

ACC LTD (ACC)

Cements | 2QFY24 Result Update

BUY

CMP: Rs1,844 | Target Price (TP): Rs2,495 | Upside: 35%

November 02, 2023

Expected to maintain balanced growth

Key Points

- Overall revenue for 2QFY24 exceeded NBIE estimate by 11% (Actual/Estimated: Rs44,347mn/Rs41,110mn) on the back of reported volume (cement + clinker) growth of 17% YoY (Actual/Estimated: 8.1Mn T/7.3MnT).
- Overall EBITDA increased significantly on YoY basis on a low base but was lower than NBIE estimate by 15% (Actual/Estimated: Rs5,484mn/Rs6,484mn) due to lower cost for Power & Fuel (declined by 33% YoY), Labour and other expenses. Raw Material expenses/T increased by ~30% YoY.
- We expect many levers of growth to emerge along with cost savings (Rs170-220/T) in terms of RM sourcing, network optimization, sourcing of RE and WHRS capacity expansion. The key markets serviced by legacy plants shall be replaced/supported by additional clinker line.
- We maintain our BUY rating and value ACC at an unchanged valuation of 10.6x Sept'25E EV/EBITDA with a revised target price (TP) of Rs2,495.

2QFY24 performance update: The company witnessed strong volume growth of 17.4% YoY. Additionally, there was a significant jump of ~3,456.3% YoY in EBITDA at Rs5,484mn due to a lower base. However, cement realization declined by 4.2% YoY to Rs5,125/T. Cement realisation is expected to remain stable in FY24. On a positive note, ACC benefited from a ~42.7% YoY decline in Power & Fuel cost due to easing fuel costs. Employee costs declined by 21.3% YoY due to cost synergies with Ambuja Cement, but on a QoQ basis, they increased by 48.7% YoY. Freight cost declined by 17.8% YoY, resulting in a 2,929.4% YoY jump in EBITDA/T on YoY basis. The positive effects of the merger with Ambuja Cement are already evident in the company's operating cost/T, which declined by ~16.7% YoY. These cost synergies are expected to further contribute to cost reduction in the coming quarters.

Expansion plans and capex update: For FY24, ACC had previously guided for a capex of ~Rs24.31bn. The company has successfully commenced the Ametha integrated plant in Madhya Pradesh, thereby increasing the clinker capacity by 3.3MTPA. WHRS at Kymore and Jamul (capacity-22.4MW) is now fully operational. Additionally, 16.3MW capacity at the Ametha plant is expected to be commissioned by 3QFY24. This would help improve WHRS share in power consumption to 9% by FY24-end vs 2.9% in 1QFY24.

Est Change	Maintain
TP Change	Maintain
Rating Change	Maintain

Company Data and Valuation Summary

Reuters:	ACC.BO
Bloomberg:	ACC IN Equity
Mkt Cap (Rsbn/US\$mn):	354.6 / 4.3
52 Wk H / L (Rs):	2,675 / 1,592
ADTV-3M (mn) (Rs/US\$):	1,197.6 / 14.4
Stock performance (%) 1M/6M/1yr:	(6.2) / 7.1 / (21.0)
Nifty 50 performance (%) 1M/6M/1yr:	(3.0) / (3.3) / 5.1

Shareholding	4QFY23	1QFY24	2QFY24
Promoters	56.7	56.7	56.7
DII's	19.7	19.5	22.9
FII's	10.1	10.0	7.1
Others	13.6	13.8	13.3
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY23*	FY24E	FY25E	FY26E
Net Sales	2,22,100	1,97,095	2,14,708	2,48,207
Growth YoY%	10.0	(11.3)	8.9	15.6
EBITDA	19,190	28,973	35,699	44,460
EBITDA margin %	8.6	14.7	16.6	17.9
Adj PAT	8,699	18,279	22,723	28,542
Growth YoY%	(61.8)	110.1	24.3	25.6
Adj EPS	46.3	97.3	121.0	152.0
RoE	4.9	12.4	13.8	15.3
EV/EBITDA	22.4	11.9	9.6	6.3
EV/mt (\$)	123.1	123.1	117.6	95.3
P/E(x)	49.8	18.9	15.2	12.1

Note: Company used to follow Calendar year till 2021..FY23 includes 15 Months period from 4Q22 to 4Q23.

