

Ambuja Cement

Subsidiary merger: A value accretive deal

Ambuja Cements announced the merger of its two listed subsidiaries ACC and Orient Cements, through a share swap ratio. It is expected to be completed over the next 12 months. The merger approval of another listed subsidiary Sanghi Industries is already in process and is expected to complete in the next few months. The announced share swap ratio for both ACC and Orient Cement are broadly in sync with their current share prices. All the three subsidiaries (ACC, Orient, and Sanghi) are trading at significant discount to Ambuja and hence their merger should accrue ~10% value to Ambuja's shareholders, despite the 13.7% equity dilution. We have revised our model to factor in the acquisition. We have also incorporated the recent demand sluggishness and cement price softness in the market. We continue to like Ambuja for its continued market share gain of ~100-20bps each year over FY26-28E, along with margin firming up (cost and pricing led). We maintain BUY with a revised target price of INR 740/share (16.5x its Mar'28E consolidated EBITDA).

- **Much-needed consolidation is here, finally:** Ambuja announced the merger of its subsidiaries ACC (w.e.f. 1st Jan 2026) and Orient Cements (1st May 2025), after obtaining the requisite clearances that are expected in 12 months from now. Ambuja had earlier announced the merger of Sanghi Industries and Penna Industries, which are expected to be formally consummated by Q4FY26. Post the merger of all the entities, Ambuja will operate as one single listed cement entity, thus reducing complexities. While Ambuja has already consolidated most of the manufacturing, operations, and marketing functions, the merger will further help sweat out operating costs, in our view.
- **Merger to be valuation accretive for Ambuja, despite equity dilution:** Before the deal announcement, Ambuja was trading at ~USD 140/MT (FY27) while ACC and Orient Cements traded at USD 77 and 40 per MT respectively. As the declared share swap ratios for ACC (325 shares of Ambuja for every 100 shares of ACC) and Orient (33 shares of Ambuja for every 100 shares of Orient) are broadly in sync with the pre-announcement share prices of the entities, the acquisition of minority shares is happening at a discount to Ambuja's current valuation, leading to ~10% value accretion for Ambuja's shareholders, in our view. We estimate the whole process will be over in late FY27E and this should lead to equity dilution of 13.7% at Ambuja while the promoters' holding will come down from 67.65% to 60.94%. We have increased Ambuja's share capital for FY27/28E and moved minority interest into net worth, as all the subsidiaries will become wholly owned subsidiaries.
- **Market share gain to continue; major expansions in pipeline:** Ambuja delivered 19% YoY volume growth in H1FY26, of which like-to-like growth came in at ~8% (ahead of 5% for the industry) and the rest was contributed by the acquired subsidiaries ramp-up (Orient and Penna). We estimate Ambuja will deliver 19% consolidated volume growth in FY26E (LTL ~8.5%) and thereafter 9/10% during FY27/28E. Thus, we estimate Ambuja will continue to gain market share (by ~100-200bps each), led by its aggressive focus across both trade and non-trade segments. We maintain our capex outgo estimates for FY26-28E at INR 380bn (including Orient acquisition), as Ambuja's consolidated capacity is expected to increase by ~70% by FY28E (or early FY29E) to 154mn MT. Ambuja is expected to add 11mn MT capacity in H2FY26 (it already added 17mn MT in H1, including Orient). We expect the company to announce the commissioning timelines for the rest of the expansion by the end of FY26E.

BUY

CMP (as on 23 Dec 2025)	INR 546
Target Price	INR 740
NIFTY	26,177

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 680	INR 740
EBITDA revision %	FY26E (6.3)	FY27E (5.2)

KEY STOCK DATA

Bloomberg code	ACEM IN
No. of Shares (mn)	2,472
MCap (INR bn) / (\$ mn)	1,352/15,077
6m avg traded value (INR mn)	1,479
52 Week high / low	INR 625/455

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(7.6)	2.1	(0.7)
Relative (%)	(11.7)	(2.3)	(9.6)

SHAREHOLDING PATTERN (%)

