

CMP: INR 2,233

Rating: Accumulate

Target Price: INR 2515

Stock Info

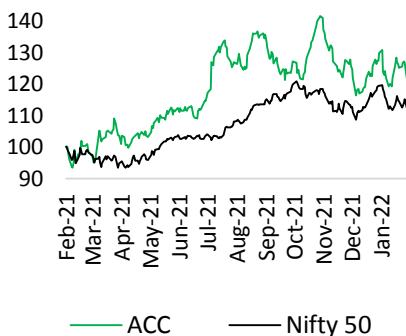
BSE	500410
NSE	ACC
Bloomberg	ACC IN
Reuters	ACC.BO
Sector	Cement
Face Value (INR)	10
Equity Capital (INR Cr)	188
Mkt Cap (INR Cr)	41,934
52w H/L (INR)	2,588 / 1,687
Avg Yearly Vol (in 000')	635

Shareholding Pattern %

(As Of December 2021)

Promoters	54.53
Public & Others	45.47

ACC Ltd. Vs Nifty



Source: Arihant Research, NSE

Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Shrey Gandhi

Shrey.gandhi@arihantcapital.com

022 4225 4865

ACC Limited reported weak set of numbers in Q4CY21 and were below our estimates on operating profit and bottom line front .Revenue from operations grew by 2% YoY and 12.7% QoQ to INR 4226 cr above our estimate of INR 3668 cr. The growth in topine was backed by volume and realization growth. Sales Volume grew by 13.6% QoQ despite muted cement demand during the quarter, however declined by 2.6% YoY to 7.5 million tonne in line with our estimate of 7.5 million tonne. Realization/tonne grew by 6.2% YoY and declined by 0.8% QoQ to INR 5634 against our estimate of INR 5626 .Price hike taken in cement prices helped in improved realization on YOY basis.

Reported EBIDTA declined by 2.8% YoY, and 21.8 % QOQ to INR 556 Cr below our estimate of INR 559 Cr. EBIDTA /tonne declined by 0.2% YoY and 31.2% QoQ to INR741.3 marginally below our estimates of INR 746

Reported EBIDTA margin declined by 64 bps YoY and 581 bps QoQ to 13.2% Operating cost rose by 10.3% YoY and 27.1% QoQ to INR 2895 cr. Higher operating cost was mainly due to rise in fuel cost

Reported PAT declined by 40.5% YoY and 37.6% QoQ to INR 281 Cr below our estimate of INR 419 cr. poor operating performance, decline in other income and charges included in exceptional item led to decline in bottom line PAT margin declined by 474 bps YoY and 535 bps QoQ to 6.6%.

Other Highlights

Exceptional items represents following:

- a) During Q4CY21 charge of INR 54.76 Crore on account of restructuring cost was included in exceptional item .
- b) During Q4CY20, charge of INR176.01 Crore in respect of impairment of assets at Madukkarai Unit was included in exceptional item.

Company has declared a final dividend of INR 58/- per share- aggregating to INR 1,089 Cr.

Valuation & View. Despite weak Q4CY21 performance we have a positive outlook on the stock backed by boost given by government to infrastructure in union budget 2022 which will aid cement demand to grow. Further recent price hike taken and demand scenario improving across the regions will aid volume and realization growth going ahead. Cost efficiency measures taken by company under project parvat coupled with product premiumzation initiatives will help to expand margins going ahead. . At CMP of INR 2233 the stock is trading at a EV/EBIDTA multiple of 10.5(x) and 8.6(x) to its CY22E & CY23E ,we value the stock at EV/EBIDTA multiple 10.0(x) to its CY23E EBIDTA of INR 3741 cr to arrive at a target price of INR 2,515 and assign Accumulate rating on the stock.

Q4 CY21 - Quarterly Performance (Consolidated)

(in INR Cr)

INR Cr (consolidated)	Q4CY21	Q3CY21	Q4CY20	Q-o-Q	Y-o-Y
Net Revenue	4,226	3,749	4,145	12.7%	2.0%
Operating Costs	2,895	2,277	2,624	27.1%	10.3%
Employee cost	204	217	250	-6.0%	-18.4%
Other Expenses	571	544	699	5.0%	-18.3%
EBITDA	556	711	572	-21.8%	-2.8%
<i>EBITDA margin %</i>	<i>13.2%</i>	<i>19.0%</i>	<i>13.8%</i>	<i>-581bps</i>	<i>-64bps</i>
Depreciation	160	150	158	6.7%	1.3%
EBIT	396	561	414	-29.4%	-4.3%
Other Income	54	64	64	-15.6%	-15.6%
Finance cost	13	17	17	-23.5%	-23.5%
Exceptional Item	55		176	-	-
PBT	382	608	285	-37.2%	34.0%
Tax Expense	103	160	-183	-35.6%	-156.3%
Effective tax rate %	27.0%	26.3%	-64.2%	65bps	9117bps
PAT	279	448	468	-37.7%	-40.4%
MI & Associates	2	2	4	0.0%	-50.0%
Consolidated PAT	281	450	472	-37.6%	-40.5%
<i>PAT margin %</i>	<i>6.6%</i>	<i>12.0%</i>	<i>11.4%</i>	<i>-535bps</i>	<i>-474bps</i>
EPS (Rs)	14.95	23.97	19.30	-37.6%	-22.5%

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Particulars	Q4CY21	Q3CY21	Q4CY20	Q-o-Q	Y-o-Y
Sales Volume (mn tonne)	7.5	6.6	7.7	13.6%	-2.6%
Sales in mn	42258	37490	41447	12.7%	2.0%
Realization/tonne)INR)	5634	5680	5306	-0.8%	6.2%
EBIDTA in mn	5560	7110	5720	-21.8%	-2.8%
EBIDTA/tonne (INR)	741.3	1077.3	742.9	-31.2%	-0.2%

Key con call highlights

- Company would commission greenfield grinding unit of 2.2mnt at Salai Banwa, UP, in Q2CY23
- Company targets to meet 45% of the power requirement through Waste Heat Recovery (WHR) and other renewable sources
- Company will increase capacity of WHR to 45MW/85-90MW by CY22/CY25 from current 7.5MW to increase its share to 25% of power requirement by CY25 from current 3%
- Under Project Parvat, Company realised savings of Rs300/t in costs against target of Rs200/t
- Sees further scope for savings of Rs100- 150/t in project Parvat East and Central region would be the key regions for expansion

Valuations (INR CR)	CY23E
EV/EBITDA(x)	10
EBITDA	3741
EV	37410
Cash	9872
Debt	
Market Cap	47282
No shares	18.8
Fair value (TP) (INR)	2515
CMP (INR)	2233
Upside(%)	12.6

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Key Financials (Consolidated)

Profit and Loss Account (Year Ending December)				
Particulars (INR Cr)	CY20	CY21	CY22E	CY23E
Income from Operations	13,786	16,152	17,382	19,315
YoY Change (%)	-12.0%	17.2%	7.6%	11.1%
Power & Fuel Cost	2575	3365	4045	4449
Employee Cost	841	836	895	948
RM COST	2513	2867	2949	3244
Freight Forwarding	3416	3823	3949	4344
Other Expenditure	2086	2263	2333	2589
Total Expenditure	11431	13154	14171	15574
EBITDA	2355	2998	3211	3741
Depreciation	639	601	658	723
EBIT	1716	2397	2553	3018
Other Income	217	207	217	241
Interest	57	55	56	62
PBT before Excp Items	1876	2549	2714	3197
Extraordinary/ Excp	176	55	0	0
PBT	1700	2494	2714	3197
Tax Expense	279	643	681	802
Net Profit	1421	1851	2033	2395
YoY Change (%)	3.1%	30.3%	9.8%	17.8%
AdJ PAT	1421	1863	2044	2406

Cash Flow Statement (Year Ending December)				
Particulars (INRCr)	CY20	CY21	CY22E	CY23E
Operating Activities				
PBT	1,709	2,506	2,726	3,208
Add Depreciation	639	601	658	723
Int expenses	57	55	56	62
Non Operating E0 Item	133	(214)	(229)	(253)
Taxes	(707)	(286)	(681)	(802)
Changes in Working Capital	388	130	54	14
Cash Flow from Operations	2,219	2,792	2,583	2,951
Investing Activities				
Other	214	177	1,262	242
Capex	(749)	(1,175)	(1,914)	(966)
Cash Flow from Investing	(535)	(998)	(652)	(724)
Financing Activities				
Dividends + Taxes paid	(263)	(263)	(1,128)	(564)
Other Financing Activites	(64)	(32)	(56)	(62)
Cash Flow from Financing	(327)	(295)	(1,184)	(626)
Opening Cash	4,493	5,849	7,367	8,114
Changes during year	1,356	1,499	747	1,601
Closing Cash	5,849	7,348	8,114	9,715
Closing Cash & Bank	6,006	7,524	8,271	9,872

Balance Sheet (Year Ending December)				
Particulars (INR Cr)	CY20	CY21	CY22E	CY23E
Liabilities + Equity				
(a) Share capital	188	188	188	188
(b) Reserves and surplus	12511	14121	15037	16879
Shareholders' funds	12699	14309	15225	17067
Minority Interest	3	3	0	0
Deffered Tax Liab	215	216	216	216
Other Liab Prov	5283	6511	6675	6882
Borrowing	0	0	0	0
Total - Equity and liabilities	18200	21039	22115	24164
Assets				
Non-current assets				
Fixed assets	7243	7995	8214	8468
Capital WIP	548	1245	200	200
Long Term Inv	121	131	131	131
WC excl cash	-69	-142	-196	-209
MISC asset	4352	4286	5495	5702
Cash & Bank	6006	7524	8271	9872
Total - Assets	18200	21039	22115	24164

Ratio Analysis				
	CY20	CY21	CY22E	CY23E
Profitability				
EBITDA (%)	17.1%	18.6%	18.5%	19.4%
EBIT (%)	12.4%	14.8%	14.7%	15.6%
PAT (%)	10.3%	11.5%	11.8%	12.5%
Du Pont ROAE Analysis				
PAT / Sales	10.3	11.5	11.7	12.4
Sales / Avg Total Fixed Assets	1.0	0.8	0.8	0.8
Avg Total Assets / Avg Equity	1.1	1.5	1.5	1.4
ROE %	11.2%	13.0%	13.4%	14.1%
Other Ratios				
Debt / Equity	0.0	0.0	0.0	0.00
EPS	76	98	108	127
DPS	14	15	16	30
Valuation				
P/E	29.5	22.7	20.6	17.5
EV/EBITDA	11.5	11.5	10.5	8.6

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House 6, Lad Colony, YN Road Indore - 452001, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880