

In-line performance

Cement ▶ Result Update ▶ July 29, 2024

TARGET PRICE (Rs): 2,900

ACC's Q1FY25 EBITDA declined 12% YoY/19% QoQ to Rs6.8bn, in line with our estimates, as the higher than expected volumes were offset by the lower than expected realization. EBITDA/t declined 19% YoY/17% QoQ to Rs664 (Emkay est: Rs715). Volume growth surprised positively, with 9% YoY growth to 10.2mt, largely led by increased MSA transaction with Ambuja/Sanghi Cement. Cement realization declined 8% YoY/3% QoQ to Rs4,722. Total cost/t declined 7% YoY/stood broadly flat QoQ at Rs4,379. Factoring-in the lower realization, we cut our FY25/FY26 EBITDA estimates by 13%/7%, respectively, with unchanged Jun-25E TP of Rs2,900/sh, based on 13x EV/E. We maintain BUY on ACC, on favorable valuations, as the stock is trading at 12.2x FY26E EV/E. We continue to peg Ambuja above ACC in our Cement universe.

ACC: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	222,102	199,589	205,032	222,750	241,830
EBITDA	19,249	30,617	29,881	35,270	41,200
Adj. PAT	10,468	21,068	18,046	22,004	26,347
Adj. EPS (Rs)	37.7	124.3	96.0	117.1	140.1
EBITDA margin (%)	8.7	15.3	14.6	15.8	17.0
EBITDA growth (%)	(48.6)	98.8	(2.4)	18.0	16.8
Adj. EPS growth (%)	(62.0)	230.0	(22.8)	21.9	19.7
RoE (%)	7.4	13.8	10.5	11.6	0.0
RoIC (%)	10.8	17.4	13.6	16.8	0.0
P/E (x)	58.5	23.2	27.1	22.2	18.6
EV/EBITDA (x)	23.8	14.5	14.4	11.7	9.5
P/B (x)	4.3	3.0	2.7	2.5	2.2
FCFF yield (%)	(7.0)	3.0	2.7	4.0	5.1

Source: Company, Emkay Research

Result Summary

ACC's volume trajectory remained healthy in Q1FY25, with 9% YoY growth (declined 2% QoQ) to 10.2mt, on likely higher MSA with Ambuja and Sanghi. Cement realization (including incentives) declined 8% YoY/3% QoQ to Rs4,722. Total cost/t declined 7% YoY/was broadly flat QoQ, standing at Rs4,379. Accordingly, blended EBITDA/t declined 19% YoY/17% QoQ to Rs664. Cash and cash equivalents declined by Rs19bn QoQ to Rs27.5bn as of Jun-24, as the company largely utilized these to capitalize on opportunities to buy input raw materials and for maintenance of capex.

What we liked: Strong volume growth

What we did not like: Weak performance in the RMC division

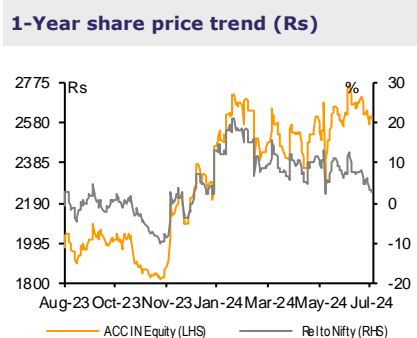
Other operational highlights

1) Fuel cost in Q1FY25 stood at Rs1.73/kcal vs. Rs2.14/Rs1.91 in Q1FY24/Q4FY24, respectively. 2) For the RMC segment, revenue fell 9% YoY (up 4% QoQ) to Rs3.3bn, with volumes declining 11% YoY/increasing 3% QoQ) to 0.68mn CBM. ACC's EBIT increased ~6x YoY/40% QoQ to Rs230mn. 3) WHRS as a % of total power consumption increased by 160bps YoY to 10% in Q1FY25. 4) Thermal value reduced, from 757kcal to 739kcal, with further improvement expected in the Quarters ahead. 5) WHRS at Ametha, with 16.3MW capacity, was commissioned in Q3FY24 and work on WHRS facilities at Chanda (18MW) and Wadi (21.5MW) is on track, with commissioning set for Q2FY25. This will increase overall capacity to ~86MW, with total share of 25% in the power mix.

