Ambuja Cements HOLD

Strong Q2 with Robust Margin Gains

Summary

Ambuja Cements' standalone Q2FY26 results reflected strong operational momentum with revenue of Rs53bn, rising 20% YoY and 4% sequentially, supported by robust demand, improved realizations, and higher premium product contribution. Cement sales volumes stood at 8.8mn tonnes, growing 19% YoY and 3% QoQ. Operating EBITDA increased to Rs10bn, up 32% from Rs7.8bn a year ago and 6% from Rs9.7bn in the previous quarter, driven by lower fuel and power costs, and improved efficiency. EBITDA/t stood at Rs1,167 compared to Rs1,010 in Q1FY26 and Rs988 in Q2FY25. PAT rose sharply to Rs7.9bn from Rs5.1bn last year, reflecting both higher operating income and cost optimization benefits. We revise our target price (TP) for ACEM to Rs651 and maintain a HOLD rating, valuing it at 21x FY27E EV/EBITDA, with its ACC stake discounted by 20% to CMP. Ambuja remains net-debt-free with a net worth of Rs694.9bn, while management reaffirmed its capex plan to reach 155 MTPA capacity by FY28 through low-cost debottlenecking at USD48/t. Management also guided for a total cost reduction to Rs4,000/t by March 2026, reflecting sustained operating leverage and margin resilience.

Result Highlights and Investment Rationale

- **Premiumization and Brand Strength to Drive Realizations:** Premium products now form 35% of sales, up 28% YoY, driving 3–4% annual realization gains through stronger brand equity, superior pricing power, and sustained market leadership
- **Sustained Cost Leadership and Adani Synergies:** Power cost declined to Rs5.96/kWh and kiln fuel to Rs1.60/'000 kCal, aided by 33% green power mix. We estimate FY27 EBITDA margins of 23%**,** among the best in the sector.

TP	Rs651
CMP	**Rs577**
Potential upside/downside	13%
Previous Rating	HOLD

Price Performance (%)

	-1m	-3m	-12m
Absolute	0.3	(5.2)	(1.0)
Rel to Sensex	(3.1)	(9.4)	(6.3)

V/s Consensus

EPS (Rs)	FY26E	FY27E
IDBI Capital	13	19
Consensus	15	20
% difference	*(15.9)*	*(6.7)*

Key Stock Data

Bloomberg/Reuters	ACEM IN / ABUJ.BO
Sector	Cement
Shares o/s (mn)	2,472
Market cap. (Rs mn)	1,427,107
3-m daily avg Trd value (Rs mn)	248.6
52-week high / low	Rs625 / 453
Sensex / Nifty	83,978 / 25,763

Shareholding Pattern (%)

Promoters	67.7
FII	5.9
DII	17.1
Public	9.3

Financial snapshot (Rs mn)

Year	15MFY23	FY24	FY25	FY26E	FY27E
Revenue	1,99,854	1,79,193	1,91,665	2,22,714	2,62,802
Change (yoy, %)	*43*	*(10)*	*7*	*16*	*18*
EBITDA	32,204	33,708	25,461	33,737	50,752
Change (yoy, %)	*0*	*5*	*(24)*	*33*	*50*
EBITDA Margin(%)	*16.1*	*18.8*	*13.3*	*15.1*	*19.3*
Adj.PAT	27,108	23,505	33,574	29,470	41,101
EPS (Rs)	14	11	15	13	19
Change (yoy, %)	*26.1*	*(22)*	*43*	*(12)*	*39*
PE(x)	38.2	49	34	39	29
Dividend Yield (%)	1.7	0	1	1	1
EV/EBITDA (x)	31.4	31.4	40.7	30.6	26
RoE (%)	10.7	7	9	7	9
RoCE (%)	9	7	4	5	9

