

January 28, 2025

## Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>2,878</b>		<b>3,251</b>	
Sales (Rs. m)	2,17,922	2,31,332	2,22,345	2,36,023
% Chng.	(2.0)	(2.0)		
EBITDA (Rs. m)	30,951	35,011	35,006	39,311
% Chng.	(11.6)	(10.9)		
EPS (Rs.)	102.5	113.1	119.1	131.0
% Chng.	(13.9)	(13.6)		

### Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,99,589	1,98,132	2,17,922	2,31,332
EBITDA (Rs. m)	30,617	24,568	30,951	35,011
Margin (%)	15.3	12.4	14.2	15.1
PAT (Rs. m)	24,313	16,497	19,278	21,267
EPS (Rs.)	129.3	87.8	102.5	113.1
Gr. (%)	145.1	(32.1)	16.9	10.3
DPS (Rs.)	7.5	12.0	13.2	14.5
Yield (%)	0.4	0.6	0.7	0.7
RoE (%)	16.0	9.7	10.4	10.5
RoCE (%)	14.1	9.0	11.1	11.4
EV/Sales (x)	1.8	1.8	1.6	1.5
EV/EBITDA (x)	11.5	14.4	11.3	9.9
PE (x)	15.5	22.8	19.5	17.7
P/BV (x)	2.3	2.1	1.9	1.8

### Key Data

ACC.BO | ACC IN

52-W High / Low	Rs.2,844 / Rs.1,839
Sensex / Nifty	75,901 / 22,957
Market Cap	Rs.376bn / \$ 4,343m
Shares Outstanding	188m
3M Avg. Daily Value	Rs.780.11m

### Shareholding Pattern (%)

Promoter's	56.69
Foreign	5.14
Domestic Institution	24.66
Public & Others	13.51
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(3.1)	(23.4)	(18.9)
Relative	0.5	(18.0)	(24.5)

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## Weak print despite strong volumes

### Quick Pointers:

- Volume grew strong 20% YoY aided by MSA and higher growth in premium products.
- Reported EBITDA includes a receivable amount worth Rs6.4bn on account of prior period eligible incentive which was denied earlier for Galgal unit.

**ACC reported weak operating performance in 3QFY25 despite strong volume growth. Volumes grew 20% YoY to 10.7mt aided by higher trade volume and better growth (11% YoY) in premium products. Average NSR declined 0.6% QoQ as cement prices remained under pressure during the quarter and ACC's higher proportion of Southern region where price hikes couldn't sustain. Higher MSA and traded volumes led to higher purchase of finished goods in RM costs which led to sharp decline in EBITDA, although rest of the costs were well constrained. Optimization of fuel basket with lower fuel costs, increased use of Green share and higher volumes led to 30% YoY decline in P&F costs. Reduction in lead distance and higher direct dispatch led to 10% YoY decline in freight costs. Adjusting for prior period amount EBITDA/t works out at Rs448.**

**Improved cement prices in late December, coupled with anticipated increase in construction activities from infrastructure and housing sector are expected to drive ACC's earnings growth going forward. With Adani Group's planned capacity expansion and margin accretive projects, we expect ACC's operating performance to improve gradually over next two years. Cement capacity is expected to grow to 44.2mtpa (incl ACCPL) by FY26E. We cut FY26/27E EBITDA estimates by 12%/11% on lower pricing assumptions. The stock is currently trading at 11.3x/9.9x EV of FY26/27E EBITDA. Maintain 'BUY' with revised TP of Rs2,878 (Rs3,251 earlier) valuing at long-term EV multiple of 15x Sep'26E EBITDA.**

