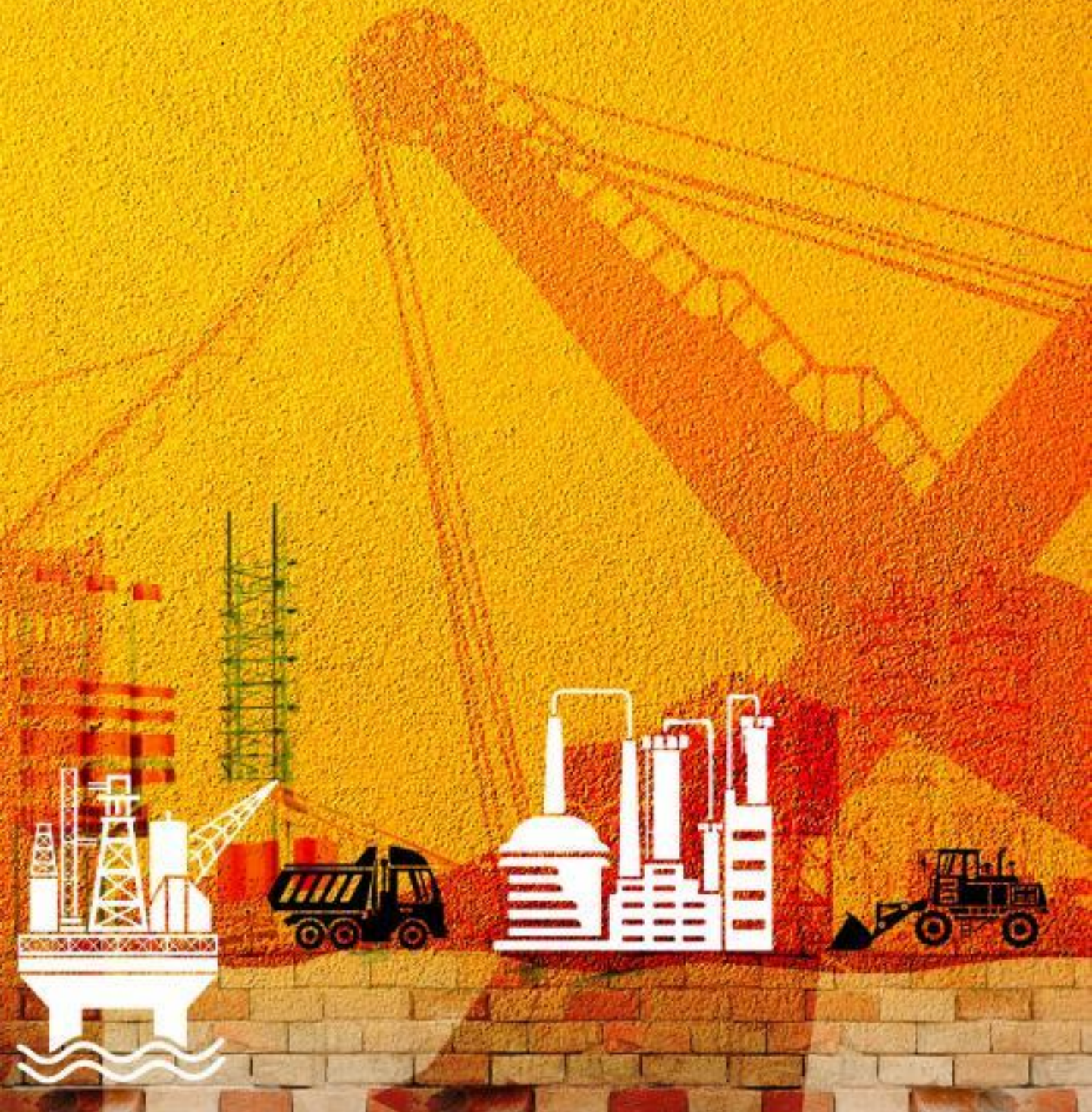




KRChoksey

RESEARCH
by DEVEN CHOKSEY

Q1FY25 ACC Limited



ACC Limited

Volume growth continues to surprise; weaker realization drags results

CMP INR 2,488*	Target INR 2,923	Potential Upside 17.5%	Market Cap (INR Mn) INR 4,66,933	Recommendation BUY	Sector Cement
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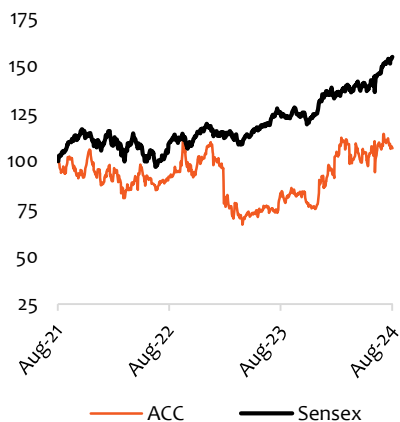
Result Highlights

