

**RESEARCH****BOB ECONOMICS RESEARCH | MONTHLY ECONOMIC BUFFET**

Economic Round-up: June 2025

**AMBUJA CEMENTS | TARGET: Rs 618 | +4% | HOLD**

Growth focused, cost savings to aid margins

**SUMMARY****INDIA ECONOMICS: MONTHLY ECONOMIC BUFFET**

Last month was marked by increased volatility in the global financial system as hostilities between Iran and Israel erupted suddenly. The immediate impact was felt on almost all asset classes, with oil prices and safe-haven assets noticing a significant uptick. The war which lasted 12-days once again reinforced the fragility of the global trading system. However, a delicate cease-fire deal was quickly negotiated which helped in calming investor sentiments. Countries continue to grapple with unique growth and inflation dynamics, which in turn is shaping their respective monetary policy decisions.

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- Focus stays on capacity addition that will help achieve incremental market share aimed at ~18%/22% by FY28/FY30
- Cost savings to boost margin expansion with focus on moderating power cost (60% green power) and 100km lead distance cut by FY28
- We value ACEM (consolidated) at 13x 1YF and revise TP to Rs 618 from Rs 587. Retain HOLD with FY26/FY27 EBITDA revised up by 3%/5%

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**MONTHLY ECONOMIC BUFFET**

02 July 2025

**Economic Round-up: June 2025****Aditi Gupta**  
Economist

Last month was marked by increased volatility in the global financial system as hostilities between Iran and Israel erupted suddenly. The immediate impact was felt on almost all asset classes, with oil prices and safe-haven assets noticing a significant uptick. The war which lasted 12-days once again reinforced the fragility of the global trading system. However, a delicate cease-fire deal was quickly negotiated which helped in calming investor sentiments. Countries continue to grapple with unique growth and inflation dynamics, which in turn is shaping their respective monetary policy decisions.

In India, a favourable inflation outlook swayed the central bank to frontload its rate cuts. Further support has also been provided with proactive liquidity management and regulatory overhauls. Overall, India's growth remains on a stable expansion path as visible in the performance of high frequency indicators. We expect RBI to remain on hold for the remainder of the year, with the monsoon playing a key role in shaping the policy rate path.

**Macro developments**

CPI inflation in the US moderated further to 0.1% in May'25 from 0.2% in Apr'25 on a MoM basis. Core inflation (ex. food and energy), also decelerated to 0.1% in May'25, lower than an anticipated 0.3% increase. In contrast, PPI (final demand) rose by 2.6% in May'25, higher compared with an increase of 2.5% last month. Along similar lines, core PCE, Fed's preferred gauge for inflation rose by 2.7% on a YoY basis, marginally higher than 2.6% in Apr'25. Mixed inflation readings have raised concerns over underlying price pressures. Growth concerns however remained with macro data signalling a further slowdown. Retail sales declined at a steep pace of 0.9% last month, following up on a decline of 0.1% in Apr'25. Importantly, personal spending, which account for a major share of US GDP, declined by 0.1% in May'25 after increasing by 0.2% in Apr'25. Weak consumer sentiment was also reflected in the Conference Board's consumer confidence index which dipped to 93 in Jun'25 from 98.4 in May'25. Industrial production declined by 0.2% in May'25, after a flat reading last month. ISM manufacturing PMI rose to 49.0 in Jun'25 from a 6-month low of 48.5 in May'25, even as firms grappled with volatile business environment. Even the housing market showed signs of stress, with housing starts and new home sales registering steep declines. Labour market conditions remained largely stable with the unemployment rate holding steady at 4.2% in May'25. Job openings also rose to 7.8mn in May'25 from 7.4mn in Apr'25, signalling strength in the labour market.



**HOLD**

TP: Rs 618 | ▲ 4%

**AMBUJA CEMENTS**

| Cement

| 02 July 2025

## Growth focused, cost savings to aid margins

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**Focused on growth and improving market share:** Adani management will continue to press on growth with capacity addition of 17mnt (ACC + ACEM) in FY26 (120mnt) and additional ~20mn tonnes by FY28 to reach 140mnt. This will be well-backed by the clinker capacity with a healthy clinker conversion ratio of ~1.42x by FY28. ACEM will focus on regaining market share. It commands 18% and 11% market share in trade/non-trade, thereby adding 2-2.5% in the past two years; taking the aggregate share to 14.5%. ACEM aims to achieve a 17-18% market share by FY28 and further take it to 21-22% in FY30.

**Cost savings to continue, key to aid margins:** Management indicated cost savings to be the key contributor to margins. This will be achieved by focusing on reducing logistic cost by 100km by FY28, with the aim of having 17 sea-based terminals in the southern coastline. Further addition of green power contribution to 60% by FY28, aided by focus on premiumisation with 3 dedicated plants for premium products. Cumulatively, this will facilitate margins improvement.

**Aims to graduate to a construction-solutions company; focus on cement:** Management indicated to graduate ACEM from its current commodity focus to providing building material solutions. This will be achieved by a strong focus on digitisation and talent addition; though focus is on its initial aim of attaining 140mnt of cement capacity by FY28.

**Capacity addition on track:** ACEM's cement capacity reached ~104mn tonnes (mnt) (FY25-end). The Sankrail GU (2.4mnt) capacity was commissioned in Q1FY26. Further, Bhatapara (clinker unit 4.0mnt), Sindri 1.6mnt GU and Salai Banwa 2.4mnt GU are expected to commission shortly.

**Valuations:** We revise our FY26e/FY27e EBITDA estimates upwards by ~3%/5%, helped by additional cost saving efforts by ACEM. Our revenue/EBITDA/PAT CAGR of 17%/16%/15% over FY24-FY27. We value ACEM (consolidated) by assigning EV/EBITDA of 13x 1YF earnings and revise our TP to Rs 618 (Rs 587) translating into replacement cost of 10bn/mnt ~ 33% industry premium. Maintain HOLD.

## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ACEM IN/Rs 594
Market cap	US\$ 13.8bn
Free float	37%
3M ADV	US\$ 17.2mn
52wk high/low	Rs 699/Rs 453
Promoter/FPI/DII	63%/11%/17%

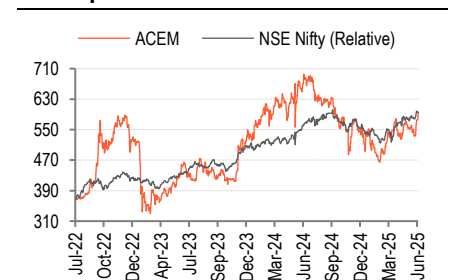
Source: NSE | Price as of 2 Jul 2025

## Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	3,50,448	4,58,726	5,25,628
EBITDA (Rs mn)	77,190	78,665	1,00,174
Adj. net profit (Rs mn)	41,889	36,568	50,658
Adj. EPS (Rs)	18.0	14.8	20.6
Consensus EPS (Rs)	18.0	13.1	17.2
Adj. ROAE (%)	9.0	7.5	9.0
Adj. P/E (x)	33.1	40.0	28.9
EV/EBITDA (x)	14.6	16.0	12.8
Adj. EPS growth (%)	11.7	(17.4)	38.5

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

## Stock performance



Source: NSE



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**BUY** – Expected return >+15%

**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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