	Jun-25	Sep-25
Promoters	67.57	67.68
FIs & Local MFs	19.63	18.70
FPIs	7.44	5.91
Public & Others	6.29	6.78
Pledged Shares	19.39	19.32

Source : BSE

Pledged shares as % of total shares

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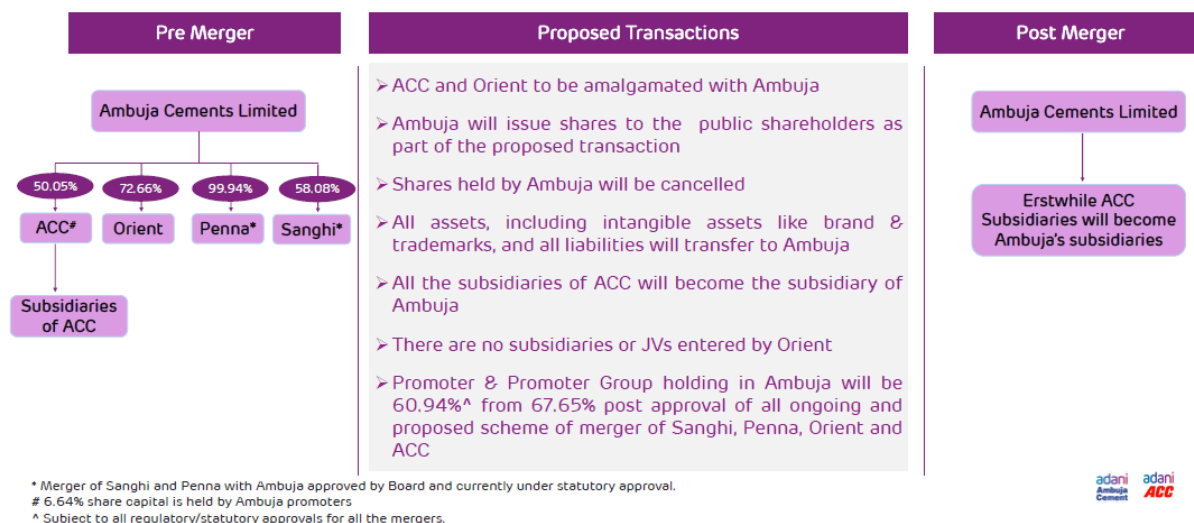
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- Healthy outlook; maintain BUY:** Ambuja continues to gain market share, driven by its aggressive focus on both trade and non-trade segments, brand premiumization, and distribution. Aided by reduction in fuel prices, increasing the share of low-cost green energy, focus on logistics cost reduction, and fixed cost sweating, consolidated margin should rise to INR 1,369/MT in FY28E from INR 789/MT in FY25, in our view. Even in terms of cement realization, we believe the industry will see rational and margin-accretive pricing, going ahead, as most of the industry consolidation is already done. We have trimmed our EBITDA estimates for FY26/27/28E 6/5/10% respectively, to factor in near-term slower-than-estimated demand uptick and realization softness in H2FY26 and expected competitive intensity in the industry. We have incorporated the equity dilution post the merger of all three listed subsidiaries (ACC, Orient Cement, and Sanghi Industries), which would eventually get delisted in 2026. We roll forward our valuation to Mar'28E from Sep'27E currently but maintain our valuation multiple. Thus, we maintain BUY on Ambuja Cements with a TP of INR 740/share, valuing it at 16.5x its Mar'28E consolidated EBITDA.

