

Ambuja Cements

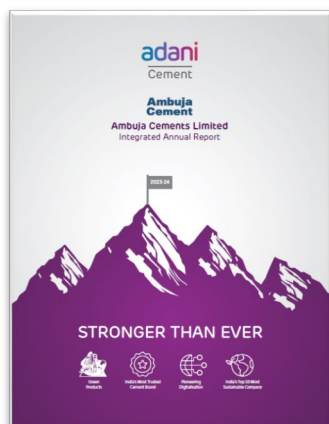
BSE SENSEX
76,811

S&P CNX
23,399

CMP: INR665

TP: INR640 (-4%)

Neutral



Stock Info

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

Financials Snapshot (Standalone) (INR b)

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

Ratios

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

Valuations

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

Shareholding pattern (%)

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

FII Includes depository receipts

Cost structure improves; capacity expansion drives growth

The key highlights of ACEM's FY24 annual report: 1) initiated capacity expansion projects of 20mtpa spread across regions to increase its capacity to 100mtpa by FY26-end; 2) aggressively expanding its green energy portfolio with investments of INR100b and planning to increase green energy share to ~60% by FY28 from ~16% currently; and 3) maintains a positive outlook on the Indian cement industry and expects demand growth of ~8-9% YoY in FY25. ACEM expects ~150-160mtpa capacity addition in the industry over the next five years. Further, demand CAGR of ~8-9% over FY24-28E would surpass supply CAGR at 6-7% over the same period.

Ambitious capacity target of 140mtpa by FY28

- ACEM reiterated its capacity target (consolidated) of 140mtpa by FY28 vs. the current 78.9mtpa (including Tuticorin grinding unit acquired in Apr'24). The company has initiated capacity expansion projects of 20mtpa across regions to reach 100mtpa capacity by FY26-end.
- In addition to the ongoing 20mtpa expansion projects, the board approved a 2.25mtpa clinker unit in Mundra, Gujarat (calcium hydroxide process), and 17 grinding units (2.4mtpa each) at different locations across the country (including 4mtpa proposed at Godda, Jharkhand). Land acquisitions and statutory approvals for these projects are in progress.
- ACEM's consolidated sales volumes grew ~8% YoY (like-to-like comparison) to 59.2mt. The company's cement capacity utilization stood at ~82% in FY24 vs. ~81% in FY23 (annualized, since FY23 was a 15-month period). We estimate the company's consol. volume CAGR of ~9% over FY24-26E.

Cost reduction initiatives help to improve profitability

- In FY24, the company's opex/t (consol.) declined (on a like-to-like comparison) by INR475 to INR4,523, driven by a reduction in input costs, freight costs and other fixed overheads.
- In FY24, the company commissioned ~69MW of WHRS capacity (53MW in ACEM and 16MW in ACC). The company's green power share (consol.) increased to ~16% in FY24 vs. ~7-8% in FY23. It targets to increase WHRS/Solar & Wind capacity to 376MW/1GW by FY28 and renewable power share to 60%.
- It is increasing alternative fuel (AFR) to reduce costs and carbon footprint. ACEM installed AFR pre-processing and feeding systems and implemented a gas bypass system to increase the utilization of AFR. ACEM achieved a thermal substitution rate (TSR) of 7.76% and targets to increase it to ~23% by FY30.

Capital infusion by promoter and internal accruals to support growth plan

- ACEM capitalized property, plant and equipment (standalone) worth INR12.3b in FY24. Total capex (standalone) in FY24 stood at INR20b vs. INR21b in FY23. We estimate capex (standalone) of INR40b/INR41b in FY25/FY26, given the expansion plans announced by the company.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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

- ACEM's CFO (standalone) stood at INR31.6b in FY24 vs. INR20.0b in FY23 (15-month period), driven by improvement in profitability. The company's FCF stood at INR11.7b in FY24 vs. cash outflow of INR1.0b in FY23. We expect CFO to improve in FY25/FY26, led by profitability improvement. However, given the robust expansion plan, we estimate low FCF generation over FY25/FY26.
- The company's standalone cash and cash equivalent (including current investment) increased to INR131b as of Mar'24 vs. INR85b as of Mar'23. Its consolidated cash and cash equivalent (including current investment) surged to INR160b vs. INR115b as of Mar'23. We believe higher cash balance will support the company's organic and inorganic (if any) growth plans.

Valuation and view

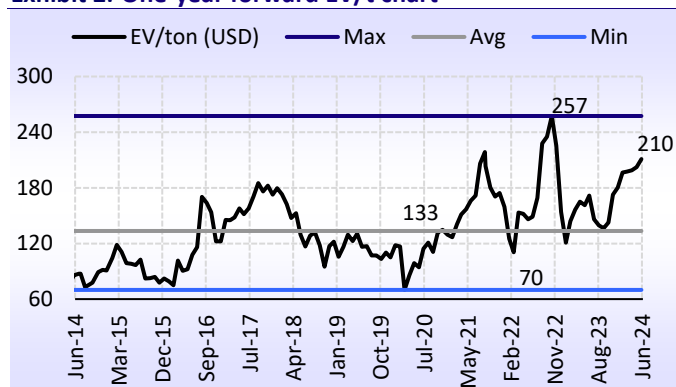
- The company is focusing on further cost reduction by increasing the share of green power and AFR, engaging in long-term procurement strategies for critical raw materials, and optimizing logistics. A successful execution of these plans could result in a positive surprise.
- ACEM reiterated its capacity target of 140mtpa by FY28, for which work is in progress at different stages. Although the company has ambitious growth plans, it has placed orders for only two kilns with an aggregate production capacity of 8mtpa till now. The stock trades at 19x/16x FY25E/FY26E EV/EBITDA. We maintain our Neutral rating with a TP of INR640, based on 16x FY26E EV/EBITDA.

Exhibit 1: One-year forward EV/EBITDA chart



Source: Company, MOFSL

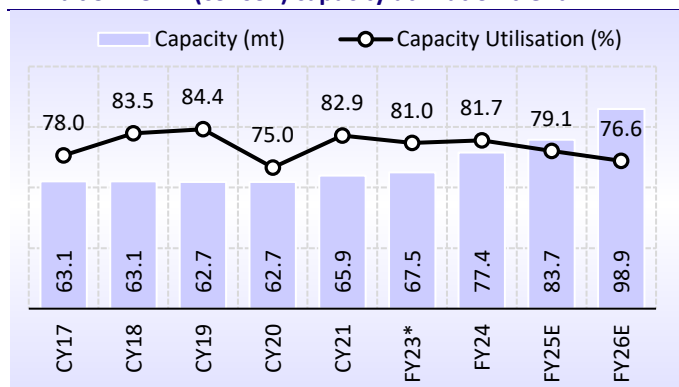
Exhibit 2: One-year forward EV/t chart



Source: Company, MOFSL

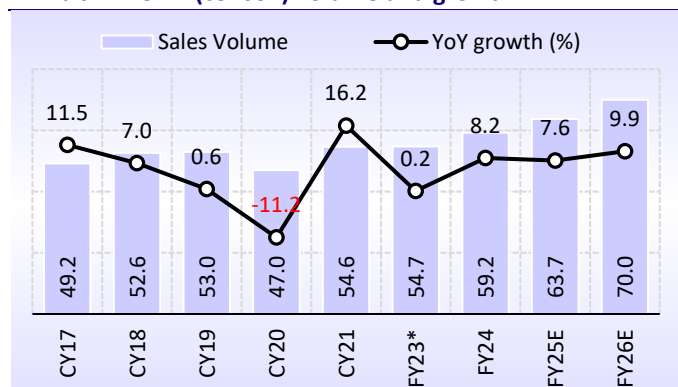
Story in charts

Exhibit 3: ACEM (consol.) capacity utilization trend



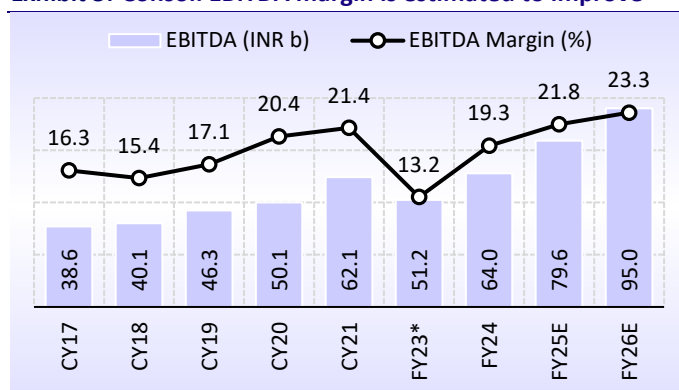
Source: MOFSL, Company;

