CMP: ₹ 434 Target: ₹ 480 (11%) Target Period: 12 months

HOLD

May 5, 2026

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

Q4FY26 performance: Revenue was up 10.4% YoY (+6.2% QoQ) to Rs 10915.5 crore led by 7.5% YoY (+5.8% QoQ) growth in sales volume (20.1 mtpa) and improvement in blended realisation by 2.7% YoY (flattish QoQ). Total cost/ton increased by 9.6% YoY (flattish QoQ), mainly due to increase in power & fuel, freight and higher others cost. EBITDA/ton stood at Rs 728/ton (-27.1% YoY, +2.3% QoQ). Subsequently, EBITDA was down by 21.6% YoY (+8.2% QoQ) to Rs 1463.9 crores. Reported PAT increased by 91.4% YoY to Rs 1830.2 crores

Investment Rationale

- **Increasing capacity utilizations to support volume growth**: Company's consolidated volume growth remained strong at 14.7% YoY in FY26 (better-than-industry), mainly led by consolidation of Orient Cement and Penna Cements. Capacity utilisation currently stands at ~77% as of March 2026. Going forward, company is in process of expanding its capacity by ~10 mtpa in FY27E and expects to reach 119 mtpa from 109 mtpa at present. In longer term, company targets to reach 155 mtpa, however the earlier plan of reaching this capacity by FY28E has been deferred considering the focus on ramping up existing assets. We estimate company's consolidated volumes to grow at ~8% CAGR over FY26-28E. Management also guides volume growth at 8-9% in FY27E (to 80 mtpa)
- **EBITDA/ton expected to improve with improving synergies from acquired assets:** Company's EBITDA/ton stood at Rs 874 (+10.8% YoY) in FY26; led by better realisations on YoY basis. However, company's profitability is expected to improve further, driven by improvement in operational synergies from acquired assets and continued focus on cost-saving measures. Also, the improvement would be supported by green energy share increase (already ~32% in Q4 vs 26% earlier), improved fly ash sourcing and logistics efficiency, reduction in heat consumption and operational inefficiencies. Additionally, improved logistics & increased share of premium products is expected to drive further cost efficiencies. Management targets ~Rs 250/ton reduction in total cost/ton annually in FY27E and FY28E from current levels. We expect EBITDA/ton to improve to Rs 1012/ton in FY28E (vs Rs 874/ton in FY26)

Rating and Target Price

- We cut our EBITDA estimates by ~23%/~24% for FY27E/28E respectively, factoring in lower-than-expected improvement in profitability of acquired entities. We expect revenue & EBITDA CAGR at ~10% & ~16% respectively over FY26-28E.
- We maintain our **HOLD** rating with a revised target price of Rs 480 (based on 15x EV/EBITDA on FY28E)

Result Update

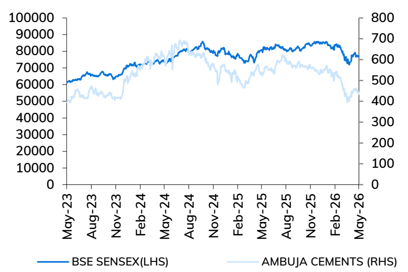
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	1,06,841
FY26 Gross Debt (Rs Crore)	53
FY26 Cash (Rs Crore)	959
EV (Rs Crore)	1,05,936
52 Week H/L (Rs)	625 / 394
Equity Capital	439.5
Face Value	2.0

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	67.6	67.7	67.7	67.7
FII	7.4	5.9	5.8	5.9
DII	18.5	19.4	19.6	19.9
Others	6.5	7.0	6.9	6.6

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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ICICI Securities – Retail Equity Research

Key Financial Summary

(Year-end March)	FY23*	FY24	FY25	FY26	2 Year CAGR (FY24-FY26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Revenues	38,937	33,160	35,336	40,656	10.7%	44,102	48,725	9.5%
EBITDA	5,122	6,400	5,971	6,539	1.1%	7,182	8,831	16.2%
EBITDA margin (%)	13.2	19.3	16.9	16.1		16.3	18.1	
Net Profit	2,583	3,577	4,303	4,728	15.0%	2,661	3,922	
EPS (Rs)	13.0	18.0	15.3	16.8		9.5	14.0	
P/E (x)	33.4	25.3	28.2	23.3		45.8	31.1	
EV/EBITDA (x)	20.3	14.9	16.6	16.2		14.6	11.8	
EV/ton ($)	171.1	133.9	113.3	108.0		98.1	97.4	
RoCE (%)	13.3	14.3	11.8	6.4		5.8	7.9	
RoE (%)	8.2	8.2	8.1	8.8		4.3	6.1	

