

ACC Ltd.

BUY

Choice

Premiumization of product to improve the Realization

ACC Ltd. Q2FY25 volumes came at INR9.3mnt, up 14.8% YoY but down 8.8% QoQ, supported by higher trade sales of 73% vs 65% for the Industry and premium cement sales of 26%. However, cement demand is impacted due to extended monsoons. Revenue for quarter came at INR46,080mn, up 3.9% YoY but down 10.6% QoQ. EBITDA/t for the quarter came at INR462/t, down 31.8% YoY and 30.5% QoQ. The decline in EBITDA/t was mainly led by higher Raw Material expenses. PAT for quarter stood at INR2,339mn, down 39.1% YoY and 36.1% QoQ. EPS for Q2FY25 was INR12.4.

- **Expansion plan remains strong:** The company has outlined a capex of INR10,000mn for FY25E. As part of its expansion strategy, ACC Ltd is working on increasing capacity at several grinding units. The Sindrai grinding unit is expected to expand its cement capacity by 1.6 MTPA by Q4FY25E. Civil work for this project is 86% complete, with the overall progress at 53%. Another key project is the expansion of the Salai Banwa grinding unit, targeting a capacity increase of 2.4 MTPA by Q1FY26E. So far, civil work for this unit is 26% complete, and the overall project stands at 34% completion. In addition to these, ACC Ltd is pursuing brownfield expansions at the Bhatinda grinding unit in Punjab and the Marwar grinding unit in Rajasthan. Both projects are expected to be commissioned in the coming quarters will boost the company's production capacity as Projected. These developments align with ACC's focus on strengthening its market presence.
- **Premium products help to improve realization:** During the quarter, cement prices declined, but ACC was among the least impacted as premium cement sales was 2% higher than 1QFY24 to 26%. The 2QFY24 realization stands at INR4,955/t, reflecting a 9.5% drop YoY and a 2.0% decline QoQ. ACC leverages its premium brands, Adani, to strengthen its market position and secure higher prices. Additionally, the company has shifted a portion of Ordinary Portland Cement (OPC) sales to bulk channels, allowing it to achieve better pricing. These strategies reflect ACC's focus on maintaining resilience in a volatile pricing environment by emphasizing premium products and exploring bulk sales opportunities, ultimately helping mitigate the impact of price fluctuations.
- **Total cost came at INR4,493/t:** In Q2FY25, raw material costs stood at INR981/t, reflecting a 10.5% increase YoY and remaining flat sequentially. The higher costs are primarily due to the use of purchased clinker, which offers benefits from a total cost of ownership perspective. The company continues efforts to reduce costs through: a) Optimizing the raw mix by minimizing the use of expensive imported materials. b) Securing long-term supply agreements at optimized rates. c) Maximizing the use of alternative raw materials. These initiatives are expected to lower raw material costs in the coming quarters. Power and fuel costs for the quarter amounted to INR830/t, down 24.1% YoY and 14.4% QoQ. This decline was driven by improvements in kiln fuel costs, which dropped 15% on YoY basis from INR 1.85 per kCal to INR 1.57 per kCal. Additionally, the thermal value improved from 768 kCal to 735 kCal, with further enhancements anticipated. Freight expenses stood at INR1,020/t, down 13.3% YoY and 5.1% QoQ. The company expects additional savings through various logistics initiatives, including a shift to more cost-efficient transportation modes.

Valuation and Outlook: The industry anticipates a demand recovery in H2FY25E, driven by a post-monsoon surge in construction and housing activities. The government's sustained emphasis on infrastructure development—such as roads, highways, railways, and metro projects—will remain a key growth driver. Additionally, the approval of more housing units under the Pradhan Mantri Awas Yojana (Rural & Urban), along with rising industrial and commercial capital expenditures, is expected to significantly boost future cement demand. Management project cement Industry to grow by 4-5% during FY25E. As per our FY27E estimates we expect Volume/Revenue/EBITDA to grow at a CAGR of 8.5%/4.2%/10.6% respectively over FY24-FY27E. We maintain our rating to **BUY** and arrive at a target price of INR2,646 implying a EV/EBITDA multiple of 12.0x on Sep-26E EBITDA.

