

Volume growth better but margins still below par

ACC reported results largely in line with our estimates as EBITDA was in line but volumes were higher and EBITDA/mt marginally lower owing to weak realization and higher costs. Reported EBITDA at Rs4.3bn is 2% ahead of our estimate and down 22% on YoY basis. Despite weak offtake in cement demand, ACC reported strong volume growth of 15.5% which was 10% above our estimate (partly due to MSA volumes). EBITDA/mt at Rs462 is lower compared to our estimate of Rs498 as realization was marginally lower and costs higher than our estimate. The capex plan of the group is more skewed towards Ambuja and hence we believe that volume growth will be restricted in near term. We are building in modest 5% revenue and 11% EBITDA CAGR for ACC over FY24-27E. The stock is currently trading at undemanding valuations of 9x FY27 EV/EBITDA. We have rolled our valuation forward to Sep26 and continue to value ACC based on 12x EV/EBITDA multiple to arrive at our revised TP of Rs2,750. Given the 9% fall in stock over the past one month, we upgrade our rating to Buy from Reduce.

2QFY25 result highlights

ACC reported 9.3mn mt volumes which are 10% ahead of our estimates. Realizations at Rs4,680/mt is down 1.6% QoQ and 9.2% YoY. Weak pricing in the industry has reflected in the realizations drop so far in all the companies. Revenue at Rs46bn, up 4% YoY and 8% above our expectations. RMC revenues declined by 6% YoY against our expectation of increase. Operating costs were down 7% YoY and marginally below our estimates. Kiln fuel cost improved from Rs. 1.85/kCal to Rs. 1.57/kCal. EBITDA/mt came in at Rs462 against our expectation of Rs498.

Visibility on future volume growth low

Adani group is planning large capex to increase its capacity from current 89mn mt to 140mn mt. Out of the 51mn mt planned capex, 23mn mt is under construction and 28mn mt is under planning stage. Most of the upcoming clinker capacities and associated grinding capacities are currently planned in Ambuja and only 4mn mt grinding capacity is coming up in ACC. As a result, we expect ACC's volume growth to lag industry as well as Ambuja' growth. Additionally, all the acquisitions from Adani group have naturally come through Ambuja and hence ACC's volume growth will be limited in future. However, given the weak operating cost structure of the company, we expect the improvement in costs to be much superior compared to Ambuja.

Valuation and Outlook

We are building in 5%/11% revenue/EBITDA CAGR for the company over FY24-27E. Given the weak 1HFY25, we have cut our revenue/EBITDA estimates for FY25/FY26 by 6%/20% and 4%/5% respectively. We continue to value the stock based on 12x Sep26 EV/EBITDA to arrive at our revised TP of Rs2,750. Given the 9% fall in stock price over the past one month and expected improvement in efficiency for ACC, we upgrade our rating from Reduce to Buy. Downside risk to our call continues to be higher growth in Ambuja over ACC and sustained pressure on realizations.

Financial and valuation summary

YE Mar (Rs mn)	2QFY25A	2QFY24A	YoY (%)	1QFY25A	QoQ (%)	FY25E	FY26E	FY27E
Revenues	46,080	44,347	3.9	51,556	(10.6)	2,03,781	2,18,383	2,30,803
EBITDA	4,292	5,484	(21.7)	6,772	(36.6)	27,463	33,962	42,293
EBITDA margin (%)	9.3	12.4	(24.7)	13.1	(29.1)	13.5	15.6	18.3
Adj. Net profit	2,339	3,843	(39.1)	3,662	(36.1)	14,817	18,403	23,104
Adj. EPS (Rs)	12.4	20.4	(39.1)	19.4	(36.1)	78.9	98.0	123.0
EPS growth (%)						(30.3)	24.2	25.5
PE (x)						29.0	23.4	18.6
EV/EBITDA (x)						14.0	11.3	8.9
PBV (x)						2.5	2.3	2.1
RoE (%)						8.9	10.3	11.9
RoCE (%)						9.7	11.0	12.6

Source: Company, Centrum Broking;

Please see Disclaimer for analyst certifications and all other important disclosures.

