

Margin pressure due to rise in input cost.

CMP: INR 2,057

Rating: Accumulate

Target Price: INR 2316

Stock Info

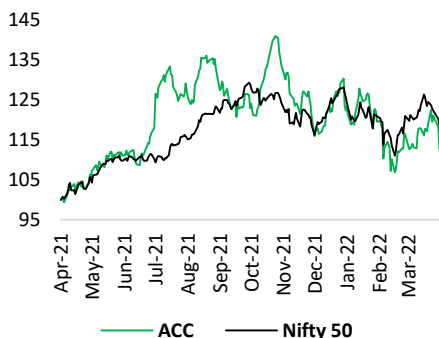
BSE	500410
NSE	ACC
Bloomberg	ACC IN
Reuters	ACC.BO
Sector	Cement
Face Value (INR)	10
Equity Capital (INR Cr)	188
Mkt Cap (INR Cr)	38644
52w H/L (INR)	2,588 / 1,784
Avg Yearly Vol (in 000')	635

Shareholding Pattern %

(As Of March 2022)

Promoters	54.53
Public & Others	45.47

ACC Ltd. Vs Nifty



Source: Arihant Research, NSE

Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Shrey Gandhi

Shrey.gandhi@arihantcapital.com

022 4225 4865

ACC Limited reported weak set of numbers on operating profit and bottom line front on YoY basis in Q1CY22 but were above our estimates on all front. Revenue from operations grew by 3% YoY and 4.8% QoQ to INR 4427 cr above our estimate of INR 4361 cr. The growth in topine was backed by realization growth. Sales Volume declined by 2.5% YoY, however grew by 2.7% QoQ to 7.7 million tonne in line with our estimate of 7.7 million tonne. Realization/ton grew by 8.4 % YoY and 2% QoQ to INR 5649 against our estimate of INR 5664. Price hike taken in cement prices helped in improved realization.

Reported EBIDTA declined by 26.2% YoY, and grew by 14.2% QoQ to INR 635 Cr above our estimate of INR 540 Cr. EBIDTA /tonne declined by 24.3% YoY and grew by 11.2% QoQ to INR 824.7 above our estimates of INR 701

Reported EBIDTA margin declined by 527 bps YoY and grew by 119 bps QoQ to 14.3%. YoY contraction in margin was mainly due to significant fuel cost increase despite project 'Parvat' delivering strong internal efficiencies

Reported PAT declined by 29.7% YoY and grew by 40.9% QoQ to INR 396 Cr above our estimate of INR 374 cr. Poor operating performance and higher depreciation expenses led to decline in bottom line on YoY basis PAT margin contracted by 417bps YoY and rose by 230 bps QoQ to 8.9%.

Valuation & View. At a CMP of INR 2057 stock is trading at EV/EBIDTA multiple of 9.5(x) and 7.7(x) to its CY22E and CY23E. Company delivered poor YoY performance in Q1CY22 mainly due to lower volume and rising input cost. We have a positive outlook on the stock considering the pick up in cement demand going ahead with the upcycle in real-estate sector and government thrust on infrastructure. Cement prices are gradually increasing and with further expectation of price rise in this month which would gradually help to some extent to offset the cost inflation. Company's efficiency and cost reduction measures under project 'Parvat' is expected to remain very strong and help in partially offsetting the impact. The new investments in waste heat recovery systems will help mitigate the energy cost inflation. We value the stock at EV/EBIDTA multiple of 9(x) to its CY23E EBIDTA of INR 3741 cr to arrive at a target price of INR 2316 and maintain Accumulate rating on the stock.

Q1CY22 - Quarterly Performance (Consolidated)

(in INR Cr)

INR Cr (consolidated)	Q1CY22	Q4CY21	Q1CY21	Q-o-Q	Y-o-Y
Net Revenue	4,427	4,226	4,292	4.8%	3.1%
Operating Costs	2,989	2,895	2,635	3.2%	13.4%
Employee cost	193	204	206	-5.4%	-6.3%
Other Expenses	610	571	590	6.8%	3.4%
EBITDA	635	556	861	14.2%	-26.2%
<i>EBITDA margin %</i>	<i>14.3%</i>	<i>13.2%</i>	<i>20.1%</i>	<i>119bps</i>	<i>-572bps</i>
Depreciation	154	160	143	-3.8%	7.7%
EBIT	481	396	718	21.5%	-33.0%
Other Income	58	54	44	7.4%	31.8%
Finance cost	11	13	11	-15.4%	0.0%
Exceptional Item		55		-	-
PBT	528	382	751	38.2%	-29.7%
Tax Expense	136	103	192	32.0%	-29.2%
Effective tax rate %	25.8%	27.0%	25.6%	-121bps	19bps
PAT	392	279	559	40.5%	-29.9%
MI & Associates	4	2	4	100.0%	0.0%
Consolidated PAT	396	281	563	40.9%	-29.7%
<i>PAT margin %</i>	<i>8.9%</i>	<i>6.6%</i>	<i>13.1%</i>	<i>230bps</i>	<i>-417bps</i>
EPS (Rs)	21.90	14.95	29.90	46.5%	-26.8%