Financial Snapshot

Quarter end: March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR Mn.)	2,22,100	1,99,522	1,99,000	2,10,870	2,25,461
EBITDA (INR Mn.)	19,190	30,576	24,477	33,126	41,414
EBITDA Margins (%)	8.6	15.3	12.3	15.7	18.4
PAT	8,699	21,237	15,200	22,560	27,974
PAT Margins (%)	3.9	10.6	7.6	10.7	12.4
EPS	46.3	113.0	80.9	120.0	148.8

Source: Company, CEBPL

	Oct 29, 2024
CMP (Rs.)	2,286
Target Price (Rs.)	2,646
Potential Upside (%)	15.8

*CMP as on 28th Oct 2024

Company Info

BB Code	ACC IN EQUITY
ISIN	INE012A01025
Face Value (Rs.)	10.0
52 Week High (Rs.)	2,843.0
52 Week Low (Rs.)	1,803.8
Mkt Cap (Rs. bn.)	429.3
Mkt Cap (\$ bn.)	5.1
Shares o/s (Mn.)/F.Float	187.7/36
FY24 EPS (Rs.)	113.1
FY27E EPS(Rs.)	148.8

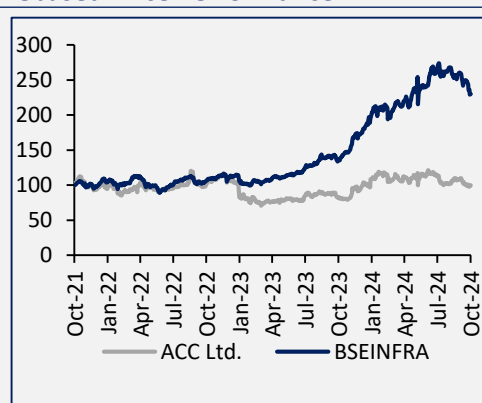
Shareholding Pattern (%)

	Sep-24	Jun-24	Mar-24
Promoters	56.69	56.69	56.69
FII's	5.50	5.64	6.17
DII's	24.42	24.82	24.65
Public	13.39	12.85	12.49

Relative Performance (%)

YTD	3Y	2Y	1Y
BSEINFRA	130.1	115.8	68.7
ACC Ltd.	0.1	(1.6)	21.8

Rebased Price Performance



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Sequential Operating Performance

Operating Metrics INR/t	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Blended Realisation	5,533	5,475	5,539	5,171	5,054	4,955
Raw Material Cost	875	888	861	830	985	981
Employee Cost	162	240	201	157	157	192
Power & Fuel Cost	1,196	1,093	1,141	931	970	830
Freight & Handling Expense	1,245	1,177	1,084	1,058	1,075	1,020
Other Expenses	592	689	583	541	458	508
Total Costs	4,715	4,798	4,522	4,369	4,391	4,493
EBITDA	818	677	1,017	802	664	462

Source: Company, CEBPL

CEBPL Estimates vs Actual for Q2FY25

ACC Ltd.(INR Mn.)	Q2FY25	Q2FY24	YoY(%)	Q1FY25	QoQ (%)	CEBPL Est.	Dev. (%)
Volumes	9.3	8.1	14.8	10.2	(8.8)	9.1	2.4
Revenues	46,080	44,347	3.9	51,556	(10.6)	44,416	3.7
COGS	18,063	12,945	39.5	17,652	2.3		
Power and Fuel Cost	7,721	8,857	(12.8)	9,890	(21.9)		
Freight Exp	9,490	9,533	(0.5)	10,969	(13.5)		
Employee Cost	1,790	1,948	(8.1)	1,601	11.8		
Other Expenses	4,725	5,581	(15.3)	4,673	1.1		
EBITDA (INR Mn.)	4,292	5,484	(21.7)	6,771	(36.6)	4,660	(7.9)
EBITDA Margin (%)	9.3	12.4	(305)bps	13.1	(382)bps	10.5	(118)bps
Depreciation	2,317	2,118	9.4	2,214	4.6		
EBIT (INR Mn.)	1,975	3,366	(41.3)	4,557	(56.7)	2,092	(5.6)
EBIT Margin (%)	4.3	7.6	(330)bps	8.8	(455)bps	4.7	(42)bps
Other Income	1540	2079	(25.9)	699	120.4		
Interest	333	288	15.5	331	0.5		
PBT	3182	5,156	-38.3	4,924	(35.4)		
Tax	843	1313	(35.8)	1263	(33.2)		
PAT (INR Mn.)	2,339	3,843	(39.1)	3,661	(36.1)	2,380	(1.8)
Basic EPS (INR)	12.4	20.4	(39.1)	19.5	(36.1)	12.7	(1.8)

	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
NSR /t	4,955	5,475	(9.5)	5,054	(2.0)
Cement Cost /t	4,493	4,798	(6.3)	4,391	2.3
EBITDA/t	462	677	(31.8)	664	(30.5)

