ACC Ltd
Q2FY25

Result Update | **29th Oct, 2024**

ACC Ltd.

Surging volume growth exceeds expectations

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 2,289	INR 2,790	21.9%	INR 4,30,220	BUY	Cement

Result Highlights

- ACC Q2FY25 revenue and earnings beat our estimates, however, EBITDA performance was below our expectations.
- Revenue increased by 4.0 YoY (-10.5% QoQ) to INR 46,135 Mn, driven by higher volume growth of 14.8%, beating our estimates.
- EBITDA stood at INR 4,364 Mn, down 20.6% YoY (35.7% QoQ), missing our expectations due to higher-than-anticipated COGS partially offset by reduced Power & Fuel costs. EBITDA margin declined to 9.5%, down 293bps YoY (-372bps QoQ).
- PAT for Q2FY25 came in at INR 1,997 Mn, down 48.5% YoY (-44.5% QoQ), though beating our estimates, on the back of higher than anticipated other income. PAT Margin declined to 4.3% (-442bps YoY/-265bps QoQ).
- **We revise our FY26E EBITDA forecast for ACC Ltd. to INR 39,130 Mn (previously INR 40,527 Mn), reflecting ongoing pressure on cement pricing. However, maintaining a 13.0x EV/EBITDA multiple underscores our confidence in ACC's ability to leverage synergy benefits, cost efficiencies, and strategic gains from its parent's acquisition. Consequently, we maintain our "BUY" rating with the revised target price of INR 2,790 (previously: INR 2,923) , implying a 21.9% upside.**

MARKET DATA

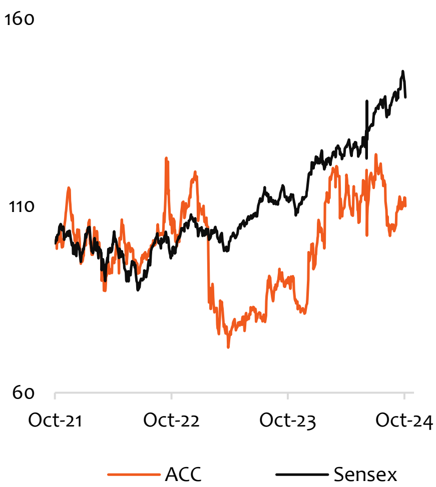
Shares outs (Mn)	188
Mkt Cap (INR Mn)	4,30,220
52 Wk H/L (INR)	2,844/1,803
Volume Avg (3m K)	385
Face Value (INR)	10
Bloomberg Code	ACC IN

KEY FINANCIALS

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenue	222,102	199,589	208,954	231,896	240,316
EBITDA	19,249	30,617	30,660	39,130	45,511
PAT	10,468	21,069	18,632	24,532	29,170
OPM (%)	8.7%	15.3%	14.7%	16.9%	18.9%
NPM (%)	4.0%	11.7%	8.9%	10.6%	12.1%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



Strong volume growth witnessed, EBITDA/Ton declines due to weaker cement prices and cost dynamics

- Q2FY25 Volume grew to 10.2 MT, up 14.8% YoY (8.8% QoQ). The QoQ decline in volume is attributable to a seasonally weak quarter due to monsoon seasons.
- The YoY growth in volume is influenced by the increase in trade sales and volumes of premium products, supported by its strategy of providing value-added solutions beyond basic cement offerings. This approach, along with proactive engagement with key market influencers, has contributed to higher growth in volumes at a premium price point, reinforcing the company's competitive positioning and revenue potential.
- Net realization/Ton reduced to INR 4,961/Ton as compared to INR 5,054/Ton in Q1FY25 (INR 5,475 in Q2FY24), down 9.4% YoY (-1.8% QoQ).
- The decline in realization is attributed to ongoing weakness in cement prices, influenced by slowdown and longer duration of monsoons coupled with sector consolidation.
- As a result, EBITDA/Ton for Q2FY25 stood at INR 469/Ton, down 30.8% YoY (-29.5% QoQ), primarily driven by increased raw material cost partially offset by lower freight, power & fuel, and other expenses.
- Raw material/Ton increased to INR 801/Ton, up 9.0% YoY (+2.5% QoQ).
- Power & Fuel costs were reduced by 22.9% to INR 837/Ton, on the back of WHRS power mix going up, improved captive coal consumption, and higher usage of alternative fuel.
- Freight and Logistics cost/Ton reduced to INR 1,000/Ton, down 14.4% YoY, and is expected to reduce further in the coming quarters on the back of a model shift in logistics with lower secondary leads, improved direct dispatch, and reorganizing depot locations.
- Revenue from ready mix concrete stood at INR 2,891 Mn (-6.4% YoY/-12.1% QoQ).

