Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

ACC (ACC IN)

Rating: BUY | CMP: Rs2,591 | TP: Rs3,707

July 30, 2024

Q1FY25 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	**BUY**		**BUY**	
Target Price	**3,707**		**3,707**	
Sales (Rs. m)	2,15,929	2,40,576	2,15,929	2,40,576
% Chng.	-	-		
EBITDA (Rs. m)	34,756	42,439	34,756	42,439
% Chng.	-	-		
EPS (Rs.)	123.6	149.8	123.6	149.8
% Chng.	-	-		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	2,17,673	1,99,589	2,15,929	2,40,576
EBITDA (Rs. m)	14,820	30,617	34,756	42,439
Margin (%)	*6.8*	*15.3*	*16.1*	*17.6*
PAT (Rs. m)	9,919	24,313	23,241	28,165
EPS (Rs.)	52.8	129.3	123.6	149.8
Gr. (%)	*(47.8)*	*145.1*	*(4.4)*	*21.2*
DPS (Rs.)	9.3	7.5	12.0	13.2
Yield (%)	*0.4*	*0.3*	*0.5*	*0.5*
RoE (%)	*7.0*	*16.0*	*13.4*	*14.3*
RoCE (%)	*4.5*	*14.1*	*14.6*	*16.2*
EV/Sales (x)	2.2	2.3	2.1	1.9
EV/EBITDA (x)	32.7	15.1	13.1	10.5
PE (x)	49.1	20.0	21.0	17.3
P/BV (x)	3.4	3.0	2.6	2.3

Key Data

Key Data	ACC.BO | ACC IN
52-W High / Low	Rs.2,844 / Rs.1,803
Sensex / Nifty	81,455 / 24,857
Market Cap	Rs.487bn/ $ 5,811m
Shares Outstanding	188m
3M Avg. Daily Value	Rs.1375.15m

Shareholding Pattern (%)

Promoter's	56.69
Foreign	5.65
Domestic Institution	24.82
Public & Others	12.84
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.1)	3.1	32.9
Relative	(4.0)	(10.0)	8.0

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Higher volumes aid operating performance

Quick Pointers:

- Higher consumption of alternative fuels and increased WHRS proportion (10%) continue to drive cost savings.
- Over next two years, improved efficiencies from ACC's older units will drive earnings as mgmt. is targeting structural EBITDA improvement across existing operations.

ACC (ACC) reported better than expected operating performance in 1QFY25 mainly led by higher volume growth and measures being undertaken for cost reductions. Volumes grew 8.5% YoY to 10.2mt aided by premium products and improvement in efficiency parameters. Average NSE declined 2.8% QoQ which was largely inline as cement prices declined across regions during the quarter. P&F costs improved on better fuel mix, higher AFR and higher proportion of WHRS. Work on WHRS facility at Chanda (18 MW) & Wadi (21.5 MW) is on track and expected to get commissioned in 2QFY25. With Adani group's superior execution capabilities and focus on profitability, we expect not only improved pace of capacity addition but also capex on efficiency improvement for ACC units. Cement capacity is expected to grow to 44.2mtpa (incl. ACCPL) by FY26E. Although near term pricing scenario is weak, as demand improves leading to higher industry utilization, pricing would follow the suit. We expect revenue/EBITDA/PAT to grow at a CAGR of ~23%/32%/28% over FY24-26E. The stock is currently trading at 13.1x/10.5x EV of FY25E/FY26E EBITDA. Maintain 'BUY' with TP of Rs3,707 valuing at long term EV multiple of 15x Mar'26E EBITDA.