Result Update

India I Cement

28 October, 2024

BUY

Price: Rs2,289

Target Price: Rs2,750

Forecast return: 20%

Institutional Research

Market Data

Bloomberg:	ACC IN
52 week H/L:	2,844/1,803
Market cap:	Rs429.8bn
Shares Outstanding:	187.8mn
Free float:	41.4%
Avg. daily vol. 3mth:	4,07,078

Source: Bloomberg

Changes in the report

Rating:	Buy; upgrade from Reduce
Target price:	+2%; Rs2,750 from Rs2,700
EBITDA:	FY25: -20%; FY26: -5%

Source: Centrum Broking

Shareholding pattern

	Sep-24	Jun-24	Mar-24	Dec-23
Promoter	56.7	56.7	56.7	56.7
FIs	5.5	5.6	6.2	6.2
DIs	24.6	25.0	24.8	24.3
Public/other	13.2	12.7	12.4	12.8

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q2FY25	Actual Q2FY25	Variance (%)
Revenue	42,671	46,080	8.0
EBITDA	4,208	4,292	2.0
EBITDA margin	9.9	9.3	(55) bps
Adj. PAT	1,663	2,339	40.6
EPS (Rs)	8.9	12.5	40.6

Source: Bloomberg, Centrum Broking



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Cement

Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY25E New	FY25E Old	% chg	FY26E New	FY26E Old	% chg
Revenue	2,03,781	2,16,795	-6.0	2,18,383	2,27,981	-4.2
EBITDA	27,463	34,174	-19.6	33,962	35,855	-5.3
EBITDA margin	13.5	15.8	(229) bps	15.6	15.7	(18) bps
Adj. PAT	14,817	21,425	-30.8	18,403	21,730	-15.3
Diluted EPS (Rs)	78.9	114.1	-30.8	98.0	115.7	-15.3

Source: Centrum Broking

ACC versus NIFTY Midcap 100

	1m	6m	1 year
ACC IN	(7.8)	(9.6)	21.9
NIFTY Midcap 100	(7.7)	9.6	44.0

Source: Bloomberg, NSE

Key assumptions

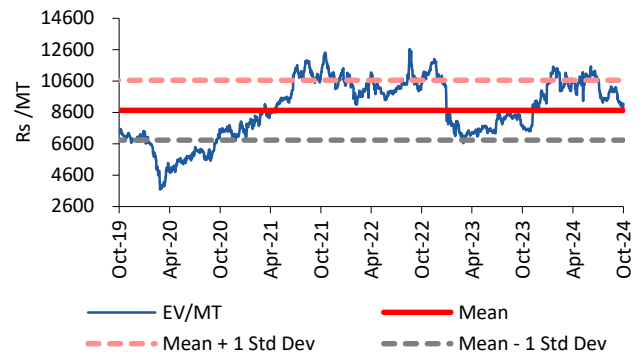
Y/E Mar	FY25E	FY26E
Capacity (mn mt)	40.5	42.9
Volumes (mn mt)	39.7	41.3
Realizations	4,737	4,879
Operating expense	4,445	4,470
EBITDA/mt	692	823
Capex	-24,539	-24,953
Net Debt	-46,916	-47,107

Source: Centrum Broking

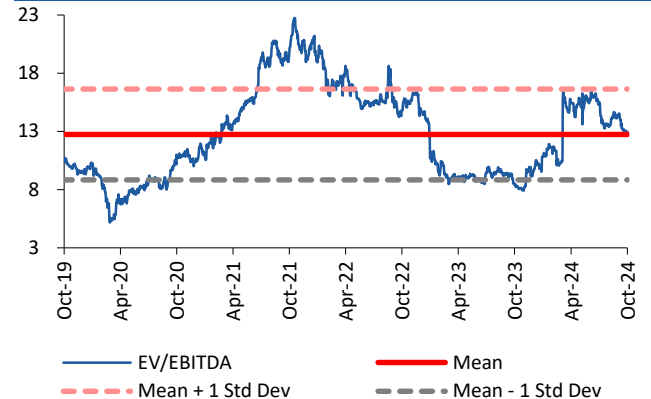
Valuations

We are building in 5%/11% revenue/EBITDA CAGR for the company over FY24-28. We value the stock based on 12x Sep26 EV/EBITDA to arrive at our revised TP of Rs2,750. Given the 9% fall in stock price over the past one month and expected improvement in efficiency for ACC, we upgrade our rating from Reduce to Buy.

