

HOLD
 TP: Rs 2,282 | ▲ 14%

ACC

| Cement

| 30 January 2025

Weak operating performance; challenges may continue

- Q3FY25 revenue grew 7% YoY as strong volume of 20% was offset by 10% fall in realisation owing to weak pricing in key operating regions
- Effective EBITDA/tonne stays soft due to pressure on EBITDA that falls 48% YoY up 10% QoQ partially offset by cost savings
- Retain HOLD as we continue to value ACC at 10x 1-year forward EV/EBITDA, and forecast FY27E EBITDA margin at ~15.6%

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Revenue gains backed by volume: ACC reported ~7%/14% YoY/QoQ revenue growth in Q3FY25 at ~Rs 52.5bn, backed by volume growth of ~20%/15% YoY/QoQ to 10.7mn tonnes (including MSA sales) driven by higher trade sales volume (up by 11%) and premium product as % of trade sales at 32%. Cement realisations however fell 10% YoY but flat QoQ to Rs 4,652/t due to the company’s focus on gaining volume strength. Revenue from ACC’s ready-mix concrete (RMC) segment grew ~15%/19% YoY/QoQ to ~Rs 3.44bn, with an EBIT gain of Rs 110mn.

Limited cost savings and dent in realisation impacts EBITDA margin: The overall cost stayed flat QoQ/YoY at Rs 4,474/t driven primarily by other expenses that were prudently controlled. Adjusted raw material cost (including external purchases) rose ~28% to Rs 991/t and was a major cost escalator. Freight cost fell by 10% to Rs 971/t. Energy expenses (raw material adjusted) spiked 35% to Rs 2,043/t YoY. Other expenditure grew 18%/11% YoY/QoQ to Rs 5.25bn. The EBITDA/t was flat QoQ at Rs442 but fell sharply by 56% YoY.

Capacity expansion on track: The expansion is on track, with no change in timelines. Clinker expansion at Maratha (Maharashtra) will be operational by Q3FY26 and grinding unit expansion of 1.6mt at Sindri (Jharkhand) and 2.4mt at Salai Banwa (Uttar Pradesh) are expected to go on stream by Q4FY25/Q1FY26.

Weakness to persist, valuations factored in, maintain HOLD: Factoring in ACC’s weak 9MFY25 performance despite the master supply agreement (MSA)-led synergies, we cut our FY25/FY26/FY27 EBITDA forecasts by 26%/11%/2%. With limited capacity available in FY26/FY27 and intense competitive pressure, growth prospects may be largely range bound, in our view. Our EBITDA/PAT three-year CAGR is 6%/5% due to limited capacity headroom, although we factor in higher cost savings. We continue to value ACC at 10x EV/EBITDA 1-year forward earnings and lower our TP to Rs 2,282 (from Rs 2,398). This implies a replacement cost of Rs 7.8bn/mt marginal premium to the industry average. We retain our HOLD rating as the current valuations factor the weak performance.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ACC IN/Rs 2,002
Market cap	US\$ 4.3bn
Free float	43%
3M ADV	US\$ 8.8mn
52wk high/low	Rs 2,844/Rs 1,867
Promoter/FPI/DII	57%/12%/19%

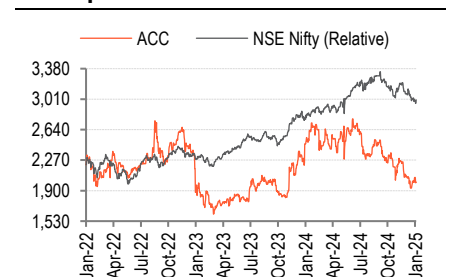
Source: NSE | Price as of 29 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	1,95,710	2,05,332	2,17,087
EBITDA (Rs mn)	30,576	22,000	30,839
Adj. net profit (Rs mn)	21,242	12,577	19,753
Adj. EPS (Rs)	113.0	66.9	105.1
Consensus EPS (Rs)	113.0	85.7	123.2
Adj. ROAE (%)	14.0	8.2	11.5
Adj. P/E (x)	17.7	29.9	19.1
EV/EBITDA (x)	11.5	15.4	9.3
Adj. EPS growth (%)	143.0	(40.8)	57.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Key quarterly metrics

