Motilal Oswal Investment Services

31 January 2023

4QFY23 Results Update | Sector: Cement

ACC

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	ACC IN
Equity Shares (m)	188
M.Cap.(INRb)/(USDb)	369.8 / 4.5
52-Week Range (INR)	2785 / 1733
1, 6, 12 Rel. Per (%)	-17/-14/-16
12M Avg Val (INR M)	1528

Financials & Valuations (INR b)

Y/E Dec	FY23E*	FY24E	FY25E
Sales	222.0	192.1	205.8
EBITDA	19.9	26.4	31.3
Adj. PAT	10.0	15.3	18.9
EBITDA Margin (%)	9.0	13.7	15.2
Adj. EPS (INR)	53.1	81.2	100.7
EPS Gr. (%)	(47.2)	53.1	24.0
BV/Sh. (INR)	748.2	807.4	883.1
Ratios			
Net D:E	-0.2	-0.3	-0.4
RoE (%)	7.1	10.4	11.9
RoCE (%)	7.3	10.5	11.9
Payout (%)	44.6	30.8	29.8
Valuations			
P/E (x)	37.1	24.2	19.5
P/BV (x)	2.6	2.4	2.2
EV/EBITDA(x)	15.9	12.2	9.8
EV/ton (USD)	104	100	95
Div. Yield (%)	1.1	1.3	1.5
FCF Yield (%)	-8.3	4.8	5.5

*FY23E is 15m period due to change in accounting year

Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	56.7	56.7	54.5
DII	18.8	19.1	19.4
FII	12.0	11.4	13.8
Others	12.6	12.8	12.3

FII Includes depository receipts

CMP: INR1,969 TP: INR2,215 (+12%) Neutral

Cost savings aid in margin recovery

Ametha project delayed by six months; to be commissioned by 2QFY24

- ACC reported EBITDA of INR3.8b, beating our estimate of INR3.5b, driven by higher volumes and lower opex. EBITDA/t stood at INR490 v/s estimated INR465. Adj. Profit was at INR1.7b v/s estimated 1.6b. Lower costs helped steep margin recovery from a historical low last quarter.
- Higher working capital requirements (up INR27.6b YoY), led by steep increase in other current assets contributed to a decline in cash balance. Commissioning of the Ametha plant (2.7mtpa clinker and 1mtpa grinding unit) has been delayed by six months.
- We reduce FY24E/25E EBITDA by 4-5% and EPS by 6-7% on assumptions of lower volumes. We reiterate our Neutral rating with a TP of INR2,215 (from INR2,360 earlier), based on 12.5x Sep'24E EV/EBITDA.

Opex/t down 7% QoQ; EBITDA/t improves to INR490

- Revenue/EBITDA/Adj. PAT stood at INR45b/INR3.8b/INR1.9b (up 7%/ down32%/ down41% YoY) and 2%/9%/19% above our estimate, respectively. Cement sales volumes grew 3% YoY to 7.7mt (v/s estimated 7.5mt). RMC sales volumes rose 8% YoY.
- Cement realization improved 4% YoY/2% QoQ. Opex/t grew 10% YoY (but, down 7% QoQ), led by a 21% increase in variable costs. Variable cost (ex-purchase of traded goods) declined 5% QoQ. Other expense/t declined 10% YoY/ 23% QoQ. Freight cost/t was up 1% YoY (down 10% QoQ).
- Higher costs led to 4.8pp YoY drop in OPM to 8.3%. EBITDA/t stood at INR490 v/s INR741/INR23 in 4QCY21/3QCY22, respectively.
- For Jan-Dec'22, revenue grew 8% YoY to INR174b, led by 3%/5% increase in sales volumes/realization. EBITDA declined 52% YoY to INR14.5b, due to significant cost pressure and OPM contracting by 10pp YoY to 8.3%. Adjusted Profit declined 63% YoY to INR7b.
- ACC's YTD OCF turned negative (INR16.7b) v/s INR28.3b YoY, owing to lower profitability and increase in working capital. Capex stood at INR19.4b v/s INR11.7b YoY. Net cash plunged to INR28.9b from INR74.2b as of Dec'21.

