Ambuja Cements

Operator: Ladies and gentlemen, good day and welcome to the Ambuja Cements Limited Q1 FY27 earnings conference call, hosted by Nomura. As a reminder, all participant lines will remain in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star, then zero on your touch-tone telephone. Please note that this conference is being recorded. I will now hand the conference over to Mr. Jashanndeep Chaddha from Nomura for opening remarks. Thank you, and over to you.

Jashanndeep Chaddha - Nomura: Thank you everyone. Without much delay, I will transfer the call to Mr. Deepak Balwani, Head of Investor Relations. Mr. Deepak, over to you.

Management: Thank you, Jashanndeep. On behalf of Ambuja Cements Limited, it is my pleasure to welcome all participants to our earnings call for Q1 FY27. Ambuja Cements is the ninth largest cement company globally, a key part of the diversified Adani portfolio, the country's fastest-growing portfolio of sustainable businesses.

Before we begin, I would like to remind everyone that today's discussion may contain certain forward-looking statements based on our current expectations and assumptions. These statements are subject to various risks and uncertainties and actual results may vary materially. At Ambuja Cements, we remain committed to enhancing transparency, strengthening disclosures, and continuously elevating our capital market communication standards in line with global best practices.

We are pleased to have with us today Mr. Karan Adani, Director; Mr. Vinod Bahety, Chief Executive Officer; and Mr. Rohit Soni, Chief Financial Officer. With that, I would now like to invite Mr. Vinod Bahety to share his perspective on the quarterly performance and the company's strategic outlook.

Management: Thank you, Deepak. Thank you, Jashanndeep. Good afternoon everyone and thank you for joining us. We have started FY27 with a disciplined and sustainable performance, reflecting the continued execution of our strategy despite a challenging operating environment.

The quarter was characterized by stable cement demand, supported by infrastructure, housing, and construction activity, while profitability across the industry remained under pressure from higher imported fuel prices, elevated freight costs, and geopolitical developments in West Asia. Against this backdrop, Ambuja Cements delivered stronger profitability, improved operating efficiency, and continued strategic execution.

Our strategy remains clear and consistent: creating sustainable value ahead of volume. We used this as an opportunity to perform scheduled maintenance for almost 12% of our kilns, absorbing additional costs of 50 per metric ton this quarter, while we built up clinker inventory of one month and coal inventory of around 3 months, giving us a competitive edge in the second quarter.

We continue to execute against the four strategic priorities that will define the next phase of our growth. First, profitable growth. Our focus remains firmly on value creation. We continue to improve the quality of our revenue through a higher share of trade sales, increasing premiumization, discipline in pricing, and market-specific commercial strategies.

Trade sales share has improved from 74% to 78% of our overall sales sequentially. Our premium strategy continued to gain traction, with premium products comprising 34% of our trade sales. Regarding regional clusters, the North continued its leadership in terms of giving the highest EBITDA. We grew 2% in our trade volumes year-over-year in the North, while we had a much sharper reduction in lower-margin non-trade volumes. The Central cluster remained a strong market for us with a higher proportion of premium cement, enabling higher EBITDA margins, and we improved our share of blended cement in this cluster.

The West is well-balanced between trade and non-trade since the key markets of Mumbai and Gujarat are stronger on higher-margin non-trade volumes. We have grown positively both in terms of trade as well as non-trade in the West. In the East, we have sustained trade volumes and maintained healthy EBITDA margins. In the South, we have consciously reduced our lower-margin volumes while we continue to increase our channel network and focus on trade volumes in the coming quarters. Overall, we had a 2% negative year-over-year growth on trade and a 21% year-over-year negative growth on non-trade.

The second strategic priority is structural cost leadership. Operational excellence continues to strengthen our competitive advantage. During the quarter, our clinker factor improved by 3% from 67% to 64%, while the share of blended cement increased to 85%, improving both profitability and sustainability. Net operating cost reduced to 4,241 per metric ton, a reduction of 206 from the previous quarter. This puts us firmly in line with our guidance to achieve 4,250 for this financial year.

Importantly, these gains were achieved despite inflationary pressures. Productivity initiatives enabled us to maintain manpower cost at 222 per metric ton, while optimization of our manufacturing footprint reduced the primary lead distance by 20 kilometers, lowering our logistics cost by another 10 per metric ton. Across the value chain, we continue to build structural advantages through raw material optimization, higher renewable energy utilization, greater use of domestic fuels, enhanced captive coal integration, improved kiln efficiency, logistics optimization, and expanded rail infrastructure.

