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ACC

Refer to important disclosures at the end of this report

In-line quarter

CMP	Target Price
Rs 1,846 as of (February 1, 2023)	Rs 2,300 (▼) 12 months
Rating	**Upside**
BUY (■)	24.5 %

Q3FY23 EBITDA declined 32% YoY to Rs3.8bn, with blended EBITDA/ton also declining similarly, to Rs492 – both being broadly in line with our estimates. Higher working-capital requirements (up Rs27bn YoY) led to a steep decline in the cash balance (fall of Rs45bn YoY) to Rs30bn, as of Dec-22; commissioning of the Ametha project (clinker: 2.7mt; cement: 1mt) has been delayed by six months to Q2FY24. Factoring-in the slow pace of price hike, higher cost/ton and delay in project commissioning, we reduce our FY24E-25E EBITDA by 11-12% and our target EV/E multiple by one notch to 11x (in line with the last five-year average). We revise our TP to Rs2,300/share (earlier Rs2,625), based on 11x Mar-25 EV/E (on half-yearly roll-over). Given the strong balance sheet, likely FCF generation of >Rs20bn p.a. over the next couple of years and favorable valuation at CMP (10x FY24E EV/E), we maintain BUY from a medium-term perspective.

Results Summary: ACC's consolidated volumes remained flat YoY/increased 11% QoQ to 7.7mt, coming in line with our estimates; cement realization/ton (including other operating income) increased 6% YoY/~3% QoQ to Rs5,477, matching our estimates. Total cost/ton increased 13% YoY/declined 6% QoQ to Rs5,400 (Emkay est.: Rs5,350). Adjusted PAT declined 43% YoY to Rs1.9bn. Reported PAT of Rs1.1bn includes an exceptional item of Rs790mn, mainly from Rs734mn towards the one-time IT transition costs.

What we like: Cost savings aid in margin recovery.

What we did not like: Significant decline in net cash, led by working-capital blockage, delay in Ametha capacity commissioning.

Operational highlights: 1) Freight costs have declined, from Rs2.96/ton/km to Rs2.86/ton/km due to: i) optimization of warehouse infrastructure; ii) higher direct sales at 44% (40% earlier); iii) reduction in lead distance, from 307km to 292km; and iv) higher rail dispatches; 2) Kiln fuel cost reduced by 17.7%, from Rs3.17 per '000 kCal to Rs2.61 per '000 kCal, with change in coal mix, group synergies on coal procurement and higher AFR factor. Company expects further reduction in fuel cost going ahead, through group synergies; 3) AFR consumption increased by 33% due to various debottlenecking initiatives and strong focus on cost optimization.

Project updates: ACC's Salai Banwa plant for increasing grinding capacity is near completion. Besides, the Ametha integrated project (2.7mt clinker and 1mt cement-grinding capacity) has been delayed by six months and is expected to be commissioned by Q2FY24. Company has also commissioned WHRS at Jamul and Kymore in Q4CY22.

Financial performance: In CY22, FCF generation stood at a negative Rs35bn post w/cap blockage of Rs27bn and capex spend of Rs19bn. Post dividend payment of Rs11bn, net cash declined by Rs45bn YoY to Rs30bn as of Dec-22.

Financial Snapshot (Consolidated)

(Rs mn)	CY20	CY21	15MFY23E	FY24E	FY25E
Net Sales	1,34,868	1,58,144	2,15,954	1,91,228	2,08,788
EBITDA	24,840	29,981	19,866	26,357	32,445
EBITDA Margin (%)	18.0	18.6	9.0	13.5	15.3
APAT	14,864	19,178	10,109	15,268	20,007
EPS (Rs)	79.1	102.0	43.0	81.2	106.4
EPS (% chg)	7.9	29.0	(57.8)	88.8	31.0
ROE (%)	12.3	14.2	5.6	10.0	12.4
P/E (x)	23.4	18.1	42.9	22.7	17.3
EV/EBITDA (x)	11.4	10.3	12.8	10.1	8.2
P/BV (x)	2.7	2.4	2.9	2.2	2.1