Highlights from the management commentary

- Demand is expected to remain strong with the rise in construction activities. Clinker factor improved to 56.1% from 57.2% due to higher blending.
- Kiln fuel cost reduced 17.7% QoQ to INR2.61/kcal. Direct sales improved to 44% from 40% and lead distance reduced to 292km from 307km. Freight cost/t declined 3% QoQ due to increase in dispatches through rail.
- The AFR consumption volume grew 33% YoY due to various debottlenecking initiatives. WHRS facilities at Kymore and Jamul got commissioned.

Reiterate Neutral rating as we await clarity on growth plans

- ACC has delayed commissioning of greenfield expansion in Ametha by six months and this plant is now estimated to be commissioned in 2QFY24. We await clarity from the management over its future growth plans.
- Valuations at 12.2x/9.8x EV/EBITDA and EV/t of USD100/USD95, for FY24E/FY25E, respectively, remain the cheapest among its larger peers. We reiterate our Neutral rating with a TP of INR2,215 (from INR2,360 earlier), based on 12.5x Sep'24E EV/EBITDA.

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Standalone quarterly performance

(INR b)

Y/E December/March	CY21				FY23*					CY21	FY23E*	MOFSL	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	5QE			4QE	(%)
Cement Sales (mt)	7.97	6.84	6.57	7.49	7.71	7.56	6.85	7.73	8.00	28.89	37.85	7.47	3
Change (YoY %)	21.5	43.7	1.2	(2.9)	(3.3)	10.5	4.3	3.2	3.8	13.2	31.0	(0.2)	-
Net Sales	**42.9**	**38.8**	**37.5**	**42.3**	**44.3**	**44.7**	**39.9**	**45.4**	**47.9**	**161.5**	**222.0**	**44.4**	**2**
Change (YoY %)	22.6	49.4	6.0	2.0	3.1	15.0	6.4	7.4	8.1	17.2	37.5	5.0	-
EBITDA	**8.6**	**8.7**	**7.1**	**5.6**	**6.3**	**4.3**	**0.2**	**3.8**	**5.4**	**30.0**	**19.9**	**3.5**	**9**
Margin (%)	20.0	22.5	19.0	13.1	14.3	9.5	0.4	8.3	11.2	18.6	9.0	7.8	50
Depreciation	1.4	1.5	1.5	1.6	1.5	1.6	1.7	1.7	1.8	6.0	8.4	1.8	(2)
Interest	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.5	0.8	0.2	1
Other Income	0.4	0.4	0.6	0.5	0.6	0.5	0.7	0.4	0.6	2.0	2.8	0.6	(34)
PBT before EO Item	**7.5**	**7.6**	**6.1**	**4.4**	**5.3**	**3.0**	**-1.1**	**2.3**	**3.9**	**25.5**	**13.4**	**2.2**	**6**
EO Income/(Expense)	0.0	-0.4	0.0	-0.5	0.0	0.0	-0.2	-0.8	0.0	-0.9	-1.0	0.0	
PBT after EO Item	**7.5**	**7.2**	**6.1**	**3.8**	**5.3**	**3.0**	**-1.2**	**1.5**	**3.9**	**24.6**	**12.5**	**2.2**	**(31)**
Tax	1.9	1.9	1.6	1.0	1.4	0.8	-0.3	0.4	1.0	6.4	3.2	0.6	
Rate (%)	25.6	26.1	26.2	26.5	25.9	25.8	25.5	26.1	24.9	26.0	25.6	26.0	
Reported PAT	**5.6**	**5.3**	**4.5**	**2.8**	**3.9**	**2.2**	**-0.9**	**1.1**	**3.0**	**18.2**	**9.3**	**1.6**	**(31)**
Adjusted PAT	**5.6**	**5.6**	**4.5**	**3.2**	**3.9**	**2.2**	**-0.8**	**1.7**	**3.0**	**18.9**	**10.0**	**1.6**	**6**
Margin (%)	13.0	14.5	12.0	7.6	8.8	5.0	-2.0	3.7	6.2	11.7	4.5	3.6	
Change (YoY %)	59.3	90.1	12.4	(25.2)	(30.1)	(60.5)	NM	(47.4)	(24.0)	28.2	(47.2)	(50.3)	