Our renewable energy (RE) power capacity is now at 973 megawatt, up almost 500 megawatt over the past year. WHRS capacity stands at 228 megawatt. This has helped us reduce our power cost from 5.9 per KWH to almost 4.9 per KWH; it has come down by 1 rupee with these improvements. This is in line with our earlier guidance. Our cost transformation journey for this year remains firmly on track, supported by a series of structural efficiency initiatives.

For example, through reduction in the lead distance, we are expecting another 15 kilometers of reduction, which will deliver additional 30-35 per ton of savings. Raw material logistics optimization through greater use of BCSC rakes and fly ash sorting initiatives is expected to contribute an additional 30 per ton.

Management: Regarding the energy front, we will increase our power consumption backed by the commissioning of an additional 75 megawatt of new green power capacity, along with targeted reductions in heat consumption. On a conservative estimate, I consider 5 kilo calories from existing levels per kilogram of clinker and a reduction in power consumption by almost 2-3 units per ton of cement. This is all expected to generate additional savings of 50 per ton, and other expenses have headroom to improve by 10-15 per ton. In all, these initiatives are expected to deliver savings of almost 130-150 per ton, providing strong visibility toward our cost leadership target and enhancing long-term competitiveness. It also mitigates any pressures on cost from geopolitical tensions.

We emphasize that all these initiatives are fundamentally reshaping our cost curve and reinforce our confidence in achieving a total cost of 4,050 per metric ton by the end of FY28.

The third factor in our strategic approach is disciplined capital allocation. Today, Ambuja Cements has evolved into a 109 million ton capacity integrated cement platform. Our priority is no longer simply adding capacity, but converting scale into higher productivity, superior profitability, and stronger returns on capital. Our expansion program remains firmly on schedule. For trial runs, work has already commenced at Dahej, which is an expansion of 1.2 million tons. Salai Banwa in Uttar Pradesh has already started with 2.4 million tons of capacity. Bathinda in Punjab has added 1.2 million tons, and Jodhpur—which we acquired from Penna—has commissioned 2 million tons of capacity. Kalamboli in Mumbai is expecting a 1 million ton expansion in Q2, as is Warsaliganj in Bihar with 2.4 million tons. Maratha is a clinker line we expect to commission next year. These projects will increase our installed capacity to 119 million tons by the end of this financial year.

At the same time, our focus extends well beyond capacity creation; debottlenecking, asset reliability, operational stabilization, and productivity enhancement remain equally important to maximize returns from every amount of capital invested.

The fourth pillar of our strategy is building a future-ready enterprise. Technology and sustainability are increasingly becoming enduring competitive differentiators. Importantly, at Ambuja Cements, sustainability is not merely an ESG commitment; it is a driver of innovation, efficiency, and long-term shareholder value creation.

Let me briefly summarize our financial performance. Revenue was 9,500 crores, operating EBITDA was 1,589 crores, and the EBITDA margin improved 331 basis points to 16.7%. EBITDA per ton was 931. Net cost reduced by 206 per metric ton sequentially. PAT was 660 crores and net worth was almost 72,000 crores.

Looking ahead, India's long-term demand fundamentals remain compelling. Infrastructure development, urbanization, industrialization, logistics investments, and housing demand continue to support sustained growth in cement consumption. While near-term demand may remain influenced by the monsoon and input cost volatility, our priorities remain unchanged. We are well-positioned to outperform industry growth, expanding installed capacity to 119 million tons with the addition of 10.2 million tons. We also target approximately 250 per ton of additional cost savings to reach 4,250 for the full year of FY27 and continue to improve returns through disciplined execution, premiumization, operational excellence, and digital transformation. With industry scale, leading structural cost leadership, and a strong balance sheet, Ambuja Cements is uniquely positioned to create superior long-term value. I thank you again and will now hand the call back to the operator.

Operator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use their handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We take the first question from the line of Naveen Sahadev from ICICI Securities. Please go ahead.

Naveen Sahadev – ICICI Securities: Good evening, sir. Am I audible?

Management: Yes, you are.