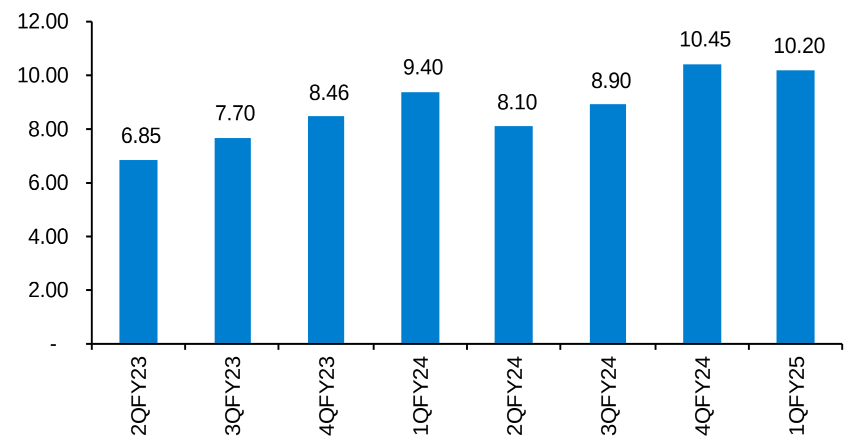
- **Flattish revenue aided by strong volume growth**: Revenue remained flattish YoY to Rs 51.5bn (-4.7% QoQ; higher than PLe Rs 46.9bn) aided by strong cement volume growth. Sales volumes grew 8.5% YoY to 10.2mt (-2.4% QoQ; PLe 9.78mt). Average cement realization declined 2.8% QoQ to Rs 4,757/t (-8.5% QoQ; PLe of Rs 4,797/t) due to decline in cement prices across regions since February. The price hikes could not sustain and prices came off sharply mainly in East and South regions.
- **EBITDA/t aided by decline in P&F costs despite rise in RM costs:** EBITDA declined 12% YoY to Rs6.8bn (-19% QoQ; PLe Rs6.02bn) due to increase in cost of Raw material mostly due to MSA. ACC also reclassified cost of royalty on minerals as cost of RM consumed from other expenses. P&F costs declined 11.1% YoY while freight costs declined 6.9% YoY. P&F costs/t declined 18% YoY to Rs981 (+5% QoQ) on lower fuel costs. Freight cost/t also declined 14% YoY to Rs1,064 (+1% QoQ). RM costs/t increased 13.1% YoY to Rs1,717, while other expense/t declined 21.9% YoY to Rs466/t. Resultant, ACC delivered EBIDTA/t of Rs666/t (-19% YoY/-17% QoQ) Vs PLe of Rs 616/t due to higher purchase of finished goods. Adjusted PAT declined 22.5% YoY to Rs 3.6bn (PLe 3.07bn; -53.2% QoQ due to higher outgo of Tax and lower other income QoQ). In Q4FY24 ACC had re-assessed its tax provision in respect of certain tax credits on income assessed of earlier years and had accordingly reversed the tax provision of Rs2.6bn. In Q1FY25 Kiln Fuel cost reduced to Rs1.73/'000 kcal from Rs2.14/'000 kcal YoY led by higher consumption of alternative fuels. Thermal value reduced from 757 kcal to 739 kcal; while WHRS as a % of total power consumption increased 1.6pp YoY to 10%.

