PL Capital
PRABHUDAS LILLADHER

ACC (ACC IN)

Rating: BUY | CMP: Rs2,238 | TP: Rs3,262

October 25, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	**BUY**		**BUY**	
Target Price	**3,262**		**3,457**	
Sales (Rs. m)	2,23,450	2,35,044	2,26,768	2,36,342
% Chng.	*(1.5)*	*(0.5)*		
EBITDA (Rs. m)	36,020	38,414	39,062	39,603
% Chng.	*(7.8)*	*(3.0)*		
EPS (Rs.)	123.3	127.6	135.7	132.8
% Chng.	*(9.2)*	*(4.0)*		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,99,589	2,03,151	2,23,450	2,35,044
EBITDA (Rs. m)	30,617	29,169	36,020	38,414
Margin (%)	*15.3*	*14.4*	*16.1*	*16.3*
PAT (Rs. m)	24,313	19,002	23,175	23,982
EPS (Rs.)	129.3	101.1	123.3	127.6
Gr. (%)	*145.1*	*(21.8)*	*22.0*	*3.5*
DPS (Rs.)	7.5	12.0	13.2	14.5
Yield (%)	*0.3*	*0.5*	*0.6*	*0.6*
RoE (%)	*16.0*	*11.1*	*12.2*	*11.3*
RoCE (%)	*14.1*	*11.6*	*13.4*	*12.5*
EV/Sales (x)	2.0	1.9	1.7	1.6
EV/EBITDA (x)	13.0	13.5	10.8	9.9
PE (x)	17.3	22.1	18.2	17.5
P/BV (x)	2.6	2.3	2.1	1.9

Key Data	ACC.BO | ACC IN
52-W High / Low	Rs.2,844 / Rs.1,803
Sensex / Nifty	79,402 / 24,181
Market Cap	Rs.420bn/ $ 4,998m
Shares Outstanding	188m
3M Avg. Daily Value	Rs.980.71m

Shareholding Pattern (%)

Promoter's	56.69
Foreign	5.51
Domestic Institution	24.43
Public & Others	13.37
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.9)	(13.3)	18.3
Relative	(2.3)	(18.8)	(4.5)

Tushar Chaudhari
tusharchaudhari@plindia.com | 91-22-663222391

Healthy volume growth in seasonally weak quarter

Quick Pointers:

- Volume grew strong 15% YoY aided by MSA and higher premium share
- Higher consumption of alternative fuels and WHRS proportion (10%) continue to drive cost savings

ACC reported in-line operating performance in 2QFY25 led by higher volume growth. Volumes grew 15% YoY to 9.3mt aided by higher trade volume and better growth in premium products. Average NSR declined 1.6% QoQ as cement prices declined across regions, due to weak demand amidst monsoon. However, due to higher share of traded goods, EBITDA was in line with PLe as rest of the costs were largely in-line. Operating costs declined YoY, but was largely in line with peers; the impact of cost saving measures is still awaited. In 2HFY25, demand is expected to improve aided by infrastructure projects leading to higher industry utilization, and pricing would follow suit.

With Adani Group's superior execution capabilities, we expect not only improved pace of capacity addition but also higher capex on efficiency improvement for ACC units. Cement capacity is expected to grow to 44.2mtpa (incl ACCPL) by FY26E. We cut FY25/26/27 EBITDA estimates by 9%/8%/3% on lower pricing assumptions and expect EBITDA to grow at a CAGR of 8% over FY24-27E. The stock is currently trading at 11x/10.1x EV of FY26E/FY27E EBITDA. Maintain 'BUY' with revised TP of Rs3,262 (Rs3,457 earlier) valuing at long-term EV multiple of 15x Sep'26E EBITDA.

