

HOLD

TP: Rs 2,154 | ▲ 14%

ACC

| Cement

| 29 April 2025

Valuations factor in improving operating performance

- Q4FY25 revenue grew 11% YoY as a strong volume of 14% was offset by 3% fall in realisation, on weak pricing in key operating regions
- Effective EBITDA/tonne stays listless at Rs 740/tn, down 8% YoY; but reversed sharply QOQ on cost savings
- Retain HOLD as we continue to value ACC at 10x 1YF EV/EBITDA, and forecast FY27E EBITDA margin at ~15.6%

Milind Raginwar

research@bobcaps.in

Volume-backed revenue gains: Revenue in Q4FY25 was up by 11.3%/14.2% YoY/QoQ to Rs 60.1 bn, driven by sales volume of 11.9 mnt up by 14.4% YoY. Further, the increase in premium product mix (7% YoY) aided the growth. However, realisations fell by ~3% YoY. Ready- to-mix cement segment continued its upward trend with sales volume up to 0.86 mn m³ up by 30% YoY contributing to the overall growth.

Soft realisation impacts EBITDA margin: ACC's cost savings helped offset the impact of soft pricing. Kiln fuel costs dropped 23% YoY to Rs 1.47 K/cal from Rs 1.91K/cal, driven by fuel optimisation (use of pet-coke), improved linkage and captive coal consumption. Logistics costs fell 8% YoY to Rs 937/t, supported by 2% reduction in secondary lead to 44 km, a 4% rise in direct dispatch to 71%, and 1% decrease in road freight costs to Rs 4.18/t. Green power share rose to 22.5%, with WHRS/solar contributions rising to 13.5%/7.9%, reducing energy cost.

Capacity expansion on track: ACC's capacity expansion projects are progressing as planned. Green power share increased to 22.5% and aims to reach 60% by FY28. Digital transformation initiatives have been implemented to enhance decision-making and improved customer service. In terms of ESG and sustainability, net zero target has been validated by the Science Based Targets initiative (SBTi). It maintained 85% blended cement in its product mix and used over 12.8 mnt of waste-derived resources in FY25 to cut CO2 emissions.

Retain earnings, maintain HOLD: We maintain our FY26/FY27 EBITDA forecasts. Our EBITDA/PAT 3Y 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 1YF earnings and lower our TP to Rs 2,154 (from Rs 2,282). This implies a replacement cost of Rs 7.8bn/mt marginal premium to the industry average. We retain HOLD as the current valuations factor in the performance.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ACC IN/Rs 1,892
Market cap	US\$ 4.2bn
Free float	43%
3M ADV	US\$ 7.0mn
52wk high/low	Rs 2,844/Rs 1,778
Promoter/FPI/DII	57%/12%/19%

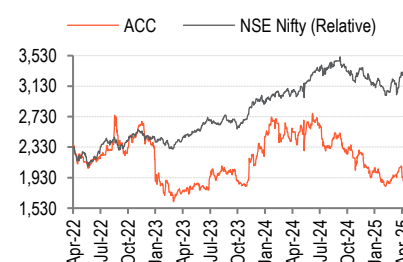
Source: NSE | Price as of 29 Apr 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	2,16,681	2,17,087	2,30,888
EBITDA (Rs mn)	33,521	30,839	36,687
Adj. net profit (Rs mn)	23,205	19,753	24,605
Adj. EPS (Rs)	123.4	105.1	130.9
Consensus EPS (Rs)	123.4	105.0	122.0
Adj. ROAE (%)	12.6	11.4	13.1
Adj. P/E (x)	15.3	18.0	14.5
EV/EBITDA (x)	9.5	8.6	7.2
Adj. EPS growth (%)	9.2	(14.9)	24.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Key quarterly metrics