Naveen Sahadev – ICICI Securities: Good evening and thank you for the opportunity. Congratulations on the sequential improvement in profitability. I had two questions. One is on volumes. Ambuja is one of the few listed entities to have seen a decline in volumes. You explained there is a decline in trade and a much higher decline in non-trade, due to the quest for value over volumes. Is it fair to assume that for the full year of FY27, volume growth will be muted because you are focusing on maximizing value, especially given your previous guidance of chasing 80 million tons?

Management: Thank you, Naveen. I think this question may be echoing among other analysts. Let me explain in more detail. I want to assure you that the focus on trade volume and the improvement in trade volume share from 74% to 78% sequentially gave us a strong bump in EBITDA of almost 206 per metric ton. From here onwards, backed by our brand equity in Ambuja and ACC with the parent brand Adani Cement, we are riding well in terms of volume growth.

In July, we are already seeing an 8% improvement in trade volumes. Therefore, it gives me confidence to continue with our guidance of 8% growth for this financial year. Focusing on value terms will give us an advantage over the competition. It does not mean we are not focusing on non-trade. In markets like the West and some parts of the North that provide opportunities, non-trade remains a focus area. We are also moving blended cement into the institutional segment in the Center and East, which helped improve our overall blended cement share to 85%. Between the brand equity in the trade segment and the positive momentum with channel partners, we are confident in the volume growth for the coming quarters.

Naveen Sahadev – ICICI Securities: So we will recoup the market share lost in Q1 during the balance of the nine months?

Management: Naveen, I would say market share has to be looked at specifically. We have sustained and improved our market share in the trade segment. We reduced market share in non-trade as a calculated action plan, but in trade, we have sustained and improved.

Naveen Sahadev – ICICI Securities: Understood. My second question is on green power. Out of 1,122 megawatt, 973 megawatt is already commissioned. The target for FY28 is to reach 1,122 megawatt, which is a small incremental addition, but the share of green power is expected to go from 34% to 60%. What explains this jump? And are current benefits already captured in revenue from selling power to the grid?

Management: That is an interesting point. We have set up the capacity and sold 45 crore units in the first quarter from operating assets. The inclination is toward internal consumption, but there are sometimes initial feeding issues, transmission infrastructure hurdles, or policy initiatives. This quarter, in Q2, we expect to consume almost 50% of this, roughly 20 crore units.

The 34% share is reported on a consumption basis. If I considered total revenue plus consumption, my green power share would be almost 48%. The journey from 48% to 60% is enabled by the capacity I mentioned and the additional WHRS capacity being set up, which is currently around 230 megawatt. We are well on our plan to achieve 60% green power by FY28.

Naveen Sahadev – ICICI Securities: Thank you, sir. I will come back in the queue.

Operator: Thank you. We take the next question from the line of Manish Sumaya from Canter Fitzgerald and Company. Please go ahead.

Manish Sumaya – Canter Fitzgerald and Company: Good evening, everyone. I have a couple of questions. First, regarding Sanghi, Penna, and Orient, when do we expect normalized utilization and EBITDA per ton levels, and what is the required capex?

Management: Regarding Orient, it is doing well in terms of capacity utilization and margins. We have 87% utilization there and expect further improvement with minimal investment. For Penna, the area of focus is improving capacity utilization. The investment required is less than 100-150 crores for alternative fuel resources (AFR) and WHRS. The main focus is on building the channel network and trade sales in the South to facilitate margin expansion. Sanghi is moving well; we have seen improvement in utilization of both clinker and cement. We have an investment of roughly 600 crores planned for jetty expansion to support clinker utilization for coastal grinding units. Otherwise, we are investing in WHRS at Sanghi and have handled a scheduled kiln shutdown.

Manish Sumaya – Canter Fitzgerald and Company: That is helpful. You mentioned in the press release that you expect sequential cost pressure in the second quarter. When should those costs normalize?

Management: That cost increase relates mostly to potential geopolitical escalation. Normalization depends on de-escalation, which is beyond our control. What is in our control is further optimizing costs. I mentioned a cushion of 150 per ton from logistics, green power, and efficiencies. I am holding one month of clinker inventory and three months of coal inventory, which mitigates that risk. The initiatives to bring down costs will offset any surprises from external factors.

Manish Sumaya – Canter Fitzgerald and Company: Lastly, on demand and pricing, can you describe the flavor across key regions?

