

## ACC (ACC IN)

Rating: BUY | CMP: Rs2,152 | TP: Rs2,460

### Consistent performance with back to back beat

#### Quick Pointers:

- Limited increase in cost by 2% QoQ (down 1.5% YoY) despite higher coal/diesel prices and 14% lower volumes
- Sixth consecutive quarter of beat on our/consensus estimates
- Margins at highest levels since Q4CY09

**ACC reported Q2CY21 EBITDA above our/consensus estimates by 10%/17%. EBITDA grew 65% YoY (+1% QoQ despite 14% fall in volumes) to Rs8.7bn. This is the sixth consecutive quarter of beat on our/consensus estimates. Better than expected realisations and lower costs drove the beat.**

**ACC continued its strong work on cost front through increased coverage of volumes under Master supply agreement (MSA), reduction in energy consumption and optimisation of logistics network with reduction in lead distance. We expect further cost reduction of Rs115-120/t, largely on account of upcoming waste heat recovery/solar plants and upgradation of plants. Driven by improved visibility on operations and attractive valuations, we reiterate our BUY rating with revised TP of Rs2,460 (earlier Rs2,360) based on 12.5x EV/EBITDA of CY22e.**

- **Cement volumes in line with our expectation:** Volumes grew 44% YoY to 6.8mnt (PLe:6.8mnt). Ready Mix concrete (RMC) volumes grew 4x YoY (↓30% QoQ) at 0.6mn Cubic meter.
- **Higher realisations and lower cost led the beat in earnings:** Cement realisations grew 7.4% QoQ/Rs365 (up 1.4% YoY/Rs73) at Rs5,260, above our estimate of Rs5,205. RMC revenues declined 29% QoQ (+3x YoY) at Rs2.6bn below our estimate of Rs3.1bn due to lockdowns in major states. Cement cost fell 1.5% YoY/Rs62 (+2% QoQ/Rs78) to Rs4,024 (PLe:Rs4,090). Lower freight cost (Rs1,350 v/s PLe:Rs1,410) was the key reason for beat. Hence, EBITDA/t expanded by 15% YoY at Rs1,270 (PLe:Rs1,160). Aided by 10% fall in depreciation, PBT grew 88% YoY at Rs7.55bn (PLe:Rs6.8bn). Due to adoption of lower tax rate regime, PAT grew 110% YoY at Rs5.7bn (PLe:Rs5.1bn, CE:Rs4.6bn).
- **Construction work on Ametha plant started:** ACC is setting up a greenfield integrated cement plant in Ametha, MP with a clinker capacity of 2.7mtpa and a cement capacity of 1mtpa. It is also expanding grinding capacity of Tikaria, UP by 1.6mnt. To further strengthen market share in its one of the most profitable market, it is putting a greenfield grinding unit in Shonebhadra, UP with a capacity of 2.2mtpa. All the facilities are expected to commission by end of CY22.

July 20, 2021

## Q2CY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	CY21E	CY22E	CY21E	CY22E
Rating	BUY		BUY	
Target Price	2,460		2,360	
Sales (Rs. m)	1,62,079	1,72,833	1,61,283	1,71,208
% Chng.	0.5	0.9		
EBITDA (Rs. m)	30,011	30,821	28,885	29,374
% Chng.	3.9	4.9		
EPS (Rs.)	115.5	119.8	111.5	115.4
% Chng.	3.6	3.8		

### Key Financials - Consolidated

Y/e Dec	CY20	CY21E	CY22E	CY23E
Sales (Rs. m)	1,34,868	1,62,079	1,72,833	1,96,009
EBITDA (Rs. m)	21,849	30,011	30,821	36,146
Margin (%)	16.2	18.5	17.8	18.4
PAT (Rs. m)	16,229	21,704	22,523	25,556
EPS (Rs.)	86.3	115.5	119.8	135.9
Gr. (%)	23.7	33.7	3.8	13.5
DPS (Rs.)	14.0	20.8	21.6	24.5
Yield (%)	0.7	1.0	1.0	1.1
RoE (%)	13.4	15.9	14.5	14.6
RoCE (%)	12.7	17.7	16.0	16.1
EV/Sales (x)	2.6	2.1	1.9	1.6
EV/EBITDA (x)	15.8	11.2	10.6	8.4
PE (x)	24.9	18.6	18.0	15.8
P/BV (x)	3.2	2.8	2.5	2.2

