

ACCUMULATE

Sector: Construction Materials

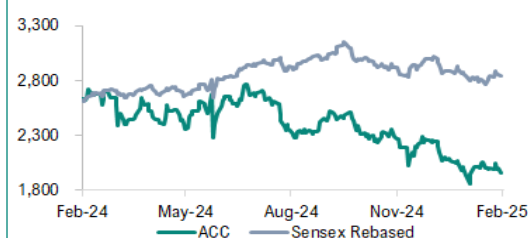
17th February, 2025

Key Changes		Target		Rating		Earnings		Target	Rs. 2,134
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame			CMP	Rs. 1,871
Mid Cap	ACC:IN	75,939	ACC	500410	12 Months			Return	+14%

Data as of: 14-Feb-25

Company Data			
Market Cap (Rs.cr)			Rs. 36,336
52 Week High — Low (Rs.)			2,843 - 1,839
Enterprise Value (Rs. cr)			Rs. 34,802
Outstanding Shares (cr)			18.8
Free Float (%)			40
Dividend Yield (%)			0.4
6m average volume (lacs)			3.6
Beta			1.1
Face value (Rs.)			10
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	56.7	56.7	56.7
FIIs	5.7	5.5	5.1
MFs/Institutions	24.8	24.4	24.7
Public	10.4	10.9	10.9
Others	2.4	2.5	2.6
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-14.8%	-17.7%	-26.4%
Absolute Sensex	-4.0%	-4.3%	6.6%
Relative Return	-10.8%	-13.4%	-33.0%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	21,085	22,959	24,733
<i>Growth (%)</i>	<i>5.6</i>	<i>8.9</i>	<i>7.7</i>
EBITDA	2,691	3,426	3,913
<i>EBITDA Margin (%)</i>	<i>12.8</i>	<i>14.9</i>	<i>15.8</i>
PAT Adjusted	1,710	2,095	2,306
<i>Growth (%)</i>	<i>-18.8</i>	<i>22.5</i>	<i>10.1</i>
Adjusted EPS	91.1	111.6	122.8
<i>Growth (%)</i>	<i>-18.8</i>	<i>22.5</i>	<i>10.1</i>
P/E	21.2	17.3	15.8
P/B	1.8	1.7	1.5
EV/EBITDA	12.9	10.0	8.7
<i>ROE (%)</i>	<i>8.5</i>	<i>9.7</i>	<i>9.8</i>
D/E	0.0	0.0	0.0

Capacity expansion to cement growth

ACC Limited, which is a part of Adani Group, is a leading Indian cement and ready-mix concrete producer with 20 manufacturing sites and 99 concrete plants, serving customers through a nationwide network.

- In Q3FY25, the company's consolidated revenue rose 20.6% YoY to Rs. 5,927cr, on the back of increase in sales volume. Sales volume of clinker and cement grew a significant 20.2% YoY to 10.7 million tonne and that of premium products rose a notable 11% YoY, thereby marking the company's highest quarterly volume ever.
- Also, the company's Optimised Fuel Basket strategy achieved a 10% YoY reduction in kiln fuel cost to Rs. 1.68 per '000 kcal from Rs. 1.86, owing to the use of low-cost imported petcoke and synergies accrued from group companies.
- The company has made progress in increasing green power consumption and alternative fuel and raw material (AFR) usage as well, with green power and AFR consumption rising 5.7 pp to 18.7% and 0.4 pp to 9.6%, respectively.
- EBITDA increased 23.3% YoY to Rs. 1,116cr and EBITDA margin improved 40bps YoY to 18.8%, owing to strong topline growth, cost optimisation measures and logistics cost reduction.

