RESULT REVIEW

HOLD
TP: Rs 592 | ∀ 0%

AMBUJA CEMENTS | Cement | 01 August 2025

Consolidation phase pain may continue in medium term

- **Strong volume-driven (13% YoY) revenue growth, backed by realisation gains of 8% YoY, due to price hikes in key operating pockets**
- **Operating cost impacted by ~9%/13%YoY/QoQ to Rs 4,521/tn, effectively impacting EBITDA margin to 13.9% vs 14.3%/18.3% YoY/QoQ**
- **We now value ACEM's consolidated business at 14x (earlier) 13x 1YF, revise earnings downward and TP to Rs 592 (vs Rs 618). Retain HOLD**

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Volume gains on inorganic growth; realisations healthy: ACEM reported a healthy 22% YoY (-3% QoQ) revenue growth to Rs 55.1bn in 1QFY26 (SA), driven by double-digit volume growth and backed by realisations. Share of premium products was up to 29.1%. Volume growth was healthy at 12.9% YoY (-9% QoQ) to 10.5mt while realisations were at Rs5,252/t (8% YoY). Consolidated revenue grew 23%/3% YoY/QoQ at Rs ~103bn, as volumes jumped 20%/1% YoY/QoQ to 18.4mt. Blended cement was stable at 82% of the total trade volumes.

Cost inflation a negative surprise: Operating cost rose by ~9/13%YoY/QoQ to Rs 4,521/t. Power and fuel costs (adjusted to raw material cost) spiked by 10%/9% YoY/QoQ to Rs 2,716/t in Q1FY26 from Rs 2,459/t in Q1FY25, on adverse raw material price. Kiln Fuel cost fell by 14% YoY to Rs 1.57/kcal, due to better fuel mix but was flat QoQ. Other expenses were higher because of Orient Cement integration. Consequently, EBITDA margin fell to 13.9% from 14.3% YoY. EBITDA/t came at Rs 731 vs Rs695 YoY.

Capacity expansion on track: ACEM is on track to reach 118 mnt by March 2026 and 140 mnt by FY28, supported by brownfield expansions at various locations including Bhatapara, Salai Banwa, Dabri, Mewar, Kalamboli, Krishnapuram, Bhatinda, Jodhpur, and Waghali. The Bhatapara clinker unit (4 mnt) and additional grinding units are due for commissioning in Q2FY26, with 13 mnt of grinding units targeted for FY26.

Maintain HOLD: We revise our EBITDA estimates for FY26/FY27 by 7%/4% to factor in the consolidation impact on cost, though volume growth will be healthy. Realisation gains may be challenging, given the heightened competitive pressure in FY26/FY27. Full impact of inorganic growth (ORCMNT + Penna) transition is steady and will continue in medium term, pinching cost. We introduce FY28 earnings and estimate revenue/EBITDA/PAT CAGR of 19/21%/19% over FY25-FY28. We value consolidated business by assigning EV/EBITDA of 14x (earlier 13x) 1YF earnings and revise TP to Rs 592 (Rs 618). Our TP implies a replacement cost of Rs 10bn/mnt – ~33% premium to the industry. We retain HOLD.

Key changes

Target	Rating
▼	◄►

Ticker/Price	ACEM IN/Rs 593
Market cap	US$ 13.4bn
Free float	37%
3M ADV	US$ 15.9mn
52wk high/low	Rs 681/Rs 453
Promoter/FPI/DII	63%/11%/17%

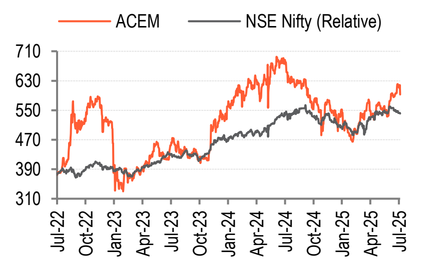
Source: NSE | Price as of 31 Jul 2025

Key financials

Y/E 31 Mar	FY25P	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	16.3	20.8
Adj. ROAE (%)	8.8	7.4	9.4
Adj. P/E (x)	40.4	39.6	27.9
EV/EBITDA (x)	19.4	17.0	12.6
Adj. EPS growth (%)	(8.8)	1.9	42.3

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

Stock performance



Source: NSE

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Important disclosures and analyst certifications are provided at the end of the report.