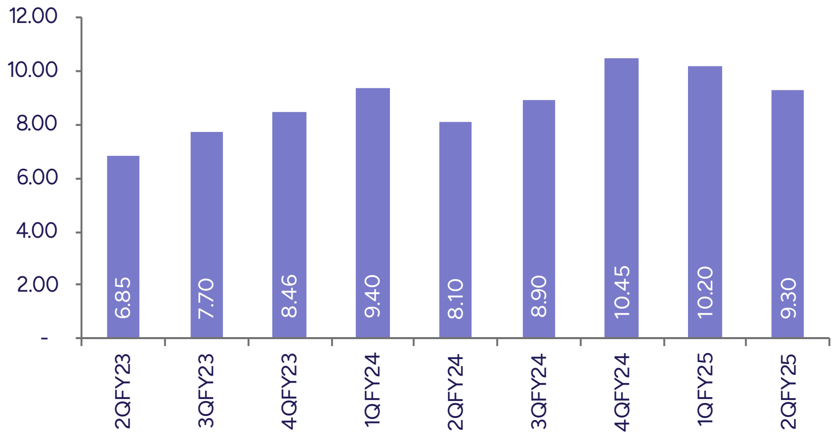
- **Revenue beat on strong volume growth**: Consolidated revenue grew 4% YoY to Rs46.1bn (-10.5% QoQ; PLe Rs40bn) aided by strong volume growth. Cement volumes grew 14.8% YoY to 9.3mt (-9% QoQ; PLe 8.6mt) supported by higher trade volumes and premium product volumes (14% YoY). Average cement realization declined just 1.6% QoQ to Rs4,680/t (-9% YoY; PLe Rs4,638/t), despite soft cement prices across regions. RMC revenue declined 6% YoY to Rs2.9bn, while EBIT grew 36% YoY to Rs44mn.
- **EBITDA in-line, despite high volume growth:** EBITDA declined 20% YoY to Rs4.4bn (-35% QoQ; PLe Rs4.4bn) due to increase in RM cost on higher MSA volumes. P&F costs/t declined 23% YoY to Rs842, while freight costs/t declined 14% YoY to Rs1,002. Other expenses/t declined 24% YoY to Rs527 on reclassification of royalty in RM since Q1. Resultantly, ACC delivered EBIDTA/t of Rs469 (-31% YoY/-30% QoQ) vs. PLe of Rs519 on higher volumes. Operating costs declined YoY, but were largely in line with peers; cost saving measures are yet to yield results. Adjusted PAT declined 42% YoY to Rs2.2bn, which includes Rs350mn on account of claim settlement with JMS Mining for old coal block allotted in FY09 and subsequently cancelled in FY15.
- **Improving cost efficiencies:** Kiln fuel cost reduced to Rs1.57/kcal from Rs1.85/kcal in Q2FY24 led by higher consumption of alternative fuels (up 2.8pp to 10.2%). Thermal value reduced from 768kcal to 735kcal, while WHRS as a percentage of total power consumption increased 1.2pp YoY to 10%.

Exhibit 1: Q2FY25 Result Overview

Y/e March (Rs mn)	Q2FY25	Q2FY24	YoY gr. (%)	Q2FY25E	Vari. (%)	Q1FY25	QoQ gr. (%)	1HFY25
Net Sales	**46,135**	**44,347**	**4.0**	**39,823**	**15.8**	**51,549**	**(10.5)**	**97,684**
Raw Material	17,914	12,944	38.4	12,623	41.9	17,509	2.3	35,422
% of Net Sales	*38.8*	*29.2*		*31.7*		*34.0*		*36.3*
Staff Costs	1,810	1,948	(7.1)	2,025	(10.6)	1,641	10.3	3,451
% of Net Sales	*3.9*	*4.4*		*5.1*		*3.2*		*3.5*
Power & Fuel	7,832	8,866	(11.7)	8,083	(3.1)	10,002	(21.7)	17,834
% of Net Sales	*17.0*	*20.0*		*20.3*		*19.4*		*18.3*
Freight	9,318	9,479	(1.7)	8,679	7.4	10,854	(14.2)	20,172
% of Net Sales	*20.2*	*21.4*		*21.8*		*21.1*		*20.6*
Other Expenses	4,898	5,618	(12.8)	3,961	23.7	4,753	3.1	9,651
% of Net Sales	*10.6*	*12.7*		*9.9*		*9.2*		*9.9*
Total Expenditure	*41772*	*38855*	*7.5*	*35371*	*18.1*	*44758*	*(6.7)*	*86530*
EBITDA	**4,364**	**5,493**	**(20.6)**	**4,452**	**(2.0)**	**6,791**	**(35.7)**	**11,154**
Margin (%)	*9.5*	*12.4*		*11.2*		*13.2*		*11.4*
Depreciation	2,423	2,128	13.9	2,405	0.8	2,323	4.3	4,746
EBIT	**1,941**	**3,365**	**(42.3)**	**2,047**	**(5.2)**	**4,468**	**(56.6)**	**6,408**
Other income	1,586	2,101	(24.5)	574	176.4	717	121.1	2,303
Interest	333	289	15.2	298	11.5	331	0.4	664
PBT	**3,194**	**5,177**	**(38.3)**	**2,323**	**37.5**	**4,853**	**(34.2)**	**8,047**
Extraordinary income/(expense)	-350	-	NA	-		-	NA	-350
PBT (After EO)	**2,844**	**5,177**	**(45.1)**	**2,323**	**22.4**	**4,853**	**(41.4)**	**7,697**
Tax	843	1,315	NA	597		1,249	NA	2,092
% PBT	*29.7*	*25.4*		*25.7*		*25.7*		*27.2*
Reported PAT	**2,000**	**3,862**	**(48.2)**	**1,726**	**15.9**	**3,605**	**(44.5)**	**5,605**
Minority Interest	0	-0	(233.3)	-1		-0	(200.0)	-
Share of profit in JV/Associates	-3	17	(119.7)	5	NA	9	(136.2)	6
Net Profit Attributable to shareholders	**1,997**	**3,879**	**(48.5)**	**1,730**	**15.5**	**3,614**	**(44.7)**	**5,611**
Adjusted PAT	**2,244**	**3,879**	**(42.2)**	**1,730**	**29.7**	**3,614**	**(37.9)**	**5,873**

