Choice
Institutional Equities

Q1FY26 Results Update

Overlook Integration Hiccups: Ambuja Cement Ltd

BUY

August 01, 2025 | CMP: INR 593 | Target Price: INR 700

Expected Share Price Return: 17.1% I Dividend Yield: 0.4% I Expected Total Return: 17.5%

Sector View: Positive

Change in Estimates	✔
Target Price Change	✘
Recommendation	✘

Company Info	
BB Code	ACEM IN EQUITY
Face Value (INR)	2.0
52 W High/Low (INR)	686.5/452.9
Mkt Cap (Bn)	INR 1,460.4 / $16.7
Shares o/s (Mn)	2,463.1
3M Avg. Daily Volume	24,92,401

Change in Estimates

	FY26E			FY27E		
INR Bn	*New*	*Old*	*Dev. (%)*	*New*	*Old*	*Dev. (%)*
Revenue	225.5	221.2	2.0	249.3	245.7	1.5
EBITDA	41.6	40.8	1.7	51.5	54.7	(5.8)
EBITDAM %	18.4	18.7	(27) bps	20.7	22.3	(164) bps
PAT	32.8	32.1	2.4	40.3	42.6	(5.5)
EPS	13.3	13.0	2.4	16.3	17.3	(5.5)

Actual vs Consensus

INR Bn	*Q1FY26A*	*Consensus Est.*	*Dev.%*
Revenue	55.1	54.0	2.1
EBITDA	8.7	10.8	(18.9)
EBITDAM %	15.8	19.9	(408) bps
PAT	8.6	6.4	33.8

Key Financials

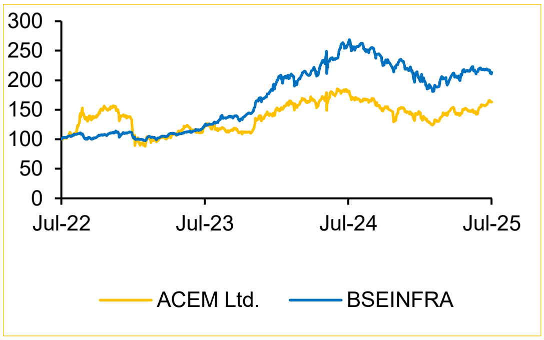
INR Bn	*FY24*	*FY25*	*FY26E*	*FY27E*	*FY28E*
Revenue	179.2	194.5	225.5	249.3	274.2
YoY (%)	(10.3)	8.6	15.9	10.6	10.0
EBITDA	33.7	29.7	41.6	51.5	59.9
EBITDAM %	18.8	15.2	18.4	20.7	21.9
Adj PAT	23.3	37.5	32.8	40.2	46.5
EPS	11.7	15.3	13.3	16.3	18.9
RoE %	6.3	7.7	6.4	7.3	7.9
ROCE %	10.3	8.0	11.1	12.5	12.9
PE(x)	52.3	35.0	44.5	36.3	31.4
EV/EBITDA	33.1	34.4	28.7	26.2	25.6
EV/IC	4.2	2.6	2.9	3.1	3.4

Shareholding Pattern (%)

	Jun-25	*Mar-25*	*Dec-24*
Promoters	67.57	67.57	67.57
FIIs	7.43	8.60	9.14
DIIs	18.49	17.09	16.41
Public	6.51	6.74	6.88

Relative Performance (%)

YTD	*3Y*	*2Y*	*1Y*
BSE Infra	113.2	72.9	(19.4)
ACEM Ltd.	62.9	34.2	(10.2)



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Q4FY25 Cement Result Preview

Focus on Long Term Transformation Plan

We maintain our BUY rating on ACEM with a TP of INR 700/sh. We continue to be constructive on ACEM due to: 1) INR300/t **cost reduction benefit** over FY25-28E; out of INR300/t, INR 150/t is expected from **logistics side** by reducing lead distance and **increasing the share of sea and rail**, 2) Increasing **premium product** share that drives **better realization**, and 3) Ambitious **capacity expansion** to reach 118 Mnt by FY26 end and 140 Mnt by FY28 end. We incorporate a robust **EV to CE** (Enterprise Value to Capital Employed) valuation framework (Exhibit 3), which allows us a rational basis to assign a valuation multiple that captures improving fundamentals (ROCE expansion by 488bps over FY25-28E).

