Ambuja Cements (AMBCE)

CMP: ₹ 515 | Target: ₹ 570 (11%) | Target Period: 12 months | HOLD

February 1, 2026

Volume growth to remain ahead of industry...

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 ~109 mtpa at present (including Sanghi Industries, Penna Cement & Orient Cement)

Q3FY26 performance: Consolidated revenue was up 20.9% YoY (+12% QoQ) to Rs 10276.7 crore, led by 15.2% YoY growth in sales volume (19 mtpa, +12.4% QoQ) supported by supply agreements and consolidation of acquired entities (Orient Cement, Penna Cements). Blended realisation improved 5% YoY (-0.4% QoQ). Total cost/ton increased by 1.7% YoY (+7.1% QoQ), mainly due to increase in raw material cost. EBITDA/ton stood at Rs 712/ton (+32.7% YoY, -31.7% QoQ). Subsequently, EBITDA was up 52.8% YoY (-23.2% QoQ) to Rs 1353.1 crores. Reported PAT decreased by 84% YoY to Rs 203.7 crores

Investment Rationale

- **Aggressive capacity additions to support better-than-industry volume growth:** Company reported healthy consolidated volume growth of 17.6% YoY in 9MFY26 (better-than-industry), mainly led by consolidation of Orient Cement and improvement in utilization levels of other acquired entities and capacity additions. Volume growth (excluding acquired capacities) also remained healthy at ~7% YoY during Q3FY26. Company is in process of expanding its capacity by ~8 mtpa in FY26E and expects to reach 115 mtpa from 109 mtpa at present. In longer term, company targets 155 mtpa by FY28E which gives longer term volume growth visibility. 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:** Company's EBITDA/ton stood at Rs 928 (+31.7% YoY) in 9MFY26; led by better realisations on YoY basis. The company's profitability is expected to improve further, driven by a continued focus on cost-saving measures. Synergies from acquired assets and cost efficiencies are likely to be realized over the coming periods. This improvement would be supported by an increasing share of low-cost green power (targets ~60% by FY28E from ~38% at present), higher share of captive coal, AFR usage and WHRS expansion. Additionally, increased focus on operational synergies, improved logistics & increased share of premium products is expected to drive further cost efficiencies. Management targets to save total cost/ton further by ~Rs 300-350/ton by FY28E (from Q3FY26 level). We expect EBITDA/ton to improve to Rs 1254/ton in FY28E (vs Rs 916/ton in FY25). Management also targets EBITDA/ton of Rs 1500/ton by FY28E

Rating and Target Price

- We cut our EBITDA estimates by 3-5% for FY26E/27E/28E, factoring in higher costs absorbed in Q3FY26. We expect revenue & EBITDA CAGR at ~14% & ~25% respectively over FY25-28E. We also downgrade our rating to **HOLD** with a revised target price of Rs 570 (based on 15x EV/EBITDA on FY27E & FY28E average) with adjusting value of minorities

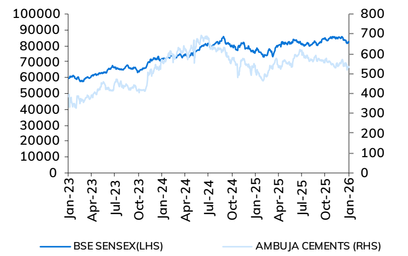
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	1,25,551
FY25 Gross Debt (Rs Crore)	27
FY25 Cash(Rs Crore)	6,127
EV (Rs Crore)	1,19,451
52 Week H/L (Rs)	625 / 455
Equity Capital	439.5
Face Value	2.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	67.6	67.6	67.7	67.7
FII	8.6	7.4	5.9	5.8
DII	17.1	18.5	19.4	19.6
Others	6.7	6.5	7.0	6.9

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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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%	41,486	46,741	52,186	13.9%
EBITDA	5,122	6,400	5,971	8.0%	7,214	9,335	11,609	24.8%
EBITDA margin (%)	13.2	19.3	16.9		17.4	20.0	22.2	
Net Profit	2,583	3,577	4,303	29.1%	3,638	3,679	4,826	
EPS (Rs)	13.0	18.0	17.5		14.8	14.9	19.6	
P/E (x)	39.2	29.7	29.1		32.4	34.1	26.0	
EV/EBITDA (x)#	27.7	22.2	27.6		19.7	15.2	12.2	
EV/ton ($)	253.6	200.1	162.7		137.3	116.9	101.8	
RoCE (%)	13.3	14.3	11.8		7.9	10.3	12.6	
RoE (%)	8.2	8.2	8.1		6.8	6.2	7.6	

Source: Company, ICICI Direct Research, * 15 months

Q3FY26 Result highlights:

