

Ambuja Cement

Focus on cost reductions and margin expansion

We interacted with Ambuja Cements' management during its Sanghipuram plant visit, arranged by the company. Management highlighted overall demand momentum remains healthy which has aided cement price recovery. Opex is also expected to reduce QoQ driving margin stabilization. Medium term outlook: Focus remains on profitable growth over aggressive organic expansion, achieving cost reduction targets and selling more premium cement. During the Sanghipuram plant visit, management showcased the ongoing plant infrastructure revamp which is reducing the plant opex (more in the offing) and also noted its potential to double the plant capacity in near future. We remain positive on Ambuja, which we expect to deliver ~100-200bps volume growth ahead of the industry each year over FY26-28E, accompanied by a gradual margin improvement driven by opex reduction. We maintain BUY with a revised target price of INR680/share (16.5x its Mar'28E consolidated EBITDA).

- Q4FY26 outlook:** Management noted cement demand continues to be strong since Dec'25 onwards and expects the industry to grow at >7% YoY in Q4FY26. Ambuja has delivered 17% total volume growth in 9MFY26 of which LTL growth stood at ~7.5% (marginally ahead of our industry growth estimates of 7%). The company hinted it will continue to deliver healthy volume growth even in Q4FY26 but refrained from any number. On pricing, it mentioned there has been good recovery in non-trade prices and even trade prices have improved QoQ. It is also focusing on selling more premium cement from all its plants. Opex which had shot up in Q3 due to preponement of plant maintenance and a few one-offs, should reduce and is also expected to drive margin recovery QoQ, as per the management. We estimate total volume to rise 17/19% QoQ/YoY, which implies LTL volume growth of 17/9% QoQ/YoY. We estimate unit EBITDA to recover to ~INR 1000/MT (vs INR 714 QoQ and INR 1000 YoY).
- Sanghipuram plant visit KTA:** We visited the Sanghi Industries facilities in Kutch region, which Ambuja had acquired in 2024. Ambuja has been investing in improving the plant and accommodation infrastructure. It is also adding an 18MW WHRS to augment green power consumption. With better sourcing of coal and flyash, plant maintenance and higher utilization, Ambuja has been able to reduce the variable cost of clinker production to ~INR 2000/MT currently vs ~INR 2400/MT at the time of acquisition. Ambuja expects there is potential to further reduce this by ~INR 400-500/MT with further cost stabilization and increase in green power. Ambuja will soon be sourcing ~20MW RE power as the government has set up high-capacity power transmission line near the plant. Sanghi is also planning to increase the cement capacity to ~7mn MT through debottlenecking from 6.1mn MT currently and also augment the connected sea-jetty capacity to 13mn MT from 2mn MT currently. Ambuja noted that Sanghi plants will remain a key asset as the capacities can be doubled through brownfield expansion and Ambuja will feed the western and southern regions using both sea and rail routes.
- Cost optimization to drive margin expansion:** Ambuja is working on reducing its consolidated unit opex to ~INR 4000/3800/3650MT by end of Mar'26/Mar'27/Mar'28E. The company expects its power consumption intensity to reduce by ~10units/MT alongwith expected INR 1/unit of blended power cost reduction, thus saving INR 100-125/MT in cost. Similarly, it expects fuel consumption intensity to also reduce by ~4-5% alongwith increase in AFR share which would save another ~INR 125-150/MT. Ambuja is targeting INR 150/MT savings through various ongoing logistics initiatives. Optimal raw materials and fuel sourcing and digitization, etc are expected to add ~INR 100/MT in cost reductions.

