

ACC

Refer to important disclosures at the end of this report

Higher realization drives marginal EBITDA beat

- Q1CY22 EBITDA declined 26% YoY/increased 14% QoQ to Rs6.3bn, marginally ahead of our estimates, led by better-than-expected realization. Blended EBITDA/ton fell 25% YoY/rose 12% QoQ to Rs812 (Emkay est.: Rs780).
- Ongoing expansion projects (2.7mt clinker and 3.2mt cement grinding) are delayed by a quarter. The expansion will increase ACC's grinding capacity to 39mt (from ~36mt currently) by mid-CY23. Besides, management targets to meet ~25% of power requirements through WHRS by CY25E.
- We maintain our estimates with an unchanged TP of Rs2,425 (Mar'23). Our DCF-based TP implies a 1-year forward EV/EBITDA of 10.5x. Maintain Buy.
- Revenues grew by ~3% YoY to Rs43bn. Grey cement realization increased ~2% QoQ/5% YoY to Rs5,112/ton, marginally above our estimates. Cement volumes declined 2%YoY/rose 2% QoQ to 7.8mt, in line with estimates. Management expects demand improvement in coming months on the back of increased government spending on infra development. RMC revenues rose 10% YoY/20% QoQ to Rs4bn, with EBIT margin down 620bps YoY/up 160bps QoQ to 11.5%. Other operating income increased 33% YoY/19% QoQ to Rs1bn.
- Cement EBITDA/ton declined 26% YoY/increased 11% QoQ to Rs761, while blended EBITDA/ton (including RMC) fell 25% YoY/rose 12% QoQ to Rs812 (our est.: Rs780). Total cost/ton increased by 13% YoY/2% QoQ to Rs4,849 on sharp input cost escalations.
- Targeting 40mt capacity through ongoing projects by mid-CY23: The 1.6mt grinding unit at Tikaria was commissioned in Feb'22. The 2.7mt clinker and 1mt grinding units at Ametha are likely to be commissioned by Q4CY22 (vs. Sep/Oct'22 guided earlier). The land acquisition process for a greenfield cement grinding unit in Salai Banwa, UP, is at an advanced stage and work is expected to commence in CY22. On WHRS projects, Jamul and Kymore plants (22MW) are on track to be commissioned by Q2CY22. The Ametha WHRS project of 16.3MW has been initiated and is expected to be completed by Q4CY22. In addition, the board has approved the next phase of projects at Chanda and Wadi, thereby targeting a WHRS capacity of 75MW.
- Is Holcim considering stake sale of its India business? As per media articles, Holcim is looking to sell its India business. Further, reports indicate that it is gauging interest from various groups and discussions are still preliminary. Holcim has been exiting its cement businesses in different geographies (Brazil, Ireland, Zambia, Indonesia, Russia), in line with its Strategy 2025 (increasing revenue contribution of solutions & products segment to 30% by CY25).

Please see our sector model portfolio (Emkay Alpha Portfolio): [Cement & Building Materials \(Page 9\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	CY19	CY20	CY21	CY22E	CY23E
Net Sales	1,53,431	1,34,868	1,58,144	1,72,575	1,93,810
EBITDA	24,128	24,840	29,981	24,908	34,130
EBITDA Margin (%)	15.4	18.0	18.6	14.2	17.3
APAT	13,775	14,864	19,178	15,075	21,627
EPS (Rs)	73.3	79.1	102.0	80.2	115.0
EPS (% chg)	26.3	7.9	29.0	(21.4)	43.5
ROE (%)	10.1	12.3	14.2	10.4	14.2
P/E (x)	28.1	26.0	20.2	25.6	17.9
EV/EBITDA (x)	14.5	12.9	11.2	11.5	8.9
P/BV (x)	3.3	3.0	2.7	2.6	2.4

Source: Company, Emkay Research

CMP	Target Price
Rs 2,057 as of (April 19, 2022)	Rs 2,425 (■) 12 months
Rating	Upside
BUY (■)	17.9 %

Change in Estimates

EPS Chg CY22E/CY23E (%)	0.2/ (0.0)
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	CY22E	CY23E
Emkay	80.2	115.0
Consensus	102.2	123.0
Mean Consensus TP (12M)	Rs 2,453	

