

## ACC (ACC IN)

Rating: BUY | CMP: Rs2,243 | TP: Rs2,460

**Meets estimates; Delivered strongly on cost reduction and still more to come**

### Quick Pointers:

- Freight cost flat YoY in spite of 20% increase in diesel prices.
- 10MW/14MW WHRS at Jamul/Kymore on track to commission by Q2CY22

**ACC reported Q3CY21 earnings in line with our expectations. EBITDA grew 2.5% YoY to Rs6.17bn (PL:Rs6.07bn), driven by 1.2%/1.2% growth in volumes and EBITDA/t.**

**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 TP of Rs2,460 based on 12.5x EV/EBITDA of CY22e.**

- Cement volumes in line with our expectation:** Volumes grew 1.2% YoY to 6.6mnt (PL:6.6mnt). Capacity utilisation in Q3CY21 improved by 200bps QoQ to 79%. Ready Mix concrete (RMC) volumes grew 48% YoY (+17% QoQ) at 0.7mn Cubic meter on a negative base of 43%.
- In line performance on realisations and costs:** Cement realisations fell 1.6% QoQ/Rs85 (+1.7% YoY/Rs85) to Rs5,175 (PL:Rs5,164). RMC revenues grew 20% QoQ (+55% YoY) at Rs3.1bn above our estimate of Rs2.4bn due to better demand. Cost/t increased 5.2% YoY/Rs205 per ton to Rs4,170, in line with our estimate. Higher coal cost and restoration of fixed overheads contributed to the cost increase. EBITDA/t came tad above our estimate by 2% at Rs938 (PL:Rs924). Aided by higher other income, PAT grew 24% YoY to Rs4.5bn (PL:Rs4.2bn)
- Construction work on Ametha plant progressing well:** 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.

October 20, 2021

## Q3CY21 Result Update

■ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	CY22E	CY23E	CY22E	CY23E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>2,460</b>		<b>2,460</b>	
Sales (Rs. m)	1,72,833	1,96,009	1,72,833	1,96,009
% Chng.	-	-	-	-
EBITDA (Rs. m)	30,822	36,146	30,822	36,146
% Chng.	-	-	-	-
EPS (Rs.)	119.8	135.9	119.8	135.9
% Chng.	-	-	-	-

### Key Financials - Consolidated

Y/e Dec (Rs bn)	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	30,822	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 (%)	0.6	0.9	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)	2.7	2.2	2.0	1.6
EV/EBITDA (x)	16.6	11.8	11.2	8.9
PE (x)	26.0	19.4	18.7	16.5
P/BV (x)	3.3	2.9	2.6	2.3

### Key Data

ACC.BO | ACC IN

52-W High / Low	Rs.2,509 / Rs.1,485
Sensex / Nifty	61,716 / 18,419
Market Cap	Rs.421bn/ \$ 5,590m
Shares Outstanding	188m
3M Avg. Daily Value	Rs.2861.73m

### Shareholding Pattern (%)

Promoter's	54.53
Foreign	13.59
Domestic Institution	19.38
Public & Others	12.50
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(6.4)	19.5	43.5
Relative	(10.4)	(7.2)	(6.0)

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## Exhibit 1: Q3CY21 Result Overview (Rs mn)

Y/e December	Q3CY21	Q3CY20	YoY gr. (%)	Q2CY21	9MCY21	9MCY20	YoY gr. (%)
<b>Net Sales</b>	<b>36,533</b>	<b>34,675</b>	<b>5.4</b>	<b>38,104</b>	<b>1,16,770</b>	<b>94,208</b>	<b>23.9</b>
Raw Material	6,242	6,801	(8.2)	5,024	18,725	16,550	13.1
<i>% of Net Sales</i>	<i>17.1</i>	<i>19.6</i>		<i>13.2</i>	<i>16.0</i>	<i>17.6</i>	
Staff Costs	2,170	2,057	5.5	2,092	6,326	5,915	6.9
<i>% of Net Sales</i>	<i>5.9</i>	<i>5.9</i>		<i>5.5</i>	<i>5.4</i>	<i>6.3</i>	
Power & Fuel	7,883	6,302	25.1	8,302	24,234	18,217	33.0
<i>% of Net Sales</i>	<i>21.6</i>	<i>18.2</i>		<i>21.8</i>	<i>20.8</i>	<i>19.3</i>	
Freight	8,602	8,600	0.0	9,200	28,639	24,022	19.2
<i>% of Net Sales</i>	<i>23.5</i>	<i>24.8</i>		<i>24.1</i>	<i>24.5</i>	<i>25.5</i>	
Other Expenses	5,471	4,900	11.7	5,539	16,917	13,876	21.9
<i>% of Net Sales</i>	<i>15.0</i>	<i>14.1</i>		<i>14.5</i>	<i>14.5</i>	<i>14.7</i>	
Total Expenditure	30,367	28,659	6.0	30,156	94,841	78,580	20.7
<b>EBITDA</b>	<b>6,166</b>	<b>6,016</b>	<b>2.5</b>	<b>7,948</b>	<b>21,929</b>	<b>15,628</b>	<b>40.3</b>
<i>Margin (%)</i>	<i>16.9</i>	<i>17.3</i>		<i>20.9</i>	<i>18.8</i>	<i>16.6</i>	
Depreciation	1,505	1,608	(6.4)	1,465	4,402	4,815	(8.6)
Other income	1,590	1,153	37.9	1,201	4,018	3,732	7.7
<b>EBIT</b>	<b>6,250</b>	<b>5,561</b>	<b>12.4</b>	<b>7,684</b>	<b>21,544</b>	<b>14,545</b>	<b>48.1</b>
Interest	171	160	6.9	134	417	397	5.2
<b>PBT</b>	<b>6,079</b>	<b>5,401</b>	<b>12.6</b>	<b>7,550</b>	<b>21,127</b>	<b>14,148</b>	<b>49.3</b>
Extraordinary income/(expense)	-	-		-	-	-	
<b>PBT (After EO)</b>	<b>6,079</b>	<b>5,401</b>	<b>12.6</b>	<b>7,550</b>	<b>21,127</b>	<b>14,148</b>	<b>49.3</b>
Tax	1,597	1,768	(9.7)	1,888	5,423	4,673	16.0
<i>% PBT</i>	<i>26.3</i>	<i>32.7</i>		<i>25.0</i>	<i>25.7</i>	<i>33.0</i>	
<b>Reported PAT</b>	<b>4,482</b>	<b>3,633</b>	<b>23.4</b>	<b>5,662</b>	<b>15,704</b>	<b>9,475</b>	<b>65.7</b>
Minority interest	(0)	(0)		(0)	(1)	(1)	
Share of profit/(loss) in associates	20	6	240.0	33	98	50	93.8
Net profit attributable to shareholders	<b>4,502</b>	<b>3,638</b>	<b>23.7</b>	<b>5,694</b>	<b>15,801</b>	<b>9,525</b>	<b>65.9</b>
<b>Adjusted profit attributable to shareholders</b>	<b>4,502</b>	<b>3,638</b>	<b>23.7</b>	<b>5,694</b>	<b>15,822</b>	<b>9,578</b>	<b>65.2</b>