Management: We are seeing good momentum in the East and the West. In the West, we grew positively in both B2B segments. The key markets remain North, West, Center, and East. There is excitement within the channel and a demand pull for our premium cement. In the South, we are investing in the channel network and you will see improvement there. We are also working on product improvisation through R&D to improve the share of blended cement beyond the current 85%.

Manish Sumaya – Canter Fitzgerald and Company: Super helpful. Best of luck.

Operator: Thank you. We take the next question from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal - CLSA: Hi, thank you. Despite the improvement in trade sales, our Average Selling Price (ASP) increase sequentially has been among the lowest in the industry. Is this driven by geographical mix or other factors?

Management: We achieved 2% sequential growth, while there is a year-over-year decline. Regarding Net Sales Price (NSP), there are different accounting treatments. We account for certain expenditures that net off the NSP compared to some peers. When "ex-works" commercial terms increase, it impacts NSP as well. Looking ahead, our brand pull and premium segment will differentiate our price momentum. Price is driven by market forces, but cost is in our control, and that will be the determining factor in our delta improvement compared to peers. You will see the journey of NSP improve in line with the industry.

Indrajit Agarwal - CLSA: On that note, since you have substantial coal and clinker inventory, while peers expect an 80-100 per ton cost increase in Q2, can we assume your variable costs will not increase in Q2?

Management: We will still have some impact, but I have provided the mitigation plan. On a net basis, we will be in line with the June quarter and perhaps slightly better. For the full year, we are giving guidance of 4,050 to 4,100 per ton.

Indrajit Agarwal - CLSA: What is the capex figure for FY27 and FY28?

Management: Total capex is roughly 6,500 crores, split between growth and efficiency capex.

Operator: Thank you. We take the next question from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi - HDFC Securities: Good evening, sir. Regarding volume growth, if you are maintaining 8% for the full year after a sharp decline in Q1, it implies more than 10% growth in the remaining nine months. What gives you that confidence?

Management: The confidence comes from the investment we are putting into trade, the channel, and the brand. We are focusing on high-margin B2B business in key markets. Additionally, the new capacity of almost 10 million tons coming on stream will improve volumes. Our source of fly ash, long-term agreements, and the railway infrastructure investments like BCSC rakes help us move material efficiently and gain market share, especially in trade.

Rajesh Ravi - HDFC Securities: Can we expect trade sales to remain above 75% in subsequent quarters?

Management: Yes, it will be upwards of 75%.

Rajesh Ravi - HDFC Securities: We hear talk in the channel about merging ACC and Ambuja brands into an "Adani Cement" brand. What is the thought process there?

Management: There are no plans for brand mergers. The only plan is for the corporate merger of the companies that we have already announced.

Rajesh Ravi – HDFC Securities: Understood. Could you share the EBITDA for the RMC segment in Q1?

Management: The RMC EBITDA for the quarter was about 35 crores.

Rajesh Ravi – HDFC Securities: Margins in that segment fell to 7% from historical levels of 14-15%. Any reason?

Management: There are specific factors related to raw material pricing and accounting treatments like lease accounting. It is a smaller segment, so we can discuss the specifics separately.

Rajesh Ravi – HDFC Securities: Of the 6,500 crore capex for the year, how much was spent in Q1?

Management: We are at roughly 25% of that, around 1,500 to 1,600 crores.

Operator: Thank you. We take the next question from the line of Rashi from Citi Group. Please go ahead.

Rashi – Citi Group: You mentioned trade volume decline was 2% and non-trade was 21% year-on-year. Given the focus on trade, why was there a decline?

Management: This quarter saw a severe impact from geopolitical tensions affecting diesel availability and supply chain issues. When you change gears to a new strategy, there are certain disruptions. In July, we are already seeing 8% year-over-year growth in trade. This is the recalibration we have performed.

Rashi – Citi Group: So the 8% growth is only for trade? Does non-trade continue to be negative?

Management: The priority remains trade, which is over 75% of our sales. In high-EBITDA markets like the North and West, we grew 2% in trade. Selectively reducing low-margin non-trade volumes was part of the plan to focus on value.

Rashi – Citi Group: Regionally, did you see a decline across all regions in total volume?

Management: No, we saw growth in the West in both segments. The North and East sustained. South is where we consciously reduced volumes due to low margins, and in the Center, we shifted toward blended cement, which improved margins despite lower volumes.