Source: Company, Emkay Research

Change in Estimates	
EPS Chg FY23E/FY24E (%)	34.9/(17.4)
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates	FY23E	FY24E
Emkay	43.0	81.2
Consensus	88.9	112.1
Mean Consensus TP (12M)		Rs 2,331

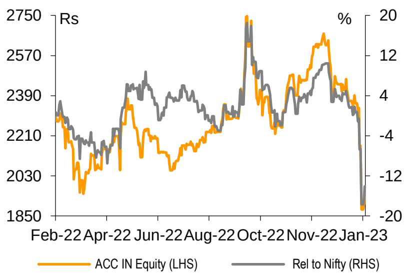
Stock Details	
Bloomberg Code	ACC IN
Face Value (Rs)	10
Shares outstanding (mn)	188
52 Week H/L	2,785 / 1,733
M Cap (Rs bn/USD bn)	347 / 4.23
Daily Avg Volume (nos.)	5,68,631
Daily Avg Turnover (USD mn)	16.1

Shareholding Pattern Dec '22	
Promoters	56.7%
FIIs	12.0%
DIIs	18.7%
Public and Others	12.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(24)	(24)	(17)	(21)
Rel. to Nifty	(22)	(22)	(18)	(21)

Relative price trend



Source: Bloomberg

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Quarterly Analysis

Exhibit 1: Actual vs. Estimates (Q3FY23)

(Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Sales	44,594	44,746	45,096	(0.3)	(1.1)	In-line
EBITDA	**3,792**	**3,826**	**3,934**	**(0.9)**	**(3.6)**	**In-line**
Adj. PAT	1,923	1,926	1,720	(0.2)	11.8	In-line
Volume (mt)	7.7	7.6		0.7		
Realization (Rs/ton)	5,892	5,850		(1.0)		
EBITDA (Rs/ton)	492	500		(1.6)		

Source: Company, Bloomberg, Emkay Research

Exhibit 2: Quarterly result summary

(Rs mn)	4QCY21	1QCY22	2QCY22	3QCY22	4QCY22	YoY (%)	QoQ (%)	CY21	CY22	YoY (%)
Revenue	**42,258**	**44,265**	**44,684**	**39,873**	**45,370**	**7.4**	**13.8**	**1,61,517**	**1,74,193**	**7.8**
Expenditure	**36,695**	**37,919**	**40,422**	**39,710**	**41,578**	**13.3**	**4.7**	**1,31,536**	**1,59,629**	**21.4**
Total RM	9,940	9,006	8,385	8,491	12,878	29.6	51.7	28,665	38,760	35.2
Power & Fuel	9,414	10,405	13,119	13,175	11,302	20.1	(14.2)	33,648	48,001	42.7
Freight	9,591	10,482	10,779	9,827	10,018	4.4	1.9	38,230	41,105	7.5
Staff cost	2,036	1,931	2,168	2,113	2,030	(0.3)	(3.9)	8,362	8,242	(1.4)
Other expenditure	5,714	6,095	5,971	6,104	5,351	(6.4)	(12.3)	22,632	23,522	3.9
EBITDA	**5,563**	**6,346**	**4,262**	**164**	**3,792**	**(31.8)**	**2,213.9**	**29,981**	**14,564**	**(51.4)**
Depreciation	1,604	1,539	1,647	1,735	1,725	7.5	(0.5)	6,007	6,646	10.6
EBIT	**3,958**	**4,807**	**2,616**	**(1,571)**	**2,066**	**(47.8)**	**NA**	**23,974**	**7,918**	**(67.0)**
Other Income	539	585	539	697	407	(24.5)	(41.7)	2,067	2,227	7.8
Interest	129	106	149	177	189	46.4	6.4	546	620	13.6
PBT	**4,368**	**5,286**	**3,005**	**(1,050)**	**2,284**	**(47.7)**	**NA**	**25,495**	**9,525**	**(62.6)**
Total Tax	1,031	1,360	775	(311)	393	(61.9)	**NA**	6,433	2,217	(65.5)
Adjusted PAT	**3,337**	**3,927**	**2,230**	**(740)**	**1,892**	**(43.3)**	**NA**	**19,062**	**7,308**	**(61.7)**
Minority Int.	18	36	43	29	31	69.0	7.2	115	140	21.0
PAT after MI	**3,356**	**3,963**	**2,273**	**(711)**	**1,923**	**(42.7)**	**NA**	**19,177**	**7,448**	**(61.2)**
Extra ordinary items	(548)	-	-	(163)	(791)	NA	**NA**	(548)	(953)	NA
Reported PAT	**2,808**	**3,963**	**2,273**	**(873)**	**1,132**	**(59.7)**	**NA**	18,630	6,494	**(65.1)**
Adjusted EPS (Rs)	**17.8**	**21.1**	**12.1**	**(3.8)**	**10.2**	**(42.7)**	**NA**	**102.0**	**39.6**	**(61.2)**