Exhibit 4: ACEM (consol.) volume and growth



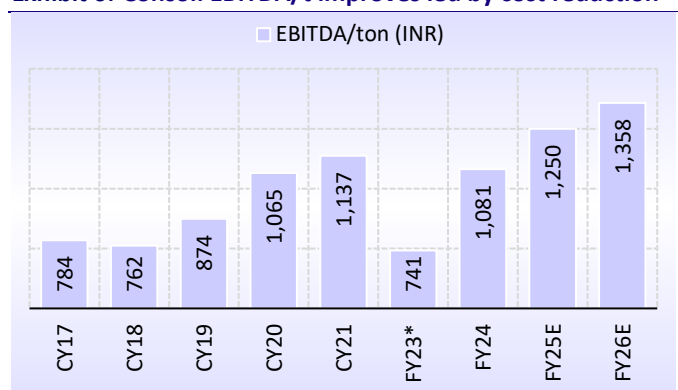
Source: MOFSL, Company; Note: FY23* volume annualized for like to like comparison

Exhibit 5: Consol. EBITDA margin is estimated to improve



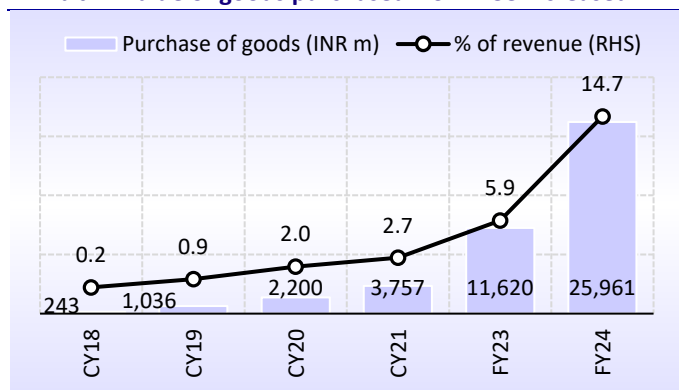
Source: MOFSL, Company; Note: FY23 was a 15M period

Exhibit 6: Consol. EBITDA/t improves led by cost reduction



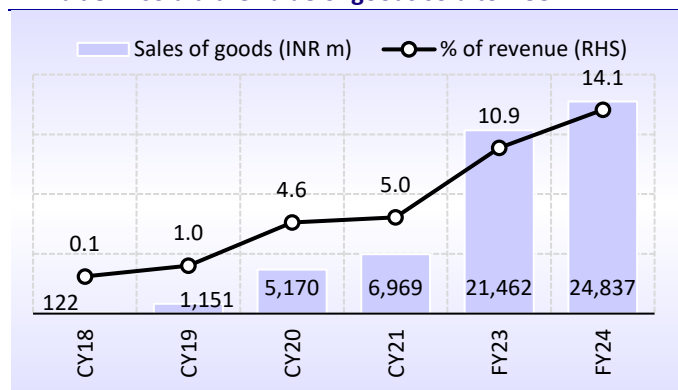
Source: MOFSL, Company; Note: FY23 was a 15M period

Exhibit 7: Value of goods purchased from ACC increased...



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

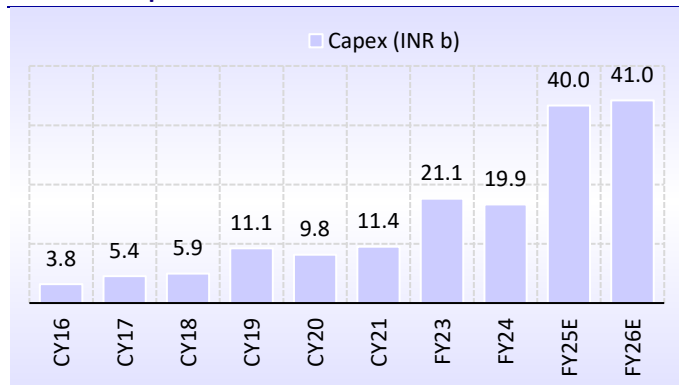
Exhibit 8: ...so did the value of goods sold to ACC



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

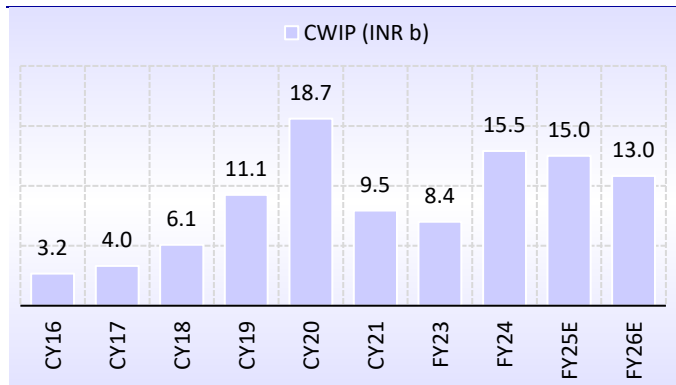
Story in charts

Exhibit 9: Capex is estimated to increase in FY25-26



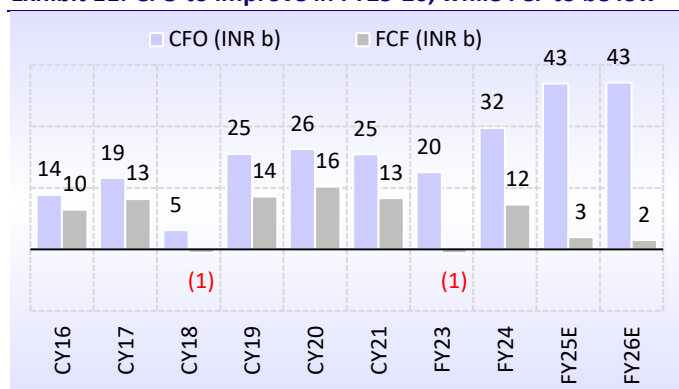
Source: Company, MOFSL; Note: FY23 was a 15M period; Standalone

Exhibit 10: ACEM's CWIP trends



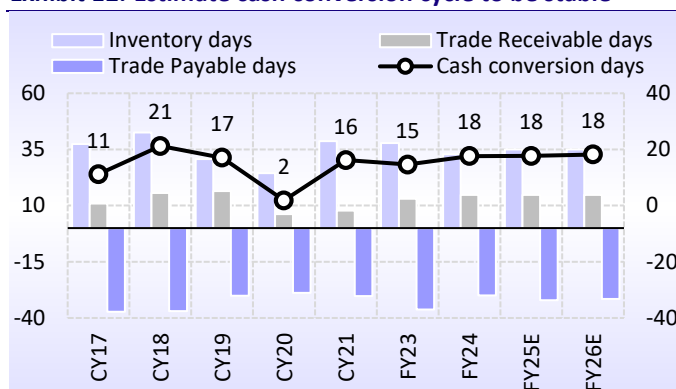
Source: Company, MOFSL; Note: FY23 was a 15M period; standalone

Exhibit 11: CFO to improve in FY25-26, while FCF to be low



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

Exhibit 12: Estimate cash conversion cycle to be stable



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

Exhibit 13: Dupont analysis: Low asset turnover ratio and higher tax leads lower RoE

(%)	CY18	CY19	CY20	CY21	FY23	FY24	FY25E	FY26E
PAT/PBT	75.6	74.0	74.1	74.7	78.5	75.3	75.1	75.1
PBT/EBIT	95.1	95.9	96.7	96.9	96.2	95.1	96.8	97.4
EBIT/Sales	14.8	17.4	22.0	21.1	16.7	18.3	20.1	20.9
Asset turnover (x)	1.3	1.2	1.2	1.5	1.2	0.9	0.7	0.7
Assets/Equity (x)	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
RoE	14.1	14.8	19.1	22.7	14.9	11.9	10.4	10.1