Valuations	Rs/share
Sep26 EBITDA	38,128
Target multiple (x)	12.0
Enterprise value	4,57,530
Less: Net debt	(58,958)
Equity value	5,16,488
No of shares (mn)	187.8
Target price (Rs)	2,750
1-year forward EV/MT	



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap	CAGR (FY23-25E)			EV/EBITDA (x)			EV/mt (US\$)			FY25E	
	(Rs bn)	Sales	EBITDA	EPS	FY24	FY25E	FY26E	FY24	FY25E	FY26E	RoE (%)	ROCE (%)
ACC	430	4.6%	5.4%	-6.9%	12.6	13.9	11.3	119.3	114.0	107.6	10%	14%
Ambuja Cement	1,402	12.1%	22.8%	14.7%	24.6	23.0	15.4	242.5	169.4	148.2	8%	10%
Birla Corporation	88	1.3%	15.1%	4.0%	8.2	6.5	5.7	73.9	71.6	60.5	6%	8%
Heidelberg Cement	48	7.0%	22.1%	34.0%	13.8	9.7	8.8	83.9	82.6	80.5	18%	20%
Jk Cement	329	12.1%	18.9%	31.6%	18.8	16.2	13.3	204.0	187.8	150.8	21%	13%
Jk Lakshmi Cement	92	8.7%	15.1%	9.3%	10.0	8.9	8.1	76.5	73.9	67.2	14%	12%
Nuvoco Vistas	121	3.8%	5.0%	67.2%	10.0	11.0	8.2	78.0	75.6	70.8	5%	8%
Sagar Cements	28	11.1%	49.9%	NA	16.3	10.4	7.7	48.0	45.7	45.4	3%	7%
Shree Cements	904	10.0%	16.9%	9.9%	20.3	16.8	14.6	199.4	162.2	146.2	11%	18%
Star Cements	83	18.5%	27.0%	26.6%	14.9	11.1	9.0	130.0	119.6	117.4	14%	19%
The Ramco Cements	202	9.8%	12.5%	31.3%	16.1	14.5	12.6	141.3	143.0	128.4	9%	10%
Ultratech Cements	3,269	9.3%	16.7%	20.8%	25.5	25.5	18.8	284.4	242.8	226.7	15%	16%

Source: Company, Centrum Broking

Exhibit 1: ACC - 2QFY25 result summary

Y/E Mar (Rsmm)	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	YoY (%)
Net Sales	44,347	51,556	46,080	3.9	(10.6)	96,358	97,635	1.3
Expenditure								
Chg. in stock	643	(386)	918	NA	NA	135	532	NA
RM consumption	7,783	10,043	9,124	17.2	(9.2)	16,007	19,168	19.7
Purchase of traded goods	5,110	7,993	8,021	57.0	0.3	11,683	16,014	37.1
Employee cost	1,948	1,601	1,790	(8.1)	11.8	3,467	3,391	(2.2)
Freight, packing etc	9,533	10,969	9,490	(0.5)	(13.5)	21,239	20,458	(3.7)
Power and fuel	8,857	9,890	7,721	(12.8)	(21.9)	20,095	17,611	(12.4)
Other exp	4,990	4,673	4,725	(5.3)	1.1	10,558	9,398	(11.0)
Operating Expenses	38,863	44,784	41,788	7.5	(6.7)	83,184	86,572	4.1
EBITDA	5,484	6,772	4,292	(21.7)	(36.6)	13,174	11,064	(16.0)
EBITDA Margin (%)	12.4%	13.1%	9.3%	(305)bps	(382)bps	13.7%	11.3%	(234)bps
Other Income	2,079	699	1,540	(25.9)	120.4	2,861	2,238	(21.8)
Finance Costs	288	331	333	15.5	0.5	539	664	23.2
Depreciation	2,118	2,214	2,317	9.4	4.6	4,109	4,531	10.3
PBT	5,156	4,925	3,182	(38.3)	(35.4)	11,387	8,107	(28.8)
Tax	1,313	1,263	843	NA	(33.2)	2,905	2,106	(27.5)
Reported PAT	3,843	3,662	2,339	(39.1)	(36.1)	8,482	6,001	(29.3)
Exceptional Items	-	-	-	NA	NA	-	-	NA
Adjusted PAT	3,843	3,662	2,339	(39.1)	(36.1)	8,482	6,001	(29.3)
NPM(%)	8.7%	7.1%	5.1%	(359)bps	(203)bps	8.8%	6.1%	(266)bps
EPS (Rs.)	20.4	19.4	12.4	(39.5)	(36.1)	45.2	32.0	(29.3)

