

**HOLD**

TP: Rs 612 | ▲ 12%

**AMBUJA CEMENTS**

| Cement

| 24 December 2025

## Move in the right direction helping benefits allover

- The ACC and ORCMNT amalgamation with ACEM, in an all-share transaction, helping the Group's single-entity cement business
- Net cost reduction of cumulative benefits is estimated at Rs100/tn, contributing to the EBITDA/tn improvement
- Earnings are kept unchanged for more clarity. Retain our HOLD rating on ACEM, valuing at 14x EV/EBITDA December 2027 earnings

**Synergy benefits:** The full integration of ACC and ORCMNT into ACEM, will facilitate complete consolidation of the cement business for Adani Group. This provides a long-term strategic alignment of complementary cement assets leading to operational and financial benefits. Further, it will streamline manufacturing, logistics, commercial, and branding functions and the corporate structure by eliminating redundancies. Net cost reduction of cumulative benefits is estimated at Rs100/tn, contributing to EBITDA/tn improvement.

**No cash transaction:** It is an all-share transaction with no cash consideration involved. ACC shareholders (other than ACEM) will receive 328 equity shares of ACEM (FV Rs 2 each) for every 100 equity shares (FV Rs10 each). For ORCMNT, shareholders (other than ACEM) will receive 33 equity shares of ACEM (FV Rs 2 each) for every 100 equity shares (FV Rs 1 each).

**No CCI approval required:** The transaction is an intra-group amalgamation with subsidiary entities ACC and ORCMNT being merged into ACEM. Since it is an intra-group transaction, no CCI approval is required. The appointed date for the ACC merger is 1 January 2026, for ORCMNT it is 1 May 2025. Completion of both the schemes is expected within the next ~ 12 months, subject to regulatory approvals.

**Post merger, promoter stake in ACEM stays above 60%:** Following the amalgamation procedure, all assets, liabilities, brands, trademarks, and subsidiaries (including those of ACC) will be transferred to ACEM. Promoter holding in the enlarged ACEM is expected to reduce to 60.94% from 67.65% (including merger with Sanghi and Penna), due to fresh equity issuance of ~285.2mn shares.

**Rating and Our View:** Bringing the cement business under single fold surely adds to the benefits like logistic cost savings, manufacturing and commercial synergies that are quantifiable (Rs100/tn cost savings). We have kept our earnings unchanged for more clarity. We retain HOLD, valuing ACEM at 14x EV/EBITDA December 2027 earnings and revise TP to Rs612 (Rs607 earlier).

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## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ACEM IN/Rs 547
Market cap	US\$ 15.0bn
Free float	37%
3M ADV	US\$ 10.3mn
52wk high/low	Rs 625/Rs 455
Promoter/FPI/DII	63%/11%/17%

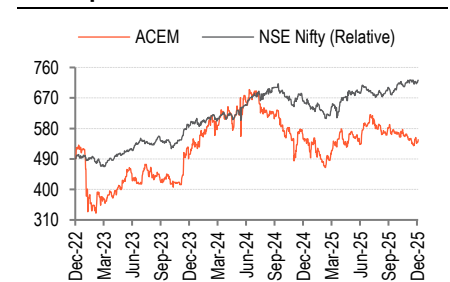
Source: NSE | Price as of 23 Dec 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	3,33,833	4,49,519	5,15,883
EBITDA (Rs mn)	59,707	72,966	96,413
Adj. net profit (Rs mn)	34,189	36,825	52,388
Adj. EPS (Rs)	14.7	15.0	21.3
Consensus EPS (Rs)	14.7	15.9	21.7
Adj. ROAE (%)	8.8	7.4	9.4
Adj. P/E (x)	37.3	36.6	25.7
EV/EBITDA (x)	21.6	18.0	13.3
Adj. EPS growth (%)	(8.8)	1.9	42.3

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



ACEM approved two separate schemes of amalgamation to merge ACC and ORCMNT with ACEM. The transaction will consolidate the group's cement businesses under one listed entity and create a pan-India cement platform alleviating scale and enhancing operating leverage and strategic control.

