

Weak pricing drives margins lower

ACC reported weak set of results for 1QFY25 as lower realizations and higher costs offset the impact of higher volumes. EBITDA at Rs6.8bn is down 12% YoY and 6% below our estimate. The company reported volumes of 10.2mn mt for the quarter, up 9% YoY driven by higher MSA volumes through Sanghi. EBITDA/mt saw sharp correction to Rs664/mt against our expectation of Rs739. 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 7% revenue and 8% EBITDA CAGR for ACC over FY24-26E. We have tweaked our volume and cost assumptions and as a result FY25 EBITDA is higher by 5% and FY26 EBITDA is lower by 2%. We value the company based in 12x FY26 EV/EBITDA to arrive at our revised TP of Rs2,700. We maintain our Reduce rating on the stock.

1QFY25 result highlights

ACC reported weak set of result as reported EBITDA at Rs6.7bn is 6.2% below our estimate. Though volume growth was at 9% YoY, realizations were weak with 3.3% QoQ drop but largely in-line with our estimate. ACC reported 10.2mn mt volumes which are 4.3% ahead of our estimates. However, we await data on intercompany sales and contribution from Sanghi unit and Asian concrete unit to understand actual growth delivered by the company. Realizations at Rs4,757/mt is down 3.3% QoQ and 8.3% YoY. Weak pricing in the industry has reflected in the realizations drop so far in all the companies. Operating costs were flat QoQ, largely in-line with our expectation. Kiln fuel cost improved from Rs. 2.14/kCal to Rs. 1.73/kCal with change of fuel basket and higher consumption of alternative fuels. EBITDA/mt came in at Rs664 against our expectation of Rs739 (Rs805 in 4QFY24).

Limestone mines lease expiry a concern

Adani group has 19 mining leases at the moment which are coming up for renewal in 2030. Out of these 19 leases, by 2030, only 11 leases will remain and the rest 8 will be fully utilized. The company has alternate plans for 3 sites out of these 11. However, fate of these mines on whether they will come up for rebidding or will be given to existing lease holder remains uncertain.

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.

Valuation and Outlook

We are building in 7%/8% revenue/EBITDA CAGR for the company over FY24-26. We value the stock based on 12x FY26 EV/EBITDA to arrive at our revised TP of Rs2,700. We maintain our Reduce rating on the stock given capacity constraints.

Financial and valuation summary

YE Mar (Rs mn)	1QFY25A	1QFY24A	YoY (%)	4QFY24A	QoQ (%)	FY24A	FY25E	FY26E
Revenues	51,556	52,011	(0.9)	53,981	(4.5)	1,99,522	2,16,795	2,27,981
EBITDA	6,772	7,690	(11.9)	8,371	(19.1)	30,576	34,174	35,855
EBITDA margin (%)	13.1	14.8	(165bps)	15.5	(237bps)	15.3	15.8	15.7
Adj. Net profit	3,662	4,639	(21.1)	4,913	(25.5)	21,242	21,425	21,730
Adj. EPS (Rs)	19.5	24.7	(21.1)	26.2	(25.5)	113.1	114.1	115.7
EPS growth (%)						105.9	0.9	1.4
PE (x)						23.0	22.8	22.5
EV/EBITDA (x)						14.5	12.6	11.8
PBV (x)						3.0	2.7	2.5
RoE (%)						14.1	12.7	11.6
RoCE (%)						15.0	13.4	12.3

Source: Company, Centrum Broking;

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

Result Update

India I Cement

01 August, 2024

REDUCE

Price: Rs2,591

Target Price: Rs2,700

Forecast return: 4%

Institutional Research

Market Data

Bloomberg:	ACC IN
52 week H/L:	2,844/1,803
Market cap:	Rs486.5bn
Shares Outstanding:	187.8mn
Free float:	41.4%
Avg. daily vol. 3mth:	5,35,609

Source: Bloomberg

Changes in the report

Rating:	Reduce; Unchanged
Target price:	+4.8%; Rs2,700 from Rs2,577
EBITDA:	FY25: +5.4%; FY26: -2.3%

Source: Centrum Broking

Shareholding pattern

	Jun-24	Mar-24	Dec-23	Sep-23
Promoter	56.7	56.7	56.7	56.7
FIs	5.6	6.2	6.2	7.1
DIs	25.0	24.8	24.3	22.9
Public/other	12.7	12.4	12.8	13.3