We forecast ACEM EBITDA to grow at a CAGR of 26.4% over FY25–28E, supported by our assumptions of volume growth at 12.0%/10.0%/10.0% and realisation growth of 3.5%/0.5%/0.0% in FY26E/FY27E/FY28E, respectively. We remain positive on ACEM, supported by the **group's strong presence** in the **cement sector** and **synergies benefits**.

We arrive at a 1-year forward TP of INR 700/share for ACEM. We now value ACEM on our EV/CE framework – we assign an EV/CE multiple of 4.5x/4.5x for FY27E/28E, which we believe is conservative given the increase of RoCE from 8.0% in FY25 to ~12.9% in FY28E under reasonable operational assumptions. Management has indicated the cement industry is expected to grow by 7-8% in FY26.

Q1FY26: EBITDA hit by elevated operating costs

ACEM reported Q1FY26 Revenue and EBITDA of INR 55,147 Mn (+21.1% YoY, -3.7% QoQ) and INR 8,718Mn (+35.0% YoY, -16.0% QoQ) vs Choice Institutional Equities (CIE) estimates of INR 54,882Mn and INR 9,854Mn, respectively. Volume for Q1 stood at 10.5 Mnt (vs CIE est. 10.7 Mnt), up 16.7% YoY, and down 9.5% QoQ.

Realization/t came in at INR 5,252/t (+3.8% YoY, +6.4% QoQ), which is higher than CIE's est. of INR 5,143/t. Total cost/t came in at INR 4,422/t (+1.9% YoY, +9.4% QoQ). As a result, EBITDA/t came in at INR 830/t (vs CIE est. of INR923/t), up 15.7% YoY and down 7.2% QoQ.

Cost optimization on track; INR300/t reduction target by FY28:

ACEM's management appears well-positioned to achieve its targeted total cost of INR 3,983/t by FY28, having already achieved a cost reduction of approximately INR 175/t. We anticipate a further ~INR100/t decline in Power & Fuel costs, supported by the company's goal to scale WHRS capacity to 30% by FY28. In parallel, long-term supply agreements are expected to lower raw material costs by 8–10%. With sustained cost-efficiency initiatives, we project ACEM's EBITDA/t to grow at a CAGR of 22.1%, reaching INR 1,114/t by FY28.

Key Risks:

- **Integration of acquired assets like Orient Cement poses short-term cost pressures and operational adjustments**, impacting power and fuel, logistics, and other expenses, as seen in Q1 FY26 consolidated results.

- **Ambitious capacity expansion targets, aiming for 140 Mnt by FY28, carry inherent execution risks** such as potential delays or unforeseen operational hurdles, despite current progress on groundwork and approvals.

Management Call - Highlights

- **Steady uptick in green power share to drive cost savings**: ACEM's green power share has steadily improved, rising by 9.7 percentage points YoY to 28.1%. The company aims to scale this to 60% by FY28, which is expected to bring down its current power cost from ~INR 5.9/kWh to ~INR 4.5/kWh, supporting overall cost-efficiency and sustainability goals.

- **Efficiency gains to lower power consumption per tonne**: ACEM expects power consumption per metric tonne (PMT) of cement to improve by at least 5 units, driven by the enhanced efficiency of newly commissioned assets and ongoing optimization of existing operations. This will further support cost reduction and energy efficiency targets.

- **Sustainable decline in coal cost and improved heat efficiency**: ACEM's coal cost has reduced from INR 1.73 to INR 1.59 per '000 Kcal and is expected to remain at these favorable levels. Moreover, heat consumption is projected to improve by at least 35 Kcal/kg of clinker, supported by efficiency initiatives and the commissioning of new kilns, further enhancing fuel efficiency and lowering production costs.

- **Logistics optimization to drive significant cost reduction**: ACEM has reduced its primary lead distance by 8 km to 269 km, with plans to further lower it by ~50 km upon reaching a volume of 140 MnT. This is expected to cut logistics costs by ~INR 150/MT, aided by increased use of cost-efficient rail and sea transport. Currently, logistics cost stands at INR 3.03 per tonne per km (PTPK).

- **NCLT sanctions amalgamation; strategic access to key resources and infrastructure**: The NCLT Ahmedabad has approved the Scheme of Amalgamation between Adani Cementation Limited and Ambuja Cements Limited on 18th July 2025. This merger grants Ambuja access to a high-grade limestone reserve of 275 MnT at Mudhvay, Gujarat, along with a captive jetty supporting waterway logistics for western India markets. Additionally, it brings in a 1.3 MnT grinding facility, enhancing operational and distribution efficiency.

