25 October 2024

Q2FY25 Results Update | Sector: Cement

ACC

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	ACC IN
Equity Shares (m)	188
M.Cap.(INRb)/(USDb)	426.3 / 5.1
52-Week Range (INR)	2844 / 1803
1, 6, 12 Rel. Per (%)	-2/-20/-7
12M Avg Val (INR M)	1201

Financials & Valuations (INR b)

Y/E Dec	FY25E	FY26E	FY27E
Sales	209.2	229.2	253.4
EBITDA	26.9	35.3	44.3
Adj. PAT	15.3	20.5	26.8
EBITDA Margin (%)	12.8	15.4	17.5
Adj. EPS (INR)	81.1	108.9	142.4
EPS Gr. (%)	-18.3	34.3	30.7
BV/Sh. (INR)	926	1,021	1,149
Ratios			
Net D:E	-0.2	-0.3	-0.3
RoE (%)	9.1	11.2	13.1
RoCE (%)	9.5	11.5	13.4
Payout (%)	17.3	12.9	10.5
Valuations			
P/E (x)	27.9	20.8	15.9
P/BV (x)	2.4	2.2	2.0
EV/EBITDA(x)	13.7	10.0	7.4
EV/ton (USD)	108	98	85
Div. Yield (%)	0.6	0.6	0.7
FCF Yield (%)	-2.1	4.3	6.5

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	56.7	56.7	56.7
DII	24.6	25.0	23.0
FII	5.5	5.6	7.1
Others	13.2	12.7	13.3

FII Includes depository receipts

CMP: INR2,270 TP: INR3,000 (+32%) BUY

In-line EBITDA, higher volume growth led by MSA

Expects cement demand growth of 4-5% YoY in FY25

- ACC's 2QFY25 EBITDA declined 22% YoY to INR4.3b (in line) and EBITDA/t declined 32% YoY to INR462 (est. INR506). OPM contracted 3pp YoY to ~9% (est. ~10%). PAT declined 39% YoY to INR2.3b (est. INR2.0b), led by higher-than-estimated other income and lower-than-estimated finance costs.
- The management expects demand improvement in 2HFY25, aided by a post-monsoon pickup in construction and housing activities, government-led infra projects (roads, highways, railways, and metro), additional sanction of houses under PMAY (rural and urban) and industrial and commercial capex. ACC focuses on cost reduction and efficient improvements.
- We cut our EBITDA estimates by 8% for FY25 and 5% for FY26/FY27 each, due to steep margin contraction. ACC trades at 10x/7x FY25E/FY26E EV/EBITDA and USD98/USD85 EV/t. We value the stock at 12x Sep'26E EV/EBITDA to arrive at our revised TP of INR3,000 (earlier INR3,170).

Realization down 9% YoY; Opex/t declines 6% YoY

- 2Q revenue/EBITDA/adj. PAT stood at INR46.1b/INR4.3b/INR2.3b (up 4%/ down 22%/39% YoY; and up 7%/in line/up 18% vs. our estimate). Cement volume grew ~15% YoY to 9.3mt (9% beat). Realization/t declined 9% YoY to INR4,955 (2% miss).
- Opex/t dipped ~6% YoY (up 2% QoQ), led by 13%/26% YoY decline in freight costs/other expenses per ton. Variable cost/t rose ~4% YoY. EBITDA/t fell 32% YoY to INR462. Interest cost/depreciation grew 15%/9% YoY, whereas 'other income' declined 26% YoY in 2Q.
- In 1HFY25, revenue grew ~1% YoY, while EBITDA/PAT declined 16%/29% YoY. EBITDA/t declined 25% YoY to INR567 and OPM dipped 2pp YoY to 11%. In 2HFY25, we estimate revenue to grow 8% YoY, while EBITDA/PAT to decline 9% YoY (each). Estimate OPM to contract 2.7pp YoY to ~14% and EBITDA/t at INR740 vs. INR900/INR570 in 2HFY24/1HFY25.
- ACC reported operating cash outflow of INR6.1b in 1HFY25 vs. OCF of INR10.9b in 1HFY24 due to lower profitability and increase in working capital. Capex stood at INR7.1b vs. INR6.0b in 1HFY24.

