Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

August 1, 2024

Q1FY25 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	**ACCUMULATE**		**ACCUMULATE**	
Target Price	**701**		**701**	
Sales (Rs. m)	3,80,448	4,35,129	3,80,448	4,35,129
% Chng.	-	-		
EBITDA (Rs. m)	86,022	1,08,998	86,022	1,08,998
% Chng.	-	-		
EPS (Rs.)	15.8	22.0	15.8	22.0
% Chng.	-	-		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	3,89,368	3,31,596	3,80,448	4,35,129
EBITDA (Rs. m)	51,222	63,995	86,022	1,08,998
Margin (%)	*13.2*	*19.3*	*22.6*	*25.0*
PAT (Rs. m)	27,550	32,920	38,846	54,245
EPS (Rs.)	13.9	15.0	15.8	22.0
Gr. (%)	*(2.7)*	*8.0*	*5.3*	*39.6*
DPS (Rs.)	2.5	1.8	2.2	2.4
Yield (%)	*0.4*	*0.3*	*0.3*	*0.4*
RoE (%)	*9.7*	*9.0*	*8.2*	*9.8*
RoCE (%)	*12.1*	*13.0*	*13.8*	*15.2*
EV/Sales (x)	3.3	4.1	3.8	3.3
EV/EBITDA (x)	25.2	21.0	16.9	13.3
PE (x)	47.9	44.3	42.1	30.2
P/BV (x)	4.2	3.5	3.1	2.8

Key Data

Key Data	ABUJ.BO | ACEM IN
52-W High / Low	Rs.707 / Rs.404
Sensex / Nifty	81,868 / 25,011
Market Cap	Rs.1,636bn/ $ 19,533m
Shares Outstanding	2,463m
3M Avg. Daily Value	Rs.2692.08m

Shareholding Pattern (%)

Promoter's	70.33
Foreign	9.59
Domestic Institution	13.26
Public & Others	6.82
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.5)	17.5	43.9
Relative	(7.3)	2.8	16.8

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Ambuja Cement (ACEM IN)

Rating: ACCUMULATE | CMP: Rs664 | TP: Rs701

Quarter impacted by weak volume and NSR

Quick Pointers:

- FY25 capex expected to be Rs100bn; on track to achieve 112mtpa by FY26E; expect Penna integration by 3QFY25
- Share of green power to improve from c.18.4% to ~31%/60% by FY25/28E; to aid EBITDA by Rs100/t

Ambuja Cements' (ACEM) 1QFY25 cons. EBITDA was affected by soft cement pricing and weak volume growth. Cons. volume grew 2.6% YoY, while average NSR declined 2% QoQ on muted cement prices across regions. Mgmt. reiterated its target of cost savings of ~Rs500/t by FY28E driven by improving green power mix (incl. WHRS), captive coal mines, long-term procurement of critical RMs, and logistical synergies aided by addition of railway wagons and improving plant network across India. Although significant volume growth would start from incremental 4mtpa clinker capacity being built at Bhatapara and 6.4mtpa GU by 4QFY25, in the near term mgmt. is ramping up recently bought facilities. Penna acquisition is on track and mgmt. expects volumes to flow from 3QFY25 post deal consummation (to increase our TP by ~Rs40). The 1.5mtpa GU at Tuticorin has started receiving clinker supplies from Sanghipuram, while Sanghi facility is undergoing refurbishment, which would drive volume from 3QFY25. We continue to maintain our positive stance on the company for its swift execution and strategic initiatives undertaken to improve volume growth despite the ongoing weakness in cement pricing. We expect ACEM revenue/ EBITDA/ PAT to deliver CAGR of 15%/37%/28% over FY24-26E. The stock is trading at EV of 17.3x/13.6x FY25E/FY26E EBITDA. Maintain 'Accumulate' with TP of Rs701 valuing at 17x EV of Mar'26E EBITDA.

