

### Volume growth at the expense of realizations

ACC reported weak results with EBITDA adjusted for prior period incentives coming in 25% below our estimate. While volume growth was much better at 20% YoY (including MSA and Sanghi volume), margins took a dent owing to a QoQ decline in realizations against our expectation of an increase. Even operating costs were marginally higher than our expectations. Higher volume from recently acquired capacities of Sanghi and Penna affected realizations and margins. The management expects profitability to improve as capacity utilization of acquired capacities improves and impact of efficiency improvement measures kicks in. We maintain our estimates on ACC and continue to value it based on 10x FY27E EV/EBITDA to arrive at our target price of Rs2,545. We maintain our BUY rating.

#### Q3FY25 result highlights

ACC reported weak numbers for Q3FY25 as adjusted EBITDA came in at Rs4.7bn, which was down 48% YoY and 25% below our expectation. Reported numbers are higher owing to couple of one-off items viz. (1) reversal of tax provision of earlier years amounting to Rs5.3bn and (2) refund of incentives / exemption of excise duty of earlier years amounting to Rs6.37bn. Adjusted for the same and higher income tax, the PAT at Rs2.3bn was down 57% YoY and 28% below our estimate. Volume growth at 20% YoY was much higher. However, the same came at the expense of lower realizations, which declined by 11% YoY and were 2% below our estimate. EBITDA/mt came in at Rs442, down 56%/4% on YoY/QoQ basis.

#### Visibility on future volume growth low

Adani group is planning large capex to increase its capacity from current 98mn mt to 140mn mt. Out of the 42mn mt planned capex, 21mn mt is under construction and 21mn mt is under the 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. Additionally, all the acquisitions from Adani group have naturally come through Ambuja and hence ACC's volume growth will be limited in future.

#### Valuation and Outlook

We are building in 5%/12% revenue/EBITDA CAGR for ACC over FY24-FY27. Volume growth for ACC will largely be driven by MSA agreement with Ambuja and incremental volume from Sanghi and Penna assets. We believe that the timing and valuation of ACC's merger with Ambuja will remain an overhang on the stock. We value ACC based on 10x FY27E EV/EBITDA to arrive at our target price of Rs2,545.

### Financial and valuation summary

YE Mar (Rs mn)	3QFY25A	3QFY24A	YoY (%)	2QFY25A	QoQ (%)	FY25E	FY26E	FY27E
Revenues	52,592	49,183	6.9	46,080	14.1	2,04,570	2,21,358	2,33,948
EBITDA	4,726	9,032	(47.7)	4,292	10.1	28,967	36,250	43,207
EBITDA margin (%)	9.0	18.4	(51.1)	9.3	(3.5)	14.2	16.4	18.5
Adj. Net profit	2,274	5,275	(56.9)	2,339	(2.7)	15,817	19,280	22,342
Adj. EPS (Rs)	12.1	28.1	(56.9)	12.5	(2.7)	84.2	102.7	119.0
EPS growth (%)						(25.5)	21.9	15.9
PE (x)						23.8	19.5	16.8
EV/EBITDA (x)						11.5	9.3	7.8
PBV (x)						2.2	2.0	1.8
RoE (%)						9.5	10.7	11.4
RoCE (%)						10.2	11.4	12.1

Source: Company, Centrum Broking;

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

Result Update

India I Cement

30 January, 2025

**BUY**

Price: Rs2,002

Target Price: Rs2,545

Forecast return: 27%

Institutional Research

#### Market Data

Bloomberg:	ACC IN
52 week H/L:	2,844/1,839
Market cap:	Rs375.9bn
Shares Outstanding:	187.8mn
Free float:	41.2%
Avg. daily vol. 3mth:	3,69,582
Source: Bloomberg	

#### Changes in the report

Rating:	Unchanged
Target price:	Unchanged
EBITDA:	Unchanged

Source: Centrum Broking

#### Shareholding pattern

	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	56.7	56.7	56.7	56.7
FII	5.1	5.5	5.6	6.2
DII	24.8	24.6	25.0	24.8
Public/other	13.4	13.2	12.7	12.3

Source: BSE

#### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q3FY25	Actual Q3FY25	Variance (%)
Revenue	47,540	52,592	10.6
EBITDA	6,310	4,725	-25.1
EBITDA margin	13.3	9.0	(429) bps
Adj. PAT	3,174	2,274	-28.3
EPS (Rs)	16.9	12.0	-28.7