Source: Centrum Broking, Company Data

Exhibit 2: ACC - Operational data

Operational Data	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	YoY (%)
Volume (mn mt)	8.1	10.2	9.3	15.5	(8.8)	17.5	19.5	11.7
Blended Realisation (Rs/mt)	5,509	5,054	4,955	(10.1)	(2.0)	5,522	5,007	(9.3)
Cement Realisation (Rs/mt)	5,157	4,757	4,680	(9.2)	(1.6)	5,174	4,720	(8.8)
Operating Costs (Rs/mt)	4,828	4,391	4,493	(6.9)	2.3	4,767	4,440	(6.9)
EBITDA (Rs/mt)	681	664	462	(32.3)	(30.5)	755	567	(24.8)

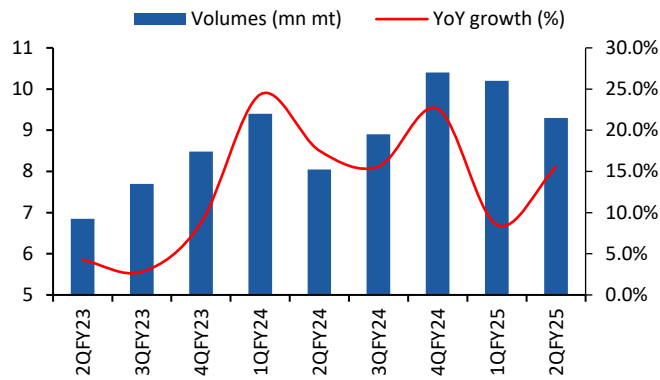
Source: Centrum Broking, Company Data

Exhibit 3: Trend in operating costs (Rs/mt)

Costs/mt (Rs)	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	YoY (%)	QoQ (%)
(inc)/dec in stock	-325	154	185	-54	80	-86	93	-38	99	NA	NA
RM consumption	1,565	1,519	1,675	1,574	1,602	1,595	1,596	1,768	1,844	12.3	10.8
Employee cost	308	266	250	162	242	200	157	157	192	(2.9)	(0.2)
Freight cost	1,442	1,308	1,222	1,245	1,184	1,082	1,062	1,075	1,020	(13.6)	1.3
Power and fuel	1,922	1,466	1,111	1,196	1,100	1,139	935	970	830	(18.9)	3.7
Other expenses	887	687	656	592	620	582	543	458	508	(22.7)	(15.6)
Operating costs/mt	5,798	5,401	5,098	4,715	4,828	4,511	4,386	4,391	4,493	(6.9)	0.1
EBITDA/mt	23	491	550	818	681	1,015	805	664	462	(18.8)	(17.5)

