)		4.6	2QFY26 (Line I) 3QFY26 (Line II)	FY27-28

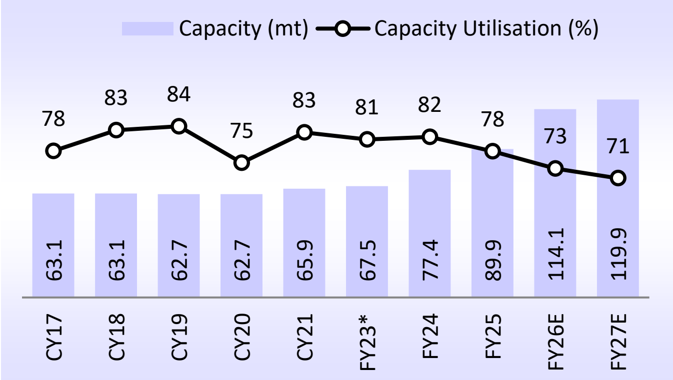
Source: Company, MOFSL; NA indicated *new announcements

ACEM's consolidated sales volume grew ~10% YoY in FY25

- In FY25, industry's cement capacity grew ~8% YoY (added 43-45mtpa capacity) to ~596mtpa, while cement demand grew by ~4-5% to 440-444mt. 1HFY25 witnessed subdued demand growth of ~2% YoY, impacted by the Lok Sabha elections and an intense heatwave, which slowed down construction activities. However, the second half saw a notable recovery, supported by increased government infrastructure spending and a pickup in housing and construction activity post-monsoon.
- ACEM's consolidated sales volumes grew ~10% YoY to 65.2mt, aided by incremental growth from inorganic expansions. However, standalone cement production increased ~3% YoY. The company's cement capacity utilization (consolidated) stood at ~78% in FY25 vs. ~82% in FY24.

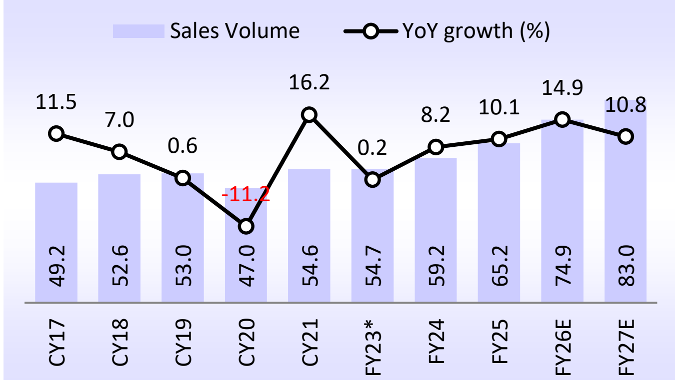
- **Outlook:** India's economy is expected to grow moderately by ~6.5% in FY26. This growth is likely to be driven by 1) strong domestic demand, 2) rise in urban and private consumption, 3) healthy agricultural output, 4) continued infrastructure development, and 5) implementation of key structural reforms. Nonetheless, external challenges such as trade restrictions and rising geopolitical tensions may pose risks to the broader economic outlook. Cement demand is estimated to grow ~7-8% YoY in FY26, led by strong demand from infrastructure, housing and commercial sectors.

Exhibit 2: ACEM's (consol.) capacity and utilization trends



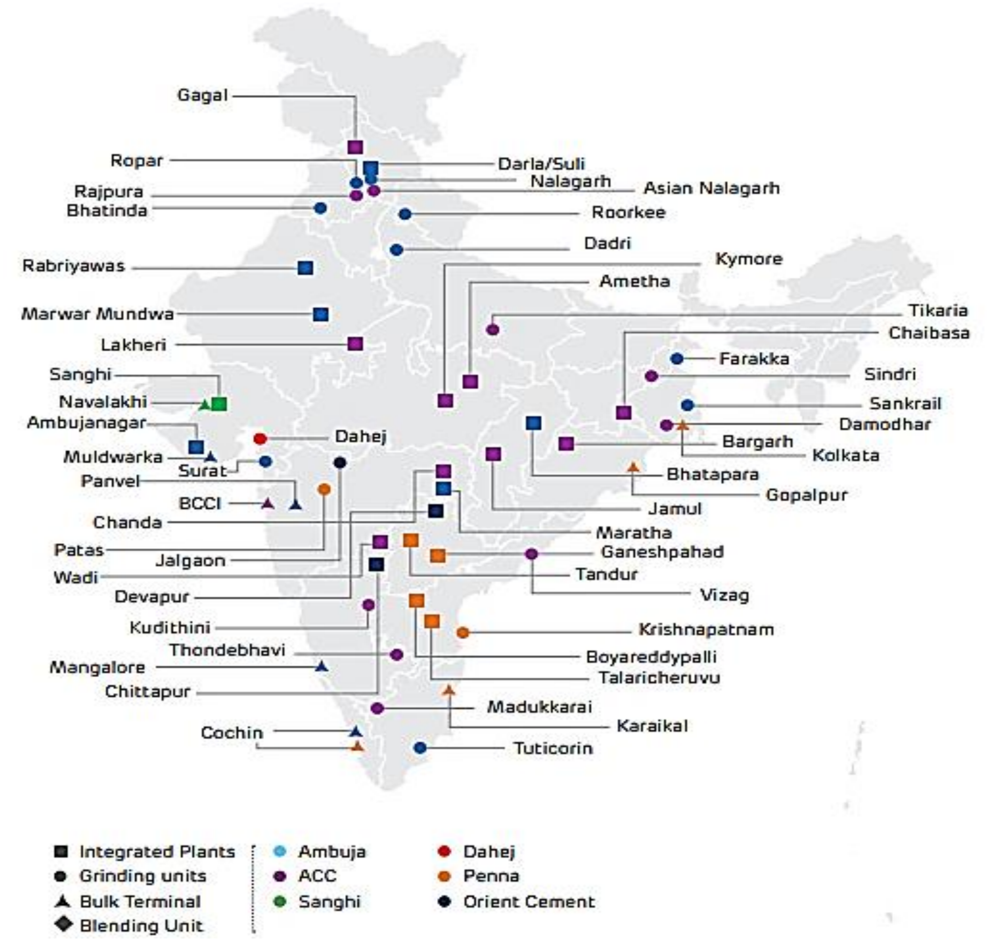
Source: MOFSL, Company; Note: FY23* volume annualized for like to like comparison;

Exhibit 3: ACEM (consol.) volume and growth



Source: MOFSL, Company; Note: FY23* volume annualized for like to like comparison