Target Price – 12M	Jun-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	11.4
CMP (29-Jul-24) (Rs)	2,604.3

Stock Data	Ticker
52-week High (Rs)	2,844
52-week Low (Rs)	1,803
Shares outstanding (mn)	187.8
Market-cap (Rs bn)	489
Market-cap (USD mn)	5,840
Net-debt, FY25E (Rs mn)	-59,864
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	1,391.5
ADTV-3M (USD mn)	16.6
Free float (%)	-
Nifty-50	24,836
INR/USD	83.7
Shareholding, Jun-24	
Promoters (%)	56.7
FPIs/MFs (%)	5.6/24.8

Price Performance			
(%)	1M	3M	12M
Absolute	(0.6)	3.1	33.6
Rel. to Nifty	(3.9)	(6.0)	5.7



Dharmesh Shah
 dharmesh.shah@emkayglobal.com
 +91 22 6612 1255

Quarterly Analysis

Exhibit 1: Actual vs. Estimates (Q1FY25) – Consolidated

(Rs mn)	Actual	Estimates		Variation (%)		Comment
		Emkay	Consensus	Emkay	Consensus	
Net sales	51,549	49,108	49,983	5.0	3.1	
EBITDA	6,791	6,867	5,959	(1.1)	14.0	Broadly in-line operational performance
PAT	3,614	3,756	4,024	(3.8)	(10.2)	
Volumes (mt)	10.2	9.6		6.4		
Blended realization (Rs/ton)	5,044	5,114		(1.4)		
EBITDA (Rs/ton)	664	715		(7.1)		

Source: Bloomberg, Emkay Research

Exhibit 2: Quarterly Result Summary

(Rs mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Revenue	52,011	44,347	49,144	54,087	51,549	(0.9)	(4.7)
Expenditure	44,302	38,855	40,096	45,719	44,758	1.0	(2.1)
Total RM cost	14,979	12,944	13,410	18,160	17,509	16.9	(3.6)
Power & Fuel cost	11,248	8,866	10,154	9,763	10,002	(11.1)	2.4
Freight cost	11,654	9,479	9,557	11,014	10,854	(6.9)	(1.5)
Staff cost	1,970	1,948	1,783	1,672	1,641	(16.7)	(1.9)
Other expenditure	4,452	5,618	5,193	5,111	4,753	6.8	(7.0)
EBITDA	7,709	5,493	9,047	8,368	6,791	(11.9)	(18.8)
Depreciation	2,001	2,128	2,352	2,350	2,323	16.1	(1.2)
EBIT	5,708	3,365	6,695	6,018	4,468	(21.7)	(25.8)
Other Income	769	601	862	1,197	717	(6.7)	(40.1)
Interest	251	289	339	667	331	32.0	(50.3)
PBT	6,226	3,677	7,217	6,548	4,853	(22.1)	(25.9)
Total Tax	1,594	1,315	1,916	(598)	1,249	(21.7)	(308.8)
Adjusted PAT	4,632	2,362	5,301	7,146	3,605	(22.2)	(49.6)
(Profit)/loss from JVs/Ass/MI	29	17	75	7	9	(69.2)	38.5
PAT after MI	4,661	2,379	5,376	7,152	3,614	(22.5)	(49.5)
Extraordinary items	-	1,500	-	2,296	-	NA	NA
Reported PAT	4,661	3,879	5,376	9,448	3,614	(22.5)	(61.8)
Adjusted EPS (Rs)	24.8	12.7	28.6	38.0	19.2	(22.5)	(49.5)
(%)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (bps)	QoQ (bps)
EBITDAM	14.8	12.4	18.4	15.5	13.2	(11.1)	(14.8)
EBITM	11.0	7.6	13.6	11.1	8.7	(21.0)	(22.1)
EBTM	12.0	8.3	14.7	12.1	9.4	(21.4)	(22.2)
PATM	8.9	5.3	10.8	13.2	7.0	(21.5)	(47.1)
Effective Tax rate	25.6	35.8	26.6	(9.1)	25.7		

