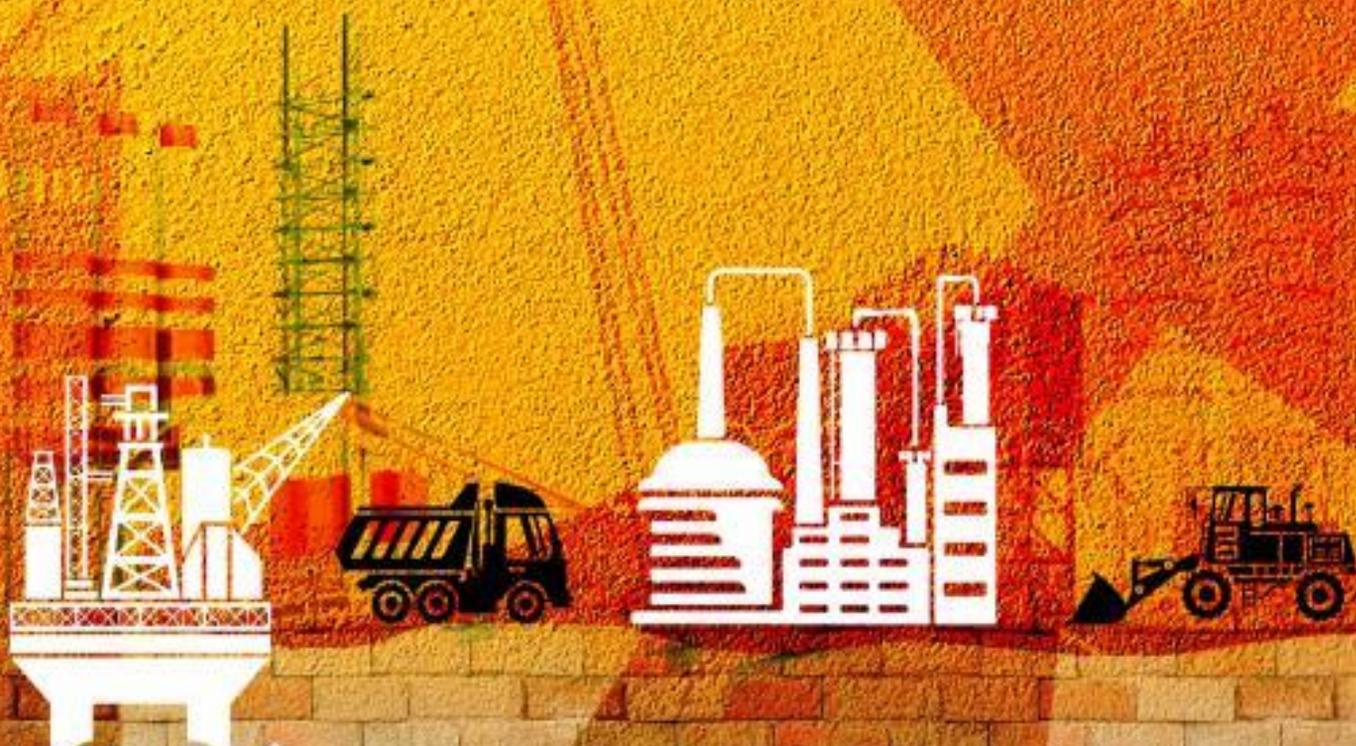


# ACC Ltd.



# ACC Ltd.

**Cost cutting measures and upcoming capacity to drive growth**

|                         |                            |                                  |  |                              |                         |
|-------------------------|----------------------------|----------------------------------|--|------------------------------|-------------------------|
| CMP<br><b>INR 2,208</b> | Target<br><b>INR 2,540</b> | Potential Upside<br><b>15.0%</b> | Market Cap (INR Mn)<br><b>INR 4,14,634</b> | Recommendation<br><b>BUY</b> | Sector<br><b>Cement</b> |
|-------------------------|----------------------------|----------------------------------|--|------------------------------|-------------------------|

## Result Highlights of Q1CY22

- In Q1CY22, ACC reported revenue growth of 3.1% YoY/4.8% QoQ at INR 44,265 mn. The cement segment revenues grew by 3.7% QoQ/3.1% YoY respectively while the ready mix concrete segment revenues grew by 19.2% QoQ/ 9.9% YoY respectively during the quarter.
- EBITDA grew by 14.1% QoQ but declined by 26.2% YoY to INR 6,347 mn due to significant fuel cost increase. The margins grew by 117 bps QoQ but declined by 571 bps YoY to 14.3%. EBITDA was also below our estimates by 6.2%.
- PAT grew by 41.1% QoQ but declined by 29.6% YoY to 3,963 mn. The margins grew by 231 bps QoQ but declined by 415 bps YoY to 9.0%. PAT was above our estimates by 7.5%.
- The cement volumes stood at 7.71 million tonnes during the quarter as compared to 7.97 million tonnes in Q1CY21.

