

India

ADD (no change)

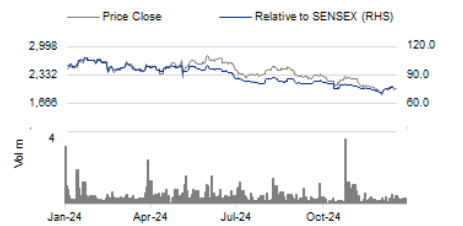
Consensus ratings*: Buy 30 Hold 7 Sell 4

Current price:	Rs2,002
Target price:	Rs2,400
Previous target:	Rs2,760
Up/downside:	19.9%
InCred Research / Consensus:	-5.6%
Reuters:	ACC.NS
Bloomberg:	ACC IN
Market cap:	US\$4,343m Rs375,931m
Average daily turnover:	US\$10.1m Rs877.7m
Current shares o/s:	188.0m
Free float:	41.2%

*Source: Bloomberg

Key changes in this note

- EBITDA cut by ~5-10% for FY26F-27F.
- Retain ADD rating with a lower target of Rs2,400.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(3.1)	(14.0)	(19.7)
Relative (%)	(0.9)	(10.2)	(25.4)

Major shareholders	% held
Promoter & Promoter Group	56.7
Life Insurance Corporation of India	6.6
HDFC MF	3.3

Research Analyst(s)



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ACC Ltd

Weak 3Q; synergies to drive improvement

- Adj. consol. 3Q EBITDA was ~24% below our estimate at ~Rs4.8bn, down ~47% yoy. Volume grew by ~20% yoy, reflecting higher inter-group volume.
- We expect EBITDA/t improvement in the coming quarters to be largely driven by benefits from cost efficiency targeted by the group and improved prices.
- We cut our EBITDA estimates by ~5-10% for FY26F-27F to reflect the weak 3Q performance. Retain ADD rating with a lower target price of Rs2,400.

Inorganic assets boost growth rate but hit realization

Cement sales volume of ACC in 3QFY25 grew by ~20% yoy, ~11% above our estimate, posting higher sales under MSA (~4.5mt vs 3.7mt qoq) with group companies and outperforming peers (among those that have reported results till date) at 10.7mt (highest - ever quarterly and 9M volume, up by ~15% yoy at 30.3mt). Adj. blended realization fell by ~0.6% qoq to Rs4,652/t (~4% below our estimate) when most peers are reporting improvement in realization on a qoq basis, primarily due to rising sales weightage from acquired assets that are skewed towards the South India market. Management highlighted that demand is showing a rebound with construction activity relating to infrastructure & housing sectors picking up. For the readymix concrete or RMC segment, revenue was up by ~15% yoy at Rs3.45bn, with the volume up by ~8% yoy and ~16% qoq at ~0.7mcbm.

Unit EBITDA declines to Rs448; cost savings at work

Blended costs/t were flat yoy & qoq where: (a) Power & fuel costs were down by ~30% yoy and ~5% qoq (on kcal basis, fuel costs stood at Rs1.68 vs. Rs1.57 qoq and Rs1.85 yoy). The thermal value fell from 735kcal to 732kcal, with further enhancement expected in the coming quarters. b) Logistics costs/t were down 11% yoy and 4% qoq to Rs960 due to the reduction in lead distance and a rising share of direct dispatches, which touched ~51%. c) Fixed costs were down by ~2% qoq. The RMC division posted EBIT of Rs110m vs. Rs44m qoq. Subsequently, adjusted blended EBITDA/t fell by ~Rs22 qoq & Rs569 yoy to Rs448 mainly due to operating efficiency of the acquired assets and lower realization. AFR consumption was up 0.4% yoy at 9.6% & the renewable energy or RE usage was 18.7%.

One-offs boost reported earnings; cash balance declines qoq

ACC recorded Rs11.6bn of exceptional items/prior-period gains in 3Q on account of a reversal of provision and excise duty refund. Cash & cash equivalents stood at Rs25.3bn vs. Rs29.2bn qoq due to capex. Incurs capex for expansion at Sindri plant (1.6mtpa, grinding unit or GU), which will be operational by 4QFY25F and Salai Banwa plant (2.4mtpa GU), which will be operational by 1QFY26F with 50% of the civil work already complete.