**Fig 1 – Details of Swap Ratio**

Particulars	Details
<b>Fresh issue to ACC</b>	
Total ACC equity shares outstanding	187,787,263
ACEM shareholding in ACC (%)	56.69
Public / non-ACEM shareholding (%)	43.31
Eligible ACC shares for swap	81,330,664
Swap ratio	100 ACC: 328 ACEM
ACEM shares per ACC share	3.28
Fresh ACEM shares issued	266,764,577
<b>Fresh issue to ORCMNT</b>	
Total ORCMNT equity shares outstanding	205,110,000
ACEM shareholding in ORCMNT (%)	72.66
Public / non-ACEM shareholding (%)	27.34
Eligible ORCMNT shares for swap	56,077,074
Swap ratio	100 ORCMNT: 33 ACEM
ACEM shares per ORCMNT share	0.33
Fresh ACEM shares issued	18,505,434
Fresh issuance of equity shares	285,270,011

Source: Company, BOBCAPS Research

**Fig 2 – Capacities post amalgamation**

Region	ACEM	ACC	ORCMNT	Adani Cement
<b>Capacity (mtpa)</b>				
Central	2.5	7.1		9.6
East	12.0	11.6		23.5
North	10.6	8.7		19.3
South	13.0	10.1	6.5	29.4
West	19.6	2.9	2.0	24.5
<b>Total Capacity</b>	<b>57.6</b>	<b>40.4</b>	<b>8.5</b>	<b>107.0</b>
<b>Total IUs (No.)</b>	<b>11</b>	<b>11</b>	<b>2</b>	<b>24</b>
<b>Total Gus (No.)</b>	<b>13</b>	<b>8</b>	<b>1</b>	<b>22</b>

Source: Company, BOBCAPS Research

## Valuation Methodology

We retain our EBITDA estimates for FY26/FY27/FY28 currently. Bringing the cement business under single fold surely adds to the benefits like logistic cost savings, manufacturing and commercial synergies that are quantifiable (Rs100/tn cost savings). Besides moving towards a single brand, lean balance sheet adds to the qualitative benefits, which though not easy to quantify, bring benefits that directly lift earnings; more so in the stiff competitive space that the cement business currently is. Ease of identifying capex opportunities and cost saving spaces add further benefits.

We will keenly watch this and, accordingly, will remain vigilant to the changing business environment and performance of ACEM.

Our revenue/EBITDA/PAT CAGR stays at a healthy 19/21%/19% over FY25-FY28. We value the consolidated business by assigning EV/EBITDA of 14x (no change) 1YF earnings with unchanged TP to Rs 612 (Rs607) on rollover to December 2027 earnings.

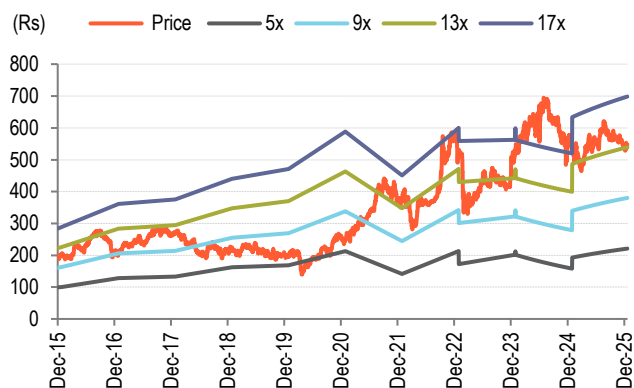
Our TP implies a replacement cost of Rs 10bn/mnt – ~33% premium to the industry. We retain HOLD.

**Fig 3 – Valuation summary**

Business (Rs mn)	Dec 2027
Target EV/EBITDA (x)	14.0
EBITDA	1,01,652
Target EV	13,97,713
Total EV	13,97,713
Net debt	(73,198)
Target market capitalisation	14,70,911
<b>Target price (Rs/sh)</b>	<b>612</b>
Weighted average shares (mn)	2463.1