Exhibit 4: Adani Cements' presence



Source: Company, MOFSL

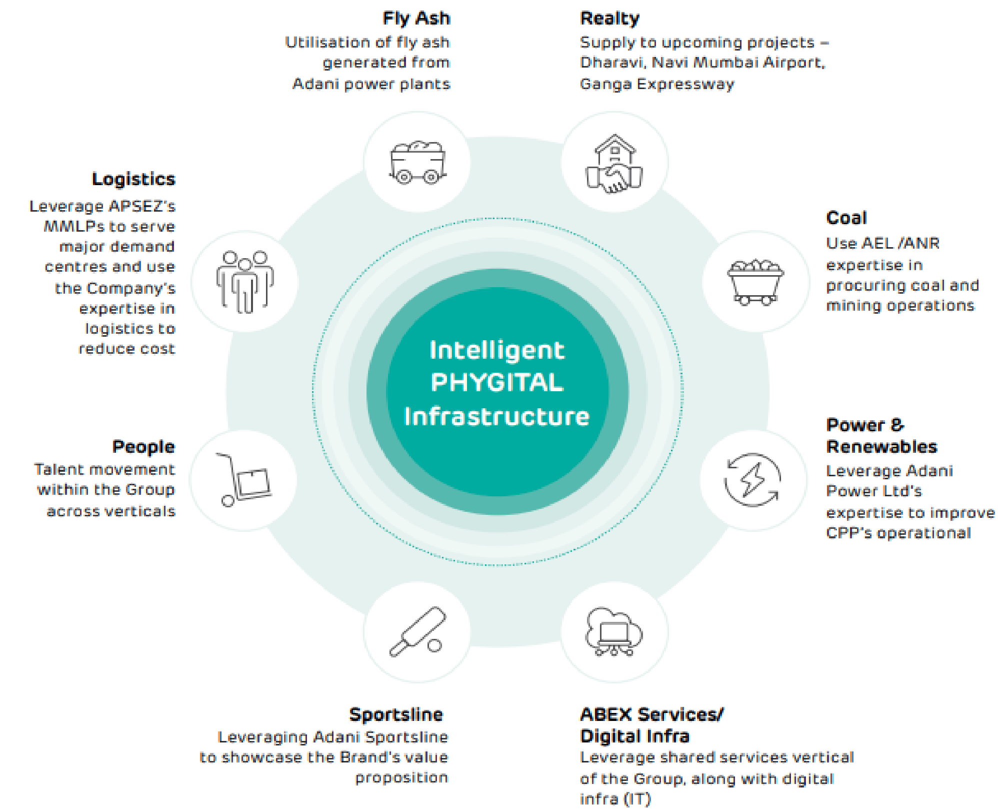
Cost reduction drive underway; yet to deliver results

Opex/t (consolidated) declined marginally ~1% YoY to INR4,460/t in FY25

ACEM has implemented various cost-reduction measures to drive efficiency and improve profitability. Key initiatives and progress are highlighted below:

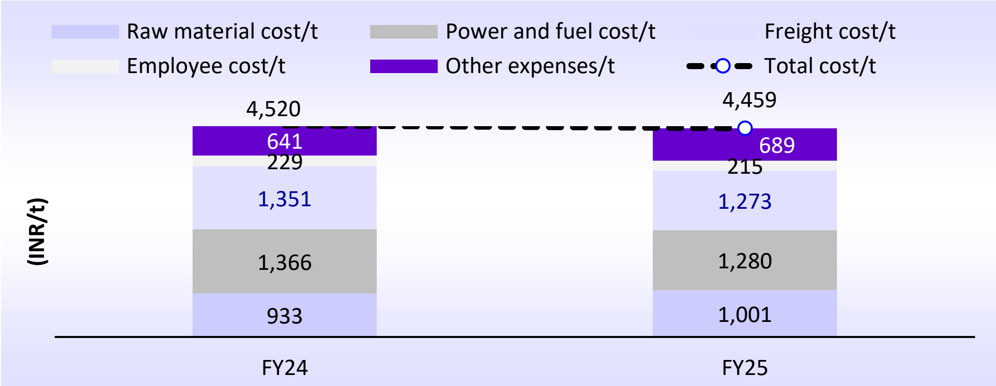
- It has entered into long-term agreements for key **raw materials** (~40% of fly-ash under long-term arrangements), which improves raw material security and reduces raw material costs. It has increased the use of fly-ash sourced from group companies across its manufacturing plants to optimize the cost. It has significantly increased its limestone reserves to ~9.0b tons, ensuring a stable supply of a key raw material.
- ACEM is aggressively increasing its green power capacity (WHRS + solar + wind) to reduce **power and fuel** costs. The company has committed an investment of INR100b in green power projects. The company's WHRS/solar & Wind capacity increased to 218MW/299MW in FY25 (vs. 53MW/85MW in FY23). It targets to grow its WHRS/solar & wind capacity to 376MW/1GW by FY28. It aims to increase its green power share to ~60% by FY28 vs. ~21% in FY25. ACEM expects investments in green power will help to reduce power costs by INR90/t by FY28.
- ACEM is ramping up the use of alternative fuels through five pre-processing and six co-processing facilities. It is targeting to increase the thermal substitution rate (TSR) to ~23% by FY30 vs. ~9% in FY25. It is targeting to reduce specific thermal energy consumption to 710 kcal/kg of clinker by FY30 vs. 757kcal/kg in FY25 and specific electrical energy consumption to 63kwh/t of cement by FY30 vs. 76 kWh/t in FY25.
- It has implemented several initiatives to reduce **freight costs,** including shifting a significant portion of freight to seaborne transport (targeting 10% sea transport by FY28), optimizing depot locations (targeted 100km lead distance reduction), and leveraging general purpose wagon inward system (added 11 GPWIS raked to stabilize clinker supply) and bulk cement freight consortium (26 BCFC rakes ordered and 6 have been inducted) to reduce overall freight costs. It has achieved ~6% reduction in freight costs (to date) and aims for a further ~15% reduction by FY30.
- The company has a fleet size of 14 dedicated sea vessels, which enable the company to dispatch 3mt of cement annually, significantly reducing carbon emissions while operating across 11 strategically located terminals. Strong M&A activity has expanded the company's bulk cement terminals (BCTs) to 11, boosting its coastal presence. The company plans to add 10 more sea vessels to transport cement and clinker to all 11 terminals efficiently and sustainably. It believes that marine logistics is ~30%/60% cheaper than rail/road freight.
- Notably, ~65% of its total costs are backed by synergies with Adani Group companies across sectors (power, coal and port) where the group holds leadership positions. These integrated synergies are expected to play a pivotal role in supporting ACEM's cost-reduction strategy and strengthening its long-term competitiveness.
- In FY25, the company's opex/t (consolidated) declined ~1% YoY (INR60/t) to INR4,460/t, led by a reduction in power & fuel costs and freight costs. ACEM is targeting to reduce opex/t to INR3,650/t by FY28.

