

ACC Ltd.

January 30, 2025

CMP 2,006 | Target Price: INR 2,462 | Potential Upside: 22.7%

BUY

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✗

Company Info

BB Code	ACC IN EQUITY
Face Value (INR)	10.0
52 W High/Low (INR)	2,843/1,839
Mkt Cap (Bn)	INR 377.4 / \$4.4
Shares o/s (Mn)	187.8
3M Avg. Daily Volume	3,53,476

Change in CEBPL Estimates

INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	222.6	226.2	(1.6)	237.1	235.0	0.9
EBITDA	35.2	36.2	(2.8)	40.4	42.3	(4.3)
EBITDAM %	15.8	16.0	(20)bps	17.1	17.9	(83)bps
PAT	21.1	20.3	3.9	24.3	25.3	(3.8)
EPS	112.0	107.8	3.9	129.2	134.3	(3.8)

Actual vs Consensus

INR Bn	Q3FY25A	Consensus Est.	Dev. %
Revenue	58.9	50.0	17.8
EBITDA	11.1	6.4	74.6
EBITDAM %	18.8	12.7	612bps
PAT	10.9	3.6	199.2

Key Financials

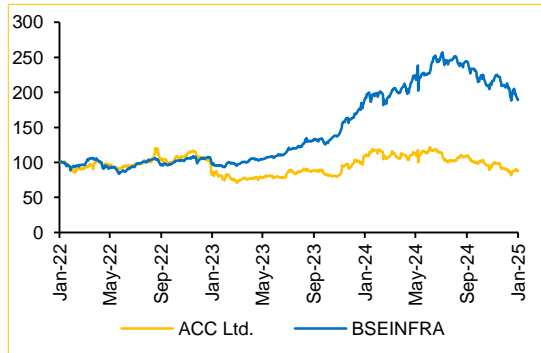
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	222.1	199.5	208.0	222.6	237.0
YoY (%)	37.5	(10.2)	4.3	7.0	6.5
EBITDA	19.2	30.6	28.7	35.2	40.5
EBITDAM %	8.6	15.3	13.8	15.8	17.1
Adj PAT	8.7	21.2	20.7	21.1	24.3
EPS	46.3	113.0	109.9	112.0	129.2
ROE %	6.2	13.3	11.7	10.9	11.3
ROCE %	7.7	13.6	10.5	12.4	13.1
PE(x)	43.4	17.8	18.3	17.9	15.5
EV/EBITDA	19.4	11.3	12.0	9.8	8.5

Shareholding Pattern (%)

	Dec-24	Sep-24	Jun-24
Promoters	56.69	56.69	56.69
FIIIs	5.14	5.50	5.64
DIIIs	24.66	24.43	24.83
Public	13.51	13.38	12.84

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Infra	89.7	92.0	(1.1)
ACC Ltd.	(12.1)	6.5	(19.6)



Ashutosh Murarka

Email: ashutosh.murarka@choiceindia.com

Ph: +91 22 6707 9887

EBITDA beat owing to one-offs, core business growth remains encouraging

- Q3FY25 revenues came at INR58,961 Mn, (vs CEBPL est. INR49,717 Mn), up 19.9% YoY and 28.0% QoQ. The revenue includes one off income from government grants of INR7,201 Mn. After adjusting this one off, company had reported revenue of INR51,759 Mn, up 5.2% YoY and 12.3% QoQ. Sales volume for the quarter came at INR10.7 Mnt, up 20.5% YoY and 15.1% QoQ.
- EBITDA for Q3FY25 was reported at INR11,094 Mn, (vs CEBPL est. INR5,952 Mn), up 22.8% YoY and 158.5% QoQ. After adjusting one off, company had reported EBITDA of INR3,893 Mn, down 56.9% and 9.3% QoQ.
- PAT for Q3FY25 reported at INR10,891 Mn, (vs CEBPL est. INR3,640 Mn), up 106.5% YoY and up 365.7% QoQ. After adjusting one off, company had reported PAT of INR 5,575 Mn, up 5.7% YoY and up 138.4% QoQ. Reported EPS for Q3FY25 is INR57.9. Adjusted EPS is INR29.6.