- **Cement demand growth accelerates; positive outlook for Q2FY26**: Cement demand grew by 4% in Q1FY26, an improvement over the modest 2% growth seen in the same period last year. This uptick was primarily driven by the Government's ongoing flagship infrastructure initiatives such as PMAY, PMSY, Bharatmala, Sagarmala, and other cement-intensive projects. The sector's growth outlook for Q2FY26 remains optimistic.

Exhibit 1: EBITDA hit by elevated operating costs

Ambuja Cement Ltd.	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Volumes	10.5	9.0	16.7	11.6	(9.5)
Revenues (INR Mn)	55,147	45,522	21.1	57,253	(3.7)
COGS	17,458	12,723	37.2	19,461	(10.3)
Power and Fuel Cost	10,020	10,144	(1.2)	9,448	6.1
Freight Exp.	11,558	10,181	13.5	10,795	7.1
Employee Expenses	1,446	1,382	4.6	1,451	(0.3)
Other Expenses	5,947	4,632	28.4	5,717	4.0
EBITDA (INR Mn)	8,718	6,460	35.0	10,382	(16.0)
EBITDA Margins (%)	15.8	14.2	162 bps	18.1	(232)bps
Depreciation	2,297	2,494	(7.9)	2,964	(22.5)
EBIT (INR Mn)	6,421	3,966	61.9	7,418	(13.4)
EBIT Margin (%)	11.6	8.7	293 bps	13.0	(131)bps
Other Income	4,538	4,203	8.0	4,421	2.7
Interest	303	409	(25.8)	-131	(331.7)
Exceptional Item	-	-129		0	
PBT	10,656	7,632	39.6	11,970	(11.0)
Tax	2,101	1,958	7.3	2,681	(21.6)
PAT (INR Mn)	8,555	5,674	50.8	9,289	(7.9)
Basic EPS (INR)	3.5	2.3	50.8	3.8	(7.9)

Source: ACEM, Choice Institutional Equities

Exhibit 2: Volume growth & cost reduction initiatives to drive EBITDA higher (in INR/t)

Particular	FY23	FY24	FY25	FY26E	FY27E	FY28E
Volume (in Mnt)	37.8	34.4	39.7	44.5	48.9	53.8
YoY Growth (%)	*42.6*	*(9.1)*	*15.5*	*12.0*	*10.0*	*10.0*
Realization/t	5,290	5,215	4,900	5,072	5,097	5,097
YoY Growth (%)	*0.3*	*(1.4)*	*(6.0)*	*3.5*	*0.5*	*0.0*
COGS/t	732	1,299	1,603	1,648	1,631	1,631
Employee Cost/t	212	171	140	152	153	153
Power & Fuel Cost/t	1,592	1,123	909	863	837	820
Freight Expenses/t	1,160	1,123	991	941	913	895
Other Expenses/t	742	518	511	533	510	484
Total Cost/t	4,438	4,234	4,153	4,137	4,044	3,983
EBITDA/t	852	981	747	934	1,053	1,114
YoY Growth (%)	*(29.7)*	*15.1*	*(23.9)*	*25.1*	*12.7*	*5.7*
Revenue (in INR Mn)	1,99,854	1,79,193	1,94,536	2,25,506	2,49,297	2,74,226
YoY Growth (%)	*43.0*	*(10.3)*	*8.6*	*15.9*	*10.6*	*10.0*
EBITDA (in INR Mn)	32,204	33,708	29,654	41,550	51,515	59,921
YoY Growth (%)	*0.2*	*4.7*	*(12.0)*	*40.1*	*24.0*	*16.3*
PAT (IN INR Mn)	25,535	23,347	37,550	32,820	40,224	46,465
YoY Growth (%)	*22.6*	*(8.6)*	*60.8*	*(12.6)*	*22.6*	*15.5*