Source: Company, Emkay Research

Exhibit 3: Quarterly analysis on a per ton basis

(Rs/ton)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Cement volumes (mt)	9.4	8.1	8.9	10.4	10.2	8.6	(2.1)
Blended Realization	5,524	5,466	5,522	5,181	5,044	(8.7)	(2.6)
Raw Material cost	1,591	1,595	1,507	1,739	1,713	7.7	(1.5)
Power & Fuel cost	1,195	1,093	1,141	935	979	(18.1)	4.7
Freight cost	1,238	1,168	1,074	1,055	1,062	(14.2)	0.7
Staff cost	209	240	200	160	161	(23.2)	0.2
Other expenditure	473	692	583	490	465	(1.6)	(5.0)
Operating cost	4,706	4,789	4,505	4,379	4,379	(6.9)	0.0
EBITDA/ton	819	677	1,017	802	664	(18.8)	(17.1)

Source: Company, Emkay Research

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Exhibit 4: We cut our EBITDA estimates by 7-13% for FY25-26

Earnings revision	FY25E			FY26E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue (Rs mn)	216,630	205,032	(5.4)	231,721	222,750	(3.9)
EBITDA (Rs mn)	34,461	29,881	(13.3)	37,967	35,270	(7.1)
PAT (Rs mn)	21,480	18,046	(16.0)	23,686	22,004	(7.1)

Source: Emkay Research

Exhibit 5: We maintain BUY on ACC and our TP of Rs2,900/share, based on Jun-26E EV/E of 13x

EV/E valuation	
Jun-26E EBITDA (Rs bn)	37
EV/E (x)	13.0
Enterprise Value (Rs bn)	481
Net cash (Jun-25E; Rs bn)	64
Equity value (Rs bn)	545
No. of shares (mn)	188
Jun-25E Target Price (Rs/share)	2,900

Source: Emkay Research

Exhibit 6: Annual Financials

Key Assumptions	CY19	CY20	CY21	15MFY23	FY24	FY25E	FY26E	FY27E	CAGR (%)	
									CY19-FY24	FY24-27E
Capacity (mt)	33.4	33.4	34.8	36.1	39.9	39.9	39.9	42.9	4.5	2.4
Volumes (mt)	29.8	26.2	29.4	38.6	36.9	39.9	42.8	45.8	5.5	7.5
Utilization (%)	83	76	77	107	92	100	107	107		
Blended Realization (Rs/ton)	5,156	5,151	5,380	5,645	5,337	5,074	5,143	5,224	0.9	(0.7)
EBITDA/ton (Rs)	811	949	1,020	499	830	750	825	900	0.6	2.7
P&L (Rs bn)										
Revenue	157	138	162	222	200	205	223	242	6.3	6.6
EBITDA	24	25	30	19	31	30	35	41	6.1	10.4
Adj. Net Profit	14	15	19	10	21	18	22	26	11.2	7.7
Balance Sheet (Rs bn)										
Equity	115	127	143	141	163	180	199	223		
Net Debt	(46)	(60)	(75)	(31)	(47)	(60)	(77)	(99)		
Cash Flow (Rs bn)										
OCF before NWC change	21	20	28	(14)	31	33	33	37		
NWC change	3	4	1	(27)	1	(1)	(0)	(1)		
Capex	(5)	(7)	(12)	(20)	(18)	(12)	(12)	(12)		
FCF	19	16	18	(60)	15	20	20	24		
Return ratios (%)										
RoE	12.5	12.3	14.2	7.4	13.8	10.5	11.6	12.5		
RoCE	12.3	12.1	14.1	7.5	14.2	10.8	11.9	12.7		
RoIC	16.6	20.3	29.3	10.8	17.4	13.6	16.8	20.1		
Valuations (x)										
PER						27.1	22.2	18.6		
EV/EBITDA						14.8	12.2	10.0		
EV/ton (US\$)						131	126	111		