- Revenue beat on strong volume growth:** Revenue grew 8% YoY to Rs53bn (+12% QoQ; PLe Rs50bn) aided by strong volume growth. Cement volumes grew 20.2% YoY to 10.7mt (+15% QoQ; PLe 10.3mt) supported by higher trade volumes and higher premium product volumes (11% YoY). The revenue includes Rs6.4bn worth receivable amount on account of prior period eligible incentive which was denied earlier for Galgal unit. Adjusting that average cement realisation has declined 0.5% QoQ to Rs4,652/t (PLe Rs4,797).
- EBITDA declined despite high volume growth:** EBITDA declined 47% YoY to Rs4.8bn (up 9% QoQ; PLe Rs6.8bn) due to higher purchase of finished goods on higher MSA volumes. RM costs jumped 36% YoY to Rs2,050/t. P&F costs/t declined 30% YoY to Rs797 while freight costs/t declined 11% YoY to Rs960. Other expense/t declined 14% YoY to Rs505/t on reclassification of royalty in RM since Q1. Resultant, ACC delivered EBITDA/t of Rs448/t (-59% YoY/-5% QoQ; PLe of Rs660) on higher traded volumes. EBIT of RMC business improved from loss of 45mn to profit of Rs110mn. Other income contains reversal worth Rs5.3 bn on account of prior period tax liabilities and interest provisions made earlier.

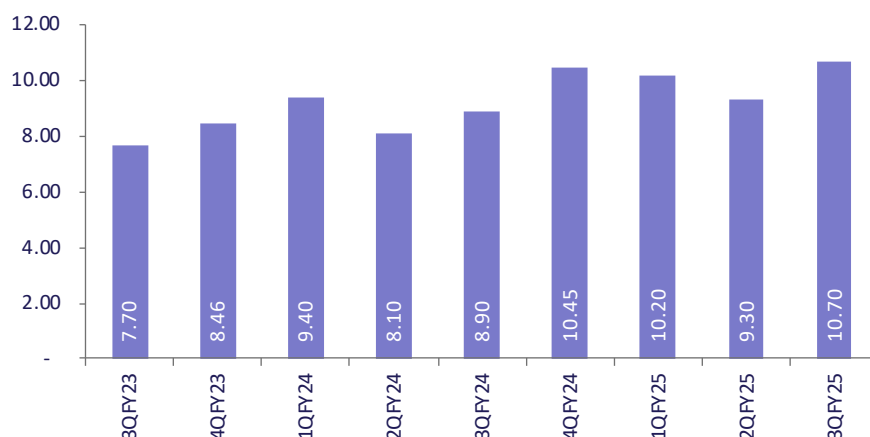
- **Improving cost efficiencies:** In Q3FY25 Kiln Fuel cost reduced to Rs1.68/kcal from Rs1.86/kcal YoY led by higher consumption of alternative fuels. Thermal value reduced from 739 kcal to 732 kcal YoY; while Green power as a % of total power consumption increased 5.7pp YoY to 18.7%. AFR consumption in kiln increased 0.4pp to 9.6% YoY.