Source: MOFSL, Company; Note: ROE adjusted for ACEM investment in ACC and Sanghi Industries (from FY24); Note: FY23 was a 15M period, so FY23 ratios have been annualized

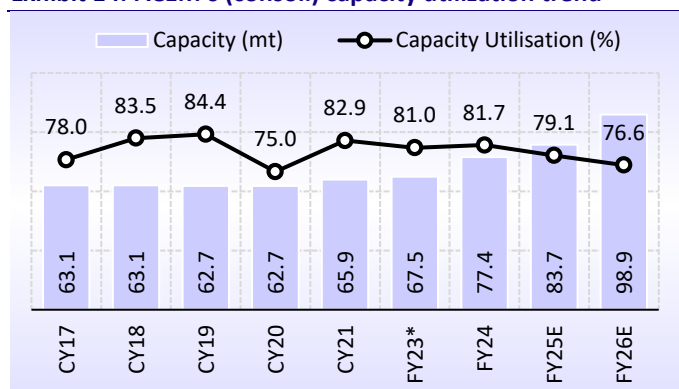
Ambitious capacity targets of 140mtpa by FY28

- ACEM reiterated to reach capacity target (consolidated) of 140mtpa by FY28 vs. the current 78.9mtpa (including Tuticorin grinding unit acquired in Apr'24). The company has initiated capacity expansion projects of 20mtpa across regions, which will help it to reach 100mtpa capacity by FY26-end.
- In addition to the ongoing 20mtpa expansion projects, the board has approved a 2.25mtpa clinker unit in Mundra, Gujarat (Calcium Hydroxide process), and 17 grinding units (2.4mtpa each) at different locations across the country (including 4mtpa proposed at Godda, Jharkhand). Land acquisitions and statutory approvals for these projects are under progress. After the completion of these expansions, the company's cement capacity will increase to 140mtpa.
- Currently, the company is adding clinker capacity of 4mtpa (each) at Bhatapara, Chhattisgarh (by 4QFY25), and Maratha, Maharashtra (by 2QFY26). As per the 4QFY24 earnings call, the company plans to add three more clinker plants in the west (at Sanghi's plant), north and south regions (4mtpa each). It already has requisite land and limestone reserves, while environment clearance (EC) is awaited. Clinker capacity additions, almost 80%, would be as brownfield expansions, whereas grinding capacity addition would be a mix of greenfield and brownfield in nature. ACEM's clinker capacity (consolidated) stood at 54mtpa and it targets to increase clinker capacity to 82mtpa by FY28E.

Consol. sales volume grew ~8% YoY in FY24 (on like-to-like basis)

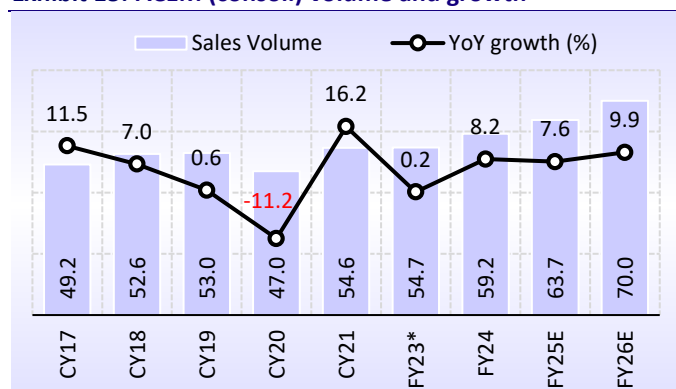
- ACEM's consolidated sales volumes grew ~8% YoY (like-to-like comparison) to 59.2mt. The company's cement capacity utilization stood at ~82% in FY24 vs. ~81% in FY23 (annualized, since FY23 was a 15-month period). Volume growth was driven by robust demand from roads and infrastructure projects, urbanization and residential projects.
- Cement demand in India grew ~8% YoY to 425-430mt in FY24. It anticipates cement demand to grow ~8-9% YoY in FY25, led by: a) rising demand for robust infrastructure and contemporary living spaces; b) uplifting of Tier-II cities and urbanization of rural areas fueling the need for housing, transportation networks, healthcare facilities, and educational institutions; c) boosting commercial and industrial activities to drive demand in commercial spaces.

Exhibit 14: ACEM's (consol.) capacity utilization trend



Source: MOFSL, Company;

Exhibit 15: ACEM (consol.) volume and growth

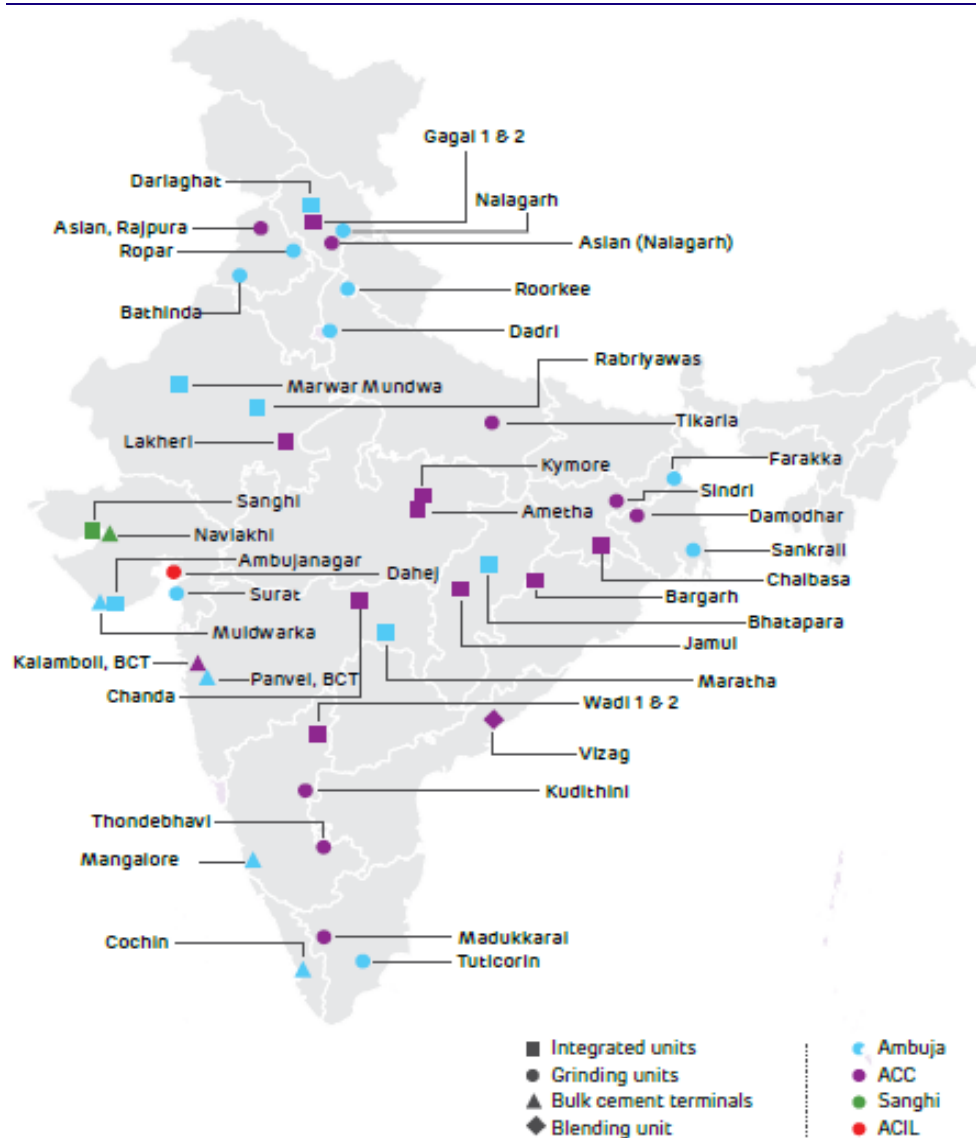


Source: MOFSL, Company; Note: FY23* volume annualized for like to like comparison

Integration of acquired companies

- The company has completed the acquisition of Sanghi Industries (SIL) in FY24. SIL's assets include a clinker capacity of 6.6mtpa, a cement capacity of 6.1 MTPA, and significant limestone reserves (~1b mt). The strategic acquisition enhances ACEM's coastal presence. The company aims to reach a cumulative capacity of 15mtpa in west coast markets over the next 30 months. SIL's channel partner network has been engaged and smoothly integrated alongside the completion of SAP migration. The company is planning to ramp up capacity utilization of SIL up to ~80%.
- Recently, it acquired a grinding unit having capacity of 1.5mtpa at Tuticorin, Tamil Nadu, from My Home Group. This will strengthen the company's position in southern markets.