- **Cons. revenue declined on capacity constraints in East & lower NSR**: Cons. revenue declined by 5% YoY to Rs83.1bn (-7% QoQ) due to weak volume growth. Volumes grew just 2.6% YoY to 15.8mt (lower than PLe of 16.1mt) aided by 3.7mt MSA & Sanghi volumes during the quarter. In 1QFY25, ACEM suffered market share losses in East and South regions due to capacity constraints and maintenance shutdown. Market share increased in North/West and remained unchanged in the central region. Average realization declined 7% YoY to Rs5,260/t (-2% QoQ) as cement prices declined across regions. Std. revenue declined 4.5% YoY to Rs45.2bn (-6% QoQ; lower than PLe of Rs47.5bn) due to weak volume growth. Std. volumes grew 2.2% YoY to 9.3mt (-2% QoQ; PLe: 9.6mt).

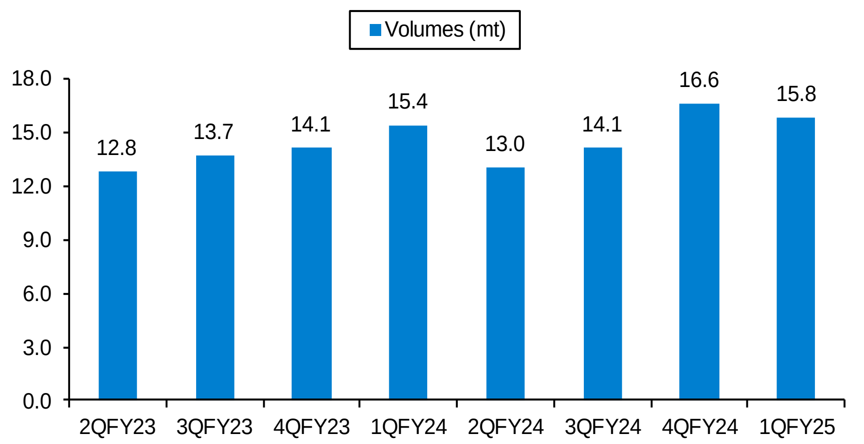
- **Weak cons. EBITDA/t on poor pricing & higher purchase of clinker:** Cons. EBITDA declined 23% YoY to Rs12.8bn (-25% QoQ) on muted volumes and lower NSR. P&F costs declined 13% YoY to Rs1,308/t aided by WHRS; WHRS share as a % of total power consumption increased by 3.6pp YoY to 15.1%. Kiln fuel costs declined 17% to Rs1.73/kcal aided by higher linkage coal volumes and captive mines. Freight cost too declined 8% YoY to Rs1,327/t. RM cost per ton increased 38% YoY to Rs998, which led to cons. EBITDA/t of Rs810 (-25% YoY/-21% QoQ).

Exhibit 1: Q1FY25 Result Overview – Consolidated

Y/e March (Rs mn)	1QFY25	4QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	**83,115**	**87,129**	***(4.6)***	**88,940**	***(6.5)***	**3,31,596**	**3,89,370**	***(14.8)***
Raw Material	15,773	11,138	*41.6*	15,864	*(0.6)*	49,228	51,109	*(3.7)*
% of Net Sales	*19.0*	*12.8*		*17.8*		*14.8*	*13.1*	
Staff Costs	3,170	3,777	*(16.1)*	3,142	*0.9*	13,528	18,565	*(27.1)*
% of Net Sales	*3.8*	*4.3*		*3.5*		*4.1*	*4.8*	
Power & Fuel	20,670	23,121	*(10.6)*	20,179	*2.4*	81,093	1,17,619	*(31.1)*
% of Net Sales	*24.9*	*26.5*		*22.7*		*24.5*	*30.2*	
Freight	20,961	22,119	*(5.2)*	21,191	*(1.1)*	80,006	95,237	*(16.0)*
% of Net Sales	*25.2*	*25.4*		*23.8*		*24.1*	*24.5*	
Other Expenses	9,743	10,305	*(5.5)*	11,577	*(15.8)*	43,746	55,747	*(21.5)*
% of Net Sales	*11.7*	*11.8*		*13.0*		*13.2*	*14.3*	
Total Expenditure	70,317	70,460	*(0.2)*	71,953	*(2.3)*	2,67,601	3,38,278	*(20.9)*
EBITDA	**12,798**	**16,670**	***(23.2)***	**16,987**	***(24.7)***	**63,995**	**51,092**	***25.3***
Margin (%)	*15.4*	*19.1*		*19.1*		*19.3*	*13.1*	
Depreciation	4,674	3,717	*25.7*	4,531	*3.2*	16,234	16,447	*(1.3)*
EBIT	**8,124**	**12,952**	***(37.3)***	**12,456**	***(34.8)***	**47,761**	**34,646**	***37.9***
Other income	3,547	2,632	*34.8*	2,335	*51.9*	11,664	7,509	*55.3*
Interest	678	521	*30.2*	929	*(27.0)*	2,764	1,949	*41.8*
PBT	**10,993**	**15,064**	***(27.0)***	**13,861**	***(20.7)***	**56,662**	**40,205**	***40.9***
Extraordinary income/(expense)	-	-	*NA*	2,116		2,116	(3,190)	*NA*
PBT (After EO)	10,993	15,064	*(27.0)*	15,977	*(31.2)*	58,777	37,015	*58.8*
Tax	3,131	3,762	*(16.8)*	754		11,626	7,051	*64.9*
% PBT	*28.5*	*25.0*		*4.7*		*19.8*	*19.0*	
Reported PAT	**7,862**	**11,302**	***(30.4)***	**15,224**	***(48.4)***	**47,151**	**29,964**	***57.4***
Minority Interest	4,706	2,299		4,706		11,612	4,410	*163.3*
Share of profit in JV/Associates	34	**53**		34		229	280	*(18.3)*
Net Profit Attributable to shareholders	**3,190**	**9,056**	***(64.8)***	**10,552**	***(69.8)***	**35,768**	**25,834**	***38.5***