Highlights from the management commentary

- Kiln fuel costs fell 15% YoY/9% QoQ to INR1.57/Kcal. The WHRS share in total power consumption stood at ~10% (up 1.2pp YoY/flat QoQ. Green power share stood at ~14% and thermal substitution rate at ~10%. Kiln heat consumption declined to 735 Kcal from 768/739 Kcal YoY/QoQ.
- Cash & cash equivalent stood at INR29.2b vs. INR27.5b as of Jun'24.

Valuation and view

- ACC posted 2Q EBITDA in line with our estimate as higher volume and lower opex/t offset the impact of weak realization. Higher volume growth was led by growth in MSA volumes. We estimate margin recovery would be gradual due to muted pricing and slower-than-expected demand recovery.
- We estimate a CAGR of 13% in EBITDA/PAT each over FY24-27. ACC trades at 10x/7x FY26E/FY27E EV/EBITDA. We value ACC at 12x Sep'26E EV/EBITDA to arrive at our revised TP of INR3,000 (earlier INR3,100). **Reiterate BUY**.

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Standalone quarterly performance (INR b)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Cement Sales (mt)	9.40	8.10	8.88	10.44	10.20	9.30	9.95	11.49	36.9	40.94	8.51	9
Change (YoY %)	23.8	18.2	15.3	24.0	8.5	14.8	12.0	10.1	19.5	11.0	5.0	
Net Sales	**52.0**	**44.3**	**49.2**	**54.0**	**51.6**	**46.1**	**51.8**	**59.8**	**199.5**	**209.2**	**43.1**	7
Change (YoY %)	16.4	11.2	8.4	12.7	(0.9)	3.9	5.3	10.8	(10.2)	4.9	(2.8)	
EBITDA	**7.7**	**5.5**	**9.0**	**8.4**	**6.8**	**4.3**	**6.7**	**9.1**	**30.6**	**26.9**	**4.3**	(0)
Margin (%)	14.8	12.4	18.4	15.5	13.1	9.3	12.9	15.3	15.3	12.8	10.0	(66bp)
Depreciation	2.0	2.1	2.3	2.3	2.2	2.3	2.3	2.3	8.8	9.1	2.3	3
Interest	0.3	0.3	0.3	0.7	0.3	0.3	0.4	0.4	1.5	1.4	0.4	(12)
Other Income	0.8	2.1	0.8	1.2	0.7	1.5	0.8	1.0	4.9	4.0	1.0	57
PBT before EO Item	**6.2**	**5.2**	**7.2**	**6.6**	**4.9**	**3.2**	**4.8**	**7.4**	**25.2**	**20.3**	**2.6**	20
EO Income/(Expense)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PBT after EO Item	**6.2**	**5.2**	**7.2**	**6.6**	**4.9**	**3.2**	**4.8**	**7.4**	**25.2**	**20.3**	**2.6**	20
Tax	1.6	1.3	1.9	-0.9	1.3	0.8	1.2	1.8	3.9	5.1	0.7	
Rate (%)	25.5	25.5	26.6	(13.2)	25.6	26.5	25.0	23.9	15.7	25.0	25.0	
Reported PAT	**4.6**	**3.8**	**5.3**	**7.5**	**3.7**	**2.3**	**3.6**	**5.6**	**21.2**	**15.3**	**2.0**	18
Adjusted PAT	**4.6**	**3.8**	**5.3**	**4.9**	**3.7**	**2.3**	**3.6**	**5.6**	**18.7**	**15.3**	**2.0**	18
Margin (%)	8.9	8.7	10.7	9.1	7.1	5.1	7.0	9.4	9.4	7.3	4.6	
Change (YoY %)	108.8	NM	212.1	72.0	(21.1)	(39.1)	(31.5)	14.7	88.7	(18.3)	(48.5)	

