

India

**ADD** (no change)

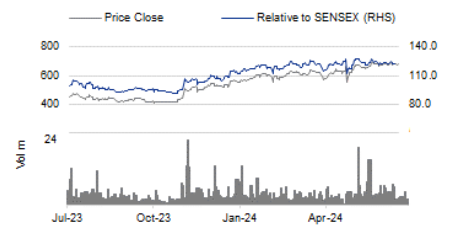
Consensus ratings\*: Buy 26 Hold 7 Sell 7

|                              |              |
|------------------------------|--------------|
| Current price:               | Rs680        |
| Target price:                | Rs775 ▲      |
| Previous target:             | Rs716        |
| Up/downside:                 | 14.0%        |
| InCred Research / Consensus: | 14.7%        |
| Reuters:                     | ABUJ.NS      |
| Bloomberg:                   | ACEM IN      |
| Market cap:                  | US\$23,064m  |
|                              | Rs1,674,801m |
| Average daily turnover:      | US\$33.2m    |
|                              | Rs2412.4m    |
| Current shares o/s:          | 1,985.7m     |
| Free float:                  | 30.6%        |

\*Source: Bloomberg

**Key changes in this note**

- EBITDA cut by ~2-6% for FY25F/26F.
- Raise target price marginally to Rs775 from Rs716, as we roll forward to Sep 2025F.
- Introduce FY27F estimates.




Source: Bloomberg

| Price performance | 1M    | 3M    | 12M  |
|-------------------|-------|-------|------|
| Absolute (%)      | 1.4   | 9.7   | 46.9 |
| Relative (%)      | (1.4) | (0.1) | 19.4 |

| Major shareholders                  | % held |
|-------------------------------------|--------|
| Promoter & Promoter Group           | 70.3   |
| Life Insurance Corporation of India | 5.1    |
| GQG Partners                        | 1.4    |

**Research Analyst(s)**



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# Ambuja Cements Ltd

## 1Q EBITDA miss; ambitious growth path intact

- 1Q standalone/consol. EBITDA stood at Rs6.5bn/~Rs13bn, respectively, below our/consensus estimates, primarily due to lower-than expected realization.
- ACEM targets total cost/t of Rs3,650 by FY28F (a dip of >Rs500). Cash balance of ~Rs183bn, as of Jun 2024-end, to accelerate expansion program.
- We cut our FY25F-26F EBITDA estimates by ~2-6% to factor in near-term industry headwinds. Retain ADD rating with a higher target price of Rs775.

### Volume/realization weak in 1Q; growth plan remains intact

Ambuja Cements or ACEM's standalone 1QFY25 sales volume grew by ~2% yoy to 9.3mt, including the inter-company cement/clinker sales under MSA (~4.43mt), which got nullified in the consol. numbers, while at the consol. level, volume grew by ~3% yoy to 15.8mt). In 1Q, ACEM highlighted that demand was affected due to general elections in India and early onset of the monsoon in some markets. Sanghi has contributed to double its volume in Gujarat and the company expects it to achieve full capacity utilization by FY25F. Cement realization was down by ~3.5% qoq. Management has highlighted that strong cement demand post-monsoon to bring back the pricing momentum. ACEM has lost volume growth in South and East India due to capacity constraints whereas it has retained market share in Central India and gained market share in West and North India. Management expects the industry to grow by 7-9% in FY25F due to strong demand from the housing and infrastructure sectors. Consol. capacity to reach ~100mtpa by 2QFY26F, 112mtpa by FY26F, from 89mtpa currently (including the announced Penna buyout). ACEM has identified 14 additional grinding unit projects for which work is on track to reach ~140mtpa by FY28F. ACEM added 275mt new limestone reserves secured in 1Q, with the total reserves reaching 8.1bnmt at a premium <3%. Fig. 11 shows the capacity addition timeline.

### Consol. unit EBITDA at Rs810; targets cost reduction of >Rs500/t

Standalone unit EBITDA was down by Rs145/t qoq to Rs695/t while consol. unit EBITDA down by Rs219 qoq to ~Rs810. During 1Q, ACEM's raw material cost was higher due to purchase of clinker. ACEM now expects first phase of 200MW green power to get commissioned in Aug 2024F vs. the earlier timeline of 1QFY25. Management maintained its target of cost reduction to Rs550/t with ~40% of the savings expected from logistics (targets reducing primary lead distance by 100km) and 55-60% from manufacturing operations. ACEM expects WHRS capacity at 186MW by Mar 2025F vs. 165MW currently. Besides, 200MW renewable power generation capacity is expected to get commissioned by 2QFY25F and it aims to commission 1GW of renewable energy or RE by FY26F, which will reduce the cost by Rs90/t. The target is to achieve cost leadership by leveraging group adjacencies in areas like energy cost, supply chain & infrastructure going ahead.

### Retain ADD with a slightly higher target price of Rs775 (Rs716 earlier)

We retain ADD rating on ACEM and roll forward to Sep 2025F target price of Rs775, based on implied consol. EV/EBITDA of 17x (unchanged). Though its current valuation is at a marginal premium vs. its long-term median, the premium is to reflect the possibility of a potential rise, and cost-saving synergies with group companies. On B/S, ACEM had a cash balance of Rs183bn in Jun 2024 vs. Rs243.4bn in Apr 2024. Downside risks: Pricing pressure, delay in projects, rise in input costs and dismal demand growth.

### Financial Summary

|                                   | Mar-23A | Mar-24A | Mar-25F | Mar-26F | Mar-27F |
|-----------------------------------|---------|---------|---------|---------|---------|
| Revenue (Rsm)                     | 199,854 | 179,193 | 202,646 | 236,306 | 274,469 |
| Operating EBITDA (Rsm)            | 32,204  | 33,708  | 40,234  | 52,918  | 66,432  |
| Net Profit (Rsm)                  | 25,535  | 23,663  | 28,319  | 37,602  | 47,468  |
| Core EPS (Rs)                     | 13.5    | 11.9    | 12.7    | 15.3    | 19.3    |
| Core EPS Growth                   | 26.1%   | (12.3%) | 7.4%    | 19.9%   | 26.2%   |
| FD Core P/E (x)                   | 52.87   | 57.06   | 53.41   | 44.54   | 35.28   |
| DPS (Rs)                          | 2.5     | 2.0     | 2.3     | 3.7     | 4.6     |
| Dividend Yield                    | 0.37%   | 0.29%   | 0.34%   | 0.54%   | 0.68%   |
| EV/EBITDA (x)                     | 41.15   | 37.44   | 32.70   | 28.23   | 22.65   |
| P/FCFE (x)                        | (18.45) | (27.84) | 70.41   | 34.00   | 29.67   |
| Net Gearing                       | (8.7%)  | (23.8%) | (36.2%) | (31.6%) | (28.0%) |
| P/BV (x)                          | 4.74    | 3.65    | 3.08    | 2.93    | 2.75    |
| ROE                               | 10.6%   | 7.2%    | 6.2%    | 6.7%    | 8.0%    |
| % Change In Core EPS Estimates    |         |         | (0.18%) | (0.23%) | (0.21%) |
| InCred Research/Consensus EPS (x) |         |         |         |         |         |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## 1QFY25 results review