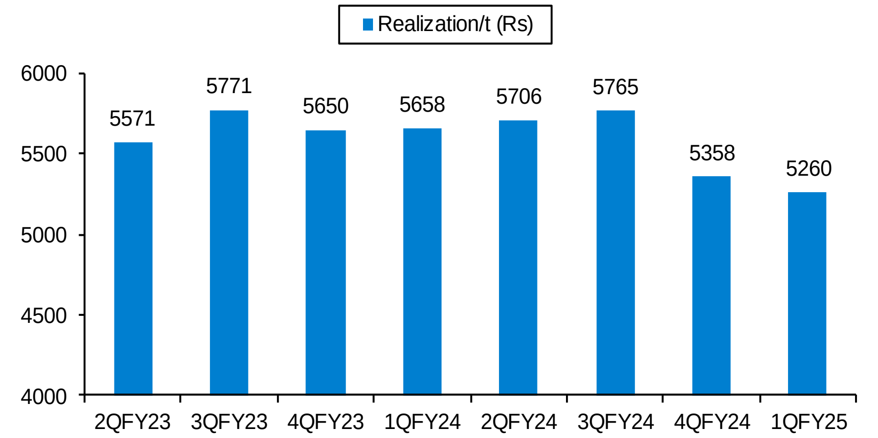
Source: Company, PL

Exhibit 2: Cons. volumes grew by 2.6% YoY aided by MSA



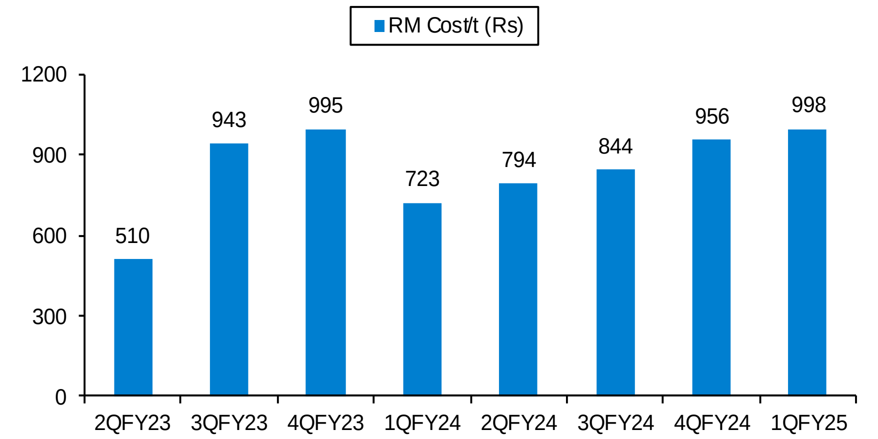
Source: Company, PL

Exhibit 3: NSR affected by overall fall in cement pricing across regions



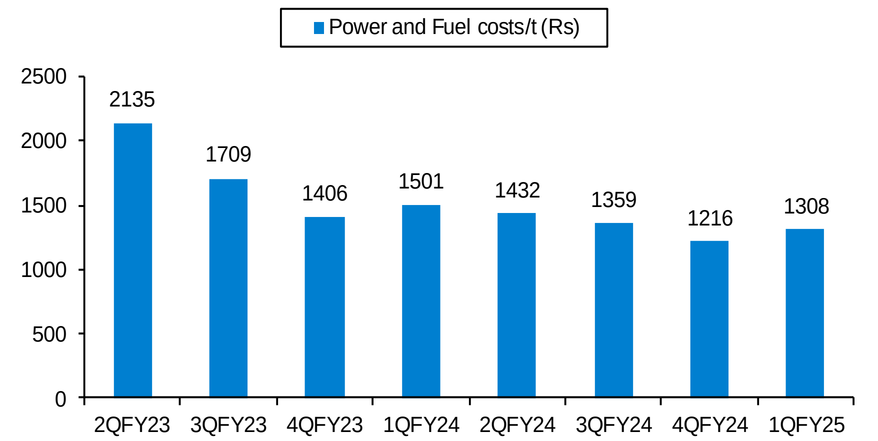
Source: Company, PL

Exhibit 4: RM cost per ton increased by 38% YoY on higher clinker purchase



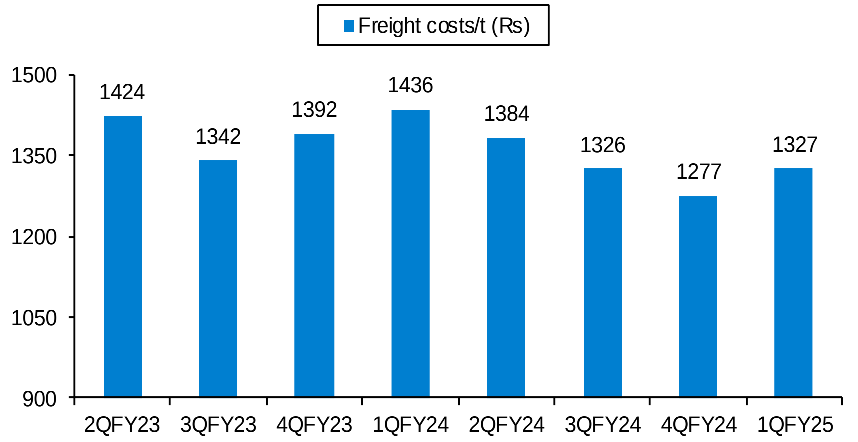
Source: Company, PL

Exhibit 5: Power and fuel costs per ton declined 13% YoY aided by WHRS



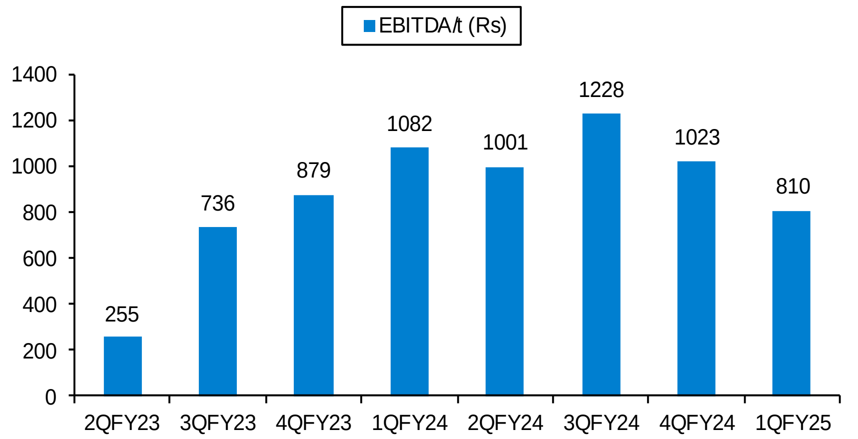
Source: Company, PL

Exhibit 6: Freight cost declined 8% YoY



Source: Company, PL

Exhibit 7: EBITDA per ton declined 25% YoY due to higher RM cost



Source: Company, PL

Conference Call Highlights:

- With the acquisition of Penna, consolidated capacity stands at 89mtpa.
- Consolidated capacity is expected to reach 100mtpa by 2QFY26 and 112mtpa by end-FY26.
- ACEM has identified 14 additional grinding units, for which land acquisitions and statutory approvals are in progress. This will enable the company to reach a capacity of 140 mtpa by FY28E.
- 4mtpa clinkering and 6.4mtpa cement capacity is on track to be commissioned by 4QFY25.
- Primary lead distance for Q1FY25 stood at 270km (276km QoQ), which is expected to reduce by 100km by FY28E, while secondary lead distance stood at 46km (48km QoQ).
- The grinding unit in Salai Banwa, UP, is to be commissioned in Q1FY26, while brownfield expansion/ grinding units in Bhatinda, Punjab, and Marwar Munda, Rajasthan, are to be commissioned in Q2FY26.
- The company won bids for two limestone mines with 275mt of reserves, in 1QFY25.
- Of Rs60bn capex for 1,000 MW renewable capacity (186 MW Wind and 840 MW Solar) by FY26, Rs15bn has been spent; 200 MW is to be commissioned in Q2FY25. ACEM expects to save ~Rs100/t in power costs by FY28.
- Blended cement share stood at 86%, premium share at 24% of trade sales, and fuel costs at Rs1.73/kcal. AFR share stood at 7%, while WHRS stood at 15.1%.
- An order for 11 GPIWS has been placed, of which 9 have been delivered, with the rest expected to be delivered by Q2FY25. Additionally, an order for 26 BCFC rakes has been placed for the safe and cost-efficient transportation of fly ash from thermal power plants.
- Growth and maintenance capex for FY25 is expected to be Rs100bn.
- The company aims to reduce costs by Rs550/t by FY28E.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	**3,89,368**	**3,31,596**	**3,80,448**	**4,35,129**
YoY gr. (%)	*34.4*	*(14.8)*	*14.7*	*14.4*
Cost of Goods Sold	51,109	49,228	58,532	65,306
Gross Profit	3,38,259	2,82,369	3,21,916	3,69,823
Margin (%)	*86.9*	*85.2*	*84.6*	*85.0*
Employee Cost	18,565	13,528	13,365	14,519
Other Expenses	2,68,472	2,04,846	2,22,529	2,46,307
EBITDA	**51,222**	**63,995**	**86,022**	**1,08,998**
YoY gr. (%)	*(17.5)*	*24.9*	*34.4*	*26.7*
Margin (%)	*13.2*	*19.3*	*22.6*	*25.0*
Depreciation and Amortization	16,447	16,234	20,381	24,492
EBIT	**34,775**	**47,761**	**65,641**	**84,506**
Margin (%)	*8.9*	*14.4*	*17.3*	*19.4*
Net Interest	1,949	2,764	3,628	2,279
Other Income	6,814	11,664	8,855	12,502
Profit Before Tax	**37,015**	**54,546**	**70,869**	**94,729**
Margin (%)	*9.5*	*16.4*	*18.6*	*21.8*
Total Tax	7,051	11,626	20,303	26,136
Effective tax rate (%)	*19.0*	*21.3*	*28.6*	*27.6*
Profit after tax	**29,964**	**42,920**	**50,566**	**68,593**
Minority interest	4,410	11,612	11,720	14,348
Share Profit from Associate	280	229	-	-
Adjusted PAT	**27,550**	**32,920**	**38,846**	**54,245**
YoY gr. (%)	*(2.7)*	*19.5*	*18.0*	*39.6*
Margin (%)	*7.1*	*9.9*	*10.2*	*12.5*
Extra Ord. Income / (Exp)	(1,716)	(1,383)	-	-