**Exhibit 1: Q3FY25 Result Overview**

Y/e March (Rs mn)	Q3FY25	Q3FY24	YoY gr. (%)	Q3FY25E	Var. (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
<b>Net Sales</b>	<b>52,905</b>	<b>49,144</b>	<b>7.7</b>	<b>49,525</b>	<b>6.8</b>	<b>46,135</b>	<b>14.7</b>	<b>150,589</b>	<b>145,502</b>	<b>3.5</b>
Raw Material	21,938	13,410	63.6	17,013	29.0	17,914	22.5	57,360	40,624	41.2
% of Net Sales	41.5	27.3		34.4		38.8		38.1	27.9	
Staff Costs	1,975	1,783	10.8	1,890	4.5	1,810	9.1	5,426	5,250	3.4
% of Net Sales	3.7	3.6		3.8		3.9		3.6	3.6	
Power & Fuel	8,529	10,154	(16.0)	8,347	2.2	7,832	8.9	26,364	30,267	(12.9)
% of Net Sales	16.1	20.7		16.9		17.0		17.5	20.8	
Freight	10,275	9,557	7.5	10,240	0.3	9,318	10.3	30,446	30,690	(0.8)
% of Net Sales	19.4	19.4		20.7		20.2		20.2	21.1	
Other Expenses	5,399	5,193	4.0	5,220	3.4	4,898	10.2	15,050	16,423	(8.4)
% of Net Sales	10.2	10.6		10.5		10.6		10.0	11.3	
Total Expenditure	48117	40096	20.0	42709	12.7	41772	15.2	134646	123253	9.2
<b>EBITDA</b>	<b>4,789</b>	<b>9,047</b>	<b>(47.1)</b>	<b>6,816</b>	<b>(29.7)</b>	<b>4,364</b>	<b>9.7</b>	<b>15,943</b>	<b>22,249</b>	<b>(28.3)</b>
Margin (%)	9.1	18.4		13.8		9.5		10.6	15.3	
Depreciation	2,596	2,352	10.4	2,446	6.1	2,423	7.1	7,342	6,481	13.3
<b>EBIT</b>	<b>2,193</b>	<b>6,695</b>	<b>(67.2)</b>	<b>4,369</b>	<b>(49.8)</b>	<b>1,941</b>	<b>13.0</b>	<b>8,601</b>	<b>15,768</b>	<b>(45.5)</b>
Other income	1,179	862	36.9	1,189	(0.9)	1,586	(25.7)	3,482	3,731	(6.7)
Interest	282	339	(16.9)	299	(5.8)	333	(15.2)	946	879	7.6
<b>PBT</b>	<b>3,090</b>	<b>7,217</b>	<b>(57.2)</b>	<b>5,259</b>	<b>(41.2)</b>	<b>3,194</b>	<b>(3.3)</b>	<b>11,137</b>	<b>18,620</b>	<b>(40.2)</b>
Extraordinary income/(expense)	11,674	-	NA	-		-350	NA	11,324	-	NA
<b>PBT (After EO)</b>	<b>14,764</b>	<b>7,217</b>	<b>104.6</b>	<b>5,259</b>	<b>180.7</b>	<b>2,844</b>	<b>419.2</b>	<b>22,461</b>	<b>18,620</b>	<b>20.6</b>
Tax	3,847	1,916	NA	1,352		843	NA	5,939	4,826	23.1
% PBT	26.1	26.6		25.7		29.7		26.4	25.9	
<b>Reported PAT</b>	<b>10,917</b>	<b>5,301</b>	<b>105.9</b>	<b>3,908</b>	<b>179.4</b>	<b>2,000</b>	<b>445.7</b>	<b>16,522</b>	<b>13,795</b>	<b>19.8</b>
Minority Interest	1	-0	(250.0)	-0		0	50.0	1	-1	(154.5)
Share of profit in JV/Associates	3	76	(95.8)	-2	NA	-3	(194.1)	9	122	(92.5)
<b>Net Profit Attributable to shareholders</b>	<b>10,921</b>	<b>5,376</b>	<b>103.1</b>	<b>3,906</b>	<b>179.6</b>	<b>1,997</b>	<b>446.7</b>	<b>16,532</b>	<b>13,916</b>	<b>18.8</b>
<b>Adjusted PAT</b>	<b>2,294</b>	<b>5,376</b>	<b>(57.3)</b>	<b>3,906</b>	<b>(41.3)</b>	<b>2,244</b>	<b>2.2</b>	<b>8,151</b>	<b>13,916</b>	<b>(41.4)</b>

