

On a solid ground...

About the stock: ACC Limited, a part of Adani Group, is primarily engaged in the business of manufacturing & selling of cement, Ready Mix Concrete (RMC)

- With 16 cement manufacturing facilities (10 integrated units and 6 grinding units) and 85+ RMC units, ACC has Pan India presence. In terms of volumes mix, northern region contributes 32%, followed by eastern (25%), western (20%), central (13%) & southern region (10%)
- As of March 2024, company's cement capacity stands at 38.6 million tonnes per annum (mtpa), with 46 MW of green power capacity

Investment Rationale:

- Healthy volume growth to continue:** ACC reported cement volume growth of ~20% YoY in FY24, which was well above expectations and industry's growth. This was mainly led recent capacity expansions (3.3 mtpa clinker along with 1 mtpa grinding at Ametha & acquisition of balance 1.54 mtpa of Asian Concretes) and MSA (master supply agreement) with group companies (Ambuja & Sanghi Ind). Company's capacity currently stands at 38.6 mtpa and would reach 42.6 mtpa by FY26E after the ongoing 4 mtpa expansions (1.6 mtpa at Jharkhand, 2.4 mtpa at UP). We expect company's volumes to grow at ~8% CAGR over FY24-26E (with a high possibility of surpassing expectations). Moreover, ACC provides a strong longer-term visibility on volume growth considering the aggressive capacity additions plan at group level (Adani Cement targets to reach capacity of 140 mtpa by FY28E (with market share of 20%) from ~79 mtpa at present (~14% market share)
- EBITDA/ton to improve further over FY25E-26E on continued cost efficiencies:** Despite lower realisations, ACC's EBITDA/ton in FY24 has almost doubled to ₹ 830/ton (vs ₹ 420/ton YoY), mainly led by continued cost efficiencies across variable costs & fixed costs. Going ahead, we expect company's EBITDA/ton to improve further over FY25E-26E (₹ 918/ton in FY25E and ₹ 975/ton in FY26E) as the focus on operational efficiencies continues. These are primarily driven by potential synergy benefits (like freight cost & raw material cost optimisation through parent's other units), increasing share of green power (waste heat recovery, wind & solar), benign fuel prices and positive operating leverage

Rating and Target Price

- We believe that ACC is well placed to benefit substantially from the continued operational efficiency measures taken by the company in terms of increasing volumes and reducing overall cost structure
- We expect Revenue/EBITDA to grow at 8.3%/16.5% over FY24-FY26E. Valuation at 10.3x EV/EBITDA on FY26E basis looks attractive given the multiple tailwinds. We maintain BUY on ACC with a target price of ₹ 3225 per share (based on 13.5x FY26E EV/EBITDA)

Key Financial Summary

(Year-end March)	CY20	CY21	FY23*	FY24	3 Year CAGR (FY21-24) [^]	FY25E	FY26E	2 Year CAGR (FY24-26E)
Revenues	13,785	16,151	22,210	19,952	29.7%	21,556	23,404	8.3%
EBITDA	2,352	3,000	1,919	3,058	19.5%	3,638	4,150	16.5%
EBITDA margin (%)	17.1	18.6	8.6	15.3		16.9	17.7	
Net Profit	1,415	1,820	870	2,124	29.6%	2,277	2,650	11.7%
EPS (Rs)	75.3	96.9	46.3	113.1		121.2	141.1	
P/E (x)	30.4	25.2	54.7	22.4		20.9	17.9	
EV/EBITDA (x)	17.7	13.4	24.6	15.0		12.3	10.3	
RoCE (%)	15.2	18.3	10.1	16.7		17.8	18.3	
RoE (%)	12.3	13.3	6.2	13.3		12.6	13.0	

Source: Company, ICICI Direct Research * FY23 is 15 months period ^ CAGR calculated for period June 2021 to Mar 2024

ACC

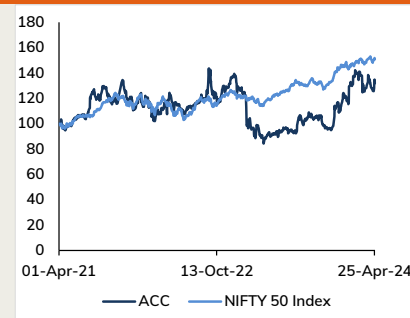
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	47,567
FY24 Gross Debt (Rs Crore)	0
FY24 Cash (Rs Crore)	1,670
EV (Rs Crore)	45,897
52 Week H/L (Rs)	2760/1704
Equity Capital	188.0
Face Value	10.0

Shareholding pattern

	Jun-23	Sep-23	Dec-23	Mar-24
Promoters	56.7	56.7	56.7	56.7
FII	10.0	7.1	6.2	6.2
DII	19.4	22.8	24.1	24.6
Others	14.0	13.4	12.9	12.5

Price Chart



Key risks

- Cement demand slowdown from infra and housing sectors
- Delay in capacity expansions
- Increase in commodity prices
- Increasing supply across regions

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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