Corporate structure: pre and post merger



Source: Company, HSIE Research

Consolidated financial summary

YE Mar (INR bn)	CY21	FY23*	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	289.66	389.37	331.60	342.18	417.38	459.49	505.44
EBITDA	62.10	51.22	63.99	51.44	84.77	108.95	127.38
APAT	29.01	28.23	31.48	22.03	29.01	50.80	57.51
AEPS (INR)	14.6	11.4	14.3	8.9	11.7	18.1	20.5
EV/EBITDA (x)	14.4	16.0	15.2	30.3	19.5	14.2	12.2
EV/MT (INR bn)	13.55	12.00	12.42	17.19	13.76	11.01	10.16
P/E (x)	32.1	33.0	29.6	65.0	46.5	30.2	26.7
RoE (%)	9.4	6.3	7.0	3.8	4.4	7.2	7.6

Source: Company, HSIE Research. *FY23 performance includes 15 months

Key operating assumptions

	CY19	CY20	CY21	FY23*	FY24	FY25	FY26E	FY27E	FY28E
Sales Volume (mn MT)	51.9	46.2	53.2	69.2	59.2	65.2	77.6	84.6	93.1
YoY change (%)	(1.4)	(10.9)	15.1	4.0	7.0	10.2	19.0	9.0	10.0
NSR	5,227	5,307	5,446	5,631	5,659	5,631	5,603	5,603	5,603
YoY change (%)	5.5	1.5	2.6	3.4	0.5	(0.5)	(0.5)	(0.5)	(0.5)
Total Opex	4,339	4,223	4,278	4,890	4,520	4,458	4,285	4,143	4,062
Unit EBITDA	888	1,083	1,168	741	1,139	1,173	1,317	1,459	1,540

Source: Company, HSIE Research, *FY23 performance includes 15 months as new promoter changed the financial year end to Mar vs Dec earlier | FY23 volume growth is annualised

Estimates revision summary (consolidated)

INR bn	FY26E New	FY27E New	FY28E New	FY26E Old	FY27E Old	FY28E Old	FY26E Chg %	FY27E Chg %	FY28E Chg %
Net Sales	417.38	459.49	505.44	438.42	482.66	555.06	(4.8)	(4.8)	(8.9)
EBITDA	84.77	108.95	127.38	90.44	114.89	141.76	(6.3)	(5.2)	(10.1)
APAT	29.01	50.80	57.51	32.98	44.59	53.02	(12.0)	13.9	8.5
AEPS	11.74	18.07	20.46	13.39	18.10	21.52	(12.3)	(0.2)	(4.9)

Source: HSIE Research

Financials

Consolidated Income Statement

YE Mar (INR mn)	*FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenues	389,370	331,596	342,184	417,379	459,492	505,441
<i>Growth %</i>	<i>7.5</i>	<i>6.5</i>	<i>3.2</i>	<i>22.0</i>	<i>10.1</i>	<i>10.0</i>
Raw Material	51,109	55,259	65,274	59,811	62,586	68,845
Power & Fuel	117,619	80,855	83,478	103,313	105,854	112,947
Freight Expense	95,237	80,006	83,012	95,821	100,267	105,882
Employee cost	18,565	13,528	14,034	16,139	18,560	22,047
Other Expenses	55,616	37,954	44,943	57,526	63,279	68,341
EBITDA	51,223	63,994	51,443	84,769	108,946	127,381
<i>EBITDA Margin (%)</i>	<i>13.2</i>	<i>19.3</i>	<i>15.0</i>	<i>20.3</i>	<i>23.7</i>	<i>25.2</i>
<i>EBITDA Growth %</i>	<i>(34.0)</i>	<i>56.2</i>	<i>(19.6)</i>	<i>64.8</i>	<i>28.5</i>	<i>16.9</i>
Depreciation	16,447	16,279	24,783	35,885	41,463	48,401
EBIT	34,777	47,715	26,659	48,884	67,483	78,979
Other Income	7,377	11,664	14,171	9,287	3,948	4,720
Interest	1,949	2,764	2,159	3,100	2,500	5,452
PBT	40,205	56,615	38,671	55,071	68,931	78,248
Tax	7,849	13,751	10,824	16,521	18,129	20,736
RPAT	25,834	35,737	41,674	44,905	50,802	57,512
EO (Loss) / Profit (Net Of Tax)	(2,393)	4,256	19,639	15,897	-	-
APAT	28,227	31,481	22,035	29,008	50,802	57,512
<i>APAT Growth (%)</i>	<i>(22.2)</i>	<i>39.4</i>	<i>(30.0)</i>	<i>31.6</i>	<i>75.1</i>	<i>13.2</i>
AEPS	11.4	14.3	8.9	11.7	18.1	20.5
<i>AEPS Growth %</i>	<i>(22.2)</i>	<i>26.0</i>	<i>(37.5)</i>	<i>31.2</i>	<i>54.0</i>	<i>13.2</i>