(%)	4QCY21	1QCY22	2QCY22	3QCY22	4QCY22	YoY (bps)	QoQ (bps)	CY21	CY22	YoY (bps)
EBITDA margin	**13.2**	**14.3**	**9.5**	**0.4**	**8.4**	**(481)**	**795**	**18.6**	**8.4**	**(1,020)**
EBIT margin	9.4	10.9	5.9	(3.9)	4.6	(481)	849	14.8	4.5	(1,030)
EBT margin	10.3	11.9	6.7	(2.6)	5.0	(530)	767	15.8	5.5	(1,032)
PAT margin	7.9	8.9	5.0	(1.9)	4.2	(373)	603	11.8	4.2	(761)
Effective Tax rate	23.6	25.7	25.8	29.6	17.2			25.2	23.3	

Source: Company, Emkay Research

Exhibit 3: Quarterly analysis on per-ton basis

(Rs/ton)	4QCY21	1QCY22	2QCY22	3QCY22	4QCY22	YoY (%)	QoQ (%)	CY21	CY22	YoY (%)
Cement volumes (mt)	**7.7**	**7.8**	**7.6**	**6.9**	**7.7**	**0.2**	**11.3**	**29.4**	**30.1**	**2.3**
Blended Realization	**5,497**	**5,660**	**5,847**	**5,765**	**5,892**	**7.2**	**2.2**	**5,495**	**5,791**	**5.4**
Raw Material	1,293	1,152	1,097	1,240	1,672	29.3	36.2	975	1,289	32.1
Power & Fuel	1,225	1,331	1,717	1,923	1,468	19.9	(22.9)	1,145	1,596	39.4
Freight	1,248	1,340	1,410	1,435	1,301	4.3	(8.4)	1,301	1,367	5.1
Staff cost	265	247	284	308	264	(0.5)	(13.7)	284	274	(3.7)
Other expenditure	743	779	781	891	695	(6.5)	(21.2)	770	782	1.6
Operating cost	**4,774**	**4,849**	**5,289**	**5,797**	**5,400**	**13.1**	**(5.9)**	**4,475**	**5,307**	**18.6**
Other operating income	115	134	98	112	101	(12.2)	(9.3)	115	111	(3.1)
EBITDA/ton (Rs)	**724**	**812**	**558**	**24**	**492**	**(32.0)**	**1,978.6**	**1,020**	**484**	**(52.5)**

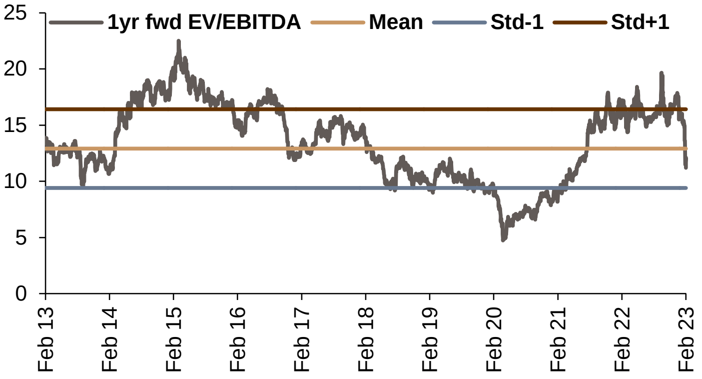
Source: Company, Emkay Research

Exhibit 4: We cut FY24-FY25E EBITDA by 11-12%

Y/E Dec (Rs mn)	FY24E			FY25E		
	Old	New	% chg	Old	New	% chg
Revenue	1,96,733	1,94,602	(1.1)	2,15,506	2,12,161	(1.6)
EBITDA	**29,998**	**26,357**	**(12.1)**	**36,476**	**32,445**	**(11.1)**
PAT	18,479	15,268	(17.4)	23,353	20,007	(14.3)