## MARKET DATA

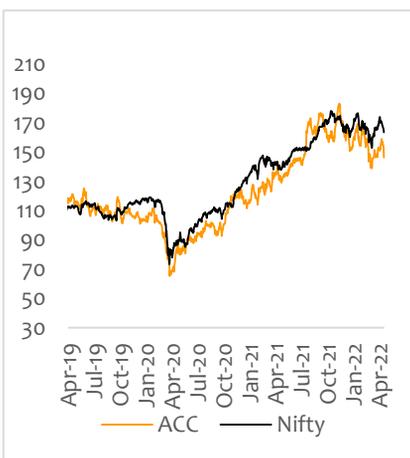
|                   |             |
|-------------------|-------------|
| Shares outs (Mn)  | 188         |
| Mkt Cap (INR Mn)  | 4,14,634    |
| 52 Wk H/L (INR)   | 2,589/1,782 |
| Volume Avg (3m K) | 482         |
| Face Value (INR)  | 10          |
| Bloomberg Code    | ACC IN      |

## KEY FINANCIALS

| INR Mn            | CY19     | CY20     | CY21     | CY22E    | CY23E    |
|-------------------|----------|----------|----------|----------|----------|
| Revenue           | 1,56,576 | 1,37,860 | 1,61,517 | 1,78,354 | 1,88,815 |
| EBITDA            | 24,128   | 23,551   | 29,981   | 34,007   | 39,949   |
| PAT               | 13,775   | 14,302   | 18,623   | 21,890   | 24,113   |
| EBITDA Margin (%) | 15.4%    | 17.1%    | 18.6%    | 19.1%    | 21.2%    |
| NPM (%)           | 8.8%     | 10.4%    | 11.5%    | 12.3%    | 12.8%    |

Source: Company, KRChoksey Research

## SHARE PRICE PERFORMANCE



## MARKET INFO

|        |        |
|--------|--------|
| SENSEX | 57,037 |
| NIFTY  | 17,137 |

**Volumes grew QoQ with healthy outlook:** ACC's Q1CY22 volume grew by 2.8% QoQ to 7.71MT (v/s 7.5 in Q4CY21) and declined by ~3% YoY to 8.0 MT in Q1CY21. ACC's revenue grew by 3.1% YoY/4.8% QoQ at INR 44,265 mn. Contribution from ready mix concrete stood at 9% while cement contribution was at 91%. Blended realization grew by 6.9% YoY and 0.8% QoQ to INR 5,321. The cement segment revenues grew by 3.7% QoQ/3.1% YoY respectively while the ready mix concrete segment revenues grew by 19.2% QoQ/ 9.9% YoY respectively during the quarter.

**Cost cutting measures yielding improvements :** ACC's numerous efficiency measures such as 'Parvat,' geo mix, and network optimization have helped the company partially offset costs despite the global rise in fuel costs. EBITDA grew by 14.1% QoQ but declined by 26.2% YoY to INR 6,347 mn due to a significant fuel cost increase. The margins grew by 117 bps QoQ but declined by 571 bps YoY to 14.3%. PAT grew by 41.1% QoQ but declined by 29.6% YoY to 3,963 mn. The new investments in waste heat recovery systems have helped them mitigate the energy cost inflation while also strengthening its sustainability actions.

**Healthy capacity expansion:** The company's Ametha project is progressing ahead of schedule to add 5 MTPA capacity, and the commissioning of the integrated unit is expected in Q4 2022. Tikaria grinding unit with 1.6 MTPA capacity got commissioned in Feb 2022. Waste heat recovery projects at Jamul and Kymore plants on track; Board further approves next phase of projects at Chanda and Wadi plants. The total capacity will reach 75 MW.