Source: IDBI Capital Research

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Conference call highlights

- Ambuja Cements delivered a robust quarter with consolidated EBITDA/t rising 32% YoY to Rs1,060 and EBITDA margins expanding to 19.2% from 14.2% last year. The improvement was led by stronger realizations, an enhanced share of premium products, and material cost efficiencies from Adani group synergies.
- Consolidated sales volumes rose 20% YoY to 16.6 mn tonnes, significantly outperforming the industry's 4% growth. Revenue grew 21% YoY to Rs91.7bn, supported by a 3% price gain. Market share improved 100 bps sequentially to 16.6%, reflecting Ambuja's strong execution and branding push.
- Management reiterated its cost leadership focus, targeting total cost of Rs4,000/t by March 2026, Rs3,800 by FY27, and Rs3,650 by FY28. These reductions are expected from improved fuel efficiency, greater AFR use, higher renewable power share, and logistics optimization.
- Average kiln fuel cost dropped 5% YoY to Rs1.60 per 1,000 kcal (including AFR), making Ambuja one of the most efficient producers in the sector. The company attributed this to timely coal inventory buildup, fuel mix optimization, and integrated procurement under the Adani Cement platform.
- Consolidated cement capacity has reached 107 MTPA, with a revised target of 155 MTPA by FY28. Clinker capacity will rise from 65 MTPA currently to 96 MTPA. Expansion is driven by both greenfield and brownfield projects, coupled with debottlenecking across existing plants.
- Ambuja has identified 13 locations for debottlenecking, expected to add 15 MTPA capacity at a highly competitive cost of USD48 per ton on an integrated basis. These projects will improve grinding efficiency, logistics flow, and the company's ability to produce more premium cement.
- Green power share improved to 33% in Q2FY26 with installed capacity at 673 MW. Management expects to reach 900 MW by FY26-end and 1,122 MW by FY27, with a long-term goal of 60% renewable mix by FY28, reducing power cost from Rs6 to Rs4.5 per unit.
- The integration of Penna, Sanghi, and Orient Cement has been completed swiftly under Adani management. All sales now flow under the Ambuja and ACC brands, improving distribution and profitability. These assets are expected to reach full efficiency and double-digit EBITDA margins by FY27.

- Despite an ongoing annual capex plan of Rs80bn, Ambuja remains debt-free with a net worth of Rs695bn and maintains CRISIL AAA (Stable) and A1+ ratings. The company spent Rs28bn in capex during H1FY26 while retaining strong liquidity and cash flow discipline.
- Consolidated PAT jumped 364% YoY to Rs26bn, aided by a one-time Rs18bn tax write-back. Excluding this, underlying profit still showed strong operational improvement, with EPS rising to Rs7.2 per share, up 67% YoY.
- Premium products accounted for 35% of trade sales during the quarter, with sales volume of premium brands up 28% YoY. The company continues to invest in digital-led marketing, dealer incentives, and brand campaigns to sustain premiumization momentum.
- Multiple expansion projects at Salai, Banwa, Marwar, Dahej, Kalamboli, Bathinda, Jodhpur, and Warisaliganj are progressing well. Several facilities will be commissioned during FY26, adding over 11 MTPA incremental capacity by year-end and positioning Ambuja for continued growth.
- Ambuja's primary lead distance reduced by 2 km QoQ to 265 km, while logistics costs declined 7% YoY to Rs1,224/t. The company expects further 50 km reduction as new grinding units and terminals improve regional dispatch flexibility.
- The new Cement Intelligence Network Operations Center (CiNOC) integrates AI, analytics, and automation across plants to enable predictive maintenance, real-time monitoring, and optimized energy use. Management described CiNOC as a "paradigm shift" for Ambuja's productivity and transparency.
- Management remains bullish on India's cement demand, projecting 7–8% industry growth in FY26, driven by government capex and housing demand. Ambuja targets sustained double-digit volume growth and aims to achieve 20–22% national market share by FY28.

