

Robust Volume Growth; Retain HOLD

Est. Vs. Actual for Q2FY25: Revenue – **BEAT**; EBITDA Margin – **MISS**; PAT– **BEAT**
Change in Estimates post Q2FY25 (Abs.)

FY25E/FY26E: Revenue: -1%/0%; EBITDA: -12%/-10%; PAT: -16%/-14%

Recommendation Rationale

- **Strong volume growth:** In Q2FY25, the company achieved a 15% YoY increase in volume, reaching 9.3 mtpa, bolstered by a rise in trade volumes and a 14% YoY increase in premium product volumes, reinforcing its market leadership. The company successfully maintained its dominant position across key markets. Its capacity expansion plans are on track, which is anticipated to further support volume growth in the future. Consequently, we project the company to report a volume growth of 14% CAGR over FY23-FY26E.
- **Lower realization impacts EBITDA margins:** During the quarter, the company faced significant challenges to its operational performance due to lower cement prices stemming from increased competitive intensity. Blended cement prices decreased by 9% YoY and 2% QoQ, settling at Rs 4,961, which adversely affected the EBITDA margin, resulting in declines of 370 bps YoY and 290 bps QoQ, despite a reduction in production costs. However, we anticipate that cement prices will trend slightly higher in H2FY25.
- **Robust cement demand to sustain:** Cement demand is anticipated to remain strong, with the industry projected to grow at a CAGR of 7-8% over FY23-26. This growth is expected to be driven by increased spending on infrastructure projects, affordable and rural housing initiatives, a rise in private capital expenditure, and robust demand in the real estate sector.

Sector Outlook: Positive

Company Outlook & Guidance: Overall, the industry expects an improvement in demand in H2FY25, likely driven by a post-monsoon pickup in construction and housing activity. The government's continued focus on infrastructure development — roads, highways, railways, and metros — will remain a key demand driver. The company anticipates industry growth of 4-5% in FY25.

Current Valuation: 12x FY26 EV/EBITDA (Earlier Valuation: 12x FY26 EV/EBITDA)

Current TP: Rs 2,475/ share (Earlier TP: Rs 2,750/share)

Recommendation: We maintain our **HOLD** recommendation on the stock

Alternative BUY Ideas from our Sector Coverage: Dalmia Bharat (TP-2,040/share), UltraTech Cement (TP-12,000), Birla Corporation (TP-1,390/share)

Financial Performance

ACC reported a mixed set of numbers, impacted by declining cement prices in its operating regions. The company recorded revenue growth of 2% and a de-growth in EBITDA and APAT of 21% and 49% YoY, respectively, which was above expectations. Volume growth was 15%, attributed to an increase in trade volume and higher sales of premium products. The company recorded an EBITDA margin of 9.5% compared to 12.4% YoY, which was below estimates, primarily due to lower realizations. ACC's blended EBITDA per tonne stood at Rs 469, down 31% YoY, while blended realization per tonne was Rs 4,961, down 9% YoY and 2% QoQ. Volume for the quarter reached 9.3 Mn tonnes per annum (mntpa), up 15% YoY, exceeding expectations. Cost per tonne declined by 6% YoY to Rs 4,492, benefiting from better synergies and lower fuel and freight costs. The company reported a profit of Rs 200 Cr, down 49% YoY.

Valuation & Recommendation

The stock is currently trading at 11x FY26E EV/EBITDA and EV/tonne of \$101. We maintain our **HOLD** rating on the stock with a TP of Rs 2,475/share, implying an upside potential of 9% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	4,614	-11	4	4,187	10%
EBITDA	436	-36	-21	416	5%
EBITDA Margin	9.5%	(370bps)	(290bps)	9.9%	(40bps)
Net Profit	200	-45	-49	182	10%
EPS (Rs)	11	-45	-49	11	10%

Source: Company, Axis Securities Research

(CMP as of 24th October 2024)

CMP (Rs)	2,270
Upside /Downside (%)	9%
High/Low (Rs)	2844/1803
Market cap (Cr)	42,512
Avg. daily vol. (6m)Shrs.	5,00,000
No. of shares (Cr)	18.8

Shareholding (%)