## SHARE HOLDING PATTERN (%)

| Particulars | Mar-22 (%) | Dec-21 (%) | Sep-21 (%) |
|-------------|------------|------------|------------|
| Promoters   | 54.5       | 54.5       | 54.5       |
| FII's       | 12.9       | 13.9       | 13.6       |
| DII's       | 20.1       | 19.3       | 19.5       |
| Others      | 12.5       | 12.3       | 12.4       |
| Total       | 100        | 100        | 100        |



Revenue CAGR over CY21 and CY23E



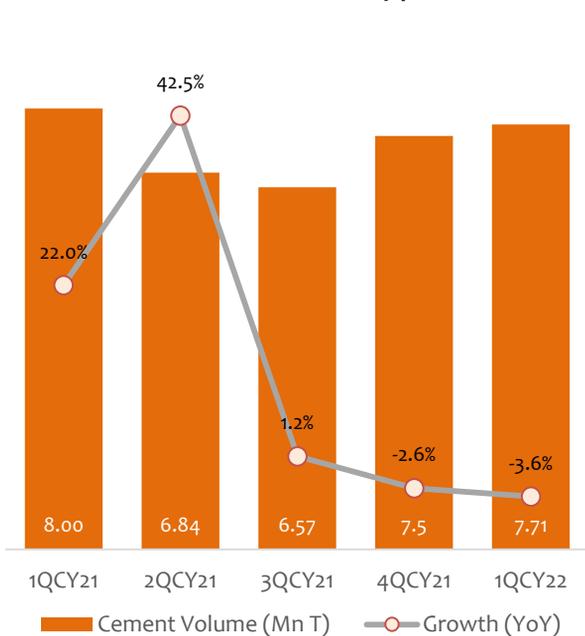
PAT CAGR over CY21 and CY23E

# ACC Ltd.

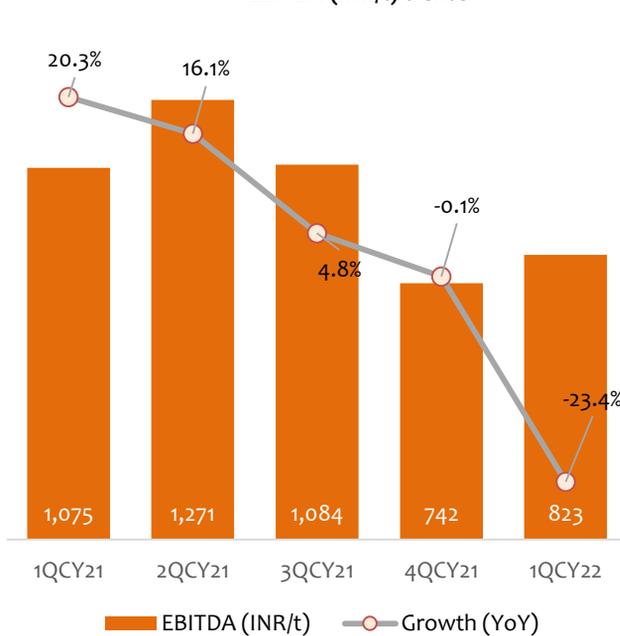
**Valuation and view:** ACC's focus on capacity growth, cost reduction plans and sharp actions on sustainability has continued. The execution capabilities are expected to drive efficiencies and commissioning of new projects have enabled the company grow significantly stronger. We expect an increase in demand due to the government's focus on infrastructure development, the revival of the real estate industry, and a resurgence in demand for Industrial and commercial construction led by implementation of production-linked schemes, increase in warehousing space due to the e-commerce boom, etc. To capitalize on the opportunity, ACC had planned various capacity additions to allow production headroom for volume growth. The planned expansion is on track and will help ACC pursue growth opportunities going ahead.

Various cost initiatives taken under "Project Parvat" to bring down the costs are now visible. The company has a healthy balance sheet with robust outlook going ahead. As a result, we value the stock at 9.2x CY23E EV/EBITDA, which yields a target of INR 2,540 per share (unchanged), giving an upside potential of 15.0% from CMP. We maintain our rating to "BUY" on the stock.