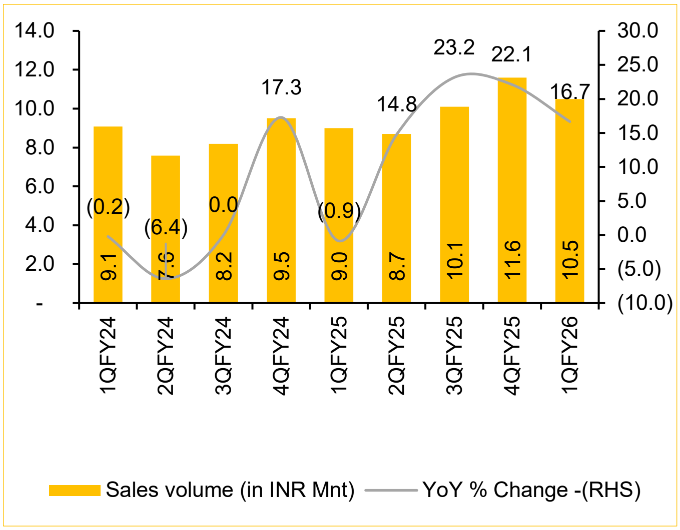
Source: ACEM, Choice Institutional Equities

Exhibit 3: Introducing EV/CE Valuation Framework

INR Mn	FY23	FY24	FY25	FY26E	FY27E	FY28E
RoCE	13.5	10.3	8.0	11.1	12.5	12.9
WACC	12.5	12.5	12.5	12.5	12.5	12.5
RoCE less WACC %	1.0	(2.2)	(4.5)	(1.4)	0.0	0.4
EV	5,84,001	11,16,267	10,18,871	11,93,640	13,50,716	15,35,564
Capital Employed	1,77,048	2,36,062	2,40,340	2,68,234	3,03,532	3,45,071
EV/CE	**3.3**	**4.7**	**4.2**	**4.5**	**4.5**	**4.5**
Target EV/CE				**4.5**	**4.5**	**4.5**
Target EV				**11,93,640**	**13,50,716**	**15,35,564**
Gross Debt				268	268	268
Cash & Equivalents				70,615	88,343	1,11,646
Net Debt				**(70,347)**	**(88,074)**	**(1,11,378)**
LT Provision				969	969	969
EQUITY VALUE - AMBUJA Standalone				**12,63,018**	**14,37,821**	**16,45,974**
Equity VALUE (ACC)				**4,49,359**	**4,61,038**	**5,05,172**
Ambuja stake in ACC				**50.05%**	**50.05%**	**50.05%**
Holdco Discount				**25.0%**	**25.0%**	**25.0%**
EQUITY VALUE of ACC stake				**1,68,678**	**1,73,062**	**1,89,629**
Equity Value of Orient Stake				**27,629**	**27,629**	**27,629**
Equity Value of Sanghi Stake				**7,752**	**7,752**	**7,752**
EQUITY VALUE - AMBUJA Consolidated				**14,67,077**	**16,46,264**	**18,70,984**
EQUITY VALUE - AMBUJA Consolidated (INR/sh)				**596**	**668**	**760**
1 yr forward TP (INR/sh)						**700**

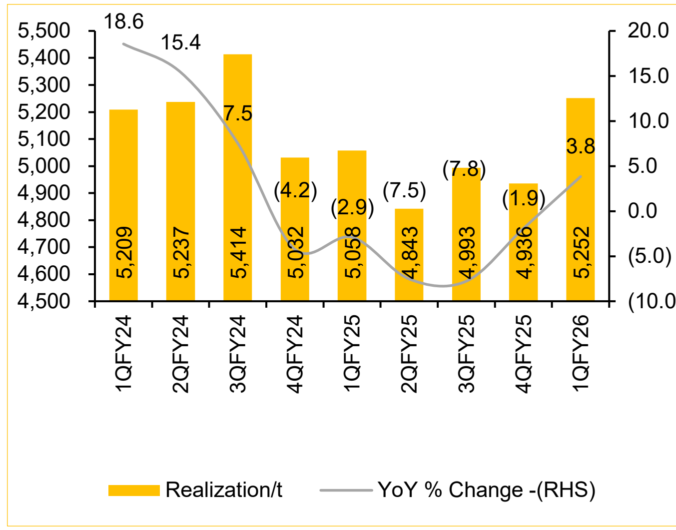
Source: ACEM, Choice Institutional Equities