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q1FY25	Actual Q1FY25	Variance (%)
Revenue	49,712	51,556	3.7
EBITDA	7,222	6,772	-6.2
EBITDA margin	14.5	13.1	(139) bps
Adj. PAT	3,872	3,662	-5.4
EPS (Rs)	20.6	16.1	-21.7

Source: Bloomberg, Centrum Broking



Mangesh Bhadang

Research Analyst, Cement

+91-22 4215 9053

mangesh.bhadang@centrum.co.in



Sanjit Tambe

Research Associate, Cement

+91-42159201

sanjit.tambe@centrum.co.in

Cement

Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY24E New	FY24E Old	% chg	FY25E New	FY25E Old	% chg
Revenue	2,16,795	2,21,247	-2.0	2,27,981	2,39,943	-5.0
EBITDA	34,174	32,411	5.4	35,855	36,709	-2.3
EBITDA margin	15.8	14.6	111 bps	15.7	15.3	43 bps
Adj. PAT	21,425	19,163	11.8	21,730	21,195	2.5
Diluted EPS (Rs)	114.1	102.0	11.8	115.7	112.9	2.5

Source: Centrum Broking

ACC versus NIFTY Midcap 100

	1m	6m	1 year
ACC IN	(1.1)	1.8	28.4
NIFTY Midcap 100	5.8	21.5	56.4

Source: Bloomberg, NSE

Key assumptions

Y/E Mar	FY25E	FY26E
Capacity (mn mt)	39.6	39.6
Volumes (mn mt)	38.8	40.7
Realizations	5,128	5,128
Operating expense	4,708	4,718
EBITDA/mt	881	880
Capex	-19,539	-19,953
Net Debt	-58,663	-66,769

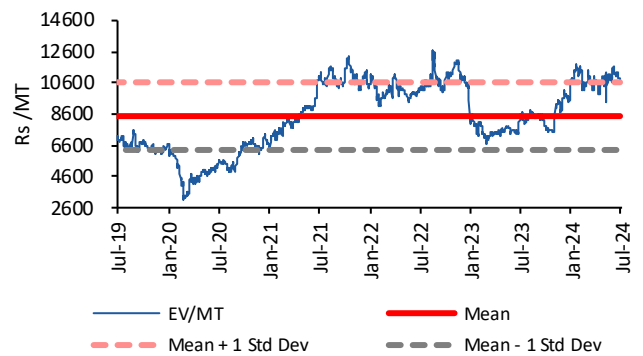
Source: Centrum Broking

Valuations

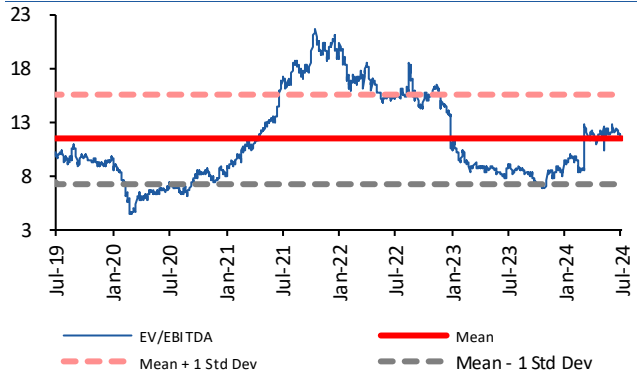
We are building in 7%/8% revenue/EBITDA CAGR for the company over FY24-26. We value the stock based on 12x FY26 EV/EBITDA to arrive at our revised TP of Rs2,700. We maintain our Reduce rating on the stock given capacity constraints.

Valuations	Rs/share
FY26 EBITDA	35,855
Target multiple (x)	12.0
Enterprise value	4,30,261
Less: Net debt	(76,769)
Equity value	5,07,030
No of shares (mn)	187.8
Target price (Rs)	2,700