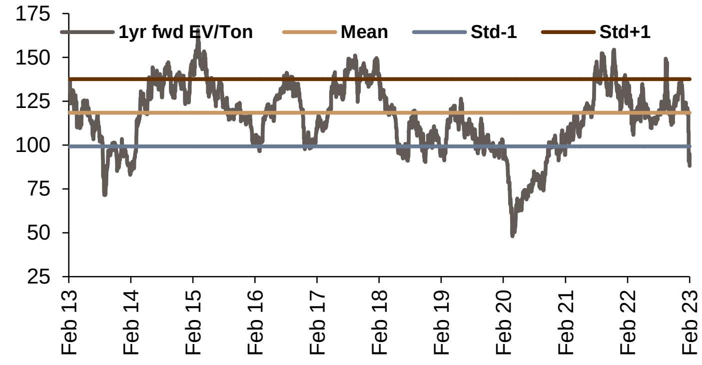
Source: Emkay Research

Exhibit 5: 1-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

Exhibit 6: 1-year forward EV/ton (USD)



Source: Bloomberg, Emkay Research

Exhibit 7: We maintain BUY with a TP of Rs2,300/share, based on 11x Mar-25E EV/EBITDA

EV/E method, backed by DCF analysis	(Rs bn)
Mar-25E EBITDA	32
Implied EV/E (x)	11
Enterprise Value	357
Net cash (Mar-24E)	75
Equity value	**432**
No. of shares (mn)	188
Mar-24E Target Price (Rs/share)	**2,300**

Source: Emkay Research

Exhibit 8: Annual analysis on per-ton basis

(Rs/ton)	CY17	CY18	CY19	CY20	CY21	15MFY23E	FY24E	FY25E
Blended realization	**4,934**	**5,020**	**5,156**	**5,151**	**5,380**	**5,706**	**5,804**	**5,922**
% YoY	**3.6**	**1.7**	**2.7**	**(0.1)**	**4.5**	**6.0**	**1.7**	**2.0**
Raw material consumed	750	809	914	960	975	1,311	1,346	1,360
Power & fuel cost	1,037	1,041	1,053	983	1,145	1,584	1,391	1,357
Freight cost	1,310	1,384	1,355	1,305	1,301	1,353	1,340	1,360
Staff cost	313	282	291	321	284	272	266	258
Other expenses	942	882	838	748	770	772	764	763
Operating cost	**4,352**	**4,398**	**4,451**	**4,316**	**4,475**	**5,292**	**5,106**	**5,098**
% YoY	**2.7**	**1.0**	**1.2**	**(3.0)**	**3.7**	**18.2**	**(3.5)**	**(0.2)**
Other operating income	135	112	106	114	115	111	102	96
Blended EBITDA	**717**	**735**	**811**	**949**	**1,020**	**525**	**800**	**920**
% YoY	**16.0**	**2.5**	**10.4**	**17.0**	**7.5**	**(48.5)**	**52.4**	**15.0**

Source: Company, Emkay Research

Key Financials (Consolidated)

Income Statement

Y/E Dec (Rs mn)	CY20	CY21	15MFY23E	FY24E	FY25E
Net Sales	**1,34,868**	**1,58,144**	**2,15,954**	**1,91,228**	**2,08,788**
Expenditure	**1,13,020**	**1,31,536**	**2,00,282**	**1,68,245**	**1,79,716**
EBITDA	**24,840**	**29,981**	**19,866**	**26,357**	**32,445**
Depreciation	6,388	6,007	8,402	7,749	7,997
EBIT	**18,452**	**23,974**	**11,464**	**18,608**	**24,448**
Other Income	2,167	2,067	2,691	2,186	2,660
Interest expenses	571	546	808	566	583
PBT	**20,049**	**25,495**	**13,346**	**20,227**	**26,525**
Tax	5,273	6,433	3,406	5,144	6,740
Extraordinary Items	(563)	(548)	0	0	0
Minority Int./Income from Assoc.	89	117	169	186	223
Reported Net Income	**14,302**	**18,630**	**10,109**	**15,268**	**20,007**
Adjusted PAT	**14,864**	**19,178**	**10,109**	**15,268**	**20,007**