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

Cost optimization measures: The company is focussing on enhancing logistics efficiencies. As a result, direct road dispatch increased from 52% to 58% in 2QFY24. ACC also improved the rail coefficient by 5pp to 34% in 2QFY24. To curtail fuel costs, the company is actively increasing the share of WHRS in its fuel mix. This move resulted in a substantial reduction of kiln fuel costs from Rs3.19/kcal last year to Rs1.85/kcal in 2QFY24.

Exhibit 1: 2QFY24 standalone performance

Particulars (Rsmn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E	FY23*	FY24E
Net Sales	44,684	39,873	45,370	47,908	52,011	44,347	48,091	52,647	1,77,835	1,97,095
YoY Change (%)	15.0%	6.4%	7.4%	8.2%	16.4%	11.2%	6.0%	9.9%	9.2%	10.8%
Expenditure										
Chg. in stock	-1,887	-2,226	1,186	1,568	-508	643	-2,053	-2,248	-1,359	-4,166
RM consumption	6,939	6,347	6,087	7,292	8,225	7,192	7,151	7,566	26,664	30,134
Purchase of traded goods	3,333	4,374	5,608	6,918	6,573	5,110	3,410	3,971	20,233	19,063
Employee cost	2,162	2,107	2,048	2,121	1,520	1,948	1,752	1,875	8,437	7,094
Freight Costs	10,830	9,877	10,073	10,363	11,705	9,533	11,078	12,257	41,144	44,573
Power and fuel	13,110	13,166	11,292	9,420	11,239	8,857	12,840	14,056	46,988	46,991
Other exp	5,944	6,074	5,293	5,564	5,568	5,581	6,468	6,816	22,874	24,433
Total Operating Expenses	40,431	39,719	41,587	43,245	44,321	38,863	40,646	44,293	1,64,982	1,68,123
EBITDA	4,253	154	3,783	4,663	7,690	5,484	7,445	8,354	12,853	28,973
YoY Change (%)	-51.4%	-98%	-32%	-26.4%	80.8%	3456.3%	96.8%	79.2%	-53.7%	125%
Margin (%)	9.5%	0.4%	8.3%	9.7%	14.8%	12.4%	15.5%	15.9%	7.2%	14.7%
Depreciation	1,638	1,726	1,716	1,741	1,991	2,118	1,950	1,872	6,820	7,932
Interest	149	177	188	152	251	288	231	257	666	1,026
Other income	529	688	407	1,173	782	2,079	424	1,231	2,796	4,516
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT (bei)	2,995	-1,060	2,286	3,942	6,231	5,156	5,689	7,456	8,163	24,531
PBT	2,995	-1,223	1,495	3,278	6,231	5,156	5,689	7,456	6,545	24,531
Tax	774	-312	390	912	1,592	1,313	1,449	1,899	1,764	6,252
ETR (%)	26%	26%	26%	28%	26%	25%	25%	25%	27%	25%
Reported PAT	2,222	-911	1,105	2,366	4,639	3,843	4,240	5,557	4,781	18,279
Adj. PAT	2,222	-911	1,105	2,366	4,639	3,843	4,240	5,557	4,781	18,279
YoY Change (%)	-61%	NA	-43%	-23%	108.8%	-521.9%	283.9%	134.9%	-72%	282%
Adj. EPS	11.8	-4.9	5.9	12.6	24.7	20.5	22.6	29.6	25.5	97.3