Total cost/t savings to make EBITDA grow at 9.5% CAGR- We believe the management is on track to achieve its target of reducing total costs by INR 500/t over the next three years. Significant portion of these savings, ~INR 330/t, will stem from reductions in power & fuel costs and freight expenses - commissioning of a 200MW solar power plant at Kavda (green energy focus) & logistics optimization by reducing lead distances. As a result of these initiatives, we forecast EBITDA to grow at a CAGR of around 9.5% from FY24 to FY27.

Capacity Expansion in East and Central regions coupled with strategic pricing and focus on premium products to drive revenue growth: ACC is aiming to expand its total capacity from 39.9 Mnt to 45 Mnt, with capex of INR 10,000 Mn for FY26. Most of the expansion will be concentrated in the East and Central regions. Additionally, the price hikes implemented in December have been well absorbed by the market, and further price increases are expected in the near term. We anticipate that the increase in capacity share in East and Central regions and focus on premium products will drive both volume and pricing growth. With improving demand and pricing conditions, we forecast the company's revenue to grow at a CAGR of 5.9% from FY24 - FY27.

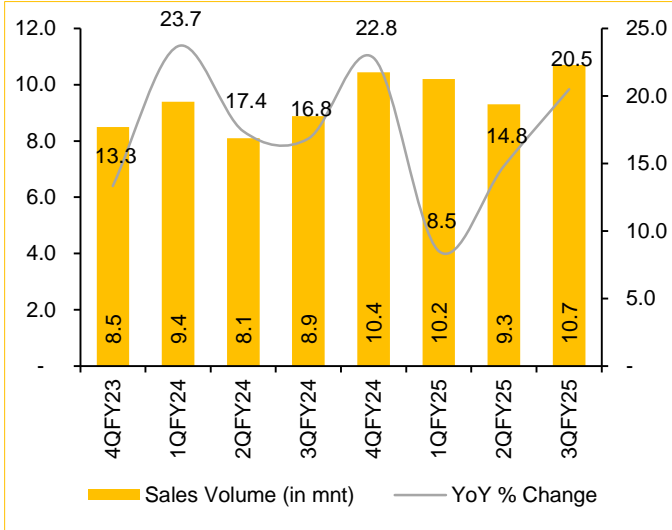
View & Valuation: We revise our FY26/27 EPS estimates by 3.9%/-3.8% while maintaining our rating to 'BUY' with a revised TP of INR2,462, valuing it at 11x on FY27 EV/EBITDA. We are optimistic about cement demand and price improvements and expecting to rebound in Q4FY25. Additionally, cement industry is expected to grow by 4-5% in FY25, with a focus on improving construction activities in Q4, particularly in rural and urban housing developments.

ACC Ltd.	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Volumes	10.7	8.9	20.5	9.3	15.1
Revenues (INR mn)	58,961	49,183	19.9	46,080	28.0
COGS	21,858	13,424	62.8	18,063	21.0
Power and Fuel Cost	8,414	10,136	(17.0)	7,721	9.0
Freight Exp.	10,394	9,629	8.0	9,490	9.5
Employee cost	1,949	1,783	9.3	1,790	8.9
Other Expenses	5,251	5,180	1.4	4,725	11.1
EBITDA (INR mn)	11,094	9,032	22.8	4,292	158.5
EBITDA Margins (%)	18.8	18.4	45 bps	9.3	950 bps
Depreciation	2,498	2,343	6.6	2,317	7.8
EBIT (INR mn)	8,597	6,689	28.5	1,975	335.2
EBIT Margin (%)	14.6	13.6	98 bps	4.3	1,029 bps
Other Income	6439	839	667.4	1540	318.1
Interest	282	339	-16.8	333	(15.3)
PBT	14753	7,189	105.2	3,182	363.6
Tax	3863	1914	101.8	843	358.0
PAT (INR mn)	10,891	5,275	106.5	2,339	365.7
Basic EPS (INR)	57.9	28.1	106.5	12.4	365.7