Exhibit 1: Financial snapshot (Rs mn)

Particulars	Q2FY26	Q1FY26	*QoQ % Chg*	Q2FY25	*YoY % Chg*
Net Sales	**51,487**	**55,147**	***(6.6)***	**42,132**	***22.2***
EBITDA	**7,044**	**8,718**	***(19.2)***	**6,805**	***3.5***
EBITDA margin (%)	***13.7***	***15.8***	***-213bps***	***16.2***	***-247bps***
Other income	1,067	4,538	*(76.5)*	2,650	*(59.7)*
Depreciation	2,537	2,297	*10.4*	2,398	*5.8*
Interest	500	303	*65.0*	323	*55.1*
Pre-tax profit	2,845	10,656	*(73.3)*	6,735	*(57.8)*
Tax	(11,030)	2,101	*(625.0)*	1,728	*(738.3)*
Profit after tax	**13,876**	**8,555**	***62.2***	**5,007**	***177.1***
Extra ordinary income/ (exp.)	-	-	*NA*	-	*NA*
Adjusted net profit	**13,876**	**8,555**	***62.2***	**5,007**	***177.1***

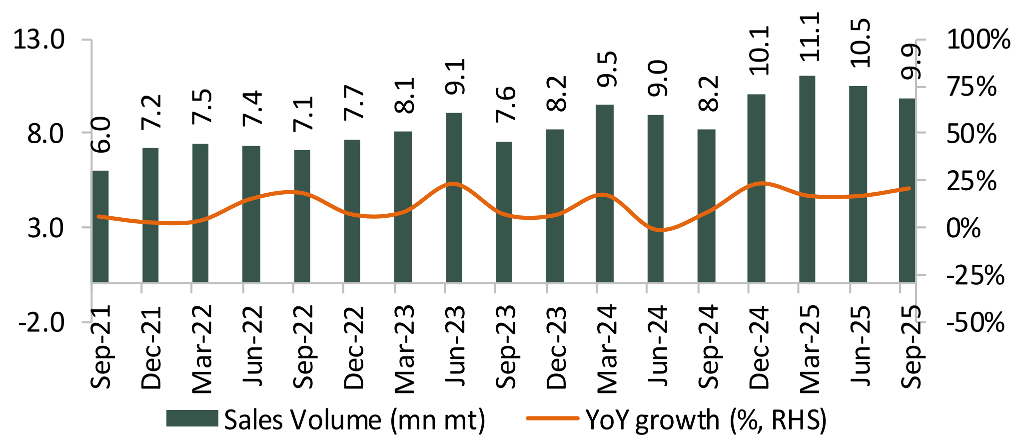
Source: Company; IDBI Capital Research

Exhibit 2: Operational snapshot

Year-end: December	Q2FY26	Q1FY26	*QoQ % Chg*	Q2FY25	*YoY % Chg*
Sales (mn mt)	**9.9**	**10.5**	***(5.7)***	**8.2**	***20.7***
Net realization Rs per mt	**5,201**	**5,252**	***(1.0)***	**5,138**	***1.2***
Total expenditure Rs per mt	**4,489**	**4,422**	***1.5***	**4,308**	***4.2***
Composite raw materials Rs per mt	1,861	1,663	*11.9*	1,575	*18.1*
Employees Cost Rs per mt	151	138	*10.0*	161	*(5.8)*
Power & Fuel Cost Rs per mt	858	954	*(10.1)*	979	*(12.4)*
Freight & Handling Expenses Cost Rs per mt	1,050	1,101	*(4.7)*	1,062	*(1.2)*
Other Expenditure Rs per mt	570	566	*0.6*	531	*7.2*
EBITDA Rs per mt	**711**	**830**	***(14.3)***	**830**	***(14.3)***