(Rs)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Deviation (%)
Volumes (mn mt)	10.7	8.9	20.2	9.30	15.1	9.35	14.5
Cement realisations (Rs/t)	4,652	5,225	(11.0)	4,680	(0.6)	4,797	(3.0)
Operating costs (Rs/t)	4,474	4,511	(0.8)	4,493	(0.4)	4,381	2.1
EBITDA/t (Rs)	442	1,015	(56.5)	462	(4.3)	708	(37.6)

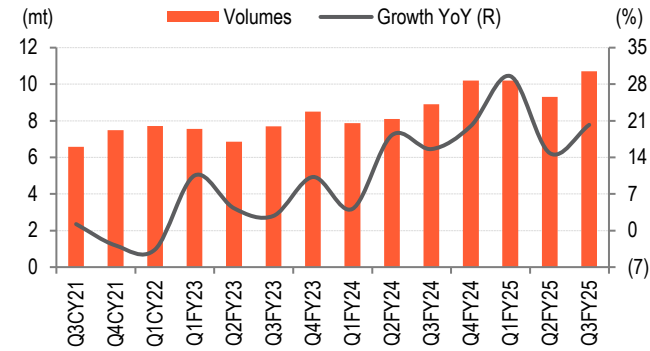
Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance

(Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Deviation (%)
Net sales	52,592	49,183	6.9	46,080	14.1	47,559	10.6
Expenditure							
Change in stock	558	(768)		918	(39.2)	(551)	
Raw material	10,046	7,645	31.4	9,124	10.1	9,317	7.8
Purchased products	11,254	6,547	71.9	8,021	40.3	7,859	43.2
Power & fuel	8,414	10,136	(17.0)	7,721	9.0	7,728	8.9
Freight	10,394	9,629	8.0	9,490	9.5	9,513	9.3
Employee costs	1,949	1,783	9.3	1,790	8.9	1,791	8.8
Other exp	5,251	5,180	1.4	4,725	11.1	5,284	(0.6)
Total Operating Expenses	47,867	40,152	19.2	41,788	14.5	40,942	16.9
EBITDA	4,725	9,032	(47.7)	4,292	10.1	6,617	(28.6)
EBITDA margin (%)	9.0	18.4	(938bps)	9.3	(33bps)	13.9	(493bps)
Other Income	1,135	839	35.3	1,540	(26.3)	971	16.9
Interest	282	339	(16.8)	333	(15.3)	374	(24.6)
Depreciation	2,498	2,343	6.6	2,317	7.8	2,328	7.3
PBT	3,081	7,189	(57.1)	3,182	(3.2)	4,886	(36.9)
Non-recurring items	6,369	0	0.0	0	0.0	0	0.0
PBT (after non-recurring items)	9,450	7,189	31.5	3,182	197.0	4,886	93.4
Tax	3,863	1,914	101.8	843	358.0	1,246	210.0
Reported PAT	10,891	5,275	106.5	2,339	365.7	3,640	199.2
Adjusted PAT	(781)	5,275	(114.8)	2,339	(133.4)	3,640	(121.5)
NPM (%)	(1.5)	10.7	(1221bps)	5.1	(656bps)	7.7	(914bps)
Adjusted EPS (Rs)	(4.2)	28.1	(114.8)	12.4	(133.4)	19.4	(121.5)

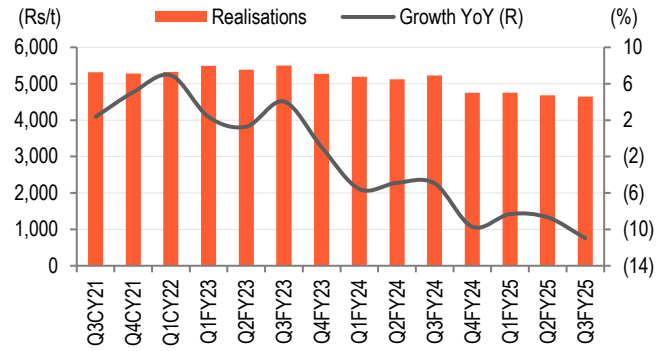
Source: Company, BOBCAPS Research

Fig 3 – Inorganic expansion supports higher growth



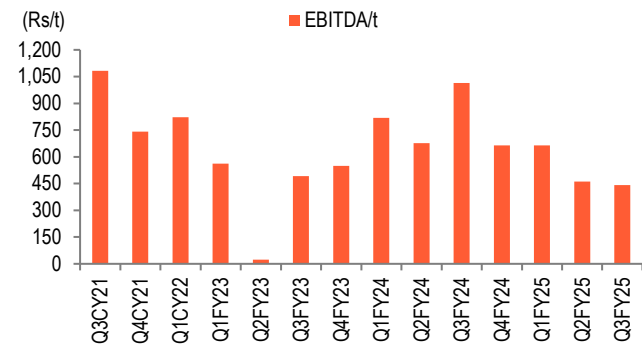
Source: Company, BOBCAPS Research | Note: ACC has changed its accounting Y/E from Dec to Mar, thus, FY23 consists of 5 quarters