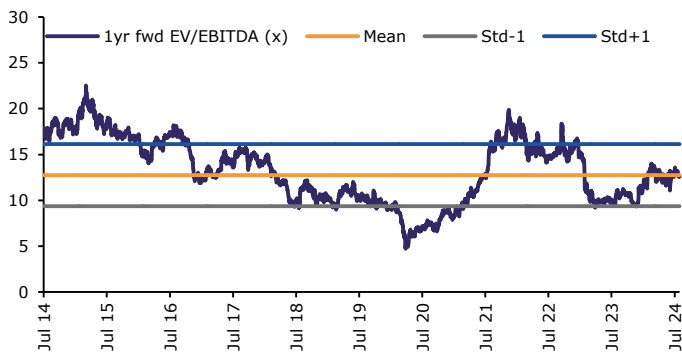
Source: Company, Emkay Research

Exhibit 7: Annual analysis on per-ton basis

(Rs/ton)	CY19	CY20	CY21	15MFY23	FY24	FY25E	FY26E	FY27E
Blended realization	5,156	5,151	5,380	5,645	5,337	5,074	5,143	5,224
YoY (%)	0.5	(0.1)	4.5	4.9	(5.5)	(4.9)	1.4	1.6
Raw materials consumed	914	960	975	1,413	1,576	1,549	1,521	1,535
Power & fuel cost	1,053	983	1,145	1,488	1,086	1,001	1,020	1,000
Freight cost	1,355	1,305	1,301	1,332	1,131	1,100	1,110	1,120
Staff cost	291	321	284	268	200	169	164	159
Other expenses	838	748	770	755	590	575	569	570
Operating cost	4,451	4,316	4,475	5,255	4,583	4,395	4,384	4,385
YoY (%)	1.2	(3.0)	3.7	17.4	(12.8)	(4.1)	(0.2)	0.0
Other operating income	106	114	115	109	77	71	66	61
Blended EBITDA	811	949	1,020	499	830	750	825	900
YoY (%)	10.4	17.0	7.5	(51.1)	66.5	(9.7)	10.0	9.2

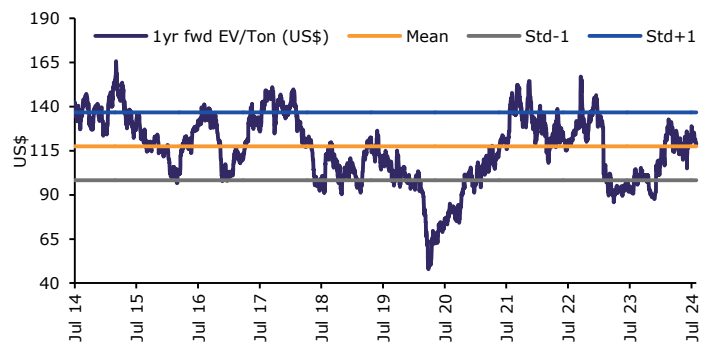
Source: Company, Emkay Research

Exhibit 8: One-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

Exhibit 9: One-year forward EV/ton



Source: Bloomberg, Emkay Research

ACC: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	222,102	199,589	205,032	222,750	241,830
Revenue growth (%)	10.0	12.3	2.7	8.6	8.6
EBITDA	19,249	30,617	29,881	35,270	41,200
EBITDA growth (%)	(48.6)	98.8	(2.4)	18.0	16.8
Depreciation & Amortization	8,413	8,831	9,464	9,875	10,502
EBIT	10,836	21,786	20,417	25,395	30,697
EBIT growth (%)	(63.8)	151.3	(6.3)	24.4	20.9
Other operating income	4,194	2,826	2,826	2,826	2,776
Other income	3,419	4,929	5,166	5,521	6,067
Financial expense	773	1,546	1,592	1,640	1,689
PBT	13,482	25,168	23,991	29,277	35,075
Extraordinary items	(1,618)	2,296	0	0	0
Taxes	3,174	4,228	6,080	7,413	8,876
Minority interest	1	2	2	2	2
Income from JV/Associates	162	129	136	142	150
Reported PAT	8,851	23,364	18,046	22,004	26,347
PAT growth (%)	(62.0)	230.0	(22.8)	21.9	19.7
Adjusted PAT	10,468	21,068	18,046	22,004	26,347
Diluted EPS (Rs)	37.7	124.3	96.0	117.1	140.1
Diluted EPS growth (%)	(62.0)	230.0	(22.8)	21.9	19.7
DPS (Rs)	7.4	7.5	9.6	11.7	14.0
Dividend payout (%)	19.6	6.0	10.0	10.0	10.0
EBITDA margin (%)	8.7	15.3	14.6	15.8	17.0
EBIT margin (%)	4.9	10.9	10.0	11.4	12.7
Effective tax rate (%)	23.5	16.8	25.3	25.3	25.3
NOPLAT (pre-IndAS)	8,285	18,126	15,243	18,965	22,929
Shares outstanding (mn)	188.0	188.0	188.0	188.0	188.0