Retain ADD rating with a lower target price of Rs2,400

ACC trades at FY26F/27F EV/EBITDA of 11x/9x, respectively. Retain ADD rating on it with Mar 2026F target price of Rs2,400, or 11x EV/EBITDA (earlier target price was Rs2,760 at 12x). Downside risks: Pressure on cement prices, project delay & a rise in costs.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	222,102	199,589	208,171	224,127	240,375
Operating EBITDA (Rsm)	19,249	30,617	23,252	31,590	37,802
Net Profit (Rsm)	8,852	23,365	12,902	18,437	22,439
Core EPS (Rs)	53.4	113.9	68.6	98.1	119.4
Core EPS Growth	(47.2%)	113.3%	(39.8%)	42.9%	21.7%
FD Core P/E (x)	42.51	16.11	29.17	20.41	16.77
DPS (Rs)	9.3	7.5	6.2	8.8	10.7
Dividend Yield	0.61%	0.52%	0.31%	0.44%	0.54%
EV/EBITDA (x)	19.34	11.44	14.87	10.79	8.75
P/FCFE (x)	(7.65)	20.11	68.13	57.10	31.27
Net Gearing	(2.9%)	(16.1%)	(17.4%)	(18.5%)	(21.5%)
P/BV (x)	2.66	2.30	2.15	1.96	1.77
ROE	7.1%	14.1%	7.6%	10.1%	11.1%
% Change In Core EPS Estimates			(0.43%)	(0.36%)	(0.33%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Weak 3Q; synergies to drive improvement

3QFY25 results review

Quick snapshot of ACC's results ►

- **Volume:** During 3QFY25, cement volume stood at 10.7mt (~11% above our estimate), up ~20% yoy, partly reflecting a component of inter-company sales with Ambuja Cements or ACEM, strong growth in trade sales volume (11% yoy), and an increase in premium products sold, as a % of trade sales, touching 32%. Achieved the highest-ever quarterly and 9M volumes.
- **Realization:** Adjusted cement realization stood at Rs4,652/t, down by ~0.6% qoq/~11% yoy (~4% below our estimate).
- **Costs:** Overall blended costs/t were flat qoq and yoy, with higher raw material costs erasing the fall in other costs: a) Power and fuel costs down by ~30% yoy and 5% qoq (on kcal basis, fuel costs declined on qoq basis to Rs1.68 vs. Rs1.57 qoq and Rs1.86 yoy). Kiln fuel costs reduced, driven by optimization of the fuel mix and higher consumption of alternative fuels. Thermal value reduced from 757kcal to 739kcal, with a further improvement expected in the coming quarters. b) Logistics costs/t were down 11% yoy and 4% qoq to Rs960, secondary lead distance was down by 3km, and direct dispatches were down to 51%. c) Raw material costs increased by 29% yoy and 6% qoq. d) Fixed expenses were down 4%/2% qoq/yoy, respectively.
- **EBITDA:** Consolidated adj. EBITDA declined by ~47% yoy and rose by ~10% qoq to ~Rs4.8bn (vs. our estimate of ~Rs6.3bn), Reported EBITDA came in at Rs11.2bn; adj. EBITDA/t stood at Rs448 during the quarter (down Rs22/t qoq and Rs569/t yoy).
- **RMC division:** Ready-mix concrete or RMC revenue stood at Rs3.45bn, up ~15% yoy and 19% qoq, ACC reported EBIT-level profit of Rs110m vs. 44m qoq and a loss of Rs45m yoy.
- **Reported PAT:** It was at ~Rs10.9bn, adjusted for a refund of Rs6.39bn and a provision of Rs5.3bn, ACC reported a loss after tax of Rs757m vs. our expected PAT of ~Rs3.2bn. Other income came in at Rs6.48bn, up 6.5x yoy.
- Cash and cash equivalents stood at Rs25.3bn in Dec 2024 vs. Rs29.2bn in Sep 2024.
- **Exceptional items:** During the quarter, ACC received a refund of ~Rs6.39bn (Rs595/t) in respect of exemption of excise duty on captive consumption of clinker by the holding company pertaining to the Galgal unit. Other income includes Rs5.3bn in respect of reversal of the interest provision for which no tax liabilities are pending.
- Management remains positive on the cement industry with progressive government policies. For FY25F, it expects the industry to grow by 4-5%.
- **Salai Barwa, 2.4mtpa GU:** As of 3QFY25-end, ~50% of the civil work has been completed, and 47% of the major equipment has been delivered to the site. Expects completion by 1QFY26F.