Source: Company, HSIE Research. *FY23 performance includes 15 months

Consolidated Balance Sheet

YE Mar (INR mn)	*FY23	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS						
Share Capital	3,971	4,395	4,926	4,944	5,622	5,622
Reserves And Surplus	313,011	410,121	529,506	568,592	724,319	773,205
Total Equity	316,982	414,517	534,433	573,536	729,941	778,827
Long-term Debt	4,487	5,180	4,719	24,719	74,719	74,719
Short-term Debt	740	1,811	3,166	3,166	3,166	3,166
Total Debt	5,227	6,990	7,885	27,885	77,885	77,885
Deferred Tax Liability	7,004	13,214	24,032	24,032	24,032	24,032
Long-term Liab+ Provisions	3,022	2,560	4,092	4,424	4,785	5,178
TOTAL SOURCES OF FUNDS	402,818	531,189	674,124	743,100	836,643	885,921
APPLICATION OF FUNDS						
Net Block	235,515	321,943	425,778	587,472	702,024	775,153
Capital WIP	25,259	26,585	98,857	68,857	13,857	3,857
Other Non-current Assets	43,821	52,101	65,148	66,713	68,435	70,329
Total Non-current Investments	1,861	623	604	604	604	604
Total Non-current Assets	306,455	401,252	590,386	723,646	784,920	849,943
Inventories	32,728	36,086	42,480	45,912	50,544	55,599
Debtors	11,544	11,896	15,903	16,695	18,380	20,218
Cash and Cash Equivalents	119,116	162,486	103,191	39,480	67,434	54,962
Other Current Assets (& Loans/adv)	47,372	38,949	57,450	61,439	65,826	70,652
Total Current Assets	210,760	249,416	219,024	163,526	202,184	201,431
Creditors	27,739	29,641	27,595	33,659	37,055	40,760
Other Current Liabilities & Provns	86,658	89,838	107,692	110,413	113,406	124,692
Total Current Liabilities	114,397	119,478	135,287	144,072	150,461	165,452
Net Current Assets	96,363	129,937	83,737	19,454	51,723	35,979
TOTAL APPLICATION OF FUNDS	402,818	531,189	674,124	743,100	836,643	885,921

Source: Company, HSIE Research. *FY23 performance includes 15 months

Consolidated Cash Flow

YE Mar (INR mn)	*FY23	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	37,295	58,961	59,224	55,071	68,931	78,248
Non-operating & EO Items	(6,184)	(14,331)	(25,979)	6,610	(3,948)	(4,720)
Interest Expenses	1,905	2,764	2,159	3,100	2,500	5,452
Depreciation	16,447	16,279	24,783	35,885	41,463	48,401
Working Capital Change	(34,729)	1,941	(34,012)	(661)	(5,676)	1,771
Tax Paid	(7,385)	(9,156)	(3,802)	(16,521)	(18,129)	(20,736)
OPERATING CASH FLOW (a)	7,349	56,458	22,374	83,483	85,141	108,416
Capex	(40,660)	(62,694)	(85,915)	(167,580)	(101,015)	(111,529)
Free Cash Flow (FCF)	(33,311)	(6,235)	(63,541)	(84,096)	(15,874)	(3,113)
Investments	(108,620)	(37,107)	638	(0)	-	-
Non-operating Income	4,473	10,296	9,966	9,287	3,948	4,720
INVESTING CASH FLOW (b)	(144,808)	(89,504)	(75,311)	(158,293)	(97,067)	(106,809)
Debt Issuance/(Repaid)	-	(1,533)	(20,083)	20,000	50,000	-
Interest Expenses	(1,275)	(2,341)	(1,758)	(3,100)	(2,500)	(5,452)
FCFE	(34,586)	(10,109)	(85,382)	(67,196)	31,626	(8,565)
Share Capital Issuance	50,000	66,610	83,391	-	-	-
Dividend	(17,986)	(5,848)	(5,630)	(5,802)	(7,620)	(8,627)
FINANCING CASH FLOW (c)	30,739	56,888	55,920	11,098	39,880	(14,079)
NET CASH FLOW (a+b+c)	(106,719)	23,842	2,983	(63,711)	27,954	(12,472)
Closing Cash & Equivalents	10,487	142,958	165,469	39,480	67,434	54,962

