

ACC Ltd.

BUY

Choice

## Focus on to improve EBITDA/t by taking cost improvement initiatives

ACC Ltd. Q1FY25 volumes came at INR10.2mnt, down 2.3% QoQ but up 8.5% YoY, driven by high acceptance of premium products. However, cement demand is impacted due to election and floods. Revenue for quarter came at INR51,556mn, down 4.5% QoQ and 0.9% YoY. EBITDA/t for the quarter came at INR664/t, down 17.2% QoQ and 18.9% YoY. The decline in EBITDA/t was mainly led by lower realizations. PAT for quarter stood at INR3,661mn, down 51.1% QoQ and 21.1% YoY. EPS for Q1FY25 was INR19.5.

- **Expansion plan remains strong:** ACC Ltd has recently launched a 16.3 MW WHRS at Ametha, increasing their total WHRS capacity to 46.3 MW. Progress on additional WHRS facilities at Chanda (18 MW) and Wadi (21.5 MW) is on track, with commissioning expected in Q2FY25E, which will bring the total capacity to 86 MW, accounting for 25% of the company's total power needs. Additionally, ACC Ltd has strategic plans to expand the Sindri grinding unit, aiming to increase cement capacity by 1.6 mtpa by Q4FY25E. This project is already in progress, with the EPC contract awarded and activities underway. Further expansion initiatives are planned for the Salai Banwa grinding unit, targeting a 2.4 mtpa capacity increase by Q1FY26E, and brownfield expansions at the Bhatinda grinding unit in Punjab and the Marwar grinding unit in Rajasthan are also set to be commissioned in the coming quarters.
- **Realisation is expected to remain under pressure:** During the quarter, cement prices declined, leading management to anticipate continued pressure on pricing. The company reported a realization of INR5,054/t, down 2.2% QoQ and 8.7% YoY. Cement prices have shown persistent weakness over the past 7-8 quarters, with average Pan-India prices declining by 2% to 3% QoQ. Exit prices in June were an additional 3% lower compared to the Q1 average. Cement prices are expected to remain soft through the monsoon quarter, with an anticipated increase across the industry beginning in Q3FY25E
- **Total cost came at INR4,391/t:** During Q1FY25, raw material cost/t were INR985/t, reflecting an 18.6% increase QoQ and a 12.5% rise YoY. The company is expected to benefit from long-term agreements with key raw material suppliers, which are expected to reduce raw material costs in the coming quarters. Power and fuel costs/t were INR970/t, up 4.1% QoQ but down 18.9% YoY. The decline in power and fuel expenses was driven by Kiln fuel cost improved from INR2.14 per kCal to INR1.73 per kCal with change of fuel basket and higher consumption of alternative fuels. Thermal value reduced from 757 kCal to 739 kCal, with further improvement expected in future quarters. Freight expenses/t for the quarter were INR1,075/t, up 1.7% QoQ but down 13.6% YoY, with expectations of further reductions due to various initiatives, including a modal shift in logistics
- **Valuation and Outlook:** India's cement demand is expected to maintain a growth rate of 7-8%, largely propelled by investments in infrastructure and extensive residential housing projects. The company is targeting to double its capacity to 140mnt by FY28E, a significant increase from its current capacity of 89 mnt. The company's strategy revolves around cost optimization, with a concerted effort to reduce costs to fuel its growth trajectory. As per our FY26E estimates we expect Revenue/EBITDA to grow at a CAGR of 5.7%/13.1% respectively over FY24-FY26E. We maintain our rating to **BUY** and arrive at a target price of INR2,795 implying a EV/EBITDA multiple of 13.0x on FY26E EBITDA.

## Financial Snapshot

Quarter end: March	CY21	FY23	FY24	FY25E	FY26E
Revenue (INR Mn.)	1,61,514	2,22,100	1,99,522	2,14,841	2,48,181
EBITDA (INR Mn.)	29,895	19,190	30,576	31,263	39,097
EBITDA Margins (%)	18.5	8.6	15.3	14.6	15.8
PAT	18,203	8,699	21,242	18,634	24,607
PAT Margins (%)	11.3	3.9	10.6	8.7	9.9
EPS	96.8	46.3	113.0	99.1	130.9

