



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

Systematix

Institutional Equities

ACC

29 January 2024

Strong operating performance continues

RESULT UPDATE

Sector: Cement

Rating: BUY

CMP: Rs 2,478

Target Price: Rs 3,050

Stock Info

Sensex/Nifty	70,700 / 21,352
Bloomberg	ACC IN
Equity shares (mn)	188
52-wk High/Low	Rs.2,551/ 1,594
Face value	Rs.10
M-Cap	Rs.465Bn/ USD 5.6Bn
3-m Avg traded value	USD 2Mn

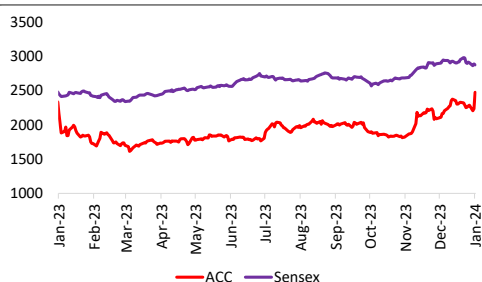
Financial Snapshot (Rs bn)

Y/E Mar	FY24E	FY25E	FY26E
Sales	200	222	246
EBITDA	32	36	39
PAT	19	21	23
EPS (Rs)	102.3	114.0	122.8
PE (x)	24.2	21.7	20.2
EV/EBITDA (x)	14.2	12.2	10.8
RoE (%)	13.1	13.2	12.9
RoCE (%)	17.7	17.8	17.4
Dividend yield (%)	1.2	1.2	1.2

Shareholding pattern (%)

	Dec-23	Sep-23	Jun-23
Promoter	56.7	56.7	56.7
-Pledged	-	-	-
FII	7.10	7.10	10.0
DII	22.8	22.8	19.4
Others	12.5	12.5	13.9

Stock Performance (1-year)



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ACC (ACC IN) reported a strong beat on all fronts due to a strong revival led by operational excellence. Revenue up by 8.4% YoY (+10.9% QoQ) to Rs49.2bn 7.7% higher than our estimate of Rs.45.7bn, on the back of exceptional volume growth. Volume up by 17.1% YoY (+9.9% QoQ) to 8.9mtpa against our estimate of 8.1mtpa. Blended Realization stood at Rs. 5,526; a decline of 7.4% YoY; up 0.9% QoQ. EBITDA for the quarter more than doubled to Rs.9.0bn (vs Rs3.8bn in Q3FY23) against our estimate of Rs7.4bn aided by reduction The strong across all cost heads. EBITDA margin came in at 18.4%, highest in last 6 Quarters. The company's various cost initiatives led to a substantial reduction in input costs. Power and fuel costs stood at Rs1,139/tn (-23.3%/+4.2 YoY/QoQ) which was driven by optimization of fuel mix and higher consumption of alternative fuels, while freight costs also declined - 18.4% QoQ to Rs1,082 (-8.1% YoY). RM cost/tn and Staff Cost also declined 11.0% and 25.7% YoY to Rs1,508 and Rs200 respectively. Consequentially, blended EBITDA/tn crossed the Rs1,000/tn mark after 9 quarters to stand at Rs1,015 (vs Rs.677 QoQ). Adj. PAT rose 377% YoY to Rs.5.3bn (+37.3% QoQ). PAT margin also expanded 829bps YoY and came in at 10.7% Capacity Utilization for the quarter stood at 92%. On the back of strong result, we are raising our EBITDA estimates by 13%/12% for FY24E/FY25E and introduce FY26E financials. We roll over our TP to FY26E which gives a new TP of Rs3050 from earlier Rs2,336 based on 14x on FY26E. We maintain BUY on the stock.

Key developments during the quarter:

During the quarter, ACC announced the acquisition of 55% stake in Asian Concretes and Cements Private Ltd. (ACCPL), which along with its subsidiary Asian Fine Cements Pvt Ltd. (AFCPL) has 2.8 MTPA cement capacity. This will increase ACC's Cement capacity to 38.55 MTPA, and together with its parent company Ambuja, cement capacity stands increased to 76.10 MPTA. Acquisition was fully funded through internal accruals. Further the company Further, 1 MTPA cement grinding commenced at the Ametha Integrated Cement Plant. The company also commissioned 16.3 MW of waste heat recovery system (WHRS) at Ametha during the quarter. Work on WHRS facility at Chanda (18 MW) & at Wadi (21.5 MW) is on track and will be commissioned in FY25. This will take the total capacity of WHRS to 85.8 MW. This will result in WHRS share in total power mix ~@25%.

Valuation and Outlook:

From having one of the lowest EBITDA/tn vis-à-vis peers, the company has witnessed a complete turnaround because of various synergies and continuous thrust on cost optimization. The company's operational performance has seen improvement post the Adani takeover. The company will continue to strengthen its standing in the market with its industry-leading portfolio share of green blended cement, growing share of high-end products, improved rail:road optimization, and sustainability initiatives. The stock is trading at a value of 12.2/10.8x FY25E/FY26E EV/EBITDA. We roll over our TP to FY26E which gives a new TP of Rs3050 from earlier Rs2,336 based on 14x on FY26E. We maintain BUY on the stock.

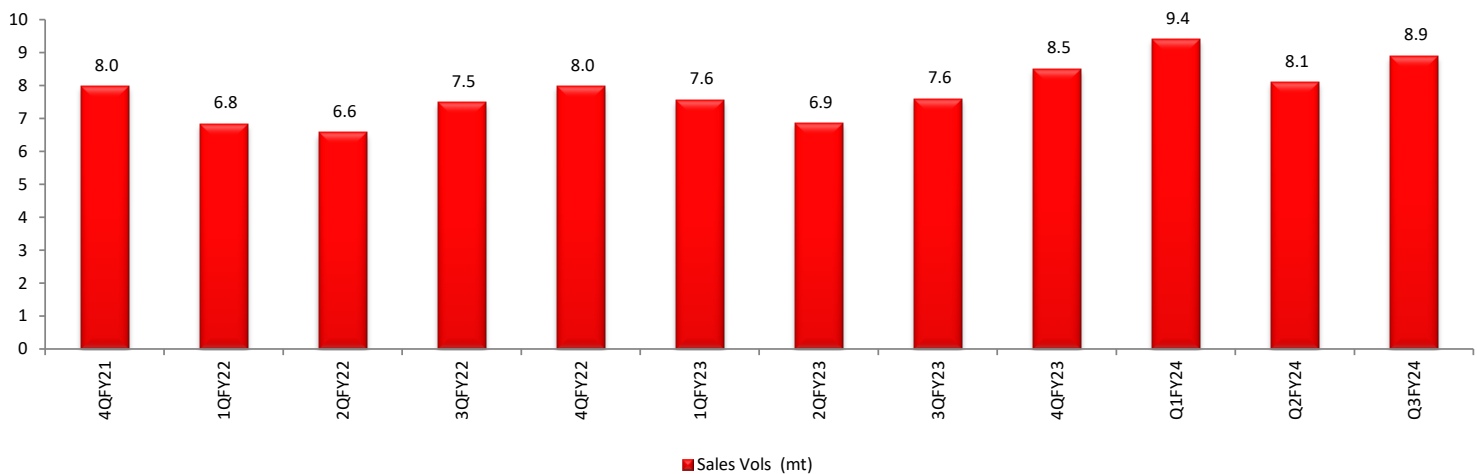
Investors are advised to refer through disclosures made at the end of the research report.

Exhibit 1: Result snapshot

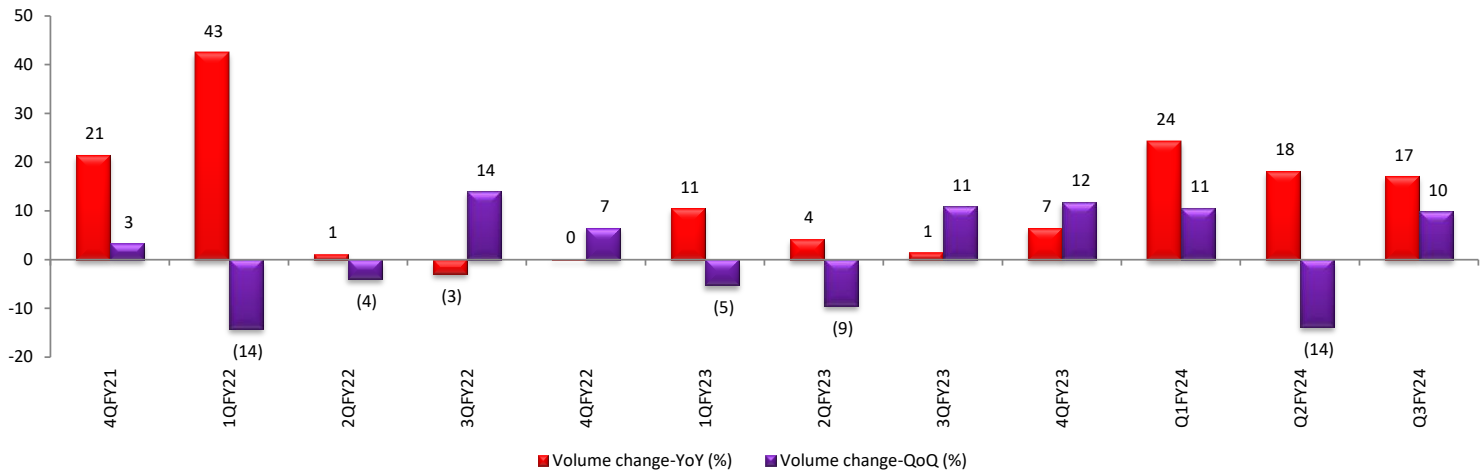
Particulars (Rs bn)	Q3FY24	3QFY23	Q2FY24	YoY%	QoQ%	Estimates	Deviation
Revenue (Incl.OI)	49.2	45.4	44.3	8.4	10.9	45.7	7.7%
EBITDA	9.0	3.8	5.5	138.7	64.7	7.4	21.4%
<i>EBITDA Margin (%)</i>	18.4	8.3	12.4	1002bps	600bps		
PBT	7.2	2.3	5.2	214.5	39.5		
Tax	1.9	0.4	1.3	390.3	45.8		
<i>Effective Tax Rate (%)</i>	26.6	17.1	25.5	955bps	116bps		
Recurring PAT	5.3	1.9	3.8	178.3	37.3	4.5	17.7%
Extord. Items	-	(0.8)	-	-	-		
Reported PAT	5.3	1.1	3.8	377.6	37.3		
<i>PAT Margin (%)</i>	10.7	2.4	8.7	829bps	206bps		
Blended realisation (Rs/ton)	5,526	5,970	5,475	(7.4)	0.9		
Total volumes (mt)	8.9	7.60	8.1	17.1	9.9	8.1	9.3%
<i>Capacity Utilisation (%)</i>	394	337	359	5762bps	3546bps		
Blended EBITDA (Rs/tn)	1,015	498	677	103.9	49.9		
Per ton cost (Rs)	Q3FY24	3QFY23	Q2FY24	YoY%	QoQ%		
Raw Material Cost	1,508	1,695	1,598	(11.0)	-5.6		
Staff Cost	200	269	240	(25.7)	-16.7		
Power and Fuel Cost	1,139	1,486	1,093	(23.3)	4.2		
Freight Cost	1,082	1,325	1,177	(18.4)	-8.1		
Other Expenditure	582	696	689	(16.4)	-15.5		
Total Cost	4,511	5,472	4,798	(17.6)	-6.0		

Source: Company, Systematix Institutional Research

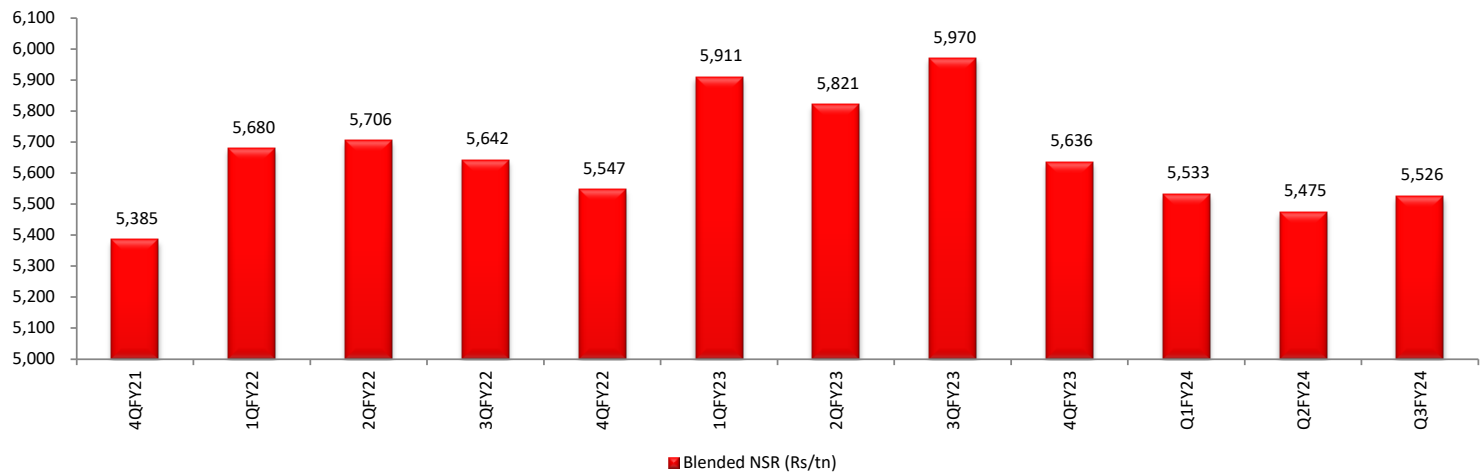
Exhibit 2: Quarterly sales volumes



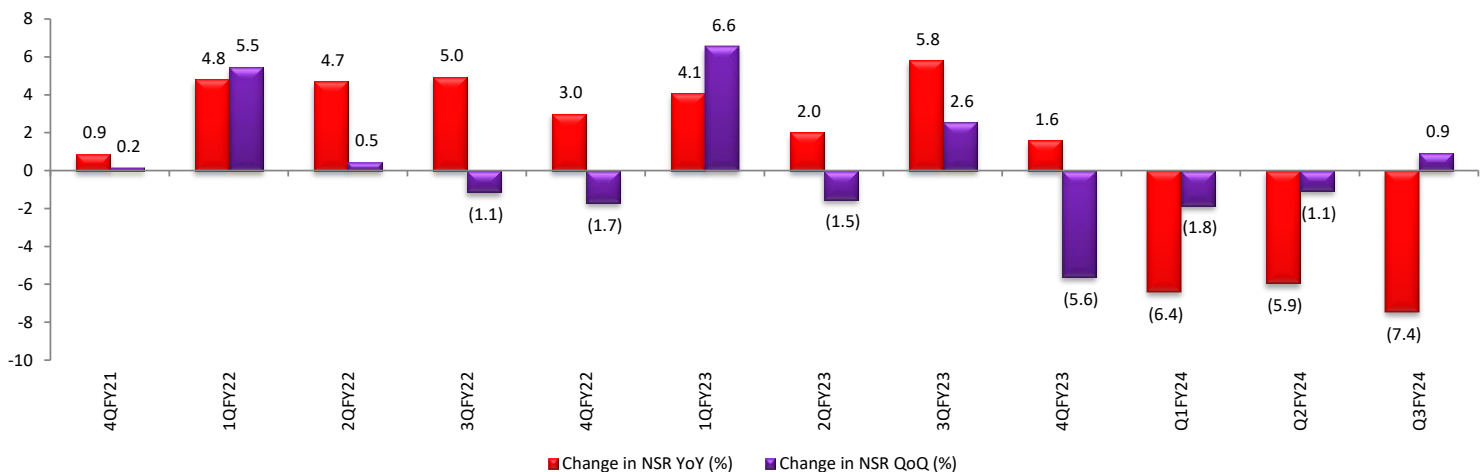
Source: Company, Systematix Institutional Research

Exhibit 3: Change in volumes (YoY and QoQ)

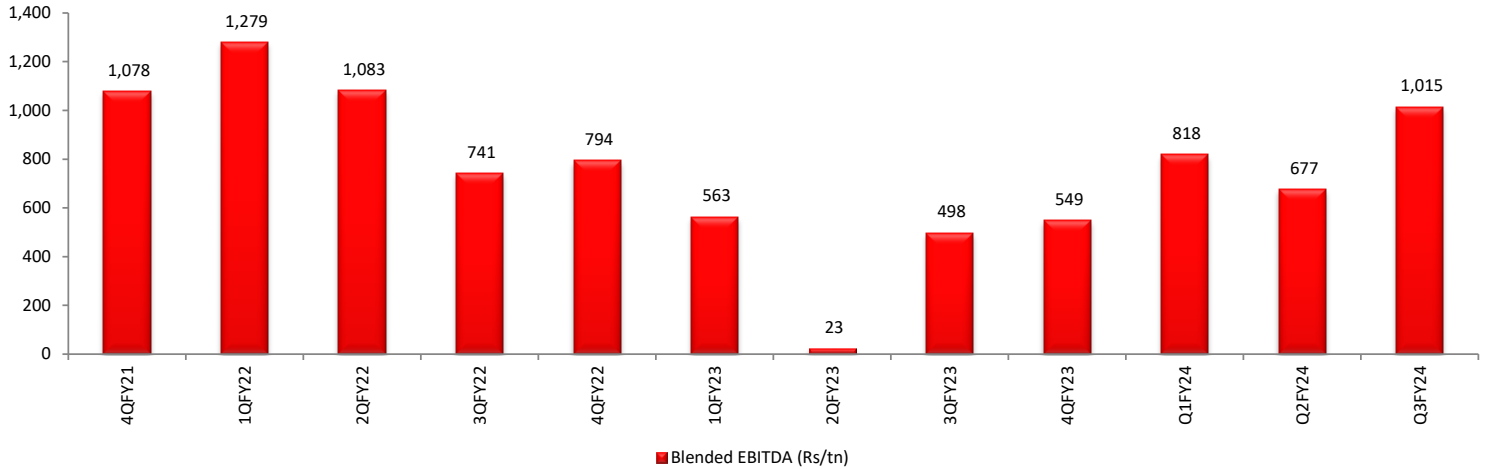
Source: Company, Systematix Institutional Research

Exhibit 4: Quarterly NSR

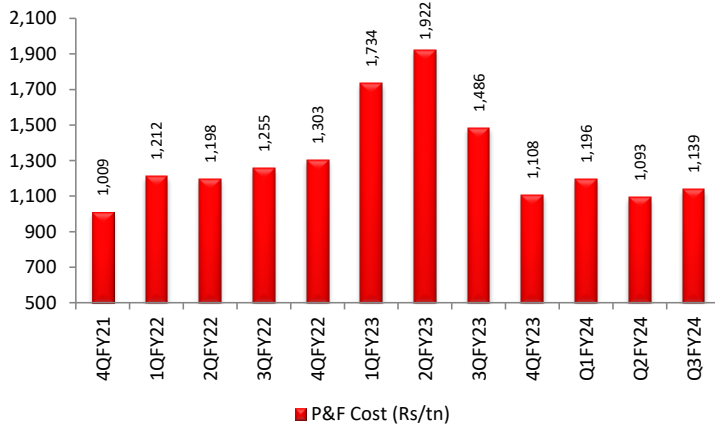
Source: Company, Systematix Institutional Research

Exhibit 5: Change in NSR (YoY and QoQ)

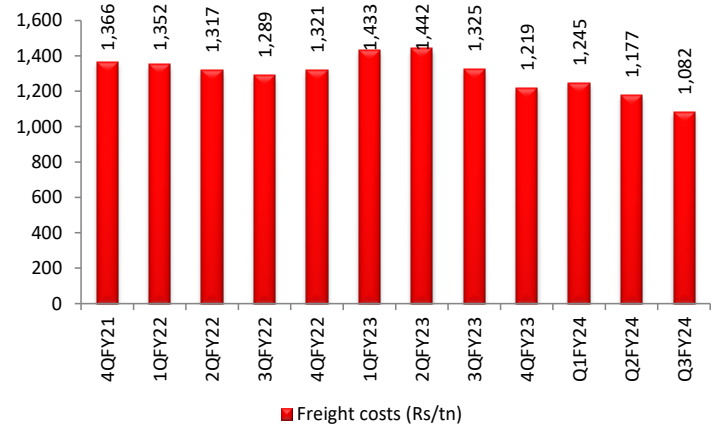
Source: Company, Systematix Institutional Research

Exhibit 6: Blended EBITDA/tn declined by 17.5% QoQ

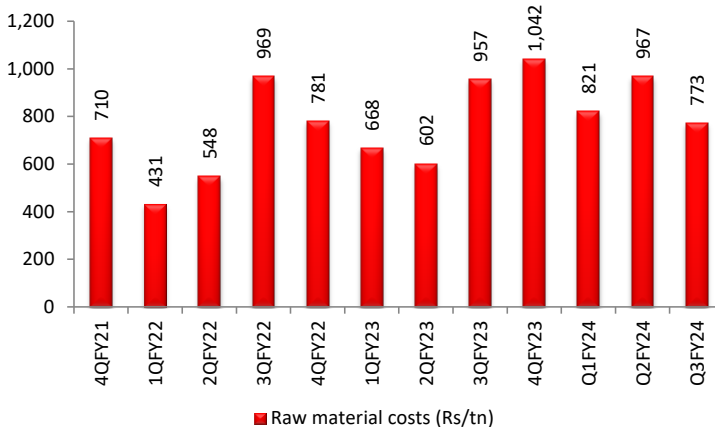
Source: Company, Systematix Institutional Research

Exhibit 7: P&F cost/tn fell by 23.3% YoY (+4.2% QoQ)

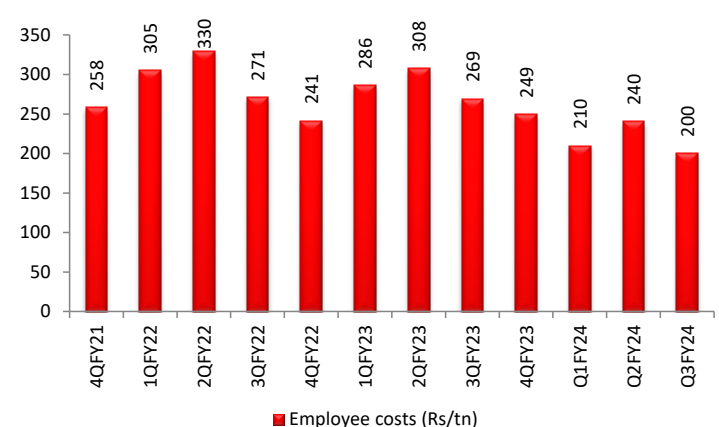
Source: Company, Systematix Institutional Research

Exhibit 8: Freight Cost/tn fell by 18.4% YoY (-8.1% QoQ)

Source: Company, Systematix Institutional Research

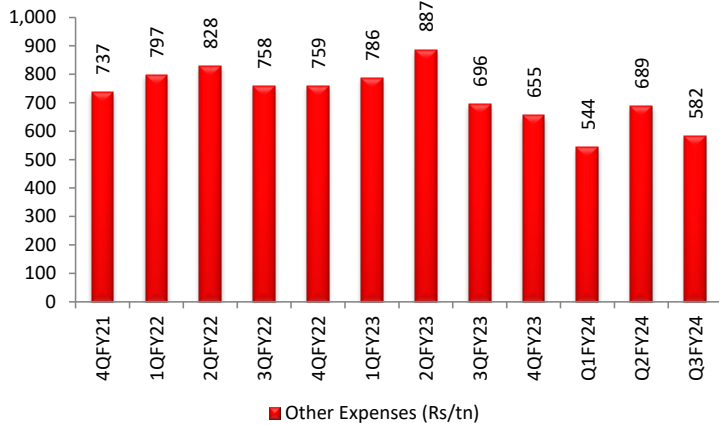
Exhibit 9: RM Cost/tn up by 19.2% YoY (-20.1% QoQ)

Source: Company, Systematix Institutional Research

Exhibit 10: Employee Cost/tn down by 25.7% YoY (-16.7% QoQ)

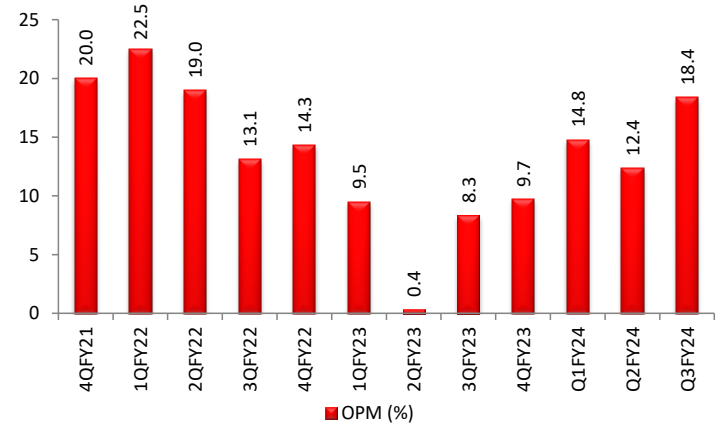
Source: Company, Systematix Institutional Research

Exhibit 11: Other Expenses/tn fell by 16.4% YoY (-15.5% QoQ)



Source: Company, Systematix Institutional Research

Exhibit 12: Margin improved to 18.4% in 3QFY24 vs. 8.3% in 3QFY23



Source: Company, Systematix Institutional Research

Exhibit 13: Commercial production of cement grinding unit commenced in Ametha plant in 3QFY24

Location	State	Clinker (mt)	Cement (mt)	WHRS(MW)	Status
Ametha	Madhya Pradesh	3.3	1.0	16.3	Commenced
Salai Banwa, Sonbhadra	Uttar Pradesh		2.2		Expected by FY24E

Source: Company, Systematix Institutional Research

Exhibit 14: ACC valuation (EV/ EBITDA)

FY26E	EBITDA	Multiple	Enterprise Value
	(Rs bn)	(x)	(Rs bn)
EBITDA (FY26E)	39	14	550
Less: Net Debt & CWIP			(22)
Equity Value			573
Target price per share			3,050

Source: Company, Systematix Institutional Research

Exhibit 15: Key assumptions

Particulars	FY21	FY22	FY23	FY24E	FY25E	FY26E
Cement Sales Volume (mt)	25.5	28.9	38.5	35.3	38.9	42.9
Blended Realization (Rs/ton)	5,399	5,591	5,770	5,675	5,701	5,730
EBITDA (Rs/ton)	972	1,241	499	911	934	917
Per ton costs						
Raw material	984	992	1,417	1,564	1,532	1,545
Employee cost	329	289	269	215	220	224
Power & Fuel	1,008	1,163	1,491	1,193	1,217	1,241
Freight	1,344	1,129	1,343	1,168	1,180	1,192
Other expense	763	777	752	624	618	611
Total Cost	4,428	4,350	5,272	4,764	4,766	4,813

Source: Company, Systematix Institutional Research, Note: * FY23 numbers are for 15 months

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Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	1,61,520	2,22,100	2,00,132	2,22,018	2,45,690
Growth (%)	17.2	37.5	(9.9)	10.9	10.7
Total Expenditure	1,25,666	2,02,910	1,68,022	1,85,625	2,06,386
Raw Materials Cost	21,203	33,472	31,589	34,187	38,768
Employee expenses	8,340	10,362	7,595	8,556	9,608
Power & Fuel cost	33,608	57,383	42,062	47,380	53,207
Freight	32,604	51,683	41,198	45,952	51,098
Others	29,911	50,011	45,577	49,550	53,705
EBIDTA	35,853	19,190	32,111	36,393	39,304
Growth (%)	44.5	(46.5)	67.3	13.3	8.0
EBIDTA %	22.2	8.6	16.0	16.4	16.0
Depreciation	5,973	8,351	9,303	10,863	11,760
EBIT	29,881	10,839	22,808	25,529	27,544
EBIT Margin (%)	18.5	4.9	11.4	11.5	11.2
Other income	2,048	3,372	4,046	4,127	4,210
Interest	546	772	1,132	1,002	898
PBT	31,382	13,439	25,723	28,655	30,856
Tax	6,401	3,122	6,482	7,221	7,776
Effective tax rate (%)	20.4	23.2	25.2	25.2	25.2
Adjusted PAT	24,981	10,317	19,240	21,434	23,080
Growth (%)	70.3	(58.7)	86.5	11.4	7.7
Net Margin (%)	15.5	4.6	9.6	9.7	9.4
Reported PAT	24,052	8,699	19,240	21,434	23,080
Growth (%)	70.0	(63.8)	121.2	11.4	7.7

Source: Company, Systematix Institutional Research; Note: *15 months data

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT (Ex-Other income)	24,604	11,821	21,676	24,528	26,646
Depreciation	5,973	8,351	9,303	10,863	11,760
Interest Provided	(1,392)	(1,490)	1,132	1,002	898
Other Non-Cash items	683	(346)	-	-	-
Chg in working cap	1,297	(26,697)	2,305	(507)	3,307
Tax paid	(2,849)	(4,027)	(6,482)	(7,221)	(7,776)
Operating Cashflow	28,316	(12,388)	27,933	28,665	34,836
Capital expenditure	(11,509)	(19,788)	(19,500)	(12,350)	(12,350)
Free Cash Flow	16,808	(32,175)	8,433	16,315	22,486
Other income	(88)	(28,760)	4,046	4,127	4,210
Investments	1,707	2,127	-	-	-
Investing Cashflow	(9,890)	(46,420)	(15,454)	(8,223)	(8,140)
Equity Capital Raised	-	-	-	-	-
Loans Taken / (Repaid)	-	-	-	-	-
Interest Paid	(316)	(596)	(1,132)	(1,002)	(898)
Dividend paid (incl tax)	(2,629)	(10,892)	(5,639)	(5,639)	(5,639)
Income from investments	-	-	-	-	-
Others	(360)	(889)	-	-	-
Financing Cashflow	(3,305)	(12,377)	(6,770)	(6,640)	(6,536)
Net chg in cash	15,121	(71,185)	5,709	13,802	20,159
Opening cash position	58,921	74,052	2,868	8,577	22,378
Closing cash position	74,042	2,868	8,577	22,378	42,537

Source: Company, Systematix Institutional Research; Note: *15 months data

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity share capital	1,880	1,880	1,880	1,880	1,880
Reserves & surplus	1,40,404	1,38,550	1,52,152	1,67,947	1,85,389
Shareholders Funds	1,42,284	1,40,430	1,54,032	1,69,827	1,87,269
Loan Funds	-	-	-	-	-
Net Deferred Taxes	3,827	4,331	4,331	4,331	4,331
Total Liabilities	1,46,112	1,44,761	1,58,363	1,74,159	1,91,600
Net block	67,228	74,863	97,391	1,00,527	1,01,117
Capital WIP	12,408	16,831	4,500	2,850	2,850
Investment	1,927	1,927	1,927	1,927	1,927
Current Assets	1,27,627	1,10,464	1,15,984	1,30,281	1,53,561
Inventories	12,733	16,235	15,617	15,614	17,299
Sundry Debtors	4,892	8,747	8,676	8,674	9,610
Cash and Bank	74,042	2,868	8,577	22,378	42,537
Loans and Advances	11,867	43,108	43,608	44,108	44,608
Other current assets	24,093	39,507	39,507	39,507	39,507
Current Liab & Prov	63,078	59,324	61,439	61,427	67,855
Net current assets	64,549	51,141	54,545	68,854	85,706
Total Assets	1,46,112	1,44,761	1,58,363	1,74,159	1,91,600

Source: Company, Systematix Institutional Research; Note: *15 months data

Ratios

YE: Mar	FY22	FY23	FY24E	FY25E	FY26E
Profitability (%)					
EBITDA Margin	22.2	8.6	16.0	16.4	16.0
Net Margin	15.5	4.6	9.6	9.7	9.4
ROCE	23.1	9.8	17.7	17.8	17.4
ROE	18.6	7.3	13.1	13.2	12.9
RoIC	47.0	11.7	16.9	17.4	18.7
Per Share Data (Rs)					
EPS	132.9	54.9	102.3	114.0	122.8
CEPS	159.7	90.7	151.8	171.8	185.3
BVPS	756.9	747.0	819.4	903.4	996.2
DPS	14.0	57.9	30.0	30.0	30.0
Valuations (x)					
PER	18.6	45.2	24.2	21.7	20.2
P/CEPS	15.5	27.3	16.3	14.4	13.4
P/BV	3.3	3.3	3.0	2.7	2.5
EV / Sales	2.4	2.1	2.3	2.0	1.7
EV / EBITDA	10.9	24.1	14.2	12.2	10.8
Dividend Yield (%)	0.6	2.3	1.2	1.2	1.2
Gearing Ratio (x)					
Net Debt/ Equity	-0.5	0.0	-0.1	-0.1	-0.2
Net Debt/EBIDTA	-2.1	-0.1	-0.3	-0.6	-1.1
Working Cap Cycle (days)	-105.2	-61.8	-61.0	-61.0	-61.0

Source: Company, Systematix Institutional Research; Note: *15 months data

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