Exhibit 5: Potential benefits of Adani Group synergies



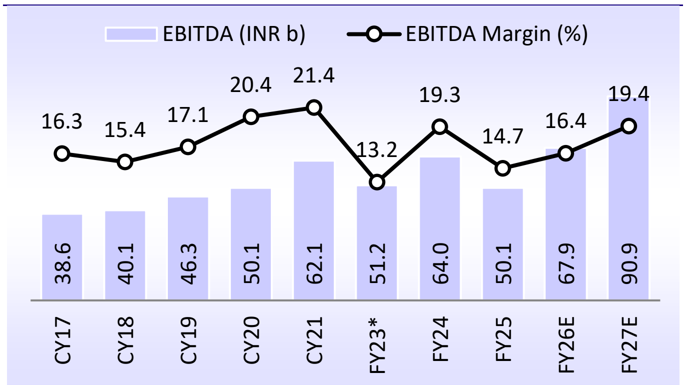
Source: Company, MOFSL

Exhibit 6: Opex/t declined ~1% YoY in FY25



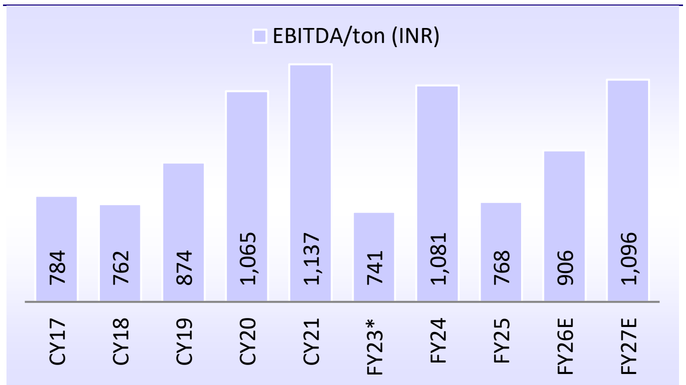
Source: Company, MOFSL

Exhibit 7: Consol. EBITDA and EBITDA margin



Source: MOFSL, Company; Note: FY23 was a 15M period

Exhibit 8: EBITDA/t declined due to lower realization



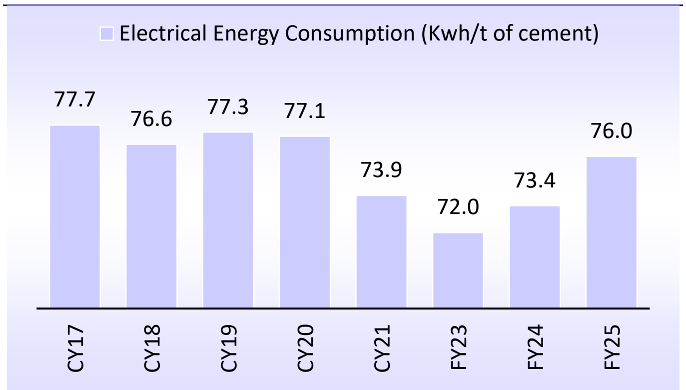
Source: MOFSL, Company; Note: FY23 was a 15M period

Exhibit 9: Common-size analysis (consolidated)

Particulars (INR m)	CY20	%	CY21	%	FY23*	%	FY24	%	FY25	%
Net Revenue (Operations)	**2,45,162**	**100.0**	**2,89,655**	**100.0**	**3,89,370**	**100.0**	**3,31,596**	**100.0**	**3,40,804**	**100.0**
Raw Materials (incl. Change-in-inventory)	31,242	12.7	29,623	10.2	51,109	13.1	49,228	14.8	66,105	19.4
Power and Fuel	48,276	19.7	67,875	23.4	1,17,619	30.2	81,093	24.5	82,648	24.3
Freight and Forwarding	62,715	25.6	71,329	24.6	95,237	24.5	80,006	24.1	83,012	24.4
Operating and Administrative Expenses	37,468	15.3	43,432	15.0	55,616	14.3	43,746	13.2	44,943	13.2
Personnel Cost	15,404	6.3	15,292	5.3	18,565	4.8	13,528	4.1	14,034	4.1
EBITDA	**50,056**	**20.4**	**62,104**	**21.4**	**51,224**	**13.2**	**63,995**	**19.3**	**50,063**	**14.7**
Depreciation	11,618	4.7	11,525	4.0	16,447	4.2	16,234	4.9	24,697	7.2
Other Income	4,438	1.8	3,524	1.2	7,377	1.9	11,664	3.5	12,435	3.6
EBIT	**42,876**	**17.5**	**54,104**	**18.7**	**42,154**	**10.8**	**59,425**	**17.9**	**37,800**	**11.1**
Financial Charges	1,402	0.6	1,457	0.5	1,949	0.5	2,764	0.8	2,159	0.6
PBT (Before Exceptional Items)	**41,474**	**16.9**	**52,647**	**18.2**	**40,205**	**10.3**	**56,662**	**17.1**	**35,641**	**10.5**
Exceptional Items	-1,702	-0.7	-1,205	-0.4	-3,190	-0.8	2,116	0.6	23,537	6.9
PBT	**39,772**	**16.2**	**51,442**	**17.8**	**37,015**	**9.5**	**58,777**	**17.7**	**59,178**	**17.4**
Tax	8,848	3.6	14,534	5.0	7,051	1.8	11,626	3.5	7,726	2.3
PAT	**30,924**	**12.6**	**36,908**	**12.7**	**29,964**	**7.7**	**47,151**	**14.2**	**51,452**	**15.1**
Share of Profit In Associates	144	0.1	202	0.1	280	0.1	229	0.1	132	0.0
Minority Interest	7,414	3.0	9,307	3.2	4,410	1.1	11,612	3.5	9,910	2.9
PAT (after MI)	**23,654**	**9.6**	**27,804**	**9.6**	**25,834**	**6.6**	35,768	**10.8**	**41,674**	**12.2**
Adjusted PAT	**25,357**	**10.3**	**28,707**	**9.9**	**28,227**	**7.2**	**30,545**	**9.2**	**19,641**	**5.8**

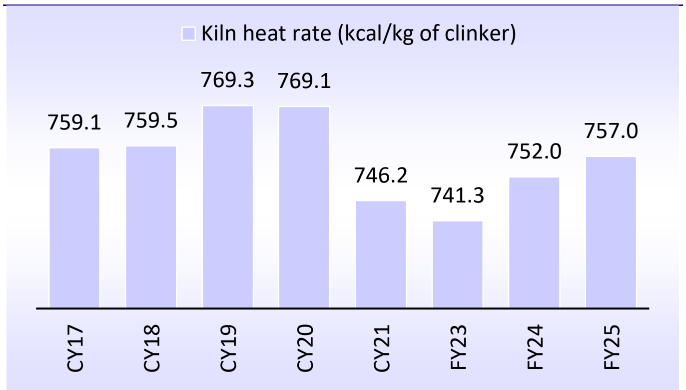
Source: MOFSL, Company; Note: *FY23 was a 15M period

Exhibit 10: Electrical energy consumption grew in FY25…



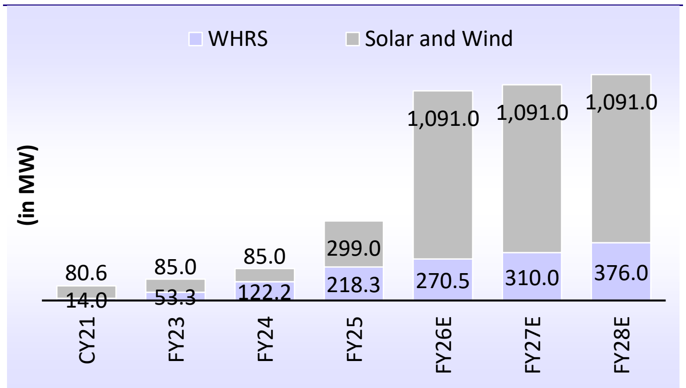
Source: MOFSL, Company;

Exhibit 11: ...so did thermal energy consumption



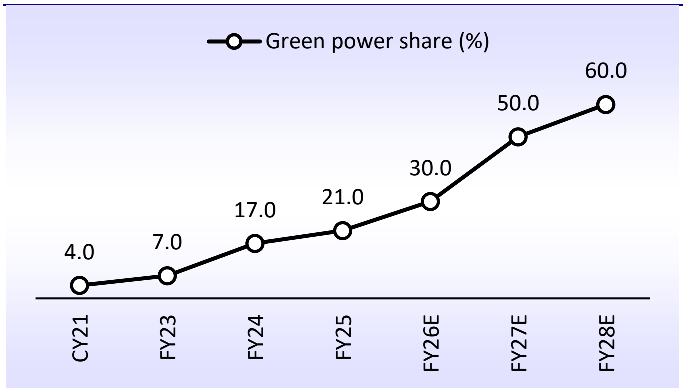
Source: MOFSL, Company;

Exhibit 12: Increasing WHRS and solar & wind capacity



Source: MOFSL, Company;