Figure 1: Standalone quarterly performance

| Particulars (Rs m)                | 1QFY25        | 1QFY25F        | 4QFY24        | 1QFY24        | % Change    |             |             |
|-----------------------------------|---------------|----------------|---------------|---------------|-------------|-------------|-------------|
|                                   |               |                |               |               | 1QFY25F     | 4QFY24      | 1QFY24      |
| Net Sales                         | 45,158        | 46,020         | 47,803        | 47,297        | -2%         | -6%         | -5%         |
| Raw Materials Consumed            | 13,768        | 11,873         | 14,725        | 9,690         | 16%         | -6%         | 42%         |
| Freight and Forwarding Expenses   | 10,181        | 10,413         | 10,465        | 10,465        | -2%         | -3%         | -3%         |
| Power and Fuel Costs              | 9,099         | 9,840          | 8,878         | 11,715        | -8%         | 2%          | -22%        |
| Employee Costs                    | 1,382         | 1,333          | 1,319         | 1,694         | 4%          | 5%          | -18%        |
| Other Expenses                    | 4,268         | 5,632          | 4,439         | 4,247         | -24%        | -4%         | 0%          |
| <b>Total Expenditure</b>          | <b>38,698</b> | <b>39,091</b>  | <b>39,825</b> | <b>37,812</b> | <b>-1%</b>  | <b>-3%</b>  | <b>2%</b>   |
| <b>EBITDA</b>                     | <b>6,460</b>  | <b>6,929</b>   | <b>7,978</b>  | <b>9,486</b>  | <b>-7%</b>  | <b>-19%</b> | <b>-32%</b> |
| Depreciation                      | 2,450         | 2,493          | 2,440         | 2,319         | -2%         | 0%          | 6%          |
| <b>EBIT</b>                       | <b>4,010</b>  | <b>4,436</b>   | <b>5,538</b>  | <b>7,167</b>  | <b>-10%</b> | <b>-28%</b> | <b>-44%</b> |
| Interest                          | 409           | 406            | 338           | 396           | 1%          | 21%         | 3%          |
| Other Income                      | 4,203         | 1,876          | 1,768         | 1,895         | 124%        | 138%        | 122%        |
| <b>PBT</b>                        | <b>7,675</b>  | <b>5,906</b>   | <b>6,810</b>  | <b>8,665</b>  | <b>30%</b>  | <b>13%</b>  | <b>-11%</b> |
| Tax                               | 1,969         | 1,476          | 1,487         | 2,216         | 33%         | 32%         | -11%        |
| <b>Recurring PAT</b>              | <b>5,707</b>  | <b>4,429</b>   | <b>5,323</b>  | <b>6,449</b>  | <b>29%</b>  | <b>7%</b>   | <b>-12%</b> |
| Extraordinary Items               | 129           | 0              | 158           | 0             |             |             |             |
| <b>Reported PAT</b>               | <b>5,707</b>  | <b>4,429</b>   | <b>5,323</b>  | <b>6,449</b>  | <b>29%</b>  | <b>7%</b>   | <b>-12%</b> |
| EPS (Rs)                          | 2.9           | 2.2            | 2.7           | 3.2           | 29%         | 7%          | -12%        |
| <b>Margins (%)</b>                | <b>1QFY25</b> | <b>1QFY25F</b> | <b>4QFY24</b> | <b>1QFY24</b> |             |             |             |
| Gross Margin                      | 21%           | 25%            | 23%           | 28%           | -391 bp     | -207 bp     | -682 bp     |
| EBITDA Margin                     | 14%           | 15%            | 17%           | 20%           | -75 bp      | -238 bp     | -575 bp     |
| EBIT Margin                       | 9%            | 10%            | 12%           | 15%           | -76 bp      | -271 bp     | -627 bp     |
| PBT Margin                        | 17%           | 13%            | 14%           | 18%           | 416 bp      | 275 bp      | -132 bp     |
| PAT Margin                        | 13%           | 10%            | 11%           | 14%           | 301 bp      | 150 bp      | -100 bp     |
| Tax Rate                          | 26%           | 25%            | 22%           | 26%           | 65 bp       | 381 bp      | 7 bp        |
| <b>Cost Items as a % of Sales</b> |               |                |               |               |             |             |             |
| RM + Freight + P&F Costs          | 73%           | 70%            | 71%           | 67%           | 337 bp      | 192 bp      | 580 bp      |
| Employee Costs                    | 3%            | 3%             | 3%            | 4%            | 16 bp       | 30 bp       | -52 bp      |
| Other Expenses                    | 9%            | 12%            | 9%            | 9%            | -279 bp     | 17 bp       | 47 bp       |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: 1QFY25 results: Per tonne analysis

| Per tonne analysis    | 1QFY25      | 1QFY25F     | 4QFY24      | 1QFY24      | % Change  |            |           |
|-----------------------|-------------|-------------|-------------|-------------|-----------|------------|-----------|
|                       |             |             |             |             | 1QFY25F   | 4QFY24     | 1QFY24    |
| Sales volume (Cement) | 9.30        | 9.37        | 9.50        | 9.10        | -0.8%     | -2.1%      | 2.2%      |
| Realization           | 4,856       | 4,910       | 5,032       | 5,197       | -1.1%     | -3.5%      | -6.6%     |
| EBITDA/t              | 695         | 739         | 840         | 1,042       | -6%       | -17%       | -33%      |
| RM Cost/t             | 1,480       | 1,267       | 1,550       | 1,065       | 17%       | -4%        | 39%       |
| P&F Costs/t           | 978         | 1,050       | 934         | 1,287       | -7%       | 5%         | -24%      |
| Freight Costs/t       | 1,095       | 1,111       | 1,102       | 1,150       | -1%       | -1%        | -5%       |
| Employee Costs/t      | 149         | 142         | 139         | 186         | 4%        | 7%         | -20%      |
| Other Expenses/t      | 459         | 601         | 467         | 467         | -24%      | -2%        | -2%       |
| <b>Total Costs/t</b>  | <b>4161</b> | <b>4171</b> | <b>4192</b> | <b>4155</b> | <b>0%</b> | <b>-1%</b> | <b>0%</b> |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

# 1Q EBITDA miss; ambitious growth path intact

## 1QFY25 results review and earnings-call takeaways

### Update on operational performance:

#### Demand & Pricing:

- **Volume:** During 1Q, standalone cement volume stood at 9.3mt (~1% below our expectation), up ~2% yoy and down ~2% qoq. Sanghi Industries' volume came in at 0.7mt in 1Q vs. 0.8mt qoq. Consol. Volume stood at 15.8mt, up 3% yoy.
- Management outlook on the sector: Cement demand is likely to grow by 7-9% in FY25F, driven by strong correlation with GDP growth and rising demand from the housing and infrastructure sectors.
- On consolidation & ACEM strategy: As per ACEM, the share of Top-5 players touched ~60% vs. 45% in FY18, ACEM has always focused on structured expansion and getting good assets rather than aggressively targeting expansion. ACEM bids for assets which are valued lesser than US\$80/t.
- Infrastructure capex contributes ~24% to demand, ~75-80% is from the private sector and the remaining from the government.
- ACEM's current market share remains at 14%, and it has increased capacity by 21.5mtpa since acquisition.
- On Sanghi: Sanghi assets have doubled ACEM volume in Gujarat. ACEM expects it to operate at full utilization level by FY25F. ACEM is also considering investment in wind energy at Sanghi facilities due to surplus availability of land. Current energy cost is Rs7.5/unit whereas wind cost is around Rs4/unit.
- Pricing: Prices were soft in 1Q due to the demand which was affected by general elections in India, early onset of the monsoon, and new capacity entering the market exerting pressure on prices. Management believes the prices will recover from 3QFY25F and current prices have bottomed out, as per management. Prices are down by 5-6% qoq.
- Realization: Cement realization was down by ~4% qoq to ~Rs4,856/t (~1% below our estimate).
- Penna cement brand will be used in the markets of South India where it has better positioning along with ACC and Ambuja Cements brand.
- ACEM had lower volume growth in southern and eastern markets due to capacity constraints, but it has gained market share in northern and western regions while maintaining market share in the central region, as per management.

