

ACC Ltd

Revenue in-line; muted cost beat margins

Result Synopsis

ACC Ltd (ACC) reported in-line revenue of Rs45.4bn (+7% y/y & +14% q/q) largely supported by overall volume growth of +3% y/y and +12% q/q to 8MT, aided by pickup in construction activities. EBITDA/PAT came at Rs3.8/1.9bn, declined by 32/43% y/y respectively. In Q4CY22, ACC charged exceptional items of Rs791mn towards a) one time Information technology transition cost b) towards special incentives. ACC's total cost/te came 4% below YSECe to Rs5400 (+10% y/y) softened by 7% sequentially resulting in EBITDA/te of Rs492 beat by 37% to YSECe (v/s Rs24/te in Q3CY22).

ACC recently commissioned WHRS at Kymore & Jamul and GU at Tikaria of 1.6 MTPA. While other ongoing expansions of Ametha 2.7MTPA Clinker & 1MTPA Cement capacity and Salai Banwa 2.2MTPA are on track which would take total capacity to ~39MTPA by Q2FY24E. As a result, we believe the recently added & upcoming capacity in the central market will improve the volume growth by +8-10% over FY23-25E. Due to various debottlenecking initiatives, ACC's AFR consumption volume increased by +33% In Q4CY22. Similarly envisaging on 1) Cost normalization 2) Improving operating efficiency 3) Incremental volumes, we believe ACC's EBITDA to improve to +Rs900/te by FY25E. By scaling up its green power (WHRs/Solar/ Wind capacity to 75/82/19MW) & alternative fuel share along with debottlenecking of various plants will be margin accretive. ACC is a net cash company with cash & cash equivalent of Rs29bn (as of Dec'22) and would be generating FCF of Rs45.2bn over FY24-25E would aid to fund its expansion aggressively. At CMP stock trades at 10/7x EV/EBITDA on FY24/25E. We rolled our estimate to FY25E and arrived at a BUY rating with revised price target of Rs2488, valuing the stock at 10x EV/EBITDA on FY25E.

Result Highlights

- ACC delivered cement volume growth of +3% y/y and +12% q/q to 7.7MT owing to higher demand aided by pickup in construction activities. Similarly, RMC volume came in-line at 0.79mm3, up by +8% y/y and +5% q/q in this quarter.
- NSR increased by +4% y/y and +1% q/q but remained 2% below YSECe, as a result revenue came at Rs45.4bn (in-line with YSECe) up by +7% y/y and +14% q/q.
- EBITDA came at Rs3.8bn (beat YSECe by 40%) in Q4CY22, whereas declined by 32% y/y but revived from multi-year low of Rs164mn in Q3CY22.
- ACC's total cost/te came 4% below YSECe to Rs5400 (+10% y/y) while softened by 7% sequentially. As a result, EBITDA/te beat YSECe by 37% to Rs492.
- ACC's Adj. PAT beat YSECe by 86% to Rs1.9bn, while declined by 32% y/y in Q4CY22 v/s net loss of Rs711mn in Q3CY23.

Exhibit 1: Actual vs estimates

Rs Mn	Actual	Estimate		% Variation		Remarks
		YSec	Consensus	YSec	Consensus	
Sales	45,370	44,878	45,096	1.1	0.6	Revenue in-line; lower than expected cost resulted in EBITDA/PAT beat
EBITDA	3,791	2,702	4,495	40.3	(15.7)	
Margin (%)	8.4	6.0	10.0	234 bps	(161 bps)	
Adj. PAT	1,923	1,031	1,495	86.4	28.6	

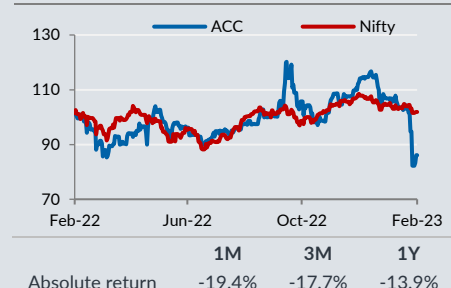
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 1,968
Target Price	: Rs 2,488
Potential Return	: +26%

Stock data (as on Jan 31, 2022)

Nifty	17,662
52 Week h/l (Rs)	2785 / 1733
Market cap (Rs/USD mn)	357575 / 4372
Outstanding Shares (mn)	188
6m Avg t/o (Rs mn):	1,536
Div yield (%):	2.5
Bloomberg code:	ACC IN
NSE code:	ACC

Stock performance



Shareholding pattern (As of Dec'22 end)

Promoter	56.7%
FII+DII	30.8%
Others	12.6%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	NEUTRAL
Target Price	2,488	2,364

Financial Summary

(Rs mn)	FY23E	FY24E	FY25E
Revenue	222,621	201,774	219,341
Growth	N/A	N/A	8.7
EBITDA	21,837	29,114	34,870
Margin %	9.8	14.4	15.9
PAT	11,563	17,019	21,695
Growth	N/A	N/A	27.5
ROE	6.7	10.8	12.5
ROCE	10.5	14.3	16.4
P/E	37.7	21.7	17.1
EV/EBITDA	13.7	9.7	7.4

ABHISHEK LODHIYA

Lead Analyst

abhishek.lodhiya@ysil.in

+91 22 6885 0521



SONU UPADHYAY, Associate

Exhibit 2: Quarterly snapshot (Console)

Particulars (Rs m)	Q4CY21	Q1CY22	Q2CY22	Q3CY22	Q4CY22	y/y (%)	q/q (%)	CY22	CY21	y/y (%)
Net Revenue	42,258	44,265	44,684	39,873	45,370	7.4	13.8	161,517	137,860	17.2
Total Expenses	36,695	37,919	40,422	39,710	41,578	13.3	4.7	131,536	113,020	16.4
COGS	9,940	9,006	8,385	8,491	12,878	29.6	51.7	28,665	30,023	(4.5)
Employee Expenses	2,036	1,931	2,168	2,113	2,030	(0.3)	(3.9)	8,362	8,412	(0.6)
Power & fuel	9,414	10,405	13,119	13,175	11,302	20.1	(14.2)	33,648	25,747	30.7
Freight Exp	9,591	10,482	10,779	9,827	10,018	4.4	1.9	38,230	29,263	30.6
Other Expenses	5,714	6,095	5,971	6,104	5,351	(6.4)	(12.3)	22,632	19,575	15.6
EBITDA	5,563	6,347	4,262	164	3,791	(31.8)	2,214.7	29,981	24,840	20.7
EBITDA (%)	13.2	14.3	9.5	0.4	8.4	(481 bps)	795 bps	18.6	18.0	54 bps
D&A	1,604	1,539	1,647	1,735	1,725	7.5	(0.5)	6,007	6,388	(6.0)
Other Income	539	585	539	697	407	(24.5)	(41.7)	2,067	2,167	(4.6)
Interest Expense	129	106	149	177	189	46.4	6.4	546	571	(4.3)
Exceptional/EO items	548	-	-	163	791	44.4	386.8	548	3,049	(82.0)
Share JV/Associates	19	36	44	29	31	67.0	7.2	117	89	30.5
EBT	3,839	5,323	3,049	(1,184)	1,525	(60.3)	N/A	25,064	17,089	46.7
Tax	1,031	1,360	775	(311)	393	(61.9)	N/A	6,433	2,786	130.9
Reported PAT	2,809	3,963	2,274	(873)	1,132	(59.7)	N/A	18,631	14,303	30.3
Less: Minority Interest	-	-	-	-	-		N/A	-	-	
Adj. PAT	3,356	3,963	2,274	(711)	1,923	(42.7)	N/A	18,631	14,303	30.3

Source: Company, YES Sec

Exhibit 3: Quarterly Operational Performance Analysis (Console)

Particulars (Rs m)	Q4CY21	Q1CY22	Q2CY22	Q3CY22	Q4CY22	y/y (%)	q/q (%)	CY22	CY21	y/y (%)
Total Volumes (MMT)	7.7	8.0	7.9	7.1	8.0	3.0	12.1	29.9	26.3	13.5
NSR/te (Blended)	5,642	5,741	5,911	5,821	5,892	4.4	1.2	5,407	5,237	3.2
RM/te	1,327	1,168	1,109	1,240	1,672	26.0	34.9	960	1,141	(15.9)
Employees/te	272	250	287	308	264	(3.0)	(14.5)	280	320	(12.4)
Power/te	1,257	1,350	1,735	1,923	1,468	16.8	(23.7)	1,126	978	15.2
Freight/te	1,281	1,359	1,426	1,435	1,301	1.6	(9.3)	1,280	1,112	15.1
Others/te	763	791	790	891	695	(8.9)	(22.0)	758	744	1.9
Opex/te (Blended)	4,899	4,918	5,347	5,797	5,400	10.2	(6.9)	4,403	4,293	2.6
EBITDA/te (Blended)	743	823	564	24	492	(33.7)	1,959.1	1,004	944	6.4

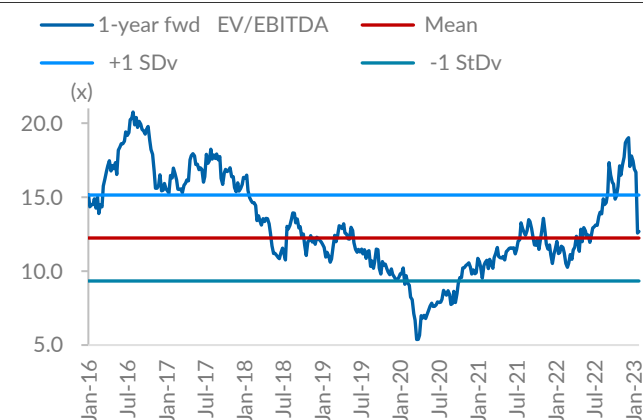
Source: Company, YES Sec

Exhibit 4: Annual Operational Performance Estimates (Console)

Particulars (Rs m)	CY20	CY21	FY23E	FY24E	FY25E
Total Volumes (MMT)	26.3	29.9	39.1	34.8	38.1
NSR/the (Blended)	5,237	5,407	5,693	5,793	5,763
RM/te	1,141	960	1,277	1,231	1,231
Employees/te	320	280	266	310	305
Power/te	978	1,126	1,523	1,392	1,287
Freight/te	1,112	1,280	1,322	1,277	1,257
Others/te	744	758	746	746	766
EBITDA/te (Blended)	944	1,004	558	836	916

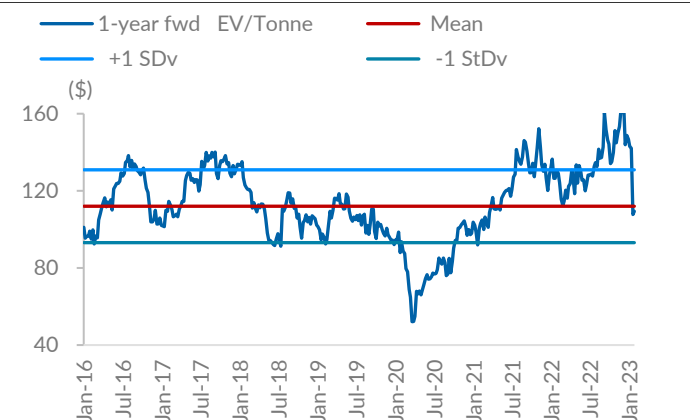
Source: Company, YES Sec

Exhibit 5: 1-yr forward EV/EBITDA band



Source: Company, YES Sec

Exhibit 6: 1-yr forward EV/te (\$) band



Source: Company, YES Sec

FINANCIALS

Exhibit 7: Balance Sheet (Console)

Y/e 31 Dec (Rs m)	CY20	CY21	FY23E	FY24E	FY25E
Equity capital	1,880	1,880	1,880	1,880	1,880
Reserves	125,111	141,208	148,397	162,787	181,852
Net worth	126,991	143,088	150,277	164,667	183,732
Other LT Liabilities	840	1,014	1,014	1,014	1,014
LT provision.	2,148	2,156	2,156	2,156	2,156
Minority interest	32	34	34	34	34
Long-term Borrowing	-	-	-	-	-
Deferred tax liab (net)	3,948	4,037	4,037	4,037	4,037
Current Liabilities					
Sundry creditors	14,222	19,049	23,473	19,957	21,314
Short-term Borrowing	-	-	-	-	-
Other current liabilities	33,662	40,855	40,855	40,855	40,855
ST Provision	159	157	157	157	157
Total liabilities	182,002	210,388	222,002	232,875	253,298
Assets					
Fixed assets	65,084	65,414	83,296	79,415	75,202
Intangible assets	5,941	14,496	4,956	4,956	4,956
Investments	1,293	1,312	1,312	1,312	1,312
Other Non-current Asset	25,097	25,435	25,435	25,435	25,435
Deferred tax asset (net)	-	-	-	-	-
Current Assets					
Inventories	9,013	12,739	16,367	14,584	15,879
Sundry debtors	4,514	4,890	9,149	8,292	9,014
Other current assets	10,313	10,761	10,761	10,761	10,761
ST. Loans & advances	590	66	66	66	66
Cash	60,159	75,275	70,660	88,053	110,672
Total assets	182,002	210,388	222,002	232,875	253,298

Source: Company, YES Sec

Exhibit 8: Income statement (Console)

Y/e 31 Dec (Rs m)	CY20	CY21	FY23E	FY24E	FY25E
Revenue	137,860	161,517	222,621	201,774	219,341
Operating profit	24,840	29,981	21,837	29,114	34,870
Depreciation & Amortization	6,388	6,007	8,371	8,881	9,213
PBIT	18,452	23,974	13,466	20,233	25,657
Interest expense	571	546	809	809	809
Other income	2,167	2,067	2,634	3,268	4,078
Profit before tax	20,049	25,495	15,291	22,692	28,926
Taxes	2,786	6,433	3,869	5,673	7,232
Minorities/Share from Associates	(89)	(117)	(141)	-	-
Exceptional items	(3,049)	(548)	(1,745)	-	-
Reported profit	14,303	18,631	9,818	17,019	21,695
Adj. Net profit	17,352	19,179	11,563	17,019	21,695

Source: Company, YES Sec

Exhibit 9: Cash Flow (Console)

Y/e 31 Dec (Rs m)	CY20	CY21	FY23E	FY24E	FY25E
Cash flow from operation					
Profit before tax	16,999	24,947	13,547	22,692	28,926
Depreciation	6,388	6,007	8,371	8,881	9,213
Tax paid	(2,786)	(6,433)	(3,869)	(5,673)	(7,232)
Working capital Δ	5,499	7,990	(3,462)	(877)	(659)
Other operating items	89	117	141	-	-
Operating cashflow	26,190	32,628	14,727	25,023	30,248
Cash flow from Investing Activities					
Capital expenditure	(2,845)	(14,892)	(16,713)	(5,000)	(5,000)
Change in other non-current assets	(4,968)	(339)	-	-	-
Free cash flow	18,377	17,397	(1,986)	20,023	25,248
Cash flow from Financing activities					
Equity raised	(117)	474	379	379	379
Investments	(131)	(19)	-	-	-
Debt financing/disposal	-	-	-	-	-
Dividends paid	(2,632)	(3,008)	(3,008)	(3,008)	(3,008)
Other items	(1,971)	271	-	-	-
Net Δ in cash	13,526	15,116	(4,615)	17,394	22,619

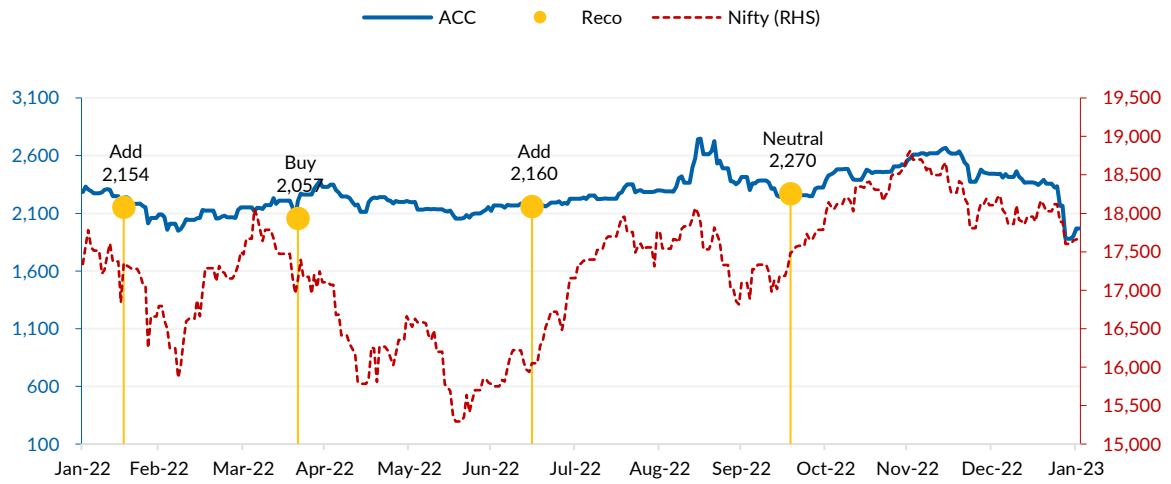
Source: Company, YES Sec

Exhibit 10: Ratio Analysis (Console)

Y/e 31 Dec	CY20	CY21	FY23E	FY24E	FY25E
Growth matrix (%)					
Revenue growth	(12.0)	17.2	N/A	N/A	8.7
Op profit growth	3.0	20.7	N/A	N/A	19.8
EBIT growth	(3.0)	26.3	N/A	N/A	26.5
PBT growth	(1.7)	27.2	N/A	N/A	27.5
EPS growth	3.8	30.3	N/A	N/A	27.5
Profitability ratios (%)					
OPM	18.0	18.6	9.8	14.4	15.9
EBIT margin	15.0	16.1	7.2	11.6	13.6
Net profit margin	10.4	11.5	4.4	8.4	9.9
RoCE	16.0	18.3	10.5	14.3	16.4
RoNW	11.8	13.8	6.7	10.8	12.5
RoA	8.1	9.5	4.5	7.5	8.9
Per share ratios (Rs)					
EPS	76	99	52	91	115
Dividend per share	14	16	16	16	16
Cash EPS	42	67	8	43	66
Book value per share	676	761	799	876	977
Payout (%)					
Dividend payout	18.4	16.1	30.6	17.7	13.9
Tax payout	13.9	25.2	25.3	25.0	25.0
Liquidity ratios					
Debtor days	12	11	15	15	15
Inventory days	24	29	27	26	26
Creditor days	38	43	38	36	35
Leverage ratios (x)					
Interest coverage	36.1	47.7	19.9	29.0	36.8
Net debt / equity	(0.47)	(0.53)	(0.47)	(0.53)	(0.60)
Net debt / EBITDA	(2.42)	(2.51)	(3.24)	(3.02)	(3.17)

Source: Company, YES Sec

Recommendation Tracker



DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that each security's price or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections.

Technical Analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all

jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

YES Securities (India) Limited distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through SEC 15a-6 rules and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YES Securities (India) Limited analyst's truthful views about the subject securities and or issuers discussed herein. YES Securities (India) Limited is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

This Research Report is the product of YES Securities (India) Limited. YES Securities (India) Limited is the employer of the research analyst(s) who has prepared the research report. YES Securities (India) Limited is the employer of the YES Securities (India) Limited Representative who is responsible for the report, are responsible for the content of the YES Securities (India) Limited Research Report; any material conflicts of interest of YES Securities (India) Limited in relation to the issuer(s) or securities discussed in the YES Securities (India) Limited Research Report. This YES Securities (India) Limited Research Report is distributed in the United States through Brasil Plural Securities LLC (BPS). The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and is/ are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution by YES Securities (India) Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity. Transactions in securities discussed in this research report should be effected through Brasil Plural Securities LLC (BPS) or another U.S. registered broker dealer/Entity as informed by YES Securities (India) Limited from time to time.

YES Securities (India) Limited

Registered Address: 2nd Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 4th Floor, AFL House, Lok Bharti Complex, Marol Maroshi Road, Andheri East, Mumbai - 400059, Maharashtra, India.

☎ +91 22 68850521 | ✉ research@ysil.in
Website: www.yesinvest.in

Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Single Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL: IN-DP-653-2021 | MERCHANT BANKER: INM000012227 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (CAT III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 | AMFI ARN Code - 94338.

Details of Compliance Officer: Name: Aditya Goenka,
Email id: compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

DISCLOSURE OF INTEREST

Name of the Research Analyst : Abhishek Lodhiya, Sonu Upadhyay

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a SEBI registered stock broker holding membership of NSE, BSE, MCX & NCDEX. YSL is also a SEBI registered Category I Merchant Banker, Investment Adviser and a Research Analyst. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.