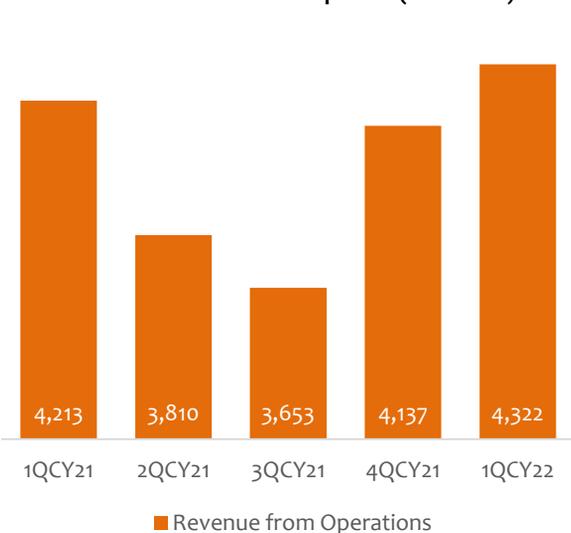
Volume on recovery path



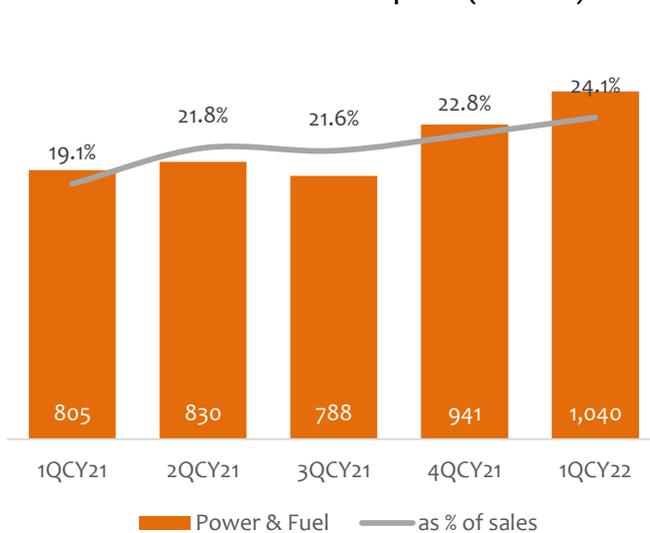
EBITDA (INR/t) trends



Revenue trends over the quarter (INR in Mn)



Power & Fuel trends over the quarter (INR in Mn)



Source: Company, KRChoksey Research

# ACC Ltd.

## KEY FINANCIALS

### Exhibit 1: Profit & Loss Statement

| INR Mn                         | CY19            | CY20            | CY21            | CY22E           | CY23E           |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Revenues</b>                | <b>1,56,576</b> | <b>1,37,860</b> | <b>1,61,517</b> | <b>1,78,354</b> | <b>1,88,815</b> |
| COGS                           | 27,189          | 25,125          | 28,665          | 28,947          | 32,504          |
| <b>Gross profit</b>            | <b>1,29,387</b> | <b>1,12,735</b> | <b>1,32,852</b> | <b>1,49,407</b> | <b>1,56,311</b> |
| Employee cost                  | 8,661           | 8,412           | 8,362           | 9,233           | 9,775           |
| Power & Fuel                   | 31,340          | 25,747          | 33,648          | 34,485          | 39,111          |
| Freight and Forwarding Expense | 40,321          | 34,161          | 38,230          | 44,928          | 49,539          |
| Other expenses                 | 24,937          | 20,864          | 22,632          | 26,753          | 17,937          |
| <b>EBITDA</b>                  | <b>24,128</b>   | <b>23,551</b>   | <b>29,981</b>   | <b>34,007</b>   | <b>39,949</b>   |
| <b>EBITDA Margin</b>           | <b>15.4%</b>    | <b>17.1%</b>    | <b>18.6%</b>    | <b>19.1%</b>    | <b>21.2%</b>    |
| Depreciation & amortization    | 6,064           | 6,388           | 6,007           | 8,383           | 11,329          |
| <b>EBIT</b>                    | <b>18,063</b>   | <b>17,163</b>   | <b>23,974</b>   | <b>25,624</b>   | <b>28,620</b>   |
| <b>PBT</b>                     | <b>20,385</b>   | <b>16,999</b>   | <b>24,947</b>   | <b>29,290</b>   | <b>32,286</b>   |
| Tax                            | 6,750           | 2,786           | 6,433           | 7,553           | 8,325           |
| <b>PAT</b>                     | <b>13,775</b>   | <b>14,295</b>   | <b>18,620</b>   | <b>21,890</b>   | <b>24,113</b>   |
| <b>EPS (INR)</b>               | <b>73.28</b>    | <b>76.08</b>    | <b>99.10</b>    | <b>116.50</b>   | <b>128.32</b>   |

Source: Company, KRChoksey Research

### Exhibit 2: Cash Flow Statement

| INR Mn  | CY19   | CY20   | CY21   | CY22E  | CY23E    |
|---|--------|--------|--------|--------|----------|
| Net Cash Generated From Operations                | 22,547 | 22,192 | 28,355 | 17,328 | 30,950   |
| Net Cash Flow from/(used in) Investing Activities | -3,220 | -5,352 | -9,880 | 1,429  | -2,904   |
| Net Cash Flow from Financing Activities           | -3,742 | -3,274 | -3,305 | -5,002 | -5,511   |
| Net Inc/Dec in cash equivalents                   | 15,586 | 13,567 | 15,170 | 13,755 | 22,535   |
| Opening Balance                                   | 29,332 | 44,927 | 58,494 | 73,664 | 87,418   |
| Closing Balance Cash and Cash Equivalents         | 44,927 | 58,494 | 73,664 | 87,418 | 1,09,953 |

Source: Company, KRChoksey Research

### Exhibit 3: Key Ratios

| Key Ratios            | CY19  | CY20  | CY21  | CY22E  | CY23E  |
|-----------------------|-------|-------|-------|--------|--------|
| EBITDA Margin (%)     | 15.4% | 17.1% | 18.6% | 19.1%  | 21.2%  |
| Tax rate (%)          | 33.1% | 16.4% | 25.8% | 25.8%  | 25.8%  |
| Net Profit Margin (%) | 8.8%  | 10.4% | 11.5% | 12.3%  | 12.8%  |
| RoE (%)               | 11.9% | 11.3% | 13.0% | 13.7%  | 13.5%  |
| RoCE (%)              | 15.6% | 13.5% | 16.8% | 16.0%  | 16.0%  |
| EPS (INR)             | 73.28 | 76.08 | 99.10 | 116.50 | 128.32 |

Source: Company, KRChoksey Research

# ACC Ltd.

## Exhibit 4: Balance Sheet

| INR Mn   | CY19            | CY20            | CY21            | CY22E           | CY23E           |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Non-current assets</b>                      |                 |                 |                 |                 |                 |
| Property, plant and equipment                  | 69,769          | 65,084          | 65,414          | 63,285          | 58,576          |
| Capital work-in-progress                       | 4,457           | 6,780           | 13,997          | 13,997          | 13,997          |
| Goodwill                                       | 156             | 102             | 38              | 38              | 38              |
| Intangible assets                              | 343             | 460             | 500             | 500             | 500             |
| Investment in Associate                        | 1,125           | 1,211           | 1,312           | 1,312           | 1,312           |
| Investments                                    | 37              | 82              | 184             | 184             | 184             |
| Loans  | 1,438           | 115             | 100             | 100             | 100             |
| Other financial assets                         | 4,682           | 7,701           | 9,158           | 9,158           | 9,158           |
| Non-current Tax Assets (Net)                   | 8,598           | 9,441           | 10,042          | 9,793           | 10,368          |
| Other non-current assets                       | 5,411           | 6,542           | 5,952           | 6,163           | 6,525           |
| <b>Total non-current assets</b>                | <b>96,014</b>   | <b>97,516</b>   | <b>1,06,695</b> | <b>1,04,529</b> | <b>1,00,756</b> |
| <b>Current assets</b>                          |                 |                 |                 |                 |                 |
| Inventories                                    | 11,419          | 9,013           | 12,739          | 12,158          | 13,652          |
| Financial assets                               |                 |                 |                 |                 |                 |
| Trade receivables                              | 6,267           | 4,514           | 4,890           | 7,138           | 7,557           |
| Cash and cash equivalents                      | 44,925          | 58,494          | 73,666          | 87,418          | 1,09,953        |
| Other Balances with Banks                      | 1,552           | 1,563           | 1,571           | 1,571           | 1,571           |
| Loans  | 290             | 59              | 66              | 66              | 66              |
| Other financial assets                         | 2,704           | 3,195           | 2,601           | 2,601           | 2,601           |
| Assets/Disposal Group held for sale            | 105             | 29              | 23              | 23              | 23              |
| Other current assets                           | 8,084           | 6,908           | 8,137           | 9,208           | 9,748           |
| <b>Total current assets</b>                    | <b>75,346</b>   | <b>84,486</b>   | <b>1,03,694</b> | <b>1,20,184</b> | <b>1,45,172</b> |
| <b>TOTAL ASSETS</b>                            | <b>1,71,360</b> | <b>1,82,002</b> | <b>2,10,388</b> | <b>2,24,713</b> | <b>2,45,927</b> |
| <b>EQUITY AND LIABILITIES</b>                  |                 |                 |                 |                 |                 |
| <b>Equity</b>                                  |                 |                 |                 |                 |                 |
| Equity share capital                           | 1,880           | 1,880           | 1,880           | 1,880           | 1,880           |
| Other equity                                   | 1,13,558        | 1,25,111        | 1,41,208        | 1,58,085        | 1,76,676        |
| Equity attributable to the equity shareholders | 1,15,438        | 1,26,991        | 1,43,088        | 1,59,965        | 1,78,556        |
| Non-controlling interests                      | 32              | 32              | 34              | 45              | 56              |
| <b>Total equity</b>                            | <b>1,15,469</b> | <b>1,27,024</b> | <b>1,43,122</b> | <b>1,60,010</b> | <b>1,78,612</b> |
| <b>LIABILITIES</b>                             |                 |                 |                 |                 |                 |
| <b>Non-current liabilities</b>                 |                 |                 |                 |                 |                 |
| Financial liabilities                          |                 |                 |                 |                 |                 |
| Other financial liabilities                    | 0               | 840             | 1,014           | 1,014           | 1,014           |
| Provisions                                     | 2,351           | 2,148           | 2,156           | 2,156           | 2,156           |
| Deferred Tax Liabilities (Net)                 | 6,557           | 3,948           | 4,037           | 7,469           | 7,907           |
| <b>Total non-current liabilities</b>           | <b>8,908</b>    | <b>6,936</b>    | <b>7,206</b>    | <b>10,638</b>   | <b>11,077</b>   |
| <b>Current liabilities</b>                     |                 |                 |                 |                 |                 |
| Financial liabilities                          |                 |                 |                 |                 |                 |
| Trade payables                                 | 14,750          | 14,222          | 19,049          | 15,704          | 17,633          |
| Other financial liabilities                    | 9,375           | 10,284          | 11,537          | 11,537          | 11,537          |
| Other current liabilities                      | 19,194          | 19,981          | 22,654          | 22,654          | 22,654          |
| Provisions                                     | 234             | 159             | 157             | 266             | 282             |
| Current Tax liabilities (Net)                  | 3,430           | 3,397           | 6,664           | 3,907           | 4,136           |
| <b>Total current liabilities</b>               | <b>46,982</b>   | <b>48,043</b>   | <b>60,060</b>   | <b>54,067</b>   | <b>56,242</b>   |
| <b>Total liabilities</b>                       | <b>55,891</b>   | <b>54,979</b>   | <b>67,267</b>   | <b>64,706</b>   | <b>67,318</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>            | <b>1,71,360</b> | <b>1,82,002</b> | <b>2,10,388</b> | <b>2,24,713</b> | <b>2,45,927</b> |

Source: Company, KRChoksey Research

# ACC Ltd.

| ACC Ltd.  |           |          |                | Rating Legend (Expected over a 12-month period) |                |
|-----------|-----------|----------|----------------|---|----------------|
| Date      | CMP (INR) | TP (INR) | Recommendation | Our Rating                                      | Upside         |
| 20-Apr-22 | 2,208     | 2,540    | BUY            | <b>Buy</b>                                      | More than 15%  |
| 14-Feb-22 | 2,154     | 2,540    | BUY            |   |                |
| 20-Oct-21 | 2,264     | 2,540    | ACCUMULATE     | <b>Accumulate</b>                               | 5% – 15%       |
| 20-Jul-21 | 2,309     | 2,540    | ACCUMULATE     |   |                |
| 30-Jun-21 | 2,053     | 2,185    | ACCUMULATE     | <b>Hold</b>                                     | 0 – 5%         |
| 20-Apr-21 | 1,826     | 2,185    | BUY            |   |                |
| 05-Apr-21 | 1,894     | 2,185    | BUY            | <b>Reduce</b>                                   | -5% – 0        |
|           |           |          |                |   |                |
|           |           |          |                | <b>Sell</b>                                     | Less than – 5% |

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