Source: MOSL, Company *Note: FY23 is 15-month period as the company changed its accounting year-end from December to March

Exhibit 1: Per ton analysis, including RMC (INR/t)

Y/E December/March	CY21				FY23*					CY21	FY23E*	MOFSL	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	5QE			4QE	(%)
Blended Realization	**5,385**	**5,680**	**5,706**	**5,642**	**5,741**	**5,911**	**5,821**	**5,872**	**5,979**	**5,591**	**5,866**	**5,936**	(1)
Change (YoY %)	0.9	3.9	4.7	5.0	6.6	4.1	2.0	4.1	4.1	3.5	4.9	5.2	
(Increase)/Decrease in the stock	(78)	(310)	(181)	293	(74)	(250)	(325)	153	-	(60)	(92)	-	
Raw Material	1,014	1,045	1,131	1,035	1,243	1,359	1,565	1,514	1,481	1,053	1,522	1,285	18
Staff Cost	258	305	330	271	250	286	308	265	271	289	275	296	(11)
Power and fuel	1,009	1,212	1,198	1,255	1,348	1,734	1,922	1,461	1,479	1,163	1,580	1,677	(13)
Freight	1,366	1,352	1,317	1,289	1,367	1,433	1,442	1,304	1,340	1,331	1,375	1,400	(7)
Other expenditure	737	797	828	758	786	786	887	685	737	777	773	813	(16)
Total Expenditure	**4,307**	**4,401**	**4,623**	**4,901**	**4,919**	**5,348**	**5,798**	**5,382**	**5,308**	**4,552**	**5,433**	**5,471**	(2)
EBITDA	**1,078**	**1,279**	**1,083**	**741**	**822**	**563**	**23**	**490**	**671**	**1,039**	**433**	**465**	5
Change (YoY %)	20.7	16.1	4.8	(18.4)	(23.8)	(56.0)	(97.9)	(33.9)	(18.3)	6.9	(58.3)	(37.2)	

Source: MOSL, Company *Note: FY23 is 15-month period as the company changed its accounting year-end from December to March

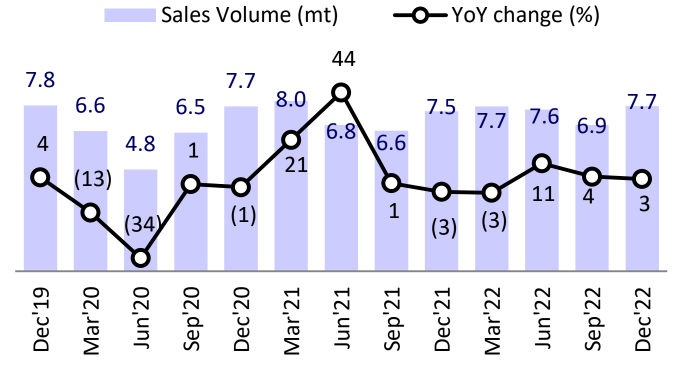
Exhibit 2: Revisions to our estimates

(INR b)	Revised estimate		Old estimate		Change (%)	
	FY24	FY25	FY24	FY25	CY22	CY23
Net Sales	189	202	182	196	3.4	3.2
EBITDA	26	31	28	33	(4.2)	(4.7)
Net Profit	15	19	16	20	(6.8)	(6.1)
EPS (INR)	189	202	182	196	(6.8)	(6.1)