BUY

CMP (as on 9 Mar 2026)	INR 452
Target Price	INR 680
NIFTY	24,028

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 700	INR 680
EBITDA revision %	FY26E (2.2)	FY27E (5.3)
		FY28E (5.8)

KEY STOCK DATA

Bloomberg code	ACEM IN
No. of Shares (mn)	2,472
MCap (INR bn) / (\$ mn)	1,117/12,099
6m avg traded value (INR mn)	1,371
52 Week high / low	INR 625/443

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(15.2)	(20.4)	(9.6)
Relative (%)	(6.8)	(16.0)	(13.9)

SHAREHOLDING PATTERN (%)

	Sep-25	Dec-25
Promoters	67.68	67.68
FIs & Local MFs	19.41	19.64
FPIs	5.91	5.80
Public & Others	7.00	6.97
Pledged Shares	19.32	-

Source : BSE

Pledged shares as % of total shares

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- Ambuja’s expansion outlook:** The management noted that while it has a blueprint ready to achieve cement capacity of 155mn MT, it will not rush into expansions at the expense of margins. Ambuja will focus more on increasing sale of its premium cement, restore its high trade sales share, and achieve the cost savings guidance it is working on. The recent acquisitions (Sanghi, Penna and Orient) alongwith ongoing clinker expansions (Maharashtra, Chhattisgarh, and Rajasthan) are sufficient to drive market share gains, as per the management. Ambuja will also focus on the recently announced capacity debottlenecking (low cost) and hence it has no issues in pushing its 155mn MT by FY28E target by 1-2 years. This stance, in our view, is a positive development as this should reduce both margin and balance sheet stress for Ambuja.
- Healthy outlook; maintain BUY:** We remain positive on Ambuja Cement as the company has been addressing both growth as well as cost reductions to bolster profitability. During FY25-28E, we estimate Ambuja to deliver 12% total volume CAGR, of which ~9% is organic and hence it should continue to gain market share. The rising share of green power, increased plant and logistics efficiencies and economies of scale should more than offset expected rise in fuel cost. We estimate Ambuja’s consolidated EBITDA to rise at 31% CAGR driven by healthy volume offtake and as we estimate unit EBITDA to firm up to INR 1240/MT in FY28E from INR 789/MT in FY25. We trim our EBITDA estimates for FY26/27/28E by 2/5/6%, owing to two factors: (i) a ~2% reduction in our volume CAGR assumption, and (ii) lower margin estimates to account for an expected rise in fuel costs. We also trim our capex outgo estimates for FY26-28E to INR 332bn from INR 370bn earlier, as we build in a slower pace of capacity additions given management’s stated focus on margins over aggressive expansion. Subsequently, we have lowered our target price to INR 680/share (16.5x its Mar’28E consolidated EBITDA).

Consolidated financial summary

YE Mar (INR bn)	CY21	FY23*	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	289.66	389.37	331.60	342.18	419.93	459.82	503.50
EBITDA	62.10	51.22	63.99	51.44	73.30	96.92	114.40
APAT	29.01	28.23	31.48	22.03	18.53	42.74	51.94
AEPS (INR)	14.6	11.4	14.3	8.9	7.5	15.2	18.5
EV/EBITDA (x)	14.4	16.0	15.2	30.3	19.2	12.8	11.1
EV/MT (INR bn)	13.55	12.00	12.42	17.19	12.07	9.99	8.83
P/E (x)	32.1	33.0	29.6	65.0	60.3	29.7	24.5
RoE (%)	9.4	6.3	7.0	3.8	2.8	6.1	7.0

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	77.0	84.3	92.3
YoY change (%)	(1.4)	(10.9)	15.1	4.0	7.0	10.2	18.0	9.5	9.5
NSR	5,227	5,307	5,446	5,631	5,601	5,246	5,456	5,456	5,456
YoY change (%)	5.5	1.5	2.6	3.4	(0.5)	(6.3)	4.0	-	-
Total Opex	4,339	4,223	4,278	4,890	4,520	4,458	4,504	4,306	4,216
Unit EBITDA	888	1,083	1,168	741	1,081	789	952	1,150	1,240

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	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
	New	New	New	Old	Old	Old	Chg %	Chg %	Chg %
Net Sales	419.93	459.82	503.50	423.49	470.07	517.08	(0.8)	(2.2)	(2.6)
EBITDA	73.30	96.92	114.40	74.92	102.30	121.42	(2.2)	(5.3)	(5.8)
APAT	18.53	42.74	51.94	19.17	43.43	51.60	(3.4)	(1.6)	0.7
AEPS	7.49	15.20	18.48	7.76	15.45	18.36	(3.4)	(1.6)	0.7

