

CMP: INR 2245

Rating: Hold

Target Price: INR 2,479

Stock Info

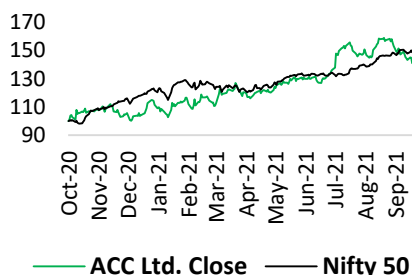
BSE	500410
NSE	ACC
Bloomberg	ACC IN
Reuters	ACC.BO
Sector	Cement
Face Value (INR)	10
Equity Capital (INR Cr)	188
Mkt Cap (INR Cr)	42167
52w H/L (INR)	2506 / 1490
Avg Yearly Vol (in 000')	1048.15

Shareholding Pattern %

(As Of September 2021)

Promoters	54.53
Public & Others	45.47

ACC Ltd. Vs Nifty



Source: Arihant Research, NSE

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ACC Limited reported good set of numbers for Q3CY21 on YoY basis Revenue from operations grew by 6% YoY however on QoQ basis revenue from operations declined by 3.5% to INR 3749 cr although it was above our estimate of INR 3600 cr. The YoY growth in topine was backed by volume and realization growth. Sales Volume grew by 1.5% YoY however declined by 29% QOQ to 6.6 million tonne against our estimate of 6.7 million tonne. Realization/ton grew by 7.1% YoY and declined by 0.6% QoQ to INR 5680 against our estimate of INR 5373. Price hike taken in cement prices helped in improved realization.

Reported EBIDTA grew by 6% YoY, however declined 18% QOQ to INR 711 Cr above our estimate of INR 660 Cr. EBIDTA /tonne grew by 4.4% YoY and declined by 15.6% QoQ to INR1077 above our estimates of INR 905

Reported EBIDTA margin remained flat YoY and declined by 338 bps QoQ to 19% Cost of material as a percentage of sales grew by 200 bps to 13.1 % in this quarter compared to last year. Power and fuel costs increased by 340 bps to 21.6 % while freight costs came in lower by 130 bps to 23.5 % in this quarter.

Reported PAT grew by 24% YoY and declined by 21% QoQ to INR 450 Cr above our estimate of INR 435 cr Increase in PAT YoY basis was mainly due to operating profit rise in other income and reduction in depreciation expenses. PAT margin expanded by 174 bps YoY however declined by 265 bps QoQ to 12%.

Other Highlights

- During this period, ACC became the first company in the Indian construction sector to sign the Net Zero Pledge - Business Ambition for 1.5°C. It is a commitment towards the 2030 intermediate targets to reduce greenhouse gas emissions, as approved by the Science Based Target initiative (SBTi). We continue to drive low CO2 products and solutions such as ECOPact, which have performed very well during the last quarter.
- Company believe that government impetus on infrastructure and housing will augur well for cement demand in the next quarters. We are positive that the cement sector would benefit from increasing demand in various sectors such as housing, commercial and industrial construction.

Valuation & View. The Government's impetus on infrastructure and housing will augur well for cement demand in the coming quarters and the sector will benefit from increasing demand in various sectors such as housing, commercial and industrial construction, Company focus on execution of cost efficiency and capacity expansion projects will enable the company deliver strong shareholder value. Rising Input cost may put some pressure in near term. At CMP of INR 2245 the stock is trading at a EV/EBIDTA multiple of 10.6(x) and 9.4(x) to its CY21E & CY22E ,we value the stock at EV/EBIDTA multiple 10.6(x) to its CY22E EBIDTA of INR 3608 cr to arrive at a target price of INR 2,479 and assign Hold rating on the stock

Q3 CY21 - Quarterly Performance (Consolidated)

(in INR Cr)

INR Cr (consolidated)	Q3CY21	Q2CY21	Q3CY20	Q-o-Q	Y-o-Y
Net Revenue	3,749	3,884	3,537	-3.5%	6.0%
Operating Costs	2,277	2,253	2,173	1.1%	4.8%
Employee cost	217	209	205	3.8%	5.9%
Other Expenses	544	554	488	-1.8%	11.5%
EBITDA	711	868	671	-18.1%	6.0%
<i>EBITDA margin %</i>	<i>19.0%</i>	<i>22.3%</i>	<i>19.0%</i>	<i>-338bps</i>	<i>-1bps</i>
Depreciation	150	146	160	2.7%	-6.3%
EBIT	561	722	511	-22.3%	9.8%
Other Income	65	46	45	41.3%	44.4%
Finance cost	17	13	16	30.8%	6.3%
Exceptional Item	-	-	-	-	-
PBT	609	755	540	-19.3%	12.8%
Tax Expense	159	189	177	-15.9%	-10.2%
Effective tax rate %	26.1%	25.0%	32.8%	108bps	-667bps
PAT	450	566	363	-20.5%	24.0%
MI & Associates	-	3	-	-100.0%	#DIV/0!
Consolidated PAT	450	569	363	-20.9%	24.0%
<i>PAT margin %</i>	<i>12.0%</i>	<i>14.6%</i>	<i>10.3%</i>	<i>-265bps</i>	<i>174bps</i>
EPS (Rs)	23.90	30.32	19.30	-21.2%	23.8%