Outlook & Valuation

The company delivered strong Q3FY25 results, driven by volume growth and cost optimisation initiatives, with focus on operational excellence, synergies between group companies and expected continuation of digital initiatives improving profitability. In fact, ACC is well-positioned for long-term growth and sustainability, with the Adani Group's target to achieve 140 MTPA output at a combined level (ACC Ambuja and others) by FY28 via organic growth and acquisitions, and 60% green power by FY30. The company is also well-positioned to capitalise on growing cement demand, driven by government spending and construction activity.

Therefore, we reiterate our ACCUMULATE rating on the stock, with a target price of Rs. 2,134, valuing the company at 9x FY27E enterprise value /EBITDA.

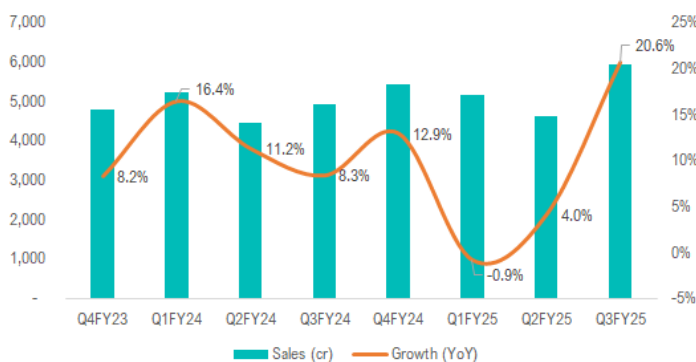
Quarterly Financials Consol.

Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	5,927	4,914	20.6	4,614	28.5	15,696	14,550	7.9
EBITDA	1,116	905	23.3	436	155.7	2,231	2,225	0.3
Margin (%)	18.8	18.4	40bps	9.5	930bps	14.2	15.3	-110bps
EBIT	856	669	27.9	194	341.2	1,497	1,577	-5.1
PBT	1,477	729	102.5	284	419.8	2,247	1,874	19.9
Rep. PAT	1,092	538	103.1	200	446.7	1,653	1,392	18.8
Adj PAT	1,092	538	103.1	235	365.2	1,688	1,392	21.3
Adj. EPS (Rs)	58.1	28.6	103.6	12.5	366.7	89.9	73.9	21.6

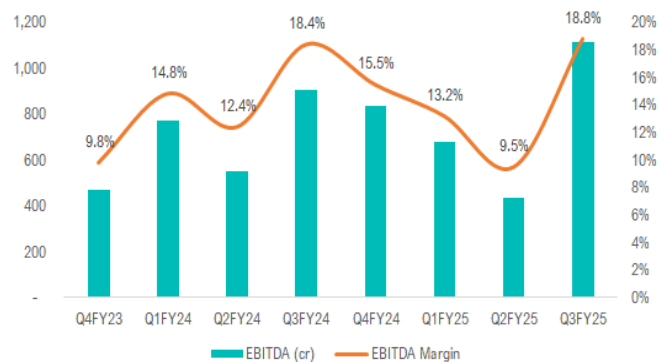
Key Concall Highlights

- The Adani Group has targeted 140 MTPA by FY28 through a combination of organic growth and acquisitions. The capacity expansion, of which 8 MTPA was commissioned in Q3FY25 and 14 additional grinding units are under execution, and clinker expansions are at Maratha and Bhatapara. The acquisition of Orient Cement should further increase the group's operating cement capacity to 97 MTPA. The group aims to reach 100-plus MTPA in Q4FY25, 118 MTPA by end-FY26, and ultimately 140 MTPA by FY28.
- The company's power and fuel cost reduced 7% YoY to Rs. 1,262 per tonne in Q3FY25, owing to better fuel management and structural initiatives. Also, the share of green power in the power mix rose to 21.5% from 15.8%, with the company aiming to achieve 60% green power by FY30 to further optimise costs.
- Thermal value decreased to 732 kcal in Q3FY25 from 739 kcal, with further improvement expected going forward. Logistics costs also reduced 9% to Rs 939/tonne because of efficiency improvements.
- According to the management, the cement sector is expected to accelerate in Q4FY25, with demand rising 4-5% YoY post a modest 1.5-2.0% YoY growth in H1FY25, led by increased government spending and construction activity, driven by a pro-infra and housing Union Budget 2025-26.

