

Beat On All Fronts; Retain BUY

Est. Vs. Actual for Q3FY24: Revenue – **BEAT**; EBITDA Margin – **BEAT**; PAT – **BEAT**

Change in Estimates post Q3FY24 (Abs.)

FY24E/FY25E: Revenue: 0%/1%; EBITDA: 2%/1%; PAT: 3%/1%

Recommendation Rationale

- **Strong Volume Growth:** The company's volume increased by 16% YoY to 8.9 mtpa, supported by an increase in blended cement and an improvement in efficiency parameters. It maintained market leadership across key markets. The recent commercialization of the Ametha integrated unit (3.30 mtpa Clinker Unit and 1 mtpa Grinding Unit) in the demand-accretive Central region and the acquisition of a remaining stake in ACCPL (capacity 2.8 mtpa) will support volume growth moving forward. We expect the company to report volume growth of 15% CAGR over FY23-FY25E.
- **Cost Optimization Drives EBITDA Margins:** Various cost optimization drives undertaken by the company reduced its overall cost by 17% YoY on a tonne basis to Rs 4,505. Consequently, its EBITDA margins improved to 18.4% vs. 8.4% YoY. The company's ongoing business initiatives are expected to bring down the operating cost further. Moreover, reducing clinker factor and logistics costs, increasing sales of premium products, higher share of green energy and steady cement prices will expand the company's EBITDA margin further. We foresee the EBITDA/tonne of the company improving to Rs 940 in FY25 from Rs 840/tonne reported in 9MFY24 and margins to 17%.
- **Attractive Stock Valuation and Comparative Position:** The stock is currently trading at 11x FY25E EV/EBITDA and EV/Tonne of \$110. This is attractive compared to other larger peers in the sector and trading much below its 10-year average EV/EBITDA multiple of 13x.

Sector Outlook: Positive

Company Outlook & Guidance: The cement industry is expected to witness volumetric growth as the demand environment remains robust on the back of increased housing and infrastructure spend. Healthy growth and demand prospects bode well for the company's growth ambitions, with leading margins.

Current Valuation: 12.5x FY25 EV/EBITDA (Earlier Valuation: 11.5x FY25 EV/EBITDA)

Current TP: Rs 2,750/Share (Earlier TP: Rs 2,460/share)

Recommendation: We maintain our **BUY** recommendation on the stock.

Alternative BUY Ideas from our Sector Coverage: UltraTech Cement Ltd (TP-11,110/share), JK Cements Ltd (TP-4,400/share), Dalmia Bharat (TP-2,470/share)

Financial Performance

ACC reported a stellar set of numbers as its Volume/Revenue/EBITDA/APAT grew by 16%/8%/139%/375% YoY (above expectations), driven by better demand, higher realization and lower cost. The company recorded an EBITDA Margin of 18.4% against 8.4% YoY (above estimates), primarily owing to the lower fuel/freight and fixed cost on a YoY basis. ACC's blended EBITDA/tonne stood at Rs 1,017, up 106% YoY and it reported blended realization/tonne of Rs 5,522 against Rs 5,475 up 4% QoQ. The volume for the quarter stood at 8.6 Mn tonnes per annum (mntpa), up 16%/10% YoY/QoQ (above expectations). Cost/tonne lowered by 17% YoY to Rs 4,505 on account of better synergies, and lower fuel & freight costs. The company reported a profit of Rs 538 Cr, up 375% YoY.

Outlook: The recent addition of a new greenfield integrated unit in Ametha (MP) in a demand-accretive central region and the acquisition of the balance stake in ACCPL, higher cement demand backed by increased spending on infrastructure development, particularly roads, railways, affordable housing, and other schemes, along with better synergies with other group companies, will drive the company's growth moving forward. Against this backdrop, we remain constructive on the company prospects from a medium to long-term perspective.

Valuation & Recommendation

The stock is currently trading at 14x and 11x FY24E/FY25E EV/EBITDA and EV/tonne of \$120 and \$110 which we believe is attractive compared to other larger peers. We maintain our **BUY** rating on the stock with a TP of Rs 2,750/share, implying an upside potential of 11% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q3FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	4,914	11	8	4,644	6%
EBITDA	905	65	139	681	33%
EBITDA Margin	18.4%	600bps	1000bps	14.7%	370bps
Net Profit	538	39	375	361	49%
EPS (Rs)	29	39	375	19	49%

Source: Company, Axis Research

(CMP as of 25th Jan, 2024)