Fig 1 – Earnings call highlights

	Q1FY26	Q4FY25	Our view
Volumes and realisations	In Q1FY26, Ambuja Cements Ltd cement sales volumes were at 18.4 mt, reflecting a 20% YoY growth; driven by high proportion of blended cement, (82% of total trade volumes). Premium products, contributed 29.1% to trade sales, up by 5.3% YoY. ACEM targets to raise this share to 35% by FY26 and revised its FY26 cement demand growth forecast to 7-8% from 6-7%.	Ambuja Cements (SA) volume in Q4FY25, was up 22% YoY. Growth was driven by a strong micro-market strategy, expansion of the ground network, and a high proportion of blended cement (82%) and premium products (29.1% of trade sales, up 5.3% YoY). Cement demand grew by 6.5-7% in Q4FY25. For FY25, industry growth was 4-5%, with Ambuja outperforming the industry. Share of premium cement increased to 29%, with a target of 35% by FY26.	Contributions from Sanghi Industries (SIL) and the Penna Cement acquisition should help ACEM stay ahead of industry growth in FY26/FY27. Orient Cement and a clear capacity addition roadmap only confirms ACEM's firm volume growth in the medium term.
Margins & cost reduction	ACEM has set cost savings of Rs75-200/t, representing 35-40% of its Rs 530/t cost reduction goal by FY28. Key drivers of margin improvement include: a reduction in power costs through green energy initiatives, with the green power share rising 9.7% to 28.1%; a 14% decrease in kiln fuel costs to Rs 1.57/kcal, due to optimised fuel mix with increased pet-coke usage; a 2% reduction in logistics costs, facilitated by an 8 km reduction in primary lead distance to 269 km and a 600 bps increase in direct dispatch to 58%.	Continuous cost reduction initiatives are visible. Operational cost for Q4FY25 was Rs 4,003/t. Kiln Fuel cost down by 14% to Rs 1.58 per kcal, on a better fuel mix and increased use of pet-coke. Transportation costs also fell by 2% to Rs 1,238/t. Primary lead distance was reduced by 15 km to 265 km, and the secondary lead distance by 2 km to 46 km. Direct dispatch to customers increased by 600 bps to 58%. ACEM achieved cost savings of Rs 150-175/t so far, with a cost target of Rs 3,650/t by FY28 (an additional Rs 300-325/t to be achieved by FY28).	Logistics cost rationalisation, prudent rail-road mix and warehouse optimisation will be the key as it improves further on grinding units and its presence across additional regions. Energy cost benefits may be limited only to green energy usage due to the base effect. However, transitionary phase is clearly hitting core performance and will be watched keenly.
Capacity	Ambuja Cements expanded its cement capacity to 105.4mtpa in Q1FY26, following the commissioning of the Sankrail and Sindri brownfield grinding units and the integration of Orient Cement. It aims to attain118mtpa by March 2026 and 140mtpa by FY28, supported by brownfield expansions at sites including Bhatapara, Sula Bawne, Dabri, Mewar, Kalamboli, Krishnapuram, Bhatinda, Jodhpur, and Waghali.	Ambuja Cements has crossed 100 mnt of cement capacity. This includes the acquisition of Orient Cement, commissioning of the Farakka grinding unit, and debottlenecking of various plants. Sanghi's utilisation is at 40-45%, Penna's at 75-80% for clinker and 45-50% for cement, and Orient's at 60-75%. ACEM on track to reach 118 mnt by FY26 and 140 mnt by FY28, with 9 grinding units across regions. The Bhatapara clinker unit (4 mnt) and Sankrail/Sindri grinding units will likely be commissioned by Q1FY26. 9 additional grinding units have been identified to achieve the 140 mnt target by FY28.	Thus far, ACEM's growth has been driven by inorganic growth. Organic growth will testify to the company's execution capacity. Capacity expansion is on a firm track and new capacities are likely to affirm growth even beyond FY27.
Green energy	ACEM added its green power share to 28.3%, up 9.7% YoY, with a 60% target by FY28. It commissioned 57 mw of wind energy, bringing total renewable energy capacity to 205 mw, alongside a WHRS	WHRS capacity is at 218 mw, the company is targeting 30% of power needs by FY28.	ACEM's initiatives to shift to alternative energy sources, have picked up pace. However, thermal power remains key for core clinker/cement production.

