INSTITUTIONAL RESEARCH

ACC

Strong cost controls cushion earnings

During 3QCY20, ACC reported consolidated net sales/EBITDA/APAT growth of 0/21/20% YoY to Rs 35.37/6.71/3.64bn respectively (ahead of our estimates of Rs 34.52/5.71/2.98bn). Buoyancy in retail demand, lower fuel costs and continued cost controls boosted earnings rebound. The earning beat (vs our estimate) is on account of better than expected operating cost reduction. While we expect retail sales to accelerate further, non-trade should also recover going ahead, boosting volume outlook. We are also enthused by ACC's continued surprise on fixed cost controls, which is driving margin expansion. Subsequently, we upgrade estimates and maintain BUY with a higher target price of Rs 1,820/share (10x Sep'22E consolidated EBITDA).

- **Results highlights**: Robust retail demand amid weak non-trade demand drove up 3Q volumes 1% YoY. NSR also remained healthy YoY (+3.5%) as it fell a modest 3% QoQ (seasonal correction). Additionally, ACC's unitary opex fell 1% YoY on account of continued fixed cost reduction. These buoyed unitary EBITDA by 27% YoY to Rs 1,071/MT, driving earnings rebound. Trade with Ambuja under Material Supply Agreement (MSA) is on the rise - the purchase of traded goods increased to 6.5% of net sales vs 2.5/6% YoY/QoQ. RMC volumes fell down 43% YoY on subdued non-trade demand.
- **Outlook**: We expect ACC's profitability to continue to benefit from cement demand recovery and its strong focus on all-round cost controls. Subsequently, we increase consolidated EBITDA estimates for CY20/21/22E by 6/4/4% respectively. We maintain BUY with a revised target price of Rs 1,820/share (10x Sep'22E consolidated EBITDA).

Consolidated Quarterly/Annual Financial summary

YE Dec (Rs mn)	3Q CY20	3Q CY19	YoY (%)	2Q CY20	QoQ (%)	CY18	CY19	CY20E	CY21E	CY22E
Sales (mn MT)	6.5	6.4	0.8	4.8	36.3	28.4	28.9	25.3	29.1	32.9
NSR (Rs/MT)	5,197	5,021	3.5	5,359	(3.0)	4,749	4,907	5,024	5,037	5,102
Opex (Rs/MT)	4,127	4,177	(1.2)	4,184	(1.4)	4,051	4,125	4,060	4,143	4,241
EBITDA(Rs/MT)	1,071	844	26.9	1,175	(8.9)	698	781	964	894	861
Net Sales	35,373	35,283	0.3	26,022	35.9	148,016	156,576	137,650	160,236	182,814
EBITDA	6,714	5,571	20.5	5,254	27.8	21,185	24,105	24,352	27,138	29,761
APAT	3,639	3,026	20.3	2,710	34.3	10,904	12,767	13,120	14,964	16,017
AEPS (Rs)	19.4	16.1	20.3	14.4	34.3	58.1	68.0	69.9	79.7	85.3
EV/EBITDA (x)						12.1	10.0	10.3	9.2	8.1
EV/MT (Rs bn)						8.06	7.57	7.86	7.86	6.41
P/E (x)						26.3	22.5	22.4	19.7	18.4
RoE (%)						11.0	11.6	11.0	11.8	11.8

Source: Company, HSIE Research, Consolidated Financials

Estimates revision

Rs Bn	CY20E Old	CY20E Revised	Change %	CY21E Old	CY21E Revised	Change %	CY22E Old	CY22E Revised	Change %
Net Sales	136.4	137.6	0.9	158.0	160.2	1.4	183.1	182.8	-0.2
EBITDA	23.0	24.4	5.9	26.2	27.1	3.7	28.7	29.8	3.7
APAT	12.2	13.1	7.4	14.3	15.0	4.6	15.3	16.0	4.7
AEPS (Rs)	65.0	69.9	7.4	76.2	79.7	4.6	81.5	85.3	4.7

Source: Company, HSIE Research

BUY

CMP *(as on 19 Oct 2020)*	Rs 1,568
Target Price	Rs 1,820
NIFTY	11,873

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 1,755	Rs 1,820
	CY20E	CY21E
EBITDA %	5.9	3.7

KEY STOCK DATA	
Bloomberg code	ACC IN
No. of Shares (mn)	188
MCap (Rs bn) / ($ mn)	293/4,003
6m avg traded value (Rs mn)	1,666
52 Week high / low	Rs 1,591/895

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	18.8	33.2	0.6
Relative (%)	9.5	5.2	(2.3)

SHAREHOLDING PATTERN (%)	Jun-20	Sep-20
Promoters	54.53	54.53
FIs & Local MFs	18.38	25.61
FPIs	8.14	6.60
Public & Others	18.95	13.26
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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