CMP (Rs)	2,468
Upside /Downside (%)	11
High/Low (Rs)	2785/1592
Market cap (Cr)	46,432
Avg. daily vol. (6m)Shrs.	648000
No. of shares (Cr)	18.8

Shareholding (%)

	June-23	Sept-23	Dec-23
Promoter	56.7	56.7	56.7
FII's	10.0	7.1	6.2
MF's / UTI	9.2	12.5	13.4
Banks / FI's	0.1	0.1	0.1
Others	24.0	23.6	23.6

Financial & Valuations

Y/E Mar (Rs Cr)	FY23	FY24E	FY25E
Net Sales	22,210	19,635	21,831
EBITDA	1,925	2,882	3,522
Net Profit	1,047	1,734	2,170
EPS (Rs)	47	92	115
PER (x)	51	27	21
P/BV (x)	22	14	11
EV/EBITDA (x)	3.0	2.7	2.4
ROE (%)	6	12	13

Change in Estimates (%)

Y/E Mar	FY24E	FY25E
Sales	0%	1%
EBITDA	2%	1%
PAT	3%	1%

ESG disclosure Score**

Environmental Disclosure	55
Social Disclosure Score	58
Governance Disclosure	85
Total ESG Disclosure Score	66
Sector Average	49

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2021 disclosures

Relative performance



Source: Ace Equity, Axis Securities

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Key Result Highlights

- **Capacity Expansion:** The Ametha Integrated Unit was recently commissioned, increasing the company's clinker capacity by 3.3 MTPA and grinding capacity by 1 MTPA. Furthermore, the company also acquired the balance stake in ACCPL, which has a cement capacity of 2.8 MTPA at Rs 450 Cr.
- **Cost Optimization:** The company achieved robust growth in its top line and margins, driven by higher demand for cement due to a pick-up in construction activities. The success can be attributed to relentless focus on operational excellence, reduction in fuel and logistics costs due to synergies with the Group's adjacencies, and improvement and expansion of the dealer network to serve the nearest markets.
- **Volume Growth:** The company's volumes increased by 16% YoY to 8.9 MTPA, supported by a higher proportion of blended cement, better route planning, and increased operational synergies with the parent company, M/s Ambuja Cements Limited. Blended cement sales accounted for over 90%, and sales of premium products constituted over 30% of trade sales.
- **Power/Fuel:** The kiln fuel cost reduced by 28%, from Rs 2.59 per Kcal to Rs 1.85 KCal, attributed to the optimization of the fuel mix and higher consumption of alternative fuels. The Waste Heat Recovery System (WHRS) share increased by 2.2% to 9%. In Q3 FY'24, a 16.3 MW WHRS at Ametha was commissioned, bringing the WHRS capacity to 46.3 MW. The work on WHRS facilities at Chanda (18 MW) and at Wadi (21.5 MW) is on track and expected to be commissioned in FY'25, bringing the total WHRS capacity to 85.8 MW. This will result in the WHRS share in the total power mix being around 25%. Overall power/fuel cost was down by 22% YoY at Rs 1141/tonne. The opportunity to buy low-cost petcoke will further optimize fuel costs in the coming quarters and will contribute positively to the cost optimization journey.
- **Freight:** During the quarter, the freight cost on a per tonne basis decreased by 17% YoY and 8% QoQ to Rs 1,074. This reduction was attributed to better route planning and lower lead distance.
- **RMX & Construction Chemical business:** The company's RMX and Construction Chemicals businesses are showing a positive uptrend and are expected to grow faster due to improved market demand and rapid urbanization.
- **RM Cost:** RM cost was down 6% and 10% YoY/QoQ at Rs 1507/tonne.
- **Cash:** Cash & cash equivalents stand at Rs 4,282 Cr as of 3^{0th} Dec'23, up by Rs 648 Cr.

Key Risks to our Estimates and TP

- Lower realization and demand in its key market.
- Further delay in capacity expansion to result in market share loss.

Change in Estimates

	New		Old		% Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales	19,635	21,831	19,730	21545	0%	1%
EBITDA	2,882	3,522	2,820	3473	2%	1%
PAT	1,734	2,171	1,688	2147	3%	1%

Source: Company, Axis Securities

Result Review Q3FY24

(Rs Cr)	Quarterly Performance				
	3QFY24	2QFY24	% Chg QoQ	3QFY23	% Chg YoY
Net sales	4914	4435	11%	4,537	8%
Expenditure	4009	3885	3%	4,158	-4%
EBITDA	905	549	65%	379	139%
Other income	86	210	-59%	41	112%
Interest	34	29	17%	19	80%
Depreciation	235	213	11%	173	36%
PBT	722	518	39%	228	216%
Tax	192	132	46%	39	388%
APAT	538	388	39%	113	375%
EBITDA margin (%)	18.4%	12.4%	600bps	8.4%	1000bps
EPS (Rs)	28.6	20.6	39%	6.0	375%