Reported PAT	**25,834**	**31,537**	**38,846**	**54,245**
YoY gr. (%)	*(7.1)*	*22.1*	*23.2*	*39.6*
Margin (%)	*6.6*	*9.5*	*10.2*	*12.5*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	25,834	31,537	38,846	54,245
Equity Shares O/s (m)	**1,986**	**2,198**	**2,463**	**2,463**
EPS (Rs)	**13.9**	**15.0**	**15.8**	**22.0**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	**3,23,358**	**4,25,956**	**5,00,956**	**5,75,956**
Tangibles	3,23,358	4,25,956	5,00,956	5,75,956
Intangibles	-	-	-	-
Acc: Dep / Amortization	**87,844**	**1,02,071**	**1,22,452**	**1,46,944**
Tangibles	87,844	1,02,071	1,22,452	1,46,944
Intangibles	-	-	-	-
Net fixed assets	**2,35,515**	**3,23,885**	**3,78,504**	**4,29,012**
Tangibles	2,35,515	3,23,885	3,78,504	4,29,012
Intangibles	-	-	-	-
Capital Work In Progress	30,068	40,708	45,708	50,708
Goodwill	-	-	-	-
Non-Current Investments	33,573	12,688	12,688	12,688
Net Deferred tax assets	(7,004)	(15,122)	(15,122)	(15,122)
Other Non-Current Assets	25,565	26,806	26,806	26,806
Current Assets				
Investments	-	7,587	7,587	7,587
Inventories	32,728	36,086	36,481	41,725
Trade receivables	11,544	12,131	12,508	11,921
Cash & Bank Balance	29,610	1,10,689	1,78,593	1,85,554
Other Current Assets	39,489	24,597	24,597	24,597
Total Assets	**5,17,215**	**6,52,978**	**7,81,274**	**8,48,400**
Equity				
Equity Share Capital	3,971	4,395	4,926	4,926
Other Equity	3,13,011	4,10,155	5,26,018	5,74,302
Total Networth	**3,16,982**	**4,14,551**	**5,30,944**	**5,79,228**
Non-Current Liabilities				
Long Term borrowings	1,082	2,000	2,000	2,000
Provisions	2,649	2,560	2,560	2,560
Other non current liabilities	373	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	27,739	31,088	31,270	35,764
Other current liabilities	86,658	88,391	88,391	88,391
Total Equity & Liabilities	**5,17,215**	**6,52,978**	**7,81,274**	**8,48,400**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	37,295	59,006	70,869	94,729
Add. Depreciation	16,447	16,234	20,381	24,492
Add. Interest	1,949	2,764	3,628	2,279
Less Financial Other Income	6,814	11,664	8,855	12,502
Add. Other	(6,227)	(14,331)	(8,855)	(12,502)
Op. profit before WC changes	49,463	63,673	86,022	1,08,998
Net Changes-WC	(34,729)	1,941	(590)	(162)
Direct tax	(7,385)	(9,156)	(20,303)	(26,136)
Net cash from Op. activities	**7,349**	**56,458**	**65,129**	**82,699**
Capital expenditures	(1,49,280)	(99,801)	(80,000)	(80,000)
Interest / Dividend Income	-	-	-	-
Others	4,473	10,296	8,855	12,502
Net Cash from Invt. activities	**(1,44,808)**	**(89,504)**	**(71,145)**	**(67,498)**
Issue of share cap. / premium	50,005	66,610	82,966	-
Debt changes	(1,159)	(1,533)	-	-
Dividend paid	(17,955)	(5,848)	(5,419)	(5,961)
Interest paid	(1,581)	(2,341)	(3,628)	(2,279)
Others	-	-	-	-
Net cash from Fin. activities	**29,310**	**56,888**	**73,920**	**(8,239)**
Net change in cash	**(1,08,148)**	**23,842**	**67,904**	**6,961**
Free Cash Flow	(34,969)	11,634	(14,871)	2,699

