

Beat Led By Incentive & Higher Other Income

Est. Vs. Actual for Q3FY25: Revenue – **BEAT**; EBITDA Margin – **BEAT**; PAT – **BEAT**

Change in Estimates post Q3FY25 (Abs.)

FY25E/FY26E: Revenue: 5%/5%; EBITDA: 25%/6%; PAT: 66%/3%

Recommendation Rationale

- **Strong volume growth:** In Q3FY25, the company achieved a 20% YoY increase in volume, reaching 10.7 mtpa, driven by higher trade volumes and an 11% YoY increase in premium product volumes, further strengthening its market leadership. It maintained its dominant position across key markets. The company's capacity expansion plans remain on schedule, and they are expected to support sustained volume growth in the future. It is projected to deliver a volume growth of 14% CAGR over FY23-FY26E.
- **Lower realisation impacts EBITDA margins (adjusted for incentive received):** During the quarter, blended cement prices declined by 12% YoY and 2% QoQ, settling at Rs 4,867/tonne on an adjusted basis. This negatively impacted the EBITDA margin, leading to a decline of 1080 bps YoY and 190 bps QoQ despite stable production costs.
- **Robust cement demand to sustain:** Cement demand is expected to remain strong, with the industry projected to grow at a CAGR of 7-8% over FY23-FY26. This growth is likely to be driven by higher spending on infrastructure projects, affordable and rural housing initiatives, an increase in private capital expenditure, and sustained demand from the real estate sector.

Sector Outlook: Positive

Company Outlook & Guidance: The cement sector recorded a modest 1.5-2% growth during H1FY25. Cement demand is expected to rebound in Q4FY25 as construction activity picks up in the infrastructure and housing segments. The pro-infra and housing focus in Budget 2025 and increased government spending on infrastructure and construction will likely further drive this growth. Cement demand for FY25 is projected to grow in the range of 4-5%.

Current Valuation: 11x FY26 EV/EBITDA (Earlier Valuation: 12x FY26 EV/EBITDA)

Current TP: Rs 2,380/ share (Earlier TP: Rs 2,475/share)

Recommendation: We change our rating from **HOLD** to **BUY** on the recent correction in stock price.

Alternative BUY Ideas from our Sector Coverage: Dalmia Bharat (TP-2,000/share), UltraTech Cement (TP-13,510), JK Cement (TP-5,380/share)

Financial Performance

ACC reported results that exceeded expectations, driven by higher incentives and other income during the quarter. Adjusted for these, sales were above expectations, while the EBITDA margin was below the anticipated 12%, coming in at 7.6%. The company posted a 6% YoY revenue growth on an adjusted basis, supported by a 20% volume growth to 10.7 mtpa, attributed to increased trade volumes and higher sales of premium products.

The adjusted EBITDA margin of 7.6% compared to 18.4% YoY was below estimates, primarily due to lower realisations. ACC's blended EBITDA per tonne stood at Rs 1,043, up 3% YoY, while adjusted EBITDA per tonne was Rs 370. On an adjusted basis, blended realisations per tonne were Rs 4,867, down 12% YoY and 2% QoQ. Cost per tonne remained flat both YoY and QoQ at Rs 4,497. The company reported a profit of Rs 1,097 Cr, up 103% YoY, while APAT stood at Rs 371 Cr.

Outlook: The company's capacity expansion plans are progressing well and are expected to contribute to its volume growth in the future. The increased expenditure on infrastructure development, particularly in areas such as roads, railways, affordable housing, and other initiatives, will catalyse cement demand. Additionally, improved synergies with other group entities will further support the company's growth trajectory in the foreseeable future. Given these factors, the company's mid-to-long-term prospects remain positive. However, lower cement prices pose challenges to the company's operational performance in the short term.

