Ambuja Cements (AMBCEM)

CMP: ₹ 600 | Target: ₹ 700 (17%) | Target Period: 12 months | BUY

August 1, 2025

Longer-term growth outlook remains intact...

About the stock: Ambuja Cements, a part of Adani Group, is a Pan-India cement manufacturer with a market share of ~15.5% at present

- Company's cement capacity stands at 104.5 mtpa at present (including Penna Cement & Orient Cement)

Q1FY26 performance: Consolidated revenue was up 23.8% YoY (+4% QoQ) to Rs 10289.1 crore, led by 20.3% YoY growth in sales volume (18.4 mtpa, +1.1% QoQ) supported by MSA agreements and consolidation of acquired entities (Orient Cement, Penna Cements). Blended realisation improved 2.9% YoY (+2.9% QoQ). Total cost/ton decreased by 1.5% YoY (+2.7% QoQ), mainly due to decline in raw material cost on YoY basis. EBITDA/ton stood at Rs 1066/ton (+27.4% YoY, +3.9% QoQ). Subsequently, EBITDA was up 53.2% YoY (+5% QoQ) to Rs 1961.1 crores. PAT increased by 23.1% YoY to Rs 787.88 crore

Investment Rationale

- **Volume growth to remain strong led by aggressive capacity additions:** Ambuja's consolidated volume growth of 20% YoY in Q1FY26 remains better-than-industry, mainly led by capacity additions including consolidation of acquired capacities of Sanghi Industries & Penna Cement. Company's capacity has been recently increased to ~105 mtpa (post the acquisition of Orient Cement and recent organic expansions). Further, company is aggressively expanding its capacity to 118 mtpa by FY26E (through organic expansion) and targets to reach 140 mtpa by FY28E. We estimate company's consolidated volumes to grow at ~14% CAGR over FY25-27E. Management also guides double-digit volume growth in the coming period (vs 7-8% industry growth)
- **Focus on operational efficiencies to drive EBITDA/ton improvement:** Ambuja's EBITDA/ton stood at Rs 1066 (+27% YoY) in Q1FY26; led by better realisations and cost efficiency measures. Company's profitability is expected to improve further going ahead, led by improvement in prices & sharp focus on cost savings and operating leverage benefits. Cost saving measures would be primarily led by increasing share of low-cost green power (targets 60% by FY28E from ~21% at present), increasing share of captive coal, further optimising logistics & raw material cost (driven by group synergies) & increase in share of premium products. Management targets to save total cost/ton further by ~Rs 500/ton by FY28E. We expect EBITDA/ton to improve to ₹ 1187/ton in FY27E (vs Rs 789/ton in FY25)

Rating and Target Price

- With healthy volume growth and significant improvement in EBITDA/ton over FY25-27E, we expect revenue to grow ~15% CAGR over FY25-27E while EBITDA & PAT are expected to grow at ~30% & ~10% CAGR respectively
- We maintain **BUY** on Ambuja Cements with a revised target price of Rs 700 (based on 18.5x EV/EBITDA on FY27E) with adjusting value of minorities (ACC, Sanghi & Orient)

Company Update

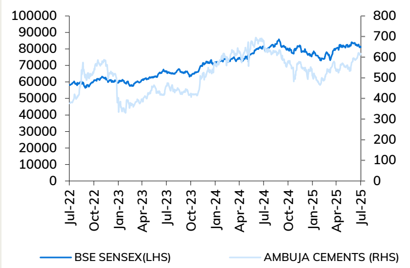
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	1,47,707
FY25 Gross Debt (Rs Crore)	27
FY25 Cash(Rs Crore)	6,172
EV (Rs Crore)	1,41,562
52 Week H/L (Rs)	663 / 453
Equity Capital	439.5
Face Value	2.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	67.6	67.6	67.6	67.6
FII	10.6	9.1	8.6	7.4
DII	15.0	16.4	17.1	18.5
Others	6.8	6.9	6.7	6.5

Price Chart



Recent Event & Key risks

(1) Slowdown in demand (2) Delays in capacity expansion (3) Increase in commodity prices (4) High competition

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ICICI Securities – Retail Equity Research