Stock Details

Bloomberg Code	ACC IN
Face Value (Rs)	10
Shares outstanding (mn)	188
52 Week H/L	2,589 / 1,782
M Cap (Rs bn/USD bn)	386 / 5.05
Daily Avg Volume (nos.)	4,96,696
Daily Avg Turnover (US\$ mn)	14.0

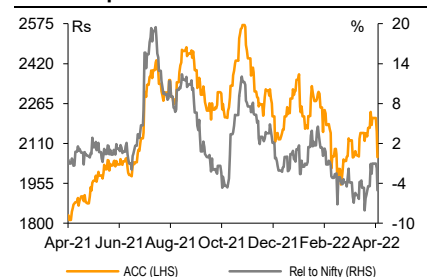
Shareholding Pattern Mar '22

Promoters	54.5%
FIIIs	12.9%
DIIIs	19.9%
Public and Others	12.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(3)	(8)	(8)	10
Rel. to Nifty	(1)	(3)	-	(7)

Relative price chart



Source: Bloomberg

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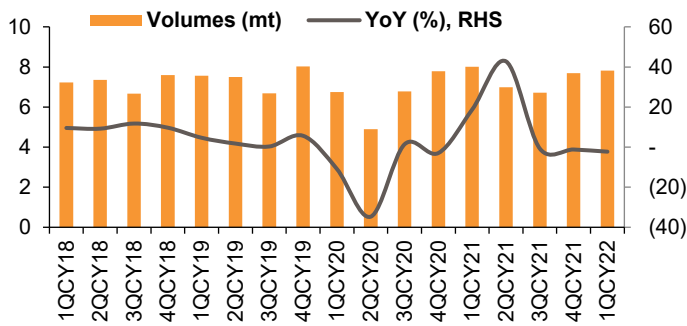
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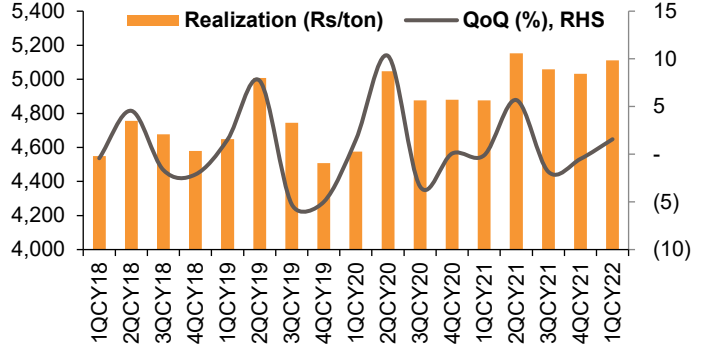
Story in Charts