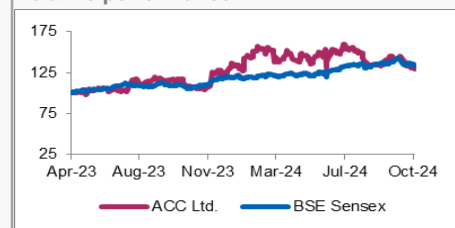
	Mar-24	June-24	Sept-24
Promoter	56.7	56.7	56.7
FIs	6.2	5.6	5.5
MFs / UTI	14.5	15.7	15.4
Banks / FIs	0.1	0.1	0.1
Others	22.6	21.9	22.4

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	19,959	20,573	22,819
EBITDA	3,062	2,497	3,325
Net Profit	1,988	1,343	1,916
EPS (Rs)	118	71	102
PER (x)	22	36	26
P/BV (x)	14	17	13
EV/EBITDA (x)	2.6	2.4	2.2
ROE (%)	15	8	10

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	1%	0%
EBITDA	-12%	-10%
PAT	-16%	-14%

Relative performance


Source: Ace Equity

Uttam K Srimal

Sr Research Analyst
 email: Uttamkumar.srimal@axissecurities.in

Shikha Doshi

Research Analyst
 email: shikha.doshi@axissecurities.in

Outlook:

The company's capacity expansion plans are progressing well which shall contribute to its volume growth moving ahead. The enhanced expenditure on infrastructure development, notably in areas such as roads, railways, affordable housing, and other initiatives will act as a catalyst for Cement demand. Furthermore, improved synergies with other group entities will contribute to the company's growth trajectory in the foreseeable future. Given these factors, our outlook on the company's prospects remains positive from a medium to long-term standpoint. However, lower Cement prices pose challenges in the short term to the operational performance of the company.

Key Result Highlights

- **Volume Growth:** The company achieved volume growth of 15% YoY, reaching 9.3 MTPA, driven by higher trade sales volume (up by 2%) and premium product as % of trade sales at 36% (up 370 bps YoY)
- **Power/Fuel:** The kiln fuel cost reduced by 15% from Rs 1.85 per Kcal to Rs 1.57 per KCal, attributed to the optimization of the fuel mix and higher consumption of alternative fuels. The Waste Heat Recovery System (WHRS) share increased by 1.2% to 10%. Overall power/fuel cost was down by 23%/14 YoY/QoQ at Rs 842/tonne.
- **Freight:** During the quarter, the freight cost on a per tonne basis decreased by 14% YoY and 6% QoQ to Rs 1,002. This reduction was attributed to better route planning and lower lead distance.
- **RMX & Construction Chemical business:** The company's RMX and Construction Chemicals businesses are showing a positive uptrend and are expected to grow faster due to improved market demand and rapid urbanization.
- **RM Cost:** RM cost was up 21% YoY to Rs 1,926/tonne owing to the re-classification of the cost of royalty on minerals to the cost of material consumed.
- **Cash & Cash Equivalent:** Cash & Cash equivalent stood at Rs 2,921 Cr. Consolidated net worth stood at Rs 16,725 Cr, up Rs 172 Cr from Q1FY25.
- **OCF/CAPEX:** The company's OCF declined in H1FY25 compared to the previous year, reporting a negative OCF of Rs 431 Cr against Rs 1,090 Cr last year, primarily due to higher working capital requirements. In H1FY25, the company incurred Rs 727 Cr on capex.

Key Risks to Our Estimates and TP

- Lower realization and demand in its key market.
- Further delay in capacity expansion to result in market share loss.

Change in Estimates

	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	20,573	22,819	20387	22711	1%	0%
EBITDA	2,497	3,325	2830	3711	-12%	-10%
PAT	1,343	1,915	1606	2214	-16%	-14%

Source: Company, Axis Securities Research

Result Review Q2FY25

(Rs Cr)	Quarterly Performance				
	Q2FY25	Q1FY25	Q2FY24	% Chg QoQ	% Chg YoY
Net sales	4614	5155	4,435	-11%	4%
Expenditure	4177	4476	3,885	-7%	8%
EBITDA	436	679	549	-36%	-21%
Other income	159	72	210	121%	-24%
Interest	33	33	29	0%	15%
Depreciation	242	232	213	4%	14%
PBT	319	485	518	-34%	-38%
Tax	84	125	132	-32%	-36%
APAT	200	361	388	-45%	-49%
EBITDA margin (%)	9.5%	13.2%	12.4%	(370bps)	(290bps)
EPS (Rs)	10.6	19.2	20.6	-45%	-49%