Exhibit 1: Q1FY25 Result Overview

Y/e March (Rs mn)	Q1FY25	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	**51,549**	**52,011**	***(0.9)***	**54,087**	***(4.7)***	**1,99,589**	**2,19,535**	***(9.1)***
Raw Material	17,509	14,269	*22.7*	17,492	*0.1*	58,116	54,537	*6.6*
% of Net Sales	*34.0*	*27.4*		*32.3*		*29.1*	*24.8*	
Staff Costs	1,641	1,520	*8.0*	1,672	*(1.9)*	6,922	10,362	*(33.2)*
% of Net Sales	*3.2*	*2.9*		*3.1*		*3.5*	*4.7*	
Power & Fuel	10,002	11,248	*(11.1)*	9,763	*2.4*	40,030	57,427	*(30.3)*
% of Net Sales	*19.4*	*21.6*		*18.1*		*20.1*	*26.2*	
Freight	10,854	11,654	*(6.9)*	11,014	*(1.5)*	41,704	51,402	*(18.9)*
% of Net Sales	*21.1*	*22.4*		*20.4*		*20.9*	*23.4*	
Other Expenses	4,753	5,612	*(15.3)*	5,778	*(17.7)*	22,200	29,124	*(23.8)*
% of Net Sales	*9.2*	*10.8*		*10.7*		*11.1*	*13.3*	
Total Expendutre	*44758*	*44302*	*1.0*	*45719*	*(2.1)*	*168973*	*202853*	*(16.7)*
EBITDA	**6,791**	**7,709**	***(11.9)***	**8,368**	***(18.8)***	**30,617**	**16,683**	***83.5***
Margin (%)	*13.2*	*14.8*		*15.5*		*15.3*	*7.6*	
Depreciation	2,323	2,001	*16.1*	2,350	*(1.2)*	8,831	8,413	*5.0*
EBIT	**4,468**	**5,708**	***(21.7)***	**6,018**	***(25.8)***	**21,786**	**8,269**	***163.5***
Other income	717	769	*(6.7)*	1,197	*(40.1)*	4,928	5,986	*(17.7)*
Interest	331	251	*32.0*	667	*(50.3)*	1,546	773	*100.0*
PBT	**4,853**	**6,226**	***(22.1)***	**6,548**	***(25.9)***	**25,168**	**13,482**	***86.7***
Extraordinary income/(expense)	-	-	*NA*	2,296	*NA*	2,296	-1,618	*NA*
PBT (After EO)	**4,853**	**6,226**	***(22.1)***	**8,843**	***(45.1)***	**27,464**	**11,865**	***131.5***
Tax	1,249	1,594	*NA*	-598	*NA*	4,228	3,174	*33.2*
% PBT	*25.7*	*25.6*		*(6.8)*		*15.4*	*26.8*	
Reported PAT	**3,605**	**4,632**	***(22.2)***	**9,441**	***(61.8)***	**23,236**	**8,691**	***167.4***
Minority Interest	-0	-0	*-*	-1	*(20.0)*	-2	-1	*14.3*
Share of profit in JV/Associates	9	29	*(67.8)*	7	*34.3*	129	162	*(19.9)*
Net Profit Attributable to shareholders	**3,614**	**4,661**	***(22.5)***	**9,448**	***(61.8)***	**23,364**	**8,851**	***164.0***
Adjusted PAT	**3,614**	**4,661**	***(22.5)***	**7,730**	***(53.3)***	**21,646**	**10,061**	***115.1***

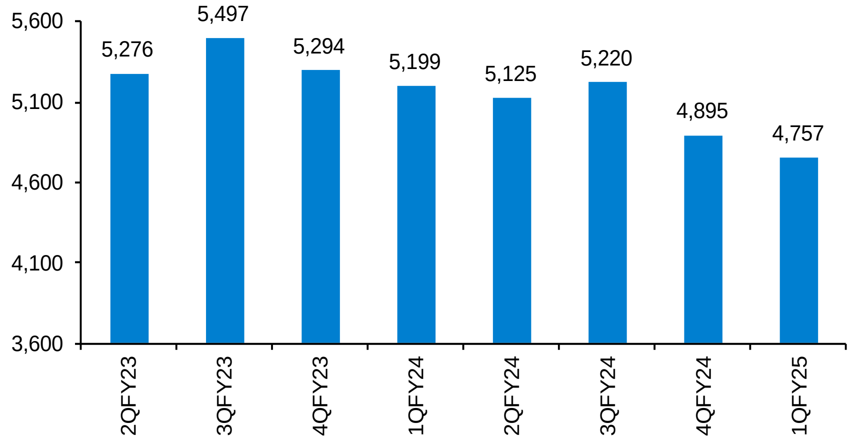
Source: Company, PL

Exhibit 2: 8.5% YoY volume growth aided by MSA volumes (mt)