- Consolidated revenue was up 20.9% YoY (+12% QoQ) to Rs 10276.7 crore, led by 15.2% YoY growth in sales volume (19 mtpa, +12.4% QoQ) supported by consolidation of Orient Cement and improvement in utilisation of other acquired entities. Blended realisation improved 5% YoY (-0.4% QoQ)
- Total cost/ton increased by 1.7% YoY (+7.1% QoQ), mainly due to increase in raw material cost and others expenses
- EBITDA/ton stood at Rs 712/ton (+32.7% YoY, -31.7% QoQ). Subsequently, EBITDA was up 52.8% YoY (-23.2% QoQ) to Rs 1353.1 crores
- Reported PAT decreased by 32.7% YoY to Rs 203.7 crores against Rs 1289 crores in Q3FY25 but after adjusting for one off in last year normalize PAT actually improved from Rs 106 crores in Q3FY25 to 378 crores in Q3FY26
- For 9MFY26, revenue increased by 22.1% YoY led by 17.6% YoY increase in volume and 3.8% YoY improvement in realisation. EBITDA/ton stood at Rs 928/ton (vs Rs 705/ton in 9MFY25)

Recent Earning Call – Key highlights:

- Management remains constructive on cement demand, driven by infra spending, urban housing and a rural recovery post a favourable monsoon. Industry growth is expected at ~8% in FY26E with momentum continuing into Jan–Feb. Management expects sustained double-digit volume growth over 2–3 years.
- Market share at 16.6%, with double-digit volume growth for 9 consecutive months (~19% in 9MFY26)
- Blended realizations improved by ₹5/bag YoY in Q3FY26 despite overall industry price pressure. January saw price uptick: ₹15–20/bag in non-trade in South and ₹5–10/bag in North; trade pricing remained stronger than non-trade by up to ₹31/bag
- Current mix: 65% Trade & 35% Non-Trade; December exit improved to 67:33, and January to 70:30. Management's strategy is to gradually increase trade share to support better realizations and margin stability
- Average utilization for acquired assets in Q3FY26 was 58% vs 37% YoY. December exit utilization improved to ~65%, with a medium-term target of ~80%
- Commissioned 2.4 mtpa Marwar grinding unit ahead of schedule; total capacity now 109 mtpa. Due to a 3-month delay at Warisaliganj (2.4 mtpa), March exit capacity revised to 115 mtpa vs earlier 118 mtpa. Company is unlocking ~15 mtpa debottlenecking capacity at lower capex; long-term target remains 155 mtpa by March 2028
- Capex in 9MFY26: ~₹6,000 crore and expected FY26 capex: ~₹9,000 crore, with a similar run-rate (±10%) thereafter every year. Additional ~₹3,000 crore capex expected in Q4FY26
- Premium cement contributed 35% of trade sales, growing 31% YoY in absolute terms. Green power share increased by to 37%
- Clinker factor is gradually declining as blended cement share rises, supporting both cost and sustainability. Management expects further improvement over the next 12–18 months as new capacities stabilize
- Q3FY26 cost was elevated at ~₹4,500/ton due to one-offs (~₹150/ton legal costs, brand transition, plant overhauls). December exit cost fell below ₹4,000/ton, indicating sharp sequential improvement
- Target power cost reduction of ₹100–125/ton near-term. Aiming for average power cost of ₹4.5/unit by FY28 vs 6.1 currently
- Scope to reduce heat consumption by 10–15 units/ton, implying ~₹150/ton savings in fuel cost. Higher AFR usage and WHRS expansion will support this trajectory.