Rashi – Citi Group: What was the overall capacity utilization?

Management: Roughly 65% on a total basis.

Rashi – Citi Group: Regarding the 206 cost decline sequentially, where exactly did this saving show up?

Management: Savings came from efficient fly ash sourcing, lower power costs due to renewable energy (RE) usage, and a 3% improvement in the clinker factor. Logistics also yielded 10 per ton.

Fixed cost optimization also helped. It is worth noting this 206 reduction came after absorbing roughly 110 per ton in additional costs from the West Asia escalation.

Rashi – Citi Group: What is the current WHRS and RE capacity, and where will it go?

Management: WHRS is currently 228 megawatt and will go to 376 megawatt by adding 148 megawatt. RE capacity is 973 megawatt and will reach 1,122 megawatt.

Operator: Thank you. We take the next question from the line of Ashish Jain from Macquarie India. Please go ahead.

Ashish Jain – Macquarie India: Good evening. How do we see capacity growth for FY28 and FY29? And are we planning to permanently mothball any old ACC capacities?

Management: We are not permanently mothballing any units; those are under temporary suspension for optimization. By the end of this year, we will hit 119 million tons. For FY29, work is in progress. We generally expect to add 8-10 million tons of capacity annually through organic expansion.

Ashish Jain – Macquarie India: Regarding the incremental cost savings, is most of it coming from RE?

Management: All engines are firing—efficiency, raw materials, RE power, and fixed cost optimization. We invested in BCSC infrastructure and fly ash logistics. Efficiency factors contribute 30-50 per ton, input materials and logistics provide another 50, clinker factor yields 50, and fixed cost optimization should help by 80 per ton. This journey to 4,250 per ton is after absorbing the war-related escalation.

Operator: Thank you. We take the next question from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah – Investec: How should we read into the Inter-Corporate Deposits (ICDs) from ACC and Orient to the parent?

Management: We are in advanced stages of a merger. These ICDs are within approved shareholder limits and carry an 8% coupon. Since we are moving toward a single platform, this was part of the plan and is fully compliant.

Ritesh Shah – Investec: Any specific reason for not raising debt at the Ambuja level? There is debt maturing at the parent level in FY27.

Management: Ambuja Cements is a zero-debt operating company. We manage our requirements through operating cash flows. I am not the right person to answer regarding parent company debt.

Ritesh Shah – Investec: Can you comment on the Service Level Agreements (SLAs) for plants and logistics?

Management: We have begun this process. It is early, but things are moving positively under the vision of our Chairman and Mr. Karan Adani.

Ritesh Shah – Investec: Regarding the goal of 25% thermal substitution (TSR) by 2030, we are currently at 5.7%. How do we plan to achieve this?

Management: We target reaching 12-15% TSR in this fiscal year. Necessary investments have been made, and every passing quarter will see improvement.

Ritesh Shah – Investec: And the status of coal blocks?

Management: One of the four blocks is operational. The next one should be operational within roughly 30 months. These investments generally have a 5-6 year payback period.

Operator: Thank you. We take the next question from the line of Amit Muraka from Axis Capital. Please go ahead.

Amit Muraka – Axis Capital: Could you share the regional volume mix for the quarter?

Management: North is roughly 25%, West is 30%, East is 25%, while Center and South are roughly 10% each.

Amit Muraka – Axis Capital: So the share of South is lower in Q1?

Management: Yes, it is lower compared to last year.

Amit Muraka – Axis Capital: That contributes to better cost performance since the South is a higher clinker factor and higher service cost market. Regarding power sales of 140 crores, what is the EBITDA?

Management: The operating expense is hardy 5%, so around 95% of that revenue flows to the bottom line.

Amit Muraka – Axis Capital: You mentioned grey cement EBITDA per ton was 911. Is that correct?

Management: Yes, the EBITDA per ton for grey cement is 911.

Operator: Thank you. We take the next question from the line of Pinakin from HSBC. Please go ahead.

Pinakin – HSBC: What manufacturing operations have been shut down? Also, why are there ICDs from subsidiaries to the parent?

Management: The temporary suspension affects roughly 3.5 million tons of annual capacity. Regarding the ICDs, under our master service agreement (MSA) arrangements, Ambuja has the largest share of capacity and supplies material—this quarter, it supplied 3 million tons to ACC. The investments made by Ambuja benefit the entire cement family, and the MSAs ensure proper payouts to respective companies.