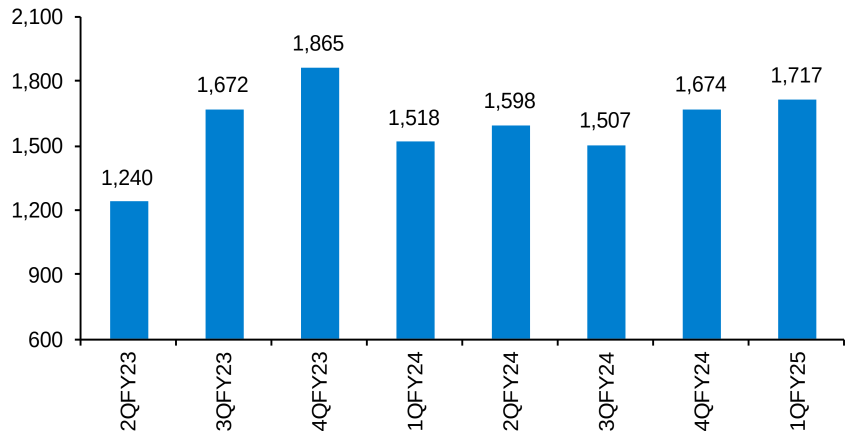
Source: Company, PL

Exhibit 3: Sharp decline in NSR led by weak pricing across regions (Rs/t)



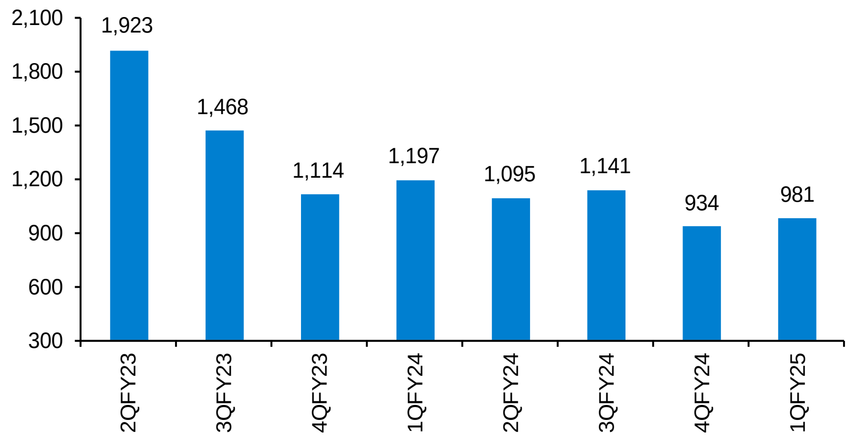
Source: Company, PL

Exhibit 4: RM costs per ton grew 3% QoQ on input prices (in Rs)



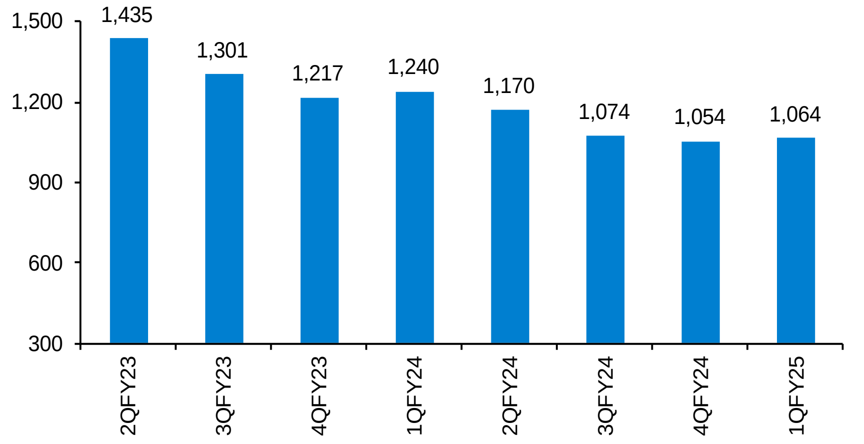
Source: Company, PL

Exhibit 5: Slight uptick of 5% QoQ for Power and fuel costs per ton (in Rs)