Fig 4 – Realisations weakness higher than expectation



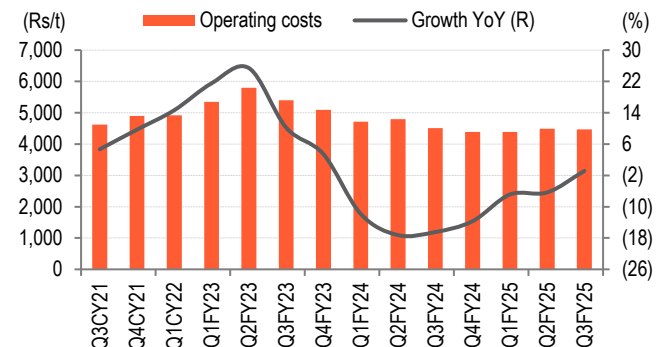
Source: Company, BOBCAPS Research

Fig 5 – EBITDA/t recovery assisted by realisation gains



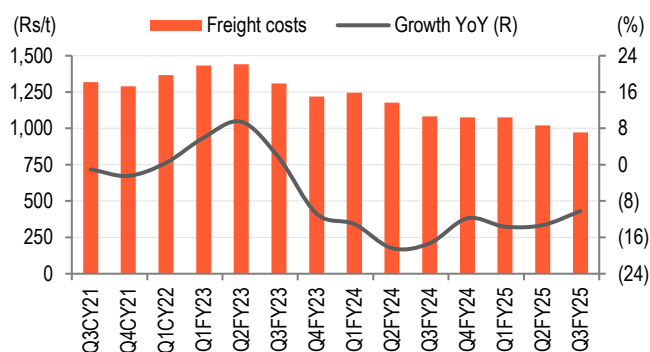
Source: Company, BOBCAPS Research

Fig 6 – Operating cost fall arrested a key disappointment



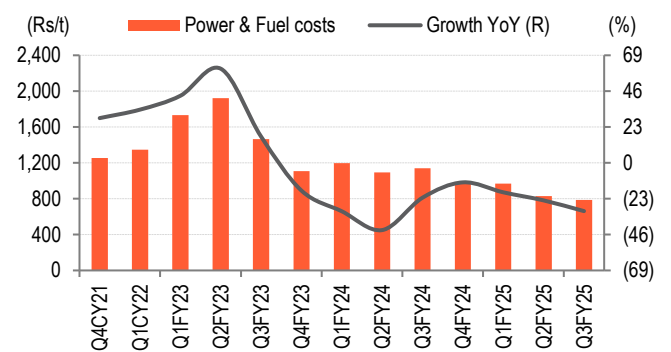
Source: Company, BOBCAPS Research

Fig 7 – Logistics cost savings continues



Source: Company, BOBCAPS Research

Fig 8 – Power cost savings leave further room for improvement



Source: Company, BOBCAPS Research

Valuation methodology

Factoring in ACC's weak 9MFY25 performance despite the master supply agreement (MSA)-led synergies, we cut our FY25/FY26/FY27 EBITDA forecasts by 26%/11%/2%. With limited capacity available in FY26/FY27 and intense competitive pressure, growth prospects may be largely range bound, in our view. Our EBITDA/PAT three-year CAGR is 6%/5% due to limited capacity headroom, although we factor in higher cost savings.

We continue to value ACC at 10x EV/EBITDA 1-year forward earnings and lower our TP to Rs 2,282 (from Rs 2,398). This implies a replacement cost of Rs 7.8bn/mt marginal premium to the industry average. We retain our HOLD rating as the current valuations factor in the weak performance.