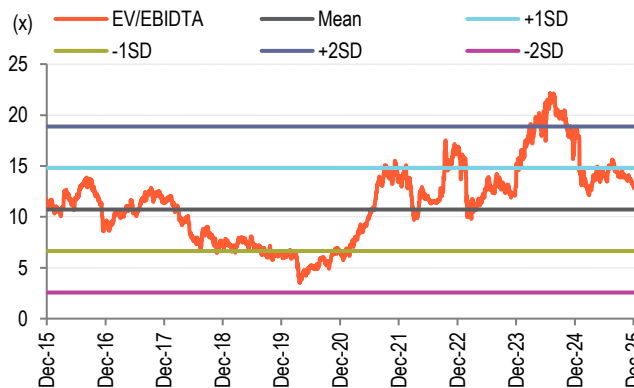
Source: BOBCAPS Research

**Fig 4 – EV/EBITDA band: Current valuations reflect earnings trajectory**



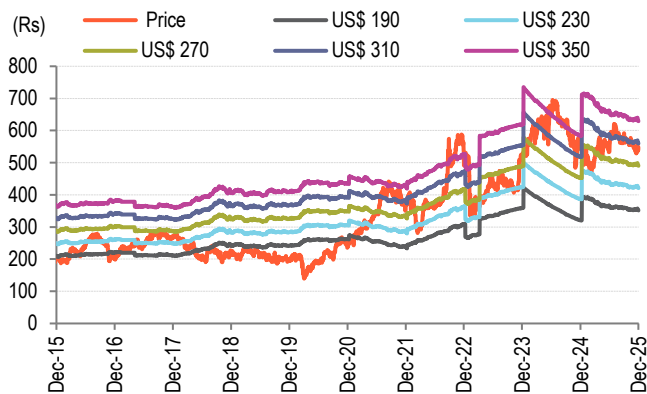
Source: Company, BOBCAPS Research

**Fig 5 – EV/EBITDA 1YF: Valuations reflect receding concerns but competitive intensity impacting earnings**



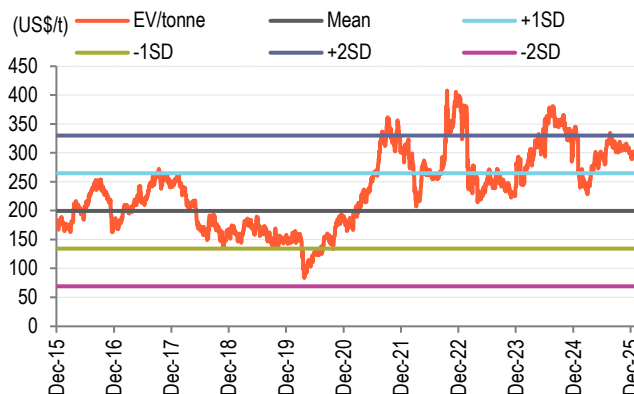
Source: Company, BOBCAPS Research

**Fig 6 – EV/tonne: Replacement cost will stay range bound**



Source: Company, BOBCAPS Research

**Fig 7 – EV/tonne 1YF: Valuations ahead can moderate**



Source: Company, BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>3,25,442</b>	<b>3,33,833</b>	<b>4,49,519</b>	<b>5,15,883</b>	<b>5,62,016</b>
EBITDA	63,995	59,707	72,966	96,413	1,06,891
Depreciation	(16,234)	(24,784)	(20,937)	(22,047)	(23,932)
EBIT	59,425	61,465	62,751	85,315	94,149
Net interest inc./(exp.)	(2,764)	(2,159)	(2,990)	(3,308)	(3,785)
Other inc./(exp.)	11,664	26,543	10,723	10,949	11,190
Exceptional items	0	28,334	0	0	0
EBT	56,662	87,639	59,761	82,008	90,364
Income taxes	(11,626)	(15,338)	(13,919)	(18,813)	(20,651)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(11,383)	(9,778)	(9,018)	(10,806)	(12,069)
<b>Reported net profit</b>	<b>33,652</b>	<b>62,523</b>	<b>36,825</b>	<b>52,388</b>	<b>57,644</b>
Adjustments	0	(28,334)	0	0	0
<b>Adjusted net profit</b>	<b>33,652</b>	<b>34,189</b>	<b>36,825</b>	<b>52,388</b>	<b>57,644</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	63,338	69,671	83,606	1,00,327	1,10,359
Other current liabilities	55,711	66,569	64,455	72,543	82,746
Provisions	2,989	3,139	3,296	3,461	3,634
Debt funds	7,414	8,416	7,917	7,950	7,983
Other liabilities	15,491	24,076	24,557	25,048	25,549
Equity capital	3,971	4,395	4,926	4,926	4,926
Reserves & surplus	4,10,155	4,93,687	5,25,339	5,72,296	6,24,237
Shareholders' fund	5,08,035	6,01,764	6,43,190	7,01,178	7,65,413
<b>Total liab. and equities</b>	<b>6,52,978</b>	<b>7,73,635</b>	<b>8,27,021</b>	<b>9,10,506</b>	<b>9,95,683</b>
Cash and cash eq.	1,10,689	25,904	62,056	78,162	84,167
Accounts receivables	12,131	15,903	22,168	24,027	27,716
Inventories	36,086	42,480	54,189	60,775	66,980
Other current assets	1,35,118	1,45,600	1,45,604	1,50,313	1,69,501
Investments	8,486	18,511	1,087	1,196	1,316
Net fixed assets	1,92,413	2,19,136	3,15,688	3,59,553	3,96,810
CWIP	1,22,211	2,70,278	1,90,428	2,00,699	2,13,434
Intangible assets	35,846	35,823	35,802	35,780	35,760
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>6,52,978</b>	<b>7,73,635</b>	<b>8,27,021</b>	<b>9,10,506</b>	<b>9,95,683</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>1,13,362</b>	<b>1,02,410</b>	<b>61,213</b>	<b>97,550</b>	<b>85,474</b>
Capital expenditures	(1,03,923)	(1,99,553)	(37,616)	(76,162)	(73,904)
Change in investments	(6,349)	(10,026)	17,424	(109)	(120)
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(1,10,272)</b>	<b>(2,09,578)</b>	<b>(20,193)</b>	<b>(76,271)</b>	<b>(74,024)</b>
Equities issued/Others	1,00,331	420	755	225	225
Debt raised/repaid	2,554	1,002	(499)	33	33
Interest expenses	0	0	0	0	0
Dividends paid	(4,964)	(4,973)	(5,125)	(5,431)	(5,703)
Other financing cash flows	(19,933)	25,935	0	0	0
<b>Cash flow from financing</b>	<b>77,988</b>	<b>22,383</b>	<b>(4,868)</b>	<b>(5,174)</b>	<b>(5,445)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>81,078</b>	<b>(84,785)</b>	<b>36,152</b>	<b>16,106</b>	<b>6,005</b>
<b>Closing cash &amp; cash eq.</b>	<b>1,10,689</b>	<b>25,904</b>	<b>62,056</b>	<b>78,162</b>	<b>84,167</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	16.1	26.8	15.0	21.3	23.4
Adjusted EPS	16.1	14.7	15.0	21.3	23.4
Dividend per share	2.4	2.1	2.1	2.2	2.3
Book value per share	242.9	258.2	261.1	284.7	310.8