Exhibit 13: Targets to increase green power share to 60%



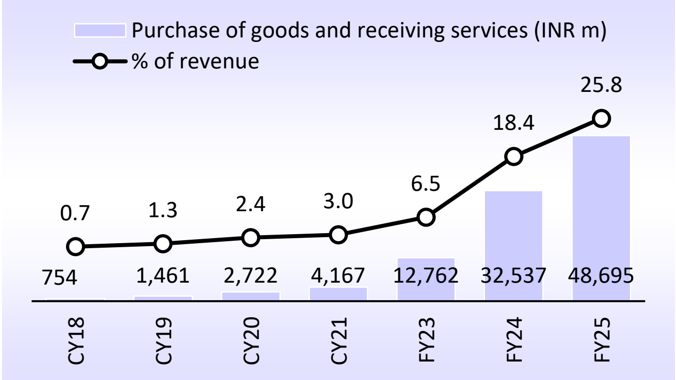
Source: MOFSL, Company

Analysis of related-party transactions and incentives

With an aim of enhancing process efficiency and leveraging synergies, ACEM saw a significant increase in its related-party transactions. Key highlights of such transactions are mentioned below:

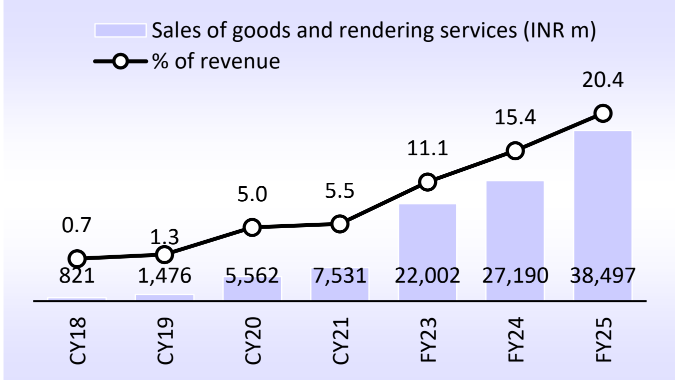
Sharp increase in transactions (standalone) under master supply agreements (MSAs) with subsidiaries: ACEM strategically established MSAs with its subsidiaries to realize economies of scale, improve operational and logistics cost efficiency, optimize fuel and resource usage and sourcing, integrate its supply chain, reinforce competitive edge and expand market reach. These agreements are in place with ACC, Sanghi Industries (SIL), Asian Fine Cement, Penna Cement, Orient Cement and Adani Cement Industries. In FY25, the company sold 24.3mt of cement and clinker under MSA. Going forward the company is increasing and leveraging MSAs to drive higher revenue and profitability.

Exhibit 14: Goods/services purchased from subsidiaries



Source: Company, MOFSL; Note: Standalone

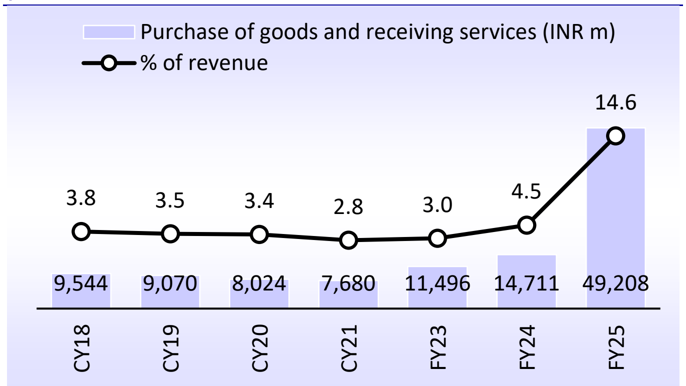
Exhibit 15: Goods/services sold to subsidiaries



Source: Company, MOFSL; Note: Standalone

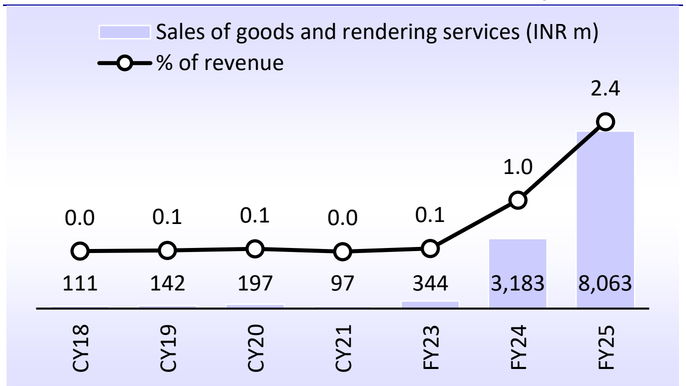
Sharp increase in transactions (consolidated) with other related parties: To leverage synergies of the group, ACEM has substantially increased transactions with group companies.

Exhibit 16: Goods/service purchased from other related parties



Source: Company, MOFSL; Note: Consolidated

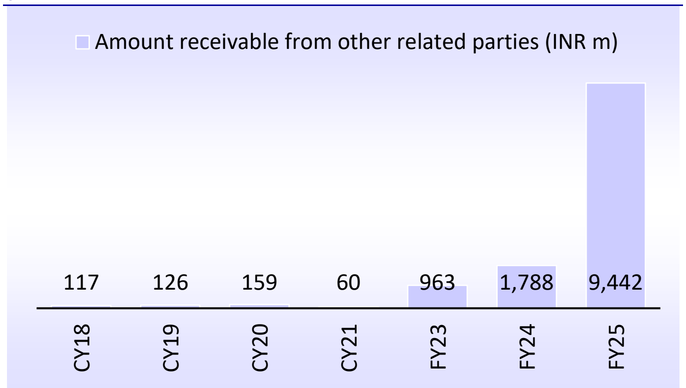
Exhibit 17: Goods/services sold to other related parties



Source: Company, MOFSL; Note: Consolidated

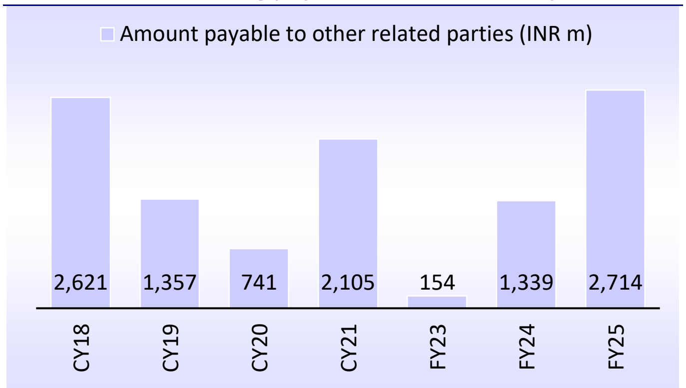
Increase in transactions results in a rise in receivables: After a sharp increase in purchases of goods/receiving of services from other related parties, the amount outstanding from other related parties also surged significantly.