	Q1FY26	Q4FY25	Our view
	capacity of 228 mw, up from 197 mw. Secured a 10Y supply of 5 bnt of fly ash at a negative cost of Rs 400/t from Adani Power, enhancing cost efficiency.	300 mw of RE capacity in place (200 MW solar and ~100 MW wind) and is targeting 1,000 MW by FY26. Green power share increased to 26% (from 15.6%), reducing power costs by Rs 0.20-0.25 per unit. ACEM managed to secure a 10Y supply of 5 bnt at a negative cost of Rs 400/t with Adani Power	
Capex	ACEM incurred a capex of Rs 90bn in FY25, including Rs56bn for a 46% stake in Orient Cement and Rs 20bn for the open offer escrow. For FY26, it has planned a capex of Rs 90-100bn, with Rs 60bn allocated for growth projects (e.g., new grinding units and clinker facilities) and Rs 30-40bn for efficiency initiatives (e.g., WHRS and digitalisation). ACEM maintains a robust balance sheet with Rs 30bn in cash and equivalents as of June 2025, down from Rs 102.5bn in March 2025 due to acquisitions, Rs 20bn capex in Q1FY26, and Rs 5.5bn in dividend payments. Balance payment for Penna Cement is included in the FY26 capex guidance, with its clinker unit expected online by Q2FY26. Approximately, 70-75% of capex is allocated to the parent company (Ambuja), with 25-30% to subsidiaries like ACC.	Growth capex is planned to be Rs 60 bn; efficiency capex Rs 25-30 bn for FY26, totalling approximately Rs 90 bn. Cash deployment in FY25 was to the tune of Rs 56bn for acquiring a 46% stake in Orient Cement, Rs 20bn for the open offer escrow. Cash and equivalents were at ~Rs 100 bn as of March 2025, approximately Rs 50 bn post-Orient acquisition.	Capex guidance in line with the targeted capacity growth.
Other relevant information	Ambuja Cements strengthened its resource base by acquiring 367 mt of limestone reserves in Q1FY26, increasing total reserves to over 9,000 mt,	Acquired 367 mnt of limestone reserves in Q4FY25, bringing the total to over 9,000 mnt. Ordered 11 GPWIS rakes (all delivered) and 26 BCFC rakes (8 delivered) for clinker and fly ash transport. Initiatives like the Query-to-Lorry system and Cement Network Operating Centre (CNOC) are enhancing efficiency. Provisioned around Rs 2 bn for non-operational assets (Bargarh, Chaibasa and Wadi). Net worth increased to Rs 640 bn (up from Rs 500 bn YoY); the company remains debt-free with the highest credit rating in the industry.	Securing limestone reserves only adds comfort over expansion drive staying seamless. Balance sheet healthy despite strong capex plans as of now.

Source: Company, BOBCAPS Research

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Fig 2 – Key quarterly metrics

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Deviation (%)
Volumes (mn mt)	10.5	9.3	12.9	11.6	(9.5)	10.28	2.17
Cement realisations (Rs/t)	5,252	4,856	8.2	4,898	7.2	5098	3.03
Operating costs (Rs/t)*	4,521	4,161	8.7	4,003	12.9	4080	10.82
EBITDA/t (Rs)	731	695	5.2	895	(18.3)	1018	(28.19)