Figure 1: Consolidated quarterly performance

Particulars (Rs m)	3QFY25	3QFY25F	2QFY25	3QFY24	% Change		
					3QFY25F	2QFY25	3QFY24
Net Sales*	52,905	49,387	46,135	49,144	7%	15%	8%
Raw Materials Consumed	21,938	17,165	17,914	14,120	28%	22%	55%
Freight and Forwarding Expenses	10,275	9,652	9,318	9,557	6%	10%	8%
Power and Fuel Costs	8,529	9,341	7,832	10,154	-9%	9%	-16%
Employee Costs	1,975	1,819	1,810	1,783	9%	9%	11%
Other Expenses	5,399	5,089	4,898	4,483	6%	10%	20%
Total Expenditure	48,117	43,066	41,772	40,096	12%	15%	20%
EBITDA	4,789	6,321	4,364	9,047	-24.2%	10%	-47%
Depreciation	2,596	2,446	2,423	2,352	6%	7%	10%
EBIT	2,193	3,874	1,941	6,695	-43%	13%	-67%
Interest	282	356	333	339	-21%	-15%	-17%
Other Income*	1,179	986	1,586	862	20%	-26%	37%
PBT	3,090	4,505	3,194	7,217	-31%	-3%	-57%
Tax	3,847	1,306	843	1,916	194%	356%	101%
PAT before MI & Associates	-757	3198	2350	5301	-124%	-132%	-114%
Minority Interest	0	0	0	0			
Profit from Assoc.Cos	3	0	-3	76			
Recurring PAT	-754	3,198	2,347	5,377	-124%	-132%	-114%
Extraordinary Items	11,672	0	-350	0			
Reported PAT	10,918	3,198	1,997	5,377	241%	447%	103%
EPS (Rs)	58.1	17.0	10.6	28.6	241%	447%	103%
Margins (%)	3QFY25	3QFY25F	2QFY25	3QFY24			
Gross Margin	23.0%	26.8%	24.0%	31.2%	-379bp	-101bp	-817bp
EBITDA Margin	9.1%	12.8%	9.5%	18.4%	-375bp	-41bp	-936bp
EBIT Margin	4.1%	7.8%	4.2%	13.6%	-370bp	-6bp	-948bp
PBT Margin	5.8%	9.1%	6.9%	14.7%	-328bp	-108bp	-885bp
PAT Margin	20.6%	6.5%	4.3%	10.9%	1,416bp	1,631bp	970bp
Tax Rate	124.5%	29.0%	26.4%	26.6%	9,551bp	9,810bp	9,795bp
Cost items as % of Sales							
RM Costs	41.5%	34.8%	38.8%	28.7%	671bp	264bp	1,273bp
Freight Costs	19.4%	19.5%	20.2%	19.4%	-12bp	-78bp	-3bp
P&F Costs	16.1%	18.9%	17.0%	20.7%	-279bp	-85bp	-454bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS
NOTE: ADJUSTED NUMBERS FOR EXCEPTIONAL ITEMS

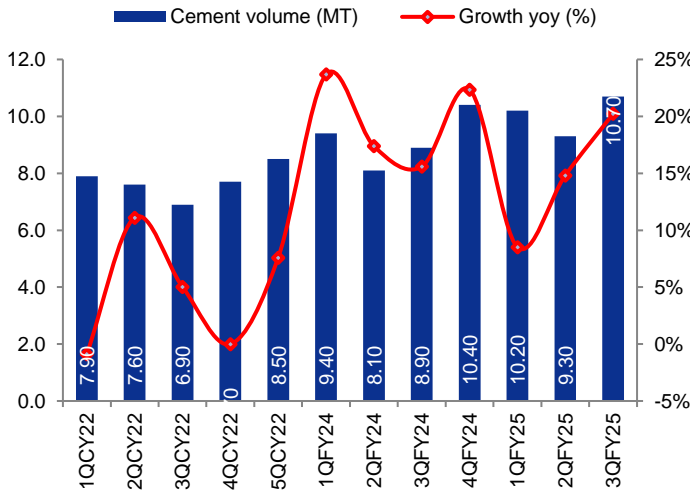
Figure 2: 3QFY25 results - per tonne analysis