Exhibit 1: Volumes down ~2% YoY/up ~2% QoQ



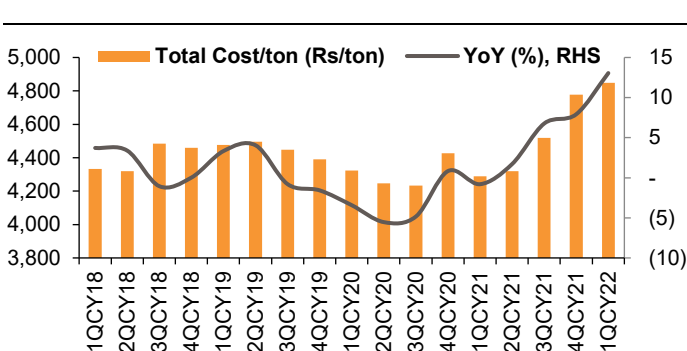
Source: Company, Emkay Research

Exhibit 2: Grey cement realization up ~2% QoQ/ 5% YoY



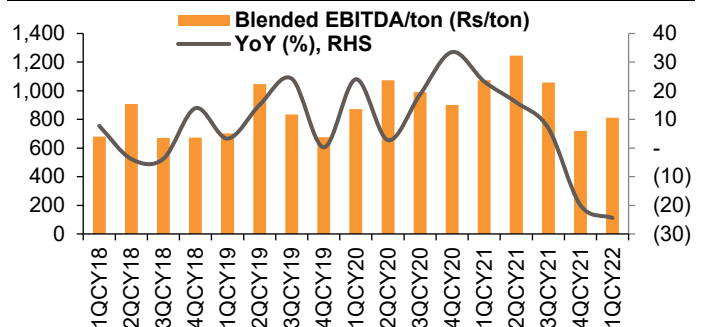
Source: Company, Emkay Research

Exhibit 3: Total cost/ton increased 13% YoY/~2% QoQ



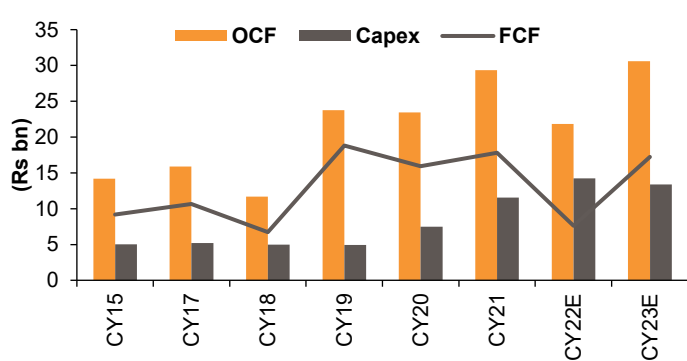
Source: Company, Emkay Research

Exhibit 4: Blended EBITDA/ton down 25% YoY/up 12% QoQ to Rs812



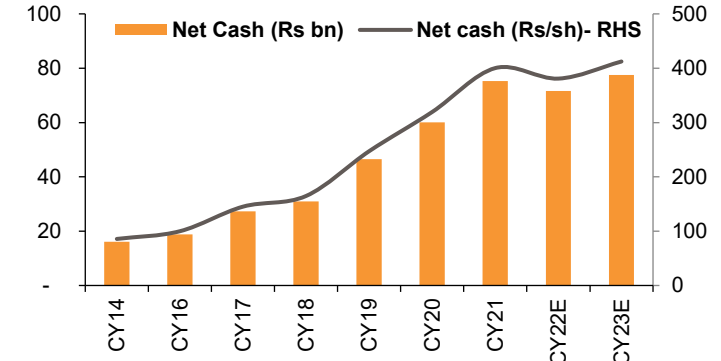
Source: Company, Emkay Research

Exhibit 5: Strong FCF despite high capex in the next few years...



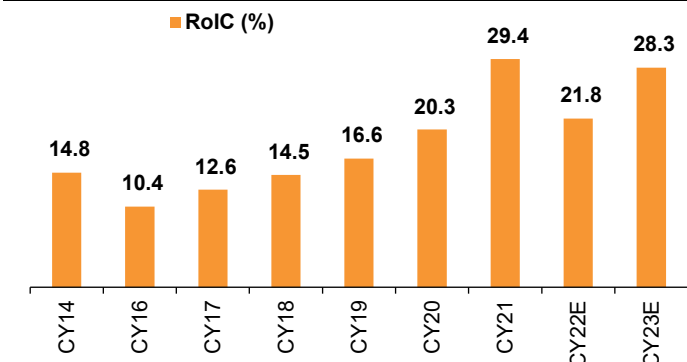
Source: Company, Emkay Research

Exhibit 6: ...should help maintain a healthy net cash position



Source: Company, Emkay Research

Exhibit 7: RoIC to be depressed in CY22E due to input cost impact; however, it is expected to bounce back sharply in CY23E



Source: Company, Emkay Research

Exhibit 8: Maintain Buy with a TP of Rs2,425, based on 10.5x Mar'24E EV/EBITDA

EV/E method, backed by DCF analysis	Rs bn
Mar'24E EBITDA	35
Implied EV/E multiple (x)	10.5
Enterprise Value	372
Net cash (Mar'23E)	84
Equity value	456
No. of shares (mn)	188
Mar'23 Target Price (Rs)	2,425