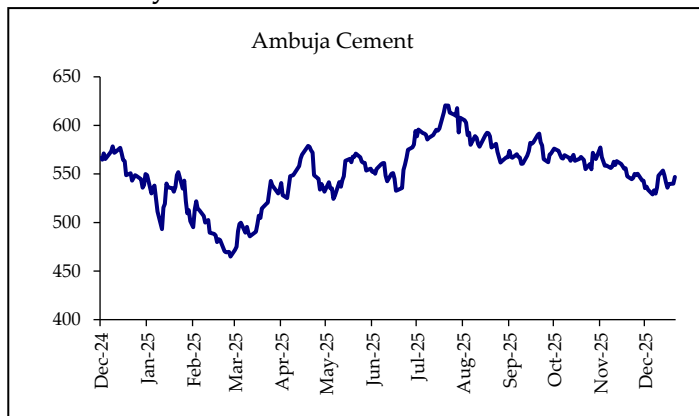
Source: Company, HSIE Research. *FY23 performance includes 15 months

Key Ratios

	*FY23	FY24	FY25	FY26E	FY27E	FY28E
PROFITABILITY %						
EBITDA Margin	13.2	19.3	15.0	20.3	23.7	25.2
EBIT Margin	8.9	14.4	7.8	11.7	14.7	15.6
APAT Margin	7.2	9.5	6.4	6.9	11.1	11.4
RoE	6.3	7.0	3.8	4.4	7.2	7.6
RoIC (pre-tax)	11.0	14.6	5.7	7.7	9.2	9.9
RoCE (pre-tax)	9.1	12.7	6.8	8.2	9.0	9.7
EFFICIENCY						
Tax Rate %	19.5	24.3	28.0	30.0	26.3	26.5
Fixed Asset Turnover (x)	1.0	0.9	0.7	0.6	0.6	0.5
Inventory (days)	38	40	45	40	40	40
Debtors (days)	14	13	17	15	15	15
Other Current Assets (days)	85	100	131	112	107	102
Payables (days)	33	33	29	29	29	29
Other Current Liab & Provns (days)	84	102	119	100	94	94
Cash Conversion Cycle (days)	21	19	44	37	38	33
Net Debt/EBITDA (x)	(2.2)	(2.4)	(1.9)	(0.1)	0.1	0.2
Net D/E	(0.3)	(0.3)	(0.1)	(0.0)	0.0	0.0
Interest Coverage	17.8	17.3	12.3	15.8	27.0	14.5
PER SHARE DATA (Rs)						
EPS	11.4	14.3	8.9	11.7	18.1	20.5
CEPS	18.0	21.7	19.0	26.3	32.8	37.7
Dividend	2.0	2.0	2.0	2.3	2.7	3.1
Book Value	156.1	231.3	259.1	277.8	259.7	277.1
VALUATION						
P/E (x)	33.0	29.6	65.0	46.5	30.2	26.7
P/Cash EPS (x)	22.1	17.9	21.5	16.7	16.6	14.5
P/BV (x)	2.9	2.2	2.7	2.4	2.1	2.0
EV/EBITDA (x)	16.0	15.2	30.3	19.5	14.2	12.2
EV/MT (Rs bn)	12.00	12.42	17.19	13.76	11.01	10.16
Dividend Yield (%)	0.4	0.4	0.4	0.4	0.5	0.6

Source: Company, HSIE Research, *FY23 performance includes 15 months

Price History



Rating Criteria

- BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:

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