#### Costs & Margins

- **Costs:** Overall blended costs/t were similar to our estimate (down 1% qoq and flat yoy on account of a) P&F costs being up by ~5% qoq and down ~24% yoy. b) Logistics costs/t down 1% qoq and 5% yoy. c) Fixed expenses were flat qoq and down 12% yoy. d) Raw materials consumed declining by ~4% qoq and rising by ~39% yoy. **During 1Q, ACEM reclassified the cost of royalty on minerals as the cost of raw materials consumed was put under other expenses.**
- **Kiln fuel cost (on consol. basis)** came in at Rs1.73/Kcal and vs. Rs1.84/Kcal qoq and Rs2.08/Kcal yoy. Higher linkage coal volume and improved coal volume from Gare Palma (captive coal mine) contributed to ~17% reduction in kiln fuel costs (consolidated) from Rs2.08 to Rs1.73 on a Kcal basis.
- ACEM believes that savings from green power to start contributing from Aug 2025F.
- During 1Q, raw material costs were higher due to the purchase of clinker. Once operational, Penna assets will provide good clinker at cost-effective prices.

- During 1Q, secondary lead distance reduced by 9km to 46km. Primary lead distance reduced to 270km vs 275km yoy.
- Out of 11 rail rakes ordered, 9 have been delivered and ythe remaining 2 to be delivered by 2QFY25F. ACEM will start using EV trucks on some routes by 2QFY25F.
- **EBITDA:** Standalone EBITDA for the quarter came in at ~Rs6.5bn (~7% below our estimate), down ~19% qoq and ~32% yoy. Unit EBITDA stood at Rs695/t during the quarter vs. our estimate of Rs739/t vs. Rs840/t qoq and Rs1,042/t yoy.
- **Reported PAT** came in at ~Rs5.71bn, up ~7% qoq and down 12% yoy. Other income was up 122% yoy at Rs4.2bn.
- ACEM is focusing on achieving 8-10% cost optimization based on cost efficiency measures taken.
- **Consol. cash and cash equivalents** as of Jun 2024-end stood at ~Rs183bn vs. ~Rs243.4bn in Apr 2024. Capex growth from the existing 78.9mtpa to 140mtpa by 2028F will be met through internal accruals and operating cash flow.

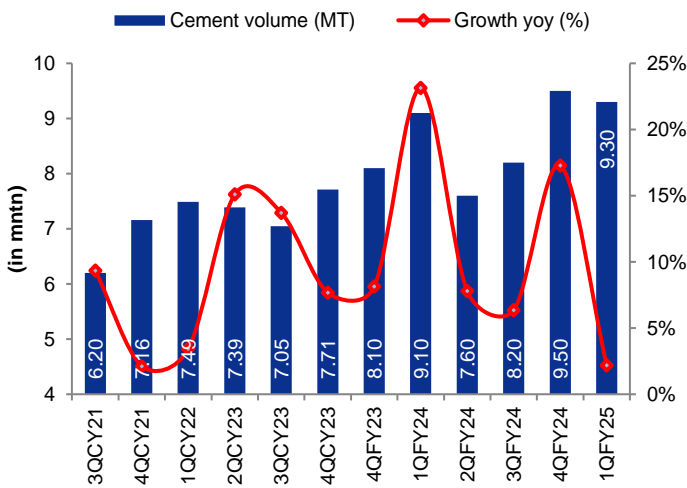
### Other updates during the quarter and year

- The company added 275mt limestone reserves in 1QFY25.
- Penna transaction is expected to be closed by 2QFY25F. On a consol. Basis, the capacity will go to 89mtpa and on track to achieve the 140mtpa plan by FY28F.
- Green power share stood at ~18.4% and the same will improve to ~31% by FY25F and 60% by FY28F. This will contribute to the reduction in overall cost of power by ~33%.
- ACEM, on a consol, basis, will have a capex of Rs100bn in FY25F towards both growth and maintenance, ACEM expects cash equivalent to be Rs100-110bn for FY25F after factoring in PGCIL capex and capex based on healthy cash flow.
- The first phase of 200MW green power will now commence in 2QFY25F vs the w
- Out of the total Rs60bn capex for green power, Rs15bn is already spent, Rs45bn will be spent over the next 12 months, and Rs5bn by Sep 2025F.
- **ACEM aims WHRS capacity of 186MW by FY25F.** ACEM will continue to bid for domestic coal mines auctioned by the government to meet its energy requirements.
- **On Penna acquisition:** This acquisition is in advanced stages of negotiations. Expect 100% integration by 2Q or 3QFY25F. Krishnapatnam and Jodhpur projects timeline is intact despite some delay.
- Consol. capacity to touch 100mtpa by 2QFY26F, and 112mtpa by FY26F.14 additional GU projects identified for which work is on track to touch 140mtpa by FY28F.
- Cash declined qoq on account of allocation to expansion programmes.
- **Expansion status (Ambuja Cements consolidated):** - Brownfield expansions for clinker capacity of 11mtpa and cement capacity of 23.4mtpa across 14 sites progressing well, as per plan. Out of this, 4mtpa clinker line 3 at Bhatapara (Chhattisgarh) is expected to be completed by 4QFY25F and 6.4mtpa grinding facility (Sankrail 2.4mtpa, Farakka 2.4mtpa and Sindri 1.6mtpa) expected between 3Q-4Q FY25F. In addition, pre-operative work on the 28mtpa grinding facility and 22mtpa clinker facility is under progress.
- Capacity utilization of Ambuja Cements consolidated stood at ~80% in 1Q vs. ~82% qoq.
- For Ambuja Cements consolidated, the trade mix was at 77%; premium products at ~24% of trade sales during 1Q.
- Direct dispatches increased by ~2% to 62%.

- Consol. installed cement capacity in 1QFY25F touched 89mtpa from 77mtpa in FY24.
- **Region-wise - consolidated volume share during the quarter:** North ~26% vs. 21% qoq and 26% yoy, East ~26% vs. ~15% qoq and 28% yoy, South 8% vs. 9% yoy, Central ~18% vs. ~7% qoq and 4% yoy, West 22% vs. 22% qoq and 20% yoy.
- **On limestone expiry by 2030:** ACEM's 19 lease mining rights to get expired by 2030F (mostly from ACC), Out of them, only 11 will be available for future mining as the rest have completed their life cycle. ACEM will be using limestone from the mines nearing their lifecycle. For renewal of the lease, the company will have to comply as per the rule of law. But lease expiry is not a major issue, as per the company, with Penna having 50 operating sites of cement, of which only four sites will have leases.