Exhibit 18: Outstanding receivable from other related parties



Source: Company, MOFSL; Note: Consolidated

Exhibit 19: Outstanding payable to other related parties



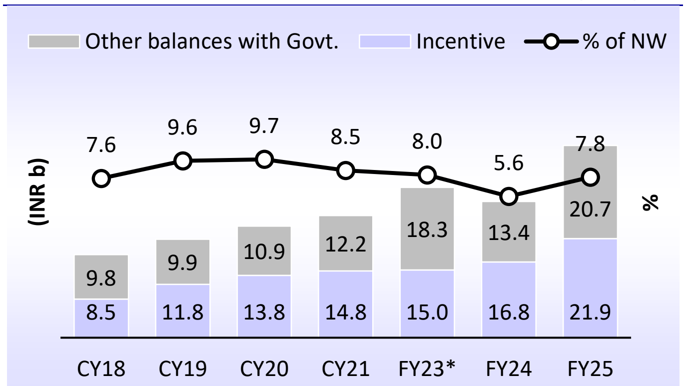
Source: Company, MOFSL; Note: Consolidated

- In FY23, ACEM made an advance payment of INR9.25b to MPL for exclusive long-term raw material/fuel supply rights for its Mundra cement plant, initially expected to be commissioned in FY26. Currently, the advances stand at the same level, while the cement plant is now expected to be commissioned by FY27-28, based on the progress of polyvinyl chlorine unit of MPL.
- ACC, a subsidiary of the company, has taken land on a long-term lease (20 years) from a related party (Aditya Estate) in FY25. It has paid INR6.0b for the lease. ACC also sold surplus land in Thane for a consideration of INR3.9b to a related party (Camrose Realtors) in FY25.

Incentive receivables increased sharply

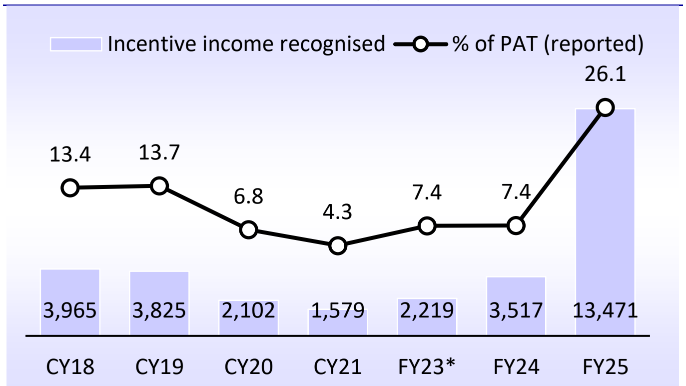
- ACEM's consolidated incentive income (government grant) stood at INR13.5b in FY25 vs. INR3.5b in FY24. During the year, it has recognized few earlier-period incentive income of ~INR11.0b (out of which INR8.3b pertains to Himachal Pradesh, INR2.6b pertains to West Bengal, and INR150m pertains to Punjab governments).
- Consequently, the incentive receivable from the government surged to INR21.9b from INR16.8b in FY24. Apart from that, other balances with the government (duties, taxes) stood at INR20.7b in FY25 vs. INR13.4b in FY24.

Exhibit 20: Government incentive/taxes outstanding surged



Source: Company, MOFSL

Exhibit 21: Incentive Incomes surged in FY25 due to one-off

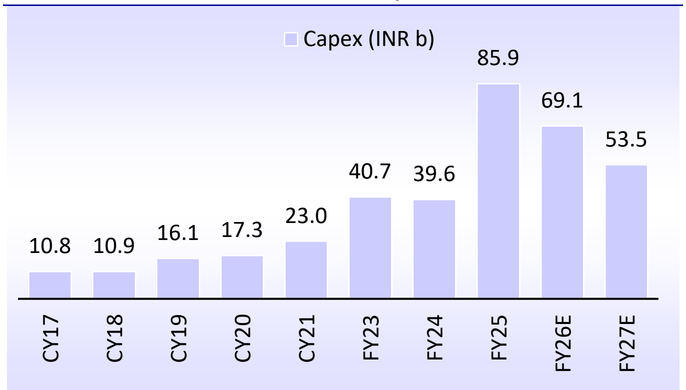


Source: Company, MOFSL

Capex, fixed assets and cash flows

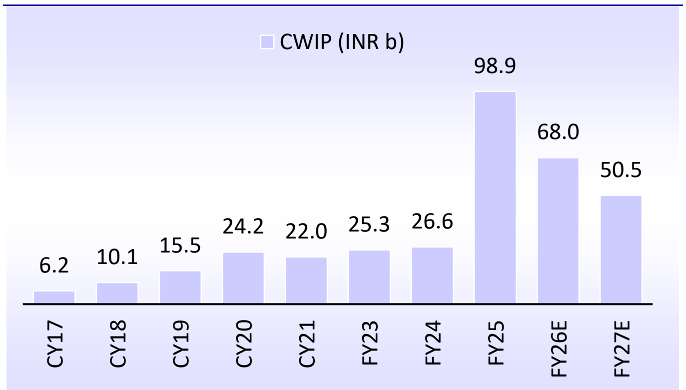
Total consolidated capex in FY25 stood at INR85.9b vs. INR39.6b in FY24. We estimate capex of INR69b/INR53b in FY26/FY27, given the expansion plans announced by the company. The capital work-in-progress (CWIP) stood at INR98.9b in FY25 vs. INR26.6b in FY24. A large part of CWIP includes the cost of projects, which are likely to be completed in FY26. Further, capital advances increased to INR15.5b as of Mar'25 vs. INR14.3b as of Mar'24.

Exhibit 22: ACEM's consolidated capex trend



Source: Company, MOFSL; Note: FY23 was a 15M period;

Exhibit 23: ACEM's consolidated CWIP trend



Source: Company, MOFSL; Note: FY23 was a 15M period

ROE declined in FY25 due to lower profit margins, a large capital infusion, and a drop in the fixed asset-turnover ratio. The asset turnover fell to 0.6x in FY25 from an average of 0.9x during CY19-24, due to an increase in goodwill (stood at INR108.6b vs. INR88.0b in FY24) and an increase in other current assets. We estimate the asset turnover to remain lower than the historical average at 0.6x/0.7x in FY26/FY27 due to higher goodwill and current assets.

Exhibit 24: Du-Pont analysis: Low asset-turnover ratio, low margins and increase in equity share capital (issued warrants converted into share) lead to reduction in RoE

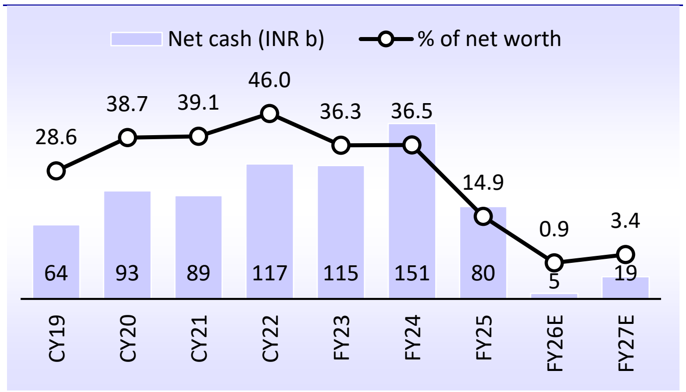
(%)	CY19	CY20	CY21	FY23	FY24	FY25	FY26E	FY27E
PAT/PBT	74.0	74.1	74.7	78.5	75.1	85.1	75.1	75.1
PBT/EBIT	95.9	96.7	96.9	96.2	95.1	96.4	95.2	96.5
EBIT/Sales	17.4	22.0	21.1	16.7	18.3	13.7	12.7	13.8
Asset turnover (x)	1.2	1.2	1.5	1.2	0.9	0.8	0.9	1.0
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
RoE	**14.8**	**19.1**	**22.7**	**14.9**	**11.9**	**9.3**	**8.5**	**10.3**

Source: MOFSL, Company;

The company's consolidated net cash (including current investment) stood at INR80.0b as of Mar'25 vs. INR151.2b as of Mar'24. The reduction in net cash balance was driven by increased capex for various ongoing expansions, acquisitions (Penna Cement and Tuticorin GU), bank deposits with lien in favor of NCLT (INR3.1b), and deposits given as security against bank guarantees (INR17.8b).