Source: Company, CEBPL

Aug 01, 2024	
CMP (Rs.)	2,590
Target Price (Rs.)	2,795
Potential Upside (%)	7.9

## 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.)	486.4
Mkt Cap (\$ bn.)	5.8
Shares o/s (Mn.)/F.Float	187.7/43
FY24 EPS (Rs.)	113.1
FY26E EPS(Rs.)	130.9

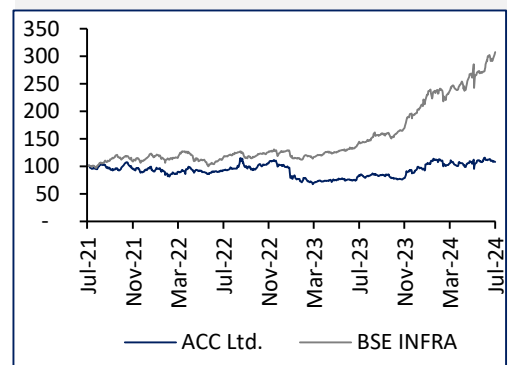
## Shareholding Pattern (%)

	Jun-24	Mar-24	Dec-23
Promoters	56.69	56.69	56.69
FII's	5.64	6.17	6.24
DII's	24.83	24.65	24.15
Public	12.84	12.49	12.92

## Relative Performance (%)

YTD	3Y	2Y	1Y
BSEINFRA	207.7	168.4	112.4
ACC Ltd.	8.2	16.4	28.4

## Rebased Price Performance



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## Sequential Operating Performance

Operating Metrics INR/t	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
Blended Realisation	5,636	5,533	5,475	5,539	5,171	5,054
Raw Material Cost	858	875	888	861	830	985
Employee Cost	249	162	240	201	157	157
Power & Fuel Cost	1,108	1,196	1,093	1,141	931	970
Freight & Handling Expense	1,219	1,245	1,177	1,084	1,058	1,075
Other Expenses	655	592	689	583	541	458
Total Costs	5,088	4,715	4,798	4,522	4,369	4,391
EBITDA	549	818	677	1,017	802	664

Source: Company, CEBPL

## CEBPL Estimates vs Actual for Q1FY25

ACC Ltd. (INR Mn.)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	CEBPL Est.	Dev. (%)
Volumes	10.2	9.40	8.5	10.44	(2.3)	9.7	5.2
Revenues	51,556	52,011	(0.9)	53,981	(4.5)	48,706	5.9
RM Cost	10,043	8,225	22.1	8,666	15.9		
Power and Fuel Cost	9,890	11,239	(12.0)	9,721	1.7		
Freight Exp	10,969	11,705	(6.3)	11,044	(0.7)		
EBITDA (INR Mn.)	6,771	7,690	(12.0)	8,371	(19.1)	7,130	(5.0)
EBITDA Margin (%)	13.1	14.8	(165)Bps	15.5	(237)bps	14.6	(147)bps
Depreciation	2,214	1,991	11.2	2,311	(4.2)		
EBIT (INR Mn.)	4,557	5,699	(20.0)	6,060	(24.8)	4,650	(2.0)
EBIT Margin (%)	8.8	11.0	(212)Bps	11.2	(239)bps	9.5	(66)bps
Other Income	699	782	(10.7)	1215	(42.5)		
Interest	331	251	32.0	660	(49.8)		
PBT	4924	6,231	(21.0)	6,615	(25.6)		
Tax	1263	1592	(20.7)	(870)	(245.1)		
PAT (INR Mn.)	3,662	4,639	(21.1)	7,485	(51.1)	4,390	(16.6)
Basic EPS (INR)	19.5	24.7	(21.1)	39.8	(51.1)	23.4	(16.8)

	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
NSR /t	5,054	5,533	(8.7)	5,171	(2.2)
Cement Cost /t	4,391	4,715	(6.9)	4,369	0.5
EBITDA/t	664	818	(18.9)	802	(17.2)