Fig 9 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	2,05,332	2,17,087	2,30,888	2,05,332	2,17,087	2,30,888	0.0	0.0	0.0
EBITDA	22,000	30,839	36,687	29,772	34,740	37,237	(26.1)	(11.2)	(1.5)
Adj PAT	12,577	19,753	24,605	18,950	22,952	25,055	(33.6)	(13.9)	(1.8)
Adj EPS (Rs)	66.9	105.1	130.9	100.8	122.1	133.3	(33.6)	(13.9)	(1.8)

Source: BOBCAPS Research

Fig 10 – Key assumptions

	FY24	FY25E	FY26E	FY27E
Volumes (mt)	35.26	37.53	38.66	39.83
Realisations (Rs/mt)	5,143	4,835	4,956	5,092
Operating costs (Rs/mt)	4,791	4,948	4,887	4,946
EBITDA/mt (Rs)	1,028	563	669	796

Source: Company, BOBCAPS Research

Fig 11 – Valuation summary

Business (Rs mn)	FY27E
Target EV/EBITDA (x)	10.2
EBITDA	36,687
Target EV	3,72,375
Total EV	3,72,375
Net debt	(76,731)
Target market capitalisation	4,49,106
Target price (Rs/sh)	2,282
Weighted average shares (mn)	188

Source: BOBCAPS Research | Note: Valuations are based on 1-year forward, and includes partial estimates for FY27E

Fig 12 – Peer comparison

Ticker	Rating	TP (Rs)	EV/EBITDA (x)			EV/tonne (US\$)			ROE (%)			ROCE (%)		
			FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
ACC IN	HOLD	2,282	11.3	8.2	7.7	110.6	101.2	90.9	12.0	13.0	13.0	14.0	15.4	15.2
ACEM IN	HOLD	640	14.3	14.5	11.7	193.0	183.0	175.0	8.8	9.5	11.1	11.0	12.3	14.3
UTCEM IN	BUY	13,137	25.3	17.6	14.4	286.8	259.8	236.6	10.0	14.4	16.8	12.9	17.8	21.1
SRCM IN	HOLD	24,140	22.3	21.6	17.8	182	179	172	6.7	10.2	12.8	8.8	13.1	16.1

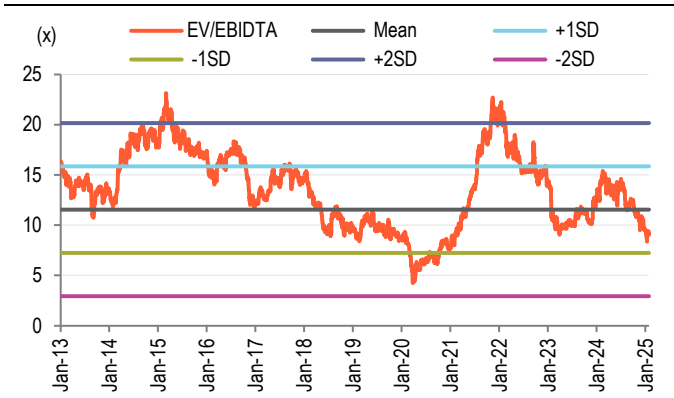
Source: Company, Bloomberg, BOBCAPS Research

Key risks

Key upside/downside risks to our estimates are:

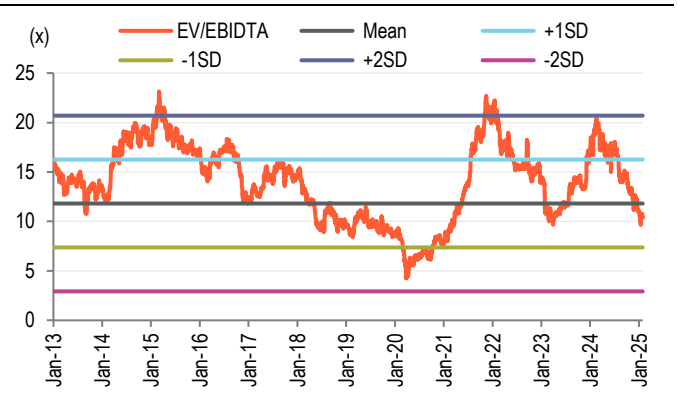
- faster-than-expected capacity addition helping volume growth;
- further higher-than-expected easing of costs; and,
- fierce competitive intensity putting pressure on pricing.