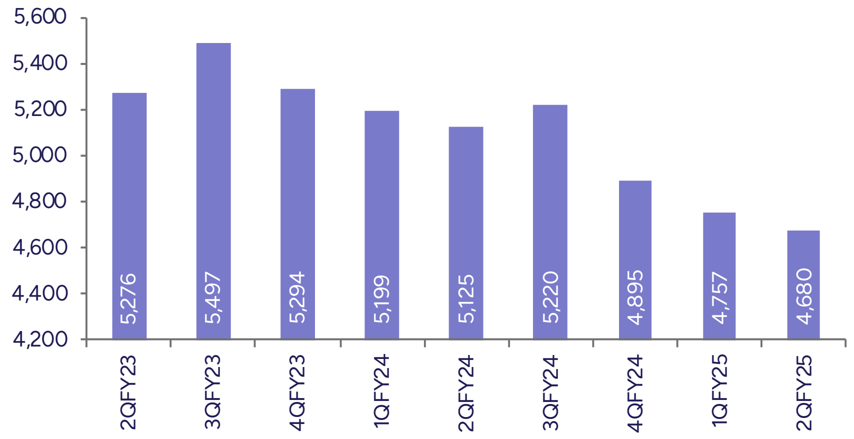
Source: Company, PL

Exhibit 2: 15% YoY volume growth aided by increased trade volume (mt)