Exhibit 16: Adani Cement's presence



Map not to scale, used for representation only

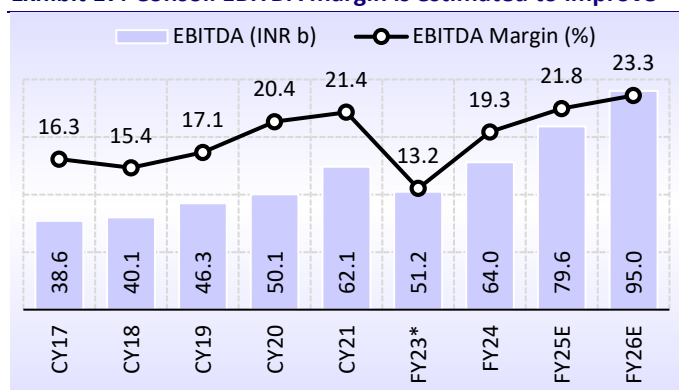
Source: Company, MOFSL

Cost reduction initiatives help to improve profitability

EBITDA margin surged 6pp YoY to 19.3% in FY24 (consol.)

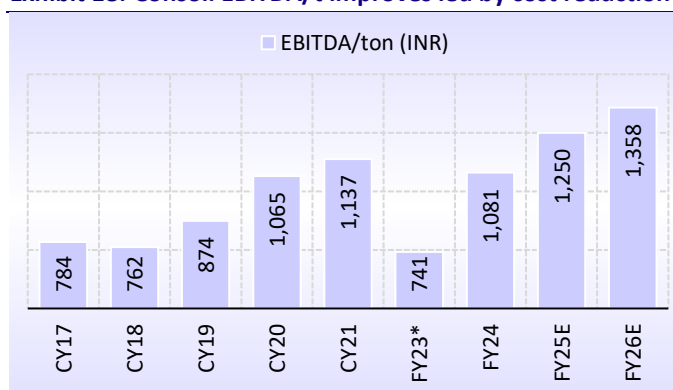
- In FY24, the company's opex/t (consol.) declined (on a like-to-like comparison) INR475 to INR4,523, driven by a reduction in input costs, freight costs and other fixed overheads. The company's input costs (RM and power & fuel costs) declined ~13% YoY to INR2,202/t, led by a softening in fuel prices, optimizing fuel mix, and increasing green power and alternative fuel share.
- Clinker factor (at consol.) stood at 60.6% in FY24 vs. 59.6% in FY23. It is focusing on reducing clinker factor by 1-2pp by optimizing product mix. ACC's clinker factor at 55.6% (56.8% in FY23) was lower than ACEM's 64.3% (62.3% in FY23).
- In FY24, the company commissioned ~69MW of WHRS capacity (53MW in ACEM and 16MW in ACC). The company's green power share (consol.) increased to ~16% in FY24 vs. ~7-8% in FY23. It targets to increase WHRS/Solar & Wind capacity to 376MW/1GW by FY28 and renewable power share to 60%. It is committed to investing INR100b in green power projects.
- The company is also focusing on increasing AFR to reduce costs and carbon footprint. ACEM installed AFR pre-processing and feeding systems and implemented a gas bypass system to increase the utilization of AFR. It achieved TSR of 7.76% and targets to increase it to 23% by FY30.
- The company's freight cost/t declined 2.7% YoY to INR1,352, supported by optimizing direct dispatches, rationalizing warehouse footprint, negotiating cost and freight rates, minimizing lead distance, increasing reliance on sea and railway logistics, and boosting volumes under the master supply agreement.
- The company continues to focus on improving cost efficiencies and targets further cost reduction of INR530/t by FY28. Key cost reduction drivers would be: 1) long-term tie-ups for sourcing critical raw materials; 2) increasing renewable energy and AFR share, and 3) optimization of logistics costs.

Exhibit 17: Consol. EBITDA margin is estimated to improve



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

Exhibit 18: Consol. EBITDA/t improves led by cost reduction

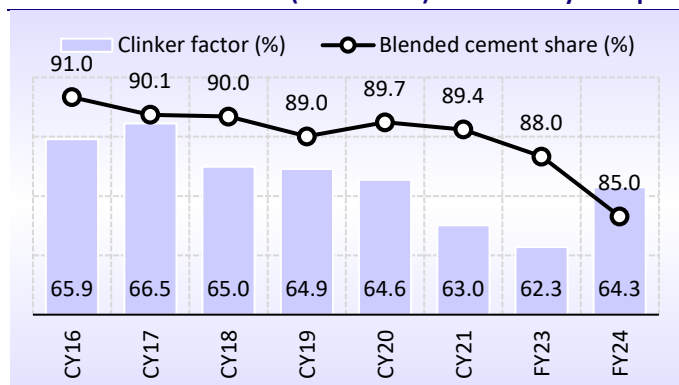


Source: MOFSL, Company; Note: FY23 was a 15M period

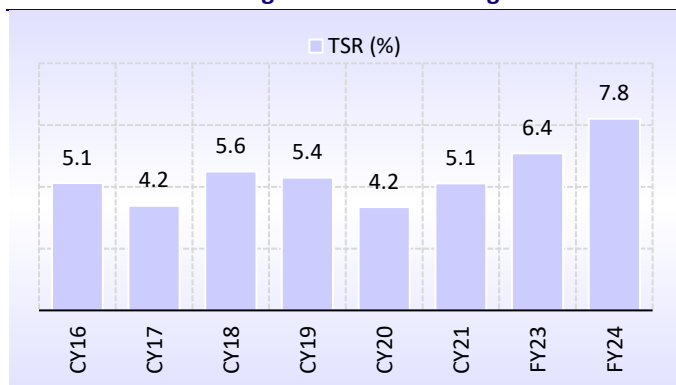
Exhibit 19: Common-size analysis (consol.) – all round cost reduction in FY24

Particulars (INR m)	CY19	%	CY20	%	CY21	%	FY23*	%	FY24	%
Net Revenue (Operations)	2,71,036	100.0	2,45,162	100.0	2,89,655	100.0	3,89,370	100.0	3,31,596	100.0
Raw Materials (incl. Change-in-inventory)	36,837	13.6	31,242	12.7	29,623	10.2	51,109	13.1	49,228	12.6
Power and Fuel	55,486	20.5	48,276	19.7	67,875	23.4	1,17,619	30.2	81,093	20.8
Freight and forwarding	72,724	26.8	62,715	25.6	71,329	24.6	95,237	24.5	80,006	20.5
Operating and Administrative Expenses	44,020	16.2	37,468	15.3	43,432	15.0	55,616	14.3	43,746	11.2
Personnel Cost	15,708	5.8	15,404	6.3	15,292	5.3	18,565	4.8	13,528	3.5
EBITDA	46,261	17.1	50,056	20.4	62,104	21.4	51,224	13.2	63,995	16.4
Depreciation	11,525	4.3	11,618	4.7	11,525	4.0	16,447	4.2	16,234	4.2
Other Income	5,533	2.0	4,438	1.8	3,524	1.2	7,377	1.9	11,664	3.0
EBIT	40,269	14.9	42,876	17.5	54,104	18.7	42,154	10.8	59,425	15.3
Financial Charges	1,699	0.6	1,402	0.6	1,457	0.5	1,949	0.5	2,764	0.7
PBT (Before Exceptional Items)	38,570	14.2	41,474	16.9	52,647	18.2	40,205	10.3	56,662	14.6
Exceptional items	275	0.1	-1,702	-0.7	-1,205	-0.4	-3,190	-0.8	2,116	0.5
PBT	38,845	14.3	39,772	16.2	51,442	17.8	37,015	9.5	58,777	15.1
Tax	10,922	4.0	8,848	3.6	14,534	5.0	7,051	1.8	11,626	3.0
PAT	27,923	10.3	30,924	12.6	36,908	12.7	29,964	7.7	47,151	12.1
Share of profit in associates	200	0.1	144	0.1	202	0.1	280	0.1	229	0.1
Minority interest	6,882	2.5	7,414	3.0	9,307	3.2	4,410	1.1	11,612	3.0
PAT (after MI)	21,241	7.8	23,654	9.6	27,804	9.6	25,834	6.6	35,768	10.8
Adjusted PAT	20,966	7.7	25,357	10.3	28,707	9.9	28,227	7.2	34,181	10.3