### Key Data

### ACC.BO | ACC IN

52-W High / Low	Rs.2,169 / Rs.1,289
Sensex / Nifty	52,553 / 15,752
Market Cap	Rs.404bn/ \$ 5,397m
Shares Outstanding	188m
3M Avg. Daily Value	Rs.2590.19m

### Shareholding Pattern (%)

Promoter's	54.53
Foreign	13.57
Domestic Institution	19.42
Public & Others	12.48
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	6.1	25.7	63.5
Relative	5.7	18.1	15.2

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## Exhibit 1: Q2CY21 Result Overview (Rs mn)

Y/e December	Q2CY21	Q2CY20	YoY gr. (%)	Q1CY21	H1CY21	H1CY20	YoY gr. (%)
<b>Net Sales</b>	<b>38,104</b>	<b>25,203</b>	<b>51.2</b>	<b>42,133</b>	<b>80,237</b>	<b>59,533</b>	<b>34.8</b>
Raw Material	5,024	4,994	0.6	7,460	12,484	9,749	28.1
<i>% of Net Sales</i>	<i>13.2</i>	<i>19.8</i>		<i>17.7</i>	<i>15.6</i>	<i>16.4</i>	
Staff Costs	2,092	1,768	18.3	2,064	4,156	3,858	7.7
<i>% of Net Sales</i>	<i>5.5</i>	<i>7.0</i>		<i>4.9</i>	<i>5.2</i>	<i>6.5</i>	
Power & Fuel	8,302	4,572	81.6	8,049	16,351	11,916	37.2
<i>% of Net Sales</i>	<i>21.8</i>	<i>18.1</i>		<i>19.1</i>	<i>20.4</i>	<i>20.0</i>	
Freight	9,200	6,007	53.1	10,837	20,037	15,422	29.9
<i>% of Net Sales</i>	<i>24.1</i>	<i>23.8</i>		<i>25.7</i>	<i>25.0</i>	<i>25.9</i>	
Other Expenses	5,539	3,427	61.6	5,907	11,446	8,976	27.5
<i>% of Net Sales</i>	<i>14.5</i>	<i>13.6</i>		<i>14.0</i>	<i>14.3</i>	<i>15.1</i>	
Total Expenditure	30,156	20,769	45.2	34,317	64,473	49,921	29.2
<b>EBITDA</b>	<b>7,948</b>	<b>4,434</b>	<b>79.2</b>	<b>7,816</b>	<b>15,763</b>	<b>9,612</b>	<b>64.0</b>
<i>Margin (%)</i>	<i>20.9</i>	<i>17.6</i>		<i>18.5</i>	<i>19.6</i>	<i>16.1</i>	
Depreciation	1,465	1,627	(10.0)	1,432	2,897	3,206	(9.6)
Other income	1,201	1,332	(9.9)	1,227	2,428	2,578	(5.8)
<b>EBIT</b>	<b>7,684</b>	<b>4,140</b>	<b>85.6</b>	<b>7,610</b>	<b>15,294</b>	<b>8,984</b>	<b>70.2</b>
Interest	134	131	2.4	112	246	237	4.0
<b>PBT</b>	<b>7,550</b>	<b>4,009</b>	<b>88.3</b>	<b>7,498</b>	<b>15,048</b>	<b>8,748</b>	<b>72.0</b>
Extraordinary income/(expense)	-	-		-	-	-	
<b>PBT (After EO)</b>	<b>7,550</b>	<b>4,009</b>	<b>88.3</b>	<b>7,498</b>	<b>15,048</b>	<b>8,748</b>	<b>72.0</b>
Tax	1,888	1,322	42.9	1,916	3,748	2,912	28.7
<i>% PBT</i>	<i>25.0</i>	<i>33.0</i>		<i>25.6</i>	<i>24.9</i>	<i>33.3</i>	
<b>Reported PAT</b>	<b>5,662</b>	<b>2,687</b>	<b>110.7</b>	<b>5,581</b>	<b>11,300</b>	<b>5,836</b>	<b>93.6</b>
Minority interest	(0)	(0)		(0)	(1)	(1)	
Share of profit/(loss) in associates	33	22	48.0	45	77	44	74.1
Net profit attributable to shareholders	<b>5,694</b>	<b>2,709</b>	<b>110.2</b>	<b>5,626</b>	<b>11,377</b>	<b>5,880</b>	<b>93.5</b>
<b>Adjusted profit attributable to shareholders</b>	<b>5,694</b>	<b>2,709</b>	<b>110.2</b>	<b>5,626</b>	<b>11,320</b>	<b>5,939</b>	<b>90.6</b>