Source: MOFSL Estimates

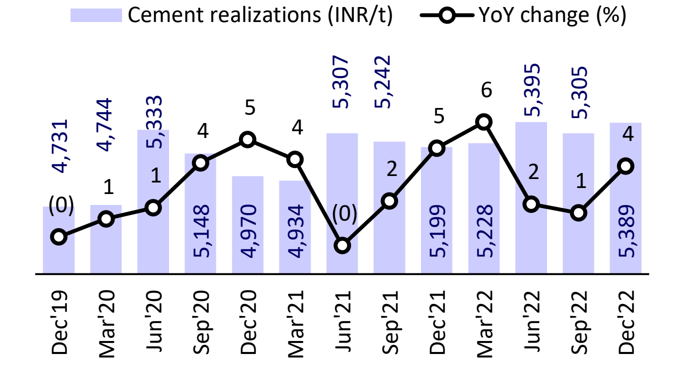
Key exhibits

Exhibit 3: Sales volume grew 3% YoY and 13% QoQ



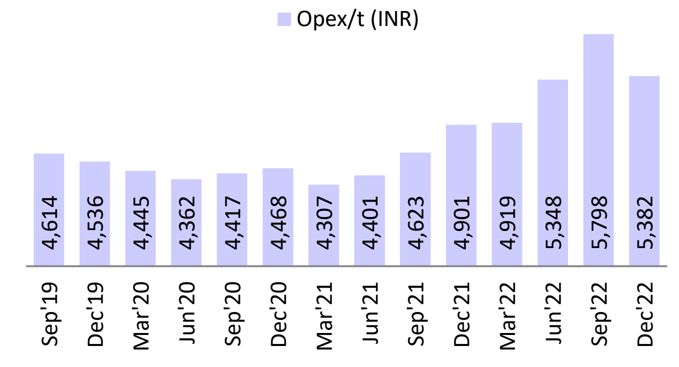
Source: Company, MOFSL

Exhibit 4: Cement realization grew 4% YoY and 2% QoQ



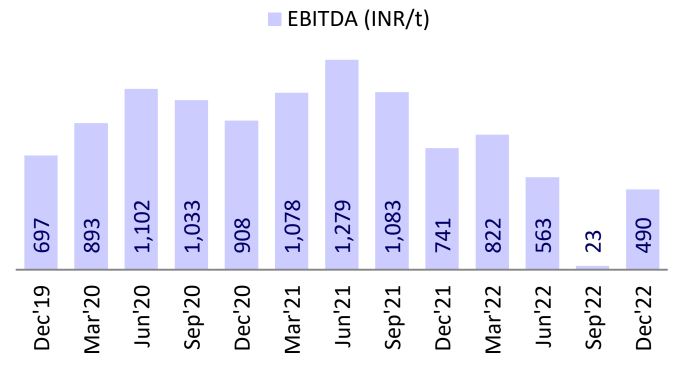
Source: Company, MOFSL

Exhibit 5: Opex/t up 10% YoY; but declined 7% QoQ



Source: Company, MOFSL

Exhibit 6: EBITDA/t fell 34% YoY on a higher Opex



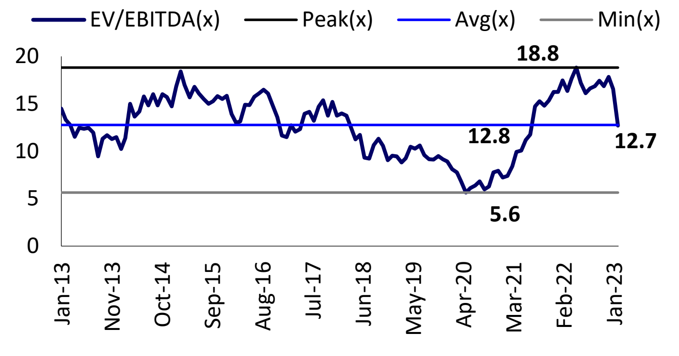
Source: Company, MOFSL

Exhibit 7: Key performance indicators (including the RMC business)