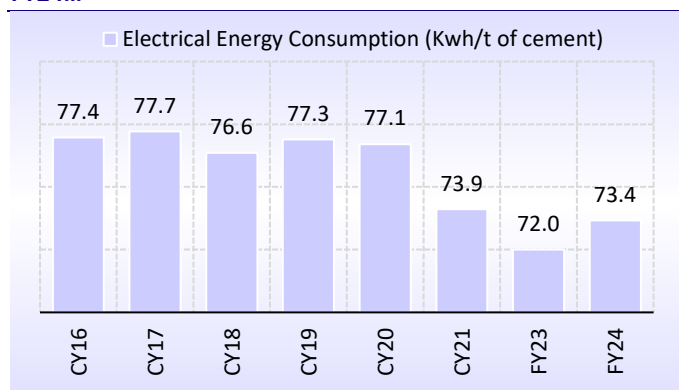
Source: MOFSL, Company; Note: *FY23 was a 15M period

Exhibit 20: Clinker factor (standalone) increased by 200bp

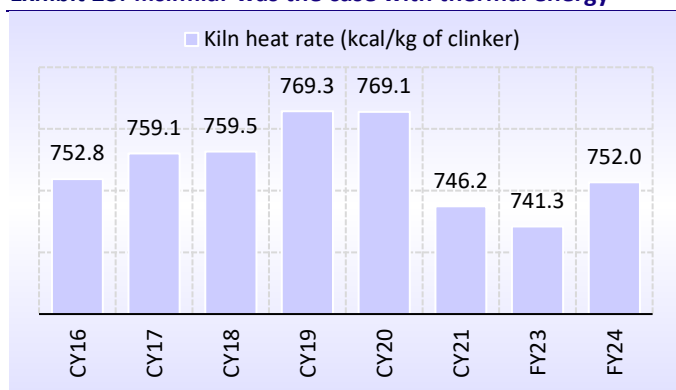
Source: MOFSL, Company; Note: FY23 was a 15M period

Exhibit 21: Efforts being made for increasing AFR

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

Exhibit 22: Electrical energy consumption increased in FY24...

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

Exhibit 23: ...similar was the case with thermal energy

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

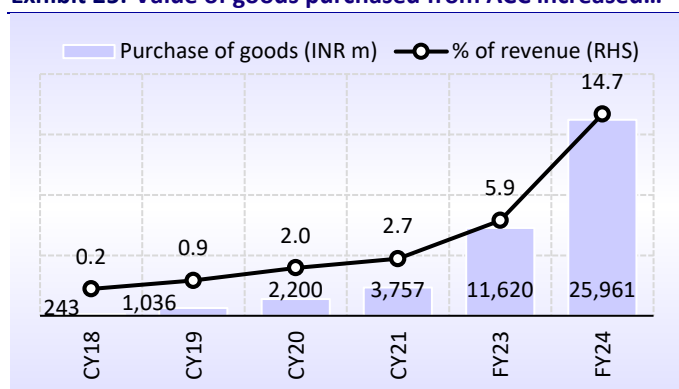
Exhibit 24: Other expenses declined 2.4pp in FY24 vs. FY23 with reduction in key cost elements

Other Expenses	CY20	% of Revenue	CY21	% of Revenue	FY23	% of Revenue	FY24	% of Revenue	Change YoY (%)
Packing materials	3,450	3.0	5,026	3.6	6,350	3.2	4,051	2.3	-0.9
Stores Consumed	2,248	2.0	2,747	2.0	3,810	1.9	3,324	1.9	-0.1
Repairs	1,482	1.3	1,878	1.3	2,735	1.4	2,347	1.3	-0.1
Rent	580	0.5	624	0.4	810	0.4	392	0.2	-0.2
Rates and taxes	920	0.8	1,082	0.8	1,129	0.6	1,005	0.6	0.0
Royalties on minerals	2,311	2.0	2,926	2.1	3,751	1.9	3,084	1.7	-0.2
Technical and License fee	1,079	0.9	1,313	0.9	993	0.5	0	0.0	-0.5
Advertisement	639	0.6	893	0.6	1,225	0.6	1,304	0.7	0.1
Other miscellaneous expenses	5,137	4.5	5,659	4.0	7,237	3.6	5,373	3.0	-0.6
Total	17,845	15.7	22,147	15.8	28,040	14.0	20,881	11.7	-2.4

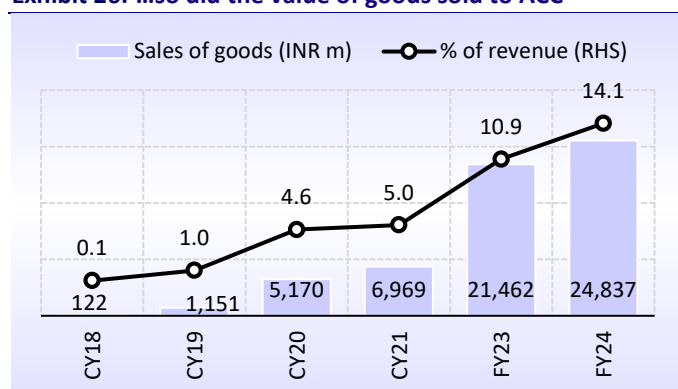
Source: MOFSL, Company; Note: FY23 was a 15M period

Boosting volume under Master Supply Agreement (MSA)

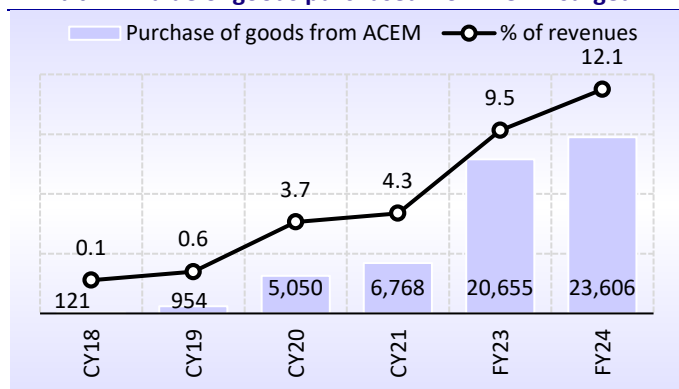
- The company accelerate activities under MSA and extended this with the newly acquired SNGI. ACEM sold 5.6mt volume to ACC under MSA. Likewise, ACC sold 6.6mt volume to ACEM under MSA. The MSA yielded several benefits, including achieving synergies and economies of scale, enhancing operational and logistics cost efficiency, and supporting sustainability initiatives. Going forward, the company remains committed to exploring and expanding the MSA, aiming to increase revenues and profitability further.

Exhibit 25: Value of goods purchased from ACC increased...

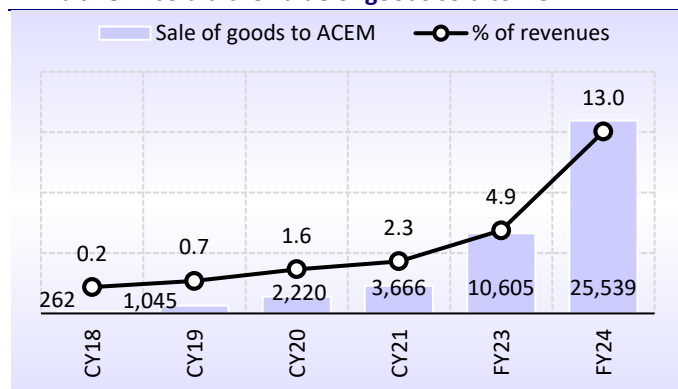
Source: Company, MOFSL; Note: FY23 was a 15M period

Exhibit 26: ...so did the value of goods sold to ACC

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

Exhibit 27: Value of goods purchased from ACEM surged...

