

Retail Equity Research

ACC Limited

Construction Materials

BSE CODE: 500410

NSE CODE: ACC

Bloomberg CODE: ACC:IN

SENSEX: 79,706

ACCUMULATE

12 Months Investment Period Rating as per Mid Cap
CMP Rs. 2,351 TARGET Rs. 2,674 RETURN 14% ↑
(Closing: 09-08-24)

KEY CHANGES:

TARGET ↓

RATING ↔

EARNINGS ↑

Muted earnings, positive outlook

The Adani group's ACC Ltd (ACC) is a leading Indian cement company with 18 cement plants, 9 captive power plants and 82+ ready-mix concrete (RMC) plants.

- In Q1FY25, ACC's consolidated revenue fell 0.9% YoY to Rs. 5,155cr on low output prices. While volume grew 8.5% YoY to 10.2 MT owing to higher sales from premium products and value-added services.
- EBITDA declined 11.9% YoY to Rs. 679cr because of lower revenues.
- ACC delivered muted earnings owing to low output prices. However, it saw steady volume growth, which helped it offset the revenue decline. Additionally, the company's cost control initiatives delivered results in the quarter, leading to cost reduction in certain areas. We expect such efficient cost measures and volume growth to continue in the future. Therefore, we reiterate our ACCUMULATE rating on the stock, with a target price of Rs. 2,674 based on 10.5x FY26E EV/EBITDA.

Volume increase offset top-line decline

In Q1FY25, ACC's sales volume grew 8.5% YoY to 10.2 MT, driven by growth in premium products and value-added services, beyond cements. However, despite the growth in volume, revenue declined 0.9% YoY to Rs. 5,155cr owing to low product prices. Product prices fell Rs. 370-380 per tonne during the quarter, primarily owing to the impact of unfavourable monsoon and elections. Nevertheless, the company expects the output prices to normalise and increase after Diwali, which should help boost the company's revenue.

Cost initiatives to continue to support margin

In Q1FY25, EBITDA decreased 11.9% YoY to Rs. 679cr and EBITDA margin fell 160bps YoY to 13.2%, primarily because of lower revenue and elevated raw material costs. The raw material cost per tonne increased 8.3% YoY to Rs. 781 per tonne, driven by clinker purchases. However, the management expects to establish long-term ties with suppliers to provide key raw materials at optimised costs in the near future. On the other hand, power and fuel costs per tonne decreased 18.1% YoY to Rs. 974 per tonne owing to a shift towards a more efficient WHRS power mix and maximisation of alternative fuel consumption. Additionally, captive coal consumption reduced kiln fuel cost from Rs. 2.14 to Rs. 1.73/'000 kCal. Freight and forwarding costs per tonne also decreased 14.2% YoY and are expected to reduce further in the near term.

Key highlights

- The Adani group recently acquired Penna Cement (14 MTPA capacity) through Ambuja Cement. The move is expected to bring synergies in terms of delivering good quality and low-cost clinker to ACC's southern units going forward.
- The management indicated that the ongoing capex of ~Rs. 1,000cr for building offices in Ahmedabad and Delhi would keep capex cost high. Investments in the Rajpura unit and modernisation of the Wadi unit will also add to the capex cost.

Valuation

The improvement in output product prices is expected to commence by Q3FY25 following the monsoon season, which could support the top-line growth. The heavy infrastructure capex announced in the budget is likely to support the elevated demand and volume growth. Moreover, ACC's commitment to reducing costs at the Adani group level should further contribute to the company's long-term performance. Currently, the stock is trading at 10.6x FY26E EV/ EBITDA, lower than its historical five-year average EV/ EBITDA of 12.4x. Therefore, we reiterate our ACCUMULATE rating on the stock, with a target price of Rs. 2,674 based on 10.5x FY26E EV/EBITDA.

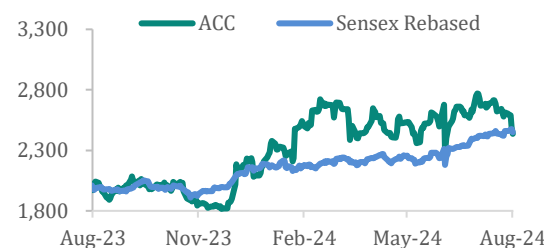
Company Data

Market Cap (cr)	Rs. 44,146
Enterprise Value (cr)	Rs. 43,573
Outstanding Shares (cr)	18.8
Free Float	43.0%
Dividend Yield	0.3%
52 week high	Rs. 2,843
52 week low	Rs. 1,804
6m average volume (lacs)	5.1
Beta	0.4
Face value	Rs. 10