Management Call - Highlights

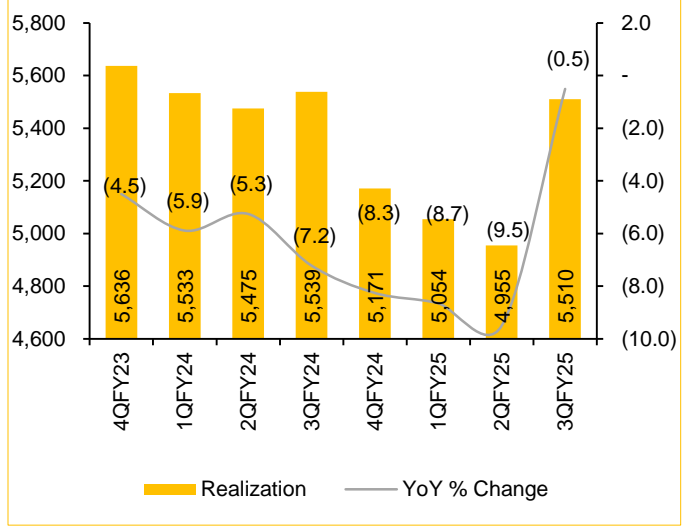
- The Sindri grinding unit is set to expand its cement capacity by 1.6 MTPA by Q4FY25E, with advance stage of completion and commissioning. Another key expansion is at the Salai Banwa grinding unit, aiming to increase capacity by 2.4 MTPA by Q1FY26E. Additionally, ACC Ltd. is undertaking brownfield expansions at its Bhatinda grinding unit in Punjab and Marwar grinding unit in Rajasthan, both expected to be commissioned in the Q2FY26 with a capacity of 1.2 MTPA and 2.4 MTPA. These developments will enhance the company's production capacity and align with its strategy to strengthen market presence.
- Volume grew by 21% YoY, driven by higher trade volumes and an 11% YoY increase in premium product sales, reinforcing market leadership.
- An optimized fuel mix, incorporating low-cost imported petcoke, improved linkage and captive coal consumption, along with synergies with Group companies, led to a 10% reduction in kiln fuel cost from INR1.86 to INR1.68 per '000 Kcal.
- Thermal value decreased from 739 kCal to 732 kCal, with further improvements expected in the coming quarters.
- Logistics costs declined by 9%, driven by efficiency improvements, including a 3 km reduction in secondary lead and a 7pp increase in direct dispatches to 51%.
- The 200 MW solar power plant at Khavda has commenced operations, expected to lower power costs in the upcoming quarters.