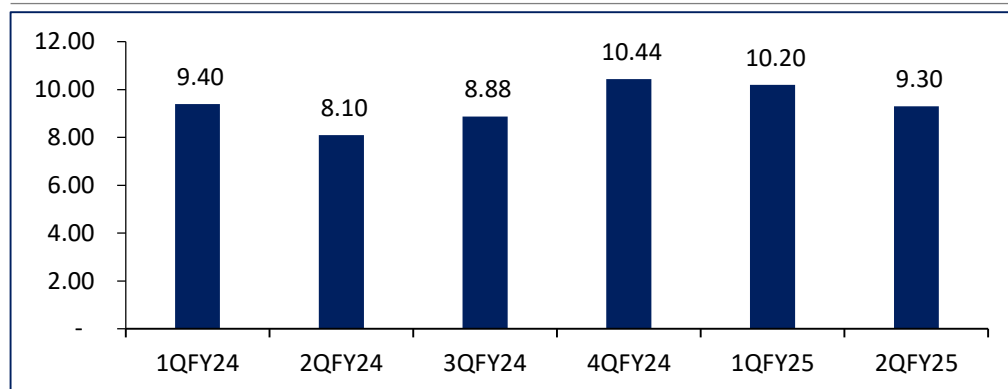
Source: Company, CEBPL

Change in estimates

Income Statement (INR Mn.)	FY25E			FY26E			FY27E
	Old	New	Dev. (%)	Old	New	Dev. (%)	New
Revenues	2,24,068	1,99,000	(11.2)	2,35,000	2,10,870	(10.3)	2,25,461
Gross Profit Margin (%)	64.1	62.8	(132)bps	60.3	62.9	263 bps	62.9
EBIT	26,806	24,477	(8.7)	28,257	33,126	17.2	41,414
EBIT Margin (%)	12.0	12.3	34 bps	12.0	15.7	370 bps	18.4
EPS	71.8	80.9	12.6	105.2	120.0	14.1	148.8

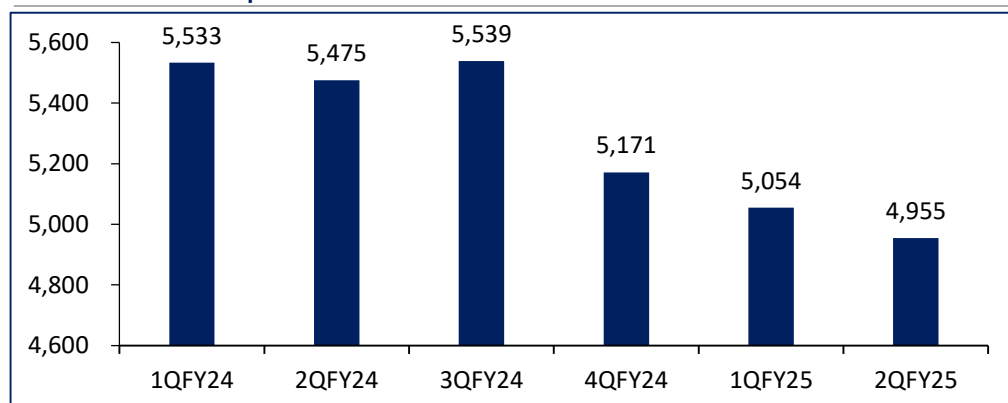
Source: Company, CEBPL

Sales Volume (MT)