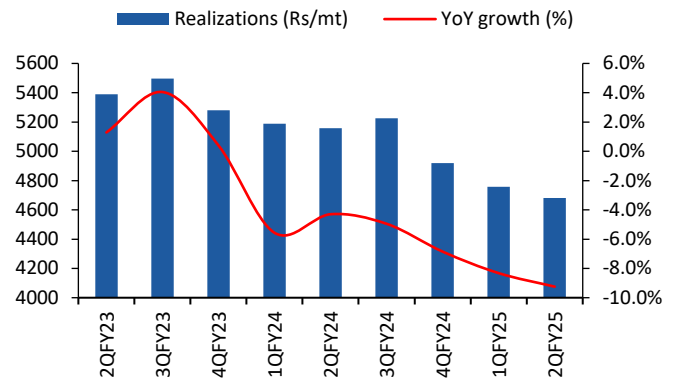
Source: Centrum Broking, Company Data

Exhibit 4: volume growth of 16% YoY



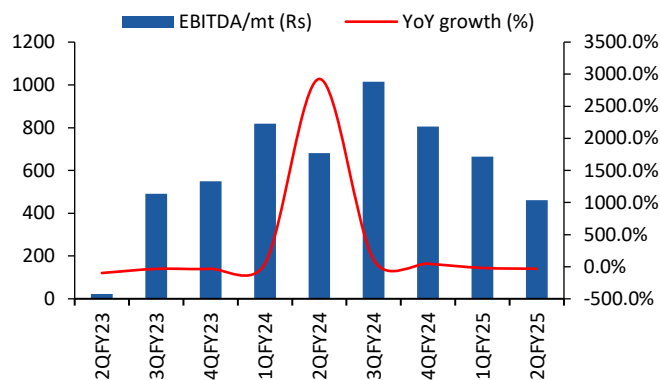
Source: Centrum Broking, Company Data

Exhibit 5: Cement Realizations down 1.6% on QoQ basis



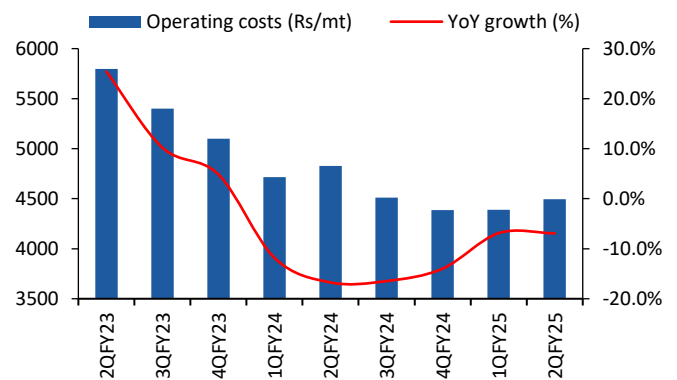
Source: Centrum Broking, Company Data

Exhibit 6: EBITDA/mt at Rs462



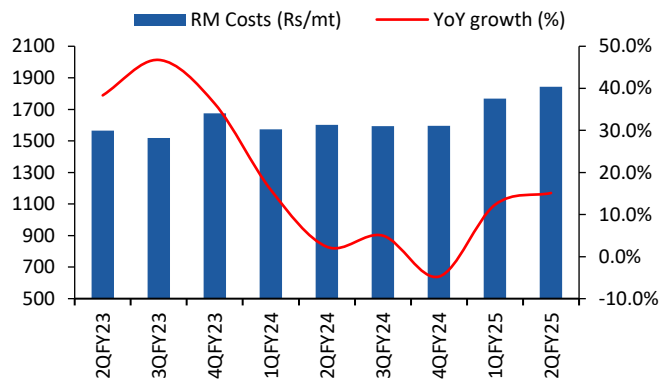
Source: Centrum Broking, Company Data

Exhibit 7: Operating costs down 7% YoY



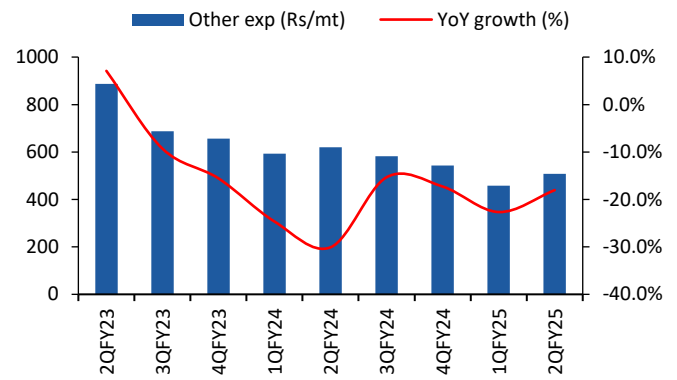
Source: Centrum Broking, Company Data

Exhibit 8: RM costs up 15% YoY



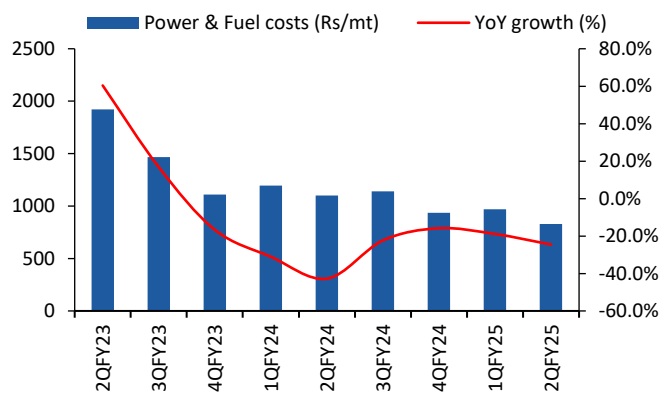
Source: Centrum Broking, Company Data

Exhibit 9: Other expenses declined by 18% YoY



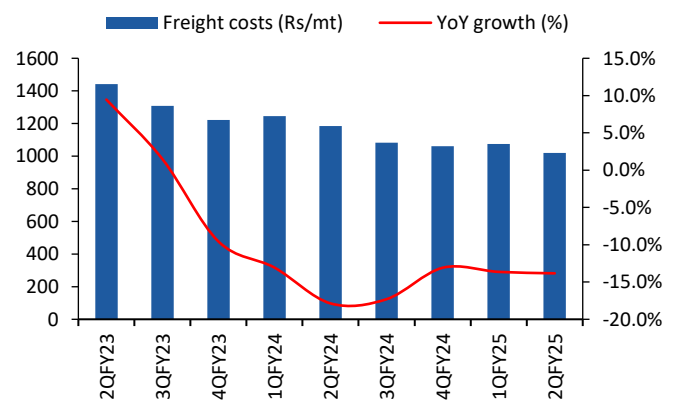
Source: Centrum Broking, Company Data

Exhibit 10: Power & fuel costs down 24.5% YoY



Source: Centrum Broking, Company Data

Exhibit 11: Freight costs down 13.6% YoY



Source: Centrum Broking, Company Data

Exhibit 12: Key changes to our assumptions and estimates

YE Mar (Rs mn)	FY25E	FY25E	% chg	FY26E	FY26E	% chg
	New	Old		New	Old	
Revenue	2,03,781	2,16,795	-6.0	2,18,383	2,27,981	-4.2
EBITDA	27,463	34,174	-19.6	33,962	35,855	-5.3
EBITDA margin	13.5	15.8	(229) bps	15.6	15.7	(18) bps
Adj. PAT	14,817	21,425	-30.8	18,403	21,730	-15.3
Diluted EPS (Rs)	78.9	114.1	-30.8	98.0	115.7	-15.3