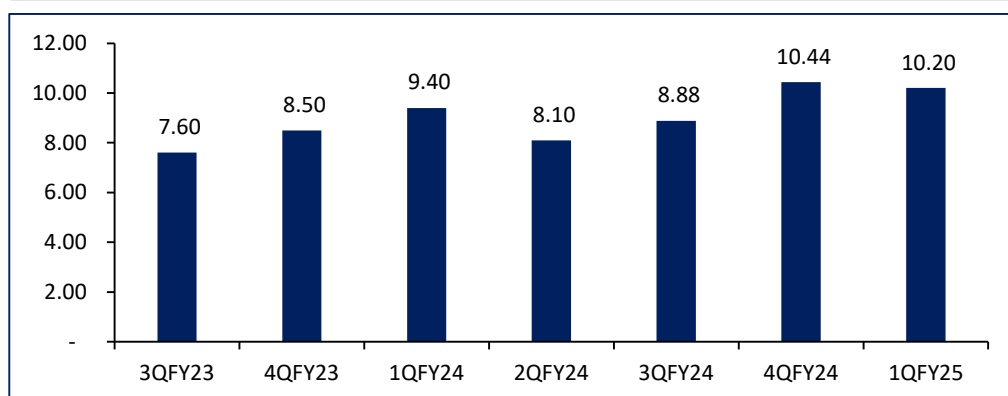
Source: Company, CEBPL

## Change in estimates

Income Statement (INR Mn.)	FY25E			FY26E		
	Old	New	Dev. (%)	Old	New	Dev. (%)
Revenues	2,24,068	2,14,841	(4.1)	2,55,469	2,48,181	(2.9)
Gross Profit Margin (%)	64.1	65.4	131 bps	60.3	63.8	352 bps
EBIT	26,806	31,263	16.6	22,885	39,097	70.8
EBIT Margin (%)	12.0	14.6	259 bps	9.0	15.8	680 bps
EPS	71.8	99.1	38.0	58.5	130.9	123.6