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	56.7	56.7	56.7
FII's	6.2	6.2	5.7
MFs/Insti	24.3	24.8	25.0
Public	11.6	11.2	11.6
Others	1.1	1.1	1.1
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-3.6%	-2.5%	23.6%
Absolute Sensex	8.5%	12.3%	23.1%
Relative Return*	-12.2%	-14.9%	0.5%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	19,959	21,499	23,059
Growth (%)	(10.1)	7.7	7.3
EBITDA	3,062	3,538	4,130
EBITDA Margin (%)	15.3	16.5	17.9
Adj. PAT	2,107	2,188	2,563
Growth (%)	101.3	3.9	17.2
Adj. EPS	111.9	116.2	136.1
Growth (%)	101.2	3.9	17.2
P/E	22.3	21.0	17.9
P/B	2.9	2.5	2.2
EV/EBITDA	14.7	12.3	10.6
ROE (%)	14.3	12.0	12.5
D/E	0.0	0.0	0.0

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs. cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Revenue	5,155	5,201	(0.9)	5,409	(4.7)
EBITDA	679	771	(11.9)	837	(18.8)
EBITDA margins	13.2	14.8	(160bps)	15.5	(230bps)
Depreciation	232	200	16.1	235	(1.2)
EBIT	447	571	(21.7)	602	(25.8)
Interest	33	25	32.0	67	(50.3)
Other Income	72	77	(6.7)	120	(40.1)
Exceptional Items	-	-	-	230	n.m..
Share of profit from Associate	1	3	(67.8)	1	34.3
PBT	486	626	(22.3)	885	(45.1)
Tax	125	159	(21.7)	(60)	n.m.
Reported PAT	361	466	(22.5)	945	(61.8)
Minority Interest	0	0	-	0	(20.0)
PAT att. to shareholders	361	466	(22.5)	945	(61.8)
Adjustments	-	-	-	(230)	n.m..
Adj. PAT	361	466	(22.5)	715	(49.5)
No. of shares	18.8	18.8	0.0	18.8	0.0
Adj. EPS (Rs.)	19.2	24.8	(22.5)	38.0	(49.5)

Per Tonne Analysis

	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Sales Volume CLC - (MT)	10.2	9.4	8.5	10.4	(1.9)
Cost of materials consumed	1,717	1,594	7.7	1,746	(1.7)
Employee Expenses	161	210	(23.2)	161	0.1
Power & Fuel	981	1,197	(18.0)	939	4.5
Freight & forwarding	1,064	1,240	(14.2)	1,059	0.5
Other expenses	466	474	(1.6)	491	(5.2)
Total expenses	4,388	4,713	(6.9)	4,396	(0.2)
Realisation (inc. RMC)	5,054	5,533	(8.7)	5,201	(2.8)
EBITDA	666	820	(18.8)	805	(17.3)

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	21,518	23,221	21,499	23,059	(0.1)	(0.7)
EBITDA	3,670	4,085	3,538	4,130	(3.6)	1.1
Margins (%)	17.1	17.6	16.5	17.9	(60bps)	30bps
Adj. PAT	2,303	2,535	2,188	2,563	(5)	1.1
Adj. EPS	122.3	134.7	116.2	136.1	(5)	1.1

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY23A*	FY24A	FY25E	FY26E
Revenue	16,152	22,210	19,959	21,499	23,059
% change	17.2	37.5	(10.1)	7.7	7.3
EBITDA	2,998	1,925	3,062	3,538	4,130
% change	27.3	(35.8)	59.1	15.6	16.7
Depreciation	607	841	883	954	1,041
EBIT	2,397	1,084	2,179	2,584	3,089
Interest	55	77	155	158	161
Other Income	164	196	735	491	490
PBT	2,506	1,203	2,759	2,917	3,418
% change	46.7	(52.0)	129.4	5.7	17.2
Tax	643	317	423	729	855
Tax Rate (%)	25.7	26.4	15.3	25.0	25.0
Reported PAT	1,863	885	2,337	2,188	2,563
PAT att. to common shareholders	1,863	885	2,336	2,188	2,563
Adj*	55	162	(230)	-	-
Adj PAT	1,918	1,047	2,107	2,188	2,563
% change	19.4	(45.4)	101.3	3.9	17.2
No. of shares (cr)	18.8	18.8	18.8	18.8	18.8
Adj EPS (Rs.)	101.8	55.6	111.9	116.2	136.1
% change	19.4	(45.4)	101.2	3.9	17.2
DPS (Rs.)	58.0	9.3	7.5	18.6	20.4