Source: Company, HSIE Research

Financials

Consolidated Income Statement

YE Mar (INR mn)	*FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenues	389,370	331,596	342,184	419,928	459,821	503,504
<i>Growth %</i>	7.5	6.5	3.2	22.7	9.5	9.5
Raw Material	51,109	55,259	65,274	69,321	72,870	79,793
Power & Fuel	117,619	80,855	83,478	104,415	105,187	111,725
Freight Expense	95,237	80,006	83,012	96,975	101,940	107,159
Employee cost	18,565	13,528	14,034	16,139	17,753	20,061
Other Expenses	55,616	37,954	44,943	59,774	65,153	70,365
EBITDA	51,223	63,994	51,443	73,305	96,917	114,401
<i>EBITDA Margin (%)</i>	13.2	19.3	15.0	17.5	21.1	22.7
<i>EBITDA Growth %</i>	(34.0)	56.2	(19.6)	42.5	32.2	18.0
Depreciation	16,447	16,279	24,783	35,846	39,648	45,602
EBIT	34,777	47,715	26,659	37,459	57,270	68,798
Other Income	7,377	11,664	14,171	6,191	3,222	4,526
Interest	1,949	2,764	2,159	2,900	2,500	2,652
PBT	40,205	56,615	38,671	40,750	57,991	70,672
Tax	7,849	13,751	10,824	12,225	15,252	18,728
RPAT	25,834	35,737	41,674	35,334	42,739	51,944
EO (Loss) / Profit (Net Of Tax)	(2,393)	4,256	19,639	16,809	-	-
APAT	28,227	31,481	22,035	18,525	42,739	51,944
<i>APAT Growth (%)</i>	(22.2)	39.4	(30.0)	(15.9)	130.7	21.5
AEPS	11.4	14.3	8.9	7.5	15.2	18.5
<i>AEPS Growth %</i>	(22.2)	26.0	(37.5)	(16.2)	102.9	21.5

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	560,191	709,523	753,675
Total Equity	316,982	414,517	534,433	565,135	715,145	759,297
Long-term Debt	4,487	5,180	4,719	14,719	34,719	54,719
Short-term Debt	740	1,811	3,166	3,166	3,166	3,166
Total Debt	5,227	6,990	7,885	17,885	37,885	57,885
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	725,158	781,847	846,392
APPLICATION OF FUNDS						
Net Block	235,515	321,943	425,778	562,811	594,988	706,585
Capital WIP	25,259	26,585	98,857	68,857	68,857	28,857
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	698,986	732,884	806,376
Inventories	32,728	36,086	42,480	46,192	50,580	55,385
Debtors	11,544	11,896	15,903	16,797	18,393	20,140
Cash and Cash Equivalents	119,116	162,486	103,191	46,022	64,651	59,135
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	170,450	199,450	205,313
Creditors	27,739	29,641	27,595	33,864	37,081	40,604
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	144,277	150,487	165,296
Net Current Assets	96,363	129,937	83,737	26,172	48,963	40,017
TOTAL APPLICATION OF FUNDS	402,818	531,189	674,124	725,158	781,847	846,392