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Detailed financials

Y/E March (Rs mm)	2QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)	Estimates	Variance (%)	H1FY23*	H1FY23	YoY (%)
Net Sales	39,873	52,011	44,347	11.2	(14.7)	41,110	7.9	84,557	96,358	14.0
Expenditure										
Chg. in stock	(2,226)	(508)	643	NA	NA	-	-	(4,113)	135	(103.3)
RM consumption	6,347	8,225	7,192	13.3	(12.6)	-	-	13,286	15,417	16.0
Purchase of traded goods	4,374	6,573	5,110	16.8	(22.3)	-	-	7,707	11,683	51.6
Employee cost	2,107	1,520	1,948	(7.6)	28.2	-	-	4,269	3,467	(18.8)
Freight Costs	9,877	11,705	9,533	(3.5)	(18.6)	-	-	20,707	21,239	2.6
Power and fuel	13,166	11,239	8,857	(32.7)	(21.2)	-	-	26,276	20,095	(23.5)
Other exp	6,074	5,568	5,581	(8.1)	0.2	-	-	12,018	11,149	(7.2)
Total Operating Expenses	39,719	44,321	38,863	(2.2)	(12.3)	34,626	12.2	80,150	83,184	3.8
EBITDA	154	7,690	5,484	3,456.3	(28.7)	6,484	(15.4)	4,408	13,174	198.9
EBITDA Margin (%)	0.4%	14.8%	12.4%	1198bps	(242)bps	15.8%	(341)bps	5.2%	13.7%	846bps
Other Income	688	782	2,079	202.0	165.7	-	-	1,217	2,861	135.1
Interest Costs	177	251	288	63.0	15.0	-	-	326	539	65.6
Depreciation	1,726	1,991	2,118	22.7	6.4	-	-	3,364	4,109	22.2
PBT	(1,060)	6,231	5,156	(586.3)	(17.3)	-	-	1,935	11,387	488.4
Exceptional Items	(163)	-	-	NA	NA	-	-	(163)	-	NA
PBT Post exceptional items	(1,223)	6,231	5,156	(521.6)	(17.3)	-	-	1,773	11,387	542.4
Tax	(312)	1,592	1,313	(520.9)	(17.5)	-	-	462	2,905	529.0
Reported PAT	(911)	4,639	3,843	(521.9)	(17.2)	-	-	1,311	8,482	547.1
Adjusted PAT	(748)	4,639	3,843	(613.5)	(17.2)	3,890	(1.2)	1,473	8,482	475.7
NPM(%)	-2.3%	8.9%	8.7%	1095bps	(25)bps	9.5%	(80)bps	1.6%	8.8%	725bps
EPS (Rs.)	-4.9	24.7	20.5	(521.9)	(17.2)	20.7	(1.2)	7.0	45.2	547.1

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Operational data

Operational Data	2QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)	Estimates	Variance (%)	H1FY23*	H1FY24	YoY (%)
Volume (mn mt)	6.90	9.40	8.10	17.4	(13.8)	7.29	11.1	14.46	17.50	21.0
Cement Realisation (Rs/mt)	5,350	5,189	5,125	(4.2)	(1.2)	5,199	(1.4)	5,848	5,506	(5.8)
Operating Costs (Rs/mt)	5,756	4,715	4,798	(16.7)	1.8	4,749	1.0	5,543	4,753	(14.2)
EBITDA (Rs/mt)	22	818	677	2,929.4	(17.2)	889	(23.9)	305	753	147.0

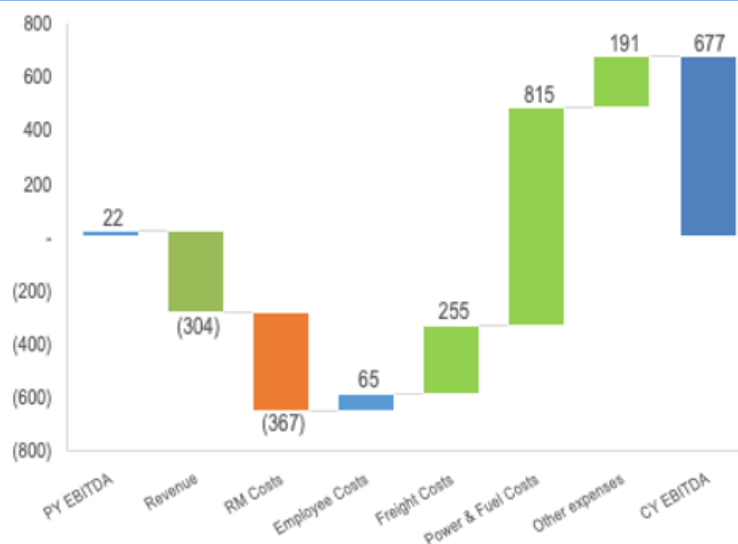
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Trend in operating costs