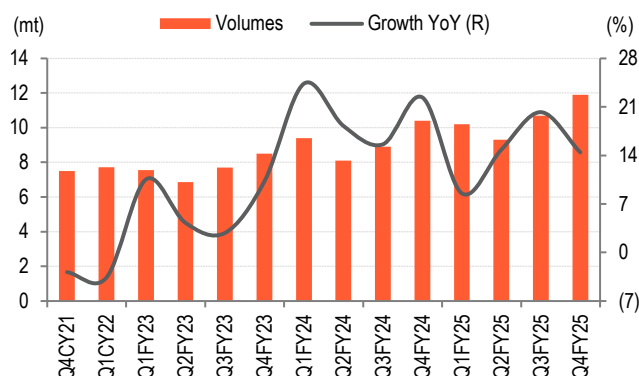
(Rs)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Q4FY25E	Deviation (%)
Volumes (mn mt)	11.9	10.7	11.2	10.40	14.4	11.34	4.9
Cement realisations (Rs/t)	4,780	4,652	2.8	4,908	(2.6)	4,792	(0.2)
Operating costs (Rs/t)	4,309	4,474	(3.7)	4,386	(1.7)	4,441	(3.0)
EBITDA/t (Rs)	740	442	67.6	805	(8.1)	641	15.5

Source: Company, BOBCAPS Research

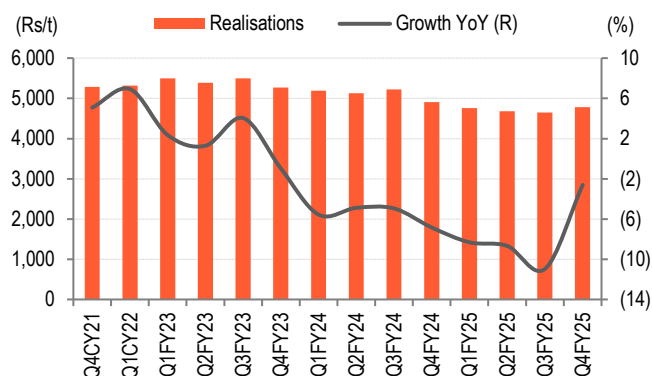
Fig 2 – Quarterly performance

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Q4FY25E	Deviation (%)
Net sales	60,085	53,981	11.3	52,592	14.2	57,632	4.3
Expenditure							
Change in stock	(401)	972		558		911	
Raw material	10,996	8,666	26.9	10,046	9.5	10,786	1.9
Purchased products	13,529	7,929	70.6	11,254	20.2	11,467	18.0
Power & fuel	8,568	9,721	(11.9)	8,414	1.8	8,790	(2.5)
Freight	11,542	11,044	4.5	10,394	11.0	11,127	3.7
Employee costs	1,730	1,636	5.7	1,949	(11.3)	1,975	(12.4)
Other exp	5,316	5,643	(5.8)	5,251	1.2	5,310	0.1
Total Operating Expenses	51,280	45,610	12.4	47,867	7.1	50,366	1.8
EBITDA	8,806	8,371	5.2	4,725	86.3	7,266	21.2
EBITDA margin (%)	14.7	15.5	(85bps)	9.0	567bps	12.6	205bps
Other Income	1,909	1,215	57.1	1,135	68.2	1,111	71.8
Interest	134	660	(79.7)	282	(52.6)	299	(55.3)
Depreciation	2,533	2,311	9.6	2,498	1.4	2,513	0.8
PBT	8,048	6,615	21.7	3,081	161.2	5,565	44.6
Non-recurring items	1,347	0	0.0	6,369	0.0	0	0.0
PBT (after non-recurring items)	9,395	6,615	42.0	9,450	(0.6)	5,565	68.8
Tax	1,240	1,702	(27.2)	3,863	(67.9)	1,419	(12.6)
Reported PAT	8,156	7,485	9.0	5,587	46.0	4,146	96.7
Adjusted PAT	6,808	7,485	(9.0)	11,956	(43.1)	4,146	64.2
NPM (%)	11.3	13.9	(254bps)	22.7	(1140bps)	7.2	414bps
Adjusted EPS (Rs)	36.2	26.1	38.6	(4.2)	(971.5)	22.1	64.2