Source: Bloomberg, Centrum Broking



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# Thesis Snapshot

## ACC versus NIFTY Midcap 100

	1m	6m	1 year
ACC IN	(3.1)	(23.1)	(19.7)
NIFTY Midcap 100	(7.5)	(9.7)	9.9

Source: Bloomberg, NSE

## Key assumptions

Y/E Mar	FY25E	FY26E	FY27E
Capacity (mn mt)	38.6	42.6	46.6
Volumes (mn mt)	39.8	41.3	43.0
Realizations	4,746	4,936	5,010
Operating expense	4,417	4,477	4,436
EBITDA/mt	729	877	1,005
Capex	-29,539	-29,953	-29,944
Net Debt	-42,206	-38,901	-40,830

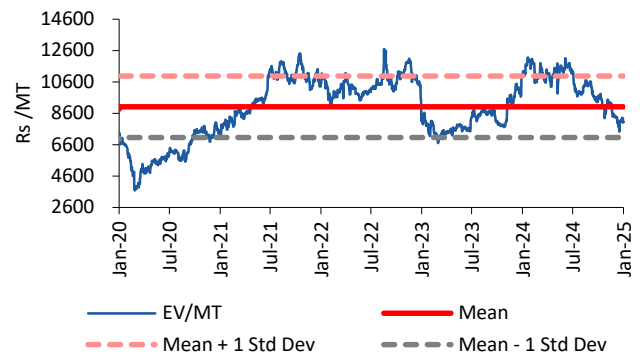
Source: Centrum Broking

## Valuations

We are building in 5%/12% CAGR in revenue/EBITDA for ACC over FY24-FY27E. We value ACC based on 10x FY27E EV/EBITDA to arrive at our target price of Rs2,545

Valuations	Rs/share
FY27E EBITDA	43,207
Target multiple (x)	10.0
Enterprise value	4,32,071
Less: Net debt	(45,830)
Equity value	4,77,901
No of shares (mn)	187.8
<b>Target price (Rs)</b>	<b>2,545</b>

### 1-year forward EV/MT



### EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

## Peer comparison

Company	Mkt Cap	CAGR (FY24-27E)			EV/EBITDA (x)			EV/mt (US\$)			FY26E	
	(Rs bn)	Sales	EBITDA	EPS	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	RoE (%)	ROCE (%)
<b>ACC</b>	<b>376</b>	<b>5.4%</b>	<b>12.2%</b>	<b>1.7%</b>	<b>11.5</b>	<b>9.3</b>	<b>7.8</b>	<b>99.4</b>	<b>94.8</b>	<b>89.2</b>	<b>11%</b>	<b>15%</b>
Ambuja Cement	1,286	13.3%	22.9%	17.2%	24.1	15.9	13.6	181.3	162.6	151.4	8%	10%
Birla Corporation	88	3.5%	9.4%	18.2%	9.5	6.5	5.7	72.4	62.6	53.3	8%	9%
Heidelberg Cement	50	2.3%	15.9%	25.3%	15.5	9.9	8.5	86.7	84.4	81.1	19%	20%
JK Cement	378	10.0%	16.0%	19.3%	25.6	16.0	13.6	214.1	171.5	169.2	19%	13%
JK Lakshmi Cement	96	5.2%	12.5%	12.5%	13.5	8.5	7.4	75.3	66.3	59.6	16%	13%
Nuvoco Vistas	124	5.1%	8.7%	60.5%	10.3	7.7	6.6	76.6	71.6	66.0	5%	8%
Sagar Cements	26	12.0%	31.9%	-237.5%	18.6	10.0	7.5	43.9	43.8	45.0	1%	6%
Shree Cements	958	7.3%	13.9%	13.0%	23.4	16.5	14.4	173.6	157.6	155.7	12%	19%
Star Cements	86	12.9%	17.6%	15.1%	15.0	11.0	9.3	125.3	124.5	122.4	12%	18%
The Ramco Cements	218	6.3%	13.3%	25.0%	17.8	13.5	11.7	137.8	128.8	126.2	8%	9%
Ultratech Cements	3,402	11.2%	19.0%	23.1%	26.5	18.8	15.9	252.5	235.5	216.4	16%	16%