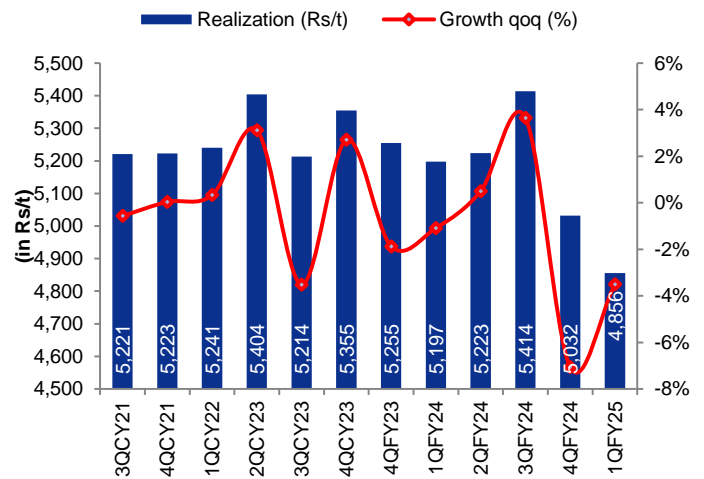
Key charts >

Figure 3: Cement sales volume, including clinker, up ~2% yoy



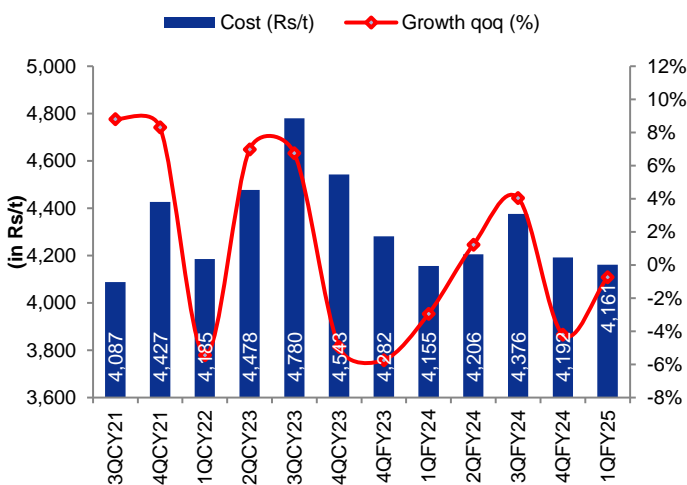
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Realization declined by ~4% qoq during the quarter



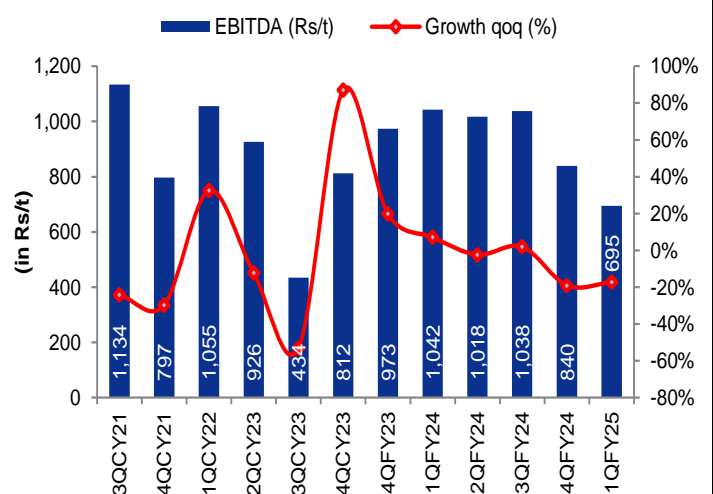
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Total operating cost/t decreased by 1% qoq and flat yoy



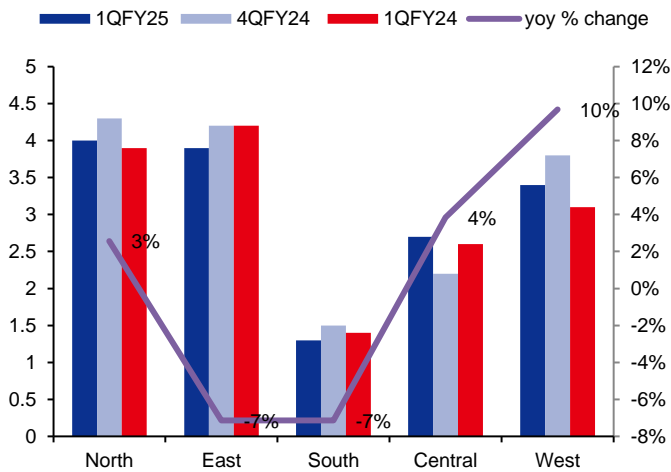
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Unit EBITDA declined by Rs145/t qoq to Rs695/t during the quarter



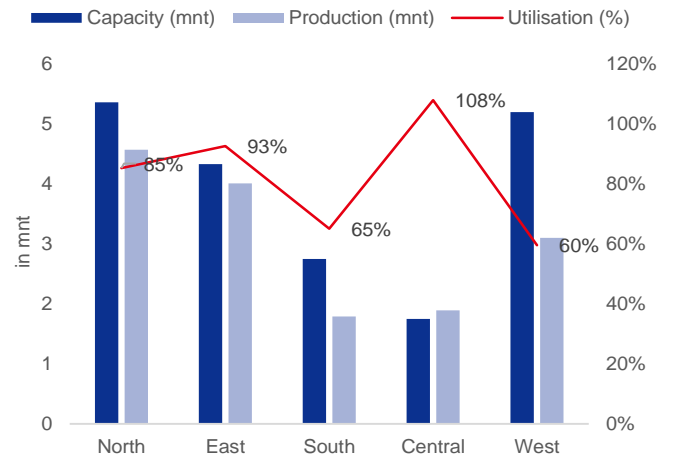
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Adani Cements' region-wise trade sales (in mt)



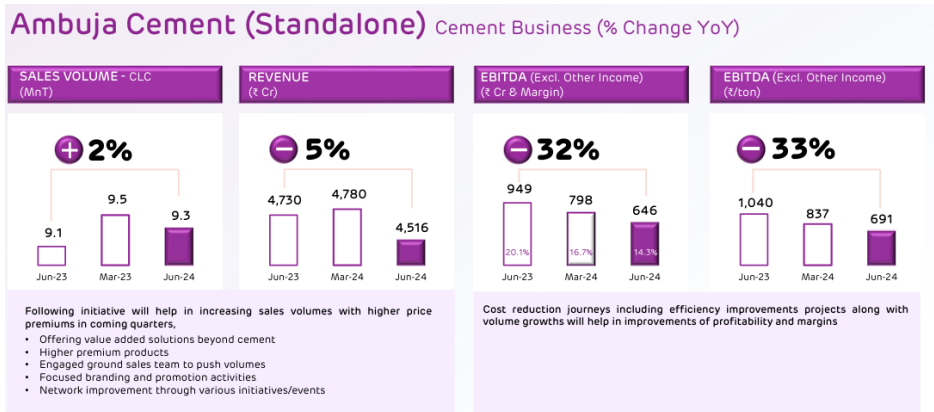
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Adani Cements' region-wise capacity & production in 1QFY25