1-year forward EV/MT



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap (Rs bn)	CAGR (FY24-26E)			EV/EBITDA (x)			EV/mt (US\$)			FY26E	
		Sales	EBITDA	EPS	FY24	FY25E	FY26E	FY24	FY25E	FY26E	RoE (%)	ROCE (%)
ACC	467	6.9%	8.3%	1.1%	13.8	12.0	11.2	130.8	121.6	112.5	12%	15%
Ambuja Cement	1,626	19.1%	32.3%	28.7%	22.3	17.2	13.8	218.1	190.2	163.7	13%	11%
Birla Corporation	119	7.8%	15.1%	31.9%	10.4	8.3	7.4	93.6	85.1	76.0	10%	10%
Heidelberg Cement	52	7.0%	22.1%	34.0%	15.0	10.7	9.7	91.7	90.4	88.3	18%	20%
Jk Cement	340	12.1%	18.9%	31.6%	19.3	16.7	13.6	209.8	193.2	154.1	21%	13%
Jk Lakshmi Cement	102	11.0%	15.1%	12.3%	10.9	9.7	8.8	83.7	80.6	72.7	15%	12%
Nuvoco Vistas	123	10.2%	12.6%	99.9%	10.1	8.3	6.8	79.1	74.3	67.5	6%	10%
Sagar Cements	31	20.6%	49.9%	nm	17.2	11.0	8.1	50.8	48.2	47.9	7%	9%
Shree Cements	1,001	12.5%	16.9%	15.5%	22.5	18.7	16.2	221.2	179.9	162.4	12%	19%
Star Cements	85	18.5%	27.0%	26.6%	15.2	11.4	9.2	133.1	104.8	103.0	14%	19%
The Ramco Cements	194	9.8%	12.3%	31.3%	15.6	14.1	12.2	136.9	137.9	123.8	9%	10%
Ultratech Cements	3,506	13.6%	21.6%	26.1%	27.3	22.3	18.4	304.8	259.3	240.9	16%	17%

Source: Company, Centrum Broking

Exhibit 1: ACC - 1QFY25 result summary

Y/E Mar (Rsmm)	1QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Net Sales	52,011	53,981	51,556	(0.9)	(4.5)	1,77,835	1,99,522	12.2
Expenditure								
Chg. in stock	(508)	972	(386)	NA	NA	(1,359)	339	NA
RM consumption	8,225	8,666	10,043	22.1	15.9	26,664	31,727	19.0
Purchase of traded goods	6,573	7,929	7,993	21.6	0.8	20,233	26,158	29.3
Employee cost	1,520	1,636	1,601	5.4	(2.1)	8,437	6,886	(18.4)
Freight, packing etc	11,705	11,044	10,969	(6.3)	(0.7)	41,144	41,911	1.9
Power and fuel	11,239	9,721	9,890	(12.0)	1.7	46,988	39,953	(15.0)
Other exp	5,568	5,643	4,673	(16.1)	(17.2)	22,874	21,972	(3.9)
Operating Expenses	44,321	45,610	44,784	1.0	(1.8)	1,64,982	1,68,946	2.4
EBITDA	7,690	8,371	6,772	(11.9)	(19.1)	12,853	30,576	137.9
EBITDA Margin (%)	14.8%	15.5%	13.1%	(165)bps	(237)bps	7.2%	15.3%	810bps
Other Income	782	1,215	699	(10.7)	(42.5)	2,796	4,915	75.8
Finance Costs	251	660	331	32.0	(49.8)	666	1,538	130.8
Depreciation	1,991	2,311	2,214	11.2	(4.2)	6,820	8,763	28.5
PBT	6,231	6,615	4,925	(21.0)	(25.6)	8,163	25,191	208.6
Tax	1,592	(870)	1,263	NA	(245.1)	1,764	3,948	123.8
Reported PAT	4,639	7,485	3,662	(21.1)	(51.1)	5,106	21,242	316.0
Exceptional Items	-	-	-	NA	NA	1,293	-	NA
Adjusted PAT	4,639	4,913	3,662	(21.1)	(25.5)	6,399	21,242	232.0
NPM(%)	8.9%	9.1%	7.1%	(182)bps	(200)bps	2.9%	10.6%	778bps
EPS (Rs.)	24.7	26.0	19.4	(21.5)	(25.5)	34.1	113.1	232.0

Source: Centrum Broking, Company Data

Exhibit 2: ACC - Operational data

Operational Data	1QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Volume (mn mt)	9.4	10.4	10.2	8.5	(1.9)	30.6	36.8	20.1
Blended Realisation (Rs/mt)	5,533	5,190	5,054	(8.7)	(2.6)	5,813	5,429	(6.6)
Cement Realisation (Rs/mt)	5,189	4,919	4,757	(8.3)	(3.3)	5,412	5,114	(5.5)
Operating Costs (Rs/mt)	4,715	4,386	4,391	(6.9)	0.1	5,393	4,597	(14.8)
EBITDA (Rs/mt)	818	805	664	(18.8)	(17.5)	420	832	98.0