Impressive volume growth in Q1



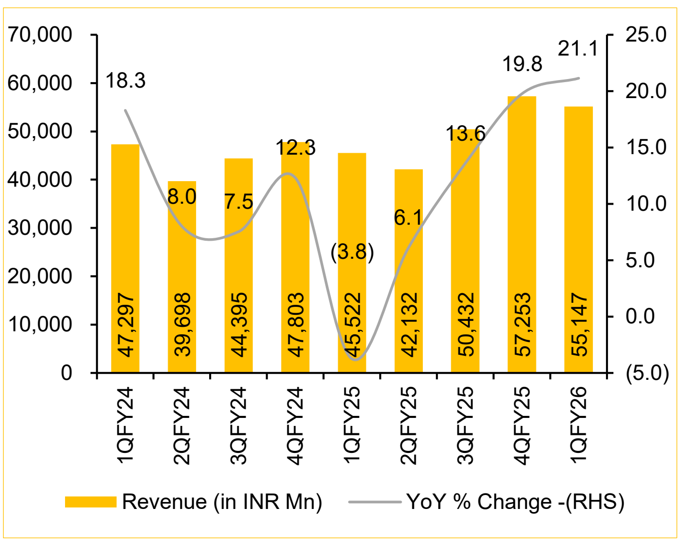
Source: ACEM, Choice Institutional Equities

Price increases continue beyond Q1FY26



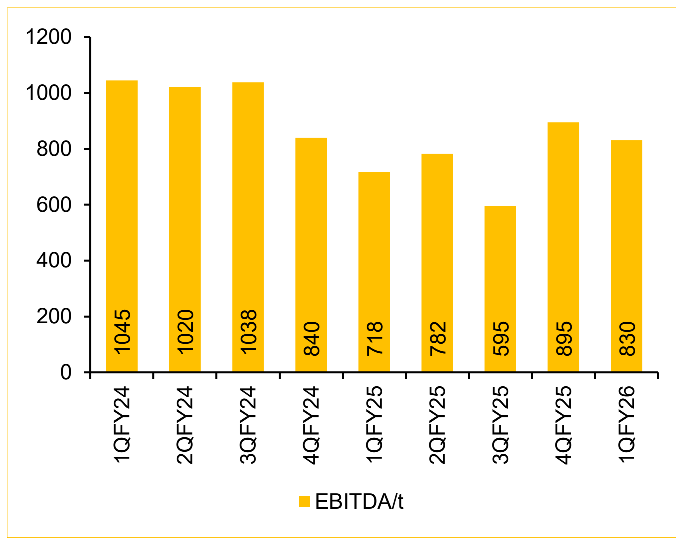
Source: ACEM, Choice Institutional Equities

Robust revenue growth in Q1, supported by higher volume



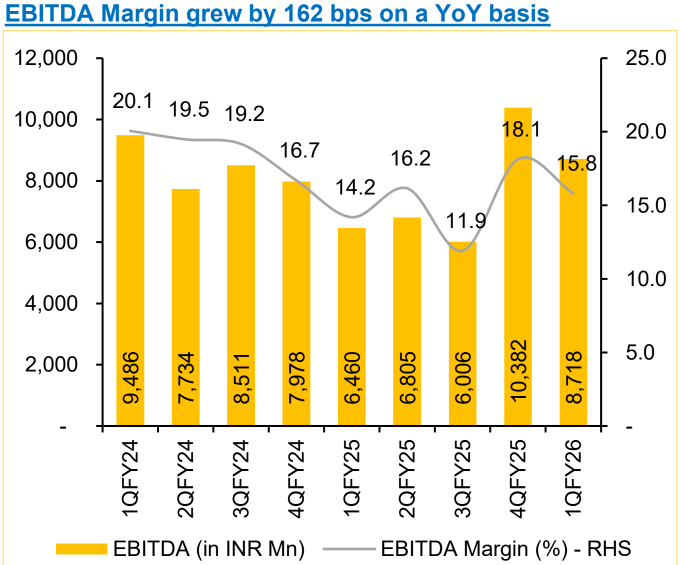
Source: ACEM, Choice Institutional Equities

Improved realisation & volume drive EBITDA/t higher YoY



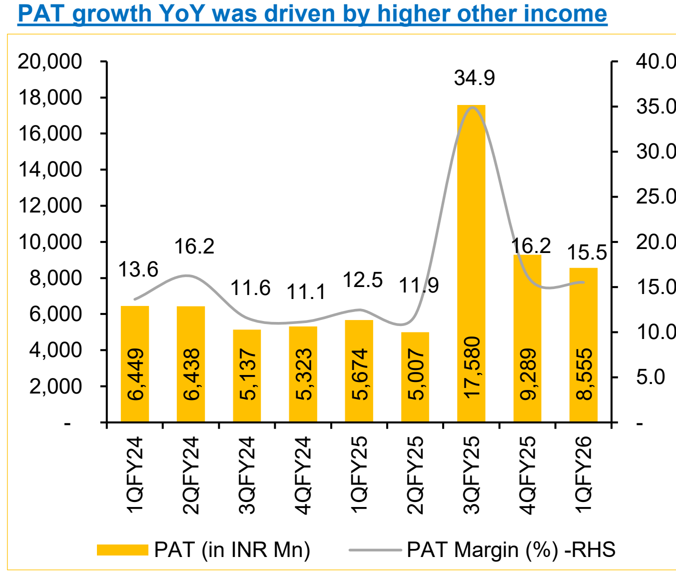
Source: ACEM, Choice Institutional Equities