Source: Company, Emkay Research

Quarterly analysis

Exhibit 9: Actual vs. Estimates (Q1CY22)

(Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Sales	43,218	42,733	45,342	1.1	(4.7)	In-line with our estimates
EBITDA	6,346	6,089	6,474	4.2	(2.0)	Led by higher-than-expected realization
Adj. PAT	3,963	3,633	3,848	9.1	3.0	Owing to higher EBITDA and higher other income
Volume (mt)	7.8	7.8		0.2		
Realization (Rs/ton)	5,527	5,477		0.9		
EBITDA (Rs/ton)	812	780		4.0		

Source: Company, Bloomberg Emkay Research

Exhibit 10: Quarterly result summary

Rs mn	Q1CY21	Q2CY21	Q3CY21	Q4CY21	Q1CY22	YoY (%)	QoQ (%)
Net Sales	42,133	38,104	36,533	41,374	43,218	2.6	4.5
Other operating inc.	787	745	957	883	1,047	33.0	18.5
Revenue	42,920	38,849	37,490	42,258	44,265	3.1	4.8
Expenditure	34,317	30,156	30,367	36,695	37,919	10.5	3.3
Total RM	7,460	5,024	6,242	9,940	9,006	20.7	(9.4)
Power & Fuel	8,049	8,302	7,883	9,414	10,405	29.3	10.5
Freight	10,837	9,200	8,602	9,591	10,482	(3.3)	9.3
Staff cost	2,064	2,092	2,170	2,036	1,931	(6.4)	(5.1)
Other expenditure	5,907	5,539	5,471	5,714	6,095	3.2	6.7
EBITDA	8,602	8,693	7,123	5,563	6,346	(26.2)	14.1
Depreciation	1,432	1,465	1,505	1,604	1,539	7.5	(4.1)
EBIT	7,170	7,229	5,617	3,958	4,807	(33.0)	21.4
Other Income	440	456	633	539	585	33.0	8.5
Interest	112	134	171	129	106	(5.8)	(17.9)
PBT	7,498	7,550	6,079	4,368	5,286	(29.5)	21.0
Total Tax	1,916	1,888	1,597	1,031	1,360	(29.1)	31.9
Adjusted PAT	5,581	5,662	4,482	3,337	3,927	(29.6)	17.7
Minority Int.	44	32	20	18	36	(18.3)	96.7
PAT after MI	5,626	5,694	4,502	3,356	3,963	(29.6)	18.1
Extra ordinary items	-	-	-	(548)	-		
Reported PAT	5,626	5,694	4,502	2,808	3,963	(29.6)	41.1
Adjusted EPS (Rs)	29.9	30.3	23.9	17.8	21.1	(29.6)	18.1

Margins (%)	Q1CY21	Q2CY21	Q3CY21	Q4CY21	Q1CY22	YoY (bps)	QoQ (bps)
EBIDTA	20.0	22.4	19.0	13.2	14.3	(571)	117
EBIT	16.7	18.6	15.0	9.4	10.9	(585)	149
EBT	17.5	19.4	16.2	10.3	11.9	(553)	160
PAT	13.0	14.6	12.0	7.9	8.9	(413)	97
Effective Tax rate	25.6	25.0	26.3	23.6	25.7		

Source: Company, Emkay Research

Exhibit 11: Quarterly analysis on a per-ton basis

Rs/ton	Q1CY21	Q2CY21	Q3CY21	Q4CY21	Q1CY22	YoY (%)	QoQ (%)
Cement volumes (mt)	8.00	6.98	6.72	7.69	7.82	(2.3)	1.7
Blended Realization	5,265	5,457	5,435	5,382	5,527	5.0	2.7
Raw Material	932	720	929	1,293	1,152	23.6	(10.9)
Power & Fuel	1,006	1,189	1,173	1,225	1,331	32.3	8.6
Freight	1,354	1,318	1,280	1,248	1,340	(1.0)	7.4
Staff cost	258	300	323	265	247	(4.2)	(6.8)
Other expenditure	738	793	814	743	779	5.6	4.9
Operating cost	4,288	4,319	4,518	4,774	4,849	13.1	1.6
Other operating income	98	107	142	115	134	36.1	16.5
EBITDA/ton	1,075	1,245	1,060	724	812	(24.5)	12.1