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

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Particulars	Q3CY21	Q2CY21	Q3CY20	Q-o-Q	Y-o-Y
Sales Volume (mn tonne)	6.6	6.8	6.5	-2.9%	1.5%
Sales in mn	37490	38840	35370	-3.5%	6.0%
Realization/tonne (INR)	5680	5712	5306	-0.6%	7.1%
EBIDTA in mn	7110	8680	6710	-18.1%	6.0%
EBIDTA/tonne (INR)	1077.3	1276.5	1032.3	-15.6%	4.4%

Valuations (INR CR)	CY22E
EV/EBITDA(x)	10.6
EBITDA	3608
EV	38244
Cash	8364
Debt	0
Market Cap	46608
No shares	18.8
Fair value (TP) (INR)	2479
CMP (INR)	2245
Upside(%)	10.4%

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

Key Financials (Consolidated)

Profit and Loss Account (Year Ending December)				
Particulars (INR Cr)	CY19	CY20	CY21E	CY22E
Income from Operations	15,658	13,786	16,862	18,988
YoY Change (%)	5.8%	-12.0%	22.3%	12.6%
Power & Fuel Cost	3134	2575	3035	3418
Employee Cost	866	841	995	1158
Distribution Expenses	4032	3416	4384	4937
Other Expenditure incl. RM	5213	4599	5160	5867
Total Expenditure	13245	11431	13574	15381
EBITDA	2413	2355	3288	3608
Depreciation	606	639	694	734
EBIT	1806	1716	2594	2874
Other Income	318	217	271	339
Interest	86	57	70	79
PBT before Excp Items	2039	1876	2796	3134
Extraordinary/ Excp	0	176	0	0
PBT	2039	1700	2796	3134
Tax Expense	675	279	923	1034
Net Profit	1378	1430	1873	2100
YoY Change (%)	-9.4%	3.8%	30.9%	12.1%

Balance Sheet (Year Ending December)				
Particulars (INR Cr)	CY19	CY20	CY21E	CY22E
Liabilities + Equity				
(a) Share capital	188	188	188	188
(b) Reserves and surplus	11356	12511	14121	15958
Shareholders' funds	11544	12699	14309	16146
Minority Interest	3	3		
Non-current liab & Prov	891	694	694	694
Current liabilities	4698	4804	5809	6333
Total - Equity and liabilities	17136	18200	20812	23173
Assets				
Non-current assets	9601	9752	10929	12155
Fixed assets	7423	7056	7856	8706
Goodwill + Intangibles	50	186	185	186
Long Term Inv	116	129	161	193
Loans & Adv	144	136	131	125
Other Non-current assets	1869	2244	2594	2944
Current assets	7535	8449	9883	11018
Cash	4648	6006	7417	8364
Other Current Assets	2887	2443	2466	2654
Total - Assets	17136	18200	20812	23173

Cash Flow Statement (Year Ending December)				
Particulars (INRCr)	CY19	CY20	CY21E	CY22E
Operating Activities				
PBT	2,053	1,709	2,796	3,134
Add Depreciation	606	639	694	734
Others	(206)	(378)	(1,263)	(1,465)
Total	2,453	1,970	2,226	2,403
Taxes	(675)	(279)	(923)	(1,034)
Changes in Working Capital	660	926	1,128	655
Cash Flow from Operations	2,438	2,617	2,432	2,023
Investing Activities				
Change in investments	225	39	29	28
Capex	540	(745)	(800)	(850)
Cash Flow from Investing	765	(707)	(771)	(823)
Financing Activities				
Dividends + Taxes paid	(317)	(263)	(263)	(263)
Other Financing Activites	-	(261)	13	9
Cash Flow from Financing	(317)	(524)	(250)	(254)
Opening Cash	1,819	4,648	6,006	7,417
Changes during year	2,829	1,358	1,411	947
Closing Cash	4,648	6,006	7,417	8,364

Ratio Analysis				
	CY19	CY20	CY21E	CY22E
Profitability				
EBITDA (%)	15.4%	17.1%	19.5%	19.0%
EBIT (%)	11.5%	12.5%	15.4%	15.1%
PAT (%)	8.8%	10.4%	11.1%	11.1%
Du Pont ROAE Analysis				
PAT / Sales	8.8	10.4	11.1	11.1
Sales / Avg Total Fixed Assets	0.9	0.8	0.8	0.9
Avg Total Assets / Avg Equity	1.5	1.5	1.4	1.4
ROE %	11.9%	11.3%	13.1%	13.0%
Other Ratios				
Current Ratio	1.6	1.8	1.7	1.7
Debt / Equity	0.0	0.0	0.0	0.0
EPS	73	76	100	112
DPS	14	14	14	14
Valuation				
P/E	30.6	29.5	22.5	20.1
EV/EBITDA	15.6	11.5	10.6	9.4

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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