Source: Company, PL

## Exhibit 2: Operating Metrics

Y/e December	Q2CY21	Q2CY20	YoY gr. (%)	Q1CY21	H1CY21	H1CY20	YoY gr. (%)
Volume (mn te)	6.8	4.8	43.7	8.0	14.8	11.3	30.8
Blended realisations /t (Cement + RMC)	5,571	5,295	5.2	5,286	5,418	5,259	3.0
EBITDA/ te (Rs/te)	1,162	932	24.7	981	1,064	849	25.3

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Dec	CY20	CY21E	CY22E	CY23E
<b>Net Revenues</b>	<b>1,34,868</b>	<b>1,62,079</b>	<b>1,72,833</b>	<b>1,96,009</b>
YoY gr. (%)	(12.1)	20.2	6.6	13.4
Cost of Goods Sold	25,115	29,208	31,556	36,615
Gross Profit	1,09,753	1,32,871	1,41,276	1,59,394
Margin (%)	81.4	82.0	81.7	81.3
Employee Cost	8,412	8,726	9,163	9,621
Other Expenses	19,585	21,804	22,550	24,542
<b>EBITDA</b>	<b>21,849</b>	<b>30,011</b>	<b>30,821</b>	<b>36,146</b>
YoY gr. (%)	4.1	37.4	2.7	17.3
Margin (%)	16.2	18.5	17.8	18.4
Depreciation and Amortization	6,388	5,822	5,992	7,912
<b>EBIT</b>	<b>15,460</b>	<b>24,189</b>	<b>24,830</b>	<b>28,234</b>
Margin (%)	11.5	14.9	14.4	14.4
Net Interest	571	500	500	500
Other Income	5,030	5,183	5,637	6,288
<b>Profit Before Tax</b>	<b>16,999</b>	<b>28,872</b>	<b>29,967</b>	<b>34,022</b>
Margin (%)	12.6	17.8	17.3	17.4
Total Tax	4,682	7,276	7,552	8,573
Effective tax rate (%)	27.5	25.2	25.2	25.2
<b>Profit after tax</b>	<b>12,317</b>	<b>21,596</b>	<b>22,415</b>	<b>25,448</b>
Minority interest	1	2	2	2
Share Profit from Associate	89	110	110	110
<b>Adjusted PAT</b>	<b>16,229</b>	<b>21,704</b>	<b>22,523</b>	<b>25,556</b>
YoY gr. (%)	23.7	33.7	3.8	13.5
Margin (%)	12.0	13.4	13.0	13.0
Extra Ord. Income / (Exp)	(1,928)	-	-	-
<b>Reported PAT</b>	<b>12,406</b>	<b>21,704</b>	<b>22,523</b>	<b>25,556</b>
YoY gr. (%)	(9.9)	75.0	3.8	13.5
Margin (%)	9.2	13.4	13.0	13.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,406	21,704	22,523	25,556
<b>Equity Shares O/s (m)</b>	<b>188</b>	<b>188</b>	<b>188</b>	<b>188</b>
<b>EPS (Rs)</b>	<b>86.3</b>	<b>115.5</b>	<b>119.8</b>	<b>135.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Dec	CY20	CY21E	CY22E	CY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>98,530</b>	<b>1,00,319</b>	<b>1,04,319</b>	<b>1,38,319</b>
Tangibles	98,530	1,00,319	1,04,319	1,38,319
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>31,688</b>	<b>37,510</b>	<b>43,502</b>	<b>51,414</b>
Tangibles	31,688	37,510	43,502	51,414
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>66,843</b>	<b>62,809</b>	<b>60,817</b>	<b>86,905</b>
Tangibles	66,843	62,809	60,817	86,905
Intangibles	-	-	-	-
Capital Work In Progress	8,969	21,380	32,990	6,000
Goodwill	102	102	102	102
Non-Current Investments	9,108	9,508	9,908	10,308
Net Deferred tax assets	(3,948)	(3,957)	(3,966)	(3,976)
Other Non-Current Assets	13,207	13,537	13,867	14,197
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	9,013	11,101	11,838	13,425
Trade receivables	4,514	6,217	6,629	8,055
Cash & Bank Balance	60,057	67,111	76,750	1,00,288
Other Current Assets	6,908	8,275	8,776	9,855
<b>Total Assets</b>	<b>1,82,002</b>	<b>2,03,317</b>	<b>2,24,949</b>	<b>2,52,404</b>
<b>Equity</b>				
Equity Share Capital	1,880	1,880	1,880	1,880
Other Equity	1,25,111	1,44,184	1,62,800	1,84,302
<b>Total Network</b>	<b>1,26,991</b>	<b>1,46,064</b>	<b>1,64,680</b>	<b>1,86,182</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	840	-	-	-
Provisions	2,148	2,148	2,148	2,148
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	14,222	16,430	17,520	19,869
Other current liabilities	33,820	34,684	36,599	40,189
<b>Total Equity &amp; Liabilities</b>	<b>1,82,002</b>	<b>2,03,317</b>	<b>2,24,949</b>	<b>2,52,404</b>