Source: MOSFL, Company

Per ton analysis, including RMC (INR/t)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Blended Realization	**5,533**	**5,475**	**5,538**	**5,171**	**5,054**	**4,955**	**5,204**	**5,205**	**5,410**	**5,111**	**5,070**	(2)
Change (YoY %)	(6.0)	(5.9)	(6.0)	(9.1)	(8.7)	(9.5)	(6.0)	0.7	(6.0)	(5.5)	(7.4)	
Raw Material	1,596	1,598	1,512	1,746	1,730	1,942	1,840	1,804	1,570	1,813	1,640	18
Staff Cost	210	240	201	157	157	192	184	165	199	174	184	4
Power and fuel	1,196	1,093	1,141	931	970	830	950	926	1,083	921	1,050	(21)
Freight	1,245	1,177	1,084	1,058	1,075	1,020	1,070	1,059	1,136	1,057	1,070	(5)
Other expenditure	469	689	583	477	458	508	490	458	584	477	620	(18)
Total Expenditure	**4,715**	**4,798**	**4,521**	**4,369**	**4,391**	**4,493**	**4,534**	**4,411**	**4,572**	**4,441**	**4,564**	(2)
EBITDA	**818**	**677**	**1,017**	**802**	**664**	**462**	**671**	**794**	**838**	**669**	**506**	(9)

Source: MOSFL, Company

Key exhibits

Exhibit 1: Sales volume grew 15% YoY

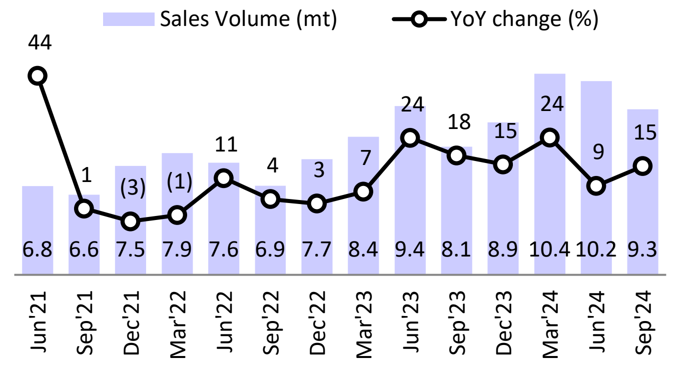


Exhibit 2: Cement realization was down 9% YoY

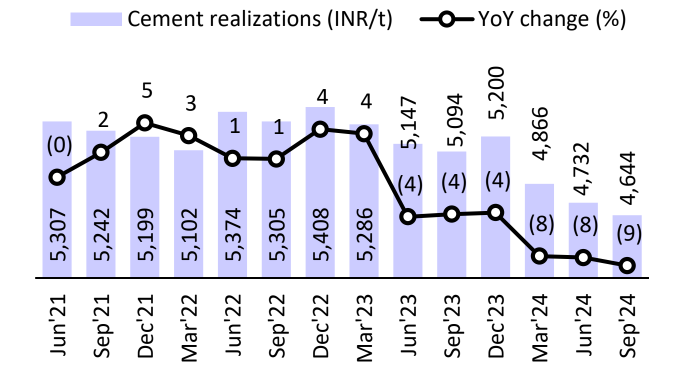


Exhibit 3: Opex/t declined 6% YoY (up 2% QoQ)