Revenue



EBITDA



Per Tonne Analysis

	Q3FY25	Q3FY24	YoY Growth (%)	Q2FY25	QoQ Growth (%)
Sales Volume CLC (MT)	10.7	8.9	20.2	9.3	15.1
Cost of materials consumed	2,050	1,507	36.1	1,926	6.4
Employee Expenses	185	200	-7.9	195	-5.2
Power & Fuel	797	1,141	-30.1	842	-5.3
Freight & forwarding	960	1,074	-10.6	1,002	-4.2
Other expenses	505	583	-13.5	527	-4.2
Total expenses	4,497	4,505	-0.2	4,492	0.1
Realisation (inc. RMC)	5,540	5,522	0.3	4,961	11.7
EBITDA	1,043	1,017	2.6	469	122.2

Change in Estimates

	Old estimates		New estimates			Change -%	
Year / Rs cr	FY25E	FY26E	FY25E	FY26E	FY27E	FY26E	FY26E
Revenue	21,499	23,059	21,085	22,959	24,733	-1.9	-0.4
EBITDA	3,538	4,130	2,691	3,426	3,913	-23.9	-17.1
Margins (%)	16.5	17.9	12.8	14.9	15.8	-370bps	-300bps
Adj. PAT	2,188	2,563	1,710	2,095	2,306	-21.8	-18.3
EPS	116.2	136.1	91.1	111.6	122.8	-21.6	-18.1



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A*	FY24A	FY25E	FY26E	FY27E
Sales	22,210	19,959	21,085	22,959	24,733
% change	37.5	-10.1	5.6	8.9	7.7
EBITDA	1,925	3,062	2,691	3,426	3,913
% change	-35.8	59.1	-12.1	27.3	14.2
Depreciation	841	883	954	1,023	1,143
EBIT	1,084	2,179	1,736	2,402	2,770
Interest	77	155	158	161	164
Other Income	196	735	655	552	469
PBT	1,203	2,759	2,234	2,793	3,075
% change	-52.0	129.4	-19.0	25.0	10.1
Tax	317	423	558	698	769
Tax Rate (%)	26.4	15.3	25.0	25.0	25.0
Reported PAT	885	2,337	1,675	2,095	2,306
PAT att. to common shareholders	885	2,336	1,675	2,095	2,306
Adj.*	162	-230	35	-	-
Adj. PAT	1,047	2,107	1,710	2,095	2,306
% change	-45.4	101.3	-18.8	22.5	10.1
No. of shares (cr)	18.8	18.8	18.8	18.8	18.8
Adj EPS (Rs.)	55.7	112.2	91.1	111.6	122.8
% change	-45.3	101.3	-18.8	22.5	10.1
DPS (Rs.)	9.3	7.5	14.3	16.7	18.4

Cashflow

Y.E March	FY23A*	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	1,726	3,219	2,629	3,118	3,450
Non-cash adj.	-306	-379	-54	-185	-316
Other adjustments					
Changes in W.C	-2,656	154	-2,358	183	117
C.F. Operation	-1,235	2,995	218	3,116	3,251
Capital exp.	-1,981	-2,100	-2,003	-2,296	-2,498
Change in inv.	-2,891	317	-	-	-
Other invest.CF	234	539	1,807	-	-
C.F - Investment	-4,637	-1,245	-196	-2,296	-2,498
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	-1,089	-175	-268	-314	-346
Other finance.CF	-149	-268	-79	-89	-98
C.F - Finance	-1,238	-443	-347	-404	-444
Chg. in cash	-7,110	1,307	-325	416	308
Closing Cash	415	1,863	1,538	1,954	2,263