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY23A*	FY24A	FY25E	FY26E
Net inc. + Depn.	2,470	1,726	3,219	3,142	3,605
Non-cash adj.	246	(306)	(379)	(139)	(231)
Changes in W.C	119	(2,656)	154	63	(660)
C.F. Operation	2,835	(1,235)	2,995	3,067	2,714
Capital exp.	(1,164)	(1,981)	(2,100)	(2,193)	(2,375)
Change in inv.	(13)	(2,891)	317	-	-
Other invest.CF	188	234	539	-	-
C.F - Investment	(988)	(4,637)	(1,245)	(2,193)	(2,375)
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	(263)	(1,089)	(175)	(349)	(383)
Other finance.CF	(68)	(149)	(268)	(90)	(99)
C.F - Finance	(331)	(1,238)	(443)	(439)	(482)
Chg. in cash	1,517	(7,110)	1,307	435	(143)
Closing cash	7,522	415	1,863	2,298	2,154

* FY23 includes fifteen months period data ended on March 31, 2023

BALANCE SHEET

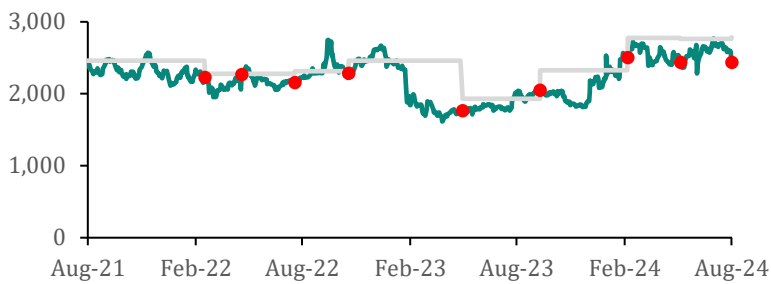
Y.E March (Rs. cr)	FY21A	FY23A*	FY24A	FY25E	FY26E
Cash	7,522	415	1,863	2,298	2,154
Accounts Receivable	462	869	828	860	876
Inventories	1,274	1,624	1,869	2,100	2,010
Other Cur. Assets	1,110	5,347	5,167	5,938	6,832
Investments	150	163	436	436	436
Gross Fixed Assets	10,219	12,200	14,300	16,493	18,868
Net Fixed Assets	6,541	7,102	8,102	9,324	10,641
CWIP	1,216	1,684	1,701	1,718	1,735
Intangible Assets	54	148	378	380	382
Def. Tax (Net)	-	-	-	-	-
Other Assets	2,710	3,191	3,042	3,351	3,756
Total Assets	21,039	20,544	23,386	26,404	28,823
Current Liabilities	6,006	5,641	6,097	7,194	7,356
Provisions	216	178	152	155	158
Debt Funds	-	-	-	-	-
Other Liabilities	505	583	804	767	726
Equity Capital	188	188	188	188	188
Reserves & Surplus	14,121	13,950	16,142	18,096	20,390
Shareholder's Fund	14,309	14,138	16,330	18,284	20,578
Minority Interest	3	3	4	4	4
Total Liabilities	21,039	20,544	23,386	26,404	28,823
BVPS (Rs.)	760	751	867	971	1,093

RATIOS

Y.E March (Rs. cr)	FY21A	FY23A*	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	18.6	8.7	15.3	16.5	17.9
EBIT margin (%)	14.8	4.9	10.9	12.0	13.4
Net profit mgn.(%)	11.5	4.0	11.7	10.2	11.1
ROE (%)	13.0	6.3	14.3	12.0	12.5
ROCE (%)	16.8	7.7	13.3	14.1	15.0
W.C & Liquidity					
Receivables (days)	10.4	14.3	15.1	14.6	13.9
Inventory (days)	74.6	52.9	67.6	65.0	63.9
Payables (days)	111.6	53.5	69.7	70.8	71.9
Current ratio (x)	1.7	1.5	1.6	1.6	1.6
Quick ratio (x)	1.3	0.2	0.4	0.4	0.4
Turnover & Leverage					
Gross asset T.O (x)	0.8	1.0	0.8	0.7	0.7
Total asset T.O (x)	0.8	1.1	0.9	0.9	0.8
Int. coverage ratio (x)	43.9	14.0	14.1	16.4	19.2
Adj. debt/equity (x)	-	-	-	-	-
Valuation					
EV/Sales (x)	2.1	1.4	2.3	2.0	1.9
EV/EBITDA (x)	11.4	16.1	14.7	12.3	10.6
P/E (x)	21.8	30.0	22.3	21.0	17.9
P/BV (x)	2.9	2.2	2.9	2.5	2.2



Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
17-Feb-22	HOLD	2,277
20-Jul-22	HOLD	2,313
20-Oct-22	HOLD	2,461
2-May-23	HOLD	1,931
11-Sep-23	ACCUMULATE	2,325
8-Feb-24	ACCUMULATE	2,774
7-May-24	ACCUMULATE	2,761
9-Aug-24	ACCUMULATE	2,674

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review

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