Source: Company Data, PL Research

## Cash Flow (Rs m)

Y/e Dec	CY20	CY21E	CY22E	CY23E
PBT	17,089	28,872	29,967	34,022
Add. Depreciation	6,388	5,822	5,992	7,912
Add. Interest	571	500	500	500
Less Financial Other Income	5,030	5,183	5,637	6,288
Add. Other	1,330	(1,897)	(2,232)	(2,573)
Op. profit before WC changes	25,378	33,297	34,226	39,861
Net Changes-WC	3,883	(2,702)	740	1,232
Direct tax	(7,069)	(7,267)	(7,543)	(8,563)
<b>Net cash from Op. activities</b>	<b>22,192</b>	<b>23,328</b>	<b>27,424</b>	<b>32,529</b>
Capital expenditures	(7,479)	(14,200)	(15,610)	(7,010)
Interest / Dividend Income	-	-	-	-
Others	2,127	1,897	2,232	2,573
<b>Net Cash from Invst. activities</b>	<b>(5,352)</b>	<b>(12,303)</b>	<b>(13,378)</b>	<b>(4,437)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(246)	(840)	-	-
Dividend paid	(2,629)	(2,632)	(3,907)	(4,054)
Interest paid	(399)	(500)	(500)	(500)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(3,274)</b>	<b>(3,972)</b>	<b>(4,407)</b>	<b>(4,554)</b>
<b>Net change in cash</b>	<b>13,567</b>	<b>7,054</b>	<b>9,639</b>	<b>23,539</b>
Free Cash Flow	14,707	9,128	11,814	25,519

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Dec	Q3CY20	Q4CY20	Q1CY21	Q2CY21
<b>Net Revenue</b>	<b>34,675</b>	<b>40,660</b>	<b>42,133</b>	<b>38,104</b>
YoY gr. (%)	0.1	2.4	22.7	51.2
Raw Material Expenses	6,801	8,575	7,460	5,024
Gross Profit	27,874	32,085	34,673	33,080
Margin (%)	80.4	78.9	82.3	86.8
<b>EBITDA</b>	<b>6,016</b>	<b>6,221</b>	<b>7,816</b>	<b>7,948</b>
YoY gr. (%)	22.0	38.1	50.9	79.2
Margin (%)	17.3	15.3	18.5	20.9
Depreciation / Depletion	1,608	1,574	1,432	1,465
<b>EBIT</b>	<b>4,408</b>	<b>4,647</b>	<b>6,383</b>	<b>6,483</b>
Margin (%)	12.7	11.4	15.2	17.0
Net Interest	160	174	112	134
Other Income	1,153	1,298	1,227	1,201
<b>Profit before Tax</b>	<b>5,401</b>	<b>2,851</b>	<b>7,498</b>	<b>7,550</b>
Margin (%)	15.6	7.0	17.8	19.8
Total Tax	1,761	808	1,728	2,020
Effective tax rate (%)	32.6	28.3	23.0	26.8
<b>Profit after Tax</b>	<b>3,640</b>	<b>2,043</b>	<b>5,770</b>	<b>5,530</b>
Minority interest	-	-	-	-
Share Profit from Associates	6	39	45	33
<b>Adjusted PAT</b>	<b>3,646</b>	<b>1,881</b>	<b>5,814</b>	<b>5,563</b>
YoY gr. (%)	20.5	(31.2)	74.5	118.4
Margin (%)	10.5	4.6	13.8	14.6
Extra Ord. Income / (Exp)	-	201	-	-
<b>Reported PAT</b>	<b>3,646</b>	<b>2,082</b>	<b>5,814</b>	<b>5,563</b>
YoY gr. (%)	20.5	(23.8)	74.5	118.4
Margin (%)	10.5	5.1	13.8	14.6
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>3,646</b>	<b>2,082</b>	<b>5,814</b>	<b>5,563</b>
Avg. Shares O/s (m)	188	188	188	188
<b>EPS (Rs)</b>	<b>19.4</b>	<b>10.0</b>	<b>31.0</b>	<b>29.6</b>