Balance Sheet

Y/E Dec (Rs mn)	CY20	CY21	15MFY23E	FY24E	FY25E
Equity share capital	1,880	1,880	1,880	1,880	1,880
Reserves & surplus	1,25,111	1,41,208	1,46,263	1,53,897	1,63,900
Net worth	**1,26,991**	**1,43,088**	**1,48,143**	**1,55,777**	**1,65,780**
Minority Interest	**32**	**34**	**42**	**50**	**58**
Loan Funds	**0**	**0**	**0**	**0**	**0**
Net deferred tax liability	3,948	4,037	4,077	4,159	4,242
Total Liabilities	**1,30,972**	**1,47,159**	**1,52,261**	**1,59,985**	**1,70,080**
Net block	**66,974**	**67,521**	**84,819**	**87,596**	**93,356**
Investment	**59,786**	**75,161**	**62,161**	**62,161**	**62,161**
Current Assets	**49,761**	**55,256**	**69,708**	**69,714**	**76,206**
Cash & bank balance	1,563	1,571	3,815	9,670	13,866
Other Current Assets	650	614	675	743	817
Current liabilities & Provision	**51,031**	**63,230**	**74,388**	**69,447**	**71,604**
Net current assets	**(1,269)**	**(7,974)**	**(4,679)**	**267**	**4,602**
Misc. exp	0	0	0	0	0
Total Assets	**1,30,972**	**1,47,159**	**1,52,261**	**1,59,985**	**1,70,080**

Cash Flow

Y/E Dec (Rs mn)	CY20	CY21	15MFY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	**17,089**	**25,064**	**10,824**	**18,226**	**24,086**
Other Non-Cash items	1,330	(1,155)	270	408	535
Chg in working cap	3,883	1,303	(1,051)	909	(139)
Operating Cashflow	**22,192**	**28,908**	**15,847**	**22,715**	**26,322**
Capital expenditure	(7,479)	(11,533)	(23,210)	(10,527)	(13,757)
Free Cash Flow	**14,713**	**17,375**	**(7,362)**	**12,188**	**12,565**
Investments	(13,607)	(15,847)	13,000	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	**(19,212)**	**(25,595)**	**(7,519)**	**(8,341)**	**(11,096)**
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(2,629)	(2,629)	0	0	0
Dividend paid (incl tax)	0	0	(5,054)	(7,634)	(10,003)
Other Financing Cash Flow	0	0	(222)	(319)	(444)
Financing Cashflow	**(3,274)**	**(3,305)**	**(6,085)**	**(8,519)**	**(11,030)**
Net chg in cash	**(293)**	**8**	**2,244**	**5,855**	**4,196**
Opening cash position	1,856	1,563	1,571	3,815	9,670
Closing cash position	**1,563**	**1,571**	**3,815**	**9,670**	**13,866**

Source: Company, Emkay Research

Key Ratios

Profitability (%)	CY20	CY21	15MFY23E	FY24E	FY25E
EBITDA Margin	18.0	18.6	9.0	13.5	15.3
EBIT Margin	13.4	14.8	5.2	9.6	11.5
Effective Tax Rate	26.3	25.2	25.5	25.4	25.4
Net Margin	10.7	11.8	4.5	7.8	9.3
ROCE	16.3	18.7	7.6	13.3	16.4
ROE	12.3	14.2	5.6	10.0	12.4
RoIC	20.3	29.4	10.2	18.0	30.1

Per Share Data (Rs)	CY20	CY21	15MFY23E	FY24E	FY25E
EPS	79.1	102.0	43.0	81.2	106.4
CEPS	113.1	134.0	78.8	122.4	149.0
BVPS	675.5	761.1	630.4	828.6	881.9
DPS	14.0	58.0	21.5	40.6	53.2

