

Scaling up with strategic focus on profitability...

About the stock: Ambuja Cements, a part of Adani Group, is a Pan-India cement manufacturer with a market share of 16.6% at present

- Company's consolidated cement capacity stands at ~107 mtpa at present (including Sanghi Industries, Penna Cement & Orient Cement)

Q2FY26 performance: Consolidated revenue was up 21.5% YoY (-10.8% QoQ) to Rs 9174.5 crore, led by 19% YoY growth in sales volume (16.9 mtpa, -10.1% QoQ) supported by supply agreements and consolidation of acquired entities (Orient Cement, Penna Cements). Blended realisation improved 2.1% YoY (-0.8% QoQ). Total cost/ton decreased by 3.3% YoY (-1% QoQ), mainly due to decline in raw material cost. EBITDA/ton stood at Rs 1042/ton (+33.1% YoY, flat QoQ). Subsequently, EBITDA was up 58.4% YoY (-10.2% QoQ) to Rs 1760.9 crores. PAT increased by 287% YoY to Rs 1765.71 crore

Investment Rationale

- Volume growth to remain better-than-industry led by aggressive capacity additions:** Ambuja's consolidated volume growth of 19% YoY in Q2FY26 remains better-than-industry, mainly led by capacity additions including consolidation of acquired capacities (Orient Cement, Sanghi Industries & Penna Cement). Volume growth (excluding acquired capacities) also remained healthy at ~11% YoY during Q2FY26. Company's capacity has been recently increased to ~107 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 155 mtpa by FY28E. We estimate company's consolidated volumes to grow at ~12% CAGR over FY25-28E. Management also guides double-digit volume growth in the coming period (vs 7-8% industry growth)
- EBITDA/ton expected to improve considerably led by cost saving initiatives with synergies from acquired assets:** Ambuja's EBITDA/ton stood at Rs 1043 (+30.8% YoY) in H1FY26; led by better realisations and cost efficiency measures. Company's profitability is expected to improve further going ahead, led by continuous focus on cost savings measures, synergies from acquired assets and operating leverage benefits. Cost saving measures would be primarily led by increasing share of low-cost green power (targets 60% by FY28E from ~33% 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 550/ton by FY28E (from Q2FY26 level). We expect EBITDA/ton to improve to Rs 1350/ton in FY28E (vs Rs 916/ton in FY25). Management also targets EBITDA/ton of Rs 1500/ton by FY28E

Rating and Target Price

- With healthy volume growth and significant improvement in EBITDA/ton over FY25-28E, we expect revenue & EBITDA CAGR at ~13% & ~30% respectively over the same period. We maintain **BUY** on Ambuja Cements with a target price of Rs 700 (based on 17x EV/EBITDA on FY27E & FY28E average) with adjusting value of minorities (ACC, Sanghi & Orient)

Key Financial Summary

(Year-end March)	FY23*	FY24	FY25	2 Year CAGR (FY23-FY25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	38,937	33,160	35,336	-4.7%	41,213	46,433	51,587	13.4%
EBITDA	5,122	6,400	5,971	8.0%	7,777	10,106	12,502	27.9%
EBITDA margin (%)	13.2	19.3	16.9		18.9	21.8	24.2	
Net Profit	2,583	3,577	4,303	29.1%	3,923	4,330	5,533	
EPS (Rs)	13.0	18.0	17.5		15.9	17.6	22.5	
P/E (x)	44.0	33.4	32.7		36.0	32.6	25.5	
EV/EBITDA (x)#	31.3	25.0	26.8		20.6	15.8	12.8	
EV/ton (\$)	285.7	244.5	194.2		159.6	139.5	121.5	
RoCE (%)	13.3	14.3	11.8		9.5	12.2	14.3	
RoE (%)	8.2	8.2	8.1		6.9	7.1	8.5	

Source: Company, ICICI Direct Research, * 15 months



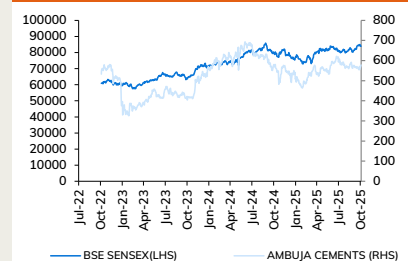
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	1,41,060
FY25 Gross Debt (Rs Crore)	27
FY25 Cash (Rs Crore)	6,127
EV (Rs Crore)	1,34,960
52 Week H/L (Rs)	625 / 453
Equity Capital	439.5
Face Value	2.0