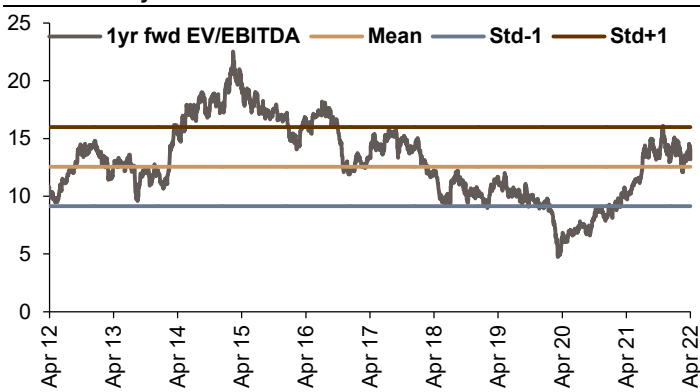
Source: Company, Emkay Research

Exhibit 12: We broadly maintain our estimates

Y/E Dec (Rs mn)	CY22E			CY23E		
	Old	New	% chg	Old	New	% chg
Revenue	1,75,894	1,76,016	0.1	1,99,406	1,97,173	(1.1)
EBITDA	24,841	24,908	0.3	34,116	34,130	0.0
PAT	15,046	15,075	0.2	21,627	21,627	(0.0)

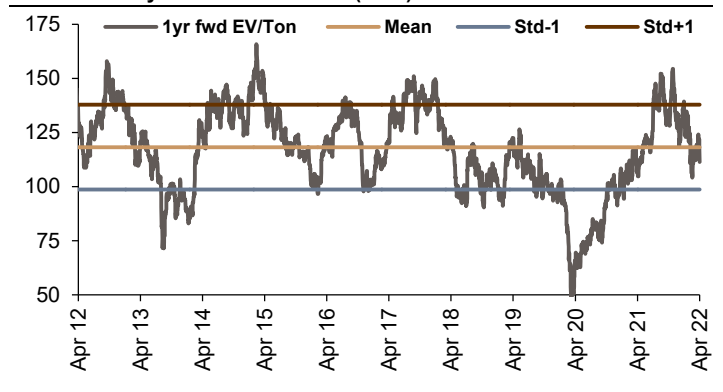
Source: Emkay Research

Exhibit 13: 1-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

Exhibit 14: 1-year forward EV/ton (USD)



Source: Bloomberg, Emkay Research

Annual analysis

Exhibit 15: Key assumptions

Operational details	CY16	CY17	CY18	CY19	CY20	CY21	CY22E	CY23E	CAGR%	
									CY17-21	CY21-23E
Capacity (mt)	31.3	33.4	33.4	33.4	33.4	34.8	35.8	39.6	1.0	6.7
Volumes (mt)	23.0	26.2	28.8	29.8	26.2	29.4	30.3	33.5	2.9	6.7
Utilization (%)	74	79	85	86	76	77	85	84		
Blended Realization (Rs/ton)	4,761	4,934	5,020	5,156	5,151	5,380	5,698	5,791	2.2	3.8
Blended EBITDA/ton (Rs/ton)	618	717	735	811	949	1,020	822	1,020	9.2	(0.0)
P&L (Rs bn)										
Revenue	112	133	148	157	138	162	176	197	5.0	10.5
EBITDA	14	19	21	24	25	30	25	34	12.4	6.7
APAT	6	9	11	13	15	19	15	22	21.2	6.2
Balance Sheet (Rs bn)										
Equity	86	94	105	115	127	143	147	158		
Net Cash	19	27	31	47	60	75	72	78		
Cash flow (Rs bn)										
OCF before NWC change	12	17	16	21	20	28	22	30		
Change in NWC	2	(1)	(4)	3	4	1	(0)	1		
Capex	(5)	(5)	(5)	(5)	(7)	(12)	(14)	(13)		
FCF	9	11	7	19	16	18	8	17		
Return ratios (%)										
RoE	7.5	9.9	11.0	11.6	12.3	14.2	10.4	14.2		
RoCE	7.7	10.0	10.9	11.4	12.1	14.1	10.4	14.1		
RoIC	10.4	12.6	14.5	16.2	20.3	29.4	21.8	28.3		
Valuations (x)										
PE					26.0	20.2	25.6	17.9		
EV/EBITDA					12.9	11.2	11.5	8.9		
EV/ton (USD)					132	121	119	105		