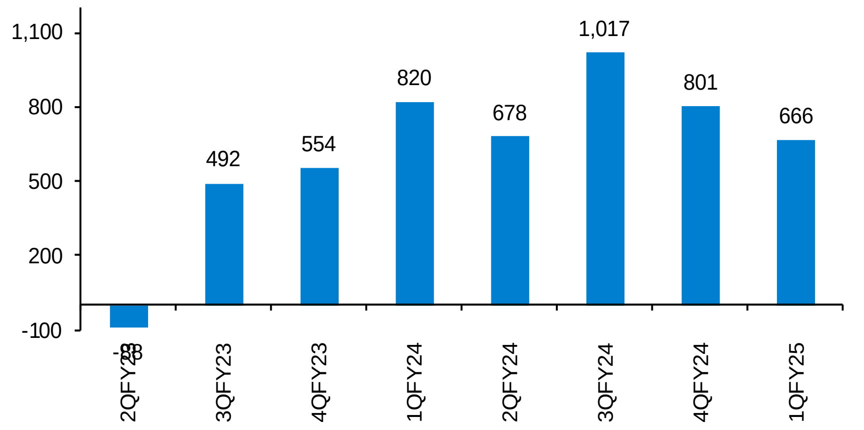
Source: Company, PL

Exhibit 6: Freight costs per ton increased 1% QoQ (in Rs)



Source: Company, PL

Exhibit 7: EBITDA/t declined by Rs135/t on lower NSR (in Rs)