Volume grew by 20.5% YoY basis



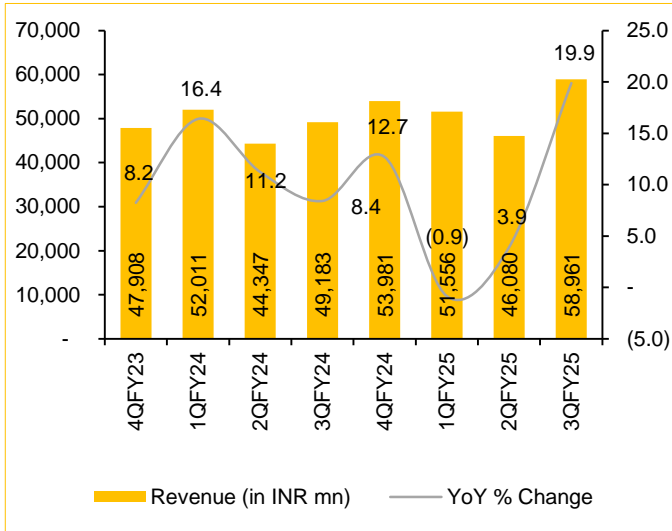
Source: Company, CEBPL

Realization showed a robust improvement in Q3FY25



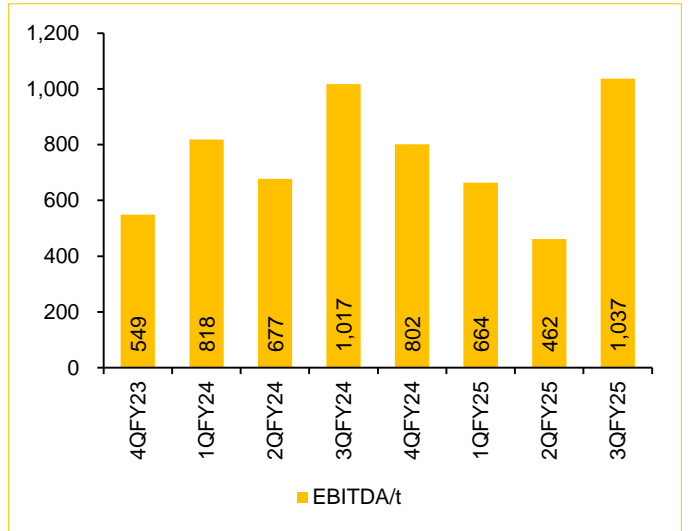
Source: Company, CEBPL

Robust growth in revenue supported by govt grants



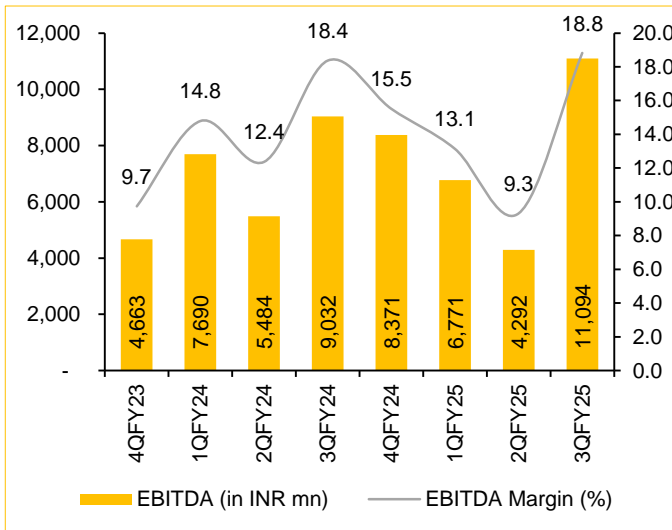
Source: Company, CEBPL

Cost reduction drove robust improvement in EBITDA/t



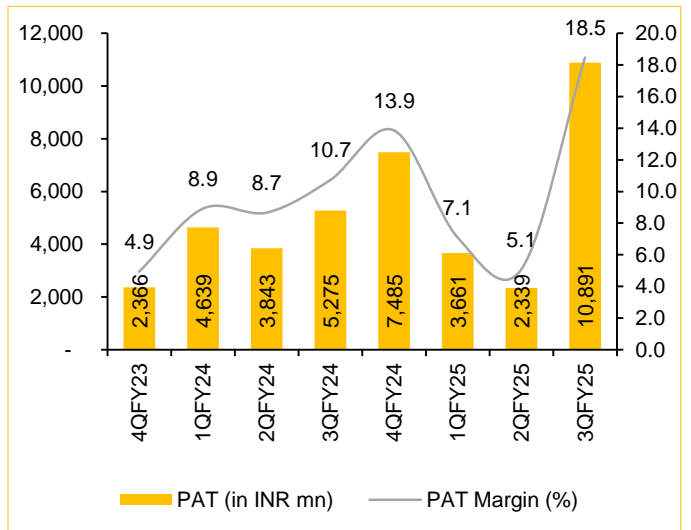
Source: Company, CEBPL

EBITDA Margins improved by 45bps YoY including one off



Source: Company, CEBPL

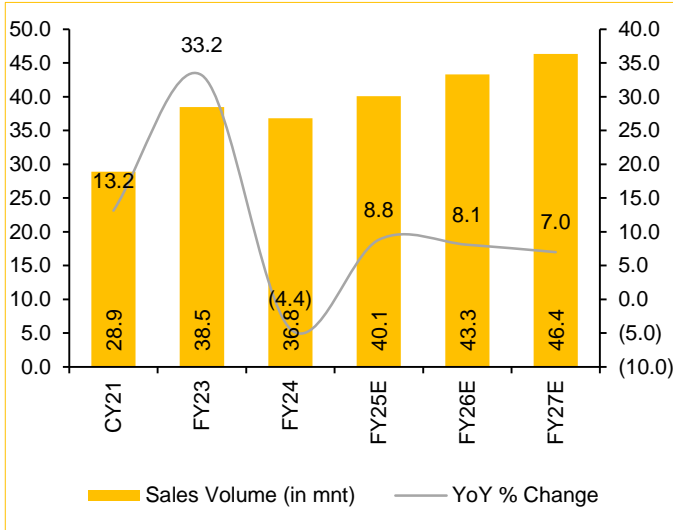
PAT margin was 18.5% in Q3, driven by higher other income



