

ACC

Sub-par margin recovery, slow expansion pace

We maintain BUY on ACC, with a revised TP of INR 2,110/share (11x its Mar-25E consolidated EBITDA. During Q5FY23 (financial year moved to Mar vs Dec), ACC's EBITDA margin recovered a modest INR 70 per MT QoQ to INR 550 per MT. Weak pricing in south reduced the benefits of opex moderation. The long pending Ametha integrated plant is expected in Q2FY24E. The management is yet to announce major expansions in ACC. However, it is taking up various green energy initiatives which should drive margin expansion.

- **Q5FY23 performance:** Volume grew 10% YoY/ QoQ each in Q5FY23 (Himachal plant was shut for two months from mid-Dec to mid-Feb, slowing volume growth). Purchase of traded goods rose to 14.4% of sales vs 12.4/6.3% QoQ/ YoY implying higher trade with Ambuja (under MCA). This has buoyed both ACC/Ambuja's volumes. NSR dipped 3% QoQ on weak pricing in south. Ongoing cost optimisation led to 5% QoQ decline in unit Opex in Mar-23 (after 7% QoQ fall in Dec-22). Unit input costs fell INR 100 per MT on fuel cost reduction by 10%, while unit fixed cost moderated INR 50 per MT on Op-lev gains respectively. Unit EBITDA, however recovered a modest INR 70 per MT QoQ to INR 550 per MT (led by NSR drag).
- **Expansion update and outlook:** The integrated plant at Ametha, MP (3.3/1mn MT clinker/cement) is expected to get commissioned in Q2FY24E. Adani is implementing various green-capex (WHRS, AFR, renewal energy) which should boost margin uptick. However, the management has not outlined any other major Capex in ACC, which could impact its volume growth. Its EBITDA margin is also expected to remain lower vs Ambuja and other market leaders. Thus, we lower our target multiple to 11x EV/EBITDA vs 13x EV/EBITDA earlier. Non-cash working capital has stretched in Mar-23 by ~INR 30bn (vs Dec-21), impacting cashflows and its target price.

Consolidated financial summary

YE Dec (INR bn)	Mar- 2023	Mar- 2022	YoY (%)	Dec- 2022	QoQ (%)	CY20	CY21	FY23	FY24E	FY25E
Sales (mn MT)	8.5	7.9	7.6	7.7	10.4	25.5	28.9	38.6	32.9	34.9
NSR (INR/MT)	5,236	5,102	2.6	5,408	(3.2)	5,023	5,161	5,276	5,276	5,302
EBITDA (INR/MT)	549	761	(27.8)	479	14.7	960	1,011	480	771	889
Net Sales	47.9	44.3	8.2	45.4	5.6	137.9	161.5	222.1	190.1	203.0
EBITDA	4.7	6.3	-26.2	3.8	23.6	24.8	30.0	19.2	26.4	32.1
APAT	3.7	4.0	-7.0	2.7	35.8	14.1	19.2	10.5	14.4	17.5
AEPS (INR)	16.1	21.1	-23.8	10.2	57.1	75.0	102.1	44.6	76.8	92.8
EV/EBITDA (x)						10.9	8.4	15.3	11.1	9.0
EV/MT (INR bn)						8.18	7.31	8.15	7.89	7.78
P/E (x)						23.6	17.3	31.7	23.0	19.0
RoE (%)						11.6	14.2	5.9	10.0	11.4

Source: Company, HSIE Research

Change in estimates

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Net Sales	192.2	190.1	-1.1	205.0	203.0	-1.0
EBITDA	26.9	26.4	-2.0	30.9	32.1	3.9
APAT	15.7	14.4	-8.0	17.9	17.5	-2.5

Source: Company, HSIE Research

BUY

CMP (as on 2 May 2023) INR 1,764

Target Price INR 2,110

NIFTY 18,148

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,445	INR 2,110
EBITDA revision %	FY24E (2.0)	FY25E 3.9

KEY STOCK DATA

Bloomberg code	ACC IN
No. of Shares (mn)	188
MCap (INR bn) / (\$ mn)	331/4,046
6m avg traded value (INR mn)	1,542
52 Week high / low	INR 2,785/1,592

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(4.2)	(27.7)	(24.8)
Relative (%)	(6.9)	(28.1)	(32.4)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	56.69	56.69
FIs & Local MFs	18.65	19.52
FPIs	11.96	10.06
Public & Others	12.70	13.73
Pledged Shares	6.64	6.64

Source : BSE

Rajesh Ravi

rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Keshav Lahoti

keshav.lahoti@hdfcsec.com
+91-22-6171-7353

Disclosure:

Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

HDFC securities
Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com