Source: Company, PL

## Exhibit 2: Operating Metrics

Y/e December	Q3CY21	Q3CY20	YoY gr. (%)	Q2CY21	9MCY21	9MCY20	YoY gr. (%)
Volume (mn te)	6.6	6.5	1.2	6.8	21.4	17.8	20.0
Blended realisations /t (Cement + RMC)	5,561	5,343	4.1	5,571	5,462	5,290	3.3
EBITDA/ te (Rs/te)	938	927	1.2	1,162	1,026	877	16.9

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 Invt. 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	26.0	19.4	18.7	16.5
P/B	3.3	2.9	2.6	2.3
P/CEPS	18.6	15.3	14.8	12.6
EV/EBITDA	16.6	11.8	11.2	8.9
EV/Sales	2.7	2.2	2.0	1.6
Dividend Yield (%)	0.6	0.9	1.0	1.1

Source: Company Data, PL Research

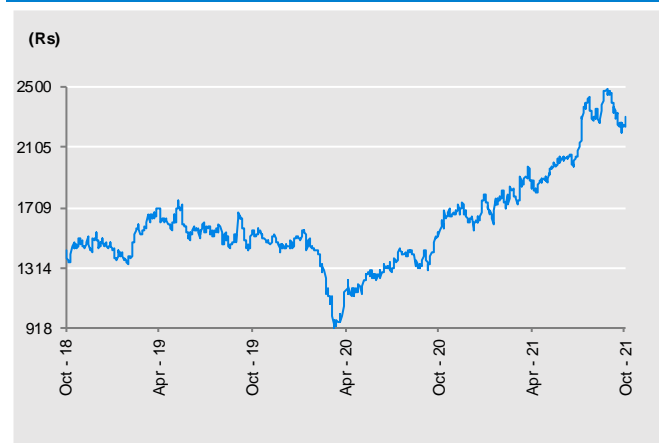
## Key Operating Metrics

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-Oct-21	BUY	2,460	2,264
2	06-Sep-21	BUY	2,460	2,469
3	20-Jul-21	BUY	2,460	2,152
4	06-Jul-21	BUY	2,360	1,983
5	01-Jul-21	BUY	2,360	2,015
6	19-Apr-21	BUY	2,150	1,877
7	07-Apr-21	BUY	2,012	1,908
8	03-Mar-21	BUY	1,885	1,773
9	09-Jan-21	BUY	1,870	1,761
10	24-Dec-20	BUY	1,770	1,580

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,460	2,264
2	Ambuja Cement	BUY	460	404
3	Coal India	Accumulate	164	191
4	Dalmia Bharat	Accumulate	2,370	2,074
5	Heidelberg Cement India	Reduce	225	256
6	Hindalco Industries	BUY	570	478
7	Hindustan Zinc	Reduce	288	313
8	Jindal Steel & Power	BUY	535	408
9	JK Lakshmi Cement	Hold	690	653
10	JSW Steel	Accumulate	810	667
11	NMDC	Accumulate	175	144
12	Shree Cement	Hold	27,967	28,750
13	Steel Authority of India	Accumulate	170	116
14	Tata Steel	BUY	1,850	1,289
15	The Ramco Cements	Reduce	980	1,011
16	Ultratech Cement	BUY	8,600	7,399

## 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

## ANALYST CERTIFICATION

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