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	13,482	25,168	23,991	29,277	35,075
Others (non-cash items)	(2,816)	(7,531)	483	588	0
Taxes paid	(4,039)	(1,819)	(6,080)	(7,413)	(8,876)
Change in NWC	(26,708)	2,593	(635)	(247)	(459)
Operating cash flow	(12,351)	31,213	23,783	28,339	32,012
Capital expenditure	(19,810)	(17,716)	(12,000)	(12,000)	(12,000)
Acquisition of business	42,387	(13,256)	5,000	0	0
Interest & dividend income	2,174	5,199	5,166	5,521	6,067
Investing cash flow	24,751	(25,773)	(1,834)	(6,478)	(5,933)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(10,892)	(1,753)	0	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(1,485)	(2,678)	(1,592)	(1,640)	(1,689)
Dividend paid (incl tax)	0	0	(1,805)	(2,200)	(2,635)
Others	0	0	(358)	(462)	129
Financing cash flow	(12,377)	(4,432)	(3,755)	(4,302)	(4,195)
Net chg in Cash	23	1,008	18,195	17,558	21,884
OCF	(12,351)	31,213	23,783	28,339	32,012
Adj. OCF (w/o NWC chg.)	14,357	28,620	24,418	28,586	32,471
FCFF	(32,161)	13,497	11,784	16,339	20,012
FCFE	(43,052)	11,744	11,784	16,339	20,012
OCF/EBITDA (%)	(64.2)	101.9	79.6	80.3	77.7
FCFE/PAT (%)	(411.3)	55.7	65.3	74.3	76.0
FCFF/NOPLAT (%)	(388.2)	74.5	77.3	86.2	87.3

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	1,880	1,880	1,880	1,880	1,880
Reserves & Surplus	139,505	161,417	177,658	197,462	221,173
Net worth	141,385	163,297	179,538	199,341	223,053
Minority interests	35	36	44	52	60
Deferred tax liability (net)	4,573	5,801	5,917	6,035	6,156
Total debt	0	0	0	0	0
Total liabilities & equity	145,993	169,134	185,499	205,429	229,269
Net tangible fixed assets	73,553	98,884	99,447	99,206	100,704
Net intangible assets	38	38	38	38	38
Net ROU assets	1,550	1,550	1,550	1,550	1,550
Capital WIP	16,840	9,858	11,830	14,196	14,196
Goodwill	0	0	0	0	0
Investments [JV/Associates]	1,633	519	519	519	519
Cash & equivalents	31,440	46,670	59,864	77,422	99,305
Current assets (ex-cash)	80,384	76,339	72,709	74,482	76,960
Current Liab. & Prov.	59,445	64,723	60,458	61,984	64,002
NWC (ex-cash)	20,939	11,616	12,251	12,498	12,958
Total assets	145,993	169,134	185,499	205,429	229,269
Net debt	(31,440)	(46,670)	(59,864)	(77,422)	(99,305)
Capital employed	145,993	169,134	185,499	205,429	229,269
Invested capital	96,080	112,087	113,286	113,293	115,250
BVPS (Rs)	601.7	868.6	955.0	1,060.4	1,186.5
Net Debt/Equity (x)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)
Net Debt/EBITDA (x)	(1.6)	(1.5)	(2.0)	(2.2)	(2.4)
Interest coverage (x)	0.1	0.1	0.1	0.1	0.0
RoCE (%)	7.8	17.0	14.4	15.8	16.9