- ACC Q1FY25 earnings fell short of our expectations despite exceeding our projections on revenue.
- Revenue declined to INR 51,549 Mn, down 0.9% YoY (-4.7% QoQ), beating our estimates primarily driven by jump in sales volume.
- EBITDA dropped to INR 6,791 Mn, down 11.9% YoY (-18.8% QoQ), missing our projections due to higher raw material expenses; EBITDA margin stood at 13.2% (-165bps YoY/-230bps QoQ).
- PAT stood at INR 3,614 Mn declining 22.5% YoY (-61.8% QoQ), missing our estimates due to weaker operating performance, leading to PAT margin declining to 7.0% (-195bps YoY /-1,046bps QoQ).
- We maintain our multiple of 13.0x to FY26E EBITDA and FY26E EBITDA to reflect the benefits of synergies from the parent company and added benefit to ACC Ltd from the acquisition of Penna Cement, and better margin improvement going forward driven by cost reduction initiatives. Accordingly, we arrive at a target price of INR 2,923 per share and retain our “BUY” rating on the shares of ACC Ltd.**

MARKET DATA

Shares outs (Mn)	188
Mkt Cap (INR Mn)	4,66,933
52 Wk H/L (INR)	2,843/1,803
Volume Avg (3m K)	536
Face Value (INR)	10
Bloomberg Code	ACC IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	81,868
NIFTY	25,011

SHARE HOLDING PATTERN (%)

Particulars (%)	Jun-24	Mar-24	Dec-23
Promoters	56.7	56.7	56.7
FIIIs	5.7	6.2	6.2
DIIIs	24.8	24.6	24.2
Others	12.8	12.5	12.9
Total	100	100	100

*Based on previous closing

KEY FINANCIALS

INR Millions	Q1FY25	Q4FY24	Q1FY24	QoQ	YoY
Revenue	51,549	54,087	52,011	-4.7%	-0.9%
EBITDA	6,791	8,368	7,709	-18.8%	-11.9%
PAT	3,614	9,448	4,661	-61.8%	-22.5%
OPM (%)	13.2%	15.5%	14.8%	-230 bps	-165 bps
NPM (%)	7.0%	17.5%	9.0%	-1,046 bps	-195 bps

Source: Company, KRChoksey Research

Exceptional volume growth; weaker realization continues

- Q1FY25 Volume grew to 10.2 MT, up 8.5% YoY (-1.9% QoQ).
- Net realization/Ton reduced to INR 5,054/Ton in Q1FY25 from INR 5,533/Ton, down 8.7% YoY.
- EBITDA/Ton fell to INR 609/Ton in Q1FY25, down 25.6% YoY, primarily driven by increased raw material cost partially offset by lower freight, power & fuel, and other expenses.
- Raw material/Ton increased to INR 781/Ton, up 8.3% YoY (+14.9% QoQ).
- Power & Fuel Cost reduced by 18.1% to INR 974/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 1,025/Ton, down 14.2% YoY, and is expected to reduce further in the coming quarters.

Capacity expansion and reduction in costs to boost growth

- ACC plans to commission two new units: Sindri, with a capacity of 1.6 MTPA, set to begin operations by Q4FY25E, and Salai Banwa, with a capacity of 2.4 MTPA, expected to start by Q1FY26E.
- Additionally, ACC is constructing two new office buildings—one in Ahmedabad with an estimated capex of Rs 7-8 billion and another in Delhi to serve as a regional office.
- The Company aims to reduce total operating expenses by INR 500-600/Ton by improving the fuel mix, enhancing Waste Heat Recovery Systems (WHRs) capacities, and cutting freight costs.
- In terms of price recovery, the management expects to see any improvement post monsoon in Q3FY25E or in Q4FY25E.

8.8%

Revenue CAGR between FY24 and FY26E

8.4%

Adj. PAT CAGR between FY24 and FY26E

ACC Limited

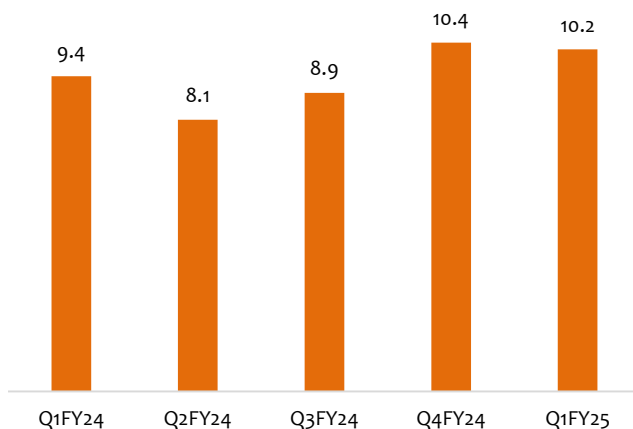
Key Concall Highlights:

- The Company has **partially offset the price decline through increased volume and cost management**, but some of the impact is directly visible in the EBITDA.
- The Company anticipates that **prices will recover post-monsoon** and follow a typical trend, **supported by improved demand-supply dynamics in the December and March quarters**.
- The **current low prices are attributed to weak demand, elections, and an early monsoon**, rather than the Company's pricing strategy.
- The Company **anticipates an 8.0–9.0% increase in demand**, which would add approximately 40 MT annually.
- For the current quarter, industry demand is expected to be around 1.0-1.5%, indicating a subdued market.
- Demand and supply are projected to align better in the December and March quarters, which should support a recovery in prices following the monsoon season.
- Adani Cement has recently announced the acquisition of Penna Cement through Ambuja Cements, which has expanded the group Company's cement capacity to 89MTPA and is expected to bolster its market share in the Southern markets.
- The **integration of the acquired entity is anticipated to yield benefits in Q2FY25E**, with full availability expected in Q3FY25E.
- The acquisition is projected to **create synergies between Adani Group's plants, particularly ACC plants in the South and the Penna units**, resulting in advantages in both volume and cost.
- The Company is expanding its capacity by adding two new production units: Sindri, which is anticipated to be operational by Q4FY25, and Salai Banwa, expected to start up by Q1FY26.
- The Company plans to fund the capital expenditure required for these **expansions through internal accruals**.
- 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:

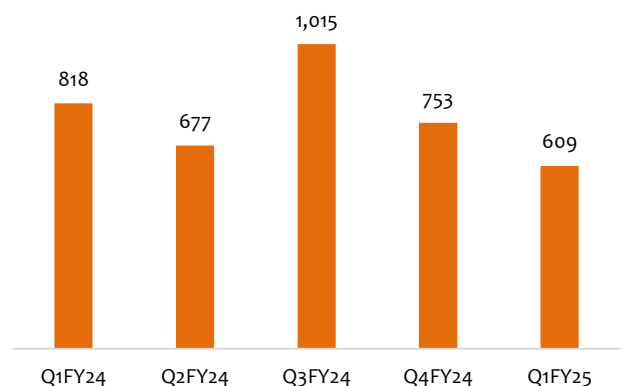
ACC Q1FY25 earnings missed our projections despite reporting higher than anticipated revenue. The Company expects cement prices to improve in Q4FY25E. Adani Group recently announced its acquisition of Penna Cement to expand its market share and reach in southern markets. We believe the acquisition of Penna Cement complements the Group company's southern presence, and we expect ACC Ltd to benefit the most from the acquisition deal. **We retain our FY26E EBITDA to INR 40,527 Mn and EV/EBITDA multiple of 13.0x to reflect our confidence in the Company's ability to deliver improved margins and profitability due to synergy benefits, cost savings, and the Penna Cement deal.** Accordingly, we maintain our target price of INR 2,923 per share and retain our "BUY" rating on the shares of ACC Ltd. The stock offers an upside of 17.5% from current levels.

Sales Volume (MT) increased YoY



Source: Company, KRChoksey Research

Sequential EBITDA/ton declined primarily due to weaker cement prices and higher raw material costs



ACC Limited

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	CY21	FY23	FY24	FY25E	FY26E
Revenues	161,517	222,102	199,589	216,304	236,352
COGS	28,665	54,537	58,116	56,742	54,049
Gross profit	132,852	167,565	141,473	159,562	182,303
Employee cost	8,362	10,362	7,372	7,557	11,802
Power & Fuel	33,648	57,427	40,030	45,476	48,585
Freight and Forwarding Expense	38,230	51,402	41,704	43,674	51,845
Other expenses	22,632	29,124	21,750	28,120	29,544
EBITDA	29,981	19,249	30,617	34,736	40,527
EBITDA Margin	18.6%	8.7%	15.3%	16.1%	17.1%
Depreciation & amortization	6,007	8,413	8,831	7,787	8,863
EBIT	23,974	10,836	21,786	26,949	31,664
Interest expense	546	773	1,546	1,623	1,688
PBT	24,947	11,865	27,464	28,143	32,937
Tax	6,433	3,174	4,228	7,092	8,300
Reported PAT	18,630	8,852	23,365	21,151	24,736
Adj. PAT	19,178	10,468	21,069	21,151	24,736
EPS (INR)	98.9	47.0	124.1	112.3	131.4