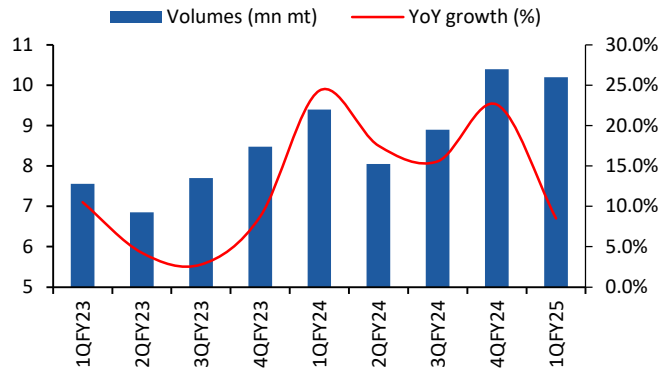
Source: Centrum Broking, Company Data

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

Costs/mt (Rs)	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	YoY (%)	QoQ (%)
(inc)/dec in stock	-250	-325	154	185	-54	80	-86	93	-38	NA	NA
RM consumption	1,359	1,565	1,519	1,675	1,574	1,528	1,595	1,596	1,768	12.3	10.8
Employee cost	286	308	266	250	162	242	200	157	157	(2.9)	(0.2)
Freight cost	1,433	1,442	1,308	1,222	1,245	1,184	1,082	1,062	1,075	(13.6)	1.3
Power and fuel	1,734	1,922	1,466	1,111	1,196	1,100	1,139	935	970	(18.9)	3.7
Other expenses	786	887	687	656	592	693	582	543	458	(22.7)	(15.6)
Operating costs/mt	5,348	5,798	5,401	5,098	4,715	4,828	4,511	4,386	4,391	(6.9)	0.1
EBITDA/mt	563	23	491	550	818	681	1,015	805	664	(18.8)	(17.5)