Fig 13 – EV/EBITDA band: We value ACC at 10x 1Y forward earnings



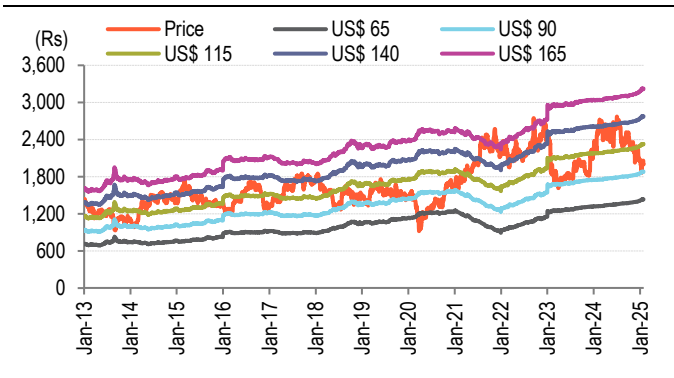
Source: Company, Bloomberg, BOBCAPS Research

Fig 14 – EV/EBITDA 1Y fwd: Valuations will stay muted given larger exposure in over supply markets



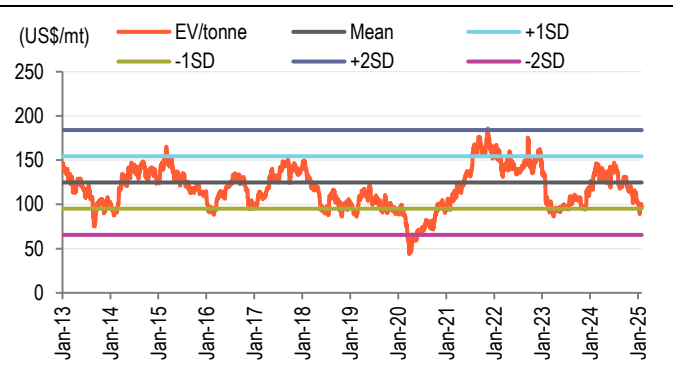
Source: Company, Bloomberg, BOBCAPS Research

Fig 15 – EV/tonne: Trades at fair value replacement cost



Source: Company, Bloomberg, BOBCAPS Research

Fig 16 – EV/tonne: Replacement cost to hover around US\$ 100/mt



Source: Company, Bloomberg, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	2,17,883	1,95,710	2,05,332	2,17,087	2,30,888
EBITDA	19,400	30,576	22,000	30,839	36,687
Depreciation	(8,351)	(8,763)	(10,415)	(10,926)	(11,455)
EBIT	14,421	26,729	16,291	25,090	30,927
Net interest inc./(exp.)	(772)	(1,538)	(954)	(1,001)	(921)
Other inc./(exp.)	3,372	4,915	4,706	5,177	5,695
Exceptional items	(1,618)	0	0	0	0
EBT	12,031	25,191	15,337	24,089	30,006
Income taxes	(2,723)	(3,948)	(2,761)	(4,336)	(5,401)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	9,309	21,242	12,577	19,753	24,605
Adjustments	1,618	0	0	0	0
Adjusted net profit	10,926	21,242	12,577	19,753	24,605

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	43,868	52,971	59,557	61,627	65,328
Other current liabilities	13,592	9,653	12,156	13,218	14,386
Provisions	1,863	1,611	1,287	1,297	1,307
Debt funds	0	0	0	0	0
Other liabilities	4,331	4,543	4,600	4,667	4,734
Equity capital	1,880	1,880	1,880	1,880	1,880
Reserves & surplus	1,38,696	1,58,340	1,66,245	1,80,877	2,00,361
Shareholders' fund	1,40,430	1,60,220	1,68,125	1,82,757	2,02,241
Total liab. and equities	2,04,086	2,28,997	2,45,725	2,63,565	2,87,996
Cash and cash eq.	2,868	24,298	37,425	49,201	70,577
Accounts receivables	8,747	8,412	8,263	8,142	8,027
Inventories	16,235	18,429	19,194	20,144	21,267
Other current assets	82,615	69,711	68,766	72,233	75,929
Investments	1,927	6,154	6,154	6,154	6,154
Net fixed assets	73,113	90,037	90,430	89,098	87,350
CWIP	16,831	9,720	15,000	18,000	18,000
Intangible assets	1,750	2,236	493	593	693
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	2,04,085	2,28,997	2,45,725	2,63,565	2,87,996

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	(39,898)	45,103	28,566	27,458	34,056
Capital expenditures	(20,113)	(17,994)	(12,306)	(10,560)	(7,560)
Change in investments	2,652	(6,786)	(25,000)	(15,000)	(20,000)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(17,461)	(24,780)	(37,306)	(25,560)	(27,560)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(10,892)	(1,737)	(3,076)	(5,054)	(5,054)
Other financing cash flows	(271)	(3,942)	(57)	(67)	(67)
Cash flow from financing	(11,163)	(5,679)	(3,133)	(5,121)	(5,121)
Chg in cash & cash eq.	(68,522)	14,644	(11,873)	(3,223)	1,376
Closing cash & cash eq.	2,868	24,298	37,424	49,201	70,577