Costs/mt (Rs)	Sep/21	Dec/21	Mar/22	Jun/22	Sep/22	Dec/22	Mar/23	Jun/23	Sep/23	YoY (%)	QoQ (%)
RM consumption	950	1,328	1,141	1,109	1,231	1,673	1,856	1,520	1,598	37.0	(18.1)
Employee cost	330	271	244	286	305	266	249	162	240	(43.5)	(35.2)
Freight, packing etc	1,317	1,289	1,334	1,433	1,432	1,308	1,219	1,245	1,177	(13.1)	2.1
Power and fuel	1,198	1,255	1,316	1,734	1,908	1,466	1,108	1,196	1,093	(31.1)	7.9
Other exp	828	758	767	786	880	687	655	592	689	(24.7)	(9.5)
Operating costs/mt	4,623	4,901	4,801	5,348	5,756	5,401	5,088	4,715	4,798	(11.8)	(7.3)
EBITDA/mt	1,083	741	802	563	22	491	549	818	677	45.4	49.1

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: YoY movement in EBITDA/mt

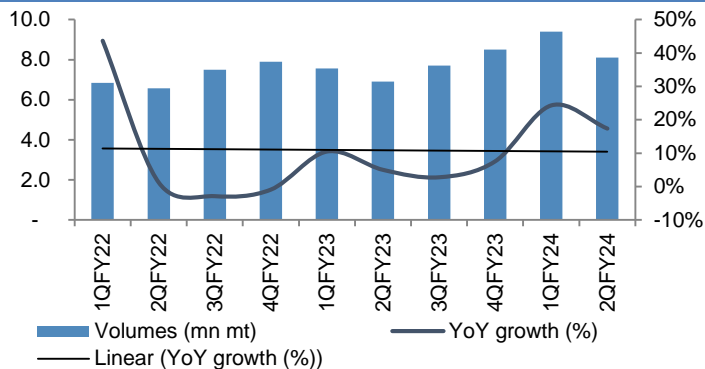


Source: Company, Nirmal Bang Institutional Equities Research

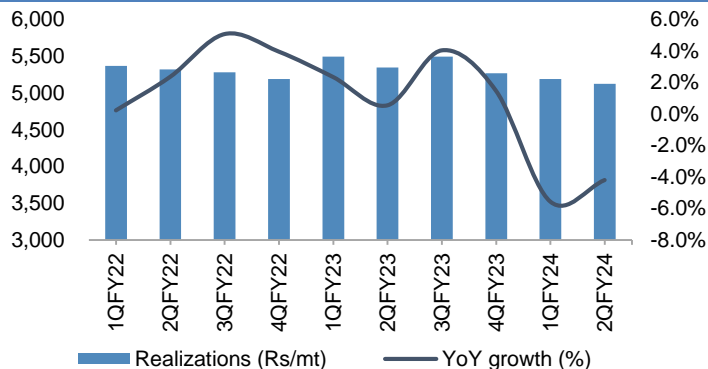
Exhibit 6: Change in estimates

Particulars (Rs mn)	FY24E			FY25E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	1,92,607	1,97,095	2.3	2,01,410	2,14,708	6.6
EBITDA	29,065	28,973	(0.3)	35,746	35,699	(0.1)
PAT	17,825	18,279	2.5	23,090	22,723	(1.6)
EPS	94.9	97.3	2.6	123.0	121.0	(1.6)

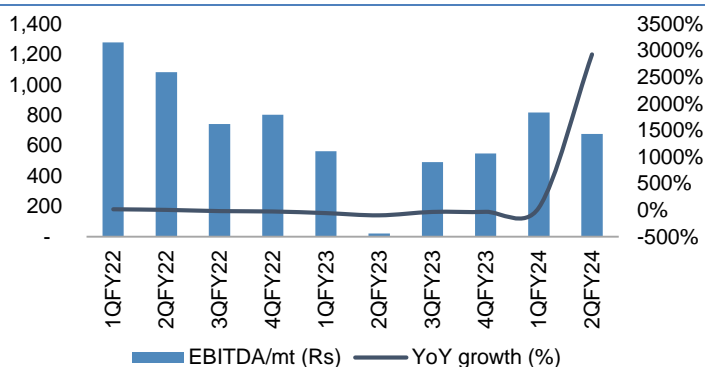
Source: Nirmal Bang Institutional Equities Research