YE Mar	FY25E	FY25E	% chg	FY26E	FY26E	% chg
	New	Old		New	Old	
Volumes (mn mt)	39.7	38.8	2.3	41.3	40.7	1.3
Realization (Rs/mt)	4,737	5,128	-7.6	4,879	5,128	-4.9
Operating exp/mt	4,445	4,708.4	-5.6	4,470	4,717.6	-5.2
EBITDA/mt	692	881	-21.4	823	880	-6.5

Source: Centrum Broking, Company Data

Exhibit 13: Valuation Summary

Particulars	Rs mn
Sep26 EBITDA	38,128
Target multiple (x)	12.0
Enterprise value	4,57,530
Less: Net debt	(58,958)
Equity value	5,16,488
No of shares (mn)	187.8
Target price (Rs)	2,750

Source: Centrum Broking

P&L					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenues	2,22,100	1,99,522	2,03,781	2,18,383	2,30,803
Operating Expense	1,63,426	1,40,021	1,47,942	1,55,056	1,62,523
Employee cost	10,362	7,336	6,856	7,199	7,559
Others	29,122	21,589	21,521	22,167	18,429
EBITDA	19,190	30,576	27,463	33,962	42,293
Depreciation & Amortisation	8,351	8,763	9,512	11,128	13,078
EBIT	10,839	21,814	17,951	22,834	29,216
Interest expenses	772	1,538	1,614	1,693	1,776
Other income	3,372	4,915	3,539	3,547	3,555
PBT	13,439	25,191	19,876	24,687	30,994
Taxes	3,122	3,948	5,060	6,284	7,890
Effective tax rate (%)	23.2	15.7	25.5	25.5	25.5
PAT	10,317	21,242	14,817	18,403	23,104
Minority/Associates	0	0	0	0	0
Recurring PAT	10,317	21,242	14,817	18,403	23,104
Extraordinary items	(1,618)	0	0	0	0
Reported PAT	8,699	21,242	14,817	18,403	23,104