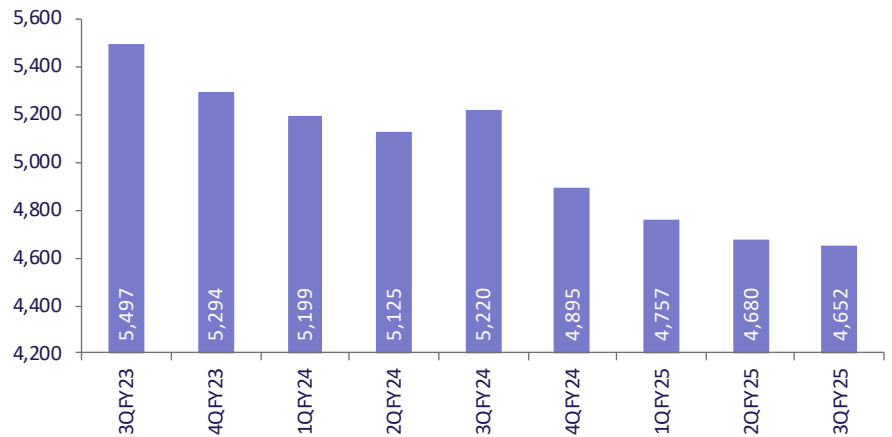
Source: Company, PL

**Exhibit 2: 20% YoY volume growth aided by increased trade volume (mt)**



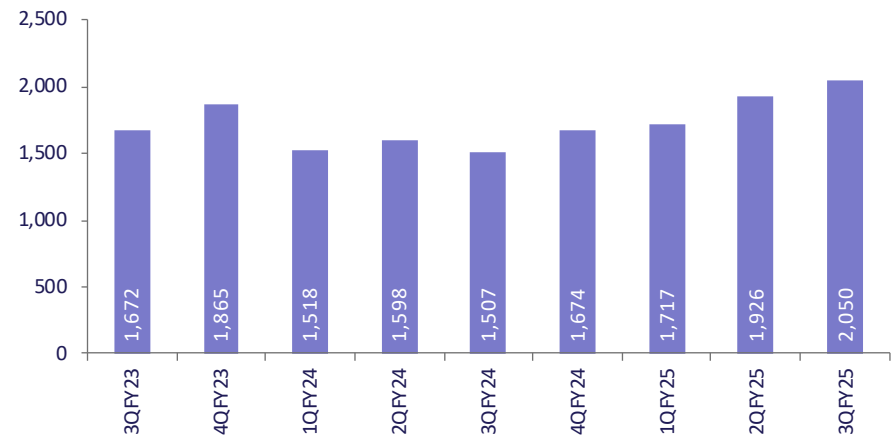
Source: Company, PL

**Exhibit 3: NSR declined 0.6% QoQ due to lower pricing across regions (Rs/t)**



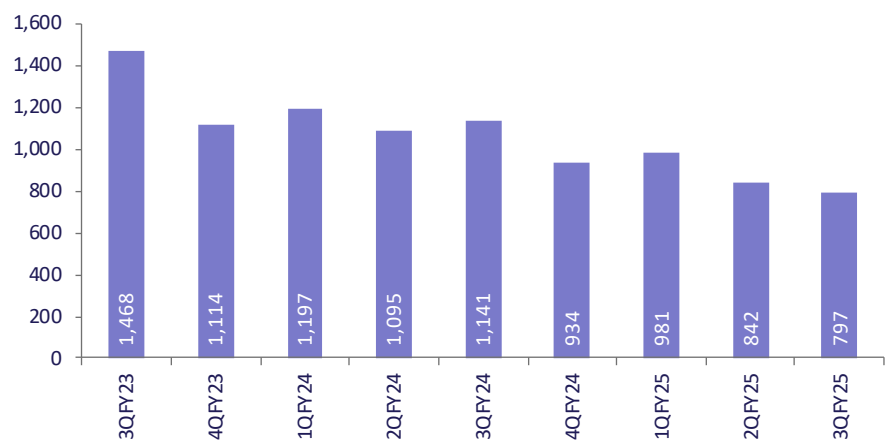
Source: Company, PL

**Exhibit 4: RM costs/t grew 36% YoY on higher MSA volumes (Rs)**



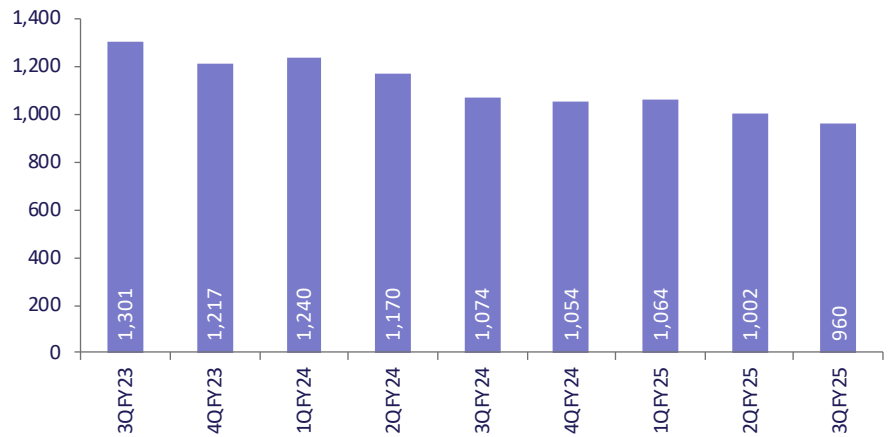
Source: Company, PL

**Exhibit 5: P&F costs/t declined 30% YoY led by lower fuel costs (Rs)**



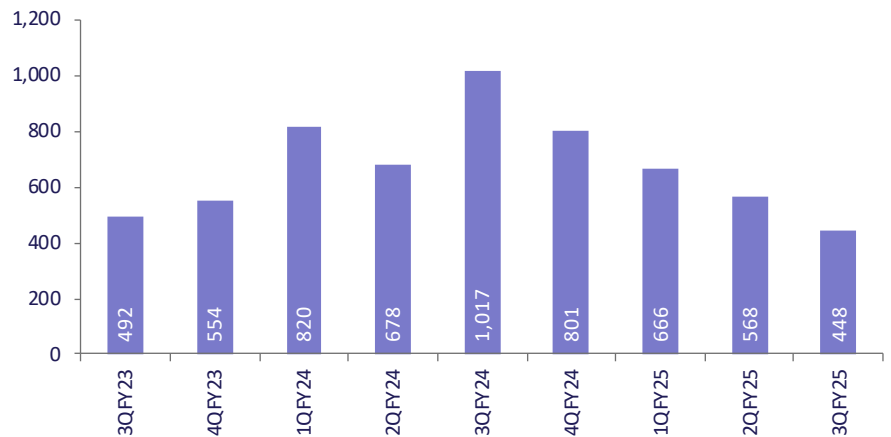
Source: Company, PL

**Exhibit 6: Freight costs/t decreased 10.6% YoY led by decline in lead distance (Rs)**



Source: Company, PL

**Exhibit 7: EBITDA/t declined by sharp Rs569/t YoY on weak NSR & higher RM (Rs)**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>1,99,589</b>	<b>1,98,132</b>	<b>2,17,922</b>	<b>2,31,332</b>
YoY gr. (%)	(8.3)	(0.7)	10.0	6.2
Cost of Goods Sold	58,050	49,164	54,801	58,722
Gross Profit	1,41,540	1,48,969	1,63,120	1,72,611
Margin (%)	70.9	75.2	74.9	74.6
Employee Cost	7,372	8,069	8,876	9,587
Other Expenses	1,03,551	1,16,331	1,23,293	1,28,013
<b>EBITDA</b>	<b>30,617</b>	<b>24,568</b>	<b>30,951</b>	<b>35,011</b>
YoY gr. (%)	106.6	(19.8)	26.0	13.1
Margin (%)	15.3	12.4	14.2	15.1
Depreciation and Amortization	8,831	8,998	10,235	11,610
<b>EBIT</b>	<b>21,786</b>	<b>15,570</b>	<b>20,716</b>	<b>23,401</b>
Margin (%)	10.9	7.9	9.5	10.1
Net Interest	1,546	900	790	760
Other Income	4,929	6,185	5,954	5,908
<b>Profit Before Tax</b>	<b>27,464</b>	<b>32,180</b>	<b>25,879</b>	<b>28,549</b>