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

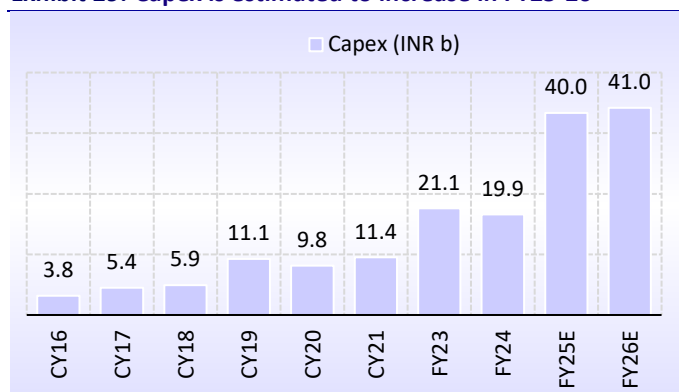
Exhibit 28: ...so did the value of goods sold to ACEM

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

Capex, fixed assets and cash flows

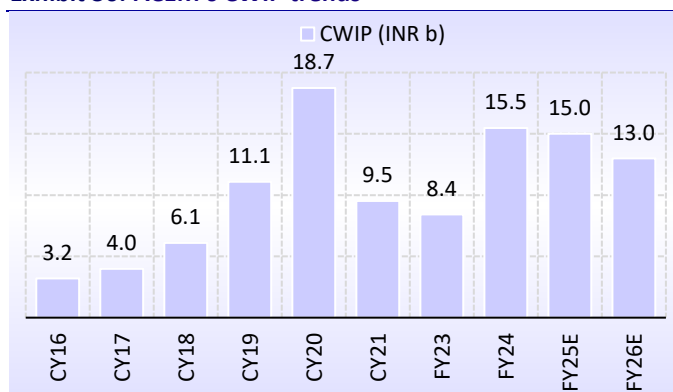
ACEM capitalized property, plant, and equipment (standalone) worth INR12.3b in FY24. Total capex (standalone) in FY24 stood at INR20b vs. INR21b in FY23. We estimate capex of INR40b/INR41b in FY25/FY26, given the growth plans (capacity expansion and initiatives towards cost reduction) announced by the company. The company has a capital work-in-progress (CWIP) of INR15.5b in FY24 vs. INR8.4b in FY23. CWIP comprises capex incurred toward various projects and expansion spread over all units. Further, capital advances increased to INR6b as of Mar'24 vs. INR1b as of Mar'23.

Exhibit 29: Capex is estimated to increase in FY25-26



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

Exhibit 30: ACEM's CWIP trends



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

In FY24, ROE declined due to a higher tax rate and a reduction in fixed-asset turnover. We estimate asset turnover to decline further due to higher cash balance (the company issued and allotted equity share to the promoter aggregating INR200b including premium), leading to lower ROE in FY25/FY26. We estimate asset turnover of 0.7x in FY25/FY26 vs. 0.9x in FY24 (average of 1.2x over CY17-23).

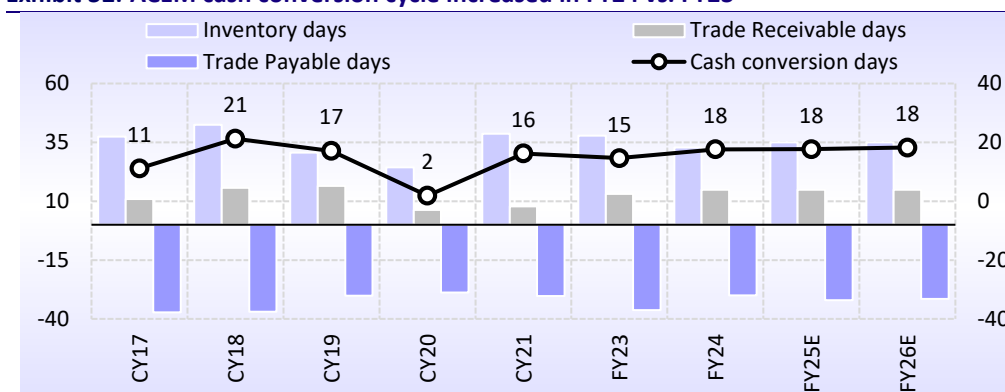
The company's standalone cash and cash equivalent (including current investment) increased to INR131b as of Mar'24 vs. INR85b as of Mar'23. Its consolidated cash and cash equivalent (including current investment) surged to INR160b vs. INR115b as of Mar'23. Higher cash balance will help the company achieve its capacity target of 140mtpa through organic and inorganic routes.

Exhibit 31: Du-pont analysis: Low asset turnover ratio and higher tax leads lower RoE

(%)	CY18	CY19	CY20	CY21	FY23	FY24	FY25E	FY26E
PAT/PBT	75.6	74.0	74.1	74.7	78.5	75.3	75.1	75.1
PBT/EBIT	95.1	95.9	96.7	96.9	96.2	95.1	96.8	97.4
EBIT/Sales	14.8	17.4	22.0	21.1	16.7	18.3	20.1	20.9
Asset turnover (x)	1.3	1.2	1.2	1.5	1.2	0.9	0.7	0.7
Assets/Equity (x)	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
RoE	14.1	14.8	19.1	22.7	14.9	11.9	10.4	10.1

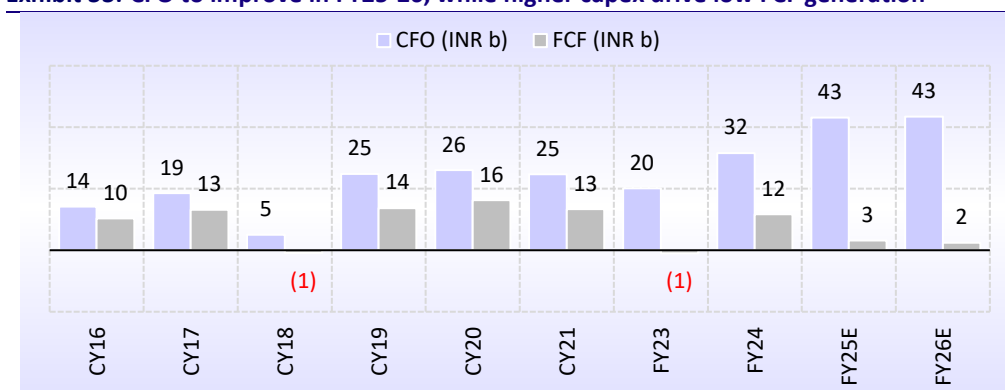
Source: MOFSL, Company; Note: ROE adjusted for ACEM investment in ACC and Sanghi Industries (from FY24); Note: FY23 was a 15M period, so FY23 ratios have been annualized

ACEM's (standalone) receivables days increased to 15 in FY24 from 13 in FY23. Inventory days declined to 33 in FY24 from 38 in FY23. Its trade payable days declined to 30 in FY24 from 36 in FY23. ACEM's cash conversion cycle increased in FY24 to 18 vs. 15 in FY23. We estimate cash conversion cycle to remain largely stable in FY25/FY26.

Exhibit 32: ACEM cash conversion cycle increased in FY24 vs. FY23

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

ACEM's CFO (standalone) stood at INR31.6b in FY24 as compared to INR20.0b in FY23 (15-month period) driven by improvement in profitability. The company's FCF stood at INR11.7b in FY24 as compared to cash outflow of INR1.0b in FY23. We expect CFO to improve in FY25/FY26, led by profitability improvement. However, given the robust expansion plan, we estimate low FCF generation over FY25/FY26.

Exhibit 33: CFO to improve in FY25-26, while higher capex drive low FCF generation

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

Advance given to related party (Mundra Petrochem, a subsidiary of Adani Enterprises) stood at INR9.25b (INR9.25b in FY23) for securing rights for raw material/fuel for its upcoming cement manufacturing plant at Mundra, which is expected to be commissioned in FY26E. The company has also given inter-corporate loan amounting INR20.8b to SIL.

Other important points from the AR

Contingent liabilities remained high, primarily due to the fines of INR11.6b imposed by the Competition Commission of India (CCI) in 2012. The case is still sub-judice in the Supreme Court over the company's appeal against NCLAT's (earlier known as COMPAT) order of upholding CCI order and imposing penalty. However, the Supreme Court directed the company to follow the NCLAT interim order to deposit 10% of the penalty amount and levy 12% p.a. interest in case the appeal is decided against the company. Interest accrued on this penalty stood at INR10.0b at FY24-end vs. INR8.7b at FY23-end.