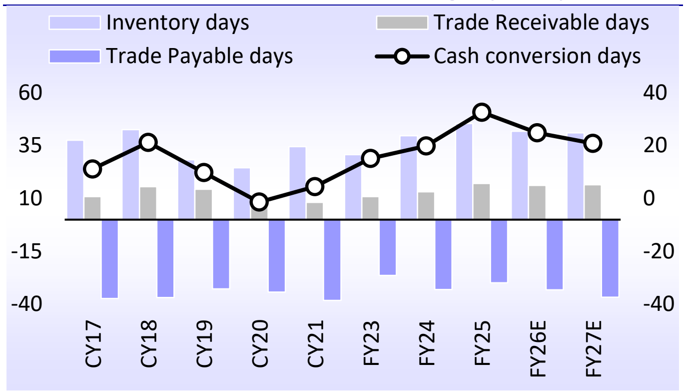
ACEM's receivable days increased to 17 in FY25 from 13 in FY24. Inventory days stood at 45 in FY25 vs. 40 in FY24. Its trade payable days stood at 30 in FY25 vs. 33 in FY24. ACEM's cash conversion cycle increased in FY25 to 33 vs. 20 in FY24. We estimate the cash conversion cycle to decline in FY26/FY27.

Exhibit 25: ACEM's consolidated net cash balance



Source: Company, MOFSL; Note: FY23 was a 15M period;

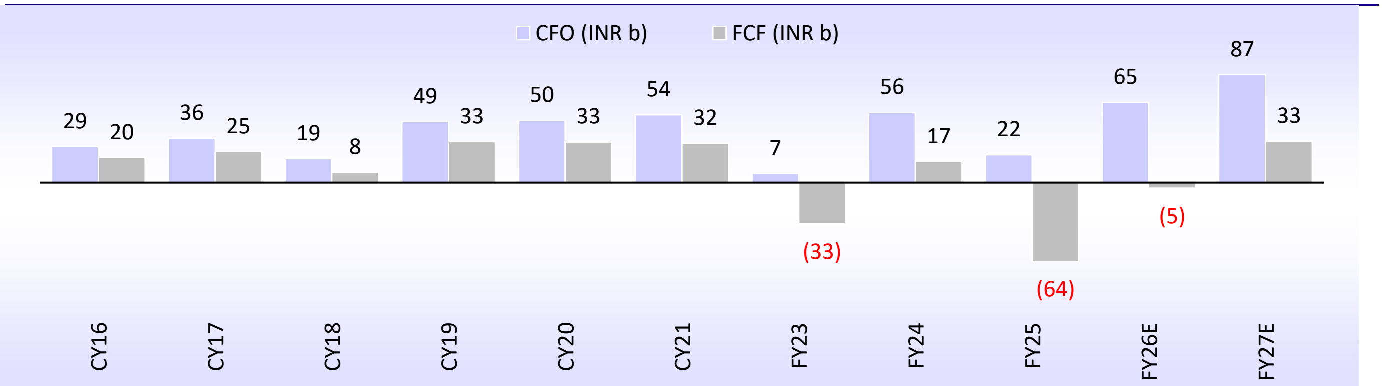
Exhibit 26: ACEM's consolidated working capital cycle



Source: Company, MOFSL; Note: FY23 was a 15M period

ACEM's consolidated CFO stood at INR22.4b in FY25 as compared to INR56.5b in FY24, driven by an increase in working capital. The company's net cash outflow stood at INR63.5b in FY25 vs. cash inflow of INR16.8b in FY24. We expect CFO to improve in FY26/FY27. We estimate FCF to become positive in FY27.

Exhibit 27: CFO to increase in FY26/27; we estimate positive FCF generation

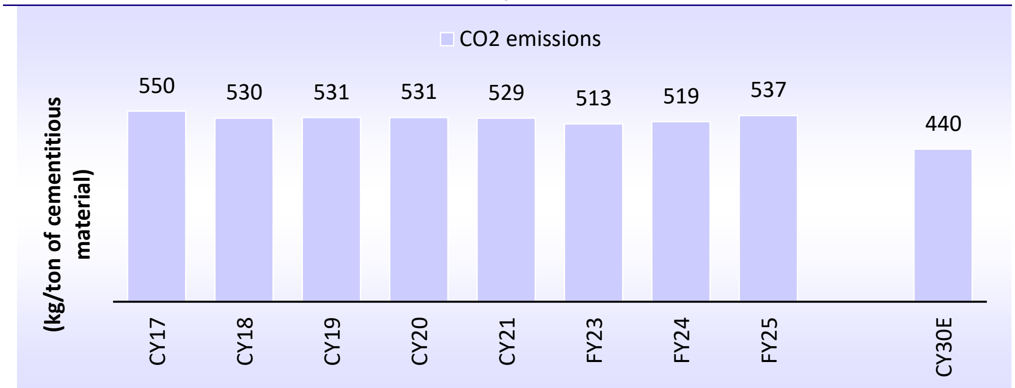


Source: MOFSL, Company; ; Note: FY23 was a 15M period; standalone

Sustainability developments and targets

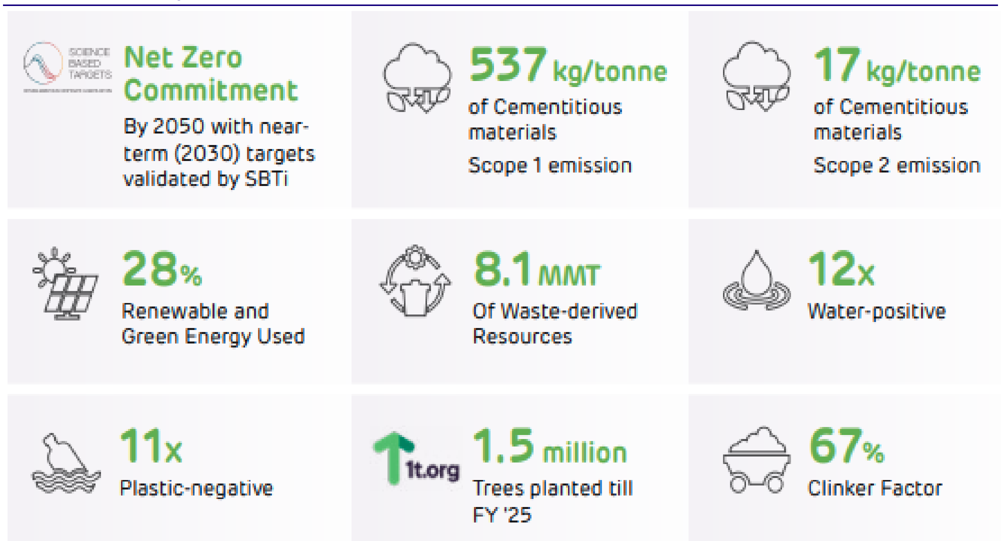
- The company has committed to achieving Net Zero emissions by 2050, and its climate action roadmap is aligned with international frameworks. The company has set emission reduction targets: reducing Scope 1 emissions to 440kg/t of cementitious material (from 537kg/t in FY25) and Scope 2 emissions to 10kg/t (from 17kg/t currently) by 2030. Additionally, ACEM targets a reduction in specific thermal energy consumption to 710kCal/kg of clinker and electrical energy consumption to 63kWh/t of cement during the same period.
- It became the first cement company globally to be a member of the Alliance for Industry Decarbonization (AFID), an initiative led by the International Renewable Energy Agency (IRENA). It is also part of the World Economic Forum's Net Zero Industrial Cluster Initiative, under which it is working to decarbonize the Mundra cluster alongside other Adani Group entities.