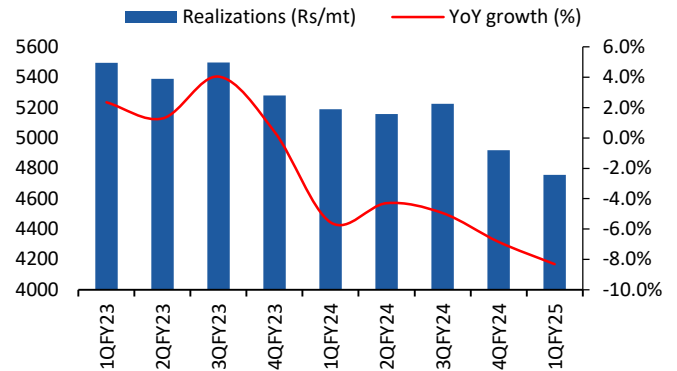
Source: Centrum Broking, Company Data

Exhibit 4: volume growth of 8.5% YoY



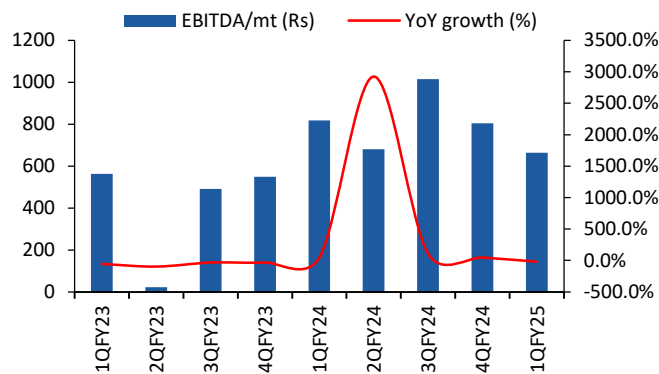
Source: Centrum Broking, Company Data

Exhibit 5: Cement Realizations down 3.3% on QoQ basis



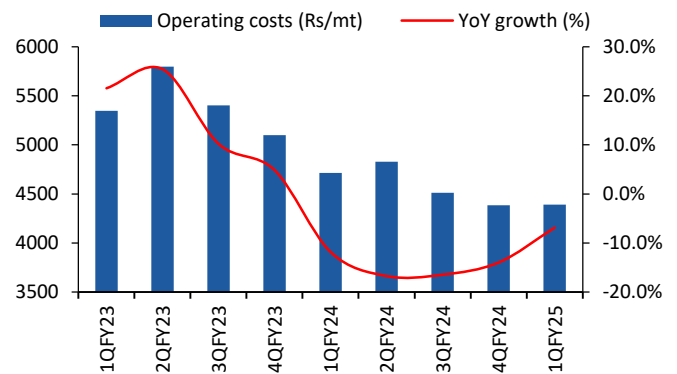
Source: Centrum Broking, Company Data

Exhibit 6: EBITDA/mt at Rs664



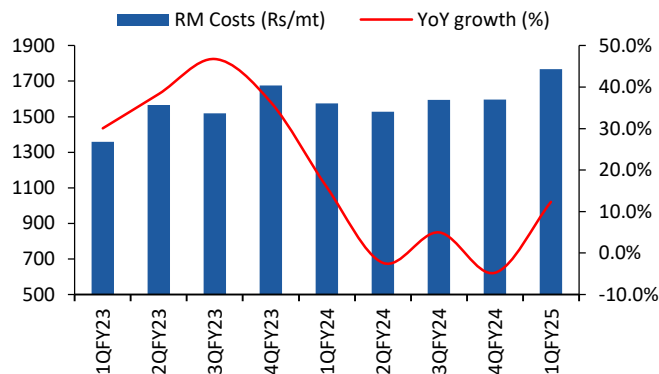
Source: Centrum Broking, Company Data

Exhibit 7: Operating costs down 6.9% YoY



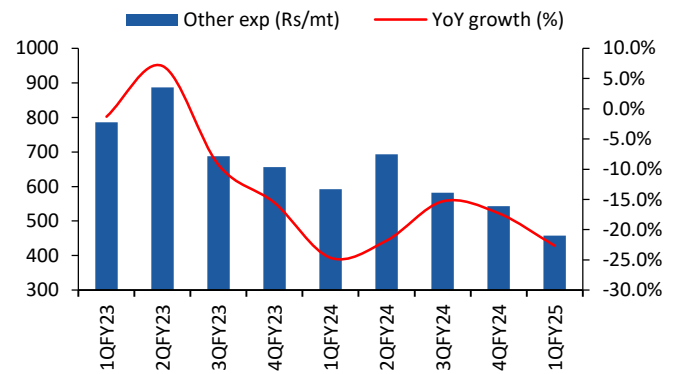
Source: Centrum Broking, Company Data

Exhibit 8: RM costs up 12.3% YoY



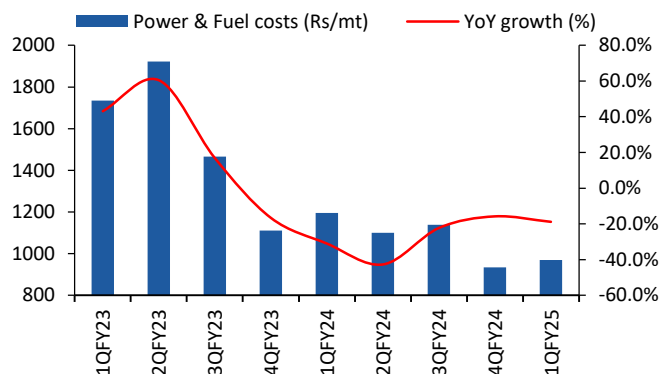
Source: Centrum Broking, Company Data

Exhibit 9: Other expenses declined by 22.7% YoY



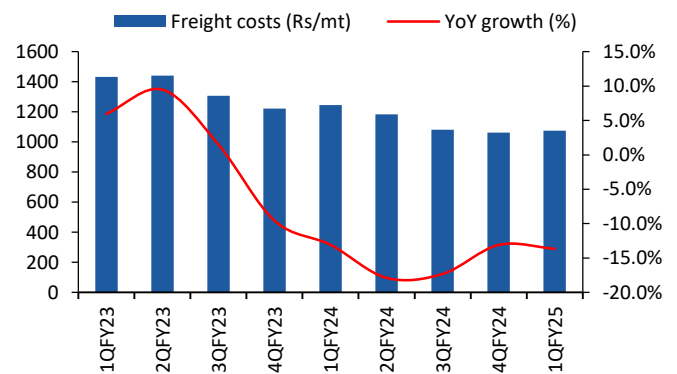
Source: Centrum Broking, Company Data

Exhibit 10: Power & fuel costs down 18.9% 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	2,16,795	2,21,247	-2.0	2,27,981	2,39,943	-5.0
EBITDA	34,174	32,411	5.4	35,855	36,709	-2.3
EBITDA margin	15.8	14.6	111 bps	15.7	15.3	43 bps
Adj. PAT	21,425	19,163	11.8	21,730	21,195	2.5
Diluted EPS (Rs)	114.1	102.0	11.8	115.7	112.9	2.5

YE Mar	FY25E	FY25E	% chg	FY26E	FY26E	% chg
	New	Old		New	Old	
Volumes (mn mt)	38.8	38.1	1.7	40.7	40.8	-0.2
Realization (Rs/mt)	5,128	5,332	-3.8	5,128	5,412	-5.2
Operating exp/mt	4,708	4,950.4	-4.9	4,718	4,979.3	-5.3
EBITDA/mt	881	850	3.7	880	899	-2.1

Source: Centrum Broking, Company Data

Exhibit 13: Valuation Summary

Particulars	Rs mn
FY26 EBITDA	35,855
Target multiple (x)	12.0
Enterprise value	4,30,261
Less: Net debt	(76,769)
Equity value	5,07,030
No of shares (mn)	187.8
Target price (Rs)	2,700

Source: Centrum Broking

P&L					
YE Mar (Rs mn)	CY21A	FY23A	FY24A	FY25E	FY26E
Revenues	1,61,514	2,22,100	1,99,522	2,16,795	2,27,981