Source: Company, Emkay Research

Exhibit 16: Annual analysis on a per-ton basis

Rs/ton	CY16	CY17	CY18	CY19	CY20	CY21	CY22E	CY23E
Blended realization	4,761	4,934	5,020	5,156	5,151	5,380	5,698	5,791
% YoY	(1.6)	3.6	1.7	2.7	(0.1)	4.5	5.9	1.6
Raw materials consumed	737	750	809	914	960	975	1,050	1,062
Power & fuel costs	939	1,037	1,041	1,053	983	1,145	1,429	1,371
Freight costs	1,147	1,310	1,384	1,355	1,305	1,301	1,441	1,390
Staff Cost	344	313	282	291	321	284	287	273
Other expenses	1,073	942	882	838	748	770	782	776
Operating cost	4,240	4,352	4,398	4,451	4,316	4,475	4,990	4,872
% YoY	(2.4)	2.7	1.0	1.2	(3.0)	3.7	11.5	(2.4)
Other operating income	97	135	112	106	114	115	114	101
Blended EBITDA	618	717	735	811	949	1,020	822	1,020
% YoY	4.4	16.0	2.5	10.4	17.0	7.5	(19.4)	24.0

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Dec (Rs mn)	CY19	CY20	CY21	CY22E	CY23E
Net Sales	1,53,431	1,34,868	1,58,144	1,72,575	1,93,810
Expenditure	1,32,448	1,13,020	1,31,536	1,51,108	1,63,044
EBITDA	24,128	24,840	29,981	24,908	34,130
Depreciation	6,064	6,388	6,007	6,540	7,317
EBIT	18,063	18,452	23,974	18,368	26,813
Other Income	3,184	2,167	2,067	2,210	2,517
Interest expenses	863	571	546	552	557
PBT	20,385	20,049	25,495	20,026	28,773
Tax	6,750	5,273	6,433	5,079	7,286
Extraordinary Items	995	(563)	(548)	0	0
Minority Int./Income from Assoc.	140	89	117	128	141
Reported Net Income	14,769	14,302	18,630	15,075	21,627
Adjusted PAT	13,775	14,864	19,178	15,075	21,627

Balance Sheet

Y/E Dec (Rs mn)	CY19	CY20	CY21	CY22E	CY23E
Equity share capital	1,880	1,880	1,880	1,880	1,880
Reserves & surplus	1,13,558	1,25,111	1,41,208	1,45,380	1,56,193
Net worth	1,15,438	1,26,991	1,43,088	1,47,260	1,58,073
Minority Interest	32	32	34	42	50
Loan Funds	0	0	0	0	0
Net deferred tax liability	6,557	3,948	4,037	4,077	4,159
Total Liabilities	1,22,027	1,30,972	1,47,159	1,51,378	1,62,281
Net block	70,372	66,974	67,521	77,681	83,724
Investment	45,783	59,786	75,161	72,161	72,161
Current Assets	50,748	49,761	55,256	58,724	65,134
Cash & bank balance	1,856	1,563	1,571	927	6,842
Other Current Assets	538	650	614	675	743
Current liabilities & Provision	49,333	51,031	63,230	67,148	68,698
Net current assets	1,415	(1,269)	(7,974)	(8,425)	(3,565)
Misc. exp	0	0	0	0	0
Total Assets	1,22,027	1,30,972	1,47,159	1,51,378	1,62,281