Source: Company, CEBPL

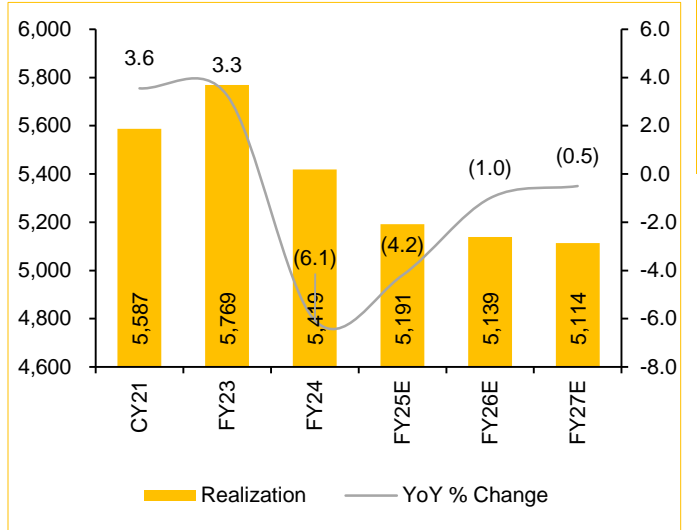
*All figures are in INR Million

Volume expected to grow at 8.0% CAGR from FY24-27



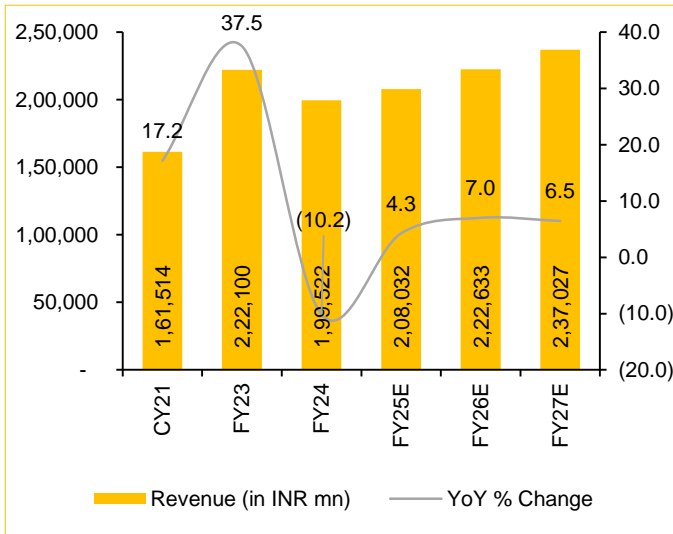
Source: Company, CEBPL

Realisation seems to have bottomed out, expected to grow



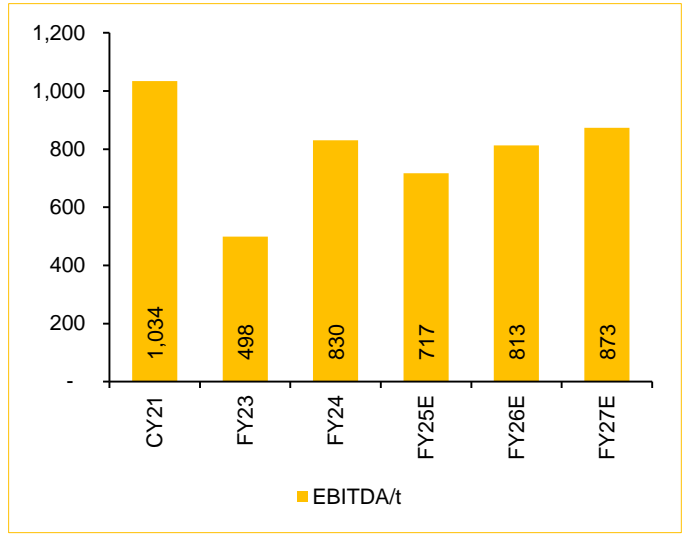
Source: Company, CEBPL

Revenue expected to grow at 5.9% CAGR from FY24-27



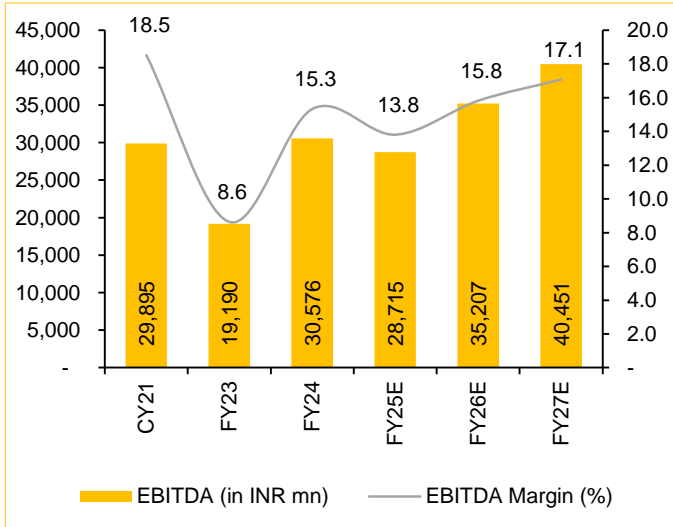
Source: Company, CEBPL

Cost reduction initiatives led to increase in EBITDA/t



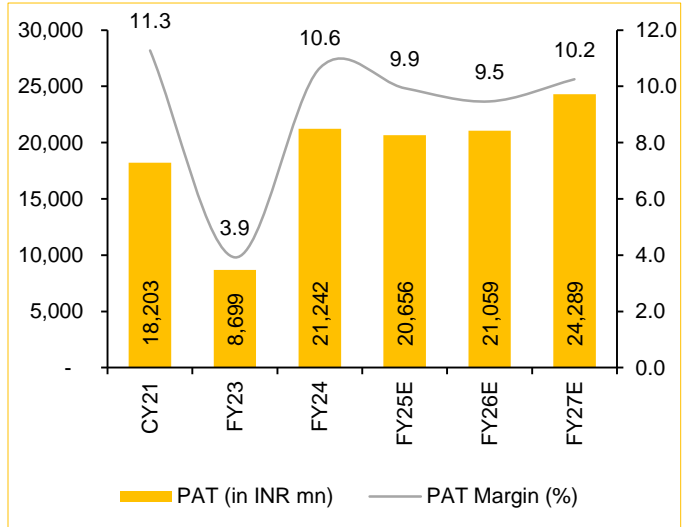
Source: Company, CEBPL

EBITDA expected to grow at a CAGR of 9.8% over FY24-27



Source: Company, CEBPL

PAT is expected to grow at a CAGR of 4.6% over FY24-27



Source: Company, CEBPL

*All figures are in INR Million

Income statement (Standalone in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	2,22,100	1,99,522	2,08,032	2,22,633	2,37,027
Gross profit	1,67,739	1,41,365	1,30,644	1,38,033	1,44,586
EBITDA	19,190	30,576	28,715	35,207	40,451
Depreciation	8,351	8,763	10,087	11,143	12,364
EBIT	10,839	21,814	18,629	24,064	28,087