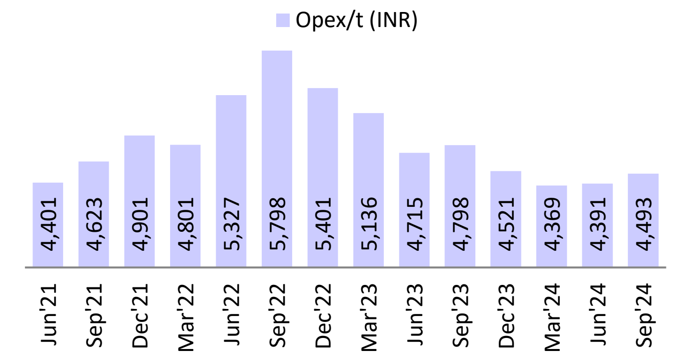


Exhibit 4: EBITDA/t declined 32% YoY to INR462

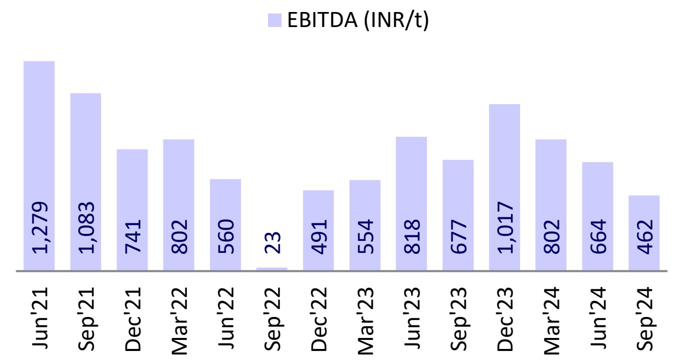
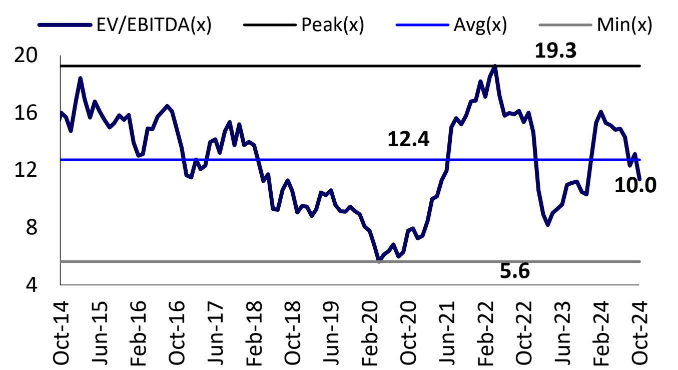


Exhibit 5: Key performance indicators (including the RMC business)

INR/t	Sep'24	Sep'23	YoY (%)	Jun'24	QoQ (%)
Blended realization	**4,955**	**5,475**	**(9)**	**5,054**	**(2)**
Cement realization	4,644	5,094	(9)	4,732	(2)
Raw materials	1,942	1,598	22	1,730	12
Staff cost	192	240	(20)	157	23
Power	830	1,093	(24)	970	(14)
Freight	1,020	1,177	(13)	1,075	(5)
Other expenditure	508	689	(26)	458	11
Total cost	**4,493**	**4,798**	**(6)**	**4,391**	**2**
EBITDA	**462**	**677**	**(32)**	**664**	**(30)**

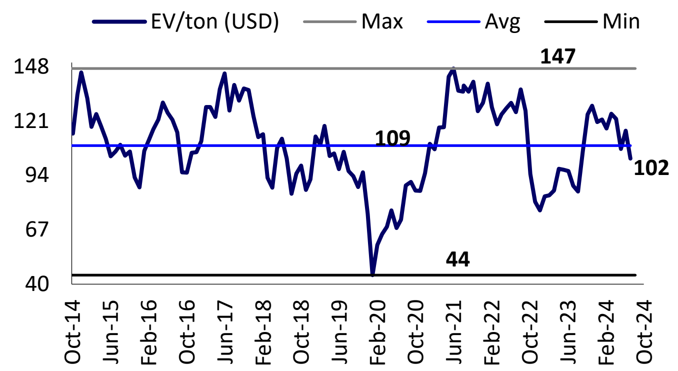
Source: Company, MOFSL

Exhibit 6: One-year forward EV/EBITDA trend



Source: Company, MOFSL

Exhibit 7: One-year forward EV/t trend



Source: Company, MOFSL

Financials and valuations

Income Statement								(INR m)
Y/E December/March	**CY19**	**CY20**	**CY21**	**FY23***	**FY24**	**FY25E**	**FY26E**	**FY27E**
Net Sales	**1,56,567**	**1,37,845**	**1,61,514**	**2,22,100**	**1,99,522**	**2,09,212**	**2,29,168**	**2,53,412**
Change (%)	5.8	(12.0)	17.2	37.5	(10.2)	4.9	9.5	10.6
EBITDA	**24,095**	**24,811**	**30,004**	**19,190**	**30,576**	**26,861**	**35,287**	**44,281**
Change (%)	17.8	3.0	20.9	(36.0)	59.3	(12.2)	31.4	25.5
Margin (%)	15.4	18.0	18.6	8.6	15.3	12.8	15.4	17.5
Depreciation	6,030	6,353	5,973	8,351	8,763	9,142	9,757	10,671
Int. and Fin. Charges	862	570	546	772	1,538	1,371	1,505	1,664
Other Income – Rec.	3,112	2,040	2,048	3,372	4,915	3,990	3,280	3,750
PBT Before EO Item	**20,315**	**19,927**	**25,533**	**13,439**	**25,191**	**20,338**	**27,305**	**35,696**
EO Income/(Expense)	-	(3,049)	(929)	(1,618)	-	-	-	-
PBT After EO Item	**20,315**	**16,878**	**24,604**	**11,821**	**25,191**	**20,338**	**27,305**	**35,696**
Tax	6,726	2,728	6,401	3,122	3,948	5,084	6,826	8,924
Tax Rate (%)	33.1	16.2	26.0	26.4	15.7	25.0	25.0	25.0
Reported PAT	**13,589**	**14,149**	**18,203**	**8,699**	**21,242**	**15,253**	**20,479**	**26,772**
Adjusted PAT	**13,589**	**14,746**	**18,899**	**9,896**	**18,670**	**15,253**	**20,479**	**26,772**
Change (%)	35.1	8.5	28.2	(47.6)	88.7	(18.3)	34.3	30.7
Margin (%)	8.7	10.7	11.7	4.5	9.4	7.3	8.9	10.6