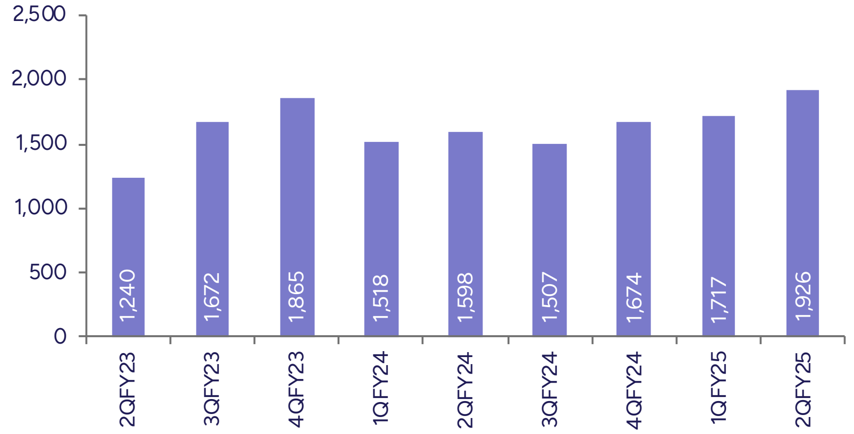
Source: Company, PL

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



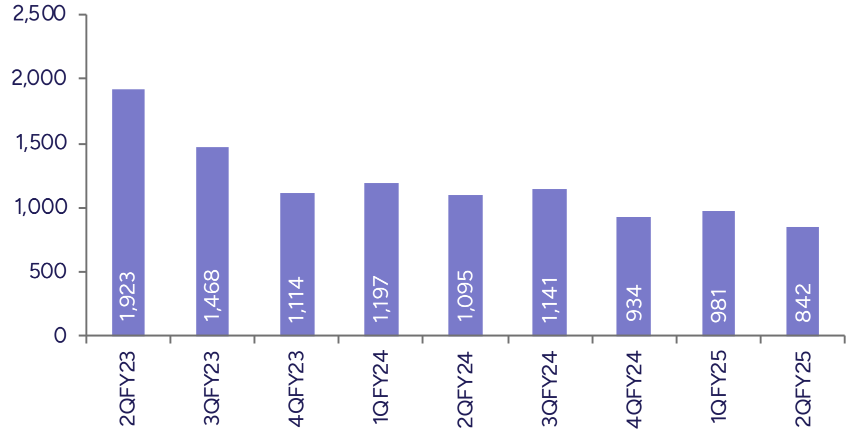
Source: Company, PL

Exhibit 4: RM costs/t grew 12% QoQ on higher MSA volumes (Rs)



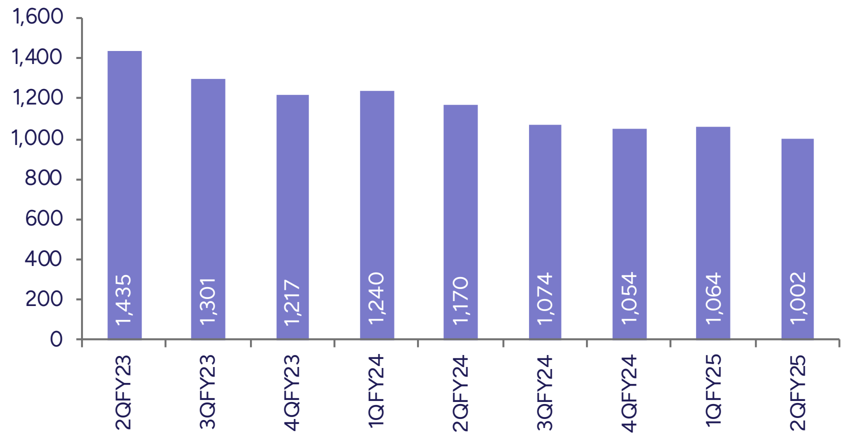
Source: Company, PL

Exhibit 5: P&F costs/t declined by sharp 14% QoQ (Rs)



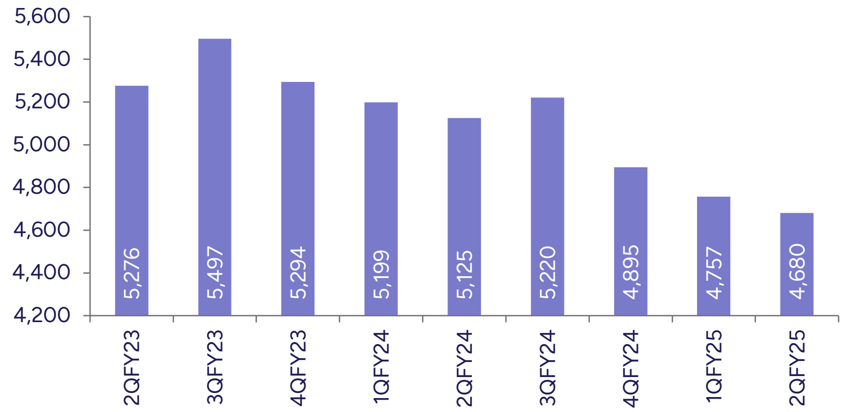
Source: Company, PL

Exhibit 6: Freight costs/t decreased 6% QoQ (Rs)



Source: Company, PL

Exhibit 7: EBITDA/t declined by Rs197/t on weak NSR (Rs)