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	67.6	67.6	67.6	67.7
FII	9.1	8.6	7.4	5.9
DII	16.4	17.1	18.5	19.4
Others	6.9	6.7	6.5	7.0

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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Q2FY26 Result highlights:

- Consolidated Revenue was up 21.5% YoY to Rs 9174.5 crore in Q2FY26, led by 19% YoY growth in sales volume (16.9 mtpa) supported by supply agreements and consolidation of acquired entities (Orient Cement, Penna Cements). Blended realisation also improved by 2.1% YoY
- Sequentially, revenue was down by 10.8% QoQ, due to 10.1% QoQ decline in volume growth and 0.8% QoQ decline in blended realisation
- Total cost/ton decreased by 3.3% YoY (flat QoQ), mainly due to decline in raw material cost
- EBITDA/ton stood at Rs 1042/ton (+33% YoY, -0.1% QoQ). Subsequently, EBITDA was up 58.4% YoY (-10.2% QoQ) to Rs 1760.9 crores
- PAT increased by 287.3% YoY mainly because of tax reversal (Rs 1709.8 crores) to Rs 1765.7 crores against Rs 455.96 crores in Q2FY25
- For H1FY26, revenue increased by 22.7% YoY led by 19% YoY increase in volume and 3.1% YoY improvement in realisation. EBITDA/ton stood at Rs 1043/ton (vs Rs 797/ton in H1FY25)

Recent Earning Call – Key highlights:

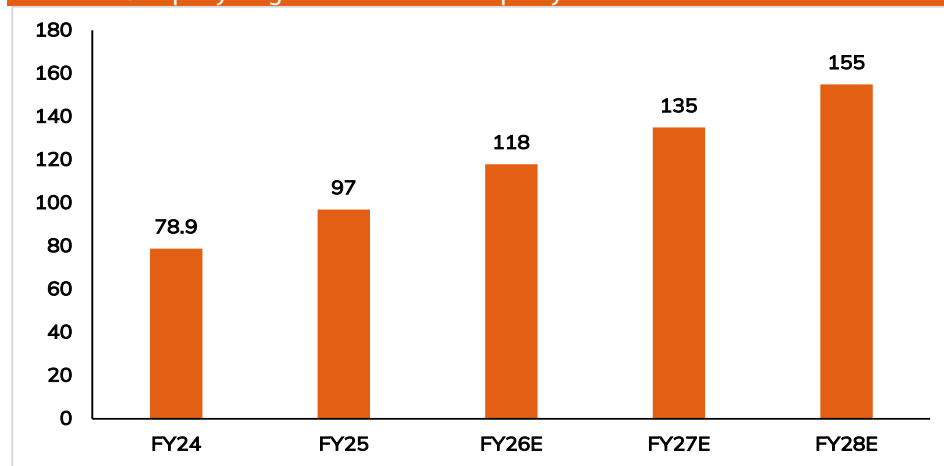
- Company is confident of maintaining industry-leading cost structure, volumes and margin expansion trajectory. Management guided volume growth of double-digit
- Cement volumes grew 20% YoY, marking the highest-ever quarterly sales for the company. Excluding acquisitions (Penna, Sanghi, and Orient), organic growth was ~11% YoY, nearly 3x the industry average of ~4-5% for the quarter
- During the quarter company gained 1% market share, now standing at 16.6% of the domestic cement market
- Total cost/ton reduced by ₹238 YoY to ₹4,200/ton in Q2FY26, with the company targeting ₹4,000/ton by March 2026 and ~Rs 350/400 thereafter till FY28E (reaching ₹3,800/ton by FY27E and ₹3,650/ton by FY28E). Cost reduction will be driven by lower fuel and logistics costs, improved green power share, and operational synergies
- Fuel cost at ₹1.65/kcal (₹1.60/kcal including AFR) which is lowest among peers and is expected to decline further as AFR usage rises
- Logistics cost reduced 7% YoY to ₹1,224/ton; average lead distance lowered by 2 km (to 265 km) with an additional 50 km reduction expected as new units are commissioned
- Premium cement share increased to 35% of trade sales, up 28% YoY in volume terms. Also, 13 new blenders being installed across plants within 12 months to optimize product mix and improve premium share
- Green power share increased to 33% in Q2FY26, up 14% YoY, driven by renewable energy capacity of 673 MW, targeting 900 MW by FY26 end and 1,122 MW by FY27E. Also, company aims to reach 60% green power share by FY28E, reducing power cost from ₹6/unit to ₹4.5/unit
- Target capacity revised upward to 155 mtpa and 96 mtpa clinker by FY28E (from 140 mtpa and 84 mtpa previously)
- Debottlenecking initiatives to add 15 mtpa capacity at a low capex of \$48/ton (integrated basis). It includes optimization of grinding units and logistics infrastructure
- Capex for Q2FY26 stood at ₹1,400 crore and ₹2,800 crore for H1FY26, mainly toward capacity expansion projects. Total expected capex for FY26E is ₹8,000 crore