Balance Sheet								(INR m)
Y/E December/March	**CY19**	**CY20**	**CY21**	**FY23***	**FY24**	**FY25E**	**FY26E**	**FY27E**
Share Capital	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880
Fully Diluted Capital	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880
Reserves	1,13,333	1,24,735	1,40,404	1,38,550	1,58,340	1,72,183	1,90,030	2,14,171
Net Worth	**1,15,213**	**1,26,614**	**1,42,284**	**1,40,430**	**1,60,220**	**1,74,063**	**1,91,910**	**2,16,051**
Loans	0	0	0	0	0	0	0	0
Deferred Tax Liability	6,422	3,762	3,827	4,331	4,543	4,543	4,543	4,543
Capital Employed	**1,21,635**	**1,30,376**	**1,46,112**	**1,44,761**	**1,64,762**	**1,78,606**	**1,96,453**	**2,20,593**
Gross Block	93,972	98,093	1,04,708	1,20,694	1,46,866	1,57,866	1,72,866	1,88,866
Less: Accum. Depn.	24,059	31,507	37,480	45,831	54,593	63,735	73,492	84,163
Net Fixed Assets	**69,914**	**66,586**	**67,228**	**74,863**	**92,273**	**94,131**	**99,374**	**1,04,703**
Capital WIP	4,353	5,453	12,121	16,831	9,720	22,220	21,220	20,220
Investments – Trade	37	37	37	37	7,624	7,624	7,624	7,624
Investments in subsidiaries	2,265	2,169	1,890	1,890	6,117	6,117	6,117	6,117
Curr. Assets, Loans, and Adv.	**94,252**	**1,07,014**	**1,27,914**	**1,10,464**	**1,13,263**	**1,19,482**	**1,42,428**	**1,73,442**
Inventory	11,410	9,005	12,733	16,235	18,429	19,333	21,211	21,839
Account Receivables	6,284	4,515	4,624	8,747	8,412	9,000	9,874	10,920
Cash and Bank Balance	45,672	59,219	74,345	32,062	37,536	27,345	42,889	67,948
Others	30,887	34,275	36,212	53,420	48,886	63,804	68,453	72,736
Curr. Liab. and Prov.	**49,186**	**50,883**	**63,078**	**59,324**	**64,235**	**70,968**	**80,310**	**91,513**
Account Payables	14,710	14,163	18,992	14,922	19,142	21,095	24,670	29,178
Other Liabilities	28,478	30,189	33,868	35,632	30,802	32,342	33,959	35,657
Provisions	5,998	6,531	10,219	8,770	14,291	17,531	21,681	26,678
Net Current Assets	**45,067**	**56,131**	**64,835**	**51,141**	**49,028**	**48,514**	**62,117**	**81,929**
Application of Funds	**1,21,635**	**1,30,376**	**1,46,112**	**1,44,761**	**1,64,762**	**1,78,606**	**1,96,453**	**2,20,593**

Source: Company, MOFSL; *Note: FY23 is 15-month period as the company changed its accounting year-end from December to March