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.2	3.9	2.9	2.5	2.3
EV/EBITDA	21.3	21.6	18.0	13.3	11.9
Adjusted P/E	34.0	37.3	36.6	25.7	23.4
P/BV	2.3	2.1	2.1	1.9	1.8

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	79.5	82.5	76.7	77.1	77.1
Interest burden (PBT/EBIT)	95.3	96.5	95.2	96.1	96.0
EBIT margin (EBIT/Revenue)	18.3	18.4	14.0	16.5	16.8
Asset turnover (Rev./Avg TA)	55.6	46.8	56.2	59.4	59.0
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	10.1	8.8	7.4	9.4	9.5

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	5.8	2.6	34.7	14.8	8.9
EBITDA	56.2	(6.7)	22.2	32.1	10.9
Adjusted EPS	37.6	(8.8)	1.9	42.3	10.0
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	19.3	17.0	16.0	18.5	18.8
EBIT margin	17.9	17.5	13.8	16.3	16.6
Adjusted profit margin	10.3	10.2	8.2	10.2	10.3
Adjusted ROAE	10.1	8.8	7.4	9.4	9.5
ROCE	12.8	10.6	9.6	12.1	12.3

### Working capital days (days)

Receivables	14	17	18	17	18
Inventory	40	46	44	43	44
Payables	86	87	80	86	87

### Ratios (x)

Gross asset turnover	1.0	0.9	0.9	0.9	0.9
Current ratio	2.4	1.6	1.9	1.8	1.8
Net interest coverage ratio	21.5	28.5	21.0	25.8	24.9
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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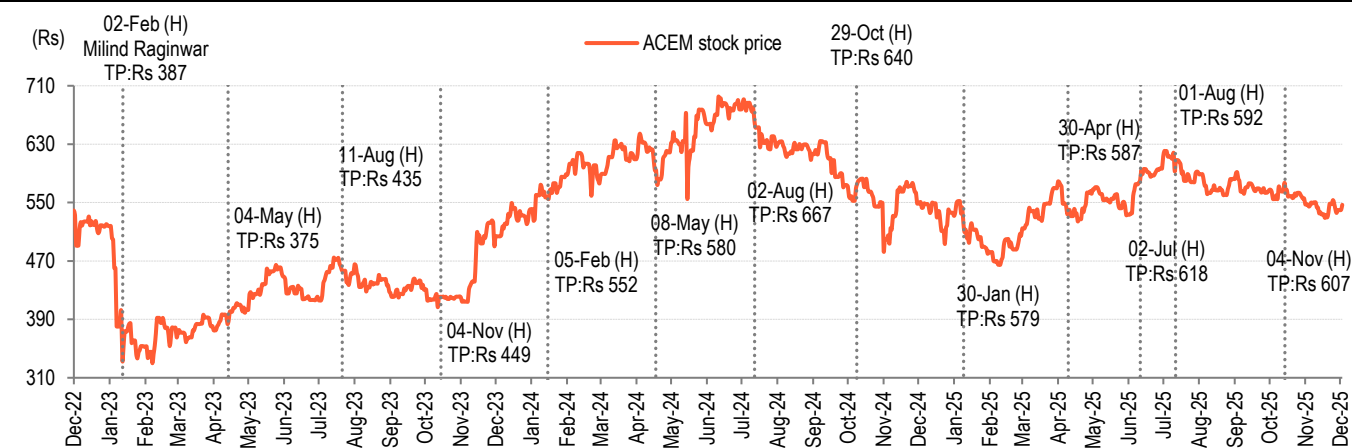
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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### Ratings and Target Price (3-year history): AMBUJA CEMENTS (ACEM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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