EBITDA Margin grew by 162 bps on a YoY basis



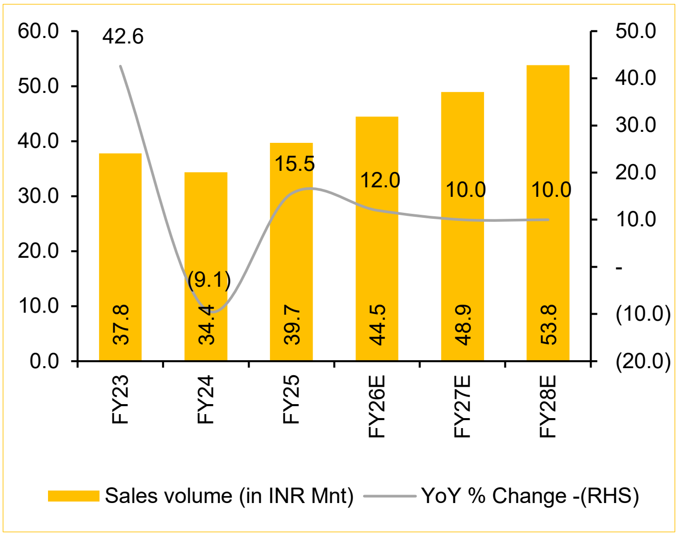
Source: ACEM, Choice Institutional Equities

PAT growth YoY was driven by higher other income



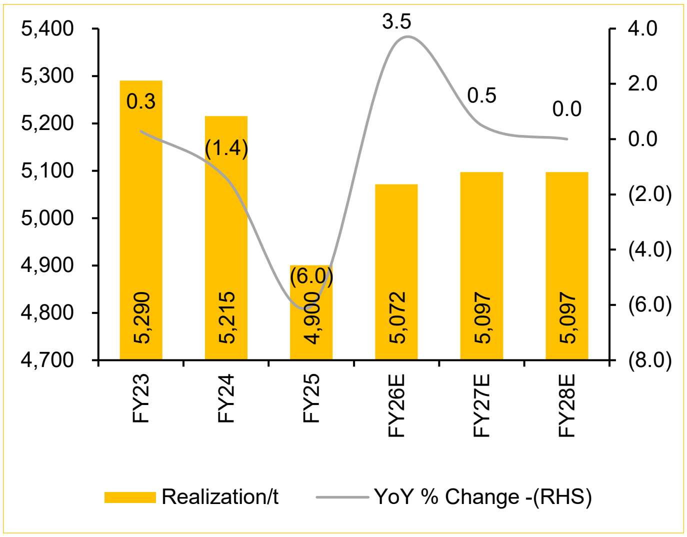
Source: ACEM, Choice Institutional Equities

Volume is expected to grow to 53.8 Mnt by FY28



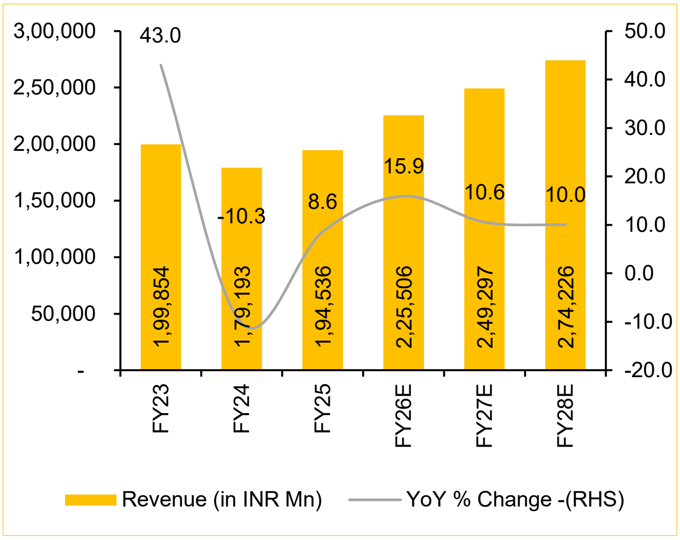
Source: ACEM, Choice Institutional Equities