- Working capital increased by ₹2,000 crore in Q2FY26 due to higher receivables (non-trade mix) and elevated coal/finished goods inventory but is expected to normalize in Q3FY26
- Profitability of acquired units improving post-integration; Sanghi expected to turn strongly positive from Q3FY26 onwards. Penna and Sanghi utilization currently below optimal but expected to rise to ~70% in H2FY26 as demand picks up in southern and coastal markets
- RMC operations expanding rapidly and currently contributes ~2% of cement volumes and expected to rise to 5% by FY28E. Plans to scale up to ~365 RMC plants nationwide

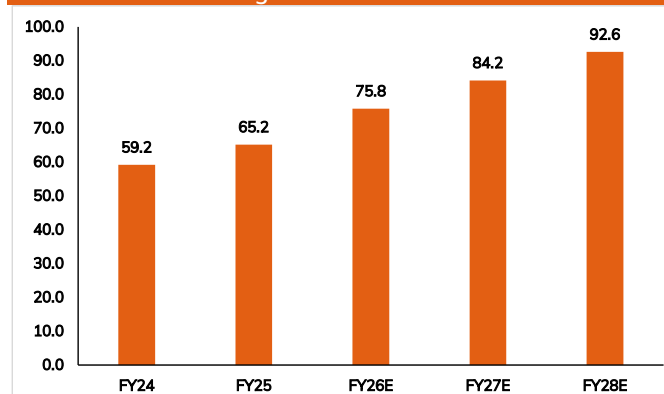
Exhibit 1: Quarterly Analysis – Q2FY26

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
Operating Income	9,174.5	7,552.5	21.5	10,289.1	-10.8	Revenue increased led by strong volume growth and improvement in realisation on YoY basis
Other income	257.0	374.0	-31.3	256.1	0.4	
Total Revenue	9,431.5	7,926.5	19.0	10,545.2	-10.6	
Raw materials costs	1,308.5	1,422.4	-8.0	1,524.5	-14.2	
Employees Expenses	405.1	348.6	16.2	417.7	-3.0	
Other Expenses	974.3	1,030.5	-5.5	1,157.7	-15.8	
Total Expenditure	7,413.6	6,441.0	15.1	8,328.0	-11.0	
EBITDA	1,760.9	1,111.4	58.4	1,961.1	-10.2	Margins increased YoY due to better sales realization on YoY basis
EBITDA margins (%)	19.2	14.7	448 bps	19.1	13 bps	
Interest	76.8	66.9		67.1		
Depreciation	885.2	520.5	70.1	798.4	10.9	
Tax	-1,464.8	247.7	-691.3	378.9	-486.6	
PAT	1765.7	479.5	268.2	835.2	111.4	

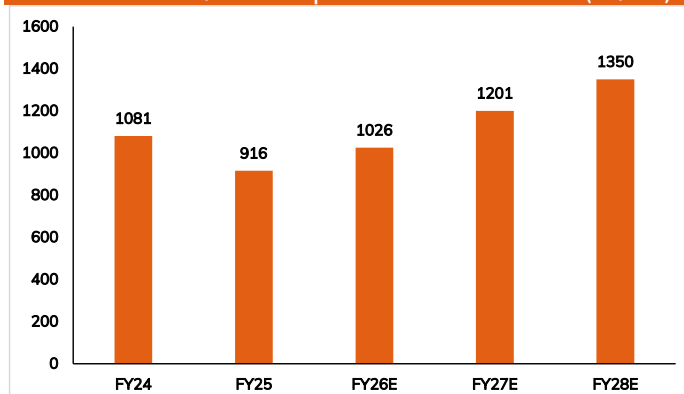
Source: Company, ICICI Direct Research

Exhibit 2: Company targets to reach 155 mtpa by FY28E


Source: Company, ICICI Direct Research

Exhibit 3: Volumes to grow at ~12% CAGR over FY25-28E


Source: Company, ICICI Direct Research

Exhibit 4: EBITDA/ton to improve over FY25-FY28E (Rs/ton)


Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Revenue	35,336	41,213	46,433	51,587
% Growth	6.6	16.6	12.7	11.1
Other income	2,654	1,062	1,115	1,171
Total Revenue	35,336	41,213	46,433	51,587
% Growth	6.6	16.6	12.7	11.1
Total Raw Material Costs	6,527	6,043	6,666	7,314
Employee Expenses	1,403	1,693	1,862	2,048
Other expenses	21,435	25,700	27,798	29,722
Total Operating Expenditure	29,366	33,436	36,326	39,085
Operating Profit (EBITDA)	5,971	7,777	10,106	12,502
% Growth	(6.7)	30.3	29.9	23.7
Interest	216	280	274	269
PBDT	8,409	8,559	10,946	13,403
Depreciation	2,297	3,421	3,854	4,333
PBT before Exceptional Items	6,112	5,138	7,093	9,070
Total Tax	810	-	1,419	1,814
PAT before MI	5,281	5,138	5,674	7,256
PAT	4,303	3,923	4,330	5,533
% Growth	20.3	(8.8)	10.4	27.8
EPS	17.5	15.9	17.6	22.5

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	4,303	3,923	4,330	5,533
Depreciation	2,297	3,421	3,854	4,333
Interest	216	280	274	269
Cash Flow before WC changes	6,816	7,624	8,459	10,135
Changes in inventory	(639)	(720)	(375)	(310)
Changes in debtors	(377)	(261)	(56)	(212)
Changes in loans & Advances	(1)	1	(1)	-
Changes in other current assets	(1,506)	(156)	(58)	(206)
Net Increase in Current Assets	1,302	(1,452)	(770)	(1,005)
Changes in creditors	(349)	967	536	473
Changes in provisions	12	8	16	5
Net Inc in Current Liabilities	1,722	2,126	1,485	994
Net CF from Operating activities	9,840	8,299	9,174	10,124
Changes in deferred tax assets	33	-	-	-
(Purchase)/Sale of Fixed Assets	(19,895)	(15,000)	(8,000)	(8,000)
Net CF from Investing activities	(22,377)	(12,060)	(9,401)	(9,109)
Dividend and Dividend Tax	(493)	(549)	(690)	(862)
Net CF from Financing Activities	7,596	(829)	(964)	(1,131)
Net Cash flow	(4,941)	(4,591)	(1,191)	(116)
Opening Cash/Cash Equivalent	11,068	6,127	1,536	345
Closing Cash/ Cash Equivalent	6,127	1,536	345	229

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity Capital	493	493	493	493
Reserve and Surplus	53,086	56,460	60,101	64,772
Total Shareholders funds	53,579	56,953	60,593	65,264
Total Debt	27	27	27	27
Total Liabilities	67,248	72,622	76,263	80,934
Gross Block	36,626	57,447	64,447	72,447
Acc: Depreciation	11,789	15,209	19,063	23,397
Net Block	24,838	42,237	45,383	49,050
Capital WIP	9,820	4,000	5,000	5,000
Total Fixed Assets	52,645	64,224	68,370	72,037
Non Current Assets	8,704	9,586	10,987	12,096
Inventory	4,248	4,968	5,343	5,653
Debtors	1,590	1,852	1,908	2,120
Other Current Assets	3,966	4,121	4,179	4,385
Cash	6,127	1,536	345	229
Total Current Assets	17,849	14,710	14,289	15,178
Current Liabilities	2,759	3,726	4,262	4,735
Provisions	90	91	92	92
Total Current Liabilities	13,833	15,959	17,444	18,438
Net Current Assets	4,017	(1,249)	(3,155)	(3,260)
Total Assets	67,248	72,622	76,263	80,934

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
EPS	17.5	15.9	17.6	22.5
Cash per Share	32.3	6.2	1.4	0.9
DPS	14.0	15.0	16.0	16.0
BV	217.5	231.2	246.0	265.0
EBITDA Margin	16.9	18.9	21.8	24.2
PAT Margin	12.2	9.5	9.3	10.7
RoE	8.1	6.9	7.1	8.5
RoCE	11.8	9.5	12.2	14.3
RoIC	7.7	7.9	10.4	12.6
EV / EBITDA	26.8	20.6	15.8	12.8
P/E	32.7	36.0	32.6	25.5
EV/ton (\$)	194	160	140	122
EV / Net Sales	3.8	3.4	3.0	2.7
Sales / Equity	0.7	0.7	0.8	0.8
Market Cap / Sales	4.0	3.4	3.0	2.7
Price to Book Value	2.6	2.5	2.3	2.2
Asset turnover	0.7	0.7	0.8	0.8
Debtors Turnover Ratio	25.2	23.9	24.7	25.6
Creditors Turnover Ratio	12.0	12.7	11.6	11.5
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.9	0.9	0.9
Quick Ratio	0.5	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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Sell: <-15%



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