Q4FY24
ACC Limited

Result Update **06th May, 2024**

ACC Limited

Revenue and profit surprise positively

CMP	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 2,483	INR 2,923	17.7%	INR 4,66,275	BUY	Cement

Result Highlights

- ACC reported better-than-expected numbers, beating estimates across the board.
- Revenue increased by 12.9% YoY to INR 54,087 Mn (+5.8% vs. our estimate), primarily due to a jump in cement and clinker volumes (+23.5% YoY).
- EBITDA jumped by 78.6% YoY to INR 8,368 Mn, beating our estimates by 4.9%. The strong operating leverage and lower-than-expected inventory, power & fuel, and employee costs led to EBITDA margins expanding 569 bps YoY.
- PAT attributable to shareholders increased by 301.0% YoY to INR 9,448 Mn on better-than-expected operational performance, one-time exceptional items, and tax benefits.
- We maintain our multiple of 13.0x to FY26E EBITDA, reflecting the anticipated benefits of synergies from the parent company. These are expected to enhance margins and profitability for the Company, prompting us to raise our Target Price (TP) to INR 2,923 per share and upgrade our rating to BUY.

MARKET DATA

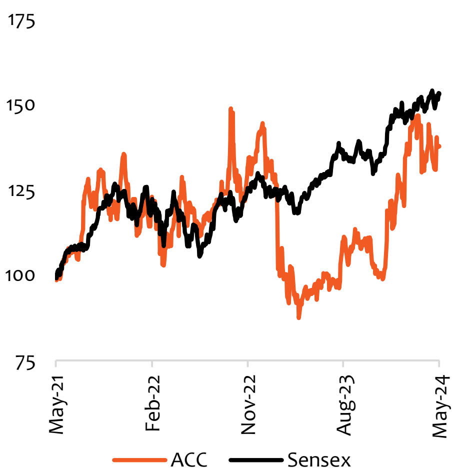
Shares outs (Mn)	188
Mkt Cap (INR Mn)	4,66,275
52 Wk H/L (INR)	2,746/1,704
Volume Avg (3m K)	433
Face Value (INR)	10
Bloomberg Code	ACC IN

KEY FINANCIALS

INR Millions	Q4FY24	Q3FY24	Q4FY23	QoQ	YoY
Revenue	54,087	49,144	47,909	10.1%	12.9%
EBITDA	8,368	9,047	4,685	-7.5%	78.6%
PAT	9,448	5,376	2,356	75.7%	301.0%
OPM (%)	15.5%	18.4%	9.8%	-293.9 bps	569.2 bps
NPM (%)	17.5%	10.9%	4.9%	652.8 bps	1,255.0 bps

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	73,896
NIFTY	22,443

Leveraging parent company operations for expansion and efficiency

- ACC experienced notable volume growth, primarily attributed to the execution of Master Supply Agreements (MSAs) with Ambuja Cements and Sanghi Industries. This strategic alignment facilitated a 23.5% YoY increase in sales volume. Additionally, the Company achieved an enhanced product mix with higher sales of premium products, which accounted for 34.0% of the trade sales volume.
- Operating expenses for ACC have declined across all components, with further reductions anticipated in the upcoming quarters. This expectation is supported by several strategic initiatives, including renegotiations and reverse bidding for freight, as well as depot network remapping to streamline secondary freight costs. Enhanced group company synergies are also expected to contribute to continued cost efficiencies.

Cost reduction initiatives and market expansion goals

- The Company is advancing its sustainability initiatives with expansions in waste heat recovery systems (WHRS). Specifically, expansions at the Chanda unit in Maharashtra for 18MW and the Wadi unit in Karnataka for 21.5MW are projected to be commissioned in Q2FY25E. Upon completion, ACC's total WHRS capacity is expected to reach 86MW, increasing the WHRS share of total energy consumption to 25% in FY25E, up from the current 8.0% in FY24.
- ACC is optimally positioned to increase its market share, with ambitions within the group to capture 20.0% of the market by FY28E, up from 14.0% in FY24. This strategic positioning is likely to enhance ACC's market competitiveness and financial performance.

SHARE HOLDING PATTERN (%)

Particulars (%)	Mar-24	Dec-23	Sep-23
Promoters	56.7	56.7	56.7
FIIs	6.2	6.2	7.1
DIIs	24.6	24.2	22.8
Others	12.5	12.9	13.4
Total	100	100	100

8.8%

Revenue CAGR between FY24 and FY26E

8.4%

Adj. PAT CAGR between FY24 and FY26E

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ACC Limited

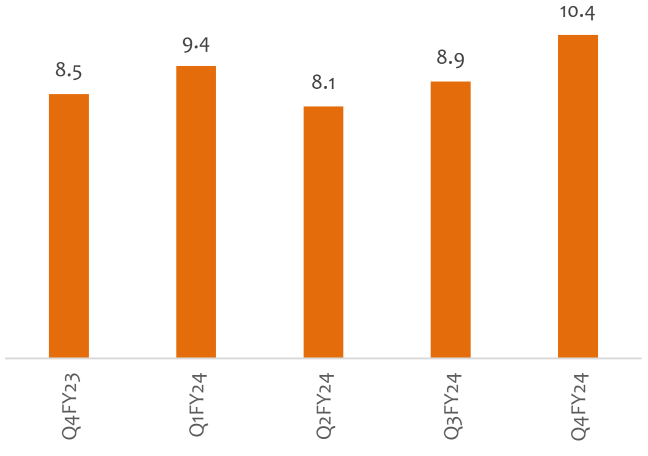
Key Concall Highlights:

- The Company is undertaking a capacity expansion by commissioning two new production units, Sindri and Salai Banwa, expected to be operational by Q4FY25E and Q1FY26E, respectively. Sindri will boast a **capacity of 1.6 MTPA**, while Salai Banwa will **contribute 2.4 MTPA**.
- The Company intends to finance the Capex required for these **expansions through internal accruals**.
- Management has outlined **a cost-optimization strategy** aimed at enhancing profitability. This strategy focuses on securing raw materials at competitive prices, optimizing the WHRS share, increasing the utilization of AFR, and reducing lead distance through improved logistical facilities.

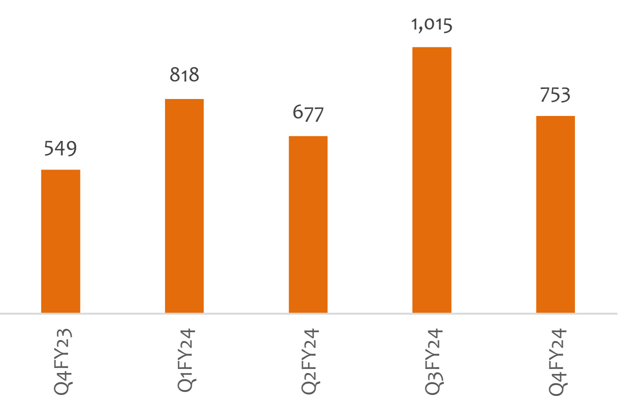
Valuation and view:

In Q4FY24, ACC surpassed projections with impressive revenue growth driven by a significant surge in sales volumes. We anticipate continued strong volume growth and improved margins for ACC, supported by synergies derived from its parent company. **We raise our FY26E EBITDA to INR 40,527 Mn (previously: INR 39,103 Mn). We maintain our EBITDA multiple of 13.0x to arrive at a revised target price of INR 2,923 per share (previously: INR 2,731). The higher target price signifies greater confidence in ACC's ability to deliver improved profitability under the parent company. Consequently, we also upgrade our rating on ACC to BUY from ACCUMULATE.**

Sales Volume (MT) sequentially increasing



Sequential EBITDA/ton declined but is anticipated to rebound, driven by synergies from the parent company



Source: Company, KRChoksey Research

ACC Limited

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	CY21	FY23	FY24	FY25E	FY26E
Revenues	**1,61,517**	**2,22,102**	**1,99,589**	**2,16,304**	**2,36,352**
COGS	28,665	54,537	58,116	55,661	54,049
Gross profit	**1,32,852**	**1,67,565**	**1,41,473**	**1,60,644**	**1,82,303**
Employee cost	8,362	10,362	7,372	7,557	11,802
Power & Fuel	33,648	57,427	40,030	45,476	48,585
Freight and Forwarding Expense	38,230	51,402	41,704	43,674	51,845
Other expenses	22,632	29,124	21,750	28,120	29,544
EBITDA	**29,981**	**19,249**	**30,617**	**35,818**	**40,527**
EBITDA Margin	***18.6%***	***8.7%***	***15.3%***	***16.6%***	***17.1%***
Depreciation & amortization	6,007	8,413	8,831	7,787	8,863
EBIT	**23,974**	**10,836**	**21,786**	**28,031**	**31,664**
Interest expense	546	773	1,546	1,623	1,688
PBT	**24,947**	**11,865**	**27,464**	**29,225**	**32,937**
Tax	6,433	3,174	4,228	7,365	8,300
Reported PAT	**18,630**	**8,852**	**23,365**	**21,960**	**24,736**
Adj. PAT	19,178	10,468	21,069	21,960	24,736
EPS (INR)	**98.9**	**47.0**	**124.1**	**116.6**	**131.4**

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

INR Millions	CY21	FY23	FY24	FY25E	FY26E
Net Cash Generated From Operations	28,355	(12,351)	29,951	32,282	30,404
Net Cash Flow from/(used in) Investing Activities	(9,880)	(46,373)	(12,451)	(15,908)	(17,491)
Net Cash Flow from Financing Activities	(3,305)	(12,377)	(4,432)	(5,680)	(6,266)
Net Inc/Dec in cash equivalents	15,170	(71,101)	13,069	10,695	6,647
Opening Balance	58,494	73,666	2,566	16,040	26,735
Adjustments for gain on fair valuation	3	1	405	0	0
Closing Balance Cash and Cash Equivalents	73,666	2,566	16,040	26,735	33,381

Source: Company, KRChoksey Research

Exhibit 3: Key Ratio

Key Ratio	CY21	FY23	FY24	FY25E	FY26E
EBITDA Margin (%)	18.6%	8.7%	15.3%	16.6%	17.1%
Tax rate (%)	25.8%	26.8%	15.4%	25.2%	25.2%
Net Profit Margin (%)	11.5%	4.0%	11.7%	10.2%	10.5%
RoE (%)	13.0%	6.3%	14.3%	12.1%	12.3%
RoCE (%)	16.8%	7.7%	13.3%	15.5%	15.7%
EPS (INR)	98.9	47.0	124.1	116.6	131.4

Source: Company, KRChoksey Research

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Exhibit 4: Balance Sheet

INR Millions	CY21	FY23	FY24	FY25E	FY26E
Property, plant and equipment	65,414	71,023	88,173	97,690	1,07,735
Capital work-in-progress	12,164	16,840	9,858	9,858	9,858
Goodwill	38	38	3,450	3,450	3,450
Intangible assets	500	1,443	4,180	4,514	4,875
Investment in Associate	1,312	1,449	335	351	369
Investments	184	184	184	202	202
Loans	100	89	65	69	69
Other financial assets	9,171	12,326	9,858	10,647	10,647
Non-current Tax Assets (Net)	10,042	10,060	9,856	11,877	12,978
Other non-current assets	6,238	6,819	6,187	7,475	8,168
Total non-current assets	**1,06,708**	**1,22,886**	**1,36,595**	**1,50,584**	**1,62,802**
Inventories	12,739	16,242	18,686	23,377	22,700
Trade receivables	4,623	8,692	8,275	8,657	9,459
Cash and cash equivalents	73,666	2,566	16,040	26,735	33,381
Other Balances with Banks	1,558	1,581	2,589	2,693	2,800
Loans	66	58	36	39	42
Other financial assets	2,869	30,695	30,253	32,673	35,287
Assets/Disposal Group held for sale	23	21	219	219	219
Other current assets	8,137	22,697	13,578	11,168	12,203
Total current assets	**1,03,681**	**82,552**	**97,261**	**1,13,147**	**1,23,678**
TOTAL ASSETS	**2,10,388**	**2,05,438**	**2,33,856**	**2,63,731**	**2,86,480**
Equity share capital	1,880	1,880	1,880	1,880	1,880
Other equity	1,41,208	1,39,505	1,61,417	1,79,186	1,99,201
Equity attributable to the equity shareholders	1,43,088	1,41,385	1,63,297	1,81,066	2,01,081
Non-controlling interests	34	35	36	37	37
Total equity	**1,43,122**	**1,41,420**	**1,63,333**	**1,81,102**	**2,01,118**
Provisions	2,156	1,778	1,517	1,608	1,704
Deferred Tax Liabilities (Net)	4,037	4,573	5,801	9,059	9,898
Total non-current liabilities	**7,206**	**7,608**	**9,555**	**13,038**	**14,116**
Trade payables	19,049	14,934	19,249	30,196	29,321
Other financial liabilities	11,295	11,915	12,611	13,368	14,170
Other current liabilities	22,896	24,075	19,779	20,966	22,224
Provisions	157	101	121	323	353
Current Tax liabilities (Net)	6,664	5,385	9,208	4,738	5,177
Total current liabilities	**60,060**	**56,410**	**60,968**	**69,591**	**71,245**
Total liabilities	**67,267**	**64,018**	**70,523**	**82,629**	**85,362**
TOTAL EQUITY AND LIABILITIES	**2,10,388**	**2,05,438**	**2,33,856**	**2,63,731**	**2,86,480**

Source: Company, KRChoksey Research

ACC Limited

ACC Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
06-May-24	2,483	2,923	BUY
01-Feb-24	2,499	2,731	ACCUMULATE
21-Nov-23	1,828	2,041	ACCUMULATE
14-Aug-23	1,914	2,166	ACCUMULATE
03-May-23	1,763	2,166	BUY
19-Oct-22	2,219	2,342	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%

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