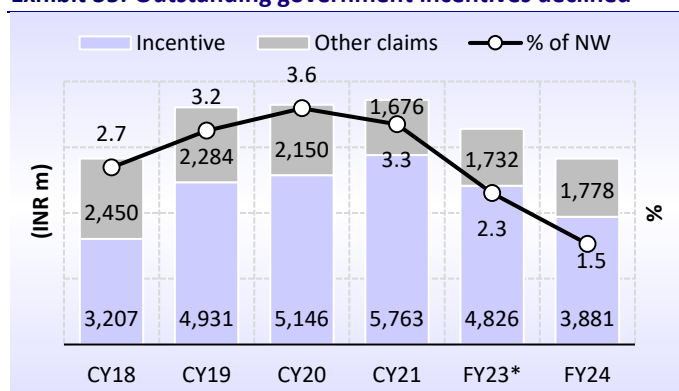
Exhibit 34: Contingent liabilities

Matters related to contingent liabilities	Mar'23 (INR m)	Mar'24 (INR m)
Labour, railway dispute, electricity tariff issue	850	892
Land	923	928
Demand from Competition Commission of India	20,617	21,973
Sales tax	2,480	2,398
Excise customs and service tax	2,579	2,257
Stamp duty	3,103	2,926
Income tax	4,864	3,547
Others	1,014	1,024
Total	36,430	35,945
% of Net worth	12.8	9.7

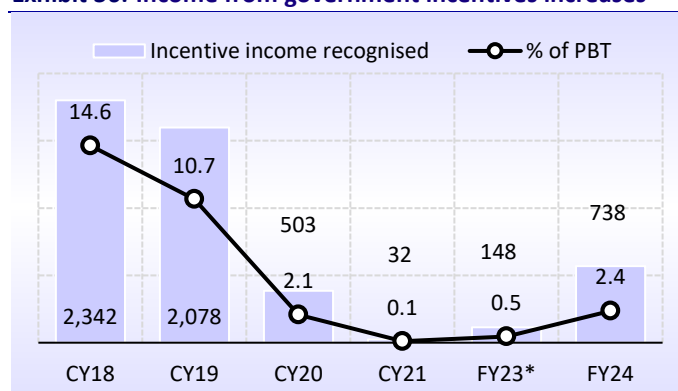
Source: MOFSL, Company

Incentive receivables decline

- ACEM's incentive income (government grant) stood at INR738m in FY24 vs. INR148m in FY23 (15-month period).
- We note that incentive receivable from the government declined to INR3.9b vs. INR4.8b as of Mar'23. Other claims receivable from the government increased marginally to INR1.8b vs. INR1.7b as of Mar'23.

Exhibit 35: Outstanding government incentives declined

Source: Company, MOFSL

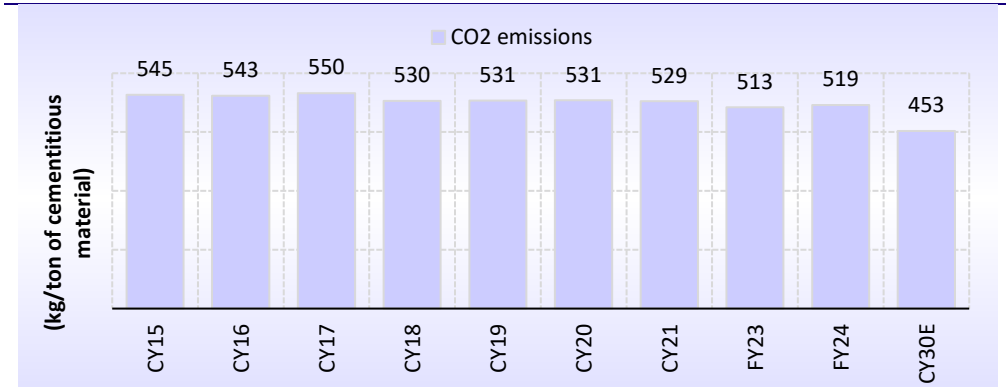
Exhibit 36: Income from government incentives increases

Source: Company, MOFSL

Sustainability developments and targets

ACEM’s commitment to Net Zero and conserving resources is reflected in its initiatives to reduce carbon footprint, increase share of renewable energy, conserve water, reduce waste and adopt energy efficiency measures. It targets to reduce CO2 intensity by ~13% to 453kg/ton of cement by 2030 as compared to FY24.

Exhibit 37: Aims to reduce carbon emission by 13% between FY24 and CY30E



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

Exhibit 38: ESG performance in FY24



Source: Company, MOFSL

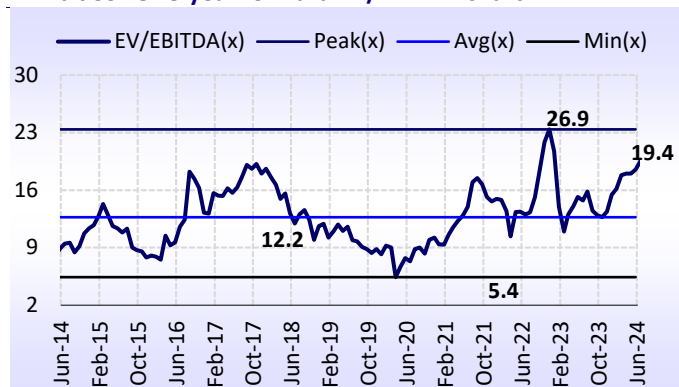
Valuation and View

ACEM reiterated its capacity target of 140mtpa by FY28, for which work is in progress at different stages. Although the company has ambitious growth plans, it has placed orders for only two kilns with an aggregate production capacity of 8mtpa till now.

The company is focusing on further cost reduction by increasing the share of green power and AFR, engaging in long-term procurement strategies for critical raw materials, and optimizing logistics. A successful execution of these plans could result in a positive surprise.

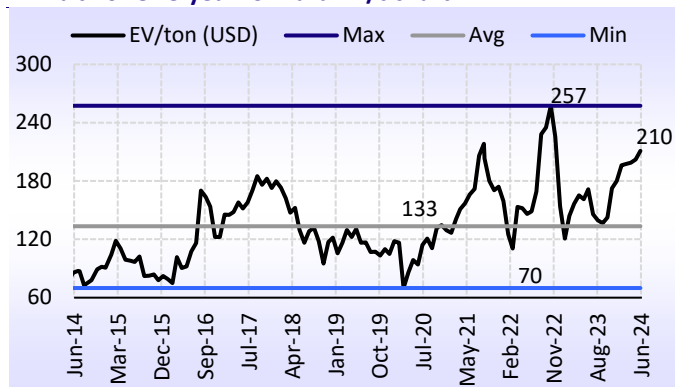
The stock trades at 19x/16x FY25E/FY26E EV/EBITDA. We maintain our Neutral rating with a TP of INR640, based on 16x FY26E EV/EBITDA.