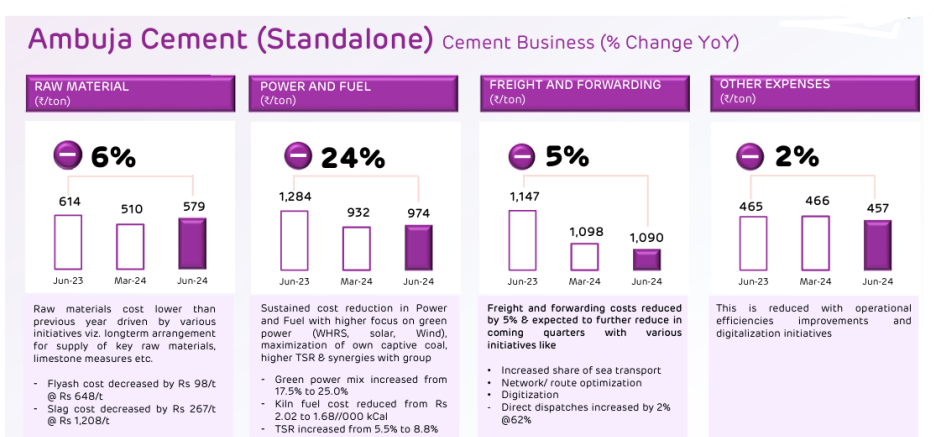
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: ACEM (standalone) cement business 1Q operational performance overview



SOURCE: INCRED RESEARCH, ACC-ACEM 1QFY25 INVESTOR PRESENTATION

Figure 10: ACEM (standalone) cement business 1Q cost performance



SOURCE: INCRED RESEARCH, ACC-ACEM 1QFY25 INVESTOR PRESENTATION

Figure 11: Adani Group's cements (ACC+ACEM) planned capacity expansion status

| Expansion project        | Capacity MTPA |             | Expeded<br>timeline for Current Status<br>completion  |
|--------------------------|---------------|-------------|---|
|                          | Clinker       | Cement      |   |
| Bathinda                 | NA            | 1.2         | 2QFY26F Land available, EC expected in Jul 2024, major equipment ordered  |
| Bhatapara Line 3 (CU)    | 4             | NA          | 4QFY25F Civil work 80% completed; overall project 47% completed; receipt of major equipment received at site                      |
| Maratha Line 2 (CU)      | 4             | NA          | 2QFY26F 25% ordering completed by EPC partner; construction in progress   |
| Sankrail (GU)            | NA            | 2.4         | 3QFY25F EPC contract awarded; 66% civil work has been completed; overall project 48% completed; major equipment received at site. |
| Marwar (GU)              | NA            | 2.4         | 2QFY26F EPC contract awarded in Jun 2024; project execution has started   |
| Farakka (GU)             | NA            | 2.4         | 3QFY25F (Phase-I) Civil work 59% & overall project 46% completed; major equipment received at site                                |
| Sindri (GU)              | NA            | 1.6         | 4QFY25F 79% ordering completed by EPC partner; delivery of major equipment has commenced  |
| Salai Banwa (GU)         | NA            | 2.4         | 1QFY26F 67% ordering completed by EPC partner; 11% civil work completed   |
| Mundra (GU)              | NA            | 2.4         | 3QFY26F (1st Line), 1QFY27F (2nd Line) CTE / EC approvals expected by Aug 2024F; Lol Issued- Pre-project activity under progress  |
| Warishaliganj (GU)       | NA            | 2.4         | 3QFY26F EPC contract awarded; pre-project activities in progress  |
| Dahej Line-2 (GU)        |               | 1.2         | 3QFY26F Contract awarded for major equipment; civil piling work has started.  |
| Kalamboli (Blending)     |               | 1           | 3QFY26F Contract awarded for major equipment; project work has started  |
| Jodhpur (Penna IU)       | 3             | 2           | 3QFY26F EPC contract awarded, 66% civil work & 75 % Engg completed  |
| Krishnapatnam Penna (GU) |               | 2           | Project under execution   |
| <b>Total</b>             | <b>11</b>     | <b>23.4</b> |   |

SOURCE: INCRED RESEARCH, ACC-ACEM 1QFY25 INVESTOR PRESENTATION  
\*EC: ENVIRONMENT CLEARANCE; EPC: ENGINEERING PROCUREMENT CONTRACT

Figure 12: Adani Cements – to enhance its capacity while remaining debt-free

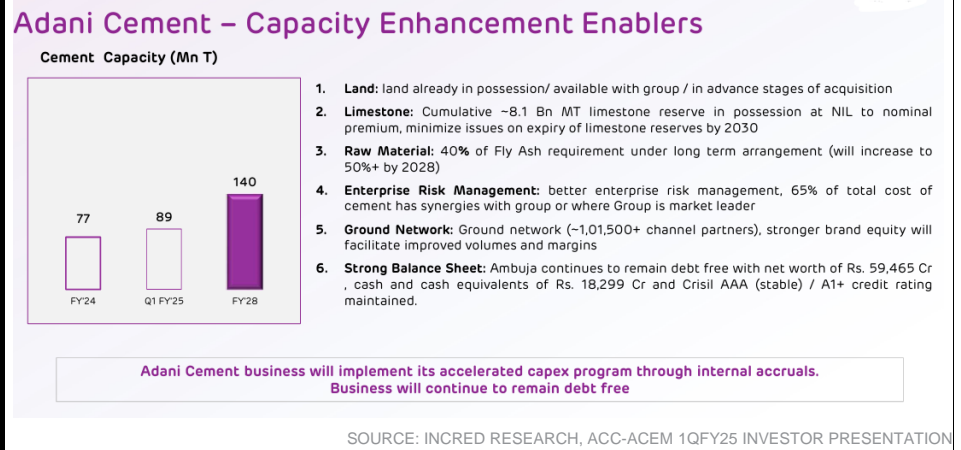
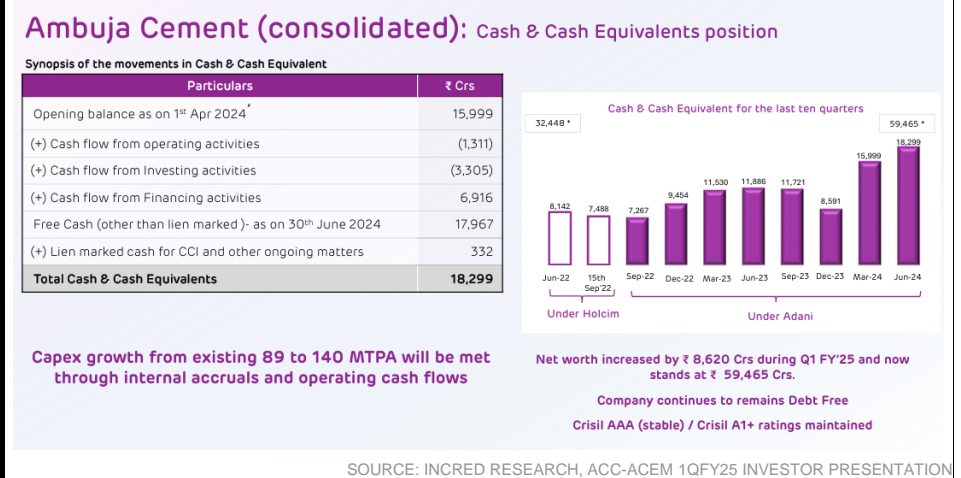
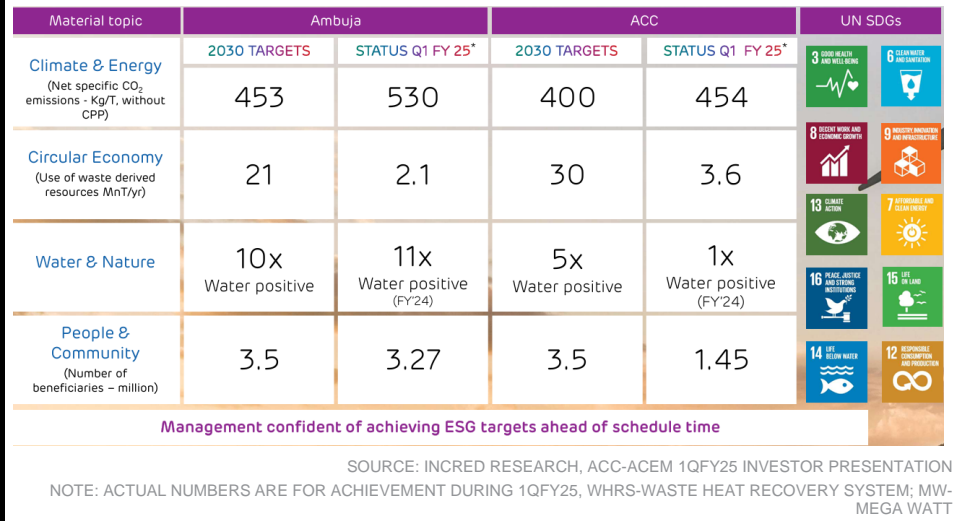