Margin (%)	13.8	16.2	11.9	12.3
Total Tax	4,228	8,206	6,599	7,280
Effective tax rate (%)	15.4	25.5	25.5	25.5
<b>Profit after tax</b>	<b>23,236</b>	<b>23,974</b>	<b>19,280</b>	<b>21,269</b>
Minority interest	2	2	2	2
Share Profit from Associate	129	-	-	-
<b>Adjusted PAT</b>	<b>24,313</b>	<b>16,497</b>	<b>19,278</b>	<b>21,267</b>
YoY gr. (%)	145.1	(32.1)	16.9	10.3
Margin (%)	12.2	8.3	8.8	9.2
Extra Ord. Income / (Exp)	1,515	7,475	-	-
<b>Reported PAT</b>	<b>23,364</b>	<b>23,972</b>	<b>19,278</b>	<b>21,267</b>
YoY gr. (%)	164.0	2.6	(19.6)	10.3
Margin (%)	11.7	12.1	8.8	9.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	23,364	23,972	19,278	21,267
<b>Equity Shares O/s (m)</b>	<b>188</b>	<b>188</b>	<b>188</b>	<b>188</b>
<b>EPS (Rs)</b>	<b>129.3</b>	<b>87.8</b>	<b>102.5</b>	<b>113.1</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>1,50,150</b>	<b>1,70,150</b>	<b>1,95,150</b>	<b>2,20,150</b>
Tangibles	1,50,150	1,70,150	1,95,150	2,20,150
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>53,347</b>	<b>62,345</b>	<b>72,580</b>	<b>84,191</b>
Tangibles	53,347	62,345	72,580	84,191
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>96,803</b>	<b>1,07,805</b>	<b>1,22,570</b>	<b>1,35,959</b>
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
<b>Current Assets</b>				
Investments	7,587	7,587	7,587	7,587
Inventories	18,686	13,571	14,926	15,845
Trade receivables	8,275	8,142	8,956	9,507
Cash & Bank Balance	18,629	18,191	19,683	24,136
Other Current Assets	13,578	13,578	13,578	13,909
<b>Total Assets</b>	<b>2,33,856</b>	<b>2,44,174</b>	<b>2,62,599</b>	<b>2,82,241</b>