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	5,927	28	21	4,981	19%
EBITDA	1,116	156	23	604	85%
EBITDA Margin	18.8%	930bps	400bps	12.1%	670bps
Net Profit	1,092	447	103	319	242%
EPS (Rs)	58	447	103	17	242%

Source: Company, Axis Securities Research

(CMP as of 27th January 2025)

CMP (Rs)	1995
Upside /Downside (%)	19%
High/ Low (Rs)	2844/1839
Market cap (Cr)	47,506
Avg. daily vol. (6m) Shrs.	3,80,000
No. of shares (Cr)	18.8

Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	56.7	56.7	56.7
FIIs	5.6	5.5	5.1
MFs / UTI	15.7	15.4	15.2
Banks / FIs	0.1	0.1	0.1
Others	21.9	22.4	22.9

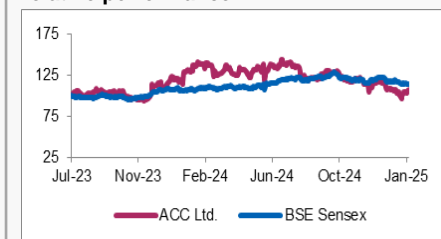
Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	19,959	21,591	24,043
EBITDA	3,062	3,113	3,519
Net Profit	1,988	2,223	1,980
EPS (Rs)	118	118	105
PER (x)	17	17	19
P/BV (x)	10	10	9
EV/EBITDA (x)	2.6	2.3	2.1
ROE (%)	15	13	10

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	5%	5%
EBITDA	25%	6%
PAT	66%	3%

Relative performance



Source: Ace Equity

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Valuation & Recommendation

The stock is currently trading at 10x FY26E EV/EBITDA and EV/tonne of \$86. **We change our rating on the stock from HOLD to BUY** with a TP of Rs 2,380/share, implying an upside potential of 19% from the CMP.

Key Result Highlights

- **Volume Growth:** The company achieved volume growth of 20% YoY, reaching 10.7 MTPA, driven by higher trade sales volume and premium product higher by 11%.
- **Power/Fuel:** The kiln fuel cost reduced by 10% from Rs 1.86 per Kcal to Rs 1.68 per KCal, attributed to the optimisation of the fuel mix and higher consumption of alternative fuels. The Green power share increased by 5.7% to 18.7%. Overall power/fuel cost was down by 30%/5% YoY/QoQ at Rs 797/tonne. Thermal value reduced from 739 kCal to 732 kCal, expect further improvement in coming quarters.
- **Freight:** During the quarter, the freight cost per tonne decreased by 11% YoY and 4% QoQ to Rs 960. This reduction was attributed to better route planning and lower lead distance.
- **RMX & Construction Chemical business:** The company's RMX and Construction Chemicals businesses are showing a positive uptrend and are expected to grow faster due to improved market demand and rapid urbanisation.
- **Cash & Cash Equivalent:** Cash & Cash equivalent stood at Rs 2,526 Cr. Consolidated net worth stood at Rs 17,816 Cr, up Rs 1091 Cr during the current quarter.

Key Risks to Our Estimates and TP

- Lower realisation and demand in its key market.
- Further delay in capacity expansion to result in market share loss.

Change in Estimates

	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	21,591	24,043	20573	22819	5%	5%
EBITDA	3,113	3,519	2497	3325	25%	6%
PAT	2,223	1,979	1343	1915	66%	3%

Source: Company, Axis Securities Research

Result Review Q3FY25

(Rs Cr)	Quarterly Performance				
	Q3FY25	Q2FY25	Q3FY24	% Chg QoQ	% Chg YoY
Net sales	5927	4614	4,914	28%	21%
Expenditure	4812	4177	4,009	15%	20%
EBITDA	1,116	436	905	156%	23%
Other income	648	159	86	309%	652%
Interest	28	33	34	-15%	-17%
Depreciation	260	242	235	7%	10%
PBT	1,476	319	722	362%	104%
Tax	385	84	192	356%	101%
APAT	1092	200	538	447%	103%
EBITDA margin (%)	18.8%	9.5%	18.4%	930bps	40bps
EPS (Rs)	58.1	10.6	28.6	447%	103%