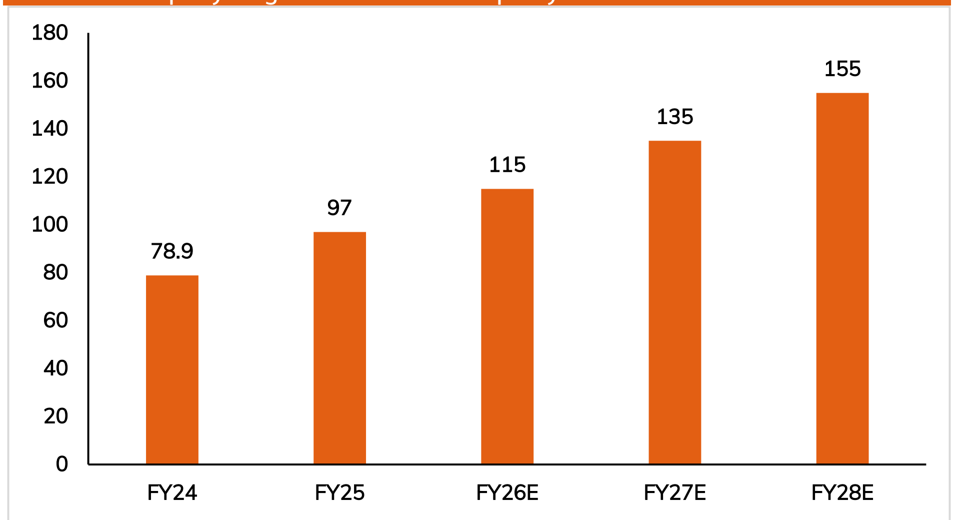
- Target ~₹150/ton logistics savings via BCFC (Bulk Cement Freight Corridor) and group synergies. Benefits expected to fully materialize over 2–3 years
- Expected savings of ~₹100/ton through better fly ash sourcing and group procurement synergies
- Near-term cost target is ~₹3,800/ton and end-goal is ₹3,650/ton by March 2028. Total potential savings are ~₹300–350/ton from current levels
- Working capital remained tight due to ongoing capex and ACC + OCL integration costs. Free cash flow is expected to normalize meaningfully once major capex peaks in FY26–FY27.
- Net debt increased temporarily due to ~₹6,000 crore OCL acquisition and growth capex. Management expects strong EBITDA growth to gradually deleverage the balance sheet

Exhibit 1: Quarterly Analysis – Q3FY26

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Operating Income	10,276.7	9,328.6	10.2	9,174.5	12.0	Revenue increased led by strong volume growth and improvement in realisation on YoY basis
Other income	87.3	1,352.2	-93.5	257.0	-66.0	
Total Revenue	10,364.0	10,680.8	-3.0	9,431.5	9.9	
Raw materials costs	1,904.9	1,805.4	5.5	1,308.5	45.6	
Employees Expenses	383.9	382.3	0.4	405.1	-5.2	
Other Expenses	974.3	1,030.5	-5.5	1,157.7	-15.8	
Total Expenditure	8,923.6	7,616.7	17.2	7,413.6	20.4	
EBITDA	1,353.1	1,711.9	-21.0	1,760.9	-23.2	Margins increased YoY due to better sales realization on YoY basis
EBITDA margins (%)	13.2	18.4	-518 bps	19.2	-603 bps	
Interest	58.9	67.0		76.8		
Depreciation	959.0	664.0	44.4	885.2	8.3	
Tax	45.4	-284.0	-116.0	-1,464.8	-103.1	
PAT	203.7	2115.3	-90.4	1765.7	-88.5	