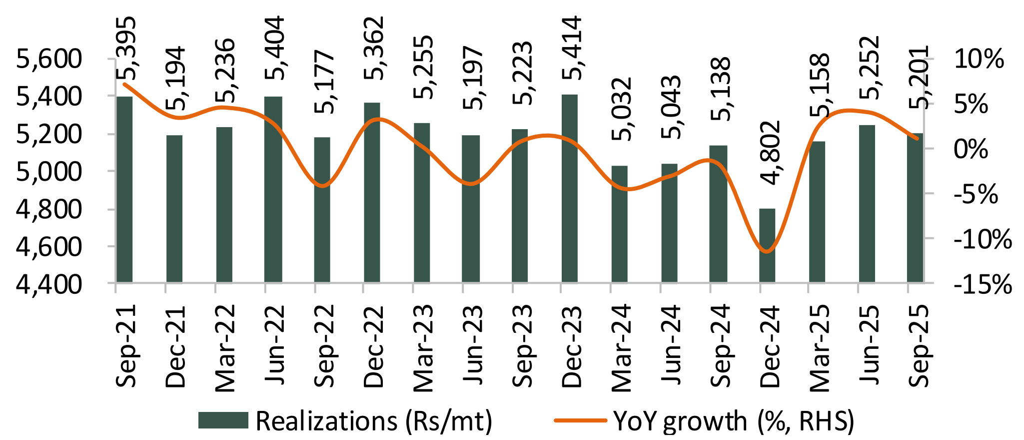
Source: Company; IDBI Capital Research

Exhibit 3: Q2FY26 volume down by 6% QoQ



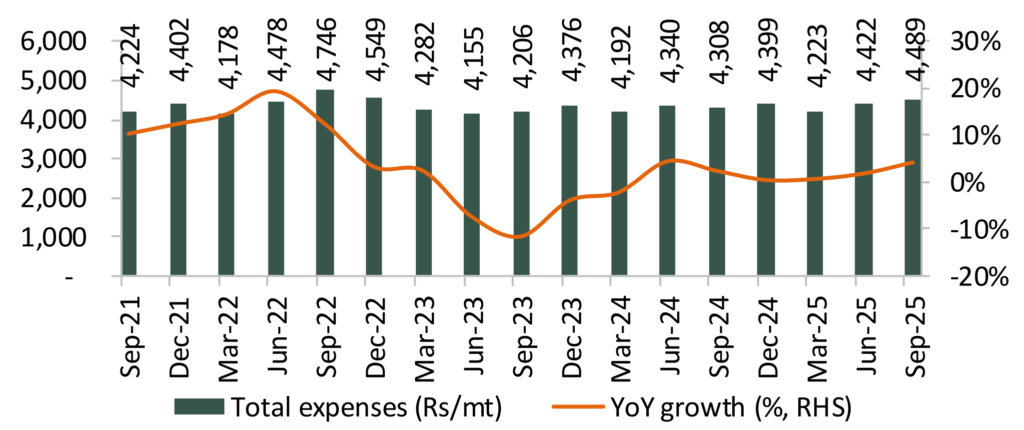
Source: IDBI Capital Research

Exhibit 4: Q2FY26 realizations down marginally QoQ



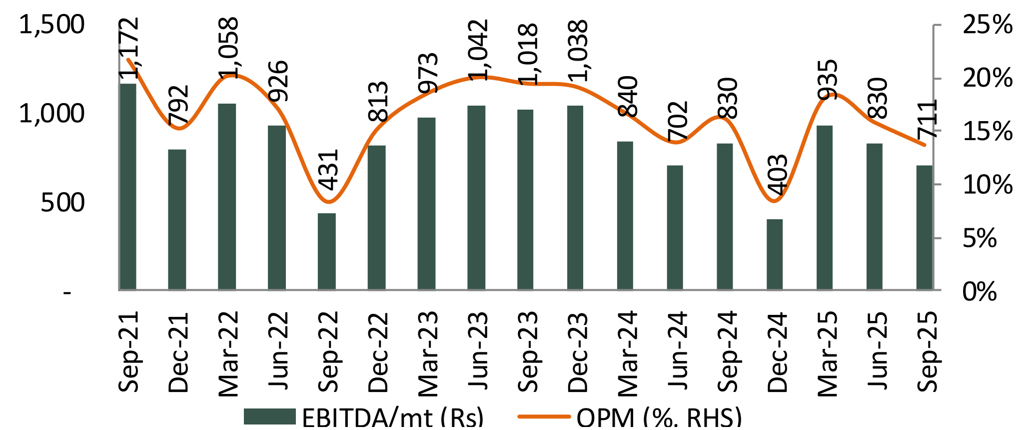
Source: IDBI Capital Research

Exhibit 5: Opex/t increased QoQ in Q2FY26



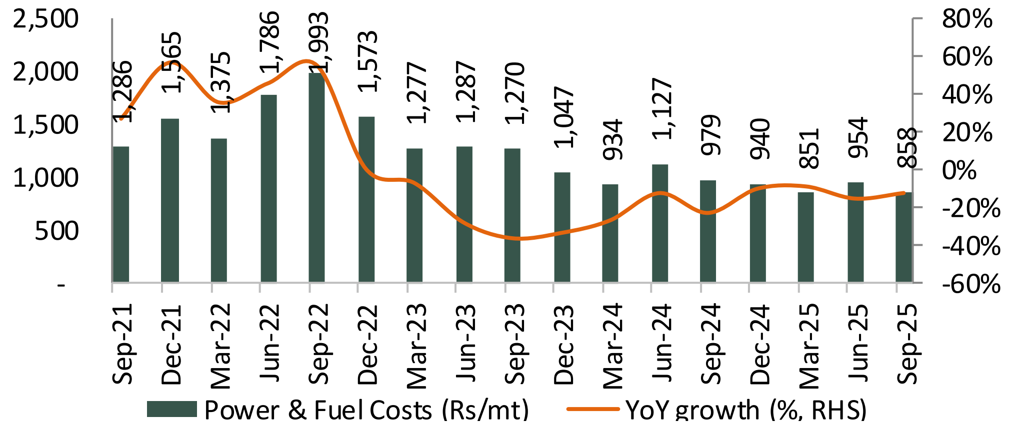
Source: IDBI Capital Research

Exhibit 6: EBITDA/t decreased 14% YoY, margins at 14%



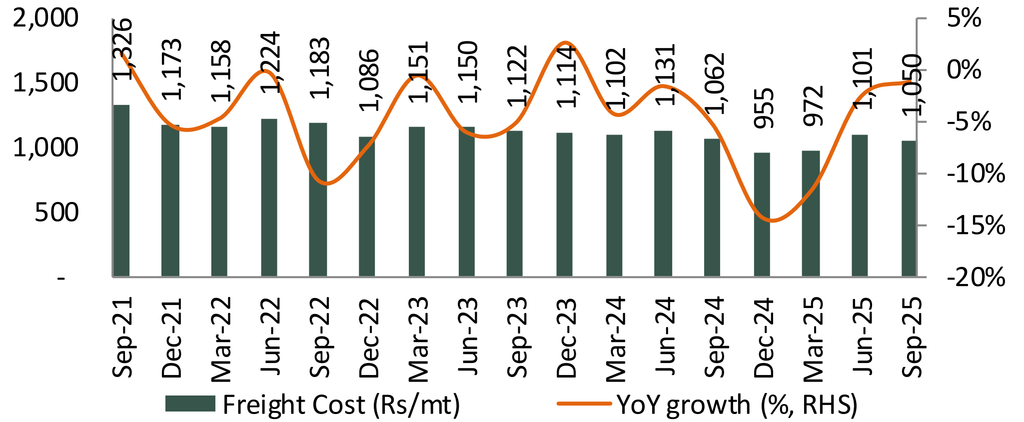
Source: IDBI Capital Research

Exhibit 7: Power/t down by 12% YoY in Q2FY26



Source: IDBI Capital Research

Exhibit 8: Freight/t down by 1% YoY in Q2FY26



Source: IDBI Capital Research

Exhibit 9: Target Price

		FY26E	FY27E
EBITDA		50,629	63,782
EV/EBITDA Multiple		26	21
EV	A	13,16,352	13,39,423
Market Cap of ACC		4,26,369	4,26,369
Ambuja's Stake at 20% Disc	B	1,72,253	1,72,253
FY27E Net Cash	C	65,754	96,695
Total Equity value	A + B + C	15,54,360	16,08,371
Target Price		**629**	**651**