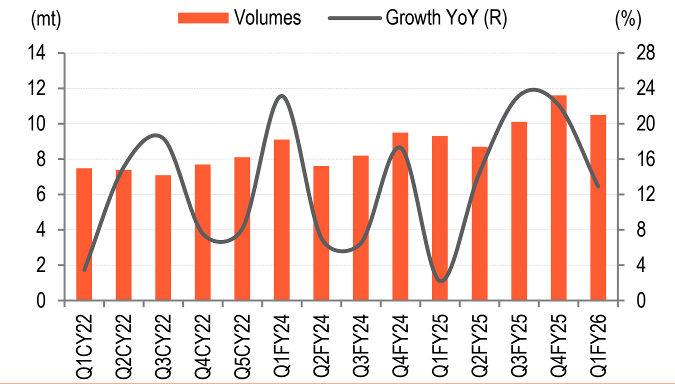
Source: Company, BOBCAPS Research

Fig 3 – Key quarterly metrics

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Deviation (%)
Net Sales	**55,147**	**45,158**	**22.1**	**56,814**	**(2.9)**	**52,387**	**5.3**
Expenditure							
Change in stock	521	(919)	(156.7)	811		851	
Raw material	6,783	5,414	25.3	7,149	(5.1)	6,166	10.0
Purchased products	11,196	9,273	20.7	11,501	(2.7)	10,386	7.8
Power & fuel	10,020	9,099	10.1	9,448	6.1	8,499	17.9
Freight	11,558	10,181	13.5	10,795	7.1	9,711	19.0
Employee costs	1,446	1,382	4.6	1,451	(0.3)	1,531	(5.6)
Other exp	5,947	4,268	39.3	5,278	12.7	4,780	24.4
Total Operating Expenses	**47,471**	**38,698**	**22.7**	**46,432**	**2.2**	**41,924**	**13.2**
EBITDA	**7,676**	**6,460**	**18.8**	**10,382**	**(26.1)**	**10,463**	**(26.6)**
EBITDA margin (%)	13.9	14.3	(39bps)	18.3	(435bps)	20.0	(605bps)
Other Income	4,538	4,203	8.0	4,421	2.7	1,914	137.1
Interest	303	409	(25.8)	(131)	(331.7)	377	(19.5)
Depreciation	2,297	2,450	(6.3)	2,964	(22.5)	2,980	(22.9)
PBT	9,614	7,804	23.2	11,970	(19.7)	9,020	6.6
Non-recurring items	0	(129)	0.0	0	0.0	0	NM
PBT (after non-recurring items)	9,614	7,933	21.2	11,970	(19.7)	9,020	6.6
Tax	2,101	1,969	6.7	2,681	(21.6)	2,165	0.0
Reported PAT	**7,513**	**5,706**	**31.7**	**9,289**	**(19.1)**	**6,855**	**9.6**
Adjusted PAT	7,513	5,835	28.7	9,289	(19.1)	6,855	9.6
NPM (%)	13.6	12.9	70bps	16.3	(273bps)	13.1	54bps
Adjusted EPS (Rs)	**3.8**	**2.9**	**28.7**	**4.7**	**(19.1)**	**3.5**	**9.6**