* FY23 includes fifteen months period data ended on March 2023

Balance Sheet

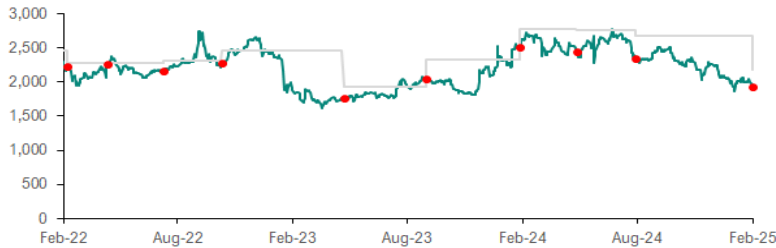
Y.E March (Rs. Cr)	FY23A*	FY24A	FY25E	FY26E	FY27E
Cash	415	1,863	1,538	1,954	2,263
Accts. Receivable	869	828	1,139	1,148	1,175
Inventories	1,624	1,869	2,114	2,313	2,510
Other Cur. Assets	5,347	5,167	8,019	8,137	8,259
Investments	163	436	386	341	306
Gross Fixed As-sets	12,200	14,300	16,303	18,599	21,097
Net Fixed Assets	7,102	8,102	9,134	10,390	11,727
CWIP	1,684	1,701	1,718	1,735	1,752
Intangible Assets	148	378	380	382	384
Def. Tax -Net	-	-	-	-	-
Other Assets	3,191	3,042	3,351	3,756	4,286
Total Assets	20,544	23,386	27,778	30,157	32,662
Current Liabilities	5,641	6,097	7,147	7,657	8,120
Provisions	178	152	190	193	197
Debt Funds	-	-	-	-	-
Other Liabilities	583	804	778	747	712
Equity Capital	188	188	188	188	188
Res. & Surplus	13,950	16,142	19,472	21,367	23,441
Shareholder Funds	14,138	16,330	19,660	21,555	23,629
Minority Interest	3	4	4	4	4
Total Liabilities	20,544	23,386	27,778	30,157	32,662
BVPS	753	870	1,047	1,148	1,258

Ratio

Y.E March	FY23A*	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	8.7	15.3	12.8	14.9	15.8
EBIT margin (%)	4.9	10.9	8.2	10.5	11.2
Net profit mgn.(%)	4.0	11.7	7.9	9.1	9.3
ROE (%)	6.3	14.3	8.5	9.7	9.8
ROCE (%)	7.7	13.3	8.8	11.1	11.7
W.C & Liquidity					
Receivables (days)	14.3	15.1	19.7	18.3	17.3
Inventory (days)	52.9	67.6	65.3	64.2	63.9
Payables (days)	53.5	69.7	70.8	71.6	71.9
Current ratio (x)	1.5	1.6	1.8	1.8	1.7
Quick ratio (x)	0.2	0.4	0.4	0.4	0.4
Turnover & Leverage					
Gross asset T.O (x)	1.0	0.8	0.7	0.7	0.6
Total asset T.O (x)	1.1	0.9	0.8	0.8	0.8
Int. covge. ratio (x)	14.0	14.1	11.0	14.9	16.9
Adj. debt/equity (x)	-	-	-	-	-
Valuation					
EV/Sales (x)	1.4	2.3	1.7	1.5	1.4
EV/EBITDA (x)	16.1	14.7	12.9	10.0	8.7
P/E (x)	29.9	22.2	21.2	17.3	15.8
P/BV (x)	2.2	2.9	1.8	1.7	1.5



Recommendation Summary - (last 3 years)



Dates	Rating	Target
20-Jul-22	HOLD	2,313
20-Oct-22	HOLD	2,461
02-May-23	HOLD	1,931
11-Sep-23	ACCUMULATE	2,325
07-Feb-24	ACCUMULATE	2,774
07-May-24	ACCUMULATE	2,761
09-Aug-24	ACCUMULATE	2,674
17-Feb-25	ACCUMULATE	2,134

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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