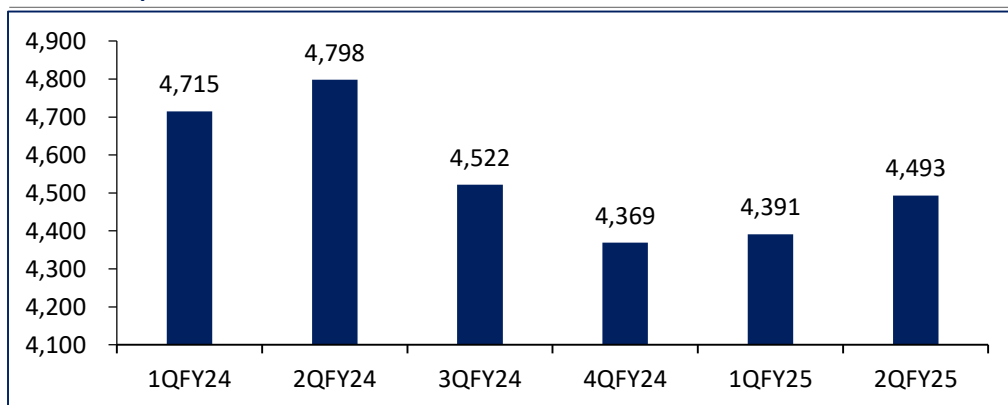
Source: Company, CEBPL

Sales Realisation INR per Tonne



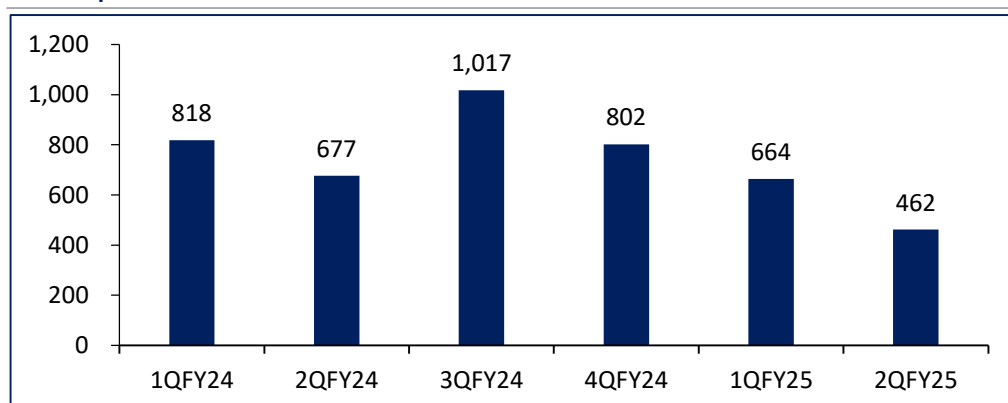
Source: Company, CEBPL

Total Costs per Tonne



Source: Company, CEBPL

EBITDA per Tonne



Source: Company, CEBPL

Management Call - Highlights

- Other expenses have decreased mainly due to the revamp of the business model with a leaner structure, strict cost control measures permitting only business-critical spending, and synergies with group companies that facilitated better-negotiated rates.
- The company recorded a 15% YoY volume growth, reaching 9.3 MTPA, driven by a 2% increase in trade sales and a rise in premium products, which accounted for 26% of trade sales, up 370 basis points YoY.
- Kiln fuel costs decreased by 15%, from Rs 1.85 per Kcal to Rs 1.57 per Kcal, driven by fuel mix optimization and increased use of alternative fuels. Additionally, the share of the WHRS rose by 1.2% to 10%.
- The company's RMX and Construction Chemicals businesses are experiencing positive growth momentum, driven by improved market demand and accelerated urbanization, positioning them for faster expansion.
- The company is maintaining 65 to 70 days of coal inventory, which is expected to yield benefits in the future.
- ACC achieved a TSR of 10.2% and green energy usage of 14.1% in Q2FY25, both significantly higher than the corresponding figures in Q2FY24.
- Cash and cash equivalents stand at INR29,210mn, while net worth increased by INR1,720mn during the current quarter, reaching INR167.3bn.
- The optimization of the fuel basket, enhanced linkages, increased captive coal consumption, and synergies with group companies have collectively led to a 15% reduction in kiln fuel costs.
- Limestone reserves total approximately 8.2 billion metric tonnes, held at nominal to no premium. This strategy aims to minimize issues related to the expiration of limestone reserves by 2030.

Financial Summary Standalone (in INR Mn.)

Income Statement (INR Mn.)	FY23*	FY24	FY25E	FY26E	FY27E
Revenue	2,22,100	1,99,522	1,99,000	2,10,870	2,25,461
Gross profit	1,67,739	1,41,365	1,24,959	1,32,724	1,41,813
EBITDA	19,190	30,576	24,477	33,126	41,414
Depreciation	8,351	8,763	9,466	10,216	10,996
EBIT	14,211	26,729	21,757	31,073	36,883
Other income	3,372	4,915	6,747	8,163	6,465
Interest expense	772	1,538	1,263	1,198	1,198
PAT	8,699	21,242	15,200	22,560	27,974
EPS (INR)	46.3	113.0	80.9	120.0	148.8