Operating Expense	1,00,483	1,63,426	1,40,021	1,52,562	1,61,484
Employee cost	8,340	10,362	7,336	7,409	7,483
Others	22,687	29,122	21,589	22,650	23,158
EBITDA	30,004	19,190	30,576	34,174	35,855
Depreciation & Amortisation	5,973	8,351	8,763	8,694	9,894
EBIT	24,031	10,839	21,814	25,480	25,961
Interest expenses	546	772	1,538	1,614	1,693
Other income	2,048	3,372	4,915	4,875	4,883
PBT	25,533	13,439	25,191	28,741	29,151
Taxes	6,401	3,122	3,948	7,316	7,421
Effective tax rate (%)	25.1	23.2	15.7	25.5	25.5
PAT	19,131	10,317	21,242	21,425	21,730
Minority/Associates	0	0	0	0	0
Recurring PAT	19,131	10,317	21,242	21,425	21,730
Extraordinary items	(929)	(1,618)	0	0	0
Reported PAT	18,203	8,699	21,242	21,425	21,730

Ratios					
YE Mar	CY21A	FY23A	FY24A	FY25E	FY26E
Growth (%)					
Revenue	17.2	37.5	(10.2)	8.7	5.2
EBITDA	27.6	(36.0)	59.3	11.8	4.9
Adj. EPS	20.3	(46.1)	105.9	0.9	1.4
Margins (%)					
Gross	82.4	75.5	70.9	67.8	67.9
EBITDA	18.6	8.6	15.3	15.8	15.7
EBIT	14.9	4.9	10.9	11.8	11.4
Adjusted PAT	11.3	3.9	10.6	9.9	9.5
Returns (%)					
ROE	14.2	7.3	14.1	12.7	11.6
ROCE	14.5	7.7	15.0	13.4	12.3
ROIC	23.9	7.1	14.9	14.8	14.0
Turnover (days)					
Gross block turnover ratio (x)	1.6	1.9	1.4	1.4	1.3
Debtors	10	11	16	14	13
Inventory	39	32	45	46	46
Creditors	60	38	44	47	45
Net working capital	(71)	(8)	(20)	(29)	(28)
Solvency (x)					
Net debt-equity	(0.5)	(0.2)	(0.3)	(0.3)	(0.3)
Interest coverage ratio	54.9	24.9	19.9	21.2	21.2
Net debt/EBITDA	(2.5)	(1.6)	(1.5)	(1.7)	(1.9)
Per share (Rs)					
Adjusted EPS	101.9	54.9	113.1	114.1	115.7
BVPS	757.7	747.8	853.2	947.3	1,043.0
CEPS	133.7	99.4	159.8	160.4	168.4
DPS	14.0	58.0	9.3	20.0	20.0
Dividend payout (%)	14.4	125.2	8.3	17.5	17.3
Valuation (x)					
P/E	25.5	47.3	23.0	22.8	22.5
P/BV	3.4	3.5	3.0	2.7	2.5
EV/EBITDA	13.8	23.9	14.5	12.6	11.8
Dividend yield (%)	0.5	2.2	0.4	0.8	0.8