Source: Company, Centrum Broking

**Exhibit 1: ACC – Q3FY25 result summary**

Y/E Mar (Rsmm)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	YoY (%)
<b>Net Sales</b>	<b>49,183</b>	<b>46,080</b>	<b>52,592</b>	<b>6.9</b>	<b>14.1</b>	<b>1,45,541</b>	<b>1,50,227</b>	<b>3.2</b>
Expenditure								
Chg. in stock	(768)	918	558	NA	(39.2)	(633)	1,090	NA
RM consumption	7,645	9,124	10,046	31.4	10.1	23,652	29,213	23.5
Purchase of traded goods	6,547	8,021	11,254	71.9	40.3	18,230	27,268	49.6
Employee cost	1,783	1,790	1,949	9.3	8.9	5,250	5,340	1.7
Freight, packing etc	9,629	9,490	10,394	8.0	9.5	30,867	30,852	(0.0)
Power and fuel	10,136	7,721	8,414	(17.0)	9.0	30,232	26,025	(13.9)
Other exp	5,180	4,725	5,251	1.4	11.1	15,738	14,649	(6.9)
Operating Expenses	40,152	41,788	47,867	19.2	14.5	1,23,336	1,34,438	9.0
<b>EBITDA</b>	<b>9,032</b>	<b>4,292</b>	<b>4,725</b>	<b>(47.7)</b>	<b>10.1</b>	<b>22,206</b>	<b>15,789</b>	<b>(28.9)</b>
<b>EBITDA Margin (%)</b>	<b>18.4%</b>	<b>9.3%</b>	<b>9.0%</b>	<b>(938)bps</b>	<b>(33)bps</b>	<b>15.3%</b>	<b>10.5%</b>	<b>(475)bps</b>
Other Income	839	1,540	1,135	35.3	(26.3)	3,700	3,374	(8.8)
Finance Costs	339	333	282	(16.8)	(15.3)	878	946	7.7
Depreciation	2,343	2,317	2,498	6.6	7.8	6,452	7,029	8.9
PBT	7,189	3,182	3,081	(57.1)	(3.2)	18,576	11,188	(39.8)
Tax	1,914	843	807	(57.8)	(4.3)	4,819	2,913	(39.5)
<b>Reported PAT</b>	<b>5,275</b>	<b>2,339</b>	<b>10,890</b>	<b>106.5</b>	<b>365.7</b>	<b>13,757</b>	<b>(341)</b>	<b>NA</b>
Exceptional Items	-	-	(8,616)	NA	NA	-	(8,616)	NA
<b>Adjusted PAT</b>	<b>5,275</b>	<b>2,339</b>	<b>2,274</b>	<b>(56.9)</b>	<b>(2.7)</b>	<b>13,757</b>	<b>8,275</b>	<b>(39.8)</b>
<b>NPM (%)</b>	<b>10.7%</b>	<b>5.1%</b>	<b>4.3%</b>	<b>(640)bps</b>	<b>(75)bps</b>	<b>9.5%</b>	<b>-0.2%</b>	<b>(968)bps</b>
<b>EPS (Rs.)</b>	<b>28.1</b>	<b>12.4</b>	<b>12.0</b>	<b>(57.1)</b>	<b>(2.7)</b>	<b>73.3</b>	<b>44.1</b>	<b>(39.8)</b>

Source: Centrum Broking, Company Data

**Exhibit 2: ACC - Operational data**

Operational Data	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	YoY (%)
Volume (mn mt)	8.9	9.3	10.7	20.2	15.1	26.4	30.2	14.6
Blended Realisation (Rs/mt)	5,526	4,955	4,915	(11.1)	(0.8)	5,523	4,974	(9.9)
Cement Realisation (Rs/mt)	5,225	4,680	4,652	(11.0)	(0.6)	5,191	4,696	(9.5)
Operating Costs (Rs/mt)	4,511	4,493	4,474	(0.8)	(0.4)	4,681	4,452	(4.9)
<b>EBITDA (Rs/mt)</b>	<b>1,015</b>	<b>462</b>	<b>442</b>	<b>(56.5)</b>	<b>(4.3)</b>	<b>843</b>	<b>523</b>	<b>(38.0)</b>