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	**39,698**	**44,395**	**47,803**	**45,158**
YoY gr. (%)	*8.2*	*7.5*	*12.3*	*(4.5)*
Raw Material Expenses	7,268	11,278	13,942	13,768
Gross Profit	32,430	33,117	33,861	31,390
Margin (%)	*81.7*	*74.6*	*70.8*	*69.5*
EBITDA	**7,734**	**8,511**	**7,978**	**6,460**
YoY gr. (%)	*154.1*	*35.9*	*1.2*	*(31.9)*
Margin (%)	*19.5*	*19.2*	*16.7*	*14.3*
Depreciation / Depletion	2,286	2,335	2,440	2,450
EBIT	**5,449**	**6,176**	**5,538**	**4,010**
Margin (%)	*13.7*	*13.9*	*11.6*	*8.9*
Net Interest	435	454	338	409
Other Income	3,781	1,082	1,768	4,203
Profit before Tax	**8,795**	**6,804**	**6,968**	**7,804**
Margin (%)	*22.2*	*15.3*	*14.6*	*17.3*
Total Tax	2,357	1,668	1,487	1,969
Effective tax rate (%)	*26.8*	*24.5*	*21.3*	*25.2*
Profit after Tax	**6,438**	**5,137**	**5,481**	**5,835**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**6,438**	**5,137**	**5,442**	**5,804**
YoY gr. (%)	*325.5*	*22.9*	*(3.7)*	*(10.0)*
Margin (%)	*16.2*	*11.6*	*11.4*	*12.9*
Extra Ord. Income / (Exp)	-	-	(119)	(97)
Reported PAT	**6,438**	**5,137**	**5,323**	**5,707**
YoY gr. (%)	*366.9*	*39.2*	*5.9*	*(11.5)*
Margin (%)	*16.2*	*11.6*	*11.1*	*12.6*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**6,438**	**5,137**	**5,323**	**5,707**
Avg. Shares O/s (m)	2,463	2,463	2,463	2,463
EPS (Rs)	**2.6**	**2.1**	**2.2**	**2.4**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	13.9	15.0	15.8	22.0
CEPS	22.2	22.4	24.0	32.0
BVPS	159.6	188.6	215.6	235.2
FCF	(17.6)	5.3	(6.0)	1.1
DPS	2.5	1.8	2.2	2.4
Return Ratio(%)				
RoCE	12.1	13.0	13.8	15.2
ROIC	11.0	15.1	16.2	16.8
RoE	9.7	9.0	8.2	9.8
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	15	19	17	15
Valuation(x)				
PER	47.9	44.3	42.1	30.2
P/B	4.2	3.5	3.1	2.8
P/CEPS	30.0	29.7	27.6	20.8
EV/EBITDA	25.2	21.0	16.9	13.3
EV/Sales	3.3	4.1	3.8	3.3
Dividend Yield (%)	0.4	0.3	0.3	0.4