Key Financial Summary

(Year-end March)	CY21	FY23*	FY24	FY25	4 Year CAGR (CY21-FY25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	28,965	38,937	33,160	35,045	4.9%	40,502	46,476	15.2%
EBITDA	6,210	5,122	6,400	5,971	-1.0%	7,463	10,104	30.1%
EBITDA margin (%)	21.4	13.2	19.3	17.0		18.4	21.7	
Net Profit	2,780	2,583	3,577	4,167	10.6%	3,747	5,002	9.6%
EPS (Rs)	14.0	13.0	18.0	16.9		15.2	20.3	
P/E (x)	41.6	46.1	35.0	35.3		39.4	29.5	
EV/EBITDA (x)#	26.2	31.8	25.4	27.3		21.8	16.1	
EV/ton ($)		290.5	248.5	197.4		162.3	147.3	
RoCE (%)	21.3	13.3	14.3	11.5		10.7	13.2	
RoE (%)	11.3	8.2	8.2	7.8		6.6	8.2	

Source: Company, ICICI Direct Research, * 15 months

Q1FY26 Result highlights:

- Consolidated Revenue was up 23.8% YoY to Rs 10289.1 crore in Q1FY26, led by 20.3% YoY growth in sales volume (18.4 mtpa) supported by MSA agreements and consolidation of acquired entities (Orient Cement, Penna Cements). Blended realisation also improved by 2.9% YoY.
- Sequentially, revenue was up only 4%, led by 1.1% QoQ volume growth with 2.9% QoQ improvement in blended realisation.
- Total cost/ton decreased by 1.5% YoY (+2.7% QoQ), mainly due to decline in raw material cost on YoY basis.
- EBITDA/ton stood at Rs 1066/ton (+27.4% YoY, +3.9% QoQ). Subsequently, EBITDA was up 53.2% YoY (+5% QoQ) to Rs 1961.1 crores.
- PAT increased by 23.1% YoY to Rs 787.88 crore

Recent Earning Call – Key highlights:

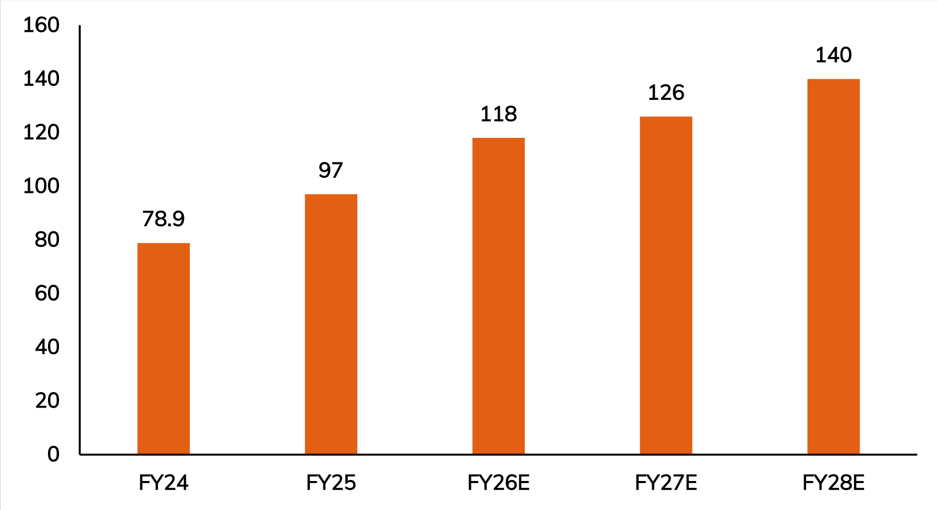
- Industry demand grew 4% YoY in Q1FY26 and management now expects 7–8% growth for FY26E (up from 6–7% estimate earlier). Key demand drivers - Housing (PMAY), infrastructure (Bharatmala, Sagarmala etc)
- Sales Volume for the company for this quarter was highest ever at 18.4 mtpa and market share rose by 2% to 15.5%. Volume growth was driven by improved channel engagement and added capacity from Orient Cement acquisition. However, volume growth if adjusted for acquired assets (Sanghi, Penna, Orient) stood at ~13% on YoY basis
- Premium Products contributed 33% of trade sales which was up by 43% YoY. Blended cement share stood at ~80% in Q1FY26 (vs. 82% in Q4FY25)
- Company maintained the target of achieving the full ₹530/ton reduction by FY27E–28E of which it already achieved about 35–40% of this journey (~₹175–200/ton so far)
- Management reiterated their target of achieving EBITDA/ton of ₹1,500
- Commissioned 57 MW wind power in Q1FY26, taking Renewable Energy capacity to 473 MW. Green Energy share for Q1FY26 increased to 28.1% (+9.7% QoQ) and target is 60% by FY28. Coal cost improved from ₹1.73 to ₹1.59 per 000 kcal.
- Lead distance reduced by 8 km QoQ to 269 km and target is to reduce 75 km by FY28E by lowering logistics cost by ₹150/ton
- Management maintained target of achieving 118 mtpa by FY26E and 140 mtpa by FY28E from current cement capacity of 104.5 mtpa. All the current ongoing expansions are on track and majority of commissioning is expected by Dec 2026. Company currently has ~65 mtpa of clinker capacity as of June 2025
- Capex for Q1FY26 was ₹2000 crores. FY26 Capex estimated at ₹9,000–10,000 crore (includes Penna acquisition payments)
- Cash stood at ~₹3000 crores in Q1FY26 against ₹10250 crores in Q4FY25. The reduction in amount was due to payment made for Orient Cement acquisition (including the open offer), some capex and dividend payout
- Orient Cement successfully integrated into Ambuja operations during Q1FY26 which helped improve Ambuja's market share by 2% and contributed to the highest-ever quarterly revenue and EBITDA. Orient and Penna brands fully transitioned to Ambuja/ACC
- Adani Cementation Industries Limited Merger - received all statutory approvals, including those from BSE and NSE. Current Status - Further process of completion is ongoing

