

Margin pressure continues due to rise in input cost.

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CMP: INR 2,156

Rating: Accumulate

Target Price: INR 2435

Stock Info

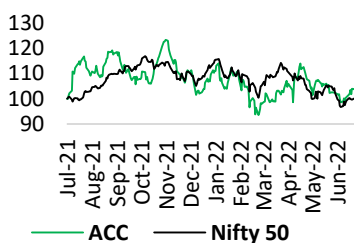
BSE	500410
NSE	ACC
Bloomberg	ACC IN
Reuters	ACC.BO
Sector	Cement
Face Value (INR)	10
Equity Capital (INR Cr)	188
Mkt Cap (INR Cr)	38644
52w H/L (INR)	2,588 / 1,900
Avg Yearly Vol (in 000')	523

Shareholding Pattern %

(As Of June 2022)

Promoters	54.53
Public & Others	45.47

ACC Ltd. Vs Nifty



Source: Arihant Research, NSE

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ACC Limited reported weak set of numbers on operating profit and bottom line front in Q2CY22 and were below our estimates.

Volume & Realization helps revenue growth : Revenue from operations grew by 15% YoY and 0.9% QoQ to INR 4468 cr above our estimate of INR 4323 cr. The growth in topine YoY was backed by realization and volume growth. Sales Volume grew by 11.8% YoY , however declined by 1.3% QoQ to 7.6 million tonne in line with our estimate of 7.4 million tonne. Realization/ton grew by 2.9 % YoY and 2.3% QoQ to INR 5879 against our estimate of INR 5842 .Price hike taken in cement prices helped in improved realization.

Higher Input cost impact operating performance :Reported EBIDTA declined by 50.9% YoY, and 32.9 QoQ to INR 426 Cr below our estimate of INR 572 Cr. EBIDTA /tonne declined by 56.1% YoY and 32% QoQ to INR 560.5 below our estimates of INR 774. Reported EBIDTA margin contracted by 1281 bps YoY and 481 bps QoQ to 9.5%. YoY contraction in margin was mainly due to significant fuel cost increase despite project 'Parvat' delivering strong internal efficiencies.

Sharp decline in bottom line due to poor operating performance: Reported PAT declined by 60.6% YoY and 43.1% QoQ to INR 227 Cr below our estimate of INR 341 cr. Poor operating performance and higher depreciation expenses led to decline in bottom line PAT margin contracted by 957bps YoY and 386 bps QoQ to 5.1%.

Valuation & View. At a CMP of INR 2156 stock is trading at EV/EBIDTA multiple of 10(x) and 8.2(x) to its CY22E and CY23E. Company delivered poor performance in Q2FY22 on operational front mainly due to rising input cost . Although with the moderation in crude oil prices and company cost efficiencies measures under project 'Parvat' is expected to remain very strong and help in partially offsetting the impact. The cost reduction journey will be further accelerated with commissioning of waste heat recovery projects in Jamul, Kymore & Ametha plants. Although we expect demand to remain muted in next quarter amid slowing down of construction activities due to on-going monsoon. However from longer term point of view we are positive on the company considering factors like capacity expansion plan of company , Pick up of demand in cement led by government focus on infrastructure and pick up in real-estate. We value the stock at EV/EBIDTA multiple of 9.6(x) to its CY23E EBIDTA of INR 3741 cr to arrive at a target price of INR 2435 and maintain Accumulate rating on the stock..

Q2CY22 - Quarterly Performance (Consolidated)

(in INR Cr)

INR Cr (consolidated)	Q2CY22	Q1CY22	Q2CY21	Q-o-Q	Y-o-Y
Net Revenue	4,468	4,427	3,884	0.9%	15.0%
Operating Costs	3,228	2,989	2,253	8.0%	43.3%
Employee cost	217	193	209	12.4%	3.8%
Other Expenses	597	610	554	-2.1%	7.8%
EBITDA	426	635	868	-32.9%	-50.9%
<i>EBITDA margin %</i>	<i>9.5%</i>	<i>14.3%</i>	<i>22.3%</i>	<i>-481bps</i>	<i>-1281bps</i>
Depreciation	165	154	146	7.1%	13.0%
EBIT	261	481	722	-45.7%	-63.9%
Other Income	54	58	46	-6.9%	17.4%
Finance cost	14	11	13	27.3%	7.7%
Exceptional Item		55		-	-
PBT	301	528	755	-43.0%	-60.1%
Tax Expense	78	136	189	-42.6%	-58.7%
Effective tax rate %	25.9%	25.8%	25.0%	16bps	88bps
PAT	223	392	566	-43.1%	-60.6%
MI & Associates	4	4	3	0.0%	33.3%
Consolidated PAT	227	396	569	-42.7%	-60.1%
<i>PAT margin %</i>	<i>5.1%</i>	<i>8.9%</i>	<i>14.6%</i>	<i>-386bps</i>	<i>-957bps</i>
EPS (Rs)	12.1	21.9	30.3	-44.7%	-60.1%

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

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

Particulars	Q2CY22	Q1CY22	Q2CY21	Q-o-Q	Y-o-Y
Sales Volume (mn tonne)	7.6	7.7	6.8	-1.3%	11.8%
Sales in mn	44680	44270	38840	0.9%	15.0%
Realization/tonne (INR)	5879	5749	5712	2.3%	2.9%
EBIDTA in mn	4260	6350	8680	-32.9%	-50.9%
EBIDTA/tonne (INR)	560.5	824.7	1276.5	-32.0%	-56.1%

Other Important Highlights

- Ametha project is expected to add 5 MTPA capacity and commissioning of integrated unit is expected in Q4 CY 22.
- Waste heat recovery projects at Jamul and Kymore plants on track for commissioning in Q3 2022; Orders placed for next wave of projects at Chanda and Wadi plants
- Land acquisition and other actions for the grinding unit project at Salai Banwa are progressing well.

Valuations (INR CR)	CY23E
EV/EBITDA(x)	9.6
EBITDA	3741
EV	35913.6
Cash	9872
Debt	
Market Cap	45786
No shares	18.8
Fair value (TP) (INR)	2435
CMP (INR)	2156
Upside(%)	12.9

Source: Arian 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

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

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

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	28.5	21.9	19.9	16.9
EV/EBITDA	11.5	11.0	10.0	8.2

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

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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%

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