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	CY21	15MFY23	FY24	FY25	FY26E	FY27E
Net sales	**1,39,790**	**1,99,854**	**1,79,193**	**1,94,536**	**2,43,799**	**2,80,369**
Change (yoy, %)	*23*	*43*	*(10)*	*9*	*25*	*15*
Operating expenses	(1,07,639)	(1,67,650)	(1,45,485)	(1,64,882)	(1,93,170)	(2,16,587)
EBITDA	**32,152**	**32,204**	**33,708**	**29,654**	**50,629**	**63,782**
Change (yoy, %)	*22*	*0*	*5*	*(12)*	*71*	*26*
Margin (%)	*23.0*	*16.1*	*18.8*	*15.2*	*20.8*	*22.7*
Depreciation	(5,517)	(8,324)	(9,380)	(10,385)	(10,294)	(11,015)
EBIT	**26,634**	**23,880**	**24,329**	**19,269**	**40,335**	**52,767**
Interest paid	(910)	(1,280)	(1,623)	(955)	(1,790)	(1,879)
Other income	2,812	9,523	8,526	18,991	19,955	15,417
Pre-tax profit	**28,536**	**32,123**	**31,233**	**37,305**	**58,501**	**66,306**
Tax	(7,047)	(5,016)	(7,728)	374	(1,764)	(1,817)
Effective tax rate (%)	*24.7*	*15.6*	*24.7*	*(1.0)*	*3.0*	*2.7*
Minority Interest	-	-	-	-	-	-
Net profit	**21,489**	**27,108**	**23,505**	**37,678**	**56,737**	**64,489**
Exceptional items	-	-	-	-	-	-
Adjusted net profit	**21,489**	**27,108**	**23,505**	**37,678**	**56,737**	**64,489**
Change (yoy, %)	*21*	*26*	*(13)*	*60*	*51*	*14*
EPS	10.8	13.7	11.0	15.3	23.0	26.1
Dividend per sh	6.3	9.0	2.0	3.3	4.9	5.6
Dividend Payout (%)	*58.2*	*66*	*18*	*21*	*22*	*22*

Balance Sheet (Rs mn)

Year-end: March	CY21	15MFY23	FY24	FY25	FY26E	FY27E
Shareholders' funds	**2,22,049**	**2,85,055**	**3,70,065**	**4,86,057**	**5,30,592**	**5,81,212**
Share capital	3,971	3,971	4,395	4,926	4,926	4,926
Reserves & surplus	2,18,078	2,81,084	3,65,670	4,81,130	5,25,666	5,76,286
Total Debt	**435**	**342**	**189**	**144**	**144**	**144**
Other liabilities	5,777	9,409	6,389	7,919	7,919	7,919
Curr Liab & prov	**53,567**	**64,235**	**64,645**	**77,175**	**84,646**	**94,804**
Current liabilities	53,477	64,194	64,375	76,827	84,434	94,561
Provisions	90	41	270	348	212	243
Total liabilities	**59,779**	**73,986**	**71,223**	**85,238**	**92,708**	**1,02,867**
Total equity & liabilities	**2,81,828**	**3,59,041**	**4,41,288**	**5,71,294**	**6,23,300**	**6,84,079**
Net fixed assets	86,222	94,616	1,03,517	1,60,887	1,80,592	1,99,578
Investments	1,17,647	1,17,667	1,40,581	2,53,779	2,53,779	2,53,779
Other non-curr assets	10,155	34,293	55,769	61,100	61,100	61,100
Current assets	**67,805**	**1,12,464**	**1,41,421**	**95,529**	**1,27,828**	**1,69,622**
Inventories	14,641	16,394	15,903	16,704	21,971	25,267
Sundry Debtors	2,947	5,649	6,933	6,924	8,015	9,218
Cash and Bank	41,692	25,331	81,274	45,376	66,023	96,964
Loans and advances	8,524	65,090	37,312	26,524	31,820	38,174
Total assets	**2,81,828**	**3,59,040**	**4,41,288**	**5,71,294**	**6,23,300**	**6,84,079**