Operator: Thank you. We take the next question from the line of Prateek Kumar from Jeffries. Please go ahead.

Prateek Kumar – Jefferies: Can you share timelines for the Jodhpur clinker and Maratha clinker lines?

Management: Maratha is expected to commission in Q1 of FY28. At Jodhpur, trials have started and it will stabilize and supply grinding units in Q2.

Prateek Kumar – Jefferies: So for the full year, your cost guidance remains the same as the Q1 level?

Management: Yes, that is correct.

Operator: Thank you. We take the next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni – Goldman Sachs: How long will those plants be suspended?

Management: For a total of roughly 6 months.

Pulkit Patni – Goldman Sachs: Depreciation was much lower this quarter. What is the expected run rate?

Management: The run rate should stay at similar levels. Last quarter was higher due to true-up entries related to the Sanghi and Penna mergers.

Operator: Thank you. We take the next question from the line of Rahul Gupta from Morgan Stanley. Please go ahead.

Rahul Gupta – Morgan Stanley: Power revenues were 140 crores in Q1. What was the number for Q4?

Management: In Q4, we sold 24 crore units compared to 45 crore units in Q1.

Rahul Gupta – Morgan Stanley: Regarding the 1 million ton volume reduction in the South, was that from Penna or Orient? And how soon will it return?

Management: We curtailed low and zero-negative EBITDA volumes. Our focus is moving those volumes into the trade segment. We are investing in the channel and building the brand in the South, which should take one or two more quarters to ramp up. Other clusters are already moving well.

Operator: Thank you. We take the next question from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi – HDFC Securities: Why was the drop in our NSP sharper than peers like UltraTech, given the focus on trade?

Management: There were disruptions in the June quarter beyond our control. Also, accounting-wise, we reduce NSP by costs related to channel investment.

Rajesh Ravi – HDFC Securities: Regarding green power, you sold roughly 140 crores in Q1 and 70 crores in Q4. If you consume this captively, the benefits will be even better, correct?

Management: Absolutely. Savings on internal consumption are better than market realization. We will prioritize internal use, with no more than 10% being sold externally in the future.

Rajesh Ravi – HDFC Securities: Was the fly ash sale an opportunistic liquidation of inventory?

Management: No, it is a long-term agreement. We consume 30% and sell the surplus in the market rather than dumping it in dikes. This brings down the effective cost of fly ash.

Operator: Thank you. We take the next question from the line of Siddharth Malhotra from Kotak Securities. Please go ahead.

Siddharth Malhotra – Kotak Securities: Which facilities are temporarily suspended? Are they inherited ACC assets or acquired ones?

Management: They are very old ACC facilities and one facility from an acquired company. We have alternate plants to cater to those markets while we work to optimize their cost and efficiency.

Siddharth Malhotra – Kotak Securities: Is the 24 crore exceptional item related to impairments?

Management: No, it was a voluntary retirement scheme (VRS) in a plant in South India to improve operational efficiency. No impairments were taken.

Operator: Thank you. We take the next question from the line of Jyoti Gupta from Ashika Group. Please go ahead.

Jyoti Gupta – Ashika Group: When will we see actual cost measures leading to 1,200 or 1,500 EBITDA per ton?

Management: When we acquired the companies in September 2022, costs were near 5,000 per ton. We have brought that down to roughly 4,300 per ton and are guiding for 4,050 to 4,100 per ton in FY27. By FY28, we target being at or below 4,000 per ton. That is a 1,000 per ton reduction journey. EBITDA is a factor of both cost and price; since price is market-driven, we focus on the cost journey. In terms of growth, adding 10 million tons of capacity annually will drive our market share.

Operator: Thank you. We take the next question from the line of Bharat C. Shah from BCS Capital Ideas Private Limited. Please go ahead.

Bharat C. Shah – BCS Capital Ideas Private Limited: In retrospect, do you feel the acquisitions like Penna and Sanghi were more assets or liabilities?

Management: Bharat Bhai, we have bought assets, and these will start giving results. Rest assured, they are assets.

Bharat C. Shah – BCS Capital Ideas Private Limited: What are you doing to tone up the talent pool and people strategy? Cement is a business of detailed execution.

Management: That is a great perspective. Talent and technology are our focus. We are building a young, energetic team with substantial training and development programs. Our eyes are on every "penny" in terms of operating costs so the "pounds" take care of themselves.