Exhibit 39: One-year forward EV/EBITDA chart



Source: Company, MOFSL

Exhibit 40: One-year forward EV/t chart



Source: Company, MOFSL

Standalone Financials and Valuations

Income Statement								(INR m)
Y/E December	CY18	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E
Net Sales	1,13,568	1,16,679	1,13,719	1,39,790	1,99,854	1,79,193	1,99,242	2,25,492
Change (%)	8.6	2.7	-2.5	22.9	43.0	-10.3	11.2	13.2
Total Expenditure	94,653	95,190	87,253	1,07,639	1,67,650	1,45,485	1,57,961	1,75,925
As a percentage of Sales	83.3	81.6	76.7	77.0	83.9	81.2	79.3	78.0
EBITDA	18,915	21,489	26,466	32,152	32,204	33,708	41,281	49,567
Change (%)	-2.5	13.6	23.2	21.5	0.2	4.7	22.5	20.1
Margin (%)	16.7	18.4	23.3	23.0	16.1	18.8	20.7	22.0
Depreciation	5,481	5,438	5,212	5,517	8,324	9,380	10,380	11,780
EBIT	13,434	16,050	21,254	26,634	23,880	24,329	30,902	37,788
Interest	823	835	831	910	1,280	1,623	1,263	1,215
Other Income – Rec.	3,391	4,265	3,720	2,812	9,523	8,526	9,054	9,329
PBT before EO Exp.	16,002	19,480	24,144	28,536	32,123	31,233	38,693	45,902
EO Exp./(Inc.)	-2,779	0	0	657	1,573	158	0	0
PBT after EO Exp.	18,781	19,480	24,144	27,879	30,551	31,075	38,693	45,902
Current Tax	4,780	5,730	6,520	6,908	4,964	7,221	9,622	11,415
Deferred Tax	-869	-1,535	-278	139	52	507	0	0
Tax Rate (%)	20.8	21.5	25.9	25.3	16.4	24.9	24.9	24.9
Reported PAT	14,870	15,285	17,901	20,832	25,535	23,347	29,071	34,487
PAT Adj. for EO Items	12,091	14,415	17,901	21,323	25,212	23,505	29,071	34,487
Change (%)	-3.2	19.2	24.2	19.1	18.2	-6.8	23.7	18.6
Margin (%)	10.6	12.4	15.7	15.3	12.6	13.1	14.6	15.3

Balance Sheet								(INR m)
Y/E December	CY18	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E
Equity Share Capital	3,971	3,971	3,971	3,971	3,971	4,395	4,926	4,926
Money received against issue of warrants					50,000	27,797		
Total Reserves	2,06,154	2,18,081	1,99,187	2,18,078	2,31,084	3,37,843	4,66,478	4,89,881
Net Worth	2,10,125	2,22,052	2,03,159	2,22,049	2,85,055	3,70,035	4,71,405	4,94,808
Def. Liabilities	3,722	2,161	1,860	2,137	2,181	2,693	2,693	2,693
Total Loans	397	353	436	469	477	368	435	435
Capital Employed	2,14,244	2,24,565	2,05,454	2,24,655	2,87,713	3,73,096	4,74,532	4,97,935
Gross Block	73,721	80,435	86,658	1,08,864	1,26,928	1,38,143	1,78,627	2,21,627
Less: Accum. Depn.	17,085	22,310	27,343	32,407	40,731	50,110	60,490	72,269
Net Fixed Assets	56,636	58,125	59,315	76,457	86,198	88,032	1,18,138	1,49,358
Capital WIP	9,996	14,562	21,300	10,859	9,430	21,444	15,000	13,000
Investments in subsidiaries	1,18,138	1,17,890	1,17,877	1,17,647	1,17,667	1,40,489	1,40,489	1,40,489
Investments – Trade	2,305	6,537	788	5,266	17,180	30,701	30,701	30,701
Curr. Assets	64,792	72,793	55,534	71,348	1,28,567	1,60,622	2,41,186	2,37,337
Inventory	12,778	9,541	7,466	14,641	16,394	15,903	18,862	21,369
Debtors	4,703	5,132	1,915	2,947	5,649	7,168	7,977	9,037
Cash and Bank Bal.	31,045	40,638	28,500	36,942	68,280	1,00,890	1,76,437	1,67,770
Others	16,267	17,483	17,652	16,818	38,244	36,660	37,910	39,160
Curr. Liability and Prov.	37,623	45,342	49,360	57,173	71,328	68,193	70,982	72,950
Creditors	36,327	43,985	48,765	56,423	70,429	66,938	69,726	71,695
Provisions	1,296	1,357	595	750	899	1,255	1,255	1,255
Net Current Assets	27,169	27,451	6,174	14,176	57,239	92,429	1,70,204	1,64,387
Appl. of Funds	2,14,244	2,24,565	2,05,454	2,24,404	2,87,713	3,73,096	4,74,532	4,97,935

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

Standalone Financials and Valuations

Ratios

Y/E December/March	CY18	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E
Basic (INR)								
EPS	6.1	7.3	9.0	10.7	12.7	10.7	11.8	14.0
Cash EPS	8.8	10.0	11.6	13.5	16.9	15.0	16.0	18.8
BV/Share	105.8	111.8	102.3	111.8	143.6	168.4	191.4	200.9
DPS	1.5	1.5	18.5	6.3	2.5	2.0	4.5	4.5
Payout (%)	22.3	19.5	205.2	60.1	19.4	18.8	38.1	32.1
Valuation (x)								
P/E ratio	89.0	74.7	60.1	50.5	42.7	50.7	45.9	38.7
Cash P/E ratio	61.3	54.2	46.6	40.1	32.1	36.2	33.8	28.9
P/BV ratio	5.1	4.8	5.3	4.8	3.8	3.2	2.8	2.7
EV/Sales ratio	9.1	8.7	9.0	7.3	4.9	5.9	5.9	5.2
EV/EBITDA ratio	54.6	47.2	38.8	31.8	30.5	25.8	19.4	16.4
EV/t (Cap) - USD	400	392	397	373	357	280	201	186
Dividend Yield (%)	0.2	0.2	2.8	0.9	0.4	0.3	0.7	0.7
Return Ratios (%)								
RoE	13.8	14.6	18.7	22.3	18.4	11.8	10.3	10.0
RoCE	15.2	16.1	19.3	22.9	20.4	12.4	10.7	10.3
RoIC	18.9	23.6	35.3	41.0	26.3	18.0	18.4	17.8
Working Capital Ratios								
Asset Turnover (x)	0.5	0.5	0.6	0.6	0.7	0.5	0.4	0.5
Debtor (Days)	15.1	16.1	6.1	7.7	10.3	14.6	14.6	14.6
Inventory (Days)	41	30	24	38	30	32	35	35
Work Cap (Days)	87.3	85.9	19.8	37.0	104.5	188.3	311.8	266.1
Leverage Ratio (x)								
Current Ratio	1.7	1.6	1.1	1.2	1.8	2.4	3.4	3.3
Debt/Equity ratio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

Y/E December	CY18	CY19	CY20	CY21	FY23*	FY24	FY25E	FY26E
(INR m)								
OP/(Loss) before Tax	15,061	19,480	24,144	27,879	30,551	31,075	38,693	45,902
Depreciation	5,481	5,438	5,212	5,517	8,324	9,380	10,380	11,780
Interest and Finance Charges	-709	-1,515	-1,369	-214	-1,868	-4,036	0	0
Direct Taxes Paid	-6,251	-808	-4,648	-3,659	-3,346	-7,321	-9,622	-11,415
(Inc.)/Dec. in WC	-6,166	3,877	3,676	-4,557	-7,855	1,567	3,730	-2,849
CF from Operations	7,416	26,472	27,015	24,966	25,807	30,664	43,180	43,418
Others	-2,406	-1,632	-952	-201	-5,711	-3,090	0	0
CF from Operations incl. EO	5,009	24,840	26,062	24,765	20,096	27,574	43,180	43,418
(Inc.)/Dec. in FA	-5,936	-11,114	-9,756	-11,430	-21,116	-19,932	-40,000	-41,000
Free Cash Flow	-927	13,726	16,307	13,336	-1,020	7,641	3,180	2,418
(Pur.)/Sale of Investments	3,393	3,734	3,342	-4,095	-11,501	-39,745	0	0
Others	13,174	-3,999	5,819	2,370	7,744	7,744	0	0
CF from Investments	10,631	-11,379	-595	-13,155	-24,873	-51,934	-40,000	-41,000
Issue of Shares	0	0	0	0	0	424	531	0
Inc./(Dec.) in Debt	216	0	-237	35	-31	-141	67	0
Interest Paid	-513	-558	-633	-756	-679	-1,388	0	0
Dividend Paid	-4,498	-3,320	-36,646	-2,021	-12,514	-4,964	-11,084	-11,084
Others	12	11	-88	-427	49,340	63,039	82,852	0
CF from Fin. Activity	-4,784	-3,868	-37,604	-3,169	36,115	56,970	72,366	-11,084
Inc./Dec. in Cash	10,856	9,593	-12,137	8,442	31,339	32,610	75,547	-8,666
Opening Balance	20,189	31,045	40,638	28,500	36,942	68,280	1,00,890	1,76,437
Closing Balance	31,045	40,638	28,500	36,942	68,280	1,00,890	1,76,437	1,67,770

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

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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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