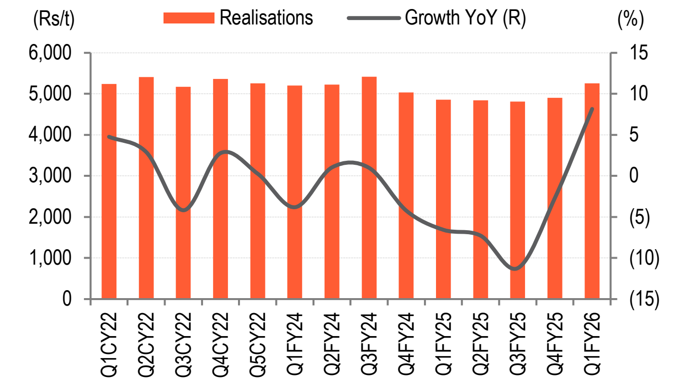
Source: Company, BOBCAPS Research

Fig 4 – Volume growth driven by inorganic growth



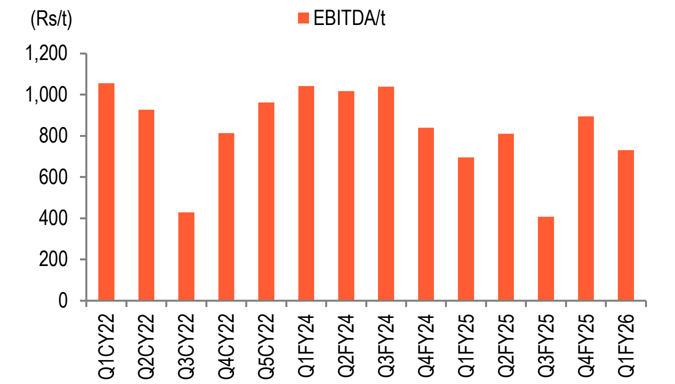
Source: Company, BOBCAPS Research

Fig 5 – Pricing pressure reverses from the earlier lows



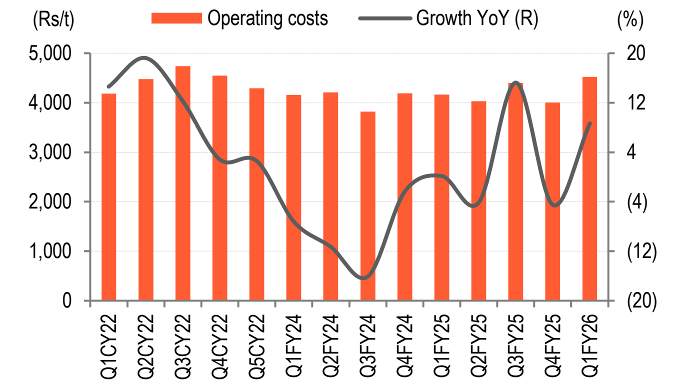
Source: Company, BOBCAPS Research

Fig 6 – EBITDA/t still stays far below YoY, fell QoQ on account of consolidation with weak companies



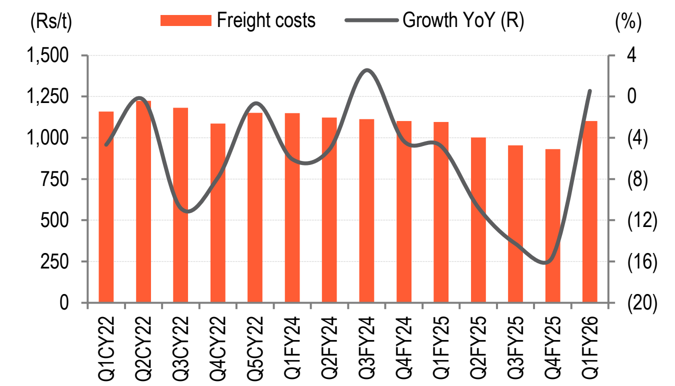
Source: Company, BOBCAPS Research

Fig 7 – Operating cost savings may be impacted due to transition of acquired assets



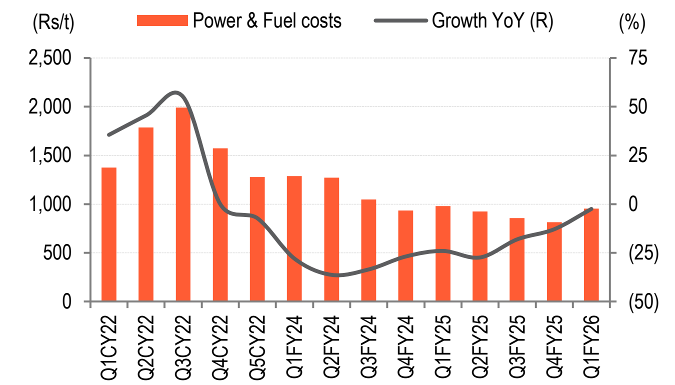
Source: Company, BOBCAPS Research

Fig 8 – Freight cost likely to contribute savings in mid-term



Source: Company, BOBCAPS Research

Fig 9 – Green energy may boost fuel cost savings



Source: Company, BOBCAPS Research

Valuation Methodology

We revise our EBITDA estimates for FY26/FY27 by 7%/4% to factor in the consolidation impact on cost though volume growth will be healthy. Realisation gains may be challenging, given the heightened competitive pressure in FY26/FY27.

Full impact of inorganic growth (ORCMNT + Penna) transition is steady and will continue in medium term, pinching cost. The current phase of transition of the newly-acquired assets, pressure in overcrowded markets on prices and excessive volume push may have some impact on performance in the interim period. We will keenly watch this and accordingly remain vigilant to the changing business environment and performance of ACEM.

We introduce FY28 earnings and estimate revenue/EBITDA/PAT CAGR of 19/21%/19% over FY25-FY28. We value ACEM's consolidated business by now assigning EV/EBITDA of 14x (earlier 13x) 1YF earnings and revise our TP to Rs 592 (Rs 618).