Other Income	3,372	4,915	10,402	5,566	5,926
Interest Expenses	772	1,538	1,378	1,438	1,498
Exceptional Item	(1,618)	-	-	-	-
PAT	8,699	21,242	20,656	21,059	24,289
EPS (INR)	46.3	113.0	109.9	112.0	129.2

Source: Company, CEBPL

Balance sheet (Standalone in INR Mn.)

Balance Sheet (Rs. Mn.)	FY23	FY24	FY25E	FY26E	FY27E
Tangible fixed assets	74,863	92,273	98,917	1,04,774	1,12,410
Capital Work in Progress	16,831	9,720	10,692	11,762	12,938
Investments	1,927	13,741	13,741	14,356	15,033
Cash & Cash equivalents	2,868	16,711	19,026	17,851	17,798
Loans & Advances and Other Assets	82,614	69,711	69,698	71,502	73,487
Net Working Capital	8,594	7,699	14,819	19,520	24,677
Total assets	1,87,697	2,09,855	2,26,893	2,39,764	2,56,343
Shareholder's funds	1,40,430	1,60,220	1,76,923	1,94,029	2,14,365
Borrowings	-	-	-	-	-
Deferred Tax	4,331	4,543	4,543	4,088	3,680
Other Liabilities & Provisions	42,935	45,093	45,428	41,646	38,299
Total equity & liabilities	1,87,697	2,09,855	2,26,893	2,39,764	2,56,343
Capital Employed	1,40,430	1,60,220	1,76,923	1,94,029	2,14,365
Invested Capital	1,20,732	1,33,789	1,47,205	1,64,417	1,83,628

