



Duration: 6-9 Months

CMP (Rs)	Target (Rs)	Potential Upside (%)
546	601	10%

**MARKET DATA**

No. of Shares	246.3 Cr
Market Cap	1,34,437 Cr
52-week High / Low	707/404
BSE Code	500425
NSE Code	AMBUJACEM

**Why Ambuja Cements Ltd**

- ✓ **Capacity expansion to drive revenue growth**
- ✓ **Cost optimization to drive EBITDA margin**
- ✓ **Robust cement demand**

**About the Company**

**Ambuja Cements Ltd. is one of the leading cement companies in India and a member of the Adani Group. Currently, Ambuja Cements has a consolidated cement capacity of 97 million tonnes, with operations across India.**

**Investment Rationale**

- A. Capacity Expansion to Drive Volume and Revenue Growth:** The company is expanding its capacity from the current 97 mtpa (including 8.5 mtpa of Orient Cement) to 118 mtpa, with the existing expansion expected to be completed in phases over FY25-FY26. Additionally, the company is pursuing growth opportunities and aims to achieve a combined capacity of 140 mtpa by FY28. This expansion will support the company's continued growth momentum. We project the company to grow its volume and revenue at CAGRs of 10% and 8%, respectively, over FY24-FY26E.
- B. EBITDA Margins to Improve to 19%-20% in FY26E:** Various synergies resulted in a cost reduction of 3% per tonne YoY in Q2FY25. Further cost optimization is anticipated, which will aid the company in enhancing margins. Business initiatives are expected to further lower operating costs by reducing the clinker factor and logistics costs, improving the sale of blended cement, and expanding the EBITDA margin. We forecast the company's EBITDA margins to improve to 19%-20% in FY26E.
- C. Robust Cement Demand in the Country:** Cement demand in the country is anticipated to remain strong, driven by increased capital spending by the central government on infrastructure projects such as roads, railways, and housing, along with robust real estate demand. Ongoing investments in infrastructure development are expected to further boost cement demand. The industry is projected to grow at a CAGR of 7-9% during FY24-FY26E.
- D. Outlook & Valuation:** Strong infrastructure demand and ongoing needs from the housing and commercial sectors are anticipated to boost cement demand in H2FY25. Strategic investments in roads and railways, along with urban and commercial amenities, are poised to drive robust growth. Given the company's superior positioning and increasing foothold in South India, along with the cost-saving initiatives it has undertaken and synergies with other Adani Group companies, the growth momentum is expected to continue. The stock is currently trading at 17x FY26E EV/EBITDA.
- E. Recommendation:** We recommend a BUY rating on the stock with a target price of Rs 601/share, implying an upside of 10% from the CMP

**Financial Summary (Consolidated)**

Y/E March	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	P/BV (x)	RoE (%)
FY24	33,160	6,400	3,370	15	35	18	2.5	13
FY25E	34,126	5,563	2,684	19.5	56	22	2.3	6
FY26E	39,031	7,586	3,439	14	41	17	2.1	8

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