Source: Company, Axis Securities Research

Volume/ Realization / Cost Analyses

(Rs Cr)	Quarterly Performance				
	Q2FY25	Q1FY25	Q2FY24	% Chg QoQ	% Chg YoY
Volume/mnt	9.30	10.20	8.10	-9%	15%
Realisation/tonne (Rs)	4961	5054	5,475	-2%	-9%
Cost/tonne (Rs)	4492	4388	4,797	2%	-6%
Raw material/tonne (Rs)	1926	1717	1,598	12%	21%
Staff Cost/tonne (Rs)	195	161	240	21%	-19%
Power & Fuel/tonne (Rs)	842	981	1,095	-14%	-23%
Freight/tonne (Rs)	1002	1064	1,170	-6%	-14%
Other Expenses /tonne (Rs)	527	466	694	13%	-24%
EBITDA/tonne (Rs)	469	666	678	-30%	-31%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Net sales	22210	19959	20573	22819
Other operating income	0	0	0	0
Total income	22210	19959	20573	22819
Raw Material	5454	5811	7518	8120
Power & Fuel	5743	4003	3552	3800
Freight & Forwarding	5140	4170	4160	4493
Employee benefit expenses	1036	692	711	754
Other Expenses	2912	2220	2134	2326
EBITDA	1925	3062	2497	3325
Other income	342	493	482	456
PBIDT	2267	3555	2979	3781
Depreciation	841	883	959	1090
Interest & Fin Chg.	77	155	148	137
E/o income / (Expense)	0	0	0	0
Pre-tax profit	1348	2517	1871	2554
Tax provision	317	542	528	639
RPAT	1031	1975	1343	1916
Minority Interests	0	0	0	0
Associates	16	13	0	0
APAT after EO item	1047	1988	1343	1916

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Total assets	20544	23386	24732	26622
Net Block	9196	11011	11923	12886
CWIP	1684	986	986	986
Investments	145	33	33	33
Wkg. cap. (excl cash)	1000	771	792	880
Cash / Bank balance	415	1863	2106	2781
Misc. Assets	8104	8721	8893	9056
Capital employed	20544	23386	24732	26622
Equity capital	188	188	188	188
Reserves	13950	16142	17297	19025
Minority Interests	3	4	4	4
Borrowings	274	0	0	0
DefTax Liabilities	178	152	152	152
Other Liabilities and Provision	5950	6901	7091	7254

Source: Company, Axis Securities Research

Cash Flow
(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Profit before tax	1203	2759	1871	2554
Depreciation	841	883	959	1090
Interest Expenses	77	155	148	137
Non-operating/ EO item	-331	-741	-482	-456
Change in W/C	-2671	133	-20	-88
Income Tax	-404	-182	-528	-639
Operating Cash Flow	-1284	3007	1949	2598
Capital Expenditure	-2105	-1395	-1852	-2054
Investments	0	0	0	0
Others	215	512	482	456
Investing Cash Flow	-1890	-883	-1370	-1597
Borrowings	0	0	0	0
Interest Expenses	-60	-143	-148	-137
Dividend paid	-1089	-175	-188	-188
Others	0	0	0	0
Financing Cash Flow	-1149	-319	-336	-325
Change in Cash	-4323	1805	243	676
Opening Cash	7367	257	1604	1847
Closing Cash	3044	2062	1847	2522