<b>Equity</b>				
Equity Share Capital	1,880	1,880	1,880	1,880
Other Equity	1,61,417	1,74,696	1,91,493	2,10,031
<b>Total Network</b>	<b>1,63,297</b>	<b>1,76,576</b>	<b>1,93,373</b>	<b>2,11,911</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	2,238	2,238	2,238	2,238
Provisions	1,517	1,517	1,517	1,517
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	19,249	16,285	17,911	19,014
Other current liabilities	41,720	41,720	41,720	41,720
<b>Total Equity &amp; Liabilities</b>	<b>2,33,856</b>	<b>2,44,174</b>	<b>2,62,599</b>	<b>2,82,241</b>

Source: Company Data, PL Research



### Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	27,593	20,855	25,879	28,549
Add. Depreciation	8,831	8,998	10,235	11,610
Add. Interest	1,546	900	790	760
Less Financial Other Income	4,929	6,185	5,954	5,908
Add. Other	(7,531)	(6,185)	(5,954)	(5,908)
Op. profit before WC changes	30,439	24,568	30,951	35,011
Net Changes-WC	1,331	2,283	(542)	(698)
Direct tax	(1,819)	(8,206)	(6,599)	(7,280)
<b>Net cash from Op. activities</b>	<b>29,951</b>	<b>18,646</b>	<b>23,810</b>	<b>27,033</b>
Capital expenditures	(17,716)	(25,000)	(25,000)	(25,000)
Interest / Dividend Income	-	-	-	-
Others	5,265	6,185	5,954	5,908
<b>Net Cash from Invst. activities</b>	<b>(12,451)</b>	<b>(18,815)</b>	<b>(19,046)</b>	<b>(19,092)</b>
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	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(4,432)</b>	<b>(3,156)</b>	<b>(3,271)</b>	<b>(3,490)</b>
<b>Net change in cash</b>	<b>13,069</b>	<b>(3,325)</b>	<b>1,492</b>	<b>4,452</b>
Free Cash Flow	16,003	(6,354)	(1,190)	2,033