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Dec	CY20	CY21E	CY22E	CY23E
<b>Per Share(Rs)</b>				
EPS	86.3	115.5	119.8	135.9
CEPS	120.3	146.4	151.7	178.0
BVPS	675.5	777.0	876.0	990.4
FCF	78.2	48.6	62.8	135.7
DPS	14.0	20.8	21.6	24.5
<b>Return Ratio(%)</b>				
RoCE	12.7	17.7	16.0	16.1
ROIC	18.2	25.9	23.6	28.1
RoE	13.4	15.9	14.5	14.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	(2)	2	2	3
<b>Valuation(x)</b>				
PER	24.9	18.6	18.0	15.8
P/B	3.2	2.8	2.5	2.2
P/CEPS	17.9	14.7	14.2	12.1
EV/EBITDA	15.8	11.2	10.6	8.4
EV/Sales	2.6	2.1	1.9	1.6
Dividend Yield (%)	0.7	1.0	1.0	1.1

Source: Company Data, PL Research

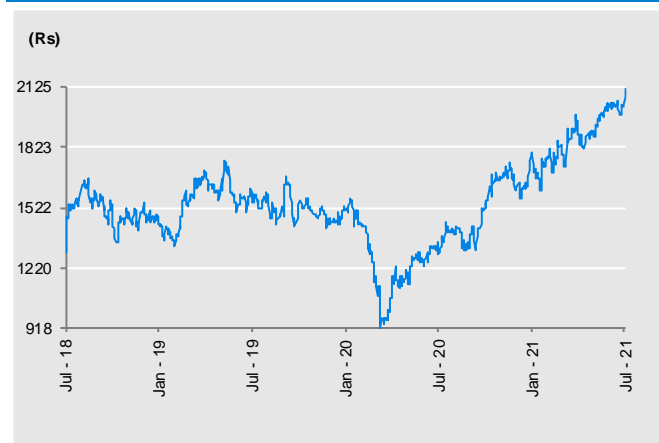
## Key Operating Metrics

Y/e Dec	CY20	CY21E	CY22E	CY23E
Volume (mn te)	26	29	30	33
Net Realisation (Rs/te)	4,958	5,156	5,360	5,420
EBITDA (Rs/ te)	856	1,072	1,078	1,123
RM cost (Rs/ te)	1,057	1,043	1,104	1,138
Power, Oil & Fuel (Rs/ te)	1,083	1,198	1,341	1,342
Freight Charges (Rs/ te)	1,344	1,385	1,412	1,426

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-21	BUY	2,360	1,983
2	01-Jul-21	BUY	2,360	2,015
3	19-Apr-21	BUY	2,150	1,877
4	07-Apr-21	BUY	2,012	1,908
5	03-Mar-21	BUY	1,885	1,773
6	09-Jan-21	BUY	1,870	1,761
7	24-Dec-20	BUY	1,770	1,580
8	20-Oct-20	BUY	1,805	1,563
9	06-Oct-20	BUY	1,565	1,438
10	21-Aug-20	BUY	1,565	1,419

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,360	1,983
2	Ambuja Cement	BUY	405	340
3	Coal India	Hold	160	146
4	Dalmia Bharat	BUY	2,175	1,970
5	Heidelberg Cement India	Reduce	225	252
6	Hindalco Industries	BUY	455	383
7	Hindustan Zinc	Reduce	271	331
8	Jindal Steel & Power	Accumulate	500	387
9	JK Lakshmi Cement	BUY	690	599
10	JSW Steel	Reduce	652	668
11	NMDC	Accumulate	175	167
12	Shree Cement	Hold	28,625	27,000
13	Steel Authority of India	Accumulate	155	123
14	Tata Steel	Accumulate	1,400	1,190
15	The Ramco Cements	Reduce	950	1,033
16	Ultratech Cement	BUY	7,750	6,720

## PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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