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	39.6	113.0	66.9	105.1	130.9
Adjusted EPS	46.5	113.0	66.9	105.1	130.9
Dividend per share	46.4	9.2	21.0	23.0	23.0
Book value per share	747.0	852.3	894.3	972.2	1,075.8

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	1.4	1.8	1.7	1.3	1.2
EV/EBITDA	15.6	11.5	15.4	9.3	7.8
Adjusted P/E	43.1	17.7	29.9	19.1	15.3
P/BV	2.7	2.3	2.2	2.1	1.9

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	77.4	84.3	82.0	82.0	82.0
Interest burden (PBT/EBIT)	94.6	94.2	94.1	96.0	97.0
EBIT margin (EBIT/Revenue)	6.6	13.7	7.9	11.6	13.4
Asset turnover (Rev./Avg TA)	113.1	89.3	91.3	88.1	86.5
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.5	1.4	1.4
Adjusted ROAE	7.9	14.0	8.2	11.5	13.3

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	10.2	12.3	4.9	5.7	6.4
EBITDA	(48.3)	97.0	(28.0)	40.2	19.0
Adjusted EPS	(54.3)	143.0	(40.8)	57.1	24.6
Profitability & Return ratios (%)					
EBITDA margin	8.7	15.3	10.5	14.0	15.6
EBIT margin	6.5	13.4	7.8	11.4	13.2
Adjusted profit margin	5.0	10.9	6.1	9.1	10.7
Adjusted ROAE	7.9	14.0	8.2	11.5	13.3
ROCE	7.9	17.3	9.7	13.9	15.7
Working capital days (days)					
Receivables	18	16	15	14	13
Inventory	34	34	34	34	34
Payables	99	114	116	118	120
Ratios (x)					
Gross asset turnover	1.8	1.3	1.3	1.4	1.4
Current ratio	1.9	1.9	1.8	2.0	2.2
Net interest coverage ratio	18.7	17.4	17.1	25.1	33.6
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

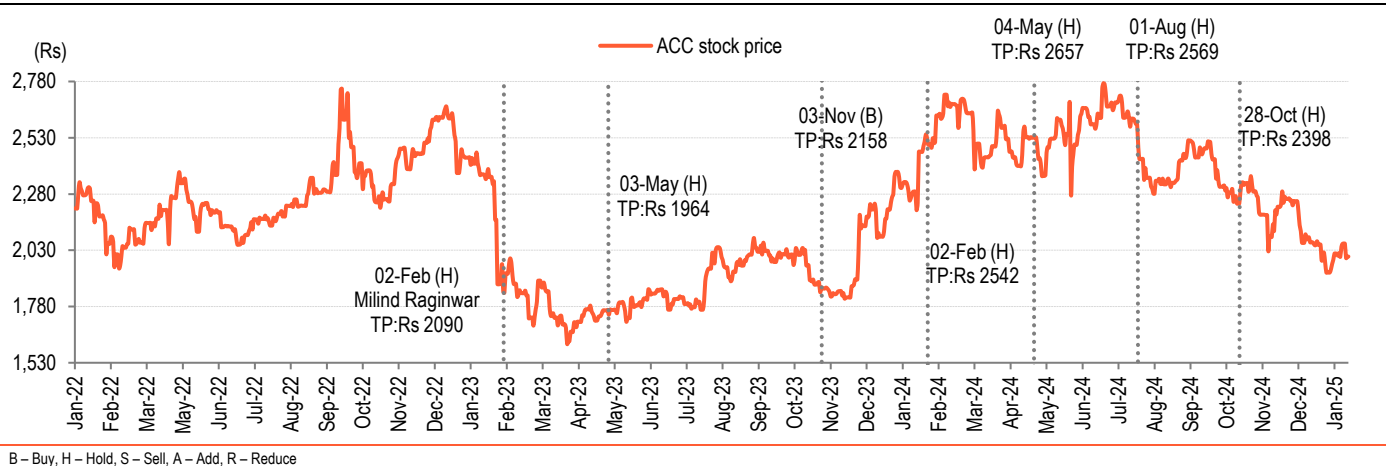
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): ACC (ACC IN)



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