Exhibit 7: Volume increased by 17.4% YoY


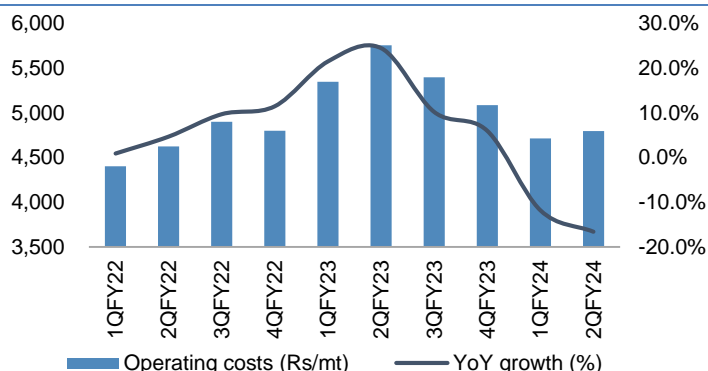
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Realization decreased by 4.2% YoY


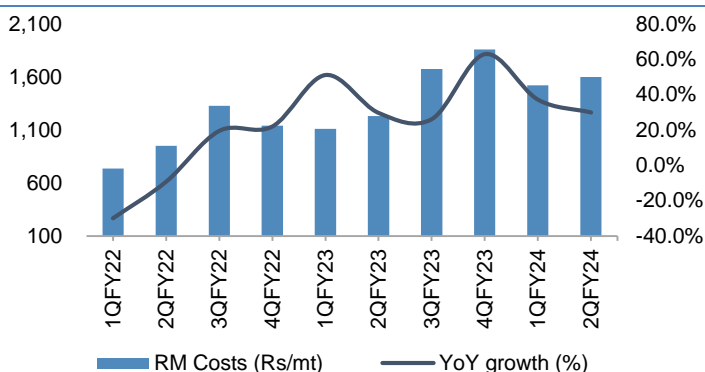
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: EBITDA/mt increased by 2929.4% YoY


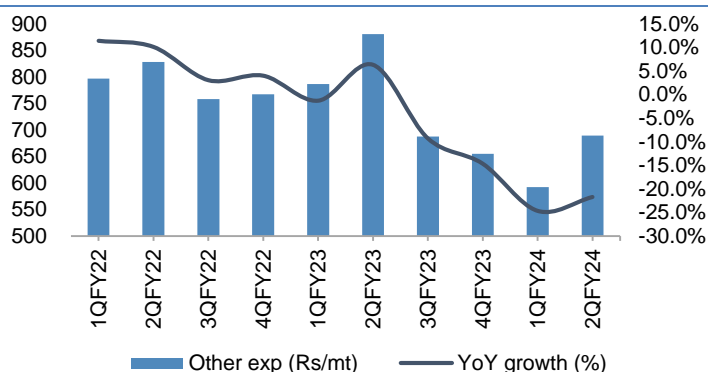
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Operating cost decreased by 16.7% YoY


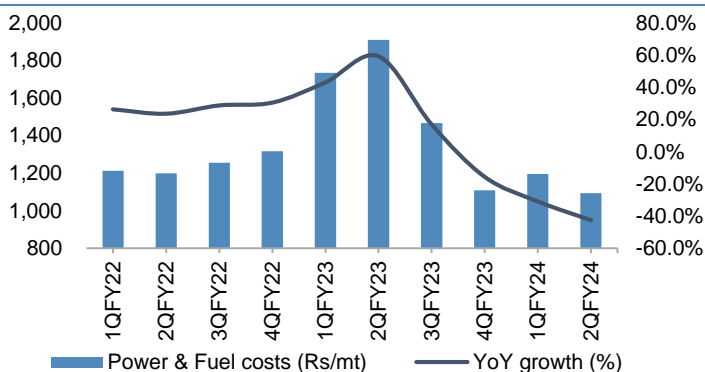
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: RM cost increased by 29.8% YoY


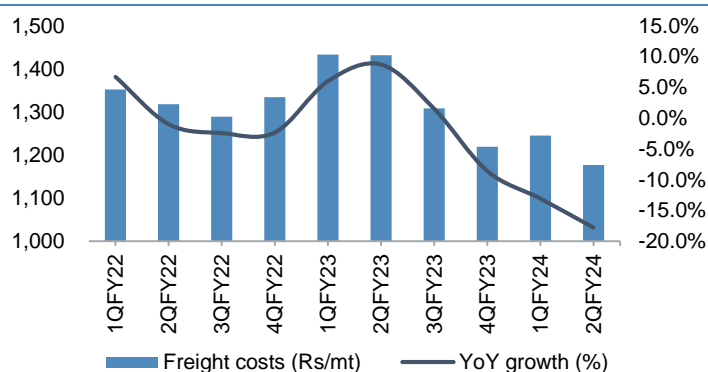
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Other expenses down by 21.7% YoY


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: Power & Fuel cost down by 42.7% YoY


Source: Company, Nirmal Bang Institutional Equities Research

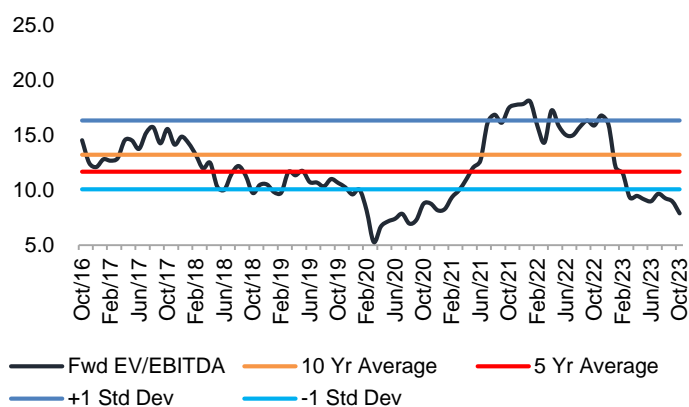
Exhibit 14: Freight cost down by 17.8% YoY


Source: Company, Nirmal Bang Institutional Equities Research

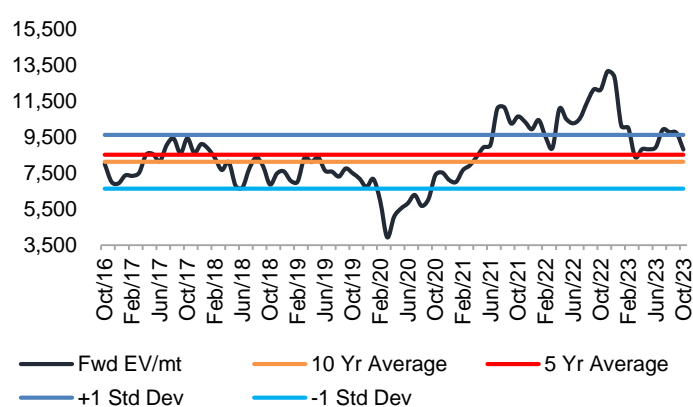
Exhibit 15: Valuation summary

Particulars	(Rs mn)
September'25E EBITDA	37,983
Target multiple (x)	10.6
Enterprise value	4,02,618
Less: Net debt	(65,827)
Equity value	4,68,445
No of shares (mn)	187.8
Value per share (Rs)	2,495
CMP (Rs)	1,844
Upside / (downside) %	35%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: Rolling valuation charts


Source: Company, Nirmal Bang Institutional Equities Research



Source: Company, Nirmal Bang Institutional Equities Research

Financial statement

Exhibit 17: Income statement

YE March, Rs mn	CY21	FY23*	FY24E	FY25E	FY26E
Net Sales	1,61,514	2,22,100	1,97,095	2,14,708	2,48,207
Raw Material Consumed	28,428	54,550	45,031	38,560	43,635
Power & Fuel Cost	33,608	57,383	46,991	54,945	63,973
Employee Cost	8,340	10,362	7,094	9,327	9,712
Freight and Forwarding	38,447	51,683	44,573	49,369	55,130
Other expenses	22,687	28,933	24,433	26,809	31,296
Total Expenditure	1,31,510	2,02,910	1,68,123	1,79,010	2,03,747
Operating profit	30,004	19,190	28,973	35,699	44,460
Operating profit margin (%)	19%	9%	15%	17%	18%
Other Income	2,048	3,372	4,516	4,722	4,926
Interest	546	772	1,026	1,015	1,012
Depreciation	5,973	8,351	7,932	8,918	10,081
PBT	25,533	13,439	24,531	30,487	38,294
Exceptional items	(929)	(1,618)	-	-	-
PBT post exc items	24,604	11,821	24,531	30,487	38,294
Tax	6,401	3,122	6,252	7,763	9,751
Tax rate (%)	26%	26%	25%	25%	25%
PAT	18,203	8,699	18,279	22,723	28,542
EPS (Rs)	96.9	46.3	97.3	121.0	152.0

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Balance Sheet

YE March, Rs mn	CY21	FY23*	FY24E	FY25E	FY26E
Equity Capital	1,880	1,880	1,880	1,880	1,880
Reserves and Surplus	1,40,404	1,38,550	1,53,074	1,72,041	1,96,828
Networth	1,42,284	1,40,430	1,54,954	1,73,921	1,98,708
Total Debt	-	-	-	-	-
Deferred tax liability	3,827	4,331	4,331	4,331	4,331
Other non current liabilities	3,157	1,763	2,075	2,080	2,060
Trade Payables	18,992	14,922	18,889	20,083	21,227
Other Current Liabilities	40,930	44,061	49,166	51,870	57,027
Total Current Liabilities	59,922	58,983	68,055	71,953	78,254
Total liabilities	2,09,190	2,05,507	2,29,415	2,52,286	2,83,353
Net Block	65,682	72,247	94,050	1,04,605	1,13,483
CWIP	12,408	16,831	11,024	11,536	12,560
Investment	1,927	1,927	1,927	1,927	1,927
Other non current assets	26,732	32,657	30,237	30,441	25,990
Inventories	12,733	16,235	17,820	19,412	23,121
Sundry Debtors	4,892	8,747	8,640	9,412	10,880
Cash and Bank	74,042	2,852	22,339	37,615	65,827
Other current assets	10,775	54,011	43,379	37,338	29,565
Total Current Assets	1,02,441	81,845	92,178	1,03,777	1,29,393
Total Assets	2,09,190	2,05,507	2,29,415	2,52,286	2,83,353

Source: Company, Nirmal Bang Institutional Equities Research

Note: Company used to follow Calendar year till 2021..FY23 includes 15 Months period from 4Q22 to 4Q23.

Exhibit 19: Cash flow statement

YE March, Rs mn	CY21	FY23*	FY24E	FY25E	FY26E
Profit before tax	24,604	11,821	24,531	30,487	38,294
Add : Depreciation	5,973	8,351	7,932	8,918	10,081
Add: Interest Exp	546	772	1,026	1,015	1,012
Cash flow from ops b4 WC	31,123	20,944	33,489	40,420	49,386
Net change in Working capital	7,980	(51,533)	18,227	7,574	8,897
Tax paid	(6,401)	(3,122)	(6,252)	(7,763)	(9,751)
Net cash from operations	32,702	(33,711)	45,464	40,231	48,532
Capital expenditure	(13,322)	(19,339)	(23,928)	(19,985)	(19,983)
Sale of investments	279	-	-	-	-
Net cash from investing	(14,738)	(25,263)	(21,508)	(20,190)	(15,531)
Issue of shares	-	-	-	-	-
Increase in debt	-	-	-	-	-
Dividends paid incl. tax	(10,892)	(4,695)	(3,756)	(3,756)	(3,756)
Interest paid	(546)	(772)	(1,026)	(1,015)	(1,012)
Net cash from financing	(2,832)	(12,215)	(4,469)	(4,766)	(4,789)
Net Cash	15,131	(71,189)	19,487	15,276	28,212
Opening Cash	58,911	74,042	2,852	22,339	37,615
Closing Cash	74,042	2,852	22,339	37,615	65,827

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 20: Key ratios

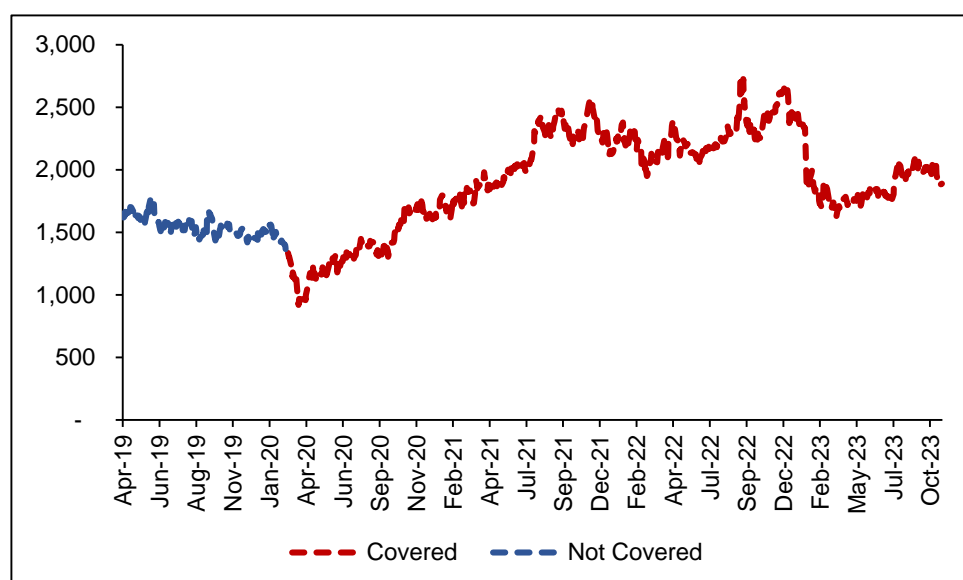
YE March	CY21	FY23*	FY24E	FY25E	FY26E
Growth (%)					
Sales	17.2	10.0	(11.3)	8.9	15.6
Operating Profits	27.6	(48.8)	51.0	23.2	24.5
Net Profits	28.6	(61.8)	110.1	24.3	25.6
Leverage (x)					
Net Debt:Equity	(0.52)	(0.02)	(0.14)	(0.22)	(0.33)
Interest Cover(x)	54.92	24.86	28.23	35.16	43.93
Total Debt/EBITDA	-	-	-	-	-
Profitability (%)					
OPM	18.6	8.6	14.7	16.6	17.9
NPM	11.3	3.9	9.3	10.6	11.5
ROE	13.5	4.9	12.4	13.8	15.3
ROCE	22.3	11.8	21.1	23.1	25.1
Turnover ratios (x)					
GFAT	1.6	2.1	1.6	1.4	1.5
Debtors Turnover(x)	34	33	23	24	24
WC days	-1	8	18	15	17
Valuation (x)					
P/E	19.0	49.8	18.9	15.2	12.1
P/B	2.4	2.5	2.2	2.0	1.7
EV/EBITDA	9.1	22.4	11.9	9.6	6.3
EV/mt (\$)	99.8	123.1	123.1	117.6	95.3

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
3 March 2020	Buy	1,321	1,877
13 April 2020	Accumulate	1,000	1,132
22 April 2020	Accumulate	1,136	1,132
13 July 2020	Accumulate	1,323	1,132
21 July 2020	Accumulate	1,330	1,267
8 October 2020	Accumulate	1,484	1,426
16 October 2020	Accumulate	1,522	1,426
20 October 2020	Accumulate	1,562	1,772
7 January 2021	Accumulate	1,674	1,962
14 February 2021	Accumulate	1,776	1,848
12 March 2021	Accumulate	1,835	1,848
20 April 2021	Accumulate	1,877	1,848
25 June 2021	Accumulate	2,027	1,941
20 July 2021	Accumulate	2,151	2,326
7 October 2021	Accumulate	2,301	2,533
20 October 2021	Accumulate	2,243	2,533
15 February 2022	Accumulate	2,151	2,430
23 February 2022	BUY	2,158	2,629
20 April 2022	BUY	2,057	2,522
13 June 2022	Accumulate	2,140	2,272
15 July 2022	Accumulate	2,152	2,095
14 September 2022	Accumulate	2,421	2,772
20 September 2022	Under Review	2,641	-
18 October 2022	Under Review	2,270	-
12 January 2023	Accumulate	2,392	2,596
31 January 2023	Accumulate	1,972	2,153
22 March 2023	Accumulate	1,708	1,912
2 May 2023	Accumulate	1,764	1,912
2 August 2023	BUY	1,971	2,450
2 November 2023	BUY	1,844	2,495

Rating track graph



DISCLOSURES

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Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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