Source: Company Data, PL Research

### Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Net Revenue</b>	<b>54,087</b>	<b>51,549</b>	<b>46,135</b>	<b>52,905</b>
YoY gr. (%)	12.9	(0.9)	4.0	7.7
Raw Material Expenses	17,492	17,509	17,914	21,938
Gross Profit	36,595	34,040	28,222	30,967
Margin (%)	67.7	66.0	61.2	58.5
<b>EBITDA</b>	<b>8,368</b>	<b>6,791</b>	<b>4,364</b>	<b>4,789</b>
YoY gr. (%)	78.6	(11.9)	(20.6)	(47.1)
Margin (%)	15.5	13.2	9.5	9.1
Depreciation / Depletion	2,350	2,323	2,423	2,596
<b>EBIT</b>	<b>6,018</b>	<b>4,468</b>	<b>1,941</b>	<b>2,193</b>
Margin (%)	11.1	8.7	4.2	4.1
Net Interest	667	331	333	282
Other Income	1,197	717	1,586	1,179
<b>Profit before Tax</b>	<b>8,843</b>	<b>4,853</b>	<b>2,844</b>	<b>14,764</b>
Margin (%)	16.4	9.4	6.2	27.9
Total Tax	(598)	1,249	843	3,847
Effective tax rate (%)	(6.8)	25.7	29.7	26.1
<b>Profit after Tax</b>	<b>9,441</b>	<b>3,605</b>	<b>2,000</b>	<b>10,917</b>
Minority interest	1	-	-	(1)
Share Profit from Associates	7	9	(3)	3
<b>Adjusted PAT</b>	<b>7,730</b>	<b>3,614</b>	<b>2,244</b>	<b>2,294</b>
YoY gr. (%)	173.4	(22.5)	(42.2)	(57.3)
Margin (%)	14.3	7.0	4.9	4.3
Extra Ord. Income / (Exp)	1,718	-	(246)	8,627
<b>Reported PAT</b>	<b>9,448</b>	<b>3,614</b>	<b>1,997</b>	<b>10,921</b>
YoY gr. (%)	301.0	(22.5)	(48.5)	103.1
Margin (%)	17.5	7.0	4.3	20.6
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>9,448</b>	<b>3,614</b>	<b>1,997</b>	<b>10,921</b>
Avg. Shares O/s (m)	188	188	188	188
<b>EPS (Rs)</b>	<b>41.1</b>	<b>19.2</b>	<b>11.9</b>	<b>12.2</b>

Source: Company Data, PL Research

### Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	129.3	87.8	102.5	113.1
CEPS	176.3	135.6	157.0	174.9
BVPS	868.6	939.3	1,028.6	1,127.2
FCF	85.1	(33.8)	(6.3)	10.8
DPS	7.5	12.0	13.2	14.5
<b>Return Ratio(%)</b>				
RoCE	14.1	9.0	11.1	11.4
ROIC	14.4	7.9	9.6	10.1
RoE	16.0	9.7	10.4	10.5
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	14	10	10	10
<b>Valuation(x)</b>				
PER	15.5	22.8	19.5	17.7
P/B	2.3	2.1	1.9	1.8
P/CEPS	11.4	14.8	12.7	11.4
EV/EBITDA	11.5	14.4	11.3	9.9
EV/Sales	1.8	1.8	1.6	1.5
Dividend Yield (%)	0.4	0.6	0.7	0.7

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	4,721	4,816	4,960
EBITDA (Rs/ t)	831	622	725	798

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	BUY	3,251	2,008
2	25-Oct-24	BUY	3,262	2,238
3	07-Oct-24	BUY	3,457	2,439
4	30-Jul-24	BUY	3,707	2,591
5	07-Jul-24	BUY	3,707	2,670
6	26-Apr-24	BUY	3,509	2,580
7	09-Apr-24	BUY	3,516	2,582
8	11-Mar-24	BUY	3,522	2,639

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,251	2,008
2	Ambuja Cement	BUY	707	538
3	Dalmia Bharat	Accumulate	1,988	1,799
4	Hindalco Industries	BUY	682	589
5	Jindal Stainless	Accumulate	739	636
6	Jindal Steel & Power	Accumulate	997	932
7	JSW Steel	Hold	919	932
8	National Aluminium Co.	Reduce	211	199
9	NMDC	Accumulate	80	65
10	Nuvoco Vistas Corporation	Hold	339	353
11	Shree Cement	Hold	24,838	26,027
12	Steel Authority of India	Reduce	110	108
13	Tata Steel	Accumulate	141	130
14	Ultratech Cement	Accumulate	12,350	11,421

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

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