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

Balance sheet					
YE Mar (Rs mn)	CY21A	FY23A	FY24A	FY25E	FY26E
Equity share capital	1,880	1,880	1,880	1,880	1,880
Reserves & surplus	1,40,404	1,38,550	1,58,340	1,76,009	1,93,983
Shareholders fund	1,42,284	1,40,430	1,60,220	1,77,888	1,95,863
Minority Interest	0	0	0	0	0
Total debt	0	0	0	0	0
Non Current Liabilities	3,157	3,019	3,729	4,210	4,361
Def tax liab. (net)	3,827	4,331	4,543	4,543	4,543
Total liabilities	1,49,268	1,47,781	1,68,492	1,86,641	2,04,766
Gross block	1,02,482	1,16,788	1,38,712	1,52,943	1,77,956
Less: acc. Depreciation	(36,800)	(44,541)	(50,890)	(59,555)	(69,509)
Net block	65,682	72,247	87,822	93,388	1,08,447
Capital WIP	12,121	16,831	9,720	15,000	10,000
Net fixed assets	77,803	89,077	97,543	1,08,388	1,18,447
Non Current Assets	17,011	21,796	20,705	20,921	21,145
Investments	1,927	1,927	6,154	6,154	6,154
Inventories	12,733	16,235	18,429	20,024	21,057
Sundry debtors	4,624	8,747	8,412	7,721	8,120
Cash & Cash Equivalents	74,029	30,060	45,123	58,663	66,769
Loans & advances	652	1,209	539	566	594
Other current assets	10,390	24,994	22,367	18,562	17,761
Trade payables	18,992	14,922	19,142	20,286	19,507
Other current liab.	40,773	41,282	41,244	43,677	45,379
Provisions	157	101	120	120	120
Net current assets	42,506	24,941	34,364	41,453	49,295
Total assets	1,49,268	1,47,781	1,68,492	1,86,641	2,04,766

Cashflow					
YE Mar (Rs mn)	CY21A	FY23A	FY24A	FY25E	FY26E
Profit Before Tax	24,604	11,821	25,191	28,741	29,151
Depreciation & Amortisation	5,973	8,351	8,763	8,694	9,894
Net Interest	546	772	1,538	1,614	1,693
Net Change – WC	7,980	(26,403)	5,639	6,450	265
Direct taxes	(6,401)	(3,122)	(3,948)	(7,316)	(7,421)
Net cash from operations	32,702	(8,581)	37,182	38,182	33,582
Capital expenditure	(13,036)	(19,625)	(17,228)	(19,539)	(19,953)
Acquisitions, net	0	0	0	0	0
Investments	279	(27,193)	(5,446)	0	0
Others	(1,995)	(4,804)	1,404	(215)	(225)
Net cash from investing	(14,751)	(51,622)	(21,270)	(19,755)	(20,178)
FCF	17,950	(60,203)	15,913	18,428	13,404
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	0	0	0	0	0
Dividend paid	(2,629)	(10,892)	(1,753)	(3,756)	(3,756)
Interest paid	(546)	(772)	(1,538)	(1,614)	(1,693)
Others	343	705	1,222	481	151
Net cash from financing	(2,833)	(10,959)	(2,070)	(4,888)	(5,298)
Net change in Cash	15,118	(71,161)	13,843	13,539	8,106

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

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Source: Bloomberg

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PORTFOLIO MANAGER

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Website: www.centrumbroking.comInvestor Grievance Email ID: investor.grievances@centrum.co.in**Compliance Officer Details:**

Ajay S Bendkhale

(022) 4215 9000/9023; Email ID: compliance@centrum.co.in**Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)****Registered and Corporate Office:**

Level -9, Centrum House, C.S.T. Road,

Vidyanagari Marg, Kalina,

Santacruz (East) Mumbai – 400098

Tel.: - +91 22 4215 9000