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	**2,17,673**	**1,99,589**	**2,15,929**	**2,40,576**
YoY gr. (%)	*37.6*	*(8.3)*	*8.2*	*11.4*
Cost of Goods Sold	54,349	58,050	44,699	50,671
Gross Profit	1,63,324	1,41,540	1,71,229	1,89,905
Margin (%)	*75.0*	*70.9*	*79.3*	*78.9*
Employee Cost	10,362	7,372	8,069	8,876
Other Expenses	1,38,142	1,03,551	1,28,404	1,38,589
EBITDA	**14,820**	**30,617**	**34,756**	**42,439**
YoY gr. (%)	*(44.3)*	*106.6*	*13.5*	*22.1*
Margin (%)	*6.8*	*15.3*	*16.1*	*17.6*
Depreciation and Amortization	8,413	8,831	8,998	10,235
EBIT	**6,407**	**21,786**	**25,758**	**32,204**
Margin (%)	*2.9*	*10.9*	*11.9*	*13.4*
Net Interest	773	1,546	900	790
Other Income	7,848	4,929	6,340	6,394
Profit Before Tax	**11,865**	**27,464**	**31,198**	**37,808**
Margin (%)	*5.5*	*13.8*	*14.4*	*15.7*
Total Tax	3,174	4,228	7,956	9,641
Effective tax rate (%)	*26.8*	*15.4*	*25.5*	*25.5*
Profit after tax	**8,691**	**23,236**	**23,243**	**28,167**
Minority interest	1	2	2	2
Share Profit from Associate	162	129	-	-
Adjusted PAT	**9,919**	**24,313**	**23,241**	**28,165**
YoY gr. (%)	*(47.8)*	*145.1*	*(4.4)*	*21.2*
Margin (%)	*4.6*	*12.2*	*10.8*	*11.7*
Extra Ord. Income / (Exp)	(1,068)	1,515	-	-
Reported PAT	**8,851**	**23,364**	**23,241**	**28,165**
YoY gr. (%)	*(52.5)*	*164.0*	*(0.5)*	*21.2*
Margin (%)	*4.1*	*11.7*	*10.8*	*11.7*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,851	23,364	23,241	28,165
Equity Shares O/s (m)	**188**	**188**	**188**	**188**
EPS (Rs)	**52.8**	**129.3**	**123.6**	**149.8**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	**1,20,666**	**1,50,150**	**1,70,150**	**1,95,150**
Tangibles	1,20,666	1,50,150	1,70,150	1,95,150
Intangibles	-	-	-	-
Acc: Dep / Amortization	**45,585**	**53,347**	**62,345**	**72,580**
Tangibles	45,585	53,347	62,345	72,580
Intangibles	-	-	-	-
Net fixed assets	**75,081**	**96,803**	**1,07,805**	**1,22,570**
Tangibles	75,081	96,803	1,07,805	1,22,570
Intangibles	-	-	-	-
Capital Work In Progress	20,638	13,208	18,208	18,208
Goodwill	38	3,450	3,450	3,450
Non-Current Investments	14,048	10,441	10,441	10,441
Net Deferred tax assets	(4,573)	(5,801)	(5,801)	(5,801)
Other Non-Current Assets	13,081	12,693	12,693	12,693
Current Assets				
Investments	-	7,587	7,587	7,587
Inventories	16,242	18,686	14,790	16,478
Trade receivables	8,692	8,275	8,874	9,887
Cash & Bank Balance	4,147	18,629	25,409	35,655
Other Current Assets	22,697	13,578	13,578	13,578
Total Assets	**2,05,438**	**2,33,856**	**2,53,342**	**2,81,053**
Equity				
Equity Share Capital	1,880	1,880	1,880	1,880
Other Equity	1,39,505	1,61,417	1,82,402	2,08,085
Total Networth	**1,41,385**	**1,63,297**	**1,84,281**	**2,09,965**
Non-Current Liabilities				
Long Term borrowings	1,257	2,238	2,238	2,238
Provisions	1,778	1,517	1,517	1,517
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	16,401	19,249	17,748	19,773
Other current liabilities	40,009	41,720	41,720	41,720
Total Equity & Liabilities	**2,05,438**	**2,33,856**	**2,53,342**	**2,81,053**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	12,026	27,593	31,198	37,808
Add. Depreciation	8,413	8,831	8,998	10,235
Add. Interest	773	1,546	900	790
Less Financial Other Income	7,848	4,929	6,340	6,394
Add. Other	(2,816)	(7,531)	(6,340)	(6,394)
Op. profit before WC changes	18,396	30,439	34,756	42,439
Net Changes-WC	(26,708)	1,331	1,796	(675)
Direct tax	(4,039)	(1,819)	(7,956)	(9,641)
Net cash from Op. activities	**(12,351)**	**29,951**	**28,596**	**32,123**
Capital expenditures	(19,810)	(17,716)	(25,000)	(25,000)
Interest / Dividend Income	-	-	-	-
Others	(26,563)	5,265	6,340	6,394
Net Cash from Invt. activities	**(46,373)**	**(12,451)**	**(18,660)**	**(18,606)**
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(10,892)	(1,753)	(2,256)	(2,481)
Interest paid	(1,485)	(2,678)	(900)	(790)
Others	-	-	-	-
Net cash from Fin. activities	**(12,377)**	**(4,432)**	**(3,156)**	**(3,271)**
Net change in cash	**(71,100)**	**13,069**	**6,780**	**10,246**
Free Cash Flow	(33,398)	16,003	3,596	7,123