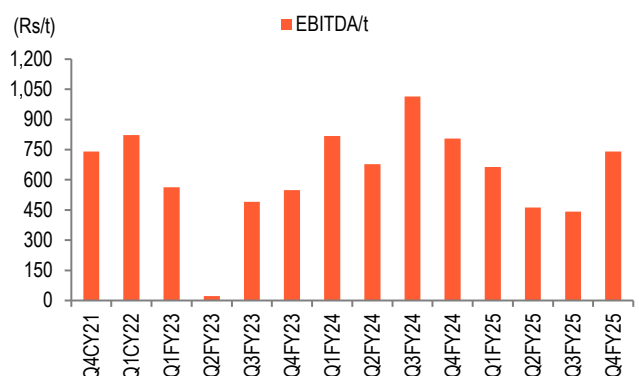
Source: Company, BOBCAPS Research

Fig 3 – Inorganic expansion supports higher growth

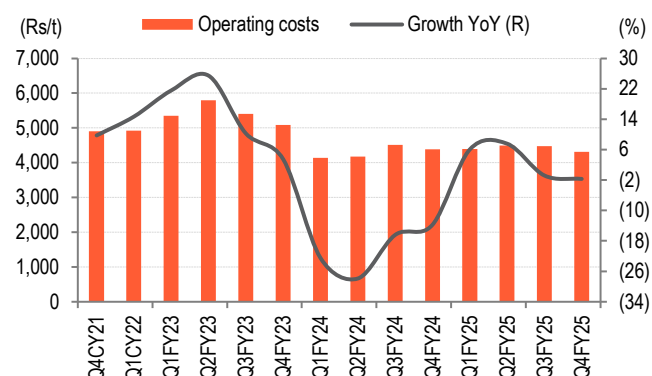
Source: Company, BOBCAPS Research | Note: ACC has changed its accounting Y/E from Dec to Mar; thus, FY23 consists of 5 quarters

Fig 4 – Realisations weakness persists YoY

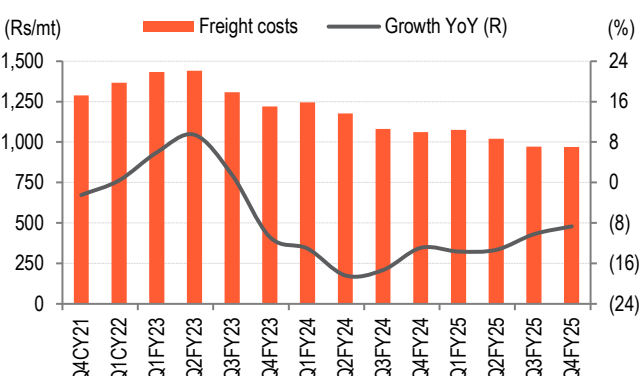
Source: Company, BOBCAPS Research

Fig 5 – EBITDA/t recovery assisted by cost savings

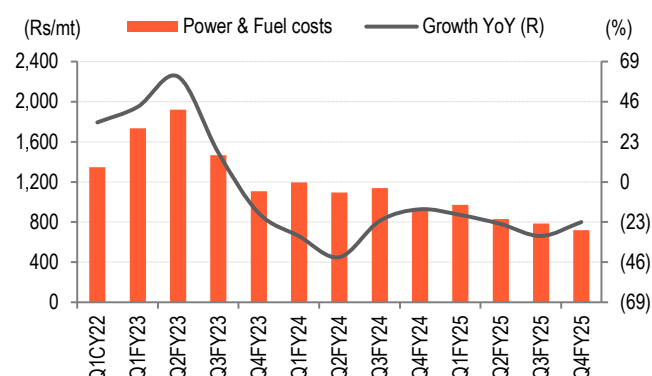
Source: Company, BOBCAPS Research

Fig 6 – Operating cost fall limited than expectations

Source: Company, BOBCAPS Research

Fig 7 – Logistics cost savings continue

Source: Company, BOBCAPS Research

Fig 8 – Power cost savings leave further room for improvement

Source: Company, BOBCAPS Research

Valuation methodology

We maintain our FY26/FY27 EBITDA forecasts. Our EBITDA/PAT 3Y CAGR is 6%/5% due to limited capacity headroom, although we factor in higher cost savings. With limited capacity available in FY26/FY27 and intense competitive pressure, growth prospects may be largely range-bound.