Cash Flow

Y/E Dec (Rs mn)	CY19	CY20	CY21	CY22E	CY23E
PBT (Ex-Other income) (NI+Dep)	20,525	17,089	25,064	17,944	26,395
Other Non-Cash items	(3,133)	1,330	(1,155)	403	578
Chg in working cap	2,699	3,883	1,303	(193)	1,055
Operating Cashflow	22,547	22,192	28,908	20,166	28,617
Capital expenditure	(4,949)	(7,479)	(11,533)	(14,210)	(13,360)
Free Cash Flow	17,598	14,713	17,375	5,956	15,257
Investments	(17,386)	(13,607)	(15,847)	3,000	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(20,546)	(19,212)	(25,595)	(9,000)	(10,843)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(2,629)	(2,629)	(2,629)	0	0
Dividend paid (incl tax)	(540)	0	0	(10,903)	(10,813)
Other Financing Cash Flow	0	0	0	(355)	(489)
Financing Cashflow	(3,742)	(3,274)	(3,305)	(11,810)	(11,859)
Net chg in cash	(1,740)	(293)	8	(644)	5,915
Opening cash position	3,597	1,856	1,563	1,571	927
Closing cash position	1,856	1,563	1,571	927	6,842

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	CY19	CY20	CY21	CY22E	CY23E
EBITDA Margin	15.4	18.0	18.6	14.2	17.3
EBIT Margin	11.5	13.4	14.8	10.4	13.6
Effective Tax Rate	33.1	26.3	25.2	25.4	25.3
Net Margin	8.7	10.7	11.8	8.5	10.9
ROCE	14.9	16.3	18.7	13.8	18.7
ROE	10.1	12.3	14.2	10.4	14.2
RoIC	24.7	27.5	39.3	29.1	37.9

Per Share Data (Rs)	CY19	CY20	CY21	CY22E	CY23E
EPS	73.3	79.1	102.0	80.2	115.0
CEPS	105.5	113.1	134.0	115.0	154.0
BVPS	614.1	675.5	761.1	783.3	840.9
DPS	14.0	14.0	58.0	58.0	57.5

Valuations (x)	CY19	CY20	CY21	CY22E	CY23E
PER	28.1	26.0	20.2	25.6	17.9
P/CEPS	19.5	18.2	15.4	17.9	13.4
P/BV	3.3	3.0	2.7	2.6	2.4
EV / Sales	2.2	2.4	2.0	1.8	1.6
EV / EBITDA	14.5	12.9	11.2	11.5	8.9
Dividend Yield (%)	0.7	0.7	2.8	2.8	2.8

Gearing Ratio (x)	CY19	CY20	CY21	CY22E	CY23E
Net Debt/ Equity	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)
Net Debt/EBIDTA	(1.9)	(2.4)	(2.5)	(2.9)	(2.3)
Working Cap Cycle (days)	(1.0)	(7.5)	(21.6)	(19.4)	(19.3)

Growth (%)	CY19	CY20	CY21	CY22E	CY23E
Revenue	(20.8)	(12.1)	17.3	9.1	12.3
EBITDA	13.9	3.0	20.7	(16.9)	37.0
EBIT	19.2	2.2	29.9	(23.4)	46.0
PAT	(2.9)	(3.2)	30.3	(19.1)	43.5

Quarterly (Rs mn)	Q1CY21	Q2CY21	Q3CY21	Q4CY21	Q1CY22
Revenue	42,290	38,849	37,490	42,258	44,265
EBITDA	8,602	8,693	7,123	5,563	6,346
EBITDA Margin (%)	20.0	22.4	19.0	13.2	14.3
PAT	5,626	5,694	4,502	3,356	3,963
EPS (Rs)	29.9	30.3	23.9	17.8	21.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Promoters	54.5	54.5	54.5	54.5	54.5
FIs	12.7	13.7	13.7	13.9	12.9
DIs	20.2	19.3	19.3	19.2	19.9
Public and Others	12.6	12.5	12.5	12.5	12.7