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	**1,99,589**	**2,03,151**	**2,23,450**	**2,35,044**
YoY gr. (%)	*(8.3)*	*1.8*	*10.0*	*5.2*
Cost of Goods Sold	58,050	49,581	55,261	59,032
Gross Profit	1,41,540	1,53,570	1,68,190	1,76,013
Margin (%)	*70.9*	*75.6*	*75.3*	*74.9*
Employee Cost	7,372	8,069	8,876	9,587
Other Expenses	1,03,551	1,16,331	1,23,293	1,28,013
EBITDA	**30,617**	**29,169**	**36,020**	**38,414**
YoY gr. (%)	*106.6*	*(4.7)*	*23.5*	*6.6*
Margin (%)	*15.3*	*14.4*	*16.1*	*16.3*
Depreciation and Amortization	8,831	8,998	10,235	11,610
EBIT	**21,786**	**20,171**	**25,785**	**26,803**
Margin (%)	*10.9*	*9.9*	*11.5*	*11.4*
Net Interest	1,546	900	790	760
Other Income	4,929	6,237	6,115	6,150
Profit Before Tax	**27,464**	**25,508**	**31,109**	**32,193**
Margin (%)	*13.8*	*12.6*	*13.9*	*13.7*
Total Tax	4,228	6,505	7,933	8,209
Effective tax rate (%)	*15.4*	*25.5*	*25.5*	*25.5*
Profit after tax	**23,236**	**19,004**	**23,177**	**23,984**
Minority interest	2	2	2	2
Share Profit from Associate	129	-	-	-
Adjusted PAT	**24,313**	**19,002**	**23,175**	**23,982**
YoY gr. (%)	*145.1*	*(21.8)*	*22.0*	*3.5*
Margin (%)	*12.2*	*9.4*	*10.4*	*10.2*
Extra Ord. Income / (Exp)	1,515	-	-	-
Reported PAT	**23,364**	**19,002**	**23,175**	**23,982**
YoY gr. (%)	*164.0*	*(18.7)*	*22.0*	*3.5*
Margin (%)	*11.7*	*9.4*	*10.4*	*10.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	23,364	19,002	23,175	23,982
Equity Shares O/s (m)	**188**	**188**	**188**	**188**
EPS (Rs)	**129.3**	**101.1**	**123.3**	**127.6**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	**1,50,150**	**1,70,150**	**1,95,150**	**2,20,150**
Tangibles	1,50,150	1,70,150	1,95,150	2,20,150
Intangibles	-	-	-	-
Acc: Dep / Amortization	**53,347**	**62,345**	**72,580**	**84,191**
Tangibles	53,347	62,345	72,580	84,191
Intangibles	-	-	-	-
Net fixed assets	**96,803**	**1,07,805**	**1,22,570**	**1,35,959**
Tangibles	96,803	1,07,805	1,22,570	1,35,959
Intangibles	-	-	-	-
Capital Work In Progress	13,208	18,208	18,208	18,208
Goodwill	3,450	3,450	3,450	3,450
Non-Current Investments	10,441	10,441	10,441	10,441
Net Deferred tax assets	(5,801)	(5,801)	(5,801)	(5,801)
Other Non-Current Assets	12,693	12,693	12,693	12,693
Current Assets				
Investments	7,587	7,587	7,587	7,587
Inventories	18,686	13,914	15,305	16,099
Trade receivables	8,275	8,349	9,183	9,659
Cash & Bank Balance	18,629	21,520	26,895	34,156
Other Current Assets	13,578	13,578	13,578	13,864
Total Assets	**2,33,856**	**2,48,053**	**2,70,416**	**2,92,623**
Equity				
Equity Share Capital	1,880	1,880	1,880	1,880
Other Equity	1,61,417	1,78,163	1,98,856	2,20,108
Total Networth	**1,63,297**	**1,80,042**	**2,00,735**	**2,21,988**
Non-Current Liabilities				
Long Term borrowings	2,238	2,238	2,238	2,238
Provisions	1,517	1,517	1,517	1,517
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	19,249	16,697	18,366	19,319
Other current liabilities	41,720	41,720	41,720	41,720
Total Equity & Liabilities	**2,33,856**	**2,48,053**	**2,70,416**	**2,92,623**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	27,593	25,508	31,109	32,193
Add. Depreciation	8,831	8,998	10,235	11,610
Add. Interest	1,546	900	790	760
Less Financial Other Income	4,929	6,237	6,115	6,150
Add. Other	(7,531)	(6,237)	(6,115)	(6,150)
Op. profit before WC changes	30,439	29,169	36,020	38,414
Net Changes-WC	1,331	2,146	(556)	(604)
Direct tax	(1,819)	(6,505)	(7,933)	(8,209)
Net cash from Op. activities	**29,951**	**24,810**	**27,531**	**29,601**
Capital expenditures	(17,716)	(25,000)	(25,000)	(25,000)
Interest / Dividend Income	-	-	-	-
Others	5,265	6,237	6,115	6,150
Net Cash from Invt. activities	**(12,451)**	**(18,763)**	**(18,885)**	**(18,850)**
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(1,753)	(2,256)	(2,481)	(2,730)
Interest paid	(2,678)	(900)	(790)	(760)
Others	-	-	-	-
Net cash from Fin. activities	**(4,432)**	**(3,156)**	**(3,271)**	**(3,490)**
Net change in cash	**13,069**	**2,892**	**5,374**	**7,261**
Free Cash Flow	16,003	(190)	2,531	4,601