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	**44,347**	**49,144**	**54,087**	**51,549**
YoY gr. (%)	*13.4*	*8.3*	*12.9*	*(0.9)*
Raw Material Expenses	12,944	13,410	17,492	17,509
Gross Profit	31,403	35,733	36,595	34,040
Margin (%)	*70.8*	*72.7*	*67.7*	*66.0*
EBITDA	**5,493**	**9,047**	**8,368**	**6,791**
YoY gr. (%)	*(1,008.4)*	*138.6*	*78.6*	*(11.9)*
Margin (%)	*12.4*	*18.4*	*15.5*	*13.2*
Depreciation / Depletion	2,128	2,352	2,350	2,323
EBIT	**3,365**	**6,695**	**6,018**	**4,468**
Margin (%)	*7.6*	*13.6*	*11.1*	*8.7*
Net Interest	289	339	667	331
Other Income	2,101	862	1,197	717
Profit before Tax	**5,177**	**7,217**	**8,843**	**4,853**
Margin (%)	*11.7*	*14.7*	*16.4*	*9.4*
Total Tax	1,315	1,916	(598)	1,249
Effective tax rate (%)	*25.4*	*26.6*	*(6.8)*	*25.7*
Profit after Tax	**3,862**	**5,301**	**9,441**	**3,605**
Minority interest	-	-	1	-
Share Profit from Associates	17	76	7	9
Adjusted PAT	**3,879**	**5,376**	**7,730**	**3,614**
YoY gr. (%)	*(615.3)*	*213.6*	*173.4*	*(22.5)*
Margin (%)	*8.7*	*10.9*	*14.3*	*7.0*
Extra Ord. Income / (Exp)	-	-	1,718	-
Reported PAT	**3,879**	**5,376**	**9,448**	**3,614**
YoY gr. (%)	*(544.0)*	*375.1*	*301.0*	*(22.5)*
Margin (%)	*8.7*	*10.9*	*17.5*	*7.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**3,879**	**5,376**	**9,448**	**3,614**
Avg. Shares O/s (m)	188	188	188	188
EPS (Rs)	**20.7**	**28.6**	**41.1**	**19.2**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	52.8	129.3	123.6	149.8
CEPS	97.5	176.3	171.5	204.3
BVPS	752.1	868.6	980.3	1,116.9
FCF	(177.7)	85.1	19.1	37.9
DPS	9.3	7.5	12.0	13.2
Return Ratio(%)				
RoCE	4.5	14.1	14.6	16.2
ROIC	3.4	14.4	13.4	15.4
RoE	7.0	16.0	13.4	14.3
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	14	14	10	10
Valuation(x)				
PER	49.1	20.0	21.0	17.3
P/B	3.4	3.0	2.6	2.3
P/CEPS	26.6	14.7	15.1	12.7
EV/EBITDA	32.7	15.1	13.1	10.5
EV/Sales	2.2	2.3	2.1	1.9
Dividend Yield (%)	0.4	0.3	0.5	0.5

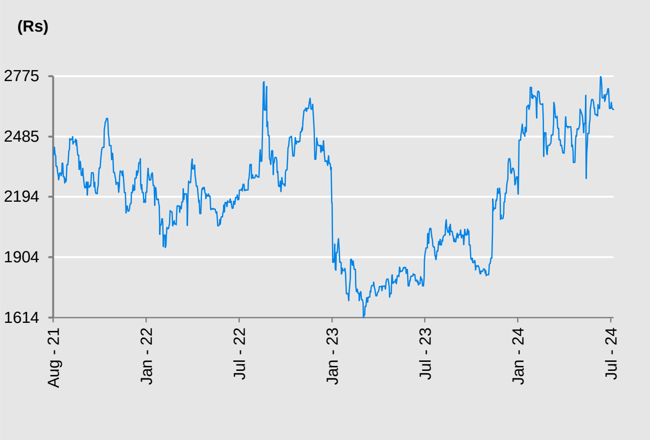
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Cement Volume (mt)	38	37	40	44
Net Realisation (Rs/t)	5,331	5,132	5,081	5,157
EBITDA (Rs/ t)	391	831	863	958

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-24	BUY	3,707	2,670
2	26-Apr-24	BUY	3,509	2,580
3	09-Apr-24	BUY	3,516	2,582
4	11-Mar-24	BUY	3,522	2,639

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,707	2,670
2	Ambuja Cement	Accumulate	701	686
3	Dalmia Bharat	Accumulate	2,067	1,817
4	Hindalco Industries	BUY	796	698
5	Jindal Stainless	Reduce	712	827
6	Jindal Steel & Power	Hold	978	972
7	JSW Steel	Accumulate	1,022	890
8	National Aluminium Co.	Sell	142	199
9	NMDC	Accumulate	276	252
10	Nuvoco Vistas Corporation	Accumulate	388	373
11	Shree Cement	Accumulate	29,225	27,417
12	Steel Authority of India	Sell	134	156
13	Tata Steel	Accumulate	186	175
14	Ultratech Cement	Accumulate	11,848	11,275

PL's Recommendation Nomenclature (Absolute Performance)

Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

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