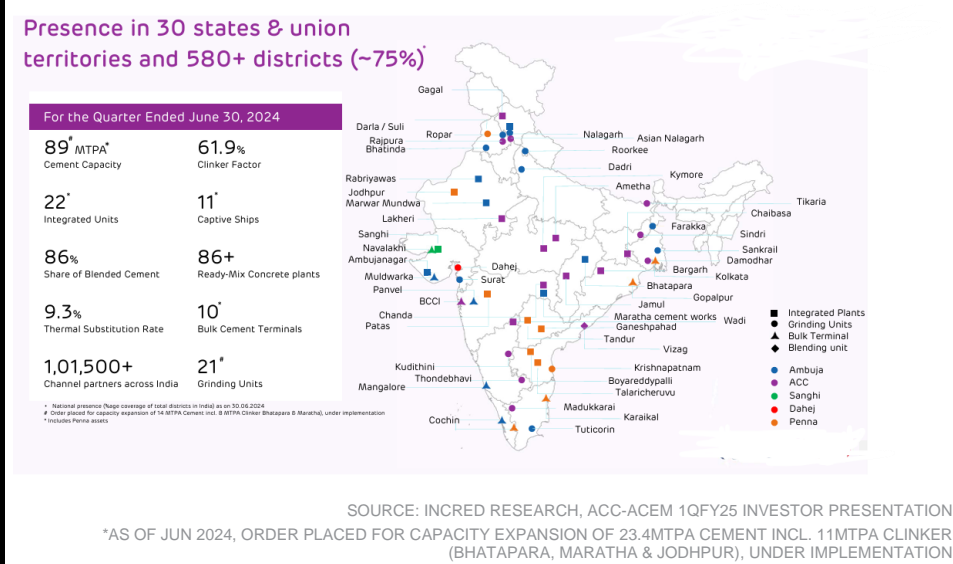
Figure 13: Adani Cements – improving cash profile



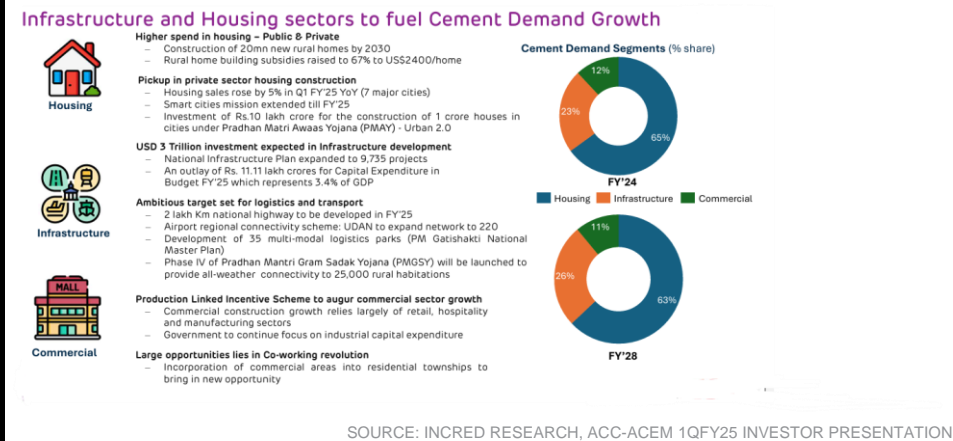
**Figure 14: Sustainability goal – ACEM-ACC’s strategy is led by Sustainable Development (SD) 2030 Plan; ACEM/ACC are confident of achieving the 2030F target much ahead of time**



**Figure 15: Adani Cements - presence in 30 states and 580+ districts (~75%)**



**Figure 16: Adani Cements on industry outlook**





## Key changes ➤

**Figure 17: Our revised earnings estimates**

| Rs. m         | New      |          | Change (%) |       | Old      |          |
|---------------|----------|----------|------------|-------|----------|----------|
|               | FY25F    | FY26F    | FY25F      | FY26F | FY25F    | FY26F    |
| Sales         | 2,02,646 | 2,36,306 | -1%        | -1%   | 2,05,200 | 2,39,283 |
| EBITDA        | 40,233   | 52,917   | -6%        | -2%   | 42,740   | 54,041   |
| Recurring PAT | 28,318   | 37,601   | -6%        | -2%   | 30,191   | 38,441   |
| EPS (Rs.)     | 11.5     | 15.3     | -6%        | -2%   | 12       | 16       |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 18: Changes in our estimates vs. Bloomberg consensus estimates**

| Rs. m  | Incred   |          |          | Consensus |          |          | Change (%) |       |       |
|--------|----------|----------|----------|-----------|----------|----------|------------|-------|-------|
|        | FY25F    | FY26F    | FY27F    | FY25F     | FY26F    | FY27F    | FY25F      | FY26F | FY27F |
| Sales  | 2,02,646 | 2,36,306 | 2,74,469 | 1,99,825  | 2,33,355 | 2,70,649 | 1%         | 1%    | 1%    |
| EBITDA | 40,233   | 52,917   | 66,431   | 41,746    | 55,407   | 70,829   | -4%        | -4%   | -6%   |
| PAT    | 28,318   | 37,601   | 47,467   | 29,365    | 39,127   | 44,057   | -4%        | -4%   | 8%    |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