We continue to value ACC at 10x EV/EBITDA 1YF earnings and lower our TP to Rs 2,154 (from Rs 2,282). This implies a replacement cost of Rs 7.8bn/mt marginal premium to the industry average. We retain HOLD as the current valuations factor in the performance

Fig 9 – Key assumptions

	FY24	FY25E	FY26E	FY27E
Volumes (mt)	35.26	37.53	38.66	39.83
Realisations (Rs/mt)	5,143	4,809	4,930	5,066
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 10 – Valuation summary

Business (Rs mn)	FY27E
Target EV/EBITDA (x)	10.0
EBITDA	36,687
Target EV	3,66,872
Total EV	3,66,872
Net debt	(38,151)
Target market capitalisation	4,05,022
Target price (Rs/sh)	2,154
Weighted average shares (mn)	188

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

Fig 11 – Peer comparison

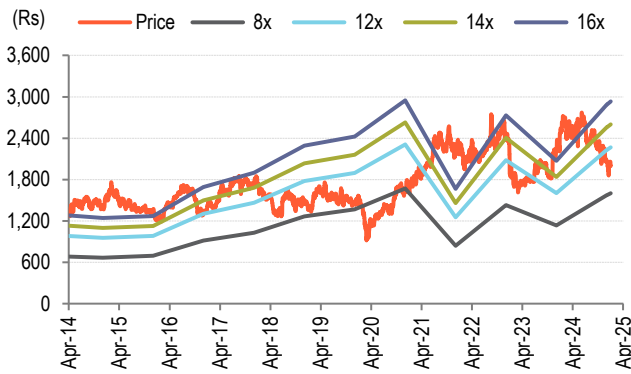
Ticker	Rating	TP (Rs)	EV/EBITDA (x)			EV/tonne (US\$)			ROE (%)			ROCE (%)		
			FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
ACC IN	HOLD	2,282	15.4	9.3	7.8	110.6	101.2	90.9	8.2	11.5	13.3	9.7	13.9	15.7
ACEM IN	HOLD	579	14.9	15.0	12.1	193	183	175	7.4	8.4	9.9	9.5	11.0	12.9
UTCEM IN	BUY	13,137	25.3	17.6	14.4	304.24	278.26	246.81	10.0	14.4	16.8	12.9	17.8	21.1
SRCM IN	HOLD	25,755	24.8	23.5	19.4	140.6	140.0	121.6	4.9	8.0	10.6	6.7	10.5	13.4

Source: Company, Bloomberg, BOBCAPS Research

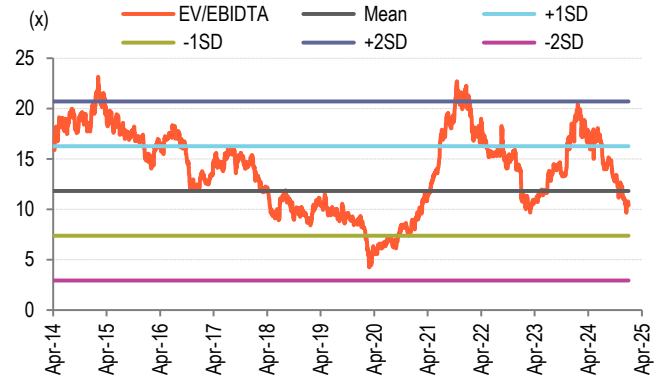
Key risks

Key upside/downside risks to our estimates:

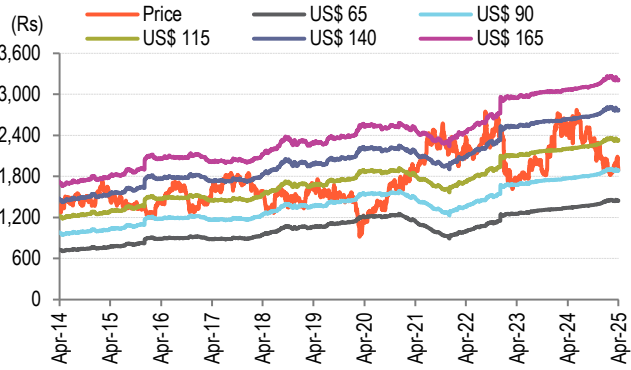
- Faster-than-expected capacity addition helping volume growth
- Further higher-than-expected easing of costs
- Fierce competitive intensity putting pressure on pricing