Ratios					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
Growth (%)					
Revenue	37.5	(10.2)	2.1	7.2	5.7
EBITDA	(36.0)	59.3	(10.2)	23.7	24.5
Adj. EPS	(46.1)	105.9	(30.3)	24.2	25.5
Margins (%)					
Gross	75.5	70.9	65.9	66.9	67.5
EBITDA	8.6	15.3	13.5	15.6	18.3
EBIT	4.9	10.9	8.8	10.5	12.7
Adjusted PAT	3.9	10.6	7.3	8.4	10.0
Returns (%)					
ROE	7.3	14.1	8.9	10.3	11.9
ROCE	7.7	15.0	9.7	11.0	12.6
ROIC	7.1	14.9	10.1	11.6	14.0
Turnover (days)					
Gross block turnover ratio (x)	1.9	1.4	1.3	1.2	1.1
Debtors	11	16	14	13	13
Inventory	32	45	46	46	47
Creditors	38	44	47	44	45
Net working capital	(8)	(20)	(29)	(28)	(31)
Solvency (x)					
Net debt-equity	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)
Interest coverage ratio	24.9	19.9	17.0	20.1	23.8
Net debt/EBITDA	(1.6)	(1.5)	(1.7)	(1.4)	(1.3)
Per share (Rs)					
Adjusted EPS	54.9	113.1	78.9	98.0	123.0
BVPS	747.8	853.2	912.1	985.1	1,078.1
CEPS	99.4	159.8	129.6	157.3	192.7
DPS	58.0	9.3	20.0	25.0	30.0
Dividend payout (%)	125.2	8.3	25.3	25.5	24.4
Valuation (x)					
P/E	41.7	20.3	29.0	23.4	18.6
P/BV	3.1	2.7	2.5	2.3	2.1
EV/EBITDA	20.9	12.6	14.0	11.3	8.9
Dividend yield (%)	2.5	0.4	0.9	1.1	1.3

Source: Company, Centrum Broking; Note: FY23 numbers for ACC pertain to 15 months period

Balance sheet					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Equity share capital	1,880	1,880	1,880	1,880	1,880
Reserves & surplus	1,38,550	1,58,340	1,69,400	1,83,109	2,00,579
Shareholders fund	1,40,430	1,60,220	1,71,280	1,84,988	2,02,459
Minority Interest	0	0	0	0	0
Total debt	0	0	0	0	0
Non Current Liabilities	3,019	3,729	4,210	4,361	4,610
Def tax liab. (net)	4,331	4,543	4,543	4,543	4,543
Total liabilities	1,47,781	1,68,492	1,80,033	1,93,892	2,11,611
Gross block	1,16,788	1,38,712	1,57,943	1,87,956	2,17,969
Less: acc. Depreciation	(44,541)	(50,890)	(60,373)	(71,561)	(84,707)
Net block	72,247	87,822	97,570	1,16,395	1,33,262
Capital WIP	16,831	9,720	15,000	10,000	5,000
Net fixed assets	89,077	97,543	1,12,570	1,26,395	1,38,262
Non Current Assets	21,796	20,705	20,921	21,145	21,380
Investments	1,927	6,154	6,154	6,154	6,154
Inventories	16,235	18,429	18,822	20,171	21,318
Sundry debtors	8,747	8,412	7,258	7,778	8,220
Cash & Cash Equivalents	30,060	45,123	46,916	47,107	55,809
Loans & advances	1,209	539	566	594	623
Other current assets	24,994	22,367	18,562	17,761	16,964
Trade payables	14,922	19,142	19,068	18,686	21,163
Other current liab.	41,282	41,244	42,273	44,132	45,563
Provisions	101	120	120	120	120
Net current assets	24,941	34,364	30,663	30,472	36,090
Total assets	1,47,781	1,68,492	1,80,033	1,93,892	2,11,611

Cashflow					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Profit Before Tax	11,821	25,191	19,876	24,687	30,994
Depreciation & Amortisation	8,351	8,763	9,512	11,128	13,078
Net Interest	772	1,538	1,614	1,693	1,776
Net Change – WC	(26,403)	5,639	5,494	382	3,085
Direct taxes	(3,122)	(3,948)	(5,060)	(6,284)	(7,890)
Net cash from operations	(8,581)	37,182	31,436	31,605	41,043
Capital expenditure	(19,625)	(17,228)	(24,539)	(24,953)	(24,944)
Acquisitions, net	0	0	0	0	0
Investments	(27,193)	(5,446)	0	0	0
Others	(4,804)	1,404	(215)	(225)	(235)
Net cash from investing	(51,622)	(21,270)	(24,755)	(25,178)	(25,179)
FCF	(60,203)	15,913	6,681	6,428	15,864
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	0	0	0	0	0
Dividend paid	(10,892)	(1,753)	(3,756)	(4,695)	(5,634)
Interest paid	(772)	(1,538)	(1,614)	(1,693)	(1,776)
Others	705	1,222	481	151	249
Net cash from financing	(10,959)	(2,070)	(4,888)	(6,237)	(7,162)
Net change in Cash	(71,161)	13,843	1,793	191	8,703

Source: Company, Centrum Broking; Note: FY23 numbers for ACC pertain to 15 months period

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ACC



Source: Bloomberg

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