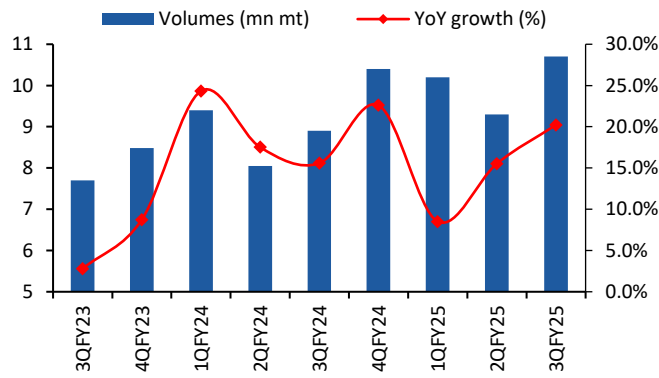
Source: Centrum Broking, Company Data

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

Costs/mt (Rs)	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	YoY (%)	QoQ (%)
(inc)/dec in stock	154	185	-54	80	-86	93	-38	99	52	NA	(47.2)
RM consumption	1,519	1,675	1,574	1,602	1,595	1,596	1,768	1,844	1,991	24.8	8.0
Employee cost	266	250	162	242	200	157	157	192	182	(9.1)	(5.3)
Freight cost	1,308	1,222	1,245	1,184	1,082	1,062	1,075	1,020	971	(10.2)	(4.8)
Power and fuel	1,466	1,111	1,196	1,100	1,139	935	970	830	786	(31.0)	(5.3)
Other expenses	687	656	592	620	582	543	458	508	491	(15.7)	(3.4)
<b>Operating costs/mt</b>	<b>5,401</b>	<b>5,098</b>	<b>4,715</b>	<b>4,828</b>	<b>4,511</b>	<b>4,386</b>	<b>4,391</b>	<b>4,493</b>	<b>4,474</b>	<b>(0.8)</b>	<b>(0.4)</b>
<b>EBITDA/mt</b>	<b>491</b>	<b>550</b>	<b>818</b>	<b>681</b>	<b>1,015</b>	<b>805</b>	<b>664</b>	<b>462</b>	<b>442</b>	<b>(56.5)</b>	<b>(4.3)</b>