Exhibit 28: Aims to reduce carbon emission by 18% between FY25 and CY30E



Source: Company, MOFSL; Note: net specific Co2 emission (excluding captive power plant).

Exhibit 29: ESG performance FY25



Source: Company, MOFSL

Valuation and View

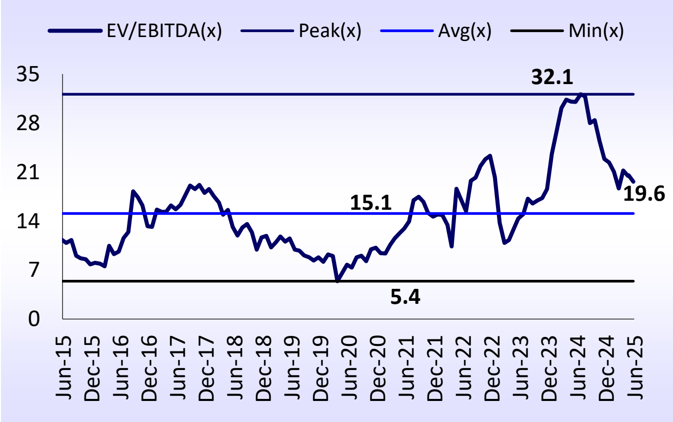
ACEM has reiterated its capacity target of 140mtpa and EBITDA/t target of INR1,500 by FY28. Until now, capacity growth was largely driven by the inorganic route. However, the expansion will be largely organic in FY26, with multiple projects progressing across various locations. The company is also expected to prioritize the integration of acquired assets. Profitability improvement will be driven by ongoing cost-saving measures and a rising share of premium products.

We estimate a CAGR of ~17%/35%/33% in consolidated revenue/EBITDA/PAT over FY25-27, albeit on a low base. We estimate EBITDA/t to increase to INR906/INR1096 in FY26/FY27 vs. INR768 in FY25. ACEM (consol.) trades at 21x/16x FY26/FY27E EV/EBITDA and USD147/USD140 EV/t.

We estimate the company’s cumulative OCF to increase to INR151.5b over FY26-27 vs. INR78.8b over FY24-25, led by improvement in profitability and working capital. FCF is estimated at INR28.9b over FY26-27 vs. net cash outflow of INR46.7b over FY24-25. The company’s net cash balance is estimated to decline to INR19.3b by FY26 vs. INR151.2b/INR79.7b in FY24/FY25.

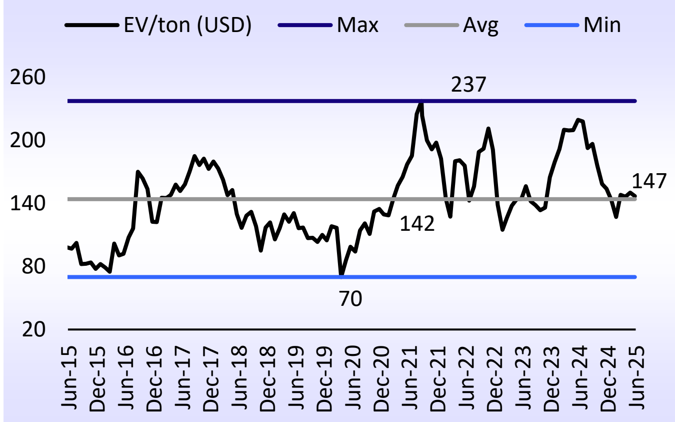
ACEM (consol.) currently trades at 21x/16x FY26/FY27E EV/EBITDA and EV/t of USD147/USD140. We maintain our BUY rating with a TP of INR630 (valuing the stock at 18x FY27E EV/EBITDA).

Exhibit 30: One-year forward EV/EBITDA chart



Source: MOFSL, Company

Exhibit 31: One-year forward EV/ton chart



Source: MOFSL, Company

Consolidated financials and valuations

Income Statement								(INR m)
Y/E December/March	**CY19**	**CY20**	**CY21**	**FY23***	**FY24**	**FY25**	**FY26E**	**FY27E**
Net Sales	**2,71,036**	**2,45,162**	**2,89,655**	**3,89,370**	**3,31,596**	**3,40,804**	**4,14,429**	**4,68,532**
Change (%)	4.1	-9.5	18.1	7.5	6.5	2.8	21.6	13.1
Total Expenditure	2,24,774	1,95,106	2,27,551	3,38,147	2,67,601	2,90,741	3,46,526	3,77,522
As a Percentage of Sales	82.9	79.6	78.6	86.8	80.7	85.3	83.6	80.6
EBITDA	**46,261**	**50,056**	**62,104**	**51,224**	**63,995**	**50,063**	**67,903**	**91,010**
Change (%)	15.3	8.2	24.1	-34.0	56.2	-21.8	35.6	34.0
Margin (%)	17.1	20.4	21.4	13.2	19.3	14.7	16.4	19.4
Depreciation	11,525	11,618	11,525	16,447	16,234	24,697	29,160	35,081
EBIT	**34,736**	**38,438**	**50,579**	**34,777**	**47,761**	**25,366**	**38,743**	**55,928**
Interest	1,699	1,402	1,457	1,949	2,764	2,159	4,238	4,408
Other Income – Rec.	5,533	4,438	3,524	7,377	11,664	12,435	9,959	9,715
PBT Before EO Exp.	**38,570**	**41,474**	**52,647**	**40,205**	**56,662**	**35,641**	**44,464**	**61,235**
EO Exp./(Inc.)	-275	1,702	1,205	3,190	-2,116	-23,537	0	0
PBT After EO Exp.	**38,845**	**39,772**	**51,442**	**37,015**	**58,777**	**59,178**	**44,464**	**61,235**
Tax Expense	10,922	8,848	14,534	7,051	11,626	7,726	11,383	15,676
Tax Rate (%)	28.1	22.2	28.3	19.0	19.8	13.1	25.6	25.6
Add: Share of Profit from Associate	200	144	202	280	229	132	132	132
Less: Minority Interest	6,882	7,414	9,307	4,410	11,612	9,910	7,883	10,964
Reported PAT	**21,241**	**23,654**	**27,804**	**25,834**	**35,768**	**41,674**	**25,330**	**34,727**
PAT Adj. for EO Items	**20,966**	**25,357**	**28,707**	**28,227**	**30,545**	**19,641**	**25,330**	**34,727**
Change (%)	47.6	20.9	13.2	-21.3	35.3	-35.7	29.0	37.1
Margin (%)	7.7	10.3	9.9	7.2	9.2	5.8	6.1	7.4