Cash Flow Statement

(Rs mn)

Year-end: March	CY21	15MFY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	27,879	30,551	31,075	37,176	58,501	66,306
Depreciation	5,517	8,324	9,380	10,385	10,294	11,015
Tax paid	(3,632)	(3,346)	(7,321)	(2,625)	(1,764)	(1,817)
Chg in working capital	(4,584)	(7,855)	1,567	(9,465)	1,112	5,661
Other operating activities	(415)	(7,578)	(7,127)	(17,778)	(18,166)	(13,538)
Cash flow from operations (a)	**24,765**	**20,096**	**27,574**	**17,693**	**49,977**	**67,626**
Capital expenditure	(11,430)	(21,116)	(19,932)	(54,158)	(30,000)	(30,000)
Chg in investments	192	(79,900)	(62,171)	(19,154)	19,955	15,417
Other investing activities	1,218	(77,708)	6,032	7,896	-	-
Cash flow from investing (b)	**(8,868)**	**(93,272)**	**(76,071)**	**(65,416)**	**(10,045)**	**(14,583)**
Equity raised/(repaid)						
Debt raised/(repaid)	(908)	(715)	48,613	(863)	(1,790)	(1,879)
Dividend (incl. tax)	(2,021)	(12,514)	(4,964)	(4,939)	(12,202)	(13,869)
Chg in monorities						
Other financing activities	(238)	(655)	(3,147)	(3,595)	-	-
Cash flow from financing (c)	**(3,167)**	**36,116**	**56,970**	**73,773**	**(13,991)**	**(15,748)**
Net chg in cash (a+b+c)	**12,730**	**(37,059)**	**8,473**	**26,050**	**25,942**	**37,295**

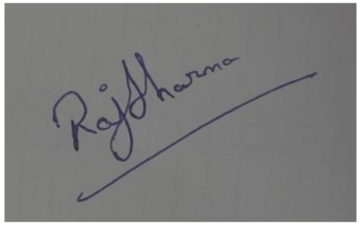
Financial Ratios

Year-end: March	CY21	15MFY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	112	144	172	198	215	235
Adj EPS (Rs)	10.8	13.7	11.0	15.3	23.0	26.1
Adj EPS growth (%)	*21*	*26*	*-20*	*40*	*50*	*14*
EBITDA margin (%)	*23.0*	*16.1*	*18.8*	*15.2*	*20.8*	*22.7*
Pre-tax margin (%)	*20.4*	*16.1*	*17.4*	*19.2*	*24.0*	*23.6*
Net Debt/Equity (x)	-0.2	-0.1	-0.2	-0.1	-0.1	-0.2
ROCE (%)	*12*	*9*	*7*	*4*	*8*	*9*
ROE (%)	*10*	*11*	*7*	*9*	*11*	*12*
DuPont Analysis						
Asset turnover (x)	0.5	0.6	0.4	0.4	0.4	0.4
Leverage factor (x)	1.3	1.3	1.2	1.2	1.2	1.2
Net margin (%)	*15.4*	*13.6*	*13.1*	*19.4*	*23.3*	*23.0*
Working Capital & Liquidity ratio						
Inventory days	38	30	32	31	33	33
Receivable days	8	10	14	13	12	12
Payable days	39	34	35	35	39	40

Valuations

Year-end: March	CY21	15MFY23	FY24	FY25	FY26E	FY27E
PER (x)	52.4	41.5	51.7	37.0	24.7	21.7
Price/Book value (x)	5.1	3.9	3.3	2.9	2.6	2.4
EV/Net sales (x)	7.8	5.5	6.3	6.9	5.5	4.7
EV/EBITDA (x)	33.7	34.2	33.7	45.4	26.4	20.4
Dividend Yield (%)	*1.1*	*1.6*	*0.4*	*0.6*	*0.9*	*1.0*

Source: Company; IDBI Capital Research



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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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