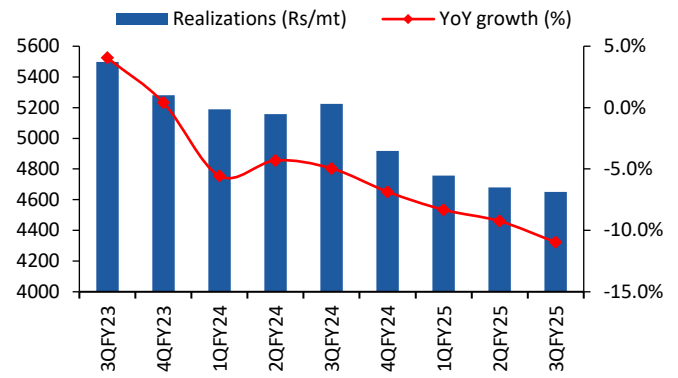
Source: Centrum Broking, Company Data

**Exhibit 4: Volume growth of 20% YoY**



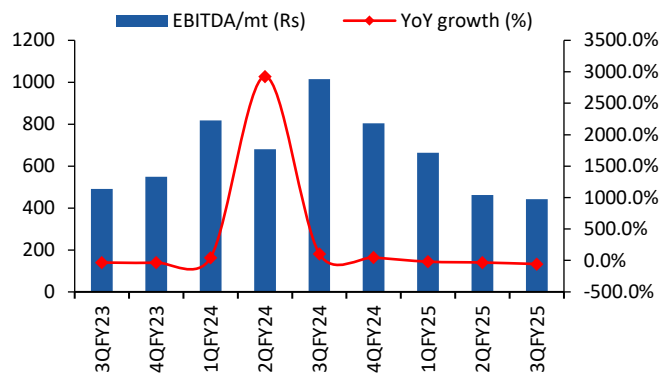
Source: Centrum Broking, Company Data

**Exhibit 5: Cement Realizations down 0.6% on QoQ basis**



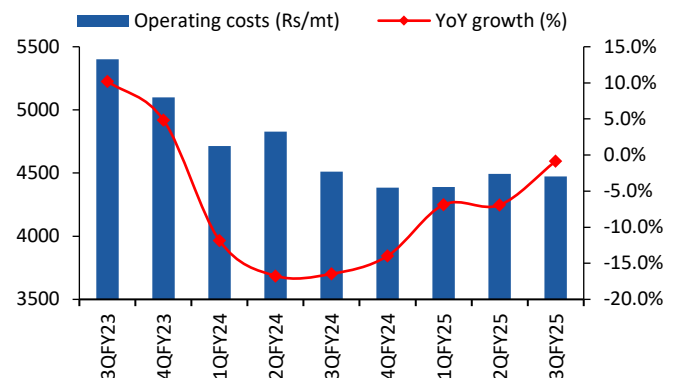
Source: Centrum Broking, Company Data

**Exhibit 6: EBITDA/mt at Rs442**



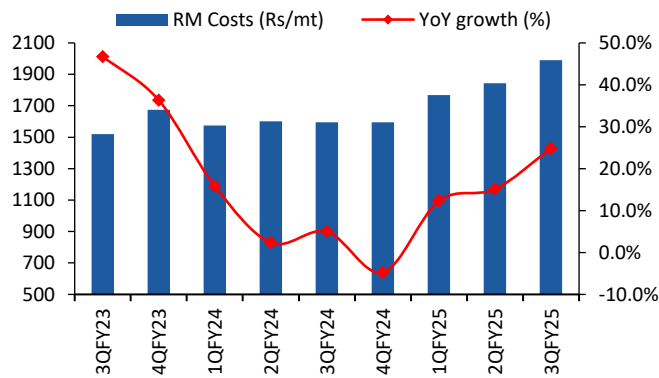
Source: Centrum Broking, Company Data

**Exhibit 7: Operating costs down 0.8% YoY**



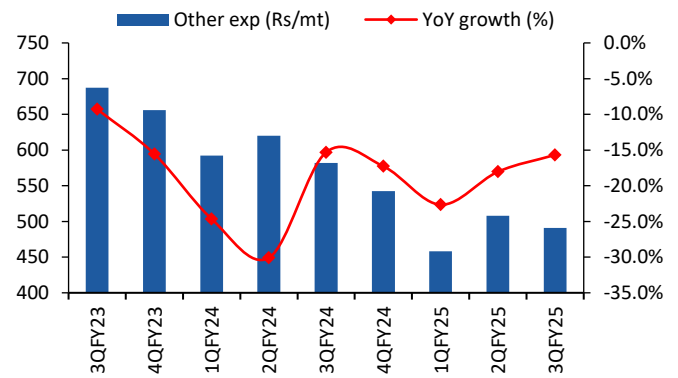
Source: Centrum Broking, Company Data

**Exhibit 8: RM costs up 24.8% YoY**



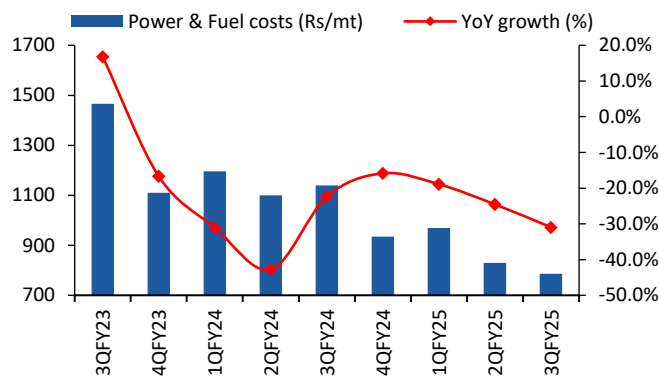
Source: Centrum Broking, Company Data

**Exhibit 9: Other expenses declined by 15.7% YoY**



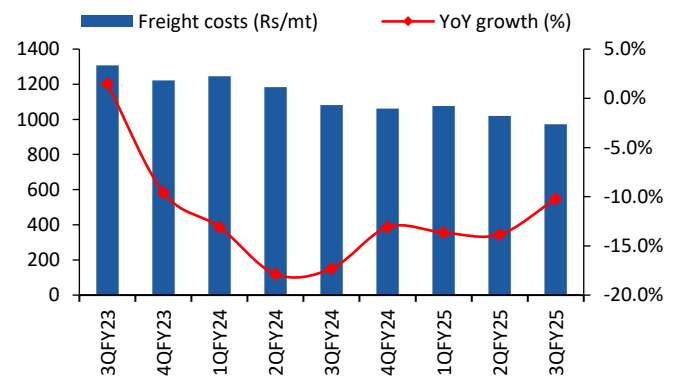
Source: Centrum Broking, Company Data

**Exhibit 10: Power & fuel costs down 31% YoY**



Source: Centrum Broking, Company Data

**Exhibit 11: Freight costs down 10.2% YoY**



Source: Centrum Broking, Company Data

**Exhibit 12: Valuation Summary**

<b>Particulars</b>	<b>Rs mn</b>
FY27E EBITDA	43,207
Target multiple (x)	10.0
Enterprise value	4,32,071
Less: Net debt	(45,830)
Equity value	4,77,901
No of shares (mn)	187.8
<b>Target price (Rs)</b>	<b>2,545</b>

Source: Centrum Broking

P&L					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Revenues</b>	<b>2,22,100</b>	<b>1,99,522</b>	<b>2,04,570</b>	<b>2,21,358</b>	<b>2,33,948</b>
Operating Expense	1,63,426	1,40,021	1,47,189	1,55,703	1,64,713
Employee cost	10,362	7,336	6,856	7,199	7,559
Others	29,122	21,589	21,558	22,206	18,469
<b>EBITDA</b>	<b>19,190</b>	<b>30,576</b>	<b>28,967</b>	<b>36,250</b>	<b>43,207</b>
Depreciation & Amortisation	8,351	8,763	9,674	11,615	13,890
<b>EBIT</b>	<b>10,839</b>	<b>21,814</b>	<b>19,293</b>	<b>24,635</b>	<b>29,317</b>