INR/t	Dec'22	Dec'21	YoY (%)	Sep'21	QoQ (%)
Blended realization	**5,872**	**5,642**	**4**	**5,821**	**1**
Cement realization	5,389	5,199	4	5,305	2
Raw materials	1,667	1,328	26	1,240	34
Staff cost	265	271	(2)	308	(14)
Power	1,461	1,255	16	1,922	(24)
Freight	1,304	1,289	1	1,442	(10)
Other expenditure	685	758	(10)	887	(23)
Total cost	**5,382**	**4,901**	**10**	**5,798**	**(7)**
EBITDA	**490**	**741**	**(34)**	**23**	**2,075**

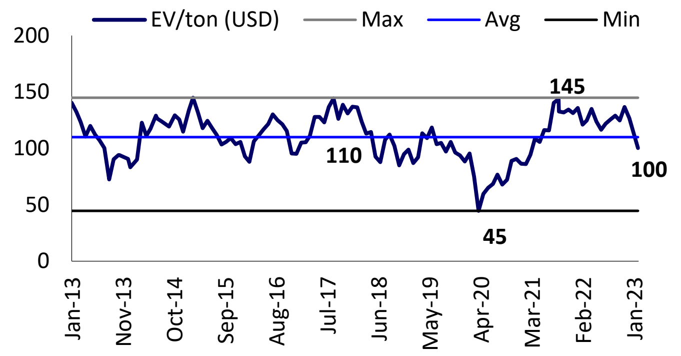
Source: Company, MOFSL

Exhibit 8: One-year forward EV/EBITDA trend



Source: Company, MOFSL

Exhibit 9: One-year forward EV/t trend



Source: Company, MOFSL

Financials and valuations

Income Statement								(INR m)
Y/E December/March	**CY17**	**CY18**	**CY19**	**CY20**	**CY21**	**FY23E***	**FY24E**	**FY25E**
Net Sales	**1,32,846**	**1,48,014**	**1,56,567**	**1,37,845**	**1,61,514**	**2,22,045**	**1,92,050**	**2,05,770**
Change (%)	20.9	11.4	5.8	(12.0)	17.2	37.5	(13.5)	7.1
EBITDA	**19,091**	**20,446**	**24,095**	**24,811**	**30,004**	**19,899**	**26,394**	**31,308**
Change (%)	29.5	7.1	17.8	3.0	20.9	(33.7)	32.6	18.6
Margin (%)	14.4	13.8	15.4	18.0	18.6	9.0	13.7	15.2
Depreciation	6,401	5,996	6,030	6,353	5,973	8,431	7,330	7,542
Int. and Fin. Charges	1,023	892	862	570	546	813	580	622
Other Income – Rec.	1,317	1,385	3,112	2,040	2,048	2,756	2,040	2,310
PBT Before EO Item	**12,984**	**14,943**	**20,315**	**19,927**	**25,533**	**13,412**	**20,523**	**25,455**
EO Income/(Expense)	-	5,006	-	(3,049)	(929)	(954)	-	-
PBT After EO Item	**12,984**	**19,949**	**20,315**	**16,878**	**24,604**	**12,459**	**20,523**	**25,455**
Tax	3,829	4,883	6,726	2,728	6,401	3,189	5,254	6,516
Tax Rate (%)	29.5	24.5	33.1	16.2	26.0	25.6	25.6	25.6
Reported PAT	**9,154**	**15,066**	**13,589**	**14,149**	**18,203**	**9,269**	**15,269**	**18,938**
Adjusted PAT	**9,154**	**10,060**	**13,589**	**14,746**	**18,899**	**9,975**	**15,269**	**18,938**
Change (%)	32.7	9.9	35.1	8.5	28.2	(47.2)	53.1	24.0
Margin (%)	6.9	6.8	8.7	10.7	11.7	4.5	8.0	9.2