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	58.5	23.2	27.1	22.2	18.6
P/CE(x)	32.4	16.4	17.8	15.4	13.3
P/B (x)	4.3	3.0	2.7	2.5	2.2
EV/Sales (x)	2.1	2.3	2.1	1.9	1.6
EV/EBITDA (x)	23.8	14.5	14.4	11.7	9.5
EV/EBIT(x)	52.8	20.3	21.0	16.2	12.7
EV/IC (x)	4.8	4.0	3.8	3.6	3.4
FCFF yield (%)	(7.0)	3.0	2.7	4.0	5.1
FCFE yield (%)	(9.4)	2.7	2.7	4.0	5.1
Dividend yield (%)	0.3	0.3	0.4	0.4	0.5
DuPont-RoE split					
Net profit margin (%)	4.7	10.6	8.8	9.9	10.9
Total asset turnover (x)	1.2	1.3	1.2	1.1	1.1
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	5.9	13.8	10.5	11.6	12.5
DuPont-RoIC					
NOPLAT margin (%)	3.7	9.1	7.4	8.5	9.5
IC turnover (x)	2.9	1.9	1.8	2.0	2.1
RoIC (%)	10.8	17.4	13.6	16.8	0.0
Operating metrics					
Core NWC days	43.0	21.2	21.8	20.5	19.6
Total NWC days	43.0	21.2	21.8	20.5	19.6
Fixed asset turnover	1.6	1.4	1.3	1.3	1.3
Opex-to-revenue (%)	66.8	55.5	55.3	55.0	53.9

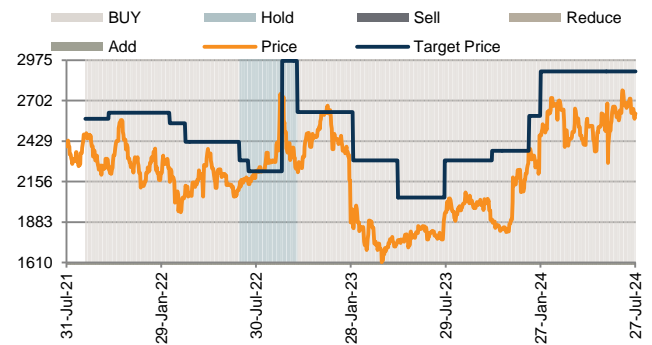
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
01-Jul-24	2,750	2,900	Buy	Dharmesh Shah
10-Jun-24	2,543	2,900	Buy	Dharmesh Shah
25-Apr-24	2,580	2,900	Buy	Dharmesh Shah
01-Apr-24	2,545	2,900	Buy	Dharmesh Shah
04-Mar-24	2,696	2,900	Buy	Dharmesh Shah
27-Jan-24	2,468	2,900	Buy	Dharmesh Shah
05-Jan-24	2,377	2,600	Buy	Dharmesh Shah
30-Nov-23	1,876	2,365	Buy	Dharmesh Shah
30-Nov-23	1,876	2,365	Buy	Dharmesh Shah
26-Oct-23	1,900	2,365	Buy	Dharmesh Shah
28-Sep-23	1,996	2,300	Buy	Dharmesh Shah
18-Sep-23	2,007	2,300	Buy	Dharmesh Shah
27-Jul-23	1,941	2,300	Buy	Dharmesh Shah
03-Jun-23	1,816	2,050	Buy	Dharmesh Shah
04-May-23	1,766	2,050	Buy	Dharmesh Shah
28-Apr-23	1,763	2,050	Buy	Dharmesh Shah
02-Mar-23	1,801	2,300	Buy	Dharmesh Shah
05-Feb-23	1,927	2,300	Buy	Dharmesh Shah
01-Feb-23	1,846	2,300	Buy	Dharmesh Shah
29-Dec-22	2,448	2,625	Buy	Dharmesh Shah
05-Dec-22	2,621	2,625	Buy	Dharmesh Shah
05-Nov-22	2,481	2,625	Buy	Dharmesh Shah
17-Oct-22	2,270	2,625	Buy	Dharmesh Shah
05-Oct-22	2,360	2,970	Hold	Dharmesh Shah
18-Sep-22	2,612	2,970	Hold	Dharmesh Shah
04-Sep-22	2,290	2,225	Hold	Dharmesh Shah
15-Jul-22	2,140	2,225	Hold	Dharmesh Shah
04-Jul-22	2,165	2,300	Hold	Dharmesh Shah
28-Jun-22	2,128	2,300	Hold	Dharmesh Shah
19-Apr-22	2,057	2,425	Buy	Dharmesh Shah
16-Mar-22	2,129	2,425	Buy	Dharmesh Shah
14-Feb-22	2,154	2,550	Buy	Dharmesh Shah
31-Dec-21	2,216	2,620	Buy	Dharmesh Shah
20-Oct-21	2,264	2,620	Buy	Dharmesh Shah
05-Sep-21	2,469	2,580	Buy	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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