Source: Company, Axis Securities Research

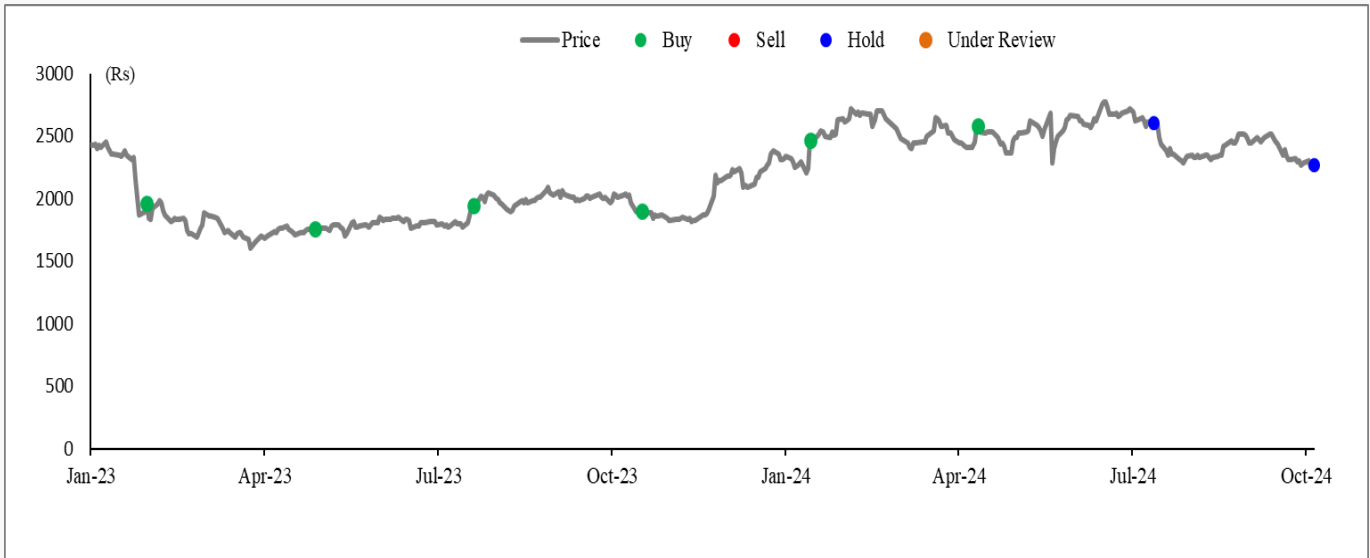
Ratio Analysis

(%)

Y/E March	FY23	FY24	FY25E	FY26E
Operational Ratios				
Sales growth	38%	-10%	3%	11%
OPM	8.7%	15.3%	12.1%	14.6%
Op. profit growth	-36%	59%	-18%	33%
COGS / Net sales	74%	70%	74%	72%
Overheads/Net sales	18%	15%	14%	13%
Depreciation / G. block	7.2%	6.2%	6.0%	6.0%
Efficiency Ratios				
Total Asset Turnover (x)	1.90	1.40	1.28	1.26
Sales/Gross block (x)	1.90	1.40	1.28	1.26
Sales/Net block(x)	2.53	2.04	1.92	1.96
Working capital/Sales (x)	0.29	0.31	0.30	0.28
Valuation Ratios				
PER (X)	51.0	22.1	36.4	25.6
P/BV (x)	2.98	2.58	2.41	2.20
EV/Ebitda (x)	21.64	14.14	17.25	12.75
EV/Sales (x)	1.88	2.17	2.09	1.86
EV/Tonne \$ (x)	141	137	128	121
Return Ratios				
ROE	6.2	14.5	7.9	10.4
ROCE	9.5	16.6	11.3	13.9
ROIC	12.4	25.6	16.9	21.1
Leverage Ratios				
Debt/equity (x)	0.00	0.00	0.00	0.00
Net debt/ Equity (x)	-0.24	-0.35	-0.34	-0.34
Interest Coverage ratio (x)	18.45	17.28	13.63	19.65
Net debt/ Ebitda (x)	-1.80	-1.84	-2.36	-1.97
Cash Flow Ratios				
OCF/Sales	-0.06	0.15	0.09	0.11
OCF/Ebitda	-0.64	0.98	0.78	0.78
OCF/Capital Employed	-0.08	0.17	0.11	0.13
FCF/Sales	-0.15	0.08	0.00	0.02
Payout ratio (Div/NP)	20	6	14	10
AEPS (Rs)	47	118	71	102
AEPS Growth	-52.5	150.4	-39.4	42.6
CEPS (Rs)	92	165	122	160
DPS (Rs)	9	8	10	10

Source: Company, Axis Securities Research

ACC Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
01-Feb-23	BUY	2,450	Result Update
03-May-23	BUY	2,380	Result Update
28-Jul-23	BUY	2,540	Result Update
27-Oct-23	BUY	2,460	Result Update
29-Jan-24	BUY	2,750	Result Update
26-Apr-24	BUY	2,900	Result Update
30-Jul-24	HOLD	2,750	Result Update
25-Oct-24	HOLD	2,475	Result Update

Source: Axis Securities Research

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Compliance Officer Details: Name – Mr. Maneesh Mathew, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

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