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	40,750	57,991	70,672
Non-operating & EO Items	(6,184)	(14,331)	(25,979)	10,617	(3,222)	(4,526)
Interest Expenses	1,905	2,764	2,159	2,900	2,500	2,652
Depreciation	16,447	16,279	24,783	35,846	39,648	45,602
Working Capital Change	(34,729)	1,941	(34,012)	(838)	(5,522)	1,928
Tax Paid	(7,385)	(9,156)	(3,802)	(12,225)	(15,252)	(18,728)
OPERATING CASH FLOW (a)	7,349	56,458	22,374	77,050	76,143	97,601
Capex	(40,660)	(62,694)	(85,915)	(142,880)	(71,825)	(117,199)
Free Cash Flow (FCF)	(33,311)	(6,235)	(63,541)	(65,829)	4,319	(19,598)
Investments	(108,620)	(37,107)	638	(0)	-	-
Non-operating Income	4,473	10,296	9,966	6,191	3,222	4,526
INVESTING CASH FLOW (b)	(144,808)	(89,504)	(75,311)	(136,688)	(68,603)	(112,674)
Debt Issuance/(Repaid)	-	(1,533)	(20,083)	10,000	20,000	20,000
Interest Expenses	(1,275)	(2,341)	(1,758)	(2,900)	(2,500)	(2,652)
FCFE	(34,586)	(10,109)	(85,382)	(58,729)	21,819	(2,250)
Share Capital Issuance	50,000	66,610	83,391	-	-	-
Dividend	(17,986)	(5,848)	(5,630)	(4,631)	(6,411)	(7,792)
FINANCING CASH FLOW (c)	30,739	56,888	55,920	2,469	11,089	9,556
NET CASH FLOW (a+b+c)	(106,719)	23,842	2,983	(57,169)	18,629	(5,516)
Closing Cash & Equivalents	10,487	142,958	165,469	46,022	64,651	59,135

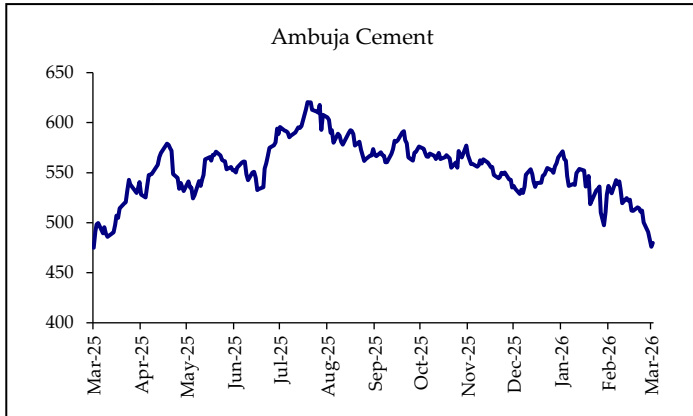
Source: Company, HSIE Research. *FY23 performance includes 15 months

Key Ratios

	*FY23	FY24	FY25	FY26E	FY27E	FY28E
PROFITABILITY %						
EBITDA Margin	13.2	19.3	15.0	17.5	21.1	22.7
EBIT Margin	8.9	14.4	7.8	8.9	12.5	13.7
APAT Margin	7.2	9.5	6.4	4.4	9.3	10.3
RoE	6.3	7.0	3.8	2.8	6.1	7.0
RoIC (pre-tax)	11.0	14.6	5.7	6.0	8.2	9.1
RoCE (pre-tax)	9.1	12.7	6.8	6.2	8.0	9.0
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	0.7	0.6	0.6
Inventory (days)	38	40	45	40	40	40
Debtors (days)	14	13	17	15	15	15
Other Current Assets (days)	85	100	131	111	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)	(0.4)	(0.3)	(0.0)
Net D/E	(0.3)	(0.3)	(0.1)	(0.0)	(0.0)	(0.0)
Interest Coverage	17.8	17.3	12.3	12.9	22.9	25.9
PER SHARE DATA (Rs)						
EPS	11.4	14.3	8.9	7.5	15.2	18.5
CEPS	18.0	21.7	19.0	22.0	29.3	34.7
Dividend	2.0	2.0	2.0	1.9	2.3	2.8
Book Value	156.1	231.3	259.1	274.6	254.4	270.1
VALUATION						
P/E (x)	33.0	29.6	65.0	60.3	29.7	24.5
P/Cash EPS (x)	22.1	17.9	21.5	15.7	15.4	13.0
P/BV (x)	2.9	2.2	2.7	2.0	1.8	1.7
EV/EBITDA (x)	16.0	15.2	30.3	19.2	12.8	11.1
EV/MT (Rs bn)	12.00	12.42	17.19	12.07	9.99	8.83
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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