Realization/t expected to remain on positive front



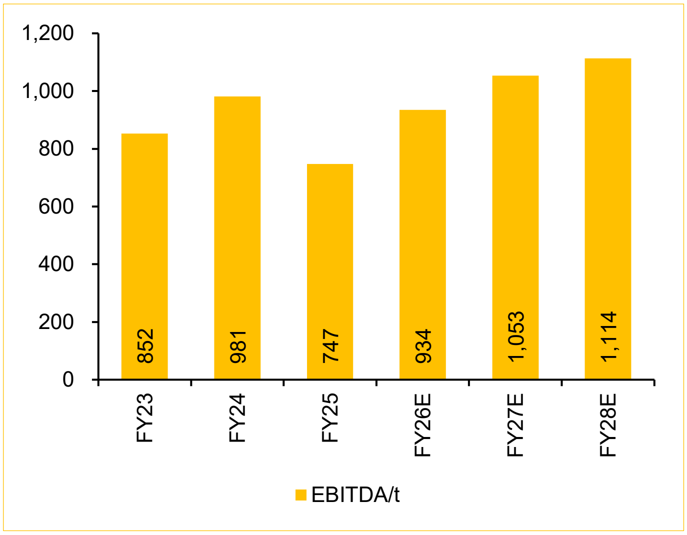
Source: ACEM, Choice Institutional Equities

Revenue expected to grow supported by higher volumes



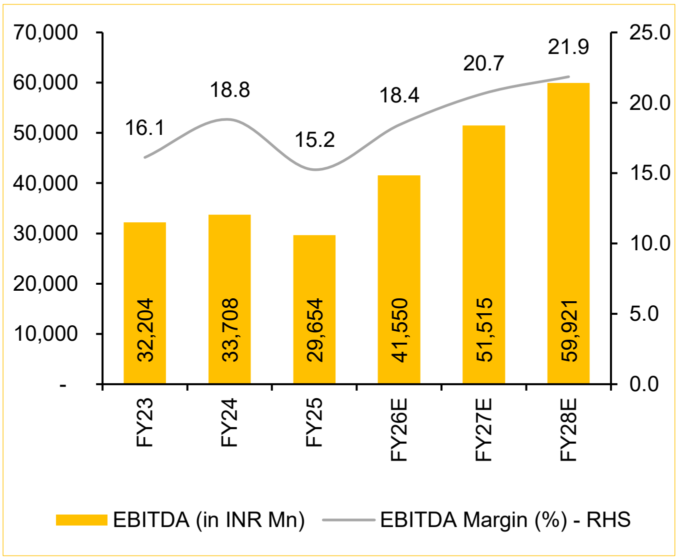
Source: ACEM, Choice Institutional Equities

Cost reduction initiatives led to an increase in EBITDA/t



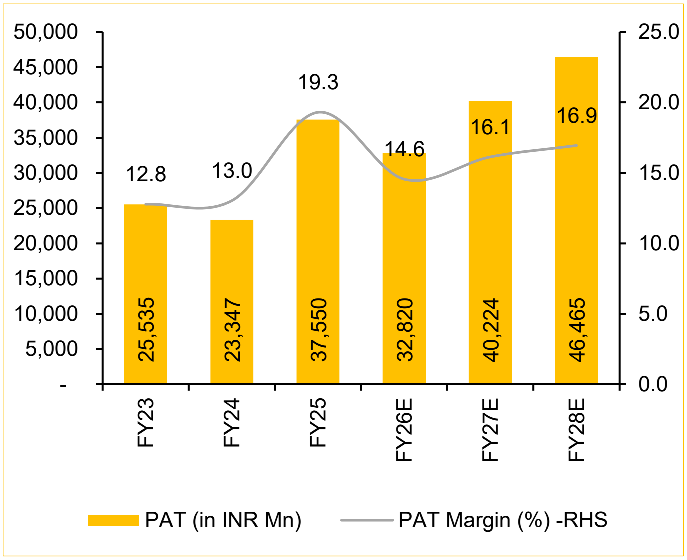
Source: ACEM, Choice Institutional Equities