MARKET INFO

SENSEX	80,005
NIFTY	24,339

SHARE HOLDING PATTERN (%)

Particulars (%)	Sep-24	Jun-24	Mar-24
Promoters	56.7	56.7	56.7
FIIs	5.5	5.7	6.2
DIIs	24.4	24.8	24.6
Others	13.4	12.8	12.5
Total	100	100	100

*Based on the previous closing
Note: All the market data is as of previous closing

7.8%
Revenue CAGR between FY24 and FY26E

7.9%
Adj. PAT CAGR between FY24 and FY26E

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ACC Ltd.

Key Concall and Press Release Highlights:

- The company is expanding its capacity by adding two new production units: Sindri, which is anticipated to be operational by Q4FY25E contributing 1.6 MTPA, and Salai Banwa with a capacity of 2.4 MTPA is expected to start up by Q1FY26E.
- ACC's current capacity stands at 38.6 MTPA, with Sindri Banwa's capacity the total capacity will reach 40.2 by the end of FY25E.
- The company remains debt-free with a net cash of INR 14,974 Mn.
- WHRS as a % of total power consumption increased by 1.2pp to 10.0%. Kiln fuel cost was reduced by 15% to INR 1.57 from INR 1.85 per thousand kcal.
- The overall industry anticipates an improvement in demand in the H2FY25E, likely driven by a post-monsoon increase in construction and housing activity.
- The government's ongoing emphasis on infrastructure development—encompassing roads, highways, railways, and metro projects—will continue to be a primary demand driver.
- The sanctioning of additional housing under the Pradhan Mantri Awas Yojana (both rural and urban), along with a rise in industrial and commercial capital expenditure, is expected to significantly boost future cement demand. Growth in cement demand is projected to be around 4.0-5.0% during FY25E.
- Management has outlined a cost-optimization strategy designed to boost profitability. This strategy includes securing raw materials at competitive prices, optimizing the use of Waste Heat Recovery Systems (WHRS), increasing the utilization of Alternative Fuels and Raw Materials (AFR), and reducing lead distances through enhanced logistical facilities.

Valuation and view:

ACC Ltd's Q2FY25 earnings surpassed our expectations on the back of robust volume growth and higher-than-anticipated other income, partially offset by elevated COGS and softening realizations. Adani Group recently announced its acquisition of a 46.8% stake in Orient Cement, along with a recent acquisition of Penna Cement in Q1FY25, aiming to boost its market share and consolidate its presence in southern India's cement sector. We believe the above strategic acquisitions complement the Group company's southern presence, and we expect ACC Ltd to benefit from potential synergistic benefits from this strategic expansion. Margin improvements are anticipated through initiatives such as increased WHRS capacity, maximized use of linkage and captive coal, and greater reliance on alternative fuels. **However, we reduce our FY26E EBITDA to INR 39,130 Mn (previously: 40,527 Mn), factoring in continued pressure on cement pricing while maintaining an EV/EBITDA multiple of 13.0x, reflecting our confidence in the ACC's ability to capitalize on synergy benefits, cost savings, and the strategic acquisition by the parent company that will drive ACC's volume and profitability growth. Accordingly, we lower our target price to INR 2,790 (previously: INR 2,923) per share and retain our "BUY" rating on the shares of ACC Ltd. The stock offers an upside of 21.9% from current levels.**

RESULT SNAPSHOT

Particulars (INR Mn)	Q2FY25	Q1FY25	Q2FY24	QoQ	YoY
Sales	**46,135**	**51,549**	**44,347**	**(10.5%)**	**4.0%**
Total Expenditure	41,772	44,758	38,855		
Cost of Raw Materials	9,048	9,922	7,814		
Purchase of Stock	8,021	7,993	5,110		
Changes in Inventories	844	-406	643		
Employee Cost	1,810	1,641	1,948		
Other Expenses	4,898	4,753	4,996		
Power & Fuel	7,832	10,002	8,866		
Freight and Forwarding Expense	9,318	10,854	9,479		
EBITDA	**4,364**	**6,791**	**5,493**	**(35.7%)**	**(20.6%)**
EBITDA Margins (%)	**9.5%**	**13.2%**	**12.4%**	**-372bps**	**-293bps**
Depreciation and amortisation	2,423	2,345	2,128		
EBIT	1,941	4,445	3,365		
Interest Expense	333	331	289		
Other Income	1,586	717	2,101		
Exceptional Items	350	-	-		
PBT	2,844	4,831	5,177		
Tax	843	1,243	1,315		
Share of Associates/Minority Int.	-3	9	17		
Profit after Tax	**1,997**	**3,597**	**3,879**		
Owners of the Company	1,997	3,597	3,879	(44.5%)	(48.5%)
Minority Interest	**0**	**0**	**0**		
PAT Margin	**4.3%**	**7.0%**	**8.7%**	**-265bps**	**-442bps**
EPS	**11**	**19**	**21**		