**Figure 19: Key assumptions**

|                            | FY23F (15M)* | FY24A  | FY25F  | FY26F  | FY27F  |
|----------------------------|--------------|--------|--------|--------|--------|
| <b>Volume (in mtpa)</b>    | 38           | 34     | 39     | 45     | 52     |
| yoy                        | 40%          | -9%    | 14%    | 15%    | 15%    |
| <b>Realization (per t)</b> | 5,287        | 5,209  | 5,167  | 5,240  | 5,292  |
| yoy                        | 4%           | -1%    | -1%    | 1%     | 1%     |
| <b>Cost (per t)</b>        | 4,435        | 4,229  | 4,141  | 4,066  | 4,011  |
| yoy                        | 11%          | -5%    | -2%    | -2%    | -1%    |
| <b>EBITDA (per t)</b>      | 852          | 980    | 1,026  | 1,173  | 1,281  |
| yoy                        | -28%         | 15%    | 5%     | 14%    | 9%     |
| <b>EBITDA (Rs m)</b>       | 32,204       | 33,708 | 40,233 | 52,917 | 66,431 |
| yoy                        | 0%           | 5%     | 19%    | 32%    | 26%    |

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS  
\*NOTE: FINANCIAL YEAR IS FOR 15 MONTHS; YEAR-END CHANGES FROM DEC-MAR

**Figure 20: Maintain ADD rating on ACEM, with a Sep 2025F target price of Rs775**

| Particulars                        | Unit            | Valuation  |
|------------------------------------|-----------------|------------|
| Standalone FY27F EBITDA            | Rs mn           | 66,431     |
| 1- year Forward Multiple           | x               | 23         |
| End FY26F EV                       | Rs mn           | 15,27,916  |
| End FY26F Net Debt                 | Rs mn           | (1,80,623) |
| End FY26F Equity Value             | Rs mn           | 17,08,539  |
| ACC's Equity Value at our TP       | Rs mn           | 5,57,231   |
| ACEM's share in ACC                | %               | 50         |
| ACEM's share in ACC Market Cap     | Rs mn           | 2,78,671   |
| Value of Sanghi Industries         | Rs mn           | 30,630     |
| End FY26F Equity Value             | Rs mn           | 20,17,840  |
| End FY26F Equity Value             | Rs/share        | 819        |
| <b>1-year Forward Price Target</b> | <b>Rs/share</b> | <b>775</b> |

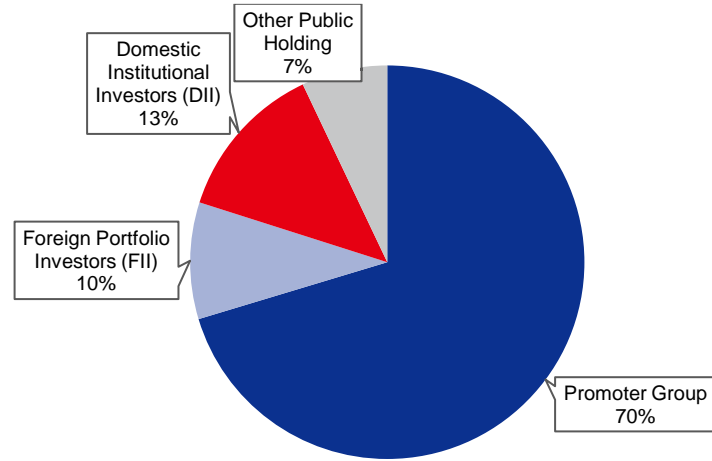
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS  
NOTE: INCLUDES VALUE OF SANGHI INDUSTRIES AT RS13/SHARE

**Figure 21: Maintain ADD rating with a Sep 2025F target price of Rs2,960, set at 12.5x EV/EBITDA**

| Valuation                        | TP           |
|----------------------------------|--------------|
| Target EV/EBITDA (x)             | 12.5         |
| Target EV (Rs m)                 | 5,11,698     |
| Net debt / (cash) (Rs m)         | (45,533)     |
| No. of shares (m)                | 188          |
| <b>Fair value per share (Rs)</b> | <b>2,960</b> |

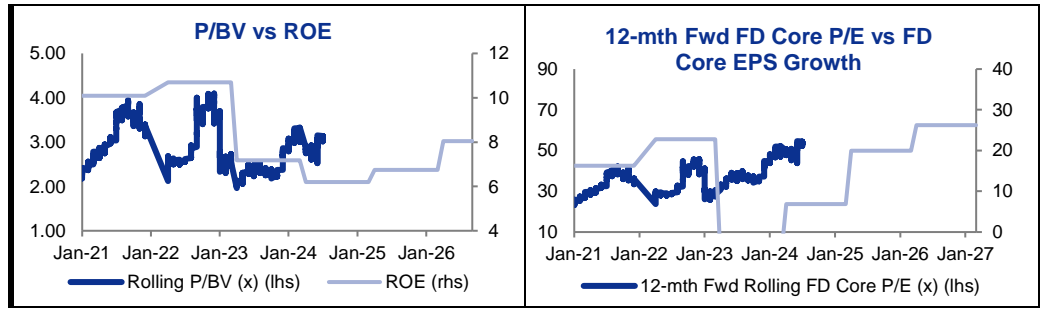
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 22: ACEM's shareholding pattern (as of end-Jun 2024)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

| (Rs mn)                                   | Mar-23A | Mar-24A | Mar-25F | Mar-26F  | Mar-27F  |
|---|---------|---------|---------|----------|----------|
| <b>Total Net Revenues</b>                 | 199,854 | 179,193 | 202,646 | 236,306  | 274,469  |
| <b>Gross Profit</b>                       | 199,854 | 179,193 | 202,646 | 236,306  | 274,469  |
| <b>Operating EBITDA</b>                   | 32,204  | 33,708  | 40,234  | 52,918   | 66,432   |
| Depreciation And Amortisation             | (8,324) | (9,380) | (9,942) | (11,135) | (12,472) |
| <b>Operating EBIT</b>                     | 23,880  | 24,329  | 30,291  | 41,782   | 53,961   |
| Financial Income/(Expense)                | (1,280) | (1,623) | (1,590) | (1,574)  | (1,558)  |
| Pretax Income/(Loss) from Assoc.          |         |         |         |          |          |
| Non-Operating Income/(Expense)            | 9,523   | 8,526   | 9,208   | 10,129   | 11,142   |
| <b>Profit Before Tax (pre-EI)</b>         | 32,123  | 31,233  | 37,910  | 50,338   | 63,545   |
| Exceptional Items                         | (1,573) | 158     |         |          |          |
| <b>Pre-tax Profit</b>                     | 30,551  | 31,391  | 37,910  | 50,338   | 63,545   |
| Taxation                                  | (5,016) | (7,728) | (9,591) | (12,735) | (16,076) |
| Exceptional Income - post-tax             |         |         |         |          |          |
| <b>Profit After Tax</b>                   | 25,535  | 23,663  | 28,319  | 37,602   | 47,468   |
| Minority Interests                        |         |         |         |          |          |
| Preferred Dividends                       |         |         |         |          |          |
| FX Gain/(Loss) - post tax                 |         |         |         |          |          |
| Other Adjustments - post-tax              |         |         |         |          |          |
| <b>Net Profit</b>                         | 25,535  | 23,663  | 28,319  | 37,602   | 47,468   |
| Recurring Net Profit                      | 26,849  | 23,544  | 28,319  | 37,602   | 47,468   |
| <b>Fully Diluted Recurring Net Profit</b> | 26,849  | 23,544  | 28,319  | 37,602   | 47,468   |