Source: Company, CEBPL

Cash Flows (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
CFO	(12,388)	29,804	25,336	22,901	27,252
Capex	(21,025)	(14,019)	(15,972)	(18,069)	(21,176)
FCF	(33,413)	15,785	9,364	4,832	6,076
CFI	(46,420)	(11,699)	(15,972)	(18,685)	(21,853)
CFF	(12,377)	(4,423)	(5,331)	(5,391)	(5,451)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	37.5	(10.2)	4.3	7.0	6.5
EBITDA	(35.8)	59.3	(6.1)	22.6	14.9
Margin ratios (%)					
EBITDA	8.6	15.3	13.8	15.8	17.1
PAT	3.9	10.6	9.9	9.5	10.2
Performance Ratios (%)					
OCF/EBITDA (X)	(0.6)	1.0	0.9	0.7	0.7
OCF/IC	(10.3)	22.3	17.2	13.9	14.8
ROE	6.2	13.3	11.7	10.9	11.3
ROCE	7.7	13.6	10.5	12.4	13.1
Turnover Ratios (Days)					
Inventory	27	34	38	42	45
Debtor	14	15	20	22	25
Payables	27	35	32	32	32
Cash Conversion Cycle	14	14	26	32	38
Financial Stability ratios (x)					
Net debt to Equity	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
Net debt to EBITDA	(0.1)	(0.5)	(0.7)	(0.5)	(0.4)
Interest Cover	14.0	14.2	13.5	16.7	18.8
Valuation metrics					
Fully diluted shares (Mn)	188	188	188	188	188
Price (INR)	2,006	2,006	2,006	2,006	2,006
Market Cap(INR Mn)	3,77,128	3,77,128	3,77,128	3,77,128	3,77,128
PE(x)	43.4	17.8	18.3	17.9	15.5
EV (INR Mn)	3,72,333	3,46,677	3,44,362	3,44,921	3,44,297
EV/EBITDA (x)	19.4	11.3	12.0	9.8	8.5
Price to BV (x)	2.7	2.4	2.1	1.9	1.8
EV/IC (x)	3.1	2.6	2.3	2.1	1.9
EV/OCF	(30.1)	11.6	13.6	15.1	12.6

Source: Company, CEBPL

Historical Price Chart: ACC Limited



Institutional Research Team

Utsav Verma	Head of Research – Institutional Equities	utsav.verma@choiceindia.com	+91 22 6707 9440
Deepika Murarka	Analyst – Pharmaceuticals / Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Ashutosh Murarka	Analyst – Cement / Building Material	ashutosh.murarka@choiceindia.com	+91 22 6707 9887
Putta Ravi Kumar	Analyst – Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Aayush Saboo	Analyst – Real Estate & Infrastructure	aayush.saboo@choiceindia.com	+91 22 6707 9512
Maitri Sheth	Analyst – Pharmaceuticals / Healthcare	maitri.sheth@choiceindia.com	+91 22 6707 9511
Bharat Kumar Kudikyala	Associate – Cement / Building Material	bharat.kudikyala@choiceindia.com	+91 22 6707 9887
Arshay Agarwal	Associate – Banking & Financial Services	arshay.agarwal@choiceindia.com	+91 22 6707 9521
Heet Chheda	Associate – Automobile	heet.chheda@choiceindia.com	+91 22 6707 9952
Aryan Goyal	Associate – Auto	aryan.goyal@choiceindia.com	+91 22 6707 9517
Rushil Katiyar	Associate – Information Technology	rushil.katiyar@choiceindia.com	+91 22 6707 9887

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Compliance Officer--Prashant Salian, Email Id – Prashant.salain@choiceindia.com Contact no. 022- 67079999- Ext-2310

Grievance officer-Deepika Singhvi Tel.022-67079999- Ext-834. Email- ig@choiceindia.com

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