Operator: Thank you. We take the next question from the line of Kunal Shah from Dam Capital Advisors. Please go ahead.

Kunal Shah – Dam Capital Advisors: Lead distance went down by 20 kilometers, but freight per ton is stable. Why?

Management: There were disruptions in diesel availability and logistics in the West and East. The tech platform on logistics is an area we are working on to improve this further.

Kunal Shah – Dam Capital Advisors: What is the desired utilization level before initiating the next leg of capex?

Management: We target 70–75% utilization focused on value. We have already proactively expanded in the North, West, East, and Central regions to sustain our volume targets.

Operator: Thank you. We take the next question from the line of Bhavin Cheda from Enam Holdings. Please go ahead.

Bhavin Cheda – Enam Holdings: Was the fly ash sale deducted from raw material costs?

Management: It was accounted for in other operating income, though fly ash consumption costs have also come down.

Operator: Thank you. We take the next question from the line of Naveen Sahadev from ICICI Securities. Please go ahead.

Naveen Sahadev – ICICI Securities: Advertising and maintenance costs have jumped recently. How should we view these in FY27?

Management: When you acquire four companies, other expenses like stores and spares increase as you invest in the acquired assets. As we stabilize into one cement platform, these costs will reflect more stability.

Naveen Sahadev – ICICI Securities: What is the delta on green power?

Management: Grid power costs are 7–8 per unit. Replacing that with green power provides a significant cost advantage. We will consume as much as possible internally.

Operator: Thank you. We take the next question from the line of Kamlesh from Lotus Asset Managers. Please go ahead.

Kamlesh – Lotus Asset Managers: You suspended roughly 6.5 million tons of capacity. What is the learning for future inorganic opportunities?

Management: ACC's old assets were a known factor when we acquired it. These are temporary suspensions while we upgrade them. We will decide on permanent closure or book treatments only after a full evaluation.

Kamlesh – Lotus Asset Managers: You mentioned earlier maintenance costs would be spread over four quarters, but this quarter is up by 50. Why?

Management: We are still engaging with our auditors on the accounting standards for equalizing those costs over the year. Until that is resolved, we are reporting on an actual basis.

Operator: Thank you. We take the next question from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah – Dolat Capital: Where will the new WHRS capacity come from?

Management: It is a combination of existing kilns and new kilns at places like Assam, Mundra, Maratha, Penna Jodhpur, and Bhatapara.

Operator: Thank you. We take the next question from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain – Ambit Capital: Why give up non-trade volumes when utilization is only 65%?

Management: Previously, we saw performance dip because non-trade volumes were happening at negative or marginal EBITDA. Sustainable performance matters more than volume for its own sake. Because our variable costs are significant, producing cement at a marginal EBITDA does not make sense. As we become more cost-competitive, those volumes may return if they become profitable.

Satyadeep Jain – Ambit Capital: Why sell RE power outside if it can be used for the plants?

Management: It is a transition phase. Some plants are not yet connected to the central grid. Once those programs are executed, we will consume nearly everything in-house.

Operator: Thank you. We take the next question from the line of Rajesh Toshniwal from Family Office. Please go ahead.

Rajesh Toshniwal – Family Office: There is a gap between the acquisition price of Orient Cement and the implied price in the merger ratio. Can you clarify?

Management: Orient assets are delivering decent margins under the master service agreement and justify the valuation. The valuation was determined by independent valuers following SEBI guidelines. Please refer to the detailed merger approval documents for those specific justifications.

Operator: Thank you. We take the last question from the line of Rahul Gupta from Morgan Stanley. Please go ahead.

Rahul Gupta – Morgan Stanley: What were the fly ash sales during the quarter?

Management: First quarter sales were 15 crores, compared to roughly 50 crores in the preceding quarter.

Operator: Thank you. Ladies and gentlemen, with that we conclude the question and answer session. I now hand the conference over to Mr. Deepak Balwani, Head of Investor Relations for closing comments.

Management: Thank you everyone for your time and engagement today. We appreciate your continued interest in Ambuja Cements. If there are any follow-up questions, please reach out to me directly. Thank you.

Operator: Thank you. On behalf of Ambuja Cements Limited and Nomura, that concludes this conference call. Thank you for joining us and you may now disconnect your line.