Cash Flow

| (Rs mn)                          | Mar-23A  | Mar-24A  | Mar-25F  | Mar-26F  | Mar-27F  |
|----------------------------------|----------|----------|----------|----------|----------|
| <b>EBITDA</b>                    | 32,204   | 33,708   | 40,234   | 52,918   | 66,432   |
| Cash Flow from Invt. & Assoc.    |          |          |          |          |          |
| Change In Working Capital        | 50,455   | (25,773) | 257      | 3,560    | 542      |
| (Incr)/Decr in Total Provisions  |          |          |          |          |          |
| Other Non-Cash (Income)/Expense  | 9,523    | 8,526    | 9,208    | 10,129   | 11,142   |
| <b>Other Operating Cashflow</b>  | (65,791) | 20,462   | 58,462   | 57,462   | 56,462   |
| Net Interest (Paid)/Received     | (1,280)  | (1,623)  | (1,590)  | (1,574)  | (1,558)  |
| Tax Paid                         | (5,016)  | (7,728)  | (9,591)  | (12,735) | (16,076) |
| <b>Cashflow From Operations</b>  | 20,096   | 27,574   | 96,980   | 109,760  | 116,944  |
| Capex                            | (21,116) | (18,837) | (75,500) | (60,500) | (60,500) |
| Disposals Of FAs/subsidiaries    |          |          |          |          |          |
| Acq. Of Subsidiaries/investments |          |          |          |          |          |
| <b>Cash Flow From Investing</b>  | (72,156) | (57,234) | (75,500) | (60,500) | (60,500) |
| Debt Raised/(repaid)             |          |          |          |          |          |
| Proceeds From Issue Of Shares    | 50,000   | 66,610   | 150,529  | (1)      | (1)      |
| Shares Repurchased               |          |          |          |          |          |
| Dividends Paid                   | (4,964)  | (3,971)  | (5,664)  | (9,024)  | (11,392) |
| Preferred Dividends              |          |          |          |          |          |
| Other Financing Cashflow         | (8,921)  | (5,668)  | (57,462) | (56,462) | (55,462) |
| <b>Cash Flow From Financing</b>  | 36,115   | 56,970   | 87,404   | (65,488) | (66,855) |
| Total Cash Generated             | (37,060) | 8,473    | 108,884  | (16,227) | (10,411) |
| <b>Free Cashflow To Equity</b>   | (73,176) | (48,497) | 21,480   | 49,260   | 56,444   |
| <b>Free Cashflow To Firm</b>     | (71,896) | (46,875) | 23,070   | 50,835   | 58,003   |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

| <b>Balance Sheet</b>                 |                |                |                |                |                |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>(Rs mn)</b>                       | <b>Mar-23A</b> | <b>Mar-24A</b> | <b>Mar-25F</b> | <b>Mar-26F</b> | <b>Mar-27F</b> |
| Total Cash And Equivalents           | 25,331         | 88,334         | 197,218        | 180,991        | 170,580        |
| Total Debtors                        | 5,649          | 7,168          | 7,218          | 8,416          | 9,776          |
| Inventories                          | 16,394         | 15,903         | 15,545         | 16,833         | 19,551         |
| Total Other Current Assets           | 65,091         | 38,656         | 39,516         | 43,717         | 50,777         |
| <b>Total Current Assets</b>          | <b>112,465</b> | <b>150,061</b> | <b>259,497</b> | <b>249,956</b> | <b>250,683</b> |
| Fixed Assets                         | 77,958         | 82,440         | 153,090        | 201,955        | 249,483        |
| Total Investments                    | 117,759        | 140,581        | 140,581        | 140,581        | 140,581        |
| Intangible Assets                    | 8,419          | 15,485         | 15,485         | 15,485         | 15,485         |
| Total Other Non-Current Assets       | 42,441         | 52,720         | 47,629         | 48,129         | 48,629         |
| <b>Total Non-current Assets</b>      | <b>246,576</b> | <b>291,227</b> | <b>356,784</b> | <b>406,149</b> | <b>454,177</b> |
| Short-term Debt                      | 135            | 179            | 179            | 179            | 179            |
| Current Portion of Long-Term Debt    |                |                |                |                |                |
| Total Creditors                      | 15,711         | 14,522         | 16,639         | 18,808         | 21,329         |
| Other Current Liabilities            | 48,389         | 49,944         | 48,635         | 56,713         | 65,873         |
| <b>Total Current Liabilities</b>     | <b>64,235</b>  | <b>64,645</b>  | <b>65,453</b>  | <b>75,700</b>  | <b>87,381</b>  |
| Total Long-term Debt                 | 342            | 189            | 189            | 189            | 189            |
| Hybrid Debt - Debt Component         |                |                |                |                |                |
| Total Other Non-Current Liabilities  | 9,409          | 6,389          | 7,389          | 8,389          | 9,389          |
| <b>Total Non-current Liabilities</b> | <b>9,751</b>   | <b>6,578</b>   | <b>7,578</b>   | <b>8,578</b>   | <b>9,578</b>   |
| Total Provisions                     |                |                |                |                |                |
| <b>Total Liabilities</b>             | <b>73,986</b>  | <b>71,223</b>  | <b>73,031</b>  | <b>84,279</b>  | <b>96,959</b>  |
| Shareholders Equity                  | 285,055        | 370,065        | 543,250        | 571,827        | 607,902        |
| Minority Interests                   |                |                |                |                |                |
| <b>Total Equity</b>                  | <b>285,055</b> | <b>370,065</b> | <b>543,250</b> | <b>571,827</b> | <b>607,902</b> |

| <b>Key Ratios</b>         |                |                |                |                |                |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
|                           | <b>Mar-23A</b> | <b>Mar-24A</b> | <b>Mar-25F</b> | <b>Mar-26F</b> | <b>Mar-27F</b> |
| Revenue Growth            | 43.1%          | (10.3%)        | 13.1%          | 16.6%          | 16.2%          |
| Operating EBITDA Growth   | 0.4%           | 4.7%           | 19.4%          | 31.5%          | 25.5%          |
| Operating EBITDA Margin   | 16.1%          | 18.8%          | 19.9%          | 22.4%          | 24.2%          |
| Net Cash Per Share (Rs)   | 12.52          | 44.30          | 79.92          | 73.33          | 69.11          |
| BVPS (Rs)                 | 143.56         | 186.37         | 220.56         | 232.17         | 246.81         |
| Gross Interest Cover      | 18.66          | 14.99          | 19.05          | 26.54          | 34.63          |
| Effective Tax Rate        | 16.4%          | 24.6%          | 25.3%          | 25.3%          | 25.3%          |
| Net Dividend Payout Ratio | 18.3%          | 16.9%          | 20.0%          | 24.0%          | 24.0%          |
| Accounts Receivables Days | 7.85           | 13.05          | 12.96          | 12.07          | 12.10          |
| Inventory Days            | 28.34          | 32.89          | 28.32          | 25.01          | 24.19          |
| Accounts Payables Days    | 29.57          | 37.93          | 35.02          | 35.28          | 35.21          |
| ROIC (%)                  | 15.7%          | 16.4%          | 14.2%          | 16.1%          | 17.6%          |
| ROCE (%)                  | 9.4%           | 7.4%           | 6.6%           | 7.5%           | 9.1%           |
| Return On Average Assets  | 8.9%           | 6.3%           | 5.7%           | 6.2%           | 7.2%           |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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