Source: Company, Axis Securities

Volume/ Realization / Cost Analyses

(Rs Cr)	Quarterly Performance				
	3QFY24	2QFY24	% Chg QoQ	3QFY23	% Chg YoY
Volume/mnt	8.90	8.10	10%	7.70	16%
Realisation/tonne (Rs)	5522	5475	1%	5,892	-6%
Cost/tonne (Rs)	4505	4797	-6%	5,400	-17%
Raw material/tonne (Rs)	1507	1598	-6%	1,672	-10%
Staff Cost/tonne (Rs)	200	240	-17%	264	-24%
Power & Fuel/tonne (Rs)	1141	1095	4%	1,468	-22%
Freight/tonne (Rs)	1074	1170	-8%	1,301	-17%
Other Expenses /tonne (Rs)	583	694	-16%	695	-16%
EBITDA/tonne (Rs)	1017	678	50%	492	106%

Source: Company, Axis Securities

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY22	FY23	FY24E	FY25E
Net sales	16152	22210	19635	21831
Other operating income	0	0	0	0
Total income	16152	22210	19635	21831
Raw Material	2867	5454	5687	6228
Power & Fuel	3365	5743	4083	4450
Freight & Forwarding	3823	5140	4072	4480
Employee benefit expenses	836	1036	703	745
Other Expenses	2263	2912	2208	2407
EBITDA	2998	1925	2882	3522
Other income	207	342	444	371
PBIDT	3205	2267	3326	3893
Depreciation	601	841	882	928
Interest & Fin Chg.	55	77	117	87
E/o income / (Expense)	55	0	0	0
Pre-tax profit	2495	1348	2327	2878
Tax provision	643	317	609	723
RPAT	1851	1031	1718	2154
Minority Interests	0	0	0	0
Associates	12	16	16	16
APAT after EO item	1863	1047	1734	2170

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY22	FY23	FY24E	FY25E
Total assets	21039	20544	22097	24227
Net Block	7995	9196	10081	10264
CWIP	1245	1684	484	484
Investments	131	145	145	145
Wkg. cap. (excl cash)	-142	1000	494	552
Cash / Bank balance	7524	415	2766	4510
Misc. Assets	4286	8104	8128	8272
Capital employed	21039	20544	22097	24227
Equity capital	188	188	188	188
Reserves	14121	13950	15497	17479
Minority Interests	3	3	4	4
Borrowings	0	274	274	274
DefTax Liabilities	216	178	178	178
Other Liabilities and Provision	6511	5950	5958	6104

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY22	FY23	FY24E	FY25E
Profit before tax	2506	1203	2343	2894
Depreciation	601	841	882	928
Interest Expenses	55	77	117	87
Non-operating/ EO item	-214	-331	-461	-387
Change in W/C	130	-2671	1706	-58
Income Tax	-286	-404	-609	-723
Operating Cash Flow	2792	-1284	3979	2740
Capital Expenditure	-1175	-2105	-2967	-1092
Investments	0	0	0	0
Others	177	215	1644	371
Investing Cash Flow	-998	-1890	-1323	-720
Borrowings	0	0	0	0
Interest Expenses	-32	-60	-117	-87
Dividend paid	-263	-1089	-188	-188
Others	0	0	0	0
Financing Cash Flow	-295	-1149	-305	-275
Change in Cash	1499	-4323	2351	1745
Opening Cash	5849	7367	257	2608
Closing Cash	7348	3044	2608	4352

