

CMP: INR 1,950

Rating: Accumulate

Target Price: INR 2,297

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)	36,620
52w H/L (INR)	2,784/1,593

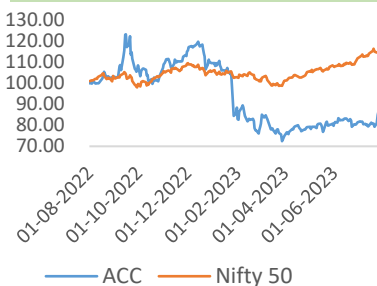
Shareholding Pattern %

(As Of June 2023)

Promoters	56.69
Public & Others	43.31

Stock Performance (%)	1m	3m	12m
ACC	7.53	10.55	-10.63
Nifty 50	3.55	8.75	16.05

ACC Ltd. Vs Nifty



Source: Arihant Research, NSE

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Anupama Bhootra

ACC Limited reported a strong set of numbers led by strong volumes and good cost management.

Revenues at INR 5201cr up by 17% YoY/+9% (against our estimates of INR 5106cr) Volume up by 23.2% YoY at 9.4mt

EBITDA at INR 848 up by 81% YoY/+65% QoQ led by decline in employee cost and a decline in power and fuel cost on YoY basis; margins at 12.5% expanded by 400bps YoY/540 QoQ.

PAT at INR 463cr up by 105% YoY (against our estimates of INR 402cr)

Volumes grew by 23% YoY led by an increase in blended cement and an improvement in efficiency parameters.

Margins The margins expanded by 400bps YoY contributed by an improved share of WHRS from 2.0% to 8.4%. Kiln fuel cost reduced by 15.5% from INR 2.52 per kCal to INR2.13 per kCal, and EBITDA/t stood at INR 902 led by margin expansion and an increase in profitability. The profitability is expected to sustain going forward as the company has taken many initiatives like optimizing fuel mix, working on lead distance and increasing group synergy benefits.

Capacity and commissioning The Ametha Integrated Unit to be commissioned by Q2 FY24 which will increase Clinker capacity by 3.3 MTPA (EC approvals in hand for 2.75 MTPA) and Grinding capacity by 1 MTPA.

The company has also highlighted robust growth in RMX &Construction Chemicals sectors, driven by investments in construction segments & rapid urbanization.

Outlook The company has posted stellar results, in line with our expectations and above industry levels and its peers on the back of robust volume growth, profitability increased substantially led by a decline in employee cost and a decline in power and fuel cost on a YoY basis. With the expectation of stable prices of fuel costs in the coming days, along with the robust demand pickup in construction activities and the company's focus on operational excellence may lead to growth in top line and bottom line numbers and margin expansion in coming quarters too. On CMP, the stock is trading at EV/EBITDA multiple of 18.4x, we have an accumulate rating for the stock with a target price of INR 2297.

Particulars	Q1FY24	Q4FY23	Q1FY23
Sales Volumes in mt	9.40	8.5	7.60
Sales (cr)	5201	4791	4468
Realization INR/tonne	5533	5636	5879
EBIDTA (cr)	772	469	427
EBIDTA/Ton	821.3	551.5	561.9
PAT	468	236	224

Q1FY24 Results

INR cr	Q1FY24	Q4FY23	Q1FY23	YoY	QOQ
Net Revenue	5201	4,790	4468	16.4%	8.6%
Operating Costs	3,721	3,554	3,231	15.2%	4.7%
RM	1,428	1,577	838	70.4%	-9.4%
PF	1,123	941	1,311	-14.3%	19.3%
Frieght	1,170	1,036	1,082	8.1%	12.9%
Employee cost	152	212	216	-29.7%	-28.3%
Other Expenses	556	556	594	-6.4%	0.0%
EBITDA	772	469	427	80.8%	64.7%
<i>EBITDA margin %</i>	14.8%	9.8%	9.6%	506	529
Depreciation	199	174	164	21.5%	14.4%
EBIT	573	295	263	117.7%	94.4%
Other Income	78.74	117.25	52.87	48.9%	-32.8%
Finance cost	25	15	15	68.2%	66.7%
Exceptional Item	-	66	-		
PBT	627	331	301	108.1%	89.6%
Tax Expense	159	95	77		
Effective tax rate %	25.4%	28.7%	25.6%		
PAT	468	236	224	108.6%	98.6%
<i>PAT margin %</i>	9.0%	4.9%	5.0%	408	398
EPS (INR)	276.65	254.83	237.66	16.4%	8.6%
No of shares	18.8	18.8	18.8		

Source: Arianth Research, Company Filings

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

Income Statement

Particulars	CY21	FY23*	FY24E	FY25E	FY26E
Net Revenue from operations	16,151	22,210	19,346	20,333	23,001
Expenditure					
Consumption of raw materials	2,120	3,347	2,489	2,616	2,959
Stock Adjustments -Inc / +Dec	747	2,108			
Power & Fuel Cost	3,361	5,738	4,648	4,935	5,638
Freight and handling	3,845	5,168	4,605	4,840	5,475
Cost of Goods Sold (COGS)	10,073	16,361	12,865	13,827	15,526
Employee costs	834	1,036	999	1,050	1,188
Other expenses	2,244	2,893	2,902	3,050	3,450
Operating Expenses	13,151	20,291	16,766	17,927	20,164
EBITDA	3,000	1,919	2,580	2,407	2,837
EBITDA Margin (%)	18.6%	8.6%	13.3%	11.8%	12.3%
Depreciation	597	835	900	900	900
EBIT	2,403	1,084	1,680	1,507	1,937
EBIT Margin (%)	14.9%	4.9%	8.7%	7.4%	8.4%
Interest & Finance Charges	55	77.18	67.23	70.66	79.93
Other Income	205	337	193	203	230
PBT	2,553	1,344	1,806	1,639	2,088
PBT Margin (%)	15.8%	6.1%	9.3%	8.1%	9.1%
Exceptional Items	92.9	161.8			
PBT after Exceptional Items	2460	1182	1806	1639	2088
Total Tax	640	312	452	410	522
PAT	1,820	870	1,355	1,230	1,566
EPS	96.8	46.3	72.1	65.4	83.3

Source: Arihant Research, Company Filings

Balance Sheet

Assets	CY21	FY23*	FY24E	FY25E	FY26E
Non-current assets					
a) Property, plant and equipment	6,518	7,081	7,505	8,256	9,082
b) Capital work-in-progress	1,212	1,683	1,683	1,683	1,683
Other assets	2,925	3,500	3,640	4,004	4,404
Investment	18	18	20	22	24
Total Non-current assets	10,674	12,282	12,849	13,965	15,193
Current assets					
a) Inventories	1,273	1,624	1,786	1,964	2,161
b) Financial assets					
(i) Trade receivables	462	875	962	1,058	1,164
(ii) Cash and cash equivalents	7,247	129	520	464	471
(iii) Bank balances other than cash and cash equivalents	156	158	158	158	158
(iv) Loans	7	7	7	7	7
(v) Other financial assets	287	3,069	3,069	3,069	3,069
c) Other current assets	810	2,263	2,263	2,263	2,263
Current assets	10,243	8,125	8,765	8,984	9,293
non classified	2	2	2	2	2
Total Current assets	20,919	20,409	21,616	22,951	24,489
EQUITY AND LIABILITIES					
Equity					
a) Equity share capital	188	188	188	188	188
b) Other equity	14,040	13,855	15,210	16,439	18,005
Total Equity	14,228	14,043	15,398	16,627	18,193
Liabilities					
Non-current liabilities					
a) Financial liabilities					
Lease liabilities	101	126	126	126	126
b) Provisions	214	176	176	176	176
c) Deferred Tax liabilities (Net)	383	433	433	433	433
Total Non-current liabilities	698	735	735	735	735
Current liabilities					
(i) Trade payables					
Total outstanding dues of micro and small enterprises	25	20	20	20	20
Total outstanding dues of Trade payable other than micro and small enterprises	1,874	1,472	1,325	1,431	1,402
Other current liabilities	4,093	4,138	4,138	4,138	4,138
Current liabilities	5,992	5,630	5,483	5,589	5,561
Total liabilities	6,691	6,366	6,218	6,324	6,296
Total	20,919	20,409	21,616	22,951	24,489

Source: Arihant Research, Company Filings

Cash Flow

INR cr	CY21	FY23*	FY24E	FY25E	FY26E
PBT	2,461	1,182	1,806	1,639	2,088
Depreciation	597	835	900	900	900
dividend income	-2	-2			
interest income	-192	-224			
Finance cost	55	77	67	71	80
other items	68	-35	-294	212	-57
operating profit before WC changes	2,987	1,834	2,479	2,822	3,010
change in inventories	-380	-283	-162	-179	-196
change in trade rec	-27	-427	-87	-96	-106
change in assets	-191	-1,740	-140	-364	-400
change in payables	489	-399	147	-106	29
decrease in provisions	-3	-17			
increase in other liabilities	240	196			
Taxes	-285	-403	-452	-410	-522
Cash from operating activities	2,832	-1,239	1,785	1,667	1,814
Purchase of PPE	-1,173	-2,103	-1,325	-1,651	-1,726
Other items	24	126			
Proceeds from sale of PPE	-10				
sale of MF	8	15			
investments	-13	-2,891	-2	-2	-2
Dividend rec	175	211			
Investing activity	-989	-4,642	-1,327	-1,653	-1,728
interest	-32	-60	-67	-71	-80
Pay mt of lease liabilities	-36	-89			
Dividend paid	-263	-1,089			
Net cash used in financing activities	-331	-1,238	-67	-71	-80
change in cash	1,513	-7,118	391	-56	7
opening bal	5,735	7,247	129	520	464
adj	0	0			
Closing cash	7,248	129	520	464	471

Ratios

Particulars	CY21	FY23*	FY24E	FY25E	FY26E
Margin ratios					
Gross Margins	62.4%	73.7%	66.5%	68.0%	67.5%
EBITDA Margins	18.6%	8.6%	13.3%	11.8%	12.3%
EBIT Margins	14.9%	4.9%	8.7%	7.4%	8.4%
PBT Margins	15.8%	6.1%	9.3%	8.1%	9.1%
PAT Margins	11.3%	3.9%	7.0%	6.0%	6.8%
Per share ratios					
Earning Per Share (EPS)	96.8	46.3	72.1	65.4	83.3
Book Value Per share (BV)	756.8	747.0	819.0	884.4	967.7
Return ratios					
Return on Equity (ROE)	12.8%	6.2%	8.8%	7.4%	8.6%
Return on Capital Employed (ROCE)	16%	7%	10%	9%	10%
Valuation ratios					
P/E	19.3	40.3	25.9	28.5	22.4
P/BV	0.1	0.0	0.0	0.0	0.0
EV/EBITDA	9.2	18.1	13.3	14.3	12.1
EV/Sales	1.7	1.6	1.8	1.7	1.5

*FY23 is of Fifteen months

Source: Arihant 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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