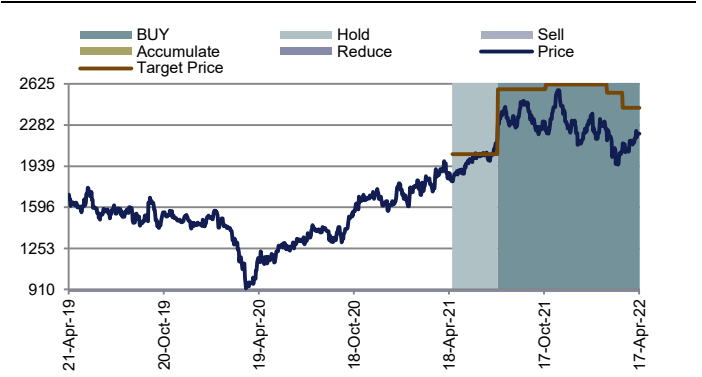
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
16-Mar-22	2,129	2,425	12m	Buy	Dharmesh Shah
14-Feb-22	2,154	2,550	12m	Buy	Dharmesh Shah
31-Dec-21	2,216	2,620	12m	Buy	Dharmesh Shah
20-Oct-21	2,264	2,620	12m	Buy	Dharmesh Shah
5-Sep-21	2,469	2,580	12m	Buy	Dharmesh Shah
20-Jul-21	2,309	2,580	12m	Buy	Dharmesh Shah
6-Jun-21	2,010	2,040	12m	Hold	Dharmesh Shah
24-Apr-21	1,813	2,040	12m	Hold	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Cement & Building Materials



Analyst: Dharmesh Shah

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Sector

Cement & Building Materials

Analyst bio

Dharmesh is a CA and has around 10 years of experience in equity research. His team currently covers ten stocks in cement sector.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Cement & Building Materials	2.32	2.32	0%	0	100.00	
ACC	0.18	0.18	0%	0	7.71	0
Ambuja Cements	0.26	0.28	5%	1	11.87	0
Birla Corporation	0.00	0.00	NA	0	0.00	0
Dalmia Bharat	0.13	0.06	-50%	-6	2.80	0
Grasim Industries*	0.65	0.65	0%	0	28.16	0
JK Cement	0.00	0.00	NA	0	0.00	0
Ramco Cements	0.10	0.06	-40%	-4	2.61	0
Shree Cements	0.24	0.26	5%	1	11.03	0
Star Cement	0.00	0.00	NA	0	0.00	0
Ultratech Cement	0.75	0.83	10%	8	35.81	0
Cash	0.00	0.00	NA	0	0.00	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	19-Apr-21	18-Oct-21	18-Jan-22	17-Mar-22	18-Apr-22
EAP - Cement & Building Materials	100.0	148.8	181.2	181.5	154.8	165.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	146.3	174.4	174.8	148.5	158.7

*Performance measurement base date 1st April 2019

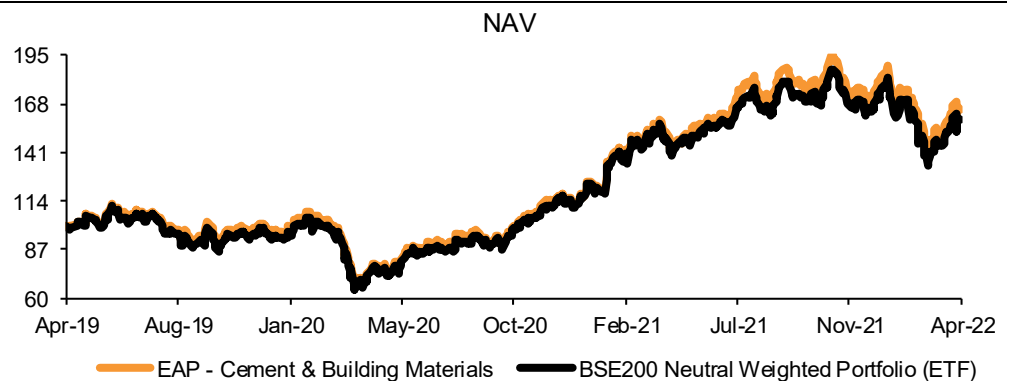
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Cement & Building Materials	6.7%	-9.0%	-8.8%	11.0%
BSE200 Neutral Weighted Portfolio (ETF)	6.9%	-9.3%	-9.0%	8.5%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 20 Apr 2022 01:52:51 (SGT)

Dissemination Date: 20 Apr 2022 01:53:51 (SGT)

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