Fig 12 – EV/EBITDA band: We value ACC at 10x 1YF earnings


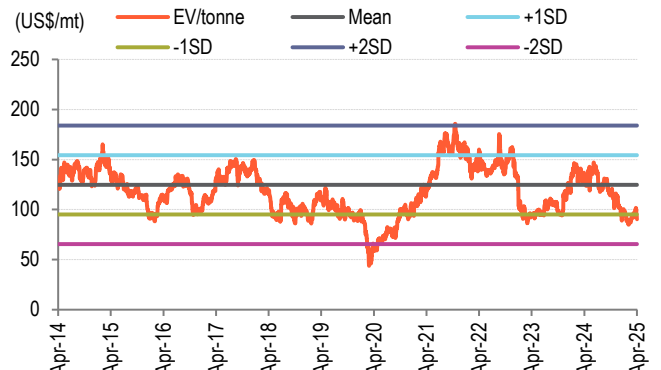
Source: Company, Bloomberg, BOBCAPS Research

Fig 13 – EV/EBITDA 1YF: Valuations will stay muted given larger exposure in over-supply markets


Source: Company, Bloomberg, BOBCAPS Research

Fig 14 – EV/tonne: Trades at fair value replacement cost


Source: Company, Bloomberg, BOBCAPS Research

Fig 15 – 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	FY25P	FY26E	FY27E
Total revenue	2,17,883	1,95,710	2,16,681	2,17,087	2,30,888
EBITDA	19,400	30,576	33,521	30,839	36,687
Depreciation	(8,351)	(8,763)	(9,562)	(10,926)	(11,455)
EBIT	14,421	26,729	31,186	25,090	30,927
Net interest inc./(exp.)	(772)	(1,538)	(1,080)	(1,001)	(921)
Other inc./(exp.)	3,372	4,915	7,228	5,177	5,695
Exceptional items	(1,618)	0	(10,325)	0	0
EBT	12,031	25,191	19,782	24,089	30,006
Income taxes	(2,723)	(3,948)	(6,902)	(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	12,880	19,753	24,605
Adjustments	1,618	0	10,325	0	0
Adjusted net profit	10,926	21,242	23,205	19,753	24,605

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Accounts payables	43,868	52,971	59,503	61,627	65,328
Other current liabilities	13,592	9,653	998	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	4,733	4,800	4,867
Equity capital	1,880	1,880	1,880	1,880	1,880
Reserves & surplus	1,38,696	1,58,340	1,69,157	1,83,790	2,03,274
Shareholders' fund	1,40,430	1,60,220	1,71,037	1,85,670	2,05,154
Total liab. and equities	2,04,086	2,28,997	2,37,558	2,66,611	2,91,041
Cash and cash eq.	2,868	24,298	36,080	50,729	31,997
Accounts receivables	8,747	8,412	11,716	11,143	11,219
Inventories	16,235	18,429	18,950	18,837	19,877
Other current assets	82,615	69,711	62,287	72,057	75,752
Investments	1,927	6,154	(5,168)	6,154	6,154
Net fixed assets	73,113	90,037	90,430	89,098	87,350
CWIP	16,831	9,720	22,769	18,000	58,000
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	2,37,558	2,66,611	2,91,041

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Cash flow from operations	(39,898)	45,103	20,951	33,992	33,949
Capital expenditures	(20,113)	(17,994)	(20,076)	(2,791)	(47,560)
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)	(45,076)	(17,791)	(67,560)
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)	(5,164)	(5,054)
Other financing cash flows	(271)	(3,942)	13,984	(11,389)	(67)
Cash flow from financing	(11,163)	(5,679)	10,908	(16,553)	(5,121)
Chg in cash & cash eq.	(68,522)	14,644	(13,217)	(351)	(38,732)
Closing cash & cash eq.	2,868	24,298	36,081	50,729	31,997

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25P	FY26E	FY27E
Reported EPS	39.6	113.0	68.5	105.1	130.9
Adjusted EPS	46.5	113.0	123.4	105.1	130.9
Dividend per share	46.4	9.2	21.5	23.0	23.0
Book value per share	747.0	852.3	909.8	987.7	1,091.3

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25P	FY26E	FY27E
EV/Sales	1.3	1.7	1.5	1.2	1.2
EV/EBITDA	14.5	10.8	9.5	8.6	7.2
Adjusted P/E	40.7	16.7	15.3	18.0	14.5
P/BV	2.5	2.2	2.1	1.9	1.7

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25P	FY26E	FY27E
Tax burden (Net profit/PBT)	77.4	84.3	65.1	82.0	82.0
Interest burden (PBT/EBIT)	94.6	94.2	96.5	96.0	97.0
EBIT margin (EBIT/Revenue)	6.6	13.7	14.4	11.6	13.4
Asset turnover (Rev./Avg TA)	113.1	89.3	98.1	87.6	87.4
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.4	1.4	1.4
Adjusted ROAE	7.9	14.0	12.6	11.4	13.1

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25P	FY26E	FY27E
YoY growth (%)					
Revenue	10.2	12.3	10.7	0.2	6.4
EBITDA	(48.3)	97.0	9.6	(8.0)	19.0
Adjusted EPS	(54.3)	143.0	9.2	(14.9)	24.6

Profitability & Return ratios (%)

EBITDA margin	8.7	15.3	15.2	14.0	15.6
EBIT margin	6.5	13.4	14.2	11.4	13.2
Adjusted profit margin	5.0	10.9	10.7	9.1	10.7
Adjusted ROAE	7.9	14.0	12.6	11.4	13.1
ROCE	7.9	17.3	18.3	13.7	15.4

Working capital days (days)

Receivables	18	16	20	19	18
Inventory	34	34	32	32	31
Payables	99	114	116	118	120

Ratios (x)

Gross asset turnover	1.8	1.3	1.4	1.4	1.4
Current ratio	1.9	1.9	2.1	2.0	1.7
Net interest coverage ratio	18.7	17.4	28.9	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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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

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BUY – Expected return >+15%

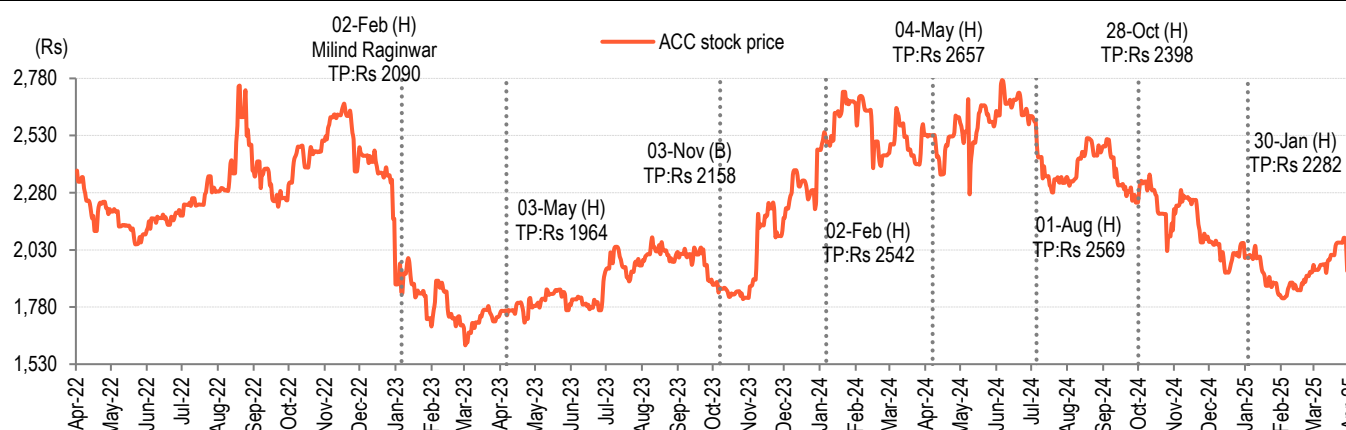
HOLD – Expected return from -6% to +15%

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)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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