Source: Company, ICICI Direct Research, * 15 months

Q4FY26 Result highlights:

- Consolidated revenue was up 10.4% YoY (+6.2% QoQ) to Rs 10915.5 crore led by 7.5% YoY (+5.8% QoQ) growth in sales volume (20.1 mtpa) and improvement in blended realisation by 2.7% YoY (flattish QoQ).
- Total cost/ton increased by 9.6% YoY (flattish QoQ), mainly due to increase in power & fuel, freight and higher others cost.
- EBITDA/ton stood at Rs 728/ton (-27.1% YoY, +2.3% QoQ). Subsequently, EBITDA was down by 21.6% YoY (+8.2% QoQ) to Rs 1463.9 crores.
- Reported PAT increased by 91.4% YoY to Rs 1830.2 crores.
- For FY26, revenue increased by 18.7% YoY led by 14.7% YoY increase in volume and 3.5% YoY improvement in realisation. EBITDA/ton stood at Rs 874/ton in FY26 (vs Rs 789/ton in FY25)

Recent Earning Call – Key highlights:

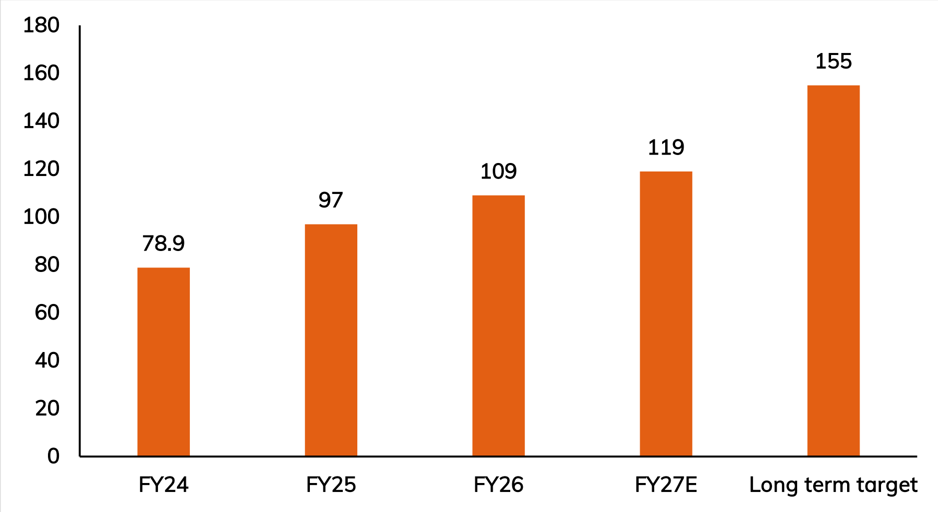
- Management highlighted that FY26 was a challenging yet resilient year for the cement sector. The company expects cement demand growth of ~5–5.5% in FY27E, citing inflationary pressures and ongoing geopolitical uncertainty
- Management expects FY27E volumes of ~80 mtpa (~8-9% growth), driven by ramp-up of acquired assets and commissioning of new capacities
- Management indicated that capacity is expected to reach ~119 mtpa by end-FY27E, with ongoing expansions of ~10 mtpa
- Utilization levels for acquired assets remain low, with Sanghi at ~57% and Penna at ~46% for FY26, reflecting ongoing turnaround challenges
- Management targets utilization improvement of 5–10% in these assets, with FY27 guidance of ~65–70% for Sanghi and ~55–60% for Penna
- Overall blended utilization is expected to be ~70–75% in FY27, while legacy assets may operate at ~75–80% utilization
- Q4FY26 cost was ~₹4,500/ton, including ~₹250/ton escalation during the quarter, driven by external factors. Management indicated that this represents peak cost levels, and expects gradual improvement ahead
- The company targets ₹250/ton cost reduction in FY27E, bringing cost down to ~₹4,250/ton, and another ₹250/ton reduction in FY28E. Long-term target of ~₹3,650–4,000/ton cost remains intact, though timeline may extend
- Key cost levers include: Green energy share increase (already ~32% in Q4 vs 26% earlier), improved fly ash sourcing and logistics efficiency, reduction in heat consumption and operational inefficiencies
- Cement prices increased only ~₹10/bag in Q4FY26, with selective regions seeing ₹15–20/bag increases, reflecting weak pricing power. Despite cost inflation of ₹25/bag (~₹400–500/ton), the industry has been unable to fully pass on costs due to weak demand conditions. Realizations remained largely stable QoQ at ~₹254/bag, indicating limited pricing traction
- FY26 capex stood at ~₹7,500 crore, while FY27E capex is guided at ₹6,000–6,500 crore
- The company will prioritize organic growth and brownfield/greenfield expansion, while continuing to evaluate inorganic opportunities selectively
- Premium cement share reached ~36% of trade sales in Q4FY26, and management aims to sustain this level in FY27. Price premium between products: ₹50–55/bag for super-premium cement and ₹20–25/bag for premium cement