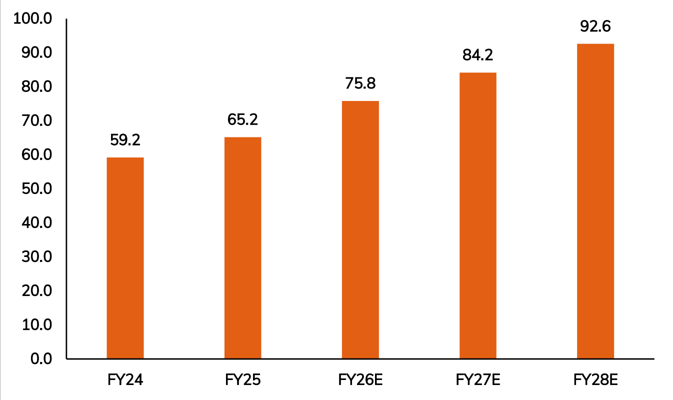
Source: Company, ICICI Direct Research

Exhibit 2: Company targets to reach 155 mtpa by FY28E



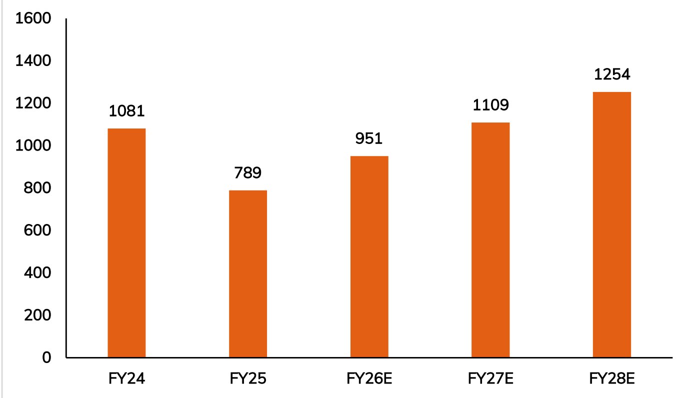
Source: Company, ICICI Direct Research

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	41,486	46,741	52,186
% Growth	*6.6*	*17.4*	*12.7*	*11.7*
Other income	2,654	849	892	936
Total Revenue	35,336	41,486	46,741	52,186
% Growth	*6.6*	*17.4*	*12.7*	*11.7*
Total Raw Material Costs	6,527	6,745	7,281	7,639
Employee Expenses	1,403	1,627	1,789	1,968
Other expenses	21,435	25,901	28,335	30,970
Total Operating Expenditure	29,366	34,273	37,406	40,577
Operating Profit (EBITDA)	5,971	7,214	9,335	11,609
% Growth	*(6.7)*	*20.8*	*29.4*	*24.4*
Interest	216	262	257	252
PBDT	8,409	7,801	9,970	12,293
Depreciation	2,297	3,609	4,066	4,540
PBT before Exceptional Items	6,112	4,192	5,904	7,753
Total Tax	810	(679)	1,181	1,551
PAT before MI	5,281	4,670	4,723	6,203
PAT	4,303	3,638	3,679	4,826
% Growth	*20.3*	*(15.4)*	*1.1*	*31.2*
EPS	17.5	14.8	14.9	19.6

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	4,303	3,638	3,679	4,826
Depreciation	2,297	3,609	4,066	4,540
Interest	216	262	257	252
Cash Flow before WC changes	6,816	7,510	8,002	9,618
Changes in inventory	(639)	(753)	(377)	(627)
Changes in debtors	(377)	(274)	(57)	(224)
Changes in loans & Advances	(1)	1	(1)	-
Changes in other current assets	(1,506)	(183)	(58)	(229)
Net Increase in Current Assets	1,302	(1,539)	(775)	(1,372)
Changes in creditors	(349)	991	539	428
Changes in provisions	12	8	16	4
Net Inc in Current Liabilities	1,722	2,176	1,495	977
Net CF from Operating activities	9,840	8,147	8,723	9,223
Changes in deferred tax assets	33	-	-	-
Capex (incl Other investments)	(19,895)	(15,000)	(8,000)	(8,000)
Net CF from Investing activities	(22,377)	(11,086)	(8,270)	(7,922)
Dividend and Dividend Tax	(493)	(549)	(690)	(862)
Net CF from Financing Activities	7,596	(810)	(946)	(1,113)
Net Cash flow	(4,941)	(3,749)	(493)	188
Opening Cash/Cash Equivalent	11,068	6,127	2,378	1,884
Closing Cash/ Cash Equivalent	6,127	2,378	1,884	2,073

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity Capital	493	494	494	494
Reserve and Surplus	53,086	56,175	59,165	63,129
Total Shareholders funds	53,579	56,670	59,659	63,624
Total Debt	27	27	27	27
Total Liabilities	67,248	73,376	77,506	82,725
Gross Block	36,626	57,447	64,447	72,447
Acc: Depreciation	11,789	15,398	19,465	24,005
Net Block	24,838	42,049	44,982	48,442
Capital WIP	9,820	4,000	5,000	5,000
Total Fixed Assets	52,645	64,035	67,969	71,429
Non Current Assets	8,704	9,650	11,060	12,236
Inventory	4,248	5,001	5,378	6,005
Debtors	1,590	1,864	1,921	2,145
Other Current Assets	3,966	4,149	4,207	4,436
Cash	6,127	2,378	1,884	2,073
Total Current Assets	17,849	15,639	15,921	17,481
Current Liabilities	2,759	3,751	4,290	4,718
Provisions	90	91	92	92
Total Current Liabilities	13,833	16,009	17,504	18,481
Net Current Assets	4,017	(370)	(1,583)	(1,000)
Total Assets	67,248	73,376	77,506	82,725

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
EPS	17.5	14.8	14.9	19.6
Cash per Share	32.3	9.7	7.6	8.4
DPS	14.0	15.0	16.0	16.0
BV	217.5	230.1	242.2	258.3
EBITDA Margin	16.9	17.4	20.0	22.2
PAT Margin	12.2	8.8	7.9	9.2
RoE	8.1	6.8	6.2	7.6
RoCE	11.8	7.9	10.3	12.6
RoIC	7.7	6.6	9.1	11.5
EV / EBITDA	27.6	19.7	15.2	12.2
P/E	29.1	32.4	34.1	26.0
EV/ton ($)	163	134	117	102
EV / Net Sales	3.3	3.0	2.6	2.4
Sales / Equity	0.7	0.7	0.8	0.8
Market Cap / Sales	3.6	3.0	2.7	2.4
Price to Book Value	2.3	2.2	2.1	2.0
Asset turnover	0.7	0.7	0.8	0.8
Debtors Turnover Ratio	25.2	24.0	24.7	25.7
Creditors Turnover Ratio	12.0	12.7	11.6	11.6
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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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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