EBITDA expected to grow at a CAGR of 26.4% over FY25-28



Source: ACEM, Choice Institutional Equities

PAT is expected to grow at a CAGR of 7.4% over FY25-28



Source: ACEM, Choice Institutional Equities

Income Statement (Standalone in INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Revenue	1,79,193	1,94,536	2,25,506	2,49,297	2,74,226
Gross Profit	1,34,557	1,30,906	1,52,216	1,69,522	1,86,474
EBITDA	33,708	29,654	41,550	51,515	59,921
Depreciation	9,380	10,385	11,820	13,620	15,420
EBIT	24,329	19,269	29,730	37,895	44,501
Other Income	8,526	18,991	13,530	14,958	16,454
Interest Expense	1,623	955	1,055	1,155	1,255
PBT	31,075	37,176	42,077	51,569	59,571
Reported PAT	23,347	37,550	32,820	40,224	46,465
EPS	11.7	15.3	13.3	16.3	18.9

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios					
Revenues	(10.3)	8.6	15.9	10.6	10.0
EBITDA	4.7	(12.0)	40.1	24.0	16.3
PAT	(8.6)	60.8	(12.6)	22.6	15.5
Margins					
Gross Profit Margin	75.1	67.3	67.5	68.0	68.0
EBITDA Margin	18.8	15.2	18.4	20.7	21.9
PAT Margin	13.0	19.3	14.6	16.1	16.9
Profitability					
Return on Equity (RoE)	6.3	7.7	6.4	7.3	7.9
Return on Invested Capital (RoIC)	6.9	5.0	5.6	6.9	7.7
Return on Capital Employed (RoCE)	10.3	8.0	11.1	12.5	12.9
Financial Leverage					
OCF/EBITDA (x)	0.8	0.6	1.0	1.0	1.0
OCF / IC (%)	10.3	4.5	10.2	12.5	13.3
EV/EBITDA (x)	33.1	34.4	28.7	26.2	25.6
Earnings					
EPS	11.7	15.3	13.3	16.3	18.9
Shares Outstanding	2,198	2,463	2,463	2,463	2,463
Working Capital					
Inventory Days (x)	32	31	31	32	33
Receivable Days (x)	15	13	15	16	17
Creditor Days (x)	30	30	30	30	30
Working Capital Days	17	14	16	18	20

Source: ACEM, Choice Institutional Equities

Balance Sheet (Standalone in INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Net Worth	3,70,065	4,86,057	5,13,950	5,49,248	5,90,787
Borrowings	189	268	268	268	268
Deferred Tax	2,693	4,538	4,538	4,538	4,538
Other Liabilities & Provisions	53,818	64,491	64,491	64,491	64,491
Total Net Worth & Liabilities	**4,26,765**	**5,55,353**	**5,83,247**	**6,18,545**	**6,60,084**
Net Block	85,686	1,04,961	1,23,141	1,39,521	1,54,101
Capital WIP	15,485	53,223	53,223	53,223	53,223
Goodwill & Intangible Assets					
Investments	1,40,581	2,57,255	2,57,255	2,57,255	2,57,255
Cash & Cash Equivalents	88,334	41,900	48,138	65,866	89,170
Loans & Other Assets	88,130	90,327	90,327	90,327	90,327
Net Working Capital	8,549	7,687	11,162	12,352	16,008
Total Assets	**4,26,765**	**5,55,353**	**5,83,247**	**6,18,545**	**6,60,084**

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows From Operations	27,574	17,693	42,220	53,809	59,485
Cash Flows From Investing	(76,071)	(65,415)	(30,000)	(30,000)	(30,000)
Cash Flows From Financing	56,970	73,773	(5,981)	(6,081)	(6,181)

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Tax Burden	75.1%	101.0%	78.0%	78.0%	78.0%
Interest Burden	127.7%	192.9%	141.5%	136.1%	133.9%
EBIT Margin	13.6%	9.9%	13.2%	15.2%	16.2%
Asset Turnover	0.4	0.4	0.4	0.4	0.4
Equity Multiplier	1.2	1.1	1.1	1.1	1.1
RoE	**6.3%**	**7.7%**	**6.4%**	**7.3%**	**7.9%**

Historical share price chart: Ambuja Cement Limited

Date	Rating	Target Price
February 01, 2024	ADD	590
May 02, 2024	BUY	665
August 01, 2024	REDUCE	707
October 29, 2024	BUY	634
January 30, 2025	BUY	600
April 30,2025	BUY	625
July 01,2025	BUY	700
August 01, 2025	BUY	700

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in statis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000Cr Market Cap**

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