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

Fig 10 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	4,49,519	5,15,883	5,62,016	4,58,726	5,25,628		(2.0)	(1.9)	
EBITDA	72,966	96,413	1,06,891	78,665	1,00,174		(7.2)	(3.8)	
Adj PAT	36,825	52,388	57,644	36,568	50,658		0.7	3.4	
Adj EPS (Rs)	15.0	21.3	23.4	14.8	20.6		1.0	3.2	

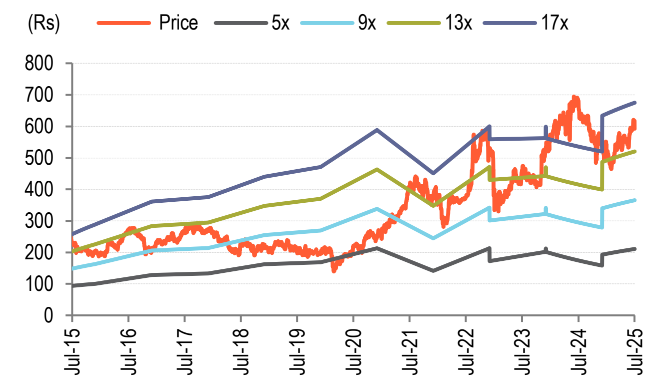
Source: BOBCAPS Research

Fig 11 – Valuation summary

Business (Rs mn)	FY27E
Target EV/EBITDA (x)	14
EBITDA	99,032
Target EV	13,86,451
Total EV	13,86,451
Net debt	(71,705)
Target market capitalisation	14,58,156
Target price (Rs/sh)	**592**
Weighted average shares (mn)	2197.7

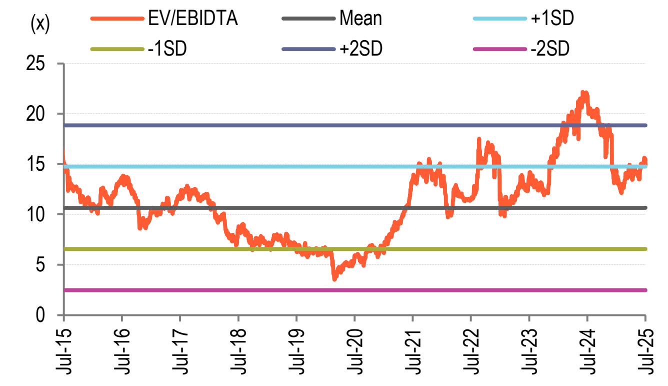
Source: BOBCAPS Research | Valuations are 1-year forward Jun-2027

Fig 12 – EV/EBITDA band: Current valuations (revised to 14x) reflect earnings trajectory



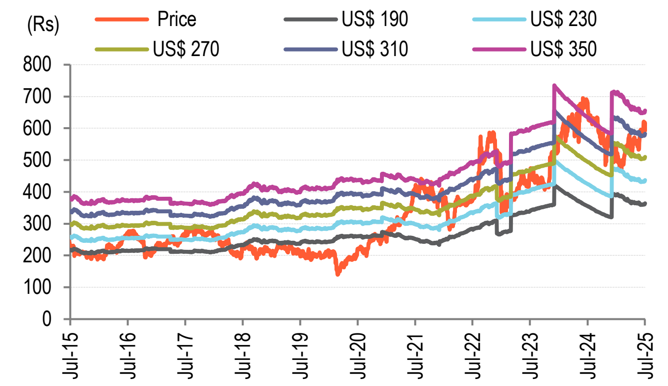
Source: Company, Bloomberg, BOBCAPS Research

Fig 13 – EV/EBITDA 1YF: Valuations reflect concerns over competitive intensity impacting earnings



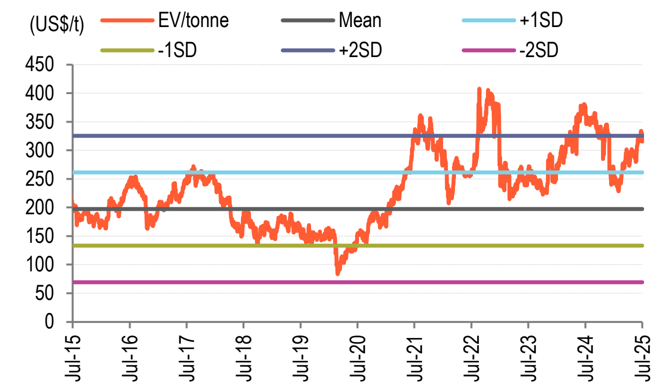
Source: Company, Bloomberg, BOBCAPS Research

Fig 14 – EV/tonne: Replacement cost at fair valuations



Source: Company, Bloomberg, BOBCAPS Research

Fig 15 – EV/tonne 1YF: Valuations ahead can moderate



Source: Company, Bloomberg, BOBCAPS Research

Key risks

Key risks to our estimates:

- Faster-than-expected demand revival can raise growth ahead of our estimates, representing an upside risk.
- Increased competitive pressure in the next two years can pose downside risks to our estimates.
- Rising fuel costs due to geo-political issues can pose downside risk to earnings.

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25P	FY26E	FY27E	FY28E
Total revenue	**3,25,442**	**3,33,833**	**4,49,519**	**5,15,883**	**5,62,016**
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)
Reported net profit	**33,652**	**62,523**	**36,825**	**52,388**	**57,644**
Adjustments	0	(28,334)	0	0	0
Adjusted net profit	**33,652**	**34,189**	**36,825**	**52,388**	**57,644**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25P	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
Total liab. and equities	**6,52,978**	**7,73,635**	**8,27,021**	**9,10,506**	**9,95,683**
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
Total assets	**6,52,978**	**7,73,635**	**8,27,021**	**9,10,506**	**9,95,683**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25P	FY26E	FY27E	FY28E
Cash flow from operations	**1,13,362**	**1,02,410**	**61,213**	**97,550**	**85,474**
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
Cash flow from investing	**(1,10,272)**	**(2,09,578)**	**(20,193)**	**(76,271)**	**(74,024)**
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
Cash flow from financing	**77,988**	**22,383**	**(4,868)**	**(5,174)**	**(5,445)**
Chg in cash & cash eq.	**81,078**	**(84,785)**	**36,152**	**16,106**	**6,005**
Closing cash & cash eq.	**1,10,689**	**25,904**	**62,056**	**78,162**	**84,167**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25P	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	FY25P	FY26E	FY27E	FY28E
EV/Sales	3.3	3.5	2.8	2.4	2.2
EV/EBITDA	16.8	19.4	17.0	12.6	11.6
Adjusted P/E	36.8	40.4	39.6	27.9	25.3
P/BV	2.4	2.3	2.3	2.1	1.9

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25P	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	FY25P	FY26E	FY27E	FY28E
YoY growth (%)					
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
Profitability & Return ratios (%)					
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%

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Note: Recommendation structure changed with effect from 21 June 2021

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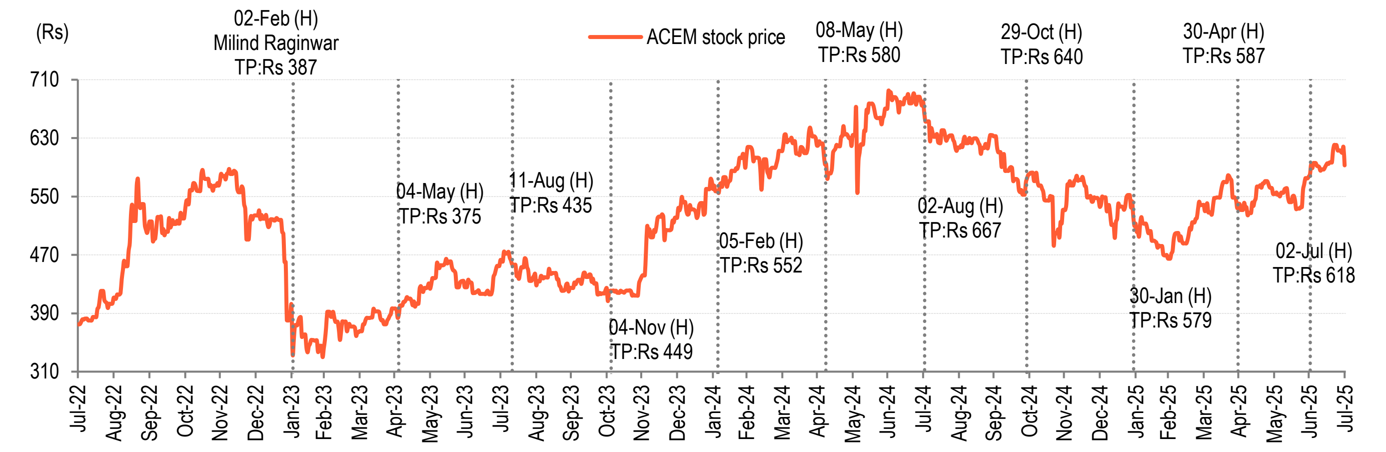

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