Exhibit 1: Quarterly Analysis – Q4FY26

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
Operating Income	10,915.5	9,888.6	10.4	10,276.7	6.2	Revenue increased led by strong volume growth and improvement in realisation on YoY basis
Other income	233.9	573.3	-59.2	87.3	167.9	
Total Revenue	11,149.4	10,461.9	6.6	10,364.0	7.6	
Raw materials costs	2,004.7	1,826.8	9.7	1,904.9	5.2	
Employees Expenses	395.9	355.5	11.4	383.9	3.1	
Other Expenses	974.3	1,030.5	-5.5	1,157.7	-15.8	
Total Expenditure	9,451.6	8,021.1	17.8	8,923.6	5.9	
EBITDA	1,463.9	1,867.6	-21.6	1,353.1	8.2	Margins decreased YoY due to higher costs on YoY basis
EBITDA margins (%)	13.4	18.9	-547 bps	13.2	24 bps	
Interest	20.8	14.3		58.9		
Depreciation	1,052.7	786.4	33.9	911.0	15.6	
Tax	-1,329.3	497.3	-367.3	57.5	-2,410.6	
PAT	1830.2	956.3	91.4	239.6	663.8	

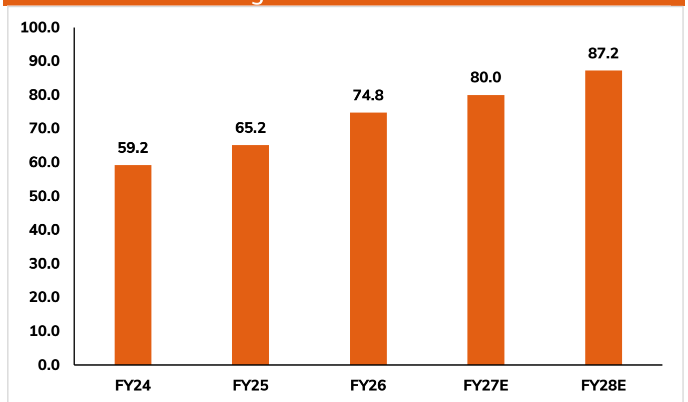
Source: Company, ICICI Direct Research

Exhibit 2: Company targets 155 mtpa in longer term



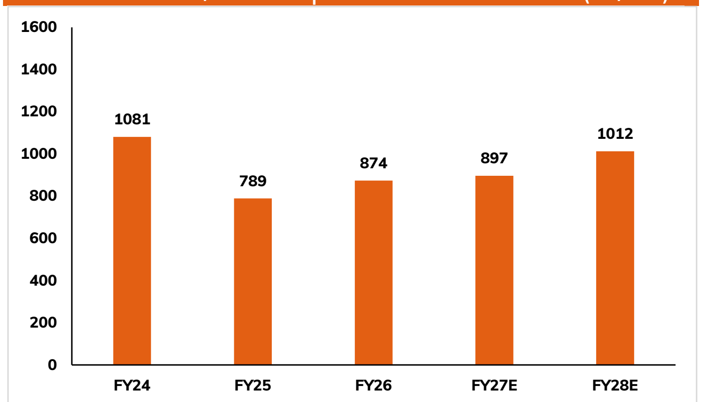
Source: Company, ICICI Direct Research

Exhibit 3: Volumes to grow at ~8% CAGR over FY26-28E



Source: Company, ICICI Direct Research

Exhibit 4: EBITDA/ton to improve over FY26-FY28E (Rs/ton)



Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	35,336	40,656	44,102	48,725
% Growth	*6.6*	*15.1*	*8.5*	*10.5*
Other income	2,654	834	876	920
Total Revenue	35,336	40,656	44,102	48,725
% Growth	*6.6*	*15.1*	*8.5*	*10.5*
Total Raw Material Costs	6,527	6,743	7,163	7,764
Employee Expenses	1,403	1,603	1,747	1,904
Other expenses	21,435	25,772	28,010	30,226
Total Operating Expenditure	29,366	34,117	36,920	39,894
Operating Profit (EBITDA)	5,971	6,539	7,182	8,831
% Growth	*(6.7)*	*9.5*	*9.8*	*23.0*
Interest	216	224	212	202
PBDT	8,409	7,150	7,845	9,549
Depreciation	2,297	3,570	4,498	4,678
PBT before Exceptional Items	6,112	3,579	3,347	4,872
Total Tax	810	(2,338)	669	974
PAT before MI	5,281	5,617	2,678	3,897
PAT	4,303	4,728	2,661	3,922
% Growth	*20.3*	*9.9*	*(43.7)*	*47.4*
EPS	17.5	19.2	10.8	15.9

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	4,303	4,728	2,661	3,922
Depreciation	2,297	3,570	4,498	4,678
Interest	216	224	212	202
Cash Flow before WC changes	6,816	8,522	7,372	8,802
Changes in inventory	(639)	(304)	(402)	(519)
Changes in debtors	(377)	(278)	(186)	(149)
Changes in loans & Advances	(1)	(2)	2	-
Changes in other current assets	(1,506)	(566)	(319)	(509)
Net Increase in Current Assets	1,302	(1,035)	(1,056)	(1,381)
Changes in creditors	(349)	1,426	286	469
Changes in provisions	12	204	(76)	71
Net Inc in Current Liabilities	1,722	(745)	1,684	956
Net CF from Operating activities	9,840	6,743	7,999	8,377
Changes in deferred tax assets	33	(28)	-	-
Capex (incl Other investments)	(19,895)	(18,309)	(6,500)	(7,500)
Net CF from Investing activities	(22,377)	(12,754)	(6,280)	(6,622)
Dividend and Dividend Tax	(493)	(440)	(690)	(862)
Net CF from Financing Activities	7,596	843	(834)	(1,063)
Net Cash flow	(4,941)	(5,168)	885	692
Opening Cash/Cash Equivalent	11,068	6,127	959	1,844
Closing Cash/ Cash Equivalent	6,127	959	1,844	2,535

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	493	494	562	562
Reserve and Surplus	53,086	58,853	60,825	63,885
Total Shareholders funds	53,579	59,347	61,387	64,448
Total Debt	27	53	53	53
Total Liabilities	67,248	76,518	79,808	84,243
Gross Block	36,626	49,160	63,745	68,745
Acc: Depreciation	11,789	15,359	19,858	24,535
Net Block	24,838	33,801	43,887	44,210
Capital WIP	9,820	9,085	1,000	3,500
Total Fixed Assets	52,645	67,384	69,385	72,208
Non Current Assets	8,704	8,433	9,463	9,960
Inventory	4,248	4,552	4,954	5,473
Debtors	1,590	1,868	2,054	2,203
Other Current Assets	3,966	4,532	4,851	5,360
Cash	6,127	959	1,844	2,535
Total Current Assets	17,849	13,716	15,657	17,730
Current Liabilities	2,759	4,185	4,471	4,939
Provisions	90	91	92	92
Total Current Liabilities	13,833	13,088	14,772	15,728
Net Current Assets	4,017	628	886	2,002
Total Assets	67,248	76,518	79,808	84,243

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	15.3	16.8	9.5	14.0
Cash per Share	28.3	3.4	6.6	9.0
DPS	14.0	15.0	16.0	16.0
BV	190.6	211.1	218.4	229.3
EBITDA Margin	16.9	16.1	16.3	18.1
PAT Margin	12.2	11.6	6.0	8.0
RoE	8.1	8.8	4.3	6.1
RoCE	11.8	6.4	5.8	7.9
RoIC	7.7	5.1	4.5	6.7
EV / EBITDA	16.6	16.2	14.6	11.8
P/E	28.2	23.3	45.8	31.1
EV/ton ($)	113	108	98	97
EV / Net Sales	2.8	2.6	2.4	2.1
Sales / Equity	0.7	0.7	0.7	0.8
Market Cap / Sales	3.0	2.6	2.4	2.2
Price to Book Value	2.3	2.1	2.0	1.9
Asset turnover	0.7	0.7	0.7	0.8
Debtors Turnover Ratio	25.2	23.5	22.5	22.9
Creditors Turnover Ratio	12.0	11.7	10.2	10.4
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.9	1.0	1.1	1.2
Quick Ratio	0.5	0.6	0.6	0.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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