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	**49,144**	**54,087**	**51,549**	**46,135**
YoY gr. (%)	*8.3*	*12.9*	*(0.9)*	*4.0*
Raw Material Expenses	13,410	17,492	17,509	17,914
Gross Profit	35,733	36,595	34,040	28,222
Margin (%)	*72.7*	*67.7*	*66.0*	*61.2*
EBITDA	**9,047**	**8,368**	**6,791**	**4,364**
YoY gr. (%)	*138.6*	*78.6*	*(11.9)*	*(20.6)*
Margin (%)	*18.4*	*15.5*	*13.2*	*9.5*
Depreciation / Depletion	2,352	2,350	2,323	2,423
EBIT	**6,695**	**6,018**	**4,468**	**1,941**
Margin (%)	*13.6*	*11.1*	*8.7*	*4.2*
Net Interest	339	667	331	333
Other Income	862	1,197	717	1,586
Profit before Tax	**7,217**	**8,843**	**4,853**	**2,844**
Margin (%)	*14.7*	*16.4*	*9.4*	*6.2*
Total Tax	1,916	(598)	1,249	843
Effective tax rate (%)	*26.6*	*(6.8)*	*25.7*	*29.7*
Profit after Tax	**5,301**	**9,441**	**3,605**	**2,000**
Minority interest	-	1	-	-
Share Profit from Associates	76	7	9	(3)
Adjusted PAT	**5,376**	**7,730**	**3,614**	**2,244**
YoY gr. (%)	*213.6*	*173.4*	*(22.5)*	*(42.2)*
Margin (%)	*10.9*	*14.3*	*7.0*	*4.9*
Extra Ord. Income / (Exp)	-	1,718	-	(246)
Reported PAT	**5,376**	**9,448**	**3,614**	**1,997**
YoY gr. (%)	*375.1*	*301.0*	*(22.5)*	*(48.5)*
Margin (%)	*10.9*	*17.5*	*7.0*	*4.3*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**5,376**	**9,448**	**3,614**	**1,997**
Avg. Shares O/s (m)	188	188	188	188
EPS (Rs)	**28.6**	**41.1**	**19.2**	**11.9**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	129.3	101.1	123.3	127.6
CEPS	176.3	148.9	177.7	189.3
BVPS	868.6	957.7	1,067.8	1,180.8
FCF	85.1	(1.0)	13.5	24.5
DPS	7.5	12.0	13.2	14.5
Return Ratio(%)				
RoCE	14.1	11.6	13.4	12.5
ROIC	14.4	10.4	12.1	11.6
RoE	16.0	11.1	12.2	11.3
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	14	10	10	10
Valuation(x)				
PER	17.3	22.1	18.2	17.5
P/B	2.6	2.3	2.1	1.9
P/CEPS	12.7	15.0	12.6	11.8
EV/EBITDA	13.0	13.5	10.8	9.9
EV/Sales	2.0	1.9	1.7	1.6
Dividend Yield (%)	0.3	0.5	0.6	0.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Cement Volume (mt)	37	39	43	44
Net Realisation (Rs/t)	5,132	4,850	4,947	5,046
EBITDA (Rs/ t)	831	738	844	876

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	BUY	3,457	2,439
2	30-Jul-24	BUY	3,707	2,591
3	07-Jul-24	BUY	3,707	2,670
4	26-Apr-24	BUY	3,509	2,580
5	09-Apr-24	BUY	3,516	2,582
6	11-Mar-24	BUY	3,522	2,639

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,457	2,439
2	Ambuja Cement	BUY	756	559
3	Dalmia Bharat	Accumulate	2,073	1,831
4	Hindalco Industries	BUY	847	748
5	Jindal Stainless	Accumulate	814	740
6	Jindal Steel & Power	Accumulate	1,090	1,021
7	JSW Steel	Accumulate	1,106	1,034
8	National Aluminium Co.	Sell	186	220
9	NMDC	Accumulate	266	237
10	Nuvoco Vistas Corporation	Accumulate	372	342
11	Shree Cement	Accumulate	27,481	26,034
12	Steel Authority of India	Reduce	131	139
13	Tata Steel	Accumulate	181	167
14	Ultratech Cement	Accumulate	12,401	10,869

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

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Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com

Amnish Aggarwal

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