Balance Sheet								(INR m)
Y/E December	**CY19**	**CY20**	**CY21**	**FY23***	**FY24**	**FY25**	**FY26E**	**FY27E**
Equity Share Capital	3,971	3,971	3,971	3,971	4,395	4,926	4,926	4,926
Money Received Against Issue of Warrants				50,000	27,797			
Total Reserves	2,36,809	2,23,605	2,49,566	2,63,010	3,82,325	5,29,506	5,43,462	5,64,351
Net Worth	**2,40,780**	**2,27,576**	**2,53,537**	**3,16,982**	**4,14,517**	**5,34,433**	**5,48,388**	**5,69,277**
Minority Interest	57,368	63,409	71,450	70,584	93,908	1,03,682	1,10,860	1,20,885
Def. Liabilities	9,367	6,260	7,562	7,004	13,214	24,032	24,032	24,032
Total Loans	353	436	435	477	368	268	435	435
Capital Employed	**3,07,868**	**2,97,681**	**3,32,985**	**3,95,046**	**5,22,007**	**6,62,414**	**6,83,715**	**7,14,629**
Gross Block	1,74,809	1,85,238	2,13,828	2,43,254	3,36,585	4,44,583	6,00,509	6,71,559
Less: Accum. Depn.	46,610	59,140	69,989	86,436	1,02,669	1,27,367	1,51,983	1,82,342
Net Fixed Assets	**1,28,199**	**1,26,099**	**1,43,839**	**1,56,818**	**2,33,916**	**3,17,217**	**4,48,527**	**4,89,217**
Capital WIP	15,544	24,219	21,964	25,259	26,585	98,857	68,020	50,495
Capital Advances	4,422	6,050	4,234	4,810	14,266	15,548	15,548	15,548
Goodwill	78,815	78,761	78,697	78,697	88,028	1,08,561	1,08,561	1,08,561
Investments in Subsidiaries	1,459	1,546	1,705	1,861	623	604	604	604
Investments – Trade	26,579	7,026	8,861	276	7,863	18,511	511	511
Curr. Assets	**1,46,805**	**1,53,507**	**1,92,773**	**2,49,495**	**2,79,388**	**2,50,113**	**2,01,785**	**2,23,996**
Inventory	20,965	16,486	27,380	32,728	36,086	42,480	47,458	52,629
Debtors	10,686	5,611	6,458	11,544	11,896	15,903	18,433	21,102
Cash and Bank Bal.	67,003	82,457	1,08,358	1,15,610	1,43,985	61,722	5,135	19,508
Others	48,152	48,953	50,577	89,613	87,422	1,30,008	1,30,758	1,30,758
Curr. Liability and Prov.	**93,956**	**99,526**	**1,19,088**	**1,22,168**	**1,28,660**	**1,46,996**	**1,59,839**	**1,74,303**
Creditors	89,969	96,601	1,16,026	1,19,373	1,25,671	1,43,904	1,56,747	1,71,211
Provisions	3,987	2,926	3,062	2,795	2,989	3,092	3,092	3,092
Net Current Assets	**52,850**	**53,980**	**73,685**	**1,27,327**	**1,50,728**	**1,03,117**	**41,945**	**49,693**
Appl. of Funds	**3,07,868**	**2,97,681**	**3,32,985**	**3,95,046**	**5,22,007**	**6,62,414**	**6,83,715**	**7,14,629**

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

Consolidated financials and valuations

Ratios

Y/E December/March	CY19	CY20	CY21	FY23*	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	**10.6**	**12.8**	**14.5**	**14.2**	**13.9**	**8.0**	**10.3**	**14.1**
Cash EPS	16.4	18.6	20.3	22.5	21.3	18.0	22.1	28.3
BV/Share	121.3	114.6	127.7	159.6	188.6	217.0	222.6	231.1
DPS	1.5	18.5	6.3	2.5	2.0	2.0	5.0	6.0
Payout (%)	14.0	155.3	45.0	19.2	12.3	11.8	48.6	42.6
Valuation (x)								
P/E Ratio	44.9	37.1	32.8	33.3	34.1	59.4	46.1	33.6
Cash P/E Ratio	29.0	25.4	23.4	21.1	22.3	26.3	21.4	16.7
P/BV Ratio	3.9	4.1	3.7	3.0	2.5	2.2	2.1	2.1
EV/Sales Ratio	4.2	4.6	3.8	2.8	3.6	3.9	3.5	3.1
EV/EBITDA Ratio	24.6	22.7	17.9	21.6	18.5	26.5	21.1	15.8
EV/t (Cap) - USD	210	209	195	190	177	170	145	138
Dividend Yield (%)	0.3	3.4	1.2	0.5	0.4	0.4	0.9	1.1
Return Ratios (%)								
RoE	9.1	10.9	12.0	10.0	8.4	4.1	4.7	6.2
RoCE	10.8	12.8	15.2	9.9	10.5	4.7	5.3	7.4
RoIC	11.0	14.5	18.6	12.4	12.7	5.2	5.2	6.6
Working Capital Ratios								
Asset Turnover (x)	0.9	0.8	0.9	1.0	0.6	0.5	0.6	0.7
Debtor (Days)	14	8	8	11	13	17	16	16
Inventory (Days)	28	25	35	31	40	45	42	41
Work Cap (Days)	71.2	80.4	92.9	119.4	165.9	110.4	36.9	38.7
Leverage Ratio (x)								
Current Ratio	1.6	1.5	1.6	2.0	2.2	1.7	1.3	1.3
Debt/Equity Ratio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement (INR m)

Y/E December	CY19	CY20	CY21	FY23*	FY24	FY25	FY26E	FY27E
OP/(Loss) Before Tax	38,753	39,916	51,645	37,295	59,006	59,224	44,596	61,367
Depreciation	11,525	11,618	11,525	16,447	16,234	24,783	24,616	30,359
Interest and Finance Charges	1,705	1,699	1,402	1,905	2,764	2,159	2,159	4,238
Direct Taxes Paid	-5,299	-11,702	-6,476	-7,385	-9,156	-3,802	-11,383	-15,676
(Inc.)/Dec. in WC	2,407	8,492	-3,602	-40,913	-12,390	-59,991	4,585	6,625
CF from Operations	**49,092**	**50,022**	**54,494**	**7,349**	**56,458**	**22,374**	**64,574**	**86,913**
Others	0	0	0	0	0	0	0	0
CF from Operations incl. EO	**49,092**	**50,022**	**54,494**	**7,349**	**56,458**	**22,374**	**64,574**	**86,913**
(Inc.)/Dec. in FA	-16,070	-17,253	-22,963	-40,659	-39,611	-85,915	-69,088	-53,525
Free Cash Flow	**33,022**	**32,769**	**31,530**	**-33,310**	**16,847**	**-63,541**	**-4,515**	**33,388**
(Pur.)/Sale of Investments	4,142	4,080	2,893	2,668	-49,893	10,604	-38,000	0
Others	-8,658	19,865	-1,963	8,585	4,533	-85,246	0	0
CF from Investments	**-20,587**	**6,692**	**-22,034**	**-29,407**	**-84,971**	**-1,60,557**	**-1,07,088**	**-53,525**
Issue of Shares	0	0	0	0	424	531	0	0
Inc./(Dec.) in Debt	0	0	0	-1,155	-1,533	-20,083	167	0
Interest Paid	-1,705	-1,699	-1,402	-1,581	-2,341	-1,758	-2,159	-4,238
Dividend Paid	-5,174	-37,959	-3,334	-12,514	-4,964	-4,926	-12,316	-14,779
Others	-1,120	-1,603	-1,823	44,560	65,302	82,157	236	1
CF from Fin. Activity	**-7,999**	**-41,261**	**-6,560**	**29,310**	**56,888**	**55,920**	**-14,072**	**-19,016**
Inc./Dec. in Cash	**20,507**	**15,453**	**25,901**	**7,253**	**28,375**	**-82,263**	**-56,587**	**14,373**
Opening Balance	46,497	67,003	82,457	1,08,358	1,15,610	1,43,985	61,722	5,135
Closing Balance	**67,003**	**82,457**	**1,08,357**	**1,15,610**	**1,43,985**	**61,722**	**5,135**	**19,508**

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

N O T E S

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

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