Source: Company, Axis Securities Research

Volume/ Realization / Cost Analyses

(Rs Cr)	Quarterly Performance				
	Q3FY25	Q2FY25	Q3FY24	% Chg QoQ	% Chg YoY
Volume/mnt	10.70	9.30	8.90	15%	20%
Realisation/tonne (Rs)	5540	4961	5,522	12%	0%
Cost/tonne (Rs)	4497	4492	4,505	0%	0%
Raw material/tonne (Rs)	2050	1926	1,507	6%	36%
Staff Cost/tonne (Rs)	185	195	200	-5%	-8%
Power & Fuel/tonne (Rs)	797	842	1,141	-5%	-30%
Freight/tonne (Rs)	960	1002	1,074	-4%	-11%
Other Expenses /tonne (Rs)	505	527	583	-4%	-14%
EBITDA/tonne (Rs)	1043	469	1,017	122%	3%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Net sales	22210	19959	21591	24043
Other operating income	0	0	0	0
Total income	22210	19959	21591	24043
Raw Material	5454	5811	7800	8736
Power & Fuel	5743	4003	3592	3951
Freight & Forwarding	5140	4170	4195	4615
Employee benefit expenses	1036	692	727	799
Other Expenses	2912	2220	2164	2423
EBITDA	1925	3062	3113	3519
Other income	342	493	1004	481
PBIDT	2267	3555	4118	4000
Depreciation	841	883	977	1185
Interest & Fin Chg.	77	155	140	144
E/o income / (Expense)	0	0	0	0
Pre-tax profit	1348	2517	3002	2671
Tax provision	317	542	783	696
RPAT	1031	1975	2219	1975
Minority Interests	0	0	0	0
Associates	16	13	4	4
APAT after EO item	1047	1988	2223	1980

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Total assets	20544	23386	25657	27680
Net Block	9196	11011	12645	14345
CWIP	1684	986	986	986
Investments	145	33	33	33
Wkg. cap. (excl cash)	1000	771	832	927
Cash / Bank balance	415	1863	2218	2210
Misc. Assets	8104	8721	8942	9178
Capital employed	20544	23386	25657	27680
Equity capital	188	188	188	188
Reserves	13950	16142	18177	19969
Minority Interests	3	4	4	4
Borrowings	274	0	0	0
DefTax Liabilities	178	152	152	152
Other Liabilities and Provision	5950	6901	7136	7367

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Profit before tax	1203	2759	3006	2675
Depreciation	841	883	977	1185
Interest Expenses	77	155	140	144
Non-operating/ EO item	-331	-741	-1009	-485
Change in W/C	-2671	133	-61	-95
Income Tax	-404	-182	-783	-696
Operating Cash Flow	-1284	3007	2270	2728
Capital Expenditure	-2105	-1395	-2591	-2885
Investments	0	0	0	0
Others	215	512	1004	481
Investing Cash Flow	-1890	-883	-1587	-2404
Borrowings	0	0	0	0
Interest Expenses	-60	-143	-140	-144
Dividend paid	-1089	-175	-188	-188
Others	0	0	0	0
Financing Cash Flow	-1149	-319	-328	-332
Change in Cash	-4323	1805	355	-8
Opening Cash	7367	257	1604	1959
Closing Cash	3044	2062	1959	1951