Exhibit 1: Quarterly Analysis – Q1FY26

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
Operating Income	10,289.1	8,311.5	23.8	9,888.6	4.0	Revenue increased led by strong volume growth
Other income	256.1	354.7	-27.8	573.3	-55.3	
Total Revenue	10,545.2	8,666.2	21.7	10,461.9	0.8	
Raw materials costs	1,524.5	1,577.3	-3.3	1,826.8	-16.6	
Employees Expenses	417.7	317.0	31.8	355.5	17.5	
Other Expenses	974.3	1,030.5	-5.5	1,157.7	-15.8	
Total Expenditure	8,328.0	7,031.7	18.4	8,021.1	3.8	
EBITDA	1,961.1	1,279.8	53.2	1,867.6	5.0	
EBITDA margins (%)	19.1	15.4	366 bps	18.9	17 bps	Margins increased YoY due to better sales realization on YoY basis
Interest	67.1	67.8		14.3		
Depreciation	861.6	476.1	81.0	786.4	9.6	
Tax	363.0	310.9	16.8	497.3	-27.0	
PAT	787.9	639.9	23.1	956.3	-17.6	

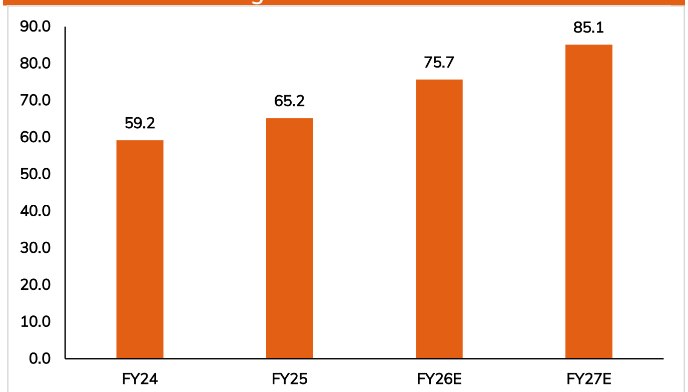
Source: Company, ICICI Direct Research

Exhibit 2: Company targets to reach 140 mtpa by FY28E



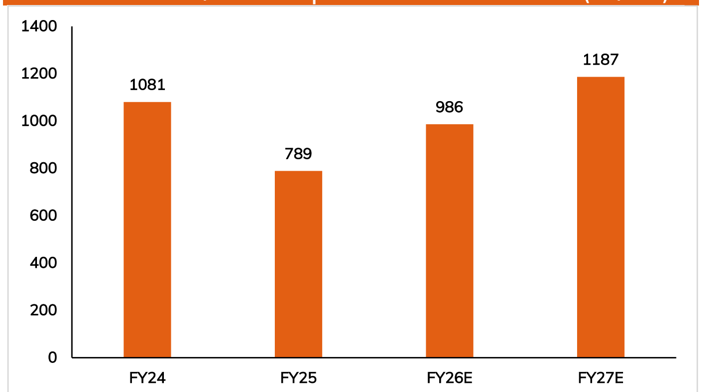
Source: Company, ICICI Direct Research

Exhibit 3: Volumes to grow at ~14% CAGR over FY25-27E



Source: Company, ICICI Direct Research

Exhibit 4: EBITDA/ton to improve over FY25-FY27E (Rs/ton)



Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue	33,160	35,045	40,502	46,476
% Growth	(14.8)	5.7	15.6	14.8
Other income	1,166	2,654	1,858	1,709
Total Revenue	33,160	35,045	40,502	46,476
% Growth	(14.8)	5.7	15.6	14.8
Total Raw Material Costs	4,923	6,630	7,717	8,682
Employee Expenses	1,353	1,403	1,600	1,760
Other expenses	20,485	21,041	23,722	25,930
Total Operating Expenditure	26,760	29,074	33,039	36,372
Operating Profit (EBITDA)	6,400	5,971	7,463	10,104
% Growth	24.9	(6.7)	25.0	35.4
Interest	276	216	210	210
PBDT	7,290	8,409	9,111	11,603
Depreciation	1,623	2,478	3,281	3,811
PBT before Exceptional Items	5,666	5,931	5,831	7,792
Total Tax	1,163	764	1,166	1,558
PAT before MI	4,715	5,145	4,665	6,234
PAT	3,577	4,167	3,747	5,002
% Growth	38.5	16.5	(10.1)	33.5
EPS	16.3	16.9	15.2	20.3

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	3,577	4,167	3,747	5,002
Depreciation	1,623	2,478	3,281	3,811
Interest	276	216	210	210
Cash Flow before WC changes	5,477	6,862	7,237	9,023
Changes in inventory	(336)	(639)	(413)	(433)
Changes in debtors	(59)	(377)	(185)	(7)
Changes in loans & Advances	2	(1)	1	(1)
Changes in other current assets	1,491	(1,506)	(85)	(597)
Net Increase in Current Assets	3,264	1,302	(977)	(1,361)
Changes in creditors	335	(349)	569	491
Changes in provisions	28	12	1	14
Net Inc in Current Liabilities	611	1,722	1,159	1,043
Net CF from Operating activities	9,351	9,885	7,419	8,705
Changes in deferred tax assets	1,091	33	-	-
(Purchase)/Sale of Fixed Assets	(10,593)	(19,895)	(9,500)	(8,000)
Net CF from Investing activities	(7,136)	(22,377)	(10,241)	(9,593)
Dividend and Dividend Tax	(496)	(493)	(659)	(739)
Net CF from Financing Activities	5,893	7,596	(869)	(949)
Net Cash flow	8,108	(4,896)	(3,691)	(1,837)
Opening Cash/Cash Equivalent	2,960	11,068	6,172	2,481
Closing Cash/ Cash Equivalent	11,068	6,172	2,481	644

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	440	493	493	493
Reserve and Surplus	41,015	52,951	56,038	60,301
Total Shareholders funds	41,454	53,443	56,531	60,794
Total Debt	37	27	27	27
Total Liabilities	53,186	67,113	70,200	74,463
Gross Block	23,033	36,626	48,447	57,947
Acc: Depreciation	9,492	11,970	15,251	19,062
Net Block	19,957	24,656	33,196	38,885
Capital WIP	2,658	9,820	7,500	6,000
Total Fixed Assets	35,047	52,463	58,683	62,872
Non Current Assets	5,336	8,704	9,445	11,038
Inventory	3,609	4,248	4,661	5,093
Debtors	1,213	1,590	1,775	1,783
Other Current Assets	2,460	3,966	4,050	4,648
Cash	11,068	6,172	2,481	644
Total Current Assets	24,093	17,895	15,181	14,705
Current Liabilities	3,109	2,759	3,329	3,820
Provisions	256	90	91	92
Total Current Liabilities	12,111	13,833	14,991	16,034
Net Current Assets	11,982	4,062	189	(1,329)
Total Assets	53,186	67,113	70,200	74,463

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
EPS	18.0	16.9	15.2	20.3
Cash per Share	59.6	32.5	17.5	10.0
DPS	14.0	14.0	15.0	16.0
BV	208.8	217.0	229.5	246.8
EBITDA Margin	19.3	17.0	18.4	21.7
PAT Margin	10.8	11.9	9.3	10.8
RoE	8.2	7.8	6.6	8.2
RoCE	14.3	11.5	10.7	13.2
RoIC	15.7	7.4	7.7	10.5
EV / EBITDA	25.4	27.3	21.8	16.1
P/E	35.0	35.3	39.4	29.5
EV/ton ($)	249	197	162	147
EV / Net Sales	4.1	4.0	3.5	3.1
Sales / Equity	0.8	0.7	0.7	0.8
Market Cap / Sales	4.5	4.2	3.6	3.2
Price to Book Value	2.9	2.8	2.6	2.4
Asset turnover	0.8	0.7	0.7	0.8
Debtors Turnover Ratio	28.0	25.0	24.1	26.1
Creditors Turnover Ratio	11.3	11.9	13.3	13.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.9	0.9	1.0
Quick Ratio	0.4	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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