

26 April 2024

India | Equity Research | Q4FY24 results review

ACC

Cement

Sustained cost efficiency reinforces conviction

Our earnings forecast for ACC appears largely immune to the current weakness (and uncertain outlook) on cement prices. Sustained cost efficiency (across fixed/variable cost), expected benefit from imminent rise in share of green power (both WHRS and solar power) and scope for a further rise in volume benefits (under Master-Supply-Agreement with parent Ambuja Cement, as well as sister concern Sanghi Ind.) is at the heart of this conviction. Factoring these in, we broadly retain EBITDA for FY25E, but we raise our FY26E EBITDA by ~9%. A strong balance sheet (current cash/share of ~INR 250 seen surging to ~INR 490 in FY26E) and healthy RoE of ~14–15% are compelling investment arguments. We continue to value ACC at 13x FY26E EV/EBITDA. Retain BUY; TP revised to INR 3,272 (from INR 2,931).

Q4FY24 – cost efficiencies continue to impress

Even as realisations disappointed (falling >6% QoQ, ~1% below expectation), EBITDA for Q4FY24 (up ~80% YoY on a low base; down just 7% QoQ) stood >6% ahead of estimates owing to: 1) volumes racing ~23% YoY (being ~7% ahead of forecast). As in the past, we reckon that increased MSA is driving the surge. Real volume growth will be known once Ambuja Cement (ACEM, consol.) reports performance; 2) staff cost plunging 23% YoY (~8% QoQ, a steady decline for 7 quarters in a row); 3) 'other expenses' contained to just ~1% rise YoY (up 9% QoQ); and 4) variable cost/t sliding ~12% YoY (>1% QoQ); steady decline for six quarters in a row. EBITDA/t at ~INR 805 (broadly in-line) dipped ~21% QoQ (up ~47% on a low base).

Compelling investment arguments; maintain BUY

Despite the current weakness in cement prices and uncertainty around the quantum (and sustainability) of price recovery, demonstrated cost efficiencies are helping us retain our FY25E EBITDA. In fact, factoring imminent benefits of ~40MW WHRS capacity addition (by Q2FY25E) and >1,000MW solar + wind power capacity addition (at ACEM consol. by Q1FY26E), we are revising up FY26E EBITDA by ~9%. There exists scope for further earnings upgrade with potent volumes benefits from sister concern Sanghi Ind. (under MSA). Strong balance sheet (current net cash of ~INR 47bn), healthy RoE of 14–15% and a lucrative current valuation of ~10x FY26E EV/EBITDA make for a compelling investment argument. Maintain **BUY** with revised TP of INR 3,272.

Financial Summary

Y/E March (INR mn)	FY23A	FY24P	FY25E	FY26E
Net Revenue	2,22,100	1,99,522	2,10,881	2,28,159
EBITDA	19,190	30,576	35,775	42,154
EBITDA (%)	8.6	15.3	17.0	18.5
Net Profit	9,890	21,242	22,331	28,453
EPS (INR)	52.6	113.0	118.8	151.4
EPS % Chg YoY	-	-	5.1	27.4
P/E (x)	49.0	22.8	21.7	17.0
EV/EBITDA (x)	25.1	15.3	12.5	10.0
RoCE (%) (post-tax)	5.9	12.2	11.6	12.6
RoE (%)	7.0	14.1	13.1	14.7

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Market Data

Market Cap (INR)	484bn
Market Cap (USD)	5,815mn
Bloomberg Code	ACC IN
Reuters Code	ACC.BO
52-week Range (INR)	2,760 /1,700
Free Float (%)	43.0
ADTV-3M (mn) (USD)	14.2

Price Performance (%)	3m	6m	12m
Absolute	4.5	36.4	48.6
Relative to Sensex	(0.6)	20.3	25.0

Earnings Revisions (%)	FY25E	FY26E
Revenue	(2.6)	(0.9)
EBITDA	(1.8)	8.5
EPS	(1.8)	10.0

Previous Reports

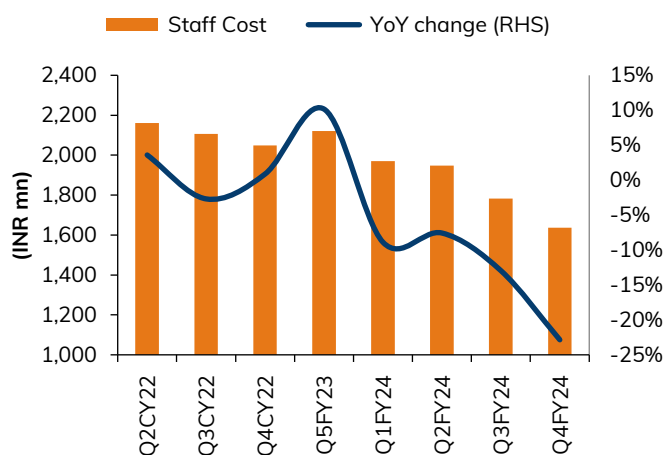
29-01-2024: [Q3FY24 results review](#)27-10-2023: [Q2FY24 results review](#)

Q4FY24: Other highlights

- 'Purchase of Traded Goods' as a cost line item, rose 21% QoQ (15% YoY), highlighting increased volumes under MSA. With a ramp up of operations for sister concern Sanghi Ind., MSA volumes are set to scale up further.
- Net RMC revenues, at INR 2.94bn, rose >9% QoQ (though down ~6% YoY).
- EBITDA margins at 15.5% slipped 290bps QoQ, but were up 580bps on a low base (as ACC was in a transition phase under new management).
- Q4FY24 also had the benefit of INR 2.57bn reversal of tax provision related to earlier years. As a result, PAT at ~INR 7.5bn stood ~68% ahead of estimates.
- For full year FY24 – volumes grew >20% YoY (on a like-to-like basis), including the MSA benefits. Blended EBITDA/t stood at INR 831 vs. INR 420 (on a like-to-like basis). EBITDA/t stood at INR 501 for the reported year of FY23, which was a 15-month fiscal (due to change in accounting year-end from December to March).
- ACC has already commissioned the 16.3MW WHRS at Ametha in Q3FY24 while 18MW at Chanda (Maharashtra) and 21.5MW at Wadi (Karnataka) are due for commissioning in Q2FY25.
- ACC has declared a dividend of INR 7.5/share for FY24.

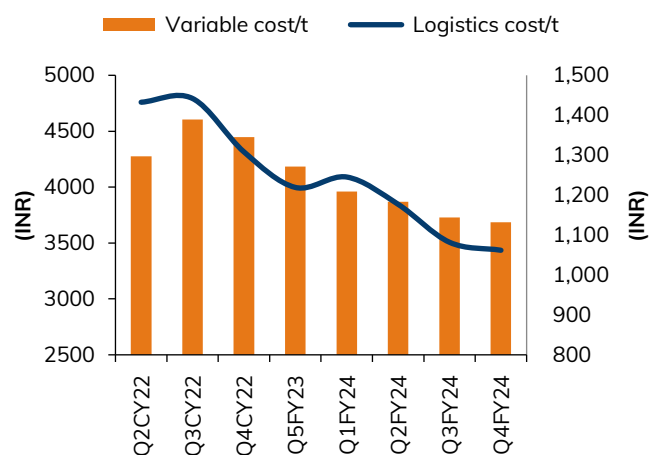
Key Risk: Sharp rise in costs.

Exhibit 1: Quarterly staff cost trend

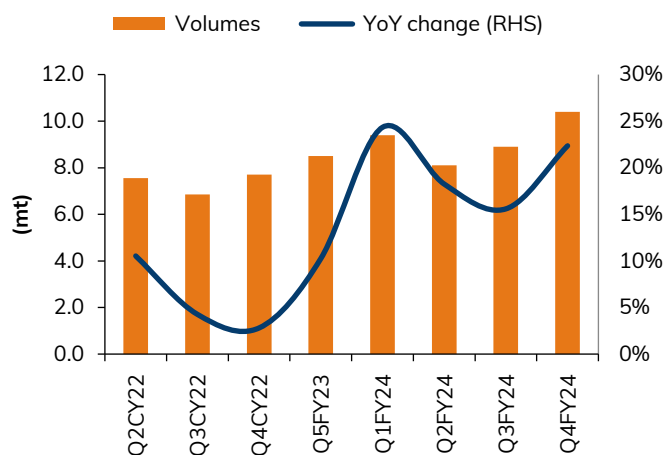


Source: I-Sec research, Company data

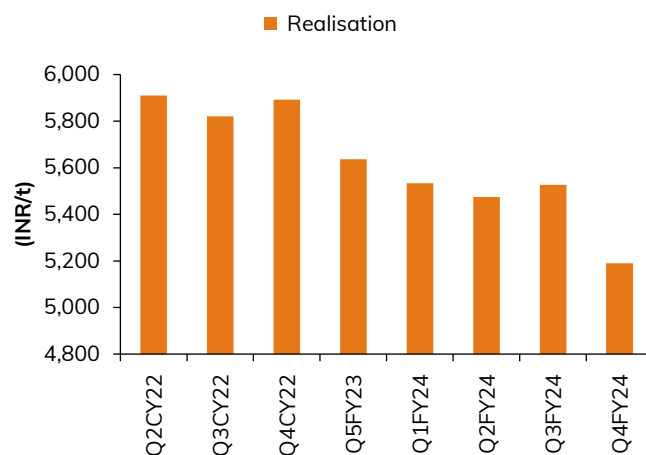
Exhibit 2: Quarterly variable and logistics cost/t trend



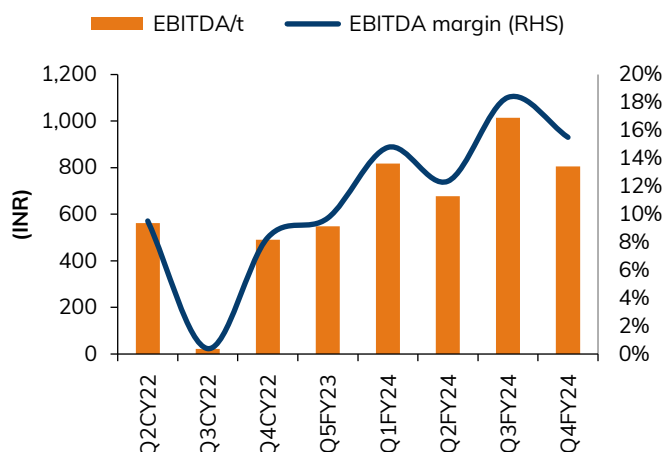
Source: I-Sec research, Company data

Exhibit 3: Quarterly volumes trend