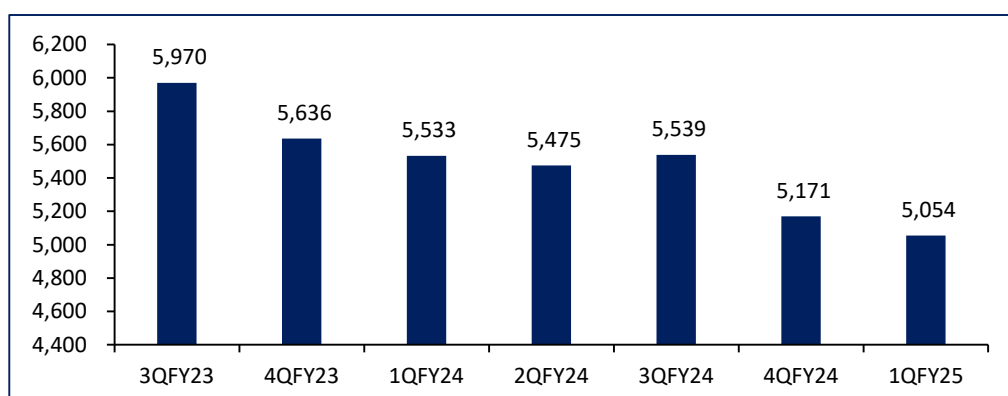
Source: Company, CEBPL

## Sales Volume (MT)



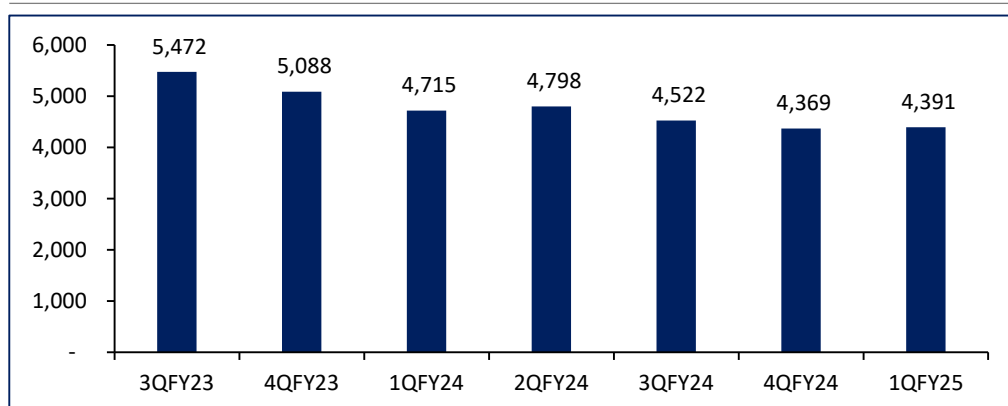
Source: Company, CEBPL

## Sales Realisation INR per Tonne



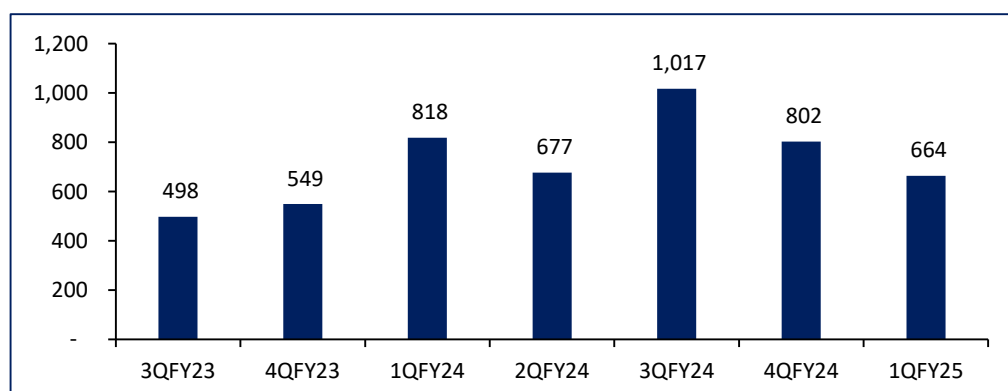
Source: Company, CEBPL

## Total Costs per Tonne



Source: Company, CEBPL

## EBITDA per Tonne



Source: Company, CEBPL

## Management Call - Highlights

- Kiln fuel costs improved from Rs. 2.14 per 1,000 kCal to Rs. 1.73 per 1,000 kCal due to a change in the fuel basket and increased consumption of alternative fuels.
- Cash and cash equivalents stand at INR27,470mn, while net worth is INR165bn , an increase of INR2,190mn from Q4FY24.
- Ongoing green power initiatives are expected to help achieve 60% green power by 2028, reduce costs, improve EBITDA, and accelerate progress towards the SD Plan 2030.
- Embracing the circular economy, the target is to achieve a Total Sustainability Rating (TSR) of 27% by FY'28. Currently, the TSR stands at 11.1%.
- The RMX business is growing steadily, with improved profitability driven by enhanced efficiency parameters and optimized footprint.
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- Ongoing efforts in cost reduction and efficiency improvements, along with volume expansion and synergies between the cement business and the Group, are expected to enhance profitability and margins.
- Other expenses are at previous year levels but are expected to decrease in the coming quarters due to commercial renegotiations, a new business model, elimination of historical and avoidable costs, and synergies with the parent company and group companies.
- Limestone reserves total approximately 8.1 billion metric tonnes, held at nominal to no premium. This strategy aims to minimize issues related to the expiration of limestone reserves by 2030.
- 40% of the fly ash requirement is covered under long-term arrangements, with plans to increase this to over 50% by 2028.
- The capex growth from the current 89 MTPA to 140 MTPA will be financed through internal accruals and operating cash flows.
- Logistics costs are projected to decrease with a higher share of sea transport, expected to reach up to 7% by FY'28, and the use of own BCFC rakes, which will lower fly ash transport costs by Rs. 100 per tonne by FY28E. These measures will contribute to further optimization of logistics expenses.

## Financial Summary Standalone (in INR Mn.)

Income Statement (INR Mn.)	CY21	FY23*	FY24	FY25E	FY26E
Revenue	1,61,514	2,22,100	1,99,522	2,14,841	2,48,181
Gross profit	1,33,086	1,67,739	1,41,365	1,40,550	1,58,414
<b>EBITDA</b>	<b>29,895</b>	<b>19,190</b>	<b>30,576</b>	<b>31,263</b>	<b>39,097</b>
Depreciation	5,973	8,351	8,763	9,916	11,116
<b>EBIT</b>	<b>26,079</b>	<b>14,211</b>	<b>26,729</b>	<b>26,161</b>	<b>33,537</b>
Other income	2,156	3,372	4,915	4,815	5,556
Interest expense	546	772	1,538	1,106	954
<b>PAT</b>	<b>18,203</b>	<b>8,699</b>	<b>21,242</b>	<b>18,634</b>	<b>24,607</b>
EPS (INR)	96.8	46.3	113.0	99.1	130.9