Interest expenses	772	1,538	1,614	1,693	1,776
Other income	3,372	4,915	3,539	2,922	2,431
<b>PBT</b>	<b>13,439</b>	<b>25,191</b>	<b>21,218</b>	<b>25,864</b>	<b>29,972</b>
Taxes	3,122	3,948	5,401	6,584	7,630
Effective tax rate (%)	23.2	15.7	25.5	25.5	25.5
<b>PAT</b>	<b>10,317</b>	<b>21,242</b>	<b>15,817</b>	<b>19,280</b>	<b>22,342</b>
Minority/Associates	0	0	0	0	0
<b>Recurring PAT</b>	<b>10,317</b>	<b>21,242</b>	<b>15,817</b>	<b>19,280</b>	<b>22,342</b>
Extraordinary items	(1,618)	0	0	0	0
<b>Reported PAT</b>	<b>8,699</b>	<b>21,242</b>	<b>15,817</b>	<b>19,280</b>	<b>22,342</b>

Ratios					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Growth (%)</b>					
Revenue	37.5	(10.2)	2.5	8.2	5.7
EBITDA	(36.0)	59.3	(5.3)	25.1	19.2
Adj. EPS	(46.1)	105.9	(25.5)	21.9	15.9
<b>Margins (%)</b>					
Gross	75.5	70.9	66.2	66.9	66.8
EBITDA	8.6	15.3	14.2	16.4	18.5
EBIT	4.9	10.9	9.4	11.1	12.5
Adjusted PAT	3.9	10.6	7.7	8.7	9.6
<b>Returns (%)</b>					
ROE	7.3	14.1	9.5	10.7	11.4
ROCE	7.7	15.0	10.2	11.4	12.1
ROIC	7.1	14.9	10.4	11.7	12.7
<b>Turnover (days)</b>					
Gross block turnover ratio (x)	1.9	1.4	1.3	1.1	1.0
Debtors	11	16	15	15	15
Inventory	32	45	46	46	47
Creditors	38	44	48	46	46
Net working capital	(8)	(20)	(27)	(26)	(27)
<b>Solvency (x)</b>					
Net debt-equity	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)
Interest coverage ratio	24.9	19.9	18.0	21.4	24.3
Net debt/EBITDA	(1.6)	(1.5)	(1.5)	(1.1)	(0.9)
<b>Per share (Rs)</b>					
Adjusted EPS	54.9	113.1	84.2	102.7	119.0
BVPS	747.8	853.2	917.4	995.1	1,084.1
CEPS	99.4	159.8	135.7	164.5	192.9
DPS	58.0	9.3	20.0	25.0	30.0
Dividend payout (%)	125.2	8.3	23.7	24.3	25.2
<b>Valuation (x)</b>					
P/E	36.5	17.7	23.8	19.5	16.8
P/BV	2.7	2.3	2.2	2.0	1.8
EV/EBITDA	18.0	10.8	11.5	9.3	7.8
Dividend yield (%)	2.9	0.5	1.0	1.2	1.5