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Particulars	Q1CY22	Q4CY21	Q1CY21	Q-o-Q	Y-o-Y
Sales Volume (mn tonne)	7.7	7.5	7.9	2.7%	-2.5%
Sales in mn	44270	42258	42920	4.8%	3.1%
Realization/tonne (INR)	5749	5634	5306	2.0%	8.4%
EBIDTA in mn	6350	5560	8610	14.2%	-26.2%
EBIDTA/tonne (INR)	824.7	741.3	1089.9	11.2%	-24.3%

Other Important Highlights

- Ametha project is expected to add 5 MTPA capacity and commissioning of integrated unit is expected in Q4 CY 22.
- Tikaria griding unit with 1.6 MTPA capacity commissioned in Feb 2022
- Waste heat recovery projects at Jamul and Kymore plants on track; Company further approves next phase of projects at Chanda and Wadi plants. Total capacity will reach 75 MW

Valuations (INR CR)	CY23E
EV/EBITDA(x)	9
EBITDA	3741
EV	33669
Cash	9872
Debt	
Market Cap	43541
No shares	18.8
Fair value (TP) (INR)	2316
CMP (INR)	2057
Upside(%)	12.6

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Key Financials (Consolidated)

Profit and Loss Account (Year Ending December)				
Particulars (INR Cr)	CY20	CY21	CY22E	CY23E
Income from Operations	13,786	16,152	17,382	19,315
YoY Change (%)	-12.0%	17.2%	7.6%	11.1%
Power & Fuel Cost	2575	3365	4045	4449
Employee Cost	841	836	895	948
RM COST	2513	2867	2949	3244
Freight Forwarding	3416	3823	3949	4344
Other Expenditure	2086	2263	2333	2589
Total Expenditure	11431	13154	14171	15574
EBITDA	2355	2998	3211	3741
Depreciation	639	601	658	723
EBIT	1716	2397	2553	3018
Other Income	217	207	217	241
Interest	57	55	56	62
PBT before Excp Items	1876	2549	2714	3197
Extraordinary/ Excp	176	55	0	0
PBT	1700	2494	2714	3197
Tax Expense	279	643	681	802
Net Profit	1421	1851	2033	2395
YoY Change (%)	3.1%	30.3%	9.8%	17.8%
Adj PAT	1421	1863	2044	2406

Balance Sheet (Year Ending December)				
Particulars (INR Cr)	CY20	CY21	CY22E	CY23E
Liabilities + Equity				
(a) Share capital	188	188	188	188
(b) Reserves and surplus	12511	14121	15037	16879
Shareholders' funds	12699	14309	15225	17067
Minority Interest	3	3	0	0
Deffered Tax Liab	215	216	216	216
Other Liab Prov	5283	6511	6675	6882
Borrowing	0	0	0	0
Total - Equity and liabilities	18200	21039	22115	24164
Assets				
Non-current assets				
Fixed assets	7243	7995	8214	8468
Capital WIP	548	1245	200	200
Long Term Inv	121	131	131	131
WC excl cash	-69	-142	-196	-209
MISC asset	4352	4286	5495	5702
Cash & Bank	6006	7524	8271	9872
Total - Assets	18200	21039	22115	24164

Cash Flow Statement (Year Ending December)				
Particulars (INRCr)	CY20	CY21	CY22E	CY23E
Operating Activities				
PBT	1,709	2,506	2,726	3,208
Add Depreciation	639	601	658	723
Int expenses	57	55	56	62
Non Operating E0 Item	133	(214)	(229)	(253)
Taxes	(707)	(286)	(681)	(802)
Changes in Working Capital	388	130	54	14
Cash Flow from Operations	2,219	2,792	2,583	2,951
Investing Activities				
Other	214	177	1,262	242
Capex	(749)	(1,175)	(1,914)	(966)
Cash Flow from Investing	(535)	(998)	(652)	(724)
Financing Activities				
Dividends + Taxes paid	(263)	(263)	(1,128)	(564)
Other Financing Activites	(64)	(32)	(56)	(62)
Cash Flow from Financing	(327)	(295)	(1,184)	(626)
Opening Cash	4,493	5,849	7,367	8,114
Changes during year	1,356	1,499	747	1,601
Closing Cash	5,849	7,348	8,114	9,715
Closing Cash & Bank	6,006	7,524	8,271	9,872

Ratio Analysis				
	CY20	CY21	CY22E	CY23E
Profitability				
EBITDA (%)	17.1%	18.6%	18.5%	19.4%
EBIT (%)	12.4%	14.8%	14.7%	15.6%
PAT (%)	10.3%	11.5%	11.8%	12.5%
Du Pont ROAE Analysis				
PAT / Sales	10.3	11.5	11.7	12.4
Sales / Avg Total Fixed Assets	1.0	0.8	0.8	0.8
Avg Total Assets / Avg Equity	1.1	1.5	1.5	1.4
ROE %	11.2%	13.0%	13.4%	14.1%
Other Ratios				
Debt / Equity	0.0	0.0	0.0	0.00
EPS	76	98	108	127
DPS	14	15	16	30
Valuation				
P/E	27.2	20.9	19.0	16.1
EV/EBITDA	11.5	10.4	9.5	7.7

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House 6, Lad Colony, YN Road Indore - 452001, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880