Source: Company, KRChoksey Research

ACC Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenues	222,102	199,589	208,954	231,896	240,316
COGS	54,537	58,116	55,758	54,461	58,730
Gross profit	167,565	141,473	153,196	177,435	181,586
Employee cost	10,362	7,372	7,300	11,580	9,613
Power & Fuel	57,427	40,030	41,426	45,195	43,418
Freight and Forwarding Expense	51,402	41,704	45,601	50,224	51,804
Other expenses	29,124	21,750	28,209	31,306	31,241
EBITDA	**19,249**	**30,617**	**30,660**	**39,130**	**45,511**
EBITDA Margin	**8.7%**	**15.3%**	**14.7%**	**16.9%**	**18.9%**
Depreciation & amortization	8,413	8,831	8,358	9,624	9,973
EBIT	10,836	21,786	22,302	29,507	35,538
Other Income	3,419	4,929	4,097	4,845	5,099
Interest expense	773	1,546	1,623	1,688	1,772
PBT	11,865	27,464	24,776	32,664	38,865
Tax	3,174	4,228	6,244	8,231	9,794
Reported PAT	8,852	23,365	18,632	24,532	29,170
Adj. PAT	10,468	21,069	18,632	24,532	29,170
EPS (INR)	47.0	124.1	99.0	130.3	154.9

Exhibit 2: Balance Sheet

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	1,880	1,880	1,880	1,880	1,880
Other Equity	139,505	161,417	176,493	194,892	215,311
Non controlling interest	35	36	37	37	37
Total Equity	**141,420**	**163,333**	**178,410**	**196,809**	**217,229**
Non-Current Liabilities					
Provisions	1,778	1,517	1,608	1,704	1,806
Deferred Tax Liabilities	4,573	5,801	8,751	9,712	10,064
Other financial liabilities	1,257	2,238	2,372	2,514	2,665
Total Non-Current Liabilities	**7,608**	**9,555**	**12,730**	**13,930**	**14,536**
Current Liabilities					
Trade Paybles	14,934	19,249	30,248	29,545	31,861
Other Financial Liabilities	11,915	12,611	13,368	14,170	15,020
Other current liabilities	29,561	29,108	25,855	27,650	29,180
Total Current Liabilities	**56,410**	**60,968**	**69,471**	**71,365**	**76,061**
Total Liabilities	**205,438**	**233,856**	**260,611**	**282,104**	**307,825**
PPE	71,023	88,173	96,531	105,459	114,711
CWIP	16,840	9,858	9,858	9,858	9,858
Goodwill	38	3,450	3,450	3,450	3,450
Intangible Assets	1,443	4,180	4,514	4,875	5,265
Other current assets	33,544	30,935	34,415	36,485	37,257
Total Non-Current Assets	**122,886**	**136,595**	**148,768**	**160,127**	**170,541**
Inventories	16,242	18,686	23,418	22,874	24,667
Trade Receivables	8,692	8,275	8,363	9,281	9,618
Cash and Bank	2,566	16,040	26,065	31,915	41,720
Other Balances with Bank	1,581	2,589	2,693	2,800	2,912
Oher current assets	53,470	51,672	51,305	55,107	58,368
Total Current Assets	**82,552**	**97,261**	**111,844**	**121,977**	**137,285**
Total Assets	**205,438**	**233,856**	**260,611**	**282,104**	**307,825**

Exhibit 3: Cash Flow Statement

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
CFFO	(12,351)	29,951	28,759	28,917	35,328
CFFI	(46,373)	(12,451)	(13,689)	(15,388)	(15,150)
CFFF	(12,377)	(4,432)	(5,044)	(7,678)	(10,372)
Net Inc/Dec	(71,101)	13,069	10,025	5,850	9,805
Opening Balance	73,666	2,566	16,040	26,065	31,915
Gain on fair valuation	1	405	0	0	0
Closing Balance	2,566	16,040	26,065	31,915	41,720

Exhibit 4: Key Ratios

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	8.7%	15.3%	14.7%	16.9%	18.9%
Tax rate (%)	26.8%	15.4%	25.2%	25.2%	25.2%
Net Profit Margin (%)	4.0%	11.7%	8.9%	10.6%	12.1%
RoE (%)	6.3%	14.3%	10.4%	12.5%	13.4%
RoCE (%)	7.7%	13.3%	12.5%	15.0%	16.4%
EPS (INR)	47.0	124.1	99.0	130.3	154.9

Source: Company, KRChoksey Research

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ACC Ltd.

ACC Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
29-Oct-24	2,289	2,790	BUY
02-Aug-24	2,488	2,923	BUY
02-May-24	2,529	2,923	BUY
01-Feb-24	2,499	2,731	ACCUMULATE
21-Nov-23	1,828	2,041	ACCUMULATE
14-Aug-23	1,914	2,166	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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