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

Balance sheet					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Equity share capital	1,880	1,880	1,880	1,880	1,880
Reserves & surplus	1,38,550	1,58,340	1,70,400	1,84,986	2,01,694
Shareholders fund	1,40,430	1,60,220	1,72,280	1,86,866	2,03,574
Minority Interest	0	0	0	0	0
Total debt	0	0	0	0	0
Non Current Liabilities	3,019	3,729	4,210	4,361	4,610
Def tax liab. (net)	4,331	4,543	4,543	4,543	4,543
<b>Total liabilities</b>	<b>1,47,781</b>	<b>1,68,492</b>	<b>1,81,033</b>	<b>1,95,770</b>	<b>2,12,727</b>
Gross block	1,16,788	1,38,712	1,62,943	1,97,956	2,32,969
Less: acc. Depreciation	(44,541)	(50,890)	(60,535)	(72,211)	(86,170)
Net block	72,247	87,822	1,02,408	1,25,745	1,46,799
Capital WIP	16,831	9,720	15,000	10,000	5,000
Net fixed assets	89,077	97,543	1,17,408	1,35,745	1,51,799
Non Current Assets	21,796	20,705	20,921	21,145	21,380
Investments	1,927	6,154	6,154	6,154	6,154
Inventories	16,235	18,429	18,895	20,445	21,608
Sundry debtors	8,747	8,412	8,625	9,333	9,864
Cash & Cash Equivalents	30,060	45,123	42,206	38,901	40,830
Loans & advances	1,209	539	566	594	623
Other current assets	24,994	22,367	18,562	18,261	17,964
Trade payables	14,922	19,142	19,627	20,013	21,151
Other current liab.	41,282	41,244	42,282	44,401	45,951
Provisions	101	120	120	120	120
Net current assets	24,941	34,364	26,826	23,000	23,668
<b>Total assets</b>	<b>1,47,781</b>	<b>1,68,492</b>	<b>1,81,033</b>	<b>1,95,770</b>	<b>2,12,727</b>

Cashflow					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Profit Before Tax	11,821	25,191	21,218	25,864	29,972
Depreciation & Amortisation	8,351	8,763	9,674	11,615	13,890
Net Interest	772	1,538	1,614	1,693	1,776
Net Change – WC	(26,403)	5,639	4,622	520	1,262
Direct taxes	(3,122)	(3,948)	(5,401)	(6,584)	(7,630)
<b>Net cash from operations</b>	<b>(8,581)</b>	<b>37,182</b>	<b>31,726</b>	<b>33,109</b>	<b>39,270</b>
Capital expenditure	(19,625)	(17,228)	(29,539)	(29,953)	(29,944)
Acquisitions, net	0	0	0	0	0
Investments	(27,193)	(5,446)	0	0	0
Others	(4,804)	1,404	(215)	(225)	(235)
<b>Net cash from investing</b>	<b>(51,622)</b>	<b>(21,270)</b>	<b>(29,755)</b>	<b>(30,178)</b>	<b>(30,179)</b>
<b>FCF</b>	<b>(60,203)</b>	<b>15,913</b>	<b>1,972</b>	<b>2,931</b>	<b>9,091</b>
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	0	0	0	0	0
Dividend paid	(10,892)	(1,753)	(3,756)	(4,695)	(5,634)
Interest paid	(772)	(1,538)	(1,614)	(1,693)	(1,776)
Others	705	1,222	481	151	249
<b>Net cash from financing</b>	<b>(10,959)</b>	<b>(2,070)</b>	<b>(4,888)</b>	<b>(6,237)</b>	<b>(7,162)</b>
Net change in Cash	(71,161)	13,843	(2,917)	(3,306)	1,930

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

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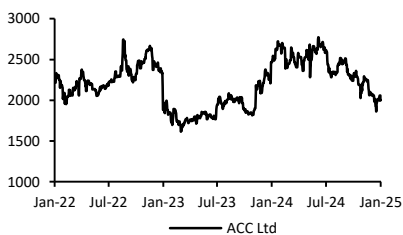
Buy – The stock is expected to return above 15%.

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Sell – The stock is expected to deliver <-5% returns.

#### ACC



Source: Bloomberg



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