*FY23 includes number of 15 months

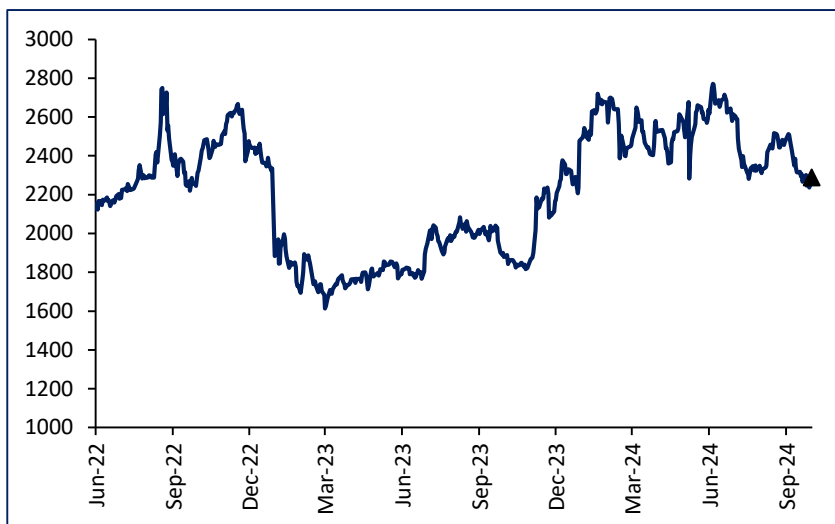
Balance Sheet (INR Mn.)	FY23*	FY24	FY25E	FY26E	FY27E
Tangible fixed assets	74,863	92,273	97,037	99,321	1,01,324
Capital Work in Progress	16,831	9,720	9,720	6,000	6,000
Investments	1,927	13,741	13,741	13,741	13,741
Cash & Cash equivalents	2,868	16,711	20,663	39,945	60,559
Loans & Advances and Other Assets	82,614	69,711	71,477	73,614	75,916
Net Working Capital	8,594	7,699	12,780	15,753	19,229
Total assets	1,87,696	2,09,855	2,25,418	2,48,372	2,76,769
Shareholder's funds	1,40,430	1,60,220	1,75,420	1,97,980	2,25,954
Borrowings	4,331	4,543	4,906	5,299	5,722
Total Debt	-	-	-	-	-
Other Liabilities & Provisions	42,935	45,093	45,093	45,093	45,093
Total equity & liabilities	1,87,696	2,09,855	2,25,418	2,48,372	2,76,769
Capital Employed	1,40,430	1,60,220	1,75,420	1,97,980	2,25,954
Invested Capital	1,20,732	1,33,789	1,45,036	1,52,035	1,59,395

Cash Flows (INR Mn.)	FY23*	FY24	FY25E	FY26E	FY27E
Cash flows from Operations	(12,388)	29,804	33,297	39,196	46,661
Cash flows from Investing	(46,420)	(11,699)	(12,500)	(12,500)	(13,000)
Cash flows from financing	(12,377)	(4,423)	(1,263)	(1,198)	(1,198)

Ratio Analysis 8	FY23*	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenues	37.5	(10.2)	(0.3)	6.0	6.9
Gross Profit	26.0	(15.7)	(11.6)	6.2	6.8
EBITDA	(35.8)	59.3	(19.9)	35.3	25.0
Margin Ratios (%)					
Gross Profit Margin	75.5	70.9	62.8	62.9	62.9
EBITDA Margin	8.6	15.3	12.3	15.7	18.4
EBIT Margin	6.4	13.4	10.9	14.7	16.4
Profitability (%)					
Return on equity	6.2	13.3	8.7	11.4	12.4
Return on invested capital	8.7	16.8	11.1	15.4	18.1
Return on capital employed	10.1	16.7	12.4	15.7	16.3
Valuation					
P/BV(x)	3.1	2.7	2.4	2.2	1.9
EV / EBITDA (x)	22.1	13.1	16.2	11.4	8.6
EV/IC (x)	3.5	3.0	2.7	2.5	2.2

Source: Company, CEBPL

Historical recommendations and target price: ACC



ACC Ltd.

1.	14-02-2022	ADD,	Target Price,	2,488
2.	20-04-2022	ADD,	Target Price,	2,440
3.	15-07-2022	NEUTRAL,	Target Price,	2,045
4.	27-10-2022	ADD,	Target Price,	2,465
5.	01-02-2023	ADD,	Target Price,	2,071
6.	03-05-2023	OUTPERFORM	Target Price,	2,263
7.	02-08-2023	ADD	Target Price	2,167
8.	02-11-2023	ADD	Target Price	2,045
9.	31-01-2024	ADD,	Target Price	2,810
10.	02-05-2024	BUY,	Target Price	2,800
11.	01-08-2024	BUY,	Target Price	2,795
12.	29-10-2024	BUY,	Target Price	2,646

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REDUCE	The security expected to show downside or upside returns by 0% to 5% over the next 12 months
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