\*FY23 includes number of 15 months

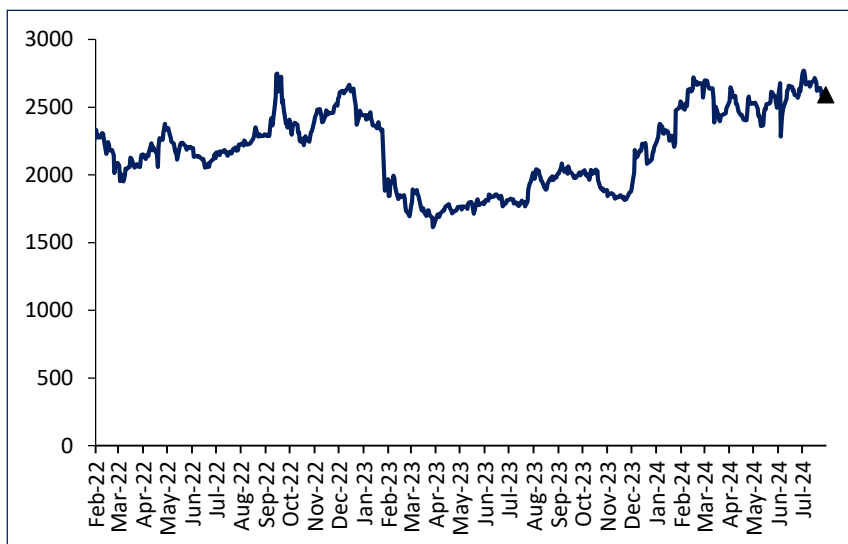
Balance Sheet (INR Mn.)	CY21	FY23	FY24	FY25E	FY26E
Tangible fixed assets	67,228	74,863	92,273	1,04,087	1,12,971
Capital Work in Progress	12,121	16,831	9,720	9,720	9,720
Investments	1,927	1,927	13,741	13,965	17,373
Cash & Cash equivalents	74,029	2,868	16,711	12,278	16,862
Loans & Advances and Other Assets	36,528	82,614	69,711	76,913	88,849
Net Working Capital	(1,635)	8,594	7,699	11,453	13,204
<b>Total assets</b>	<b>1,90,198</b>	<b>1,87,697</b>	<b>2,09,855</b>	<b>2,28,416</b>	<b>2,58,977</b>
Shareholder's funds	1,42,284	1,40,430	1,60,220	1,78,854	2,03,461
Borrowings	3,827	4,331	4,543	4,726	4,964
Total Debt	-	-	-	-	-
Other Liabilities & Provisions	44,086	42,935	45,093	44,835	50,552
<b>Total equity &amp; liabilities</b>	<b>1,90,198</b>	<b>1,87,697</b>	<b>2,09,855</b>	<b>2,28,416</b>	<b>2,58,977</b>
Capital Employed	1,42,284	1,40,430	1,60,220	1,78,854	2,03,461
Invested Capital	56,135	1,20,732	1,33,789	1,56,856	1,76,879

Cash Flows (INR Mn.)	CY21	FY23	FY24	FY25E	FY26E
Cash flows from Operations	75,692	46,252	76,681	52,746	63,707
Cash flows from Investing	(9,890)	(46,420)	(11,699)	(20,000)	(20,000)
Cash flows from financing	(3,305)	(12,377)	(4,423)	(1,106)	(954)

Ratio Analysis 8	CY21	FY23	FY24	FY25E	FY26E
<b>Growth Ratios (%)</b>					
Revenues	17.2	37.5	(10.2)	7.7	15.5
Gross Profit	18.1	26.0	(15.7)	(0.6)	12.7
EBITDA	27.1	(35.8)	59.3	2.2	25.1
EBIT	28.6	(52.2)	144.2	(12.3)	32.1
<b>Margin Ratios (%)</b>					
Gross Profit Margin	82.4	75.5	70.9	65.4	63.8
EBITDA Margin	18.5	8.6	15.3	14.6	15.8
EBIT Margin	16.1	6.4	13.4	12.2	13.5
<b>Profitability (%)</b>					
Return on equity	12.8	6.2	13.3	10.4	12.1
Return on invested capital	34.4	8.7	16.8	12.4	14.3
Return on capital employed	18.3	10.1	16.7	14.6	16.5
<b>Valuation</b>					
P/BV(x)	3.4	3.5	3.0	2.7	2.4
EV / EBITDA (x)	13.8	25.2	15.0	14.8	11.6
EV/IC (x)	7.3	4.0	3.4	2.9	2.6

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

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