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

INR Millions	CY21	FY23	FY24	FY25E	FY26E
Net Cash Generated From Operations	28,355	(12,351)	29,951	31,606	30,271
Net Cash Flow from/(used in) Investing Activities	(9,880)	(46,373)	(12,451)	(15,908)	(17,491)
Net Cash Flow from Financing Activities	(3,305)	(12,377)	(4,432)	(5,525)	(6,266)
Net Inc/Dec in cash equivalents	15,170	(71,101)	13,069	10,173	6,514
Opening Balance	58,494	73,666	2,566	16,040	26,213
Adjustments for gain on fair valuation	3	1	405	0	0.00
Closing Balance Cash and Cash Equivalents	73,666	2,566	16,040	26,213	32,727

Source: Company, KRChoksey Research

Exhibit 3: Key Ratio

Key Ratio	CY21	FY23	FY24	FY25E	FY26E
EBITDA Margin (%)	18.6%	8.7%	15.3%	16.1%	17.1%
Tax rate (%)	25.8%	26.8%	15.4%	25.2%	25.2%
Net Profit Margin (%)	11.5%	4.0%	11.7%	9.8%	10.5%
RoE (%)	13.0%	6.3%	14.3%	11.7%	12.3%
RoCE (%)	16.8%	7.7%	13.3%	14.9%	15.8%
EPS (INR)	98.9	47.0	124.1	112.3	131.4

Source: Company, KRChoksey Research

ACC Limited

Exhibit 4: Balance Sheet

INR Millions	CY21	FY23	FY24	FY25E	FY26E
Property, plant and equipment	65,414	71,023	88,173	97,690	107,735
Capital work-in-progress	12,164	16,840	9,858	9,858	9,858
Goodwill	38	38	3,450	3,450	3,450
Intangible assets	500	1,443	4,180	4,514	4,875
Investment in Associate	1,312	1,449	335	351	369
Investments	184	184	184	202	202
Loans	100	89	65	69	69
Other financial assets	9,171	12,326	9,858	10,647	10,647
Non-current Tax Assets (Net)	10,042	10,060	9,856	11,877	12,978
Other non-current assets	6,238	6,819	6,187	7,475	8,168
Total non-current assets	106,708	122,886	136,595	150,584	162,802
Inventories	12,739	16,242	18,686	23,832	22,700
Trade receivables	4,623	8,692	8,275	8,657	9,459
Cash and cash equivalents	73,666	2,566	16,040	26,213	32,727
Other Balances with Banks	1,558	1,581	2,589	2,693	2,800
Loans	66	58	36	39	42
Other financial assets	2,869	30,695	30,253	32,673	35,287
Assets/Disposal Group held for sale	23	21	219	219	219
Other current assets	8,137	22,697	13,578	11,168	12,203
Total current assets	103,681	82,552	97,261	113,079	123,024
TOTAL ASSETS	210,388	205,438	233,856	263,663	285,825
Equity share capital	1,880	1,880	1,880	1,880	1,880
Other equity	141,208	139,505	161,417	178,531	198,547
Equity attributable to the equity shareholders	143,088	141,385	163,297	180,411	200,427
Non-controlling interests	34	35	36	37	37
Total equity	143,122	141,420	163,333	180,448	200,464
Provisions	2,156	1,778	1,517	1,608	1,704
Deferred Tax Liabilities (Net)	4,037	4,573	5,801	9,059	9,898
Total non-current liabilities	7,206	7,608	9,555	13,038	14,116
Trade payables	19,049	14,934	19,249	30,782	29,321
Other financial liabilities	11,295	11,915	12,611	13,368	14,170
Other current liabilities	22,896	24,075	19,779	20,966	22,224
Provisions	157	101	121	323	353
Current Tax liabilities (Net)	6,664	5,385	9,208	4,738	5,177
Total current liabilities	60,060	56,410	60,968	70,177	71,245
Total liabilities	67,267	64,018	70,523	83,215	85,362
TOTAL EQUITY AND LIABILITIES	210,388	205,438	233,856	263,663	285,825

Source: Company, KRChoksey Research

ACC Limited

ACC Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
02-Aug-24	2,488	2,923	BUY	Buy	More than 15%
02-May-24	2,529	2,923	BUY	Accumulate	5% – 15%
01-Feb-24	2,499	2,731	ACCUMULATE	Hold	0 – 5%
21-Nov-23	1,828	2,041	ACCUMULATE	Reduce	-5% – 0
14-Aug-23	1,914	2,166	ACCUMULATE	Sell	Less than – 5%
03-May-23	1,763	2,166	BUY		

ANALYST CERTIFICATION:

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