Financials and valuations

Ratios								
Y/E December/March	**CY19**	**CY20**	**CY21**	**FY23***	**FY24**	**FY25E**	**FY26E**	**FY27E**
Basic (INR)								
EPS	**72.3**	**78.4**	**100.5**	**52.6**	**99.3**	**81.1**	**108.9**	**142.4**
Cash EPS	104.4	112.2	132.3	97.1	145.9	129.8	160.8	199.2
BV/Share	613	674	757	747	852	926	1,021	1,149
DPS	14.0	14.0	58.0	9.3	7.5	14.0	14.0	15.0
Payout (%)	19.3	18.6	59.9	20.0	6.6	17.3	12.9	10.5
Valuation (x)								
P/E ratio	31.3	28.9	22.5	43.0	22.8	27.9	20.8	15.9
Cash P/E ratio	21.7	20.2	17.1	23.3	15.5	17.5	14.1	11.4
EV/Sales ratio	2.4	2.6	2.1	1.7	1.9	1.8	1.5	1.3
EV/EBITDA ratio	15.6	14.6	11.3	19.6	12.1	13.7	10.0	7.4
P/BV ratio	3.7	3.4	3.0	3.0	2.7	2.4	2.2	2.0
Dividend Yield	0.6	0.6	2.6	0.4	0.3	0.6	0.6	0.7
EV/t (USD-Cap)	137	132	119	126	113	108	98	85
Return Ratios (%)								
RoE	12.3	12.2	14.1	7.0	12.4	9.1	11.2	13.1
RoCE	12.1	13.6	14.0	7.2	14.6	9.5	11.5	13.4
RoIC	16.2	22.6	28.4	10.3	17.9	11.5	15.6	20.2
Working Capital Ratios								
Debtor (Days)	15	12	10	14	15	16	16	16
Asset Turnover ratio (x)	0.8	0.9	0.9	0.7	0.8	0.9	0.9	0.9
Leverage Ratio								
Debt/Equity ratio (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement								(INR m)
Y/E December/March	**CY19**	**CY20**	**CY21**	**FY23***	**FY24**	**FY25E**	**FY26E**	**FY27E**
OP/(Loss) before Tax	20,315	16,878	24,604	11,821	25,191	20,338	27,305	35,696
Depreciation	6,030	6,353	5,973	8,351	8,763	9,142	9,757	10,671
Interest and Finance Charges	0	570	0	-1,835	-3,554	0	0	0
Direct Taxes Paid	(4,462)	(7,064)	(2,849)	(4,027)	(1,748)	(5,084)	(6,826)	(8,924)
(Inc.)/Dec. in WC	601	5,419	588	(26,697)	1,153	(9,676)	1,940	5,247
CF from Operations	**22,484**	**22,156**	**28,316**	**-12,388**	**29,804**	**14,719**	**32,175**	**42,690**
Others	-	-	-	-	-	-	-	-
CF from Operations incl. EO	**22,484**	**22,156**	**28,316**	**-12,388**	**29,804**	**14,719**	**32,175**	**42,690**
(Inc.)/Dec. in FA	(4,935)	(7,252)	(11,509)	(19,788)	(13,560)	(23,500)	(14,000)	(15,000)
Free Cash Flow	**17,549**	**14,904**	**16,808**	**-32,175**	**16,244**	**-8,781**	**18,175**	**27,690**
(Pur.)/Sale of Investments	1,651	1,886	1,619	(26,632)	1,861	-	-	-
Others	-	-	-	-	-	-	-	-
CF from Investments	**(3,283)**	**(5,366)**	**(9,890)**	**(46,420)**	**(11,699)**	**(23,500)**	**(14,000)**	**(15,000)**
Issue of Shares	0	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	0	0	0	0	0	0	0	0
Interest Paid	(572)	(399)	(316)	(596)	(1,424)	0	0	0
Dividend Paid	(2,629)	(2,629)	(2,629)	(10,892)	(1,753)	(1,410)	(2,632)	(2,632)
Others	(540)	(246)	(360)	(889)	(1,245)	-	-	-
CF from Fin. Activity	**(3,742)**	**(3,274)**	**(3,305)**	**(12,377)**	**(4,423)**	**(1,410)**	**(2,632)**	**(2,632)**
Inc./Dec. in Cash	15,459	13,516	15,121	-71,185	13,682	(10,191)	15,544	25,059
Opening Balance	29,959	45,477	58,908	74,029	32,062	37,536	27,345	42,889
Closing Balance	**45,418**	**58,993**	**74,029**	**32,062**	**37,536**	**27,345**	**42,889**	**67,948**

Source: Company, MOFSL; *Note: FY23 is 15-month period as the company changed its accounting year-end from December to March

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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