Source: Company, Axis Securities Research

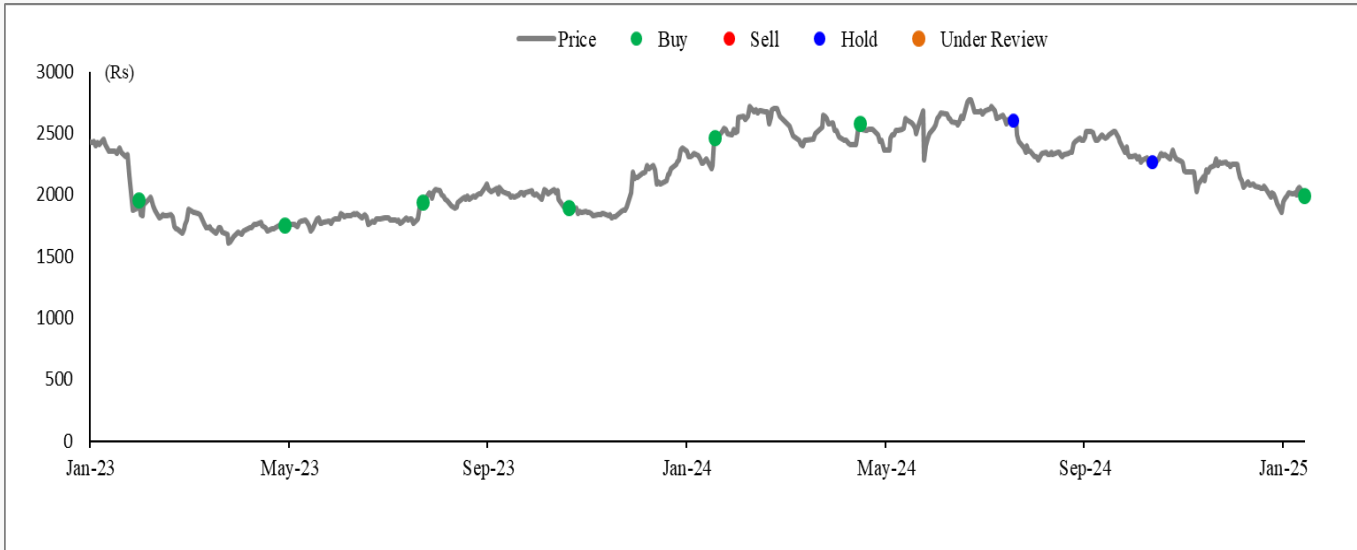
Ratio Analysis

(%)

Y/E March	FY23	FY24	FY25E	FY26E
Operational Ratios				
Sales growth	38%	-10%	8%	11%
OPM	8.7%	15.3%	14.4%	14.6%
Op. profit growth	-36%	59%	2%	13%
COGS / Net sales	74%	70%	72%	72%
Overheads/Net sales	18%	15%	13%	13%
Depreciation / G. block	7.2%	6.2%	6.0%	6.0%
Efficiency Ratios				
Total Asset Turnover (x)	1.90	1.40	1.28	1.22
Sales/Gross block (x)	1.90	1.40	1.28	1.22
Sales/Net block(x)	2.53	2.04	1.89	1.83
Working capital/Sales (x)	0.29	0.31	0.29	0.26
Valuation Ratios				
PER (X)	51.0	16.9	16.9	18.9
P/BV (x)	2.98	2.58	2.30	2.09
EV/Ebitda (x)	21.64	10.40	10.12	8.95
EV/Sales (x)	1.88	1.60	1.46	1.31
EV/Tonne \$ (x)	141	96	89	86
Return Ratios				
ROE	6.2	14.5	12.8	10.3
ROCE	9.5	16.6	17.2	13.9
ROIC	12.4	25.6	25.5	19.8
Leverage Ratios				
Debt/equity (x)	0.00	0.00	0.00	0.00
Net debt/ Equity (x)	-0.24	-0.35	-0.33	-0.30
Interest Coverage ratio (x)	18.45	17.28	22.50	19.51
Net debt/ Ebitda (x)	-1.80	-1.84	-1.93	-1.70
Cash Flow Ratios				
OCF/Sales	-0.06	0.15	0.11	0.11
OCF/Ebitda	-0.64	0.98	0.73	0.78
OCF/Capital Employed	-0.08	0.17	0.12	0.13
FCF/Sales	-0.15	0.08	-0.01	-0.01
Payout ratio (Div/NP)	20	6	8	9
AEPS (Rs)	47	118	118	105
AEPS Growth	-52.5	150.4	0.3	-11.0
CEPS (Rs)	92	165	170	168
DPS (Rs)	9	8	10	10

Source: Company, Axis Securities Research

ACC Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
01-Feb-23	BUY	2,450	Result Update
03-May-23	BUY	2,380	Result Update
28-Jul-23	BUY	2,540	Result Update
27-Oct-23	BUY	2,460	Result Update
29-Jan-24	BUY	2,750	Result Update
26-Apr-24	BUY	2,900	Result Update
30-Jul-24	HOLD	2,750	Result Update
25-Oct-24	HOLD	2,475	Result Update
28-Jan-25	BUY	2,380	Result Update

Source: Axis Securities Research

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