Per tonne analysis	3QFY25	3QFY25F	2QFY25	3QFY24	% Change		
					3QFY25F	2QFY25	3QFY24
Sales Volume	10.70	9.61	9.30	8.90	11.3%	15.1%	20.2%
Realization	4,652	4,837	4,680	5,220	-3.8%	-0.6%	-10.9%
EBITDA/t	448	657	469	1,017	-31.9%	-4.6%	-56.0%
RM Costs/t	2,050	1,785	1,926	1,587	14.8%	6.4%	29.2%
P&F Costs/t	797	972	842	1,141	-18.0%	-5.3%	-30.1%
Freight Costs/t	960	1,004	1,002	1,074	-4.4%	-4.2%	-10.6%
Employee Costs/t	185	189	195	200	-2.4%	-5.2%	-7.9%
Other Expenses/t	505	529	527	504	-4.7%	-4.2%	0.2%
Total Costs/t	4,497	4,480	4,492	4,505	0.4%	0.1%	-0.2%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, *ADJUSTED FOR REFUND RECEIVED OF RS595/T

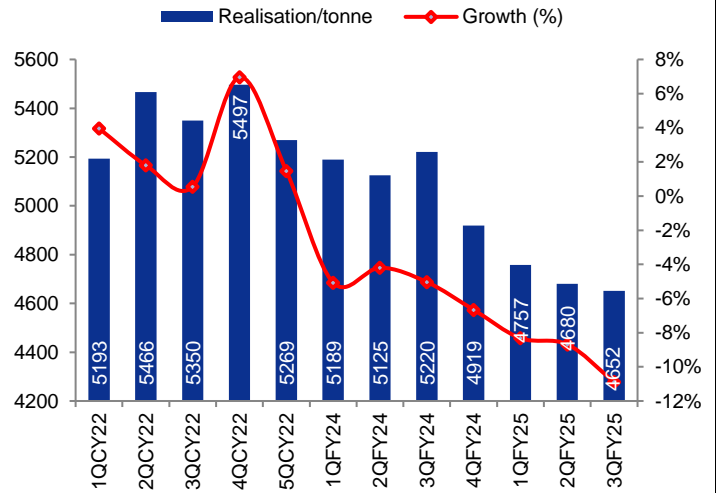
Key charts ➤

Figure 3: Cement sales volume up by ~20% yoy



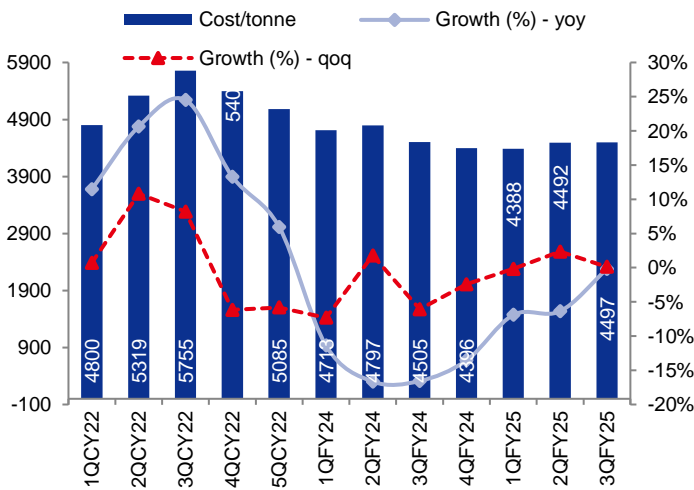
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Cement realization after adjustment down by ~1% qoq



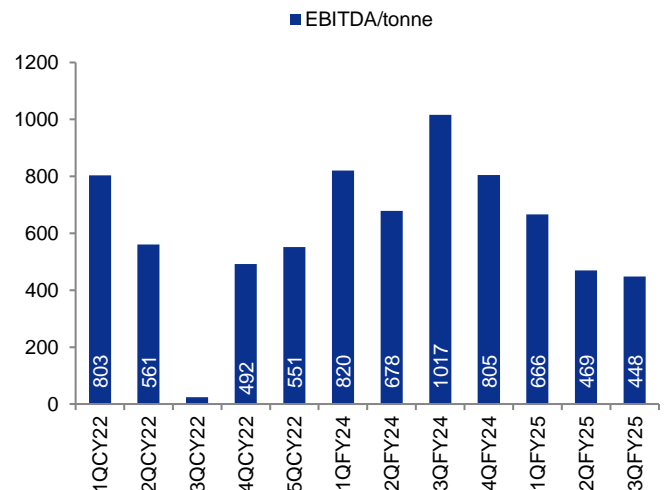
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Costs/t flat qoq as well as yoy



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Adjusted unit EBITDA declines to Rs448/t for the quarter



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key changes ➤

Figure 7: Our revised earnings estimates

Rs. m	New			Old			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Sales	2,08,171	2,24,127	2,40,375	2,07,464	2,27,220	2,43,269	0%	-1%	-1%
EBITDA	23,252	31,590	37,802	27,402	34,913	39,974	-15%	-10%	-5%
PAT	12,902	18,437	22,439	15,481	20,412	23,557	-17%	-10%	-5%
EPS (Rs.)	67.8	97.2	118.4	81.6	107.7	124.3	-17%	-10%	-5%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 8: Changes in our estimates vs. Bloomberg consensus estimates

Rs. m	Incred			Consensus			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Sales	2,08,171	2,24,127	2,40,375	2,07,520	2,27,800	2,45,347	0%	-2%	-2%
EBITDA	23,252	31,590	37,802	27,434	36,149	41,164	-15%	-13%	-8%
PAT	12,902	18,437	22,439	15,784	21,777	25,129	-18%	-15%	-11%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 9: Key assumptions

	FY23F (15M)*	FY24F	FY25F	FY26F	FY27F
Volume (in mtpa)	39	37	42	44	46
Yoy	34%	-4%	13%	5%	5%
Realization (per t)	5,276	5,059	4,695	4,799	4,890
Yoy	5%	-4%	-7%	2%	2%
Cost (per t)	5,257	4,579	4,451	4,392	4,385
Yoy	15%	-13%	-3%	-1%	0%
EBITDA (per t)	499	830	560	721	818
Yoy	-52%	66%	-33%	29%	14%
EBITDA (Rs m)	19,249	30,617	23,252	31,590	37,802
Yoy	-36%	59%	-24%	36%	20%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS
*NOTE: FY23 FINANCIAL YEAR IS FOR 15 MONTHS; YEAR-END CHANGES FROM DEC-MAR

Figure 10: Maintain ADD rating with a Mar 2026F target price of Rs2,400, set at 11x EV/EBITDA

Valuation	TP
Target EV/EBITDA (x)	11.0
Target EV (Rs m)	4,15,818
Net debt / (cash) (Rs m)	(35,429)
No. of shares (m)	188
Fair value per share (Rs)	2,400

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 11: ACC's shareholding pattern (as of Dec 2024-end)

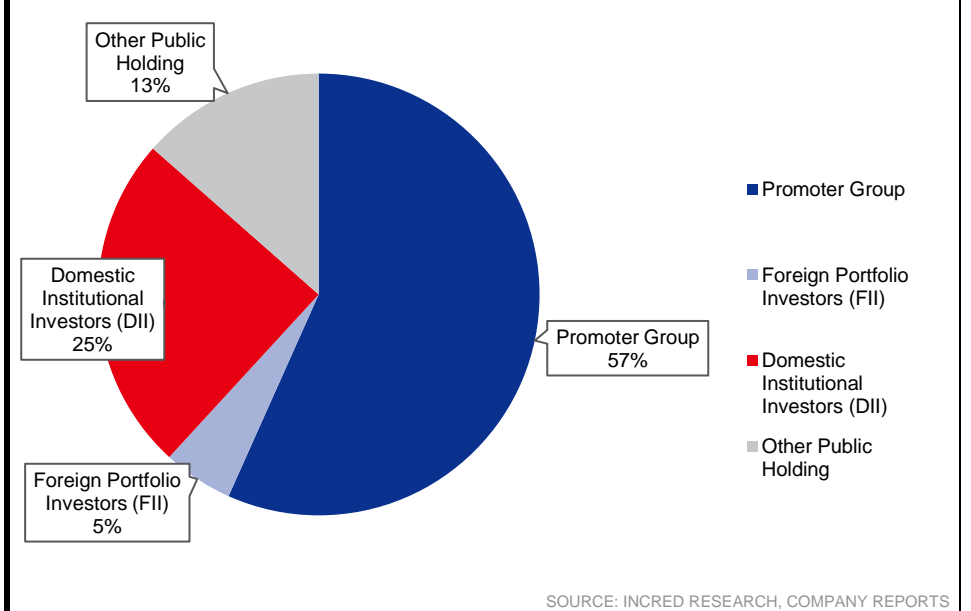
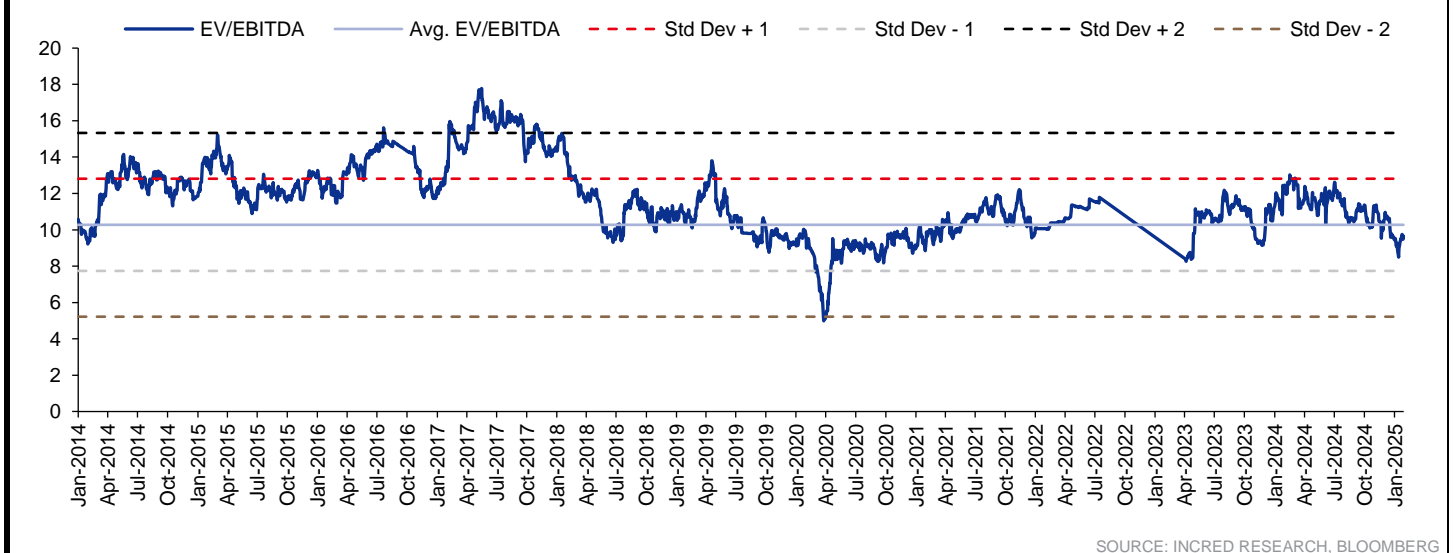
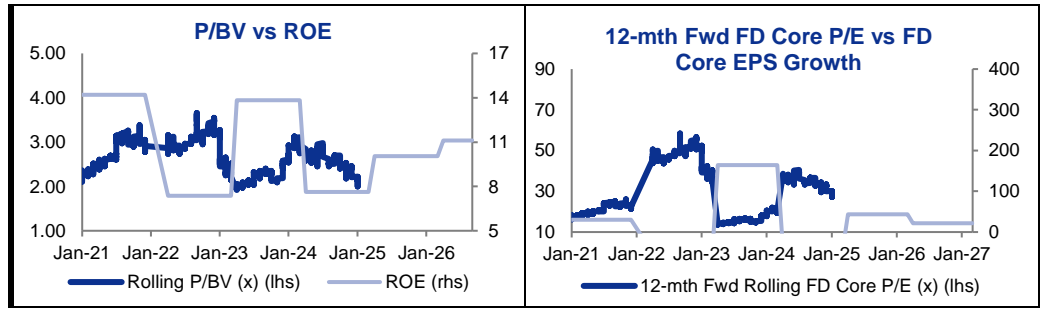


Figure 12: ACC's one-year forward EV/EBITDA trades close to the average level



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	222,102	199,589	208,171	224,127	240,375
Gross Profit	222,102	199,589	208,171	224,127	240,375
Operating EBITDA	19,249	30,617	23,252	31,590	37,802
Depreciation And Amortisation	(8,413)	(8,831)	(9,626)	(10,203)	(10,816)
Operating EBIT	10,836	21,786	13,626	21,387	26,986
Financial Income/(Expense)	(773)	(1,546)	(1,237)	(1,286)	(1,338)
Pretax Income/(Loss) from Assoc.	162	129	149	169	189
Non-Operating Income/(Expense)	3,419	4,929	4,682	4,354	4,137
Profit Before Tax (pre-EI)	13,644	25,297	17,221	24,624	29,974
Exceptional Items	(1,618)	2,296			
Pre-tax Profit	12,026	27,593	17,221	24,624	29,974
Taxation	(3,174)	(4,228)	(4,319)	(6,187)	(7,536)
Exceptional Income - post-tax					
Profit After Tax	8,852	23,365	12,902	18,437	22,439
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	8,852	23,365	12,902	18,437	22,439
Recurring Net Profit	10,043	21,421	12,902	18,437	22,439
Fully Diluted Recurring Net Profit	10,043	21,421	12,902	18,437	22,439

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	19,249	30,617	23,252	31,590	37,802
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(26,708)	1,331	(2,305)	(4,380)	(4,528)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	3,419	4,929	4,682	4,354	4,137
Other Operating Cashflow	(2,043)	(5,985)			
Net Interest (Paid)/Received	(773)	(1,546)	(1,237)	(1,286)	(1,338)
Tax Paid	4,039	1,819	(4,319)	(6,187)	(7,536)
Cashflow From Operations	(2,816)	31,165	20,073	24,091	28,537
Capex	(19,810)	(13,490)	(17,000)	(16,000)	(15,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(26,563)	1,039	2,451	(1,500)	(1,500)
Cash Flow From Investing	(46,373)	(12,451)	(14,549)	(17,500)	(16,500)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,739)	(1,410)	(1,161)	(1,659)	(2,019)
Preferred Dividends					
Other Financing Cashflow	(10,638)	(3,022)	(51)	(31)	189
Cash Flow From Financing	(12,377)	(4,432)	(1,212)	(1,690)	(1,830)
Total Cash Generated	(61,566)	14,282	4,312	4,901	10,207
Free Cashflow To Equity	(49,189)	18,714	5,524	6,591	12,037
Free Cashflow To Firm	(48,416)	20,259	6,761	7,877	13,375

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	4,147	26,216	30,528	35,429	45,635
Total Debtors	8,692	8,275	10,266	10,439	10,537
Inventories	16,242	18,686	19,391	20,878	22,391
Total Other Current Assets	53,470	44,085	43,716	50,429	57,690
Total Current Assets	82,552	97,261	103,901	117,174	136,254
Fixed Assets	72,465	91,661	99,035	104,832	109,016
Total Investments	1,633	519	519	519	519
Intangible Assets	16,878	13,820	15,320	16,820	18,320
Total Other Non-Current Assets	31,910	30,417	26,466	26,466	26,466
Total Non-current Assets	122,886	136,416	141,340	148,636	154,320
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	14,934	19,249	19,357	20,157	21,252
Other Current Liabilities	41,476	41,720	41,634	44,825	48,075
Total Current Liabilities	56,410	60,968	60,991	64,982	69,327
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	7,608	9,390	9,190	8,990	8,990
Total Non-current Liabilities	7,608	9,390	9,190	8,990	8,990
Total Provisions					
Total Liabilities	64,018	70,359	70,181	73,973	78,318
Shareholders Equity	141,385	163,282	175,023	191,801	212,220
Minority Interests	35	36	36	36	36
Total Equity	141,420	163,319	175,059	191,837	212,256

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	37.5%	(10.1%)	4.3%	7.7%	7.2%
Operating EBITDA Growth	(35.8%)	59.1%	(24.1%)	35.9%	19.7%
Operating EBITDA Margin	8.7%	15.3%	11.2%	14.1%	15.7%
Net Cash Per Share (Rs)	22.06	139.45	162.39	188.46	242.75
BVPS (Rs)	752.09	868.57	931.02	1,020.27	1,128.89
Gross Interest Cover	14.02	14.09	11.02	16.63	20.18
Effective Tax Rate	26.4%	15.3%	25.1%	25.1%	25.1%
Net Dividend Payout Ratio	21.8%	9.3%	9.0%	9.0%	9.0%
Accounts Receivables Days	11.16	15.51	16.25	16.86	15.93
Inventory Days	23.81	31.94	33.38	32.79	32.85
Accounts Payables Days	30.57	36.92	38.10	37.45	37.31
ROIC (%)	7.6%	14.9%	8.9%	13.0%	15.4%
ROCE (%)	7.6%	14.3%	8.1%	11.7%	13.4%
Return On Average Assets	5.4%	10.3%	5.9%	7.7%	8.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.