Source: Company, Axis Securities

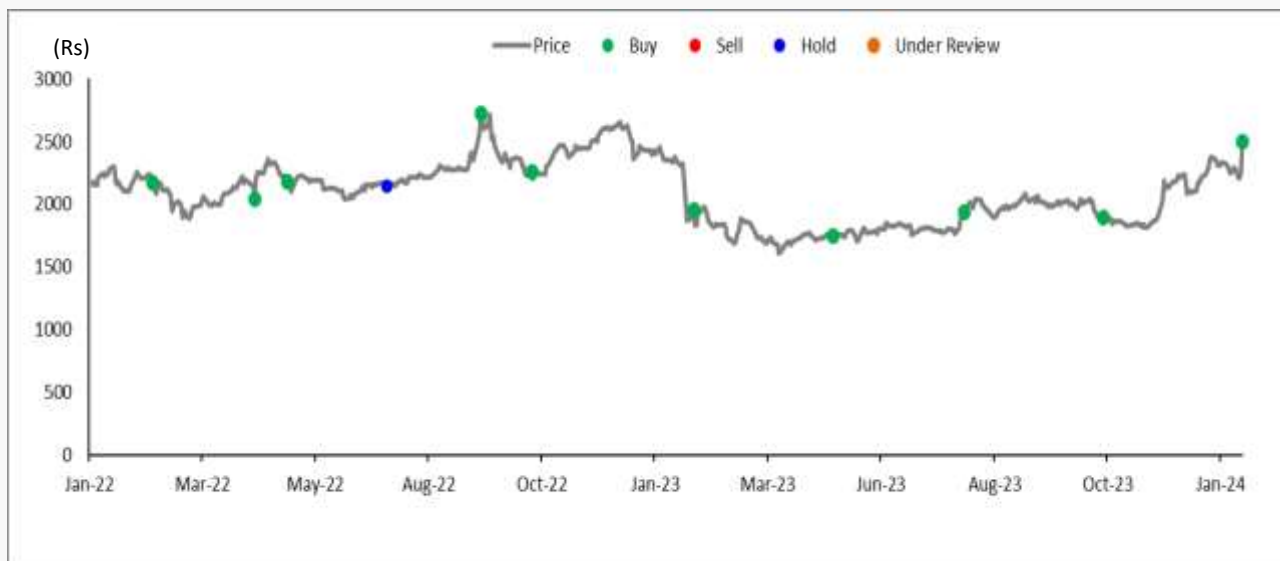
Ratio Analysis

(%)

Y/E March	FY22	FY23	FY24E	FY25E
Operational Ratios				
Sales growth	17%	38%	-12%	11%
OPM	18.6%	8.7%	14.7%	16.1%
Op. profit growth	27%	-36%	50%	22%
COGS / Net sales	62%	74%	70%	69%
Overheads/Net sales	19%	18%	15%	14%
Depreciation / G. block	5.9%	7.2%	6.0%	5.9%
Efficiency Ratios				
Total Asset Turnover (x)	1.57	1.90	1.34	1.39
Sales/Gross block (x)	1.57	1.90	1.34	1.39
Sales/Net block(x)	2.07	2.53	2.03	2.22
Working capital/Sales (x)	0.07	0.29	0.24	0.22
Valuation Ratios				
PER (X)	19.3	51.0	26.8	21.4
P/BV (x)	2.95	2.98	2.69	2.39
EV/Ebitda (x)	9.45	21.64	14.08	11.03
EV/Sales (x)	1.75	1.88	2.07	1.78
EV/Tonne \$ (x)	100	141	124	113
Return Ratios				
ROE	13.8	6.2	11.6	13.0
ROCE	18.3	9.5	15.6	17.0
ROIC	38.9	12.4	24.8	30.1
Leverage Ratios				
Debt / equity (x)	0.00	0.00	0.00	0.00
Net debt/ Equity (x)	-0.53	-0.24	-0.37	-0.43
Interest Coverage ratio (x)	47.68	18.45	20.91	33.95
Net debt/ Ebitda (x)	-2.51	-1.80	-2.02	-2.14
Cash Flow Ratios				
OCF/Sales	0.18	-0.06	0.20	0.13
OCF/Ebitda	0.95	-0.64	1.38	0.78
OCF/Capital Employed	0.19	-0.08	0.24	0.15
FCF/Sales	0.10	-0.15	0.05	0.08
Payout ratio (Div/NP)	15	20	11	9
AEPS (Rs)	99	47	92	115
AEPS Growth	30.3	-52.5	95.8	25.2
CEPS (Rs)	131	92	139	165
DPS (Rs)	15	9	10	10

Source: Company, Axis Securities

ACC Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
14-Feb-22	BUY	2,620	Result Update
20-Apr-22	BUY	2,300	Result Update
11-May-22	BUY	2,500	Result Update
16-May-22	BUY	2,680	Sector Update
15-Jul-22	HOLD	2,010	Result Update
15-Sep-22	BUY	3,050	Company Update
18-Oct-22	BUY	2,760	Result Update
01-Feb-23	BUY	2,450	Result Update
03-May-23	BUY	2,380	Result Update
28-Jul-23	BUY	2,540	Result Update
27-Oct-23	BUY	2,460	Result Update
29-Jan-24	BUY	2,750	Result Update

Source: Axis Securities

About the analyst



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