Balance Sheet								(INR m)
Y/E December/March	**CY17**	**CY18**	**CY19**	**CY20**	**CY21**	**FY23E***	**FY24E**	**FY25E**
Share Capital	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880
Fully Diluted Capital	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880
Reserves	91,775	1,03,397	1,13,333	1,24,735	1,40,404	1,38,770	1,49,904	1,64,143
Net Worth	**93,655**	**1,05,277**	**1,15,213**	**1,26,614**	**1,42,284**	**1,40,650**	**1,51,784**	**1,66,022**
Loans	592	0	0	0	0	0	0	0
Deferred Tax Liability	5,414	6,631	6,422	3,762	3,827	3,827	3,827	3,827
Capital Employed	**99,660**	**1,11,908**	**1,21,635**	**1,30,376**	**1,46,112**	**1,44,478**	**1,55,611**	**1,69,850**
Gross Block	84,799	88,774	93,972	98,093	1,04,481	1,18,481	1,48,081	1,53,581
Less: Accum. Depn.	12,389	18,280	24,059	31,507	37,253	45,684	53,014	60,556
Net Fixed Assets	**72,410**	**70,494**	**69,914**	**66,586**	**67,228**	**72,797**	**95,067**	**93,025**
Capital WIP	2,617	3,922	4,353	5,453	12,408	20,808	1,208	1,708
Investments – Trade	25,304	37	37	82	184	184	184	184
Investments in subsidiaries	2,265	2,265	2,265	2,124	1,743	1,743	1,743	1,743
Curr. Assets, Loans, and Adv.	**46,292**	**83,533**	**94,252**	**1,07,014**	**1,27,627**	**1,12,545**	**1,15,592**	**1,36,240**
Inventory	14,040	16,786	11,410	9,005	12,733	17,540	15,195	16,291
Account Receivables	6,682	8,683	6,284	4,515	4,892	6,739	5,837	6,259
Cash and Bank Balance	1,687	30,003	45,381	58,911	74,042	32,528	46,005	61,778
Others	23,884	28,062	31,178	34,583	35,961	55,738	48,556	51,913
Curr. Liab. and Prov.	**49,229**	**48,343**	**49,186**	**50,883**	**63,078**	**63,600**	**58,183**	**63,050**
Account Payables	18,105	19,227	14,710	14,163	18,992	22,832	15,250	18,794
Other Liabilities	24,515	25,627	28,478	30,189	33,868	33,868	33,868	33,868
Provisions	6,609	3,489	5,998	6,531	10,219	6,900	9,065	10,389
Net Current Assets	**(2,936)**	**35,190**	**45,067**	**56,131**	**64,549**	**48,946**	**57,410**	**73,190**
Application of Funds	**99,660**	**1,11,908**	**1,21,635**	**1,30,376**	**1,46,112**	**1,44,478**	**1,55,611**	**1,69,850**

Source: Company, MOFSL; *Note: FY23 is 15-month period as the company changed its accounting year-end from December to March

Financials and valuations

Ratios

Y/E December/March	CY17	CY18	CY19	CY20	CY21	FY23E*	FY24E	FY25E
Basic (INR)								
EPS	**48.7**	**53.5**	**72.3**	**78.4**	**100.5**	**53.1**	**81.2**	**100.7**
Cash EPS	82.7	85.4	104.4	112.2	132.3	97.9	120.2	140.9
BV/Share	498.2	560.0	612.9	673.5	756.9	748.2	807.4	883.1
DPS	26.0	14.0	14.0	14.0	58.0	22.0	25.0	30.0
Payout (%)	53.3	17.4	19.3	18.6	59.9	44.6	30.8	29.8
Valuation (x)								
P/E ratio		36.8	27.2	25.1	19.6	37.1	24.2	19.5
Cash P/E ratio		23.1	18.9	17.5	14.9	20.1	16.4	14.0
EV/Sales ratio		2.3	2.0	2.2	1.8	1.4	1.7	1.5
EV/EBITDA ratio		16.4	13.3	12.3	9.5	15.9	12.2	9.8
P/BV ratio		3.5	3.2	2.9	2.6	2.6	2.4	2.2
Dividend Yield		0.7	0.7	0.7	2.9	1.1	1.3	1.5
EV/t (USD-Cap)		123	118	113	100	104	100	95
Return Ratios (%)								
RoE	10.1	10.1	12.3	12.2	14.1	7.1	10.4	11.9
RoCE	10.2	11.3	12.1	13.6	14.0	7.3	10.5	11.9
RoIC	12.7	14.7	16.1	22.5	28.4	11.3	14.2	16.5
Working Capital Ratios								
Debtor (Days)	18	21	15	12	11	11	11	11
Asset Turnover ratio (x)	0.8	0.8	0.8	0.9	0.9	0.7	0.8	0.8
Leverage Ratio								
Debt/Equity ratio (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement (INR m)

Y/E December/March	CY17	CY18	CY19	CY20	CY21	FY23E*	FY24E	FY25E
OP/(Loss) before Tax	12,984	14,943	20,315	16,878	24,604	12,459	20,523	25,455
Depreciation	6,401	5,996	6,030	6,353	5,973	8,431	7,330	7,542
Interest and Finance Charges	104	-129	0	570	0	0	0	0
Direct Taxes Paid	(2,177)	(5,265)	(4,462)	(7,064)	(2,849)	(3,189)	(5,254)	(6,516)
(Inc.)/Dec. in WC	(1,660)	(4,493)	601	5,419	588	(25,910)	5,012	(7)
CF from Operations	**15651.4**	**11,052**	**22,484**	**22,156**	**28,316**	**-8,210**	**27,612**	**26,472**
Others	(104)	129	-	-	-	-	-	-
CF from Operations incl. EO	**15,548**	**11,181**	**22,484**	**22,156**	**28,316**	**-8,210**	**27,612**	**26,472**
(Inc.)/Dec. in FA	(5,194)	(4,951)	(4,935)	(7,252)	(11,509)	(22,400)	(10,000)	(6,000)
Free Cash Flow	**10,354**	**6,230**	**17,549**	**14,904**	**16,808**	**-30,610**	**17,612**	**20,472**
(Pur.)/Sale of Investments	1,348	1,273	1,651	1,886	1,619	-	-	-
Others	(262)	-	-	-	-	-	-	-
CF from Investments	**(4,108)**	**(3,678)**	**(3,283)**	**(5,366)**	**(9,890)**	**(22,400)**	**(10,000)**	**(6,000)**
Issue of Shares	0	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	42	-606	0	0	0	0	0	0
Interest Paid	(420)	(409)	(572)	(399)	(316)	0	0	0
Dividend Paid	(3,192)	(2,817)	(2,629)	(2,629)	(2,629)	(10,903)	(4,136)	(4,700)
Others	(650)	(579)	(540)	(246)	(360)	-	-	-
CF from Fin. Activity	**(4,221)**	**(4,411)**	**(3,742)**	**(3,274)**	**(3,305)**	**(10,903)**	**(4,136)**	**(4,700)**
Inc./Dec. in Cash	7,219	3,092	15,459	13,516	15,121	(41,513)	13,476	15,773
Opening Balance	19,772	25,277	28,373	43,833	57,352	74,042	32,528	46,005
Closing Balance	**26,991**	**28,368**	**43,832**	**57,349**	**72,472**	**32,528**	**46,005**	**61,778**

Source: Company, MOFSL; *Note: FY23 is 15-month period as the company changed its accounting year-end from December to March

NOTES

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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