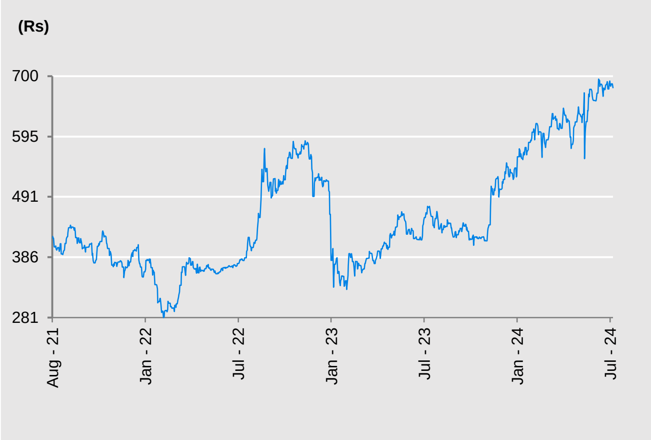
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Cons. Volume (mt)	69	59	68	77
Cons. Net Realisations (Rs/t)	5,557	5,495	5,526	5,629
Cons. EBITDA/ t (Rs/t)	663	975	1,257	1,418

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-24	Accumulate	701	686
2	19-Jun-24	Accumulate	697	674
3	06-May-24	Accumulate	683	622
4	02-May-24	Hold	652	626
5	09-Apr-24	Hold	600	629
6	11-Mar-24	Hold	586	603

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,707	2,591
2	Ambuja Cement	Accumulate	701	686
3	Dalmia Bharat	Accumulate	2,067	1,817
4	Hindalco Industries	BUY	796	698
5	Jindal Stainless	Reduce	712	827
6	Jindal Steel & Power	Hold	978	972
7	JSW Steel	Accumulate	1,022	890
8	National Aluminium Co.	Sell	142	199
9	NMDC	Accumulate	276	252
10	Nuvoco Vistas Corporation	Accumulate	388	373
11	Shree Cement	Accumulate	29,225	27,417
12	Steel Authority of India	Sell	134	156
13	Tata Steel	Accumulate	186	175
14	Ultratech Cement	Accumulate	11,848	11,275

PL's Recommendation Nomenclature (Absolute Performance)

Buy : > 15%
Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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