Valuations (x)	CY20	CY21	15MFY23E	FY24E	FY25E
PER	23.4	18.1	42.9	22.7	17.3
P/CEPS	16.3	13.8	23.4	15.1	12.4
P/BV	2.7	2.4	2.9	2.2	2.1
EV / Sales	2.1	1.7	1.3	1.4	1.3
EV / EBITDA	11.4	10.3	12.8	10.1	8.2
Dividend Yield (%)	0.8	3.1	1.2	2.2	2.9

Gearing Ratio (x)	CY20	CY21	15MFY23E	FY24E	FY25E
Net Debt/ Equity	(0.5)	(0.5)	(0.4)	(0.5)	(0.4)
Net Debt/EBIDTA	(2.4)	(2.5)	(3.2)	(2.7)	(2.3)
Working Cap Cycle (days)	(7.5)	(21.6)	(17.6)	(17.6)	(15.9)

Growth (%)	CY20	CY21	15MFY23E	FY24E	FY25E
Revenue	(12.1)	17.3	9.2	10.7	10.9
EBITDA	3.0	20.7	(47.0)	65.8	23.1
EBIT	2.2	29.9	(61.7)	102.9	31.4
PAT	(3.2)	30.3	(56.6)	88.8	31.0

Quarterly (Rs mn)	Q4CY21	Q1CY22	Q2CY22	Q3CY22	Q4CY22
Revenue	42,258	44,265	44,684	39,873	45,370
EBITDA	5,563	6,346	4,262	164	3,791
EBITDA Margin (%)	**13.2**	**14.3**	**9.5**	**0.4**	**8.4**
PAT	3,356	3,963	2,273	(711)	1,923
EPS (Rs)	**17.8**	**21.1**	**12.1**	**(3.8)**	**10.2**

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Promoters	54.5	54.5	54.5	56.7	56.7
FIIs	13.9	12.9	12.2	11.4	12.0
DIIs	19.2	19.9	20.6	19.0	18.7
Public and Others	12.5	12.7	12.7	12.9	12.7

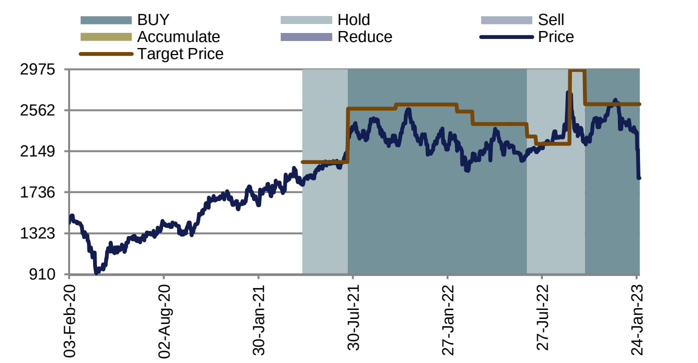
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
29-Dec-22	2,448	2,625	12m	Buy	Dharmesh Shah
05-Dec-22	2,621	2,625	12m	Buy	Dharmesh Shah
05-Nov-22	2,481	2,625	12m	Buy	Dharmesh Shah
17-Oct-22	2,270	2,625	12m	Buy	Dharmesh Shah
05-Oct-22	2,360	2,970	12m	Hold	Dharmesh Shah
18-Sep-22	2,612	2,970	12m	Hold	Dharmesh Shah
04-Sep-22	2,290	2,225	12m	Hold	Dharmesh Shah
15-Jul-22	2,140	2,225	12m	Hold	Dharmesh Shah
04-Jul-22	2,165	2,300	12m	Hold	Dharmesh Shah
28-Jun-22	2,128	2,300	12m	Hold	Dharmesh Shah
19-Apr-22	2,057	2,425	12m	Buy	Dharmesh Shah
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
05-Sep-21	2,469	2,580	12m	Buy	Dharmesh Shah
20-Jul-21	2,309	2,580	12m	Buy	Dharmesh Shah
06-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 (Rs/share)



Source: Bloomberg, Company, Emkay Research

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: 01 Feb 2023 23:46:47 (SGT)
Dissemination Date: 01 Feb 2023 23:47:47 (SGT)

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