ACC Ltd.

RESULT UPDATE

14th August 2023

ACC Ltd.

Steady improvement in sales volume and in EBITDA

CMP	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,914	**INR 2,166**	**13.2%**	**INR 3,82,740**	**ACCUMULATE**	**Cement**

Result Highlights of Q1FY24

- In Q1 FY24, ACC reported consolidated revenue of INR 52,011 mn, a growth of 8.6% on a QoQ basis from INR 47,908 mn and 18.4% on a YoY basis from INR 43,933 mn. The sales volume has also increased to 9.4 MT, a surge of 10.6% on a Q-o-Q basis from 8.5 MT and 24.3% on a YoY basis from 7.6 MT.
- Cement realization has recorded a de-growth of 6.4% on a YoY basis and decreased by 1.8% on a QoQ basis at INR 5533/ton.
- The EBITDA in Q1FY24 has substantially improved to INR 7,709, a rise of 64.6% on a QoQ basis from INR 4,684 mn and an increase of 80.9% on a YoY basis from INR 4,262 mn. The EBITDA margin in Q1FY24 stood at 14.8% and EBITDA per ton is at INR 818 /ton.
- The PAT in Q1FY24 was reported at INR 4,661 mn, an increase of 97.9% on a QoQ basis from INR 2,355 mn and a surge of 105.1% from INR 2,273. The PAT margin in Q1FY24 stood at 9.0% and EPS is at INR 24.76 per share.

MARKET DATA

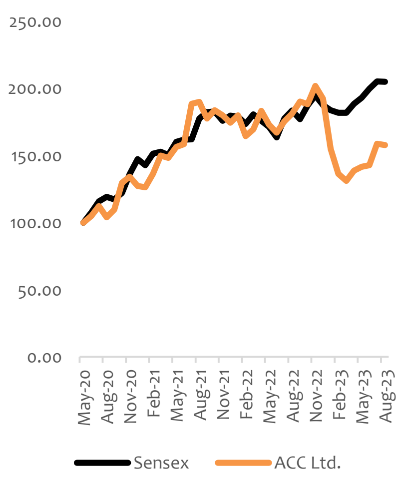
Shares outs (Mn)	188
Mkt Cap (INR Mn)	3,82,740
52 Wk H/L (INR)	2,785/1,592
Volume Avg (3m K)	689
Face Value (INR)	10
Bloomberg Code	ACC IN

KEY FINANCIALS

INR Mn	CY20	CY21	FY23*	FY24E	FY25E
Revenue	1,37,860	1,61,517	2,22,102	192,608	211,877
EBITDA	23,551	29,981	19,249	25,698	33,264
PAT	14,302	18,630	8,852	14,419	19,694
EPS (INR)	76.1	99.1	47.1	76.7	104.8
EBITDA Margin (%)	17.1%	18.6%	8.7%	13.3%	15.7%
NPM (%)	10.4%	11.5%	4.0%	7.5%	9.3%

Source: Company, KRChoksey Research *FY23 is 15-month period due to change in accounting year from December end to March end

SHARE PRICE PERFORMANCE



Cement volumes witnessed an outstanding growth

ACC has registered a sales volume for Q1 FY24 of 9.4 MT, a growth of 10.6% from 8.5 MT in Q4 FY23 and an increase of 24.3% from 7.6 MT in Q1 FY23. The sales volume for Ready Mix Concrete (RMC) business in Q1 FY24 is around 0.76 MCM, a rise of 7.0% from 0.71 MCM in Q4 FY23 and a dip of 8.4% from 0.83 MCM in Q1 FY23. The management expects some good traction in the upcoming quarters owing to a higher quota in blended cement and higher operational synergies with the Adani Group. The management also expects faster growth in the RMX and Construction Chemical business because of the improved market demand and rapid urbanization.

Sequential improvement in EBITDA with a decline in operating expenses

Post-pecking of the cost pressure in Q2 FY23, gradually and sequentially, the company has witnessed an improvement in EBITDA and EBITDA margins. The fuel cost has been reduced by circa 15.5% from INR 2.52 per '000 kCal to INR 2.13 per '000 kCal. The WHRS plants at Jamul and Kymore have become fully operational with a capacity of 22.4 Mw. The share for WHRS has improved from 2.0% to 8.4% and it is expected that in this financial year, a plant with a capacity of 16.3 Mw will be commissioned, taking the total capacity towards 46.3 Mw. The freight cost per ton has also been reduced to INR 1,240 per ton, driven by better routes and lower lead distance. The management expects that the EBITDA will sustain with further improvement owing to energy efficiency, manpower productivity and other operational efficiency to reduce the cost.

MARKET INFO

SENSEX	65,620.13
NIFTY	19,485.35

Status of capacity expansion plans

ACC's Ametha project is expected to commission the integrated unit by Q2 FY24. This project will add 3.3 MTPA Clinker capacity and 1 MTPA Grinding capacity to the total unit. Apart from this, the company has also announced a capacity expansion plan in Kharagpur for 2 MTPA which is a greenfield project. The management is committed to its expansion plan of doubling its capacity plan in 2028. The company is also scaling up its renewable power projects in solar, wind and hydro space to reduce the energy cost.

SHARE HOLDING PATTERN (%)

Particulars	Jun-23 (%)	Mar-23 (%)	Dec-22 (%)
Promoters	56.69	56.69	56.69
FIIs	9.98	10.05	11.95
DIIs	19.35	19.51	18.64
Government	0.15	0.15	0.15
Total	100	100	100

9.6%

Revenue CAGR over FY23* and FY25E

*TTM is considered instead of 15 months for FY23.

60.6%

EBITDA CAGR over FY23* and FY25E

*TTM is considered instead of 15 months for FY23.

ACC Ltd.

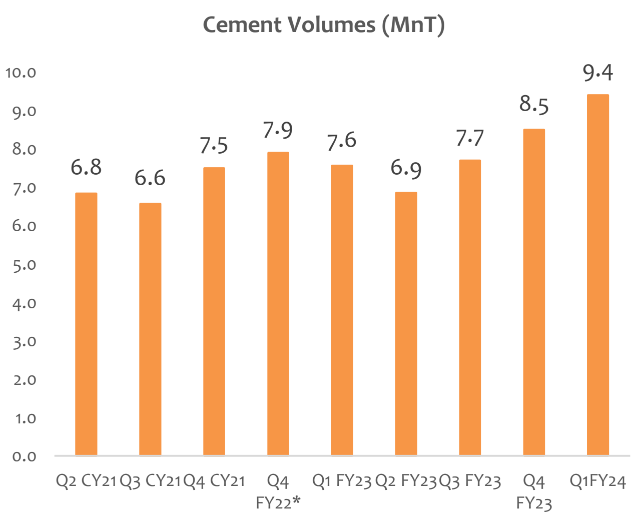
Key Concall Highlights

(a) The Adani group is in line with the capacity expansion plan of 140 MTPA by FY28 and the management is planning to open 40 new clinker capacities and 35 new grinding units. (c) The management will be looking for inorganic opportunities which would aid to achieve the expansion plan in FY28. (d) The management expects a volume growth of 10-15%. (e) The management has been able to optimize the cost owing to synergies with Adani entities on various aspects. (f) The company will be bidding for a coal mine from the government to reduce the energy cost and win a couple of limestone reserves mine. And this would be incorporated in future quarters. (g) In FY24, the group company allocated INR 3,000 mn CAPEX for ACC. (h) For WHRS, the company plans to add around 86 MW in FY24 (including new units) and 85 MW in FY25 (without any new units). (i) The majority of the CAPEX will be internal accruals. (j) The Ametha project is expected to be commissioned in early Q2 FY24. (j) The DJSI has given ACC Ltd. an ESG rating of 73. (k) The management expects a reduction of INR 300-400/ton improvement in EBITDA for FY24, this reduction is most likely to come from power and fuel cost, logistic cost and other operating costs. (l) A target for CO2 emission has been set for 400 kg/ton.

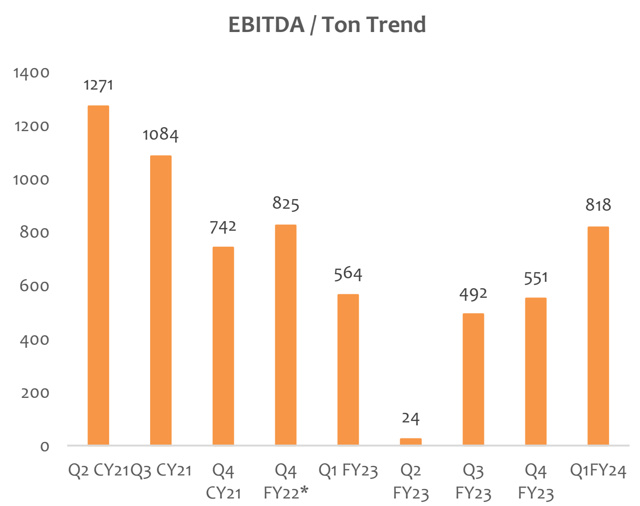
Valuation and view

With the government's focus on infrastructure development and affordable housing, we expect the demand situation to improve going forward. ACC being a pan-India player will be one of the key beneficiaries of this increased demand. Also, now under the new management of Adani Group, which is consolidating its footprint in the cement space, ACC has significant scope for scaling up going forward. With crude prices and other input prices like pet coke and coal coming off from their peak, ACC will see some ease off in the margin pressure in the coming quarters.

We now value the stock at 11x FY25E EV/EBITDA, which yields a target price of INR 2,166 per share, giving an upside potential of 13.2% from CMP. Accordingly, we have changed our rating to 'ACCUMULATE' on the shares of ACC.



*Due to a change in the accounting year from December end to March end, Q1 CY22 has been replaced to Q4 FY22



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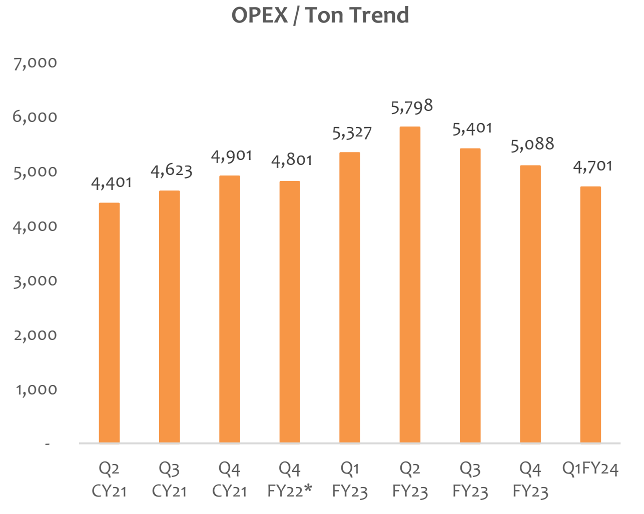

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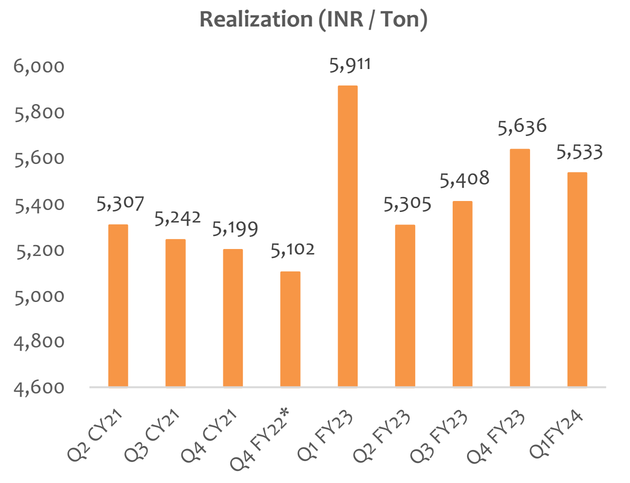

*Due to a change in the accounting year from December end to March end, Q1 CY22 has been replaced to Q4 FY22

ACC Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	CY19	CY20	CY21	FY23*	FY24E	FY25E
Revenues	**1,56,576**	**1,37,860**	**1,61,517**	**2,22,102**	**192,608**	**211,877**
COGS	27,189	25,125	28,665	54,537	39,136	42,933
Gross profit	1,29,387	1,12,735	1,32,852	1,67,565	**153,472**	**168,944**
Employee cost	8,661	8,412	8,362	10,362	8,667	9,005
Power & Fuel	31,340	25,747	33,648	57,427	47,933	50,463
Freight and Forwarding Expense	40,321	34,161	38,230	51,402	46,134	48,668
Other expenses	24,937	20,864	22,632	29,124	25,039	27,544
EBITDA	**24,128**	**23,551**	**29,981**	**19,249**	**25,698**	**33,264**
EBITDA Margin	***15.4%***	***17.1%***	***18.6%***	***8.7%***	***13.3%***	***15.7%***
Depreciation & amortization	6,064	6,388	6,007	8,413	11,556	12,713
EBIT	18,063	17,163	23,974	10,836	**14,142**	**20,551**
Interest expense	863	571	546	773	811	852
PBT	20,385	16,999	24,947	11,865	**18,736**	**25,667**
Tax	**6,750**	**2,786**	**6,433**	**3,174**	4,478	6,134
PAT	**13,775**	**14,302**	**18,630**	**8,852**	**14,419**	**19,694**
EPS (INR)	**73.3**	**76.1**	**99.1**	**47.1**	**76.7**	**104.8**

Source: Company, KRChoksey Research *FY23 is 15-month period due to change in accounting year from December end to March end

Exhibit 2: Cash Flow Statement

INR Mn	CY19	CY20	CY21	FY23*	FY24E	FY25E
Net Cash Generated From Operations	22,547	22,192	28,355	(12,346)	38,594	24,734
Net Cash Flow from/(used in) Investing Activities	(3,220)	(5,352)	(9,880)	(46,374)	(6,673)	(11,806)
Net Cash Flow from Financing Activities	(3,742)	(3,274)	(3,305)	(12,366)	(3,488)	(4,530)
Net Inc/Dec in cash equivalents	15,586	13,567	15,170	(71,087)	28,434	8,398
Opening Balance	29,332	44,927	58,494	73,664	2,577	31,011
Closing Balance Cash and Cash Equivalents	44,927	58,494	73,664	2,577	31,011	39,409

Source: Company, KRChoksey Research *FY23 is 15-month period due to change in accounting year from December end to March end

Exhibit 3: Key Ratios

Key Ratios	CY19	CY20	CY21	FY23*	FY24E	FY25E
EBITDA Margin (%)	15.4%	17.1%	18.6%	8.7%	13.3%	15.7%
Tax rate (%)	33.1%	16.4%	25.8%	26.8%	23.9%	23.9%
Net Profit Margin (%)	8.8%	10.4%	11.5%	4.0%	7.5%	9.3%
RoE (%)	11.9%	11.3%	13.0%	6%	9.4%	11.7%
RoCE (%)	15.6%	13.5%	16.8%	7.7%	9.2%	12.2%
EPS (INR)	73.3	76.1	99.1	47.1	76.7	104.8

Source: Company, KRChoksey Research *FY23 is 15-month period due to change in accounting year from December end to March end

ANALYST
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ACC Ltd.

Exhibit 4: Balance Sheet

INR Mn	CY19	CY20	CY21	FY23*	FY24E	FY25E
Non-current assets						
Property, plant and equipment	69,769	65,084	65,414	71,019	74,871	79,108
Capital work-in-progress	4,457	6,780	13,997	19,456	19,456	19,456
Goodwill	156	102	38	38	38	38
Intangible assets	343	460	500	1,443	1,558	1,683
Investment in Associate	1,125	1,211	1,312	1,449	1,515	1,590
Investments	37	82	184	184	202	223
Loans	1,438	115	100	89	95	101
Other financial assets	4,682	7,701	9,158	12,326	13,312	14,377
Non-current Tax Assets (Net)	8,598	9,441	10,042	10,060	10,576	11,634
Other non-current assets	5,411	6,542	5,952	6,819	6,656	7,322
Total non-current assets	**96,014**	**97,516**	**1,06,695**	**122,876**	**128,279**	**135,533**
Current assets						
Inventories	11,419	9,013	12,739	16,242	16,437	18,032
Financial assets						
Trade receivables	6,267	4,514	4,890	8,692	7,709	8,480
Cash and cash equivalents	44,925	58,494	73,666	2,577	31,011	39,409
Other Balances with Banks	1,552	1,563	1,571	1,581	1,644	1,710
Loans	290	59	66	58	62	67
Other financial assets	2,704	3,195	2,601	30,695	33,150	35,802
Assets/Disposal Group held for sale	105	29	23	21	21	21
Other current assets	8,084	6,908	8,137	22,697	9,944	10,939
Total current assets	**75,346**	**84,486**	**1,03,694**	**82,562**	**99,979**	**114,460**
TOTAL ASSETS	**1,71,360**	**1,82,002**	**2,10,388**	**205,438**	**228,257**	**249,993**
EQUITY AND LIABILITIES						
Equity						
Equity share capital	1,880	1,880	1,880	1,880	1,880	1,880
Other equity	1,13,558	1,25,111	1,41,208	139,505	151,172	167,108
Equity attributable to the equity shareholders	1,15,438	1,26,991	1,43,088	141,385	153,052	168,987
Non-controlling interests	32	32	34	35	35	35
Total equity	**1,15,469**	**1,27,024**	**1,43,122**	**141,420**	**153,087**	**169,023**
LIABILITIES						
Non-current liabilities						
Financial liabilities						
Other financial liabilities	0	840	1,014	1,257	1,332	1,412
Provisions	2,351	2,148	2,156	1,778	1,885	1,998
Deferred Tax Liabilities (Net)	6,557	3,948	4,037	4,573	8,066	8,873
Total non-current liabilities	**8,908**	**6,936**	**7,206**	**7,608**	**11,283**	**12,283**
Current liabilities						
Financial liabilities						
Trade payables	14,750	14,222	19,049	14,934	21,231	23,291
Other financial liabilities	9,375	10,284	11,537	12,189	12,920	13,695
Other current liabilities	19,194	19,981	22,654	23,802	25,230	26,743
Provisions	234	159	157	101	288	317
Current Tax liabilities (Net)	3,430	3,397	6,664	5,385	4,219	4,641
Total current liabilities	**46,982**	**48,043**	**60,060**	**56,410**	**63,887**	**68,687**
Total liabilities	**55,891**	**54,979**	**67,267**	**64,018**	**75,170**	**80,970**
TOTAL EQUITY AND LIABILITIES	**1,71,360**	**1,82,002**	**2,10,388**	**205,438**	**228,257**	**249,993**

Source: Company, KRChoksey Research

*FY23 is 15-month period due to change in accounting year from December end to March end

ACC Ltd.

ACC Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
14-Aug-23	1,914	2,166	ACCUMULATE
3-May-23	1,763	2,166	BUY
19-Oct-22	2,219	2,342	ACCUMULATE
15-Jul-22	2,140	2,262	ACCUMULATE
20-Apr-22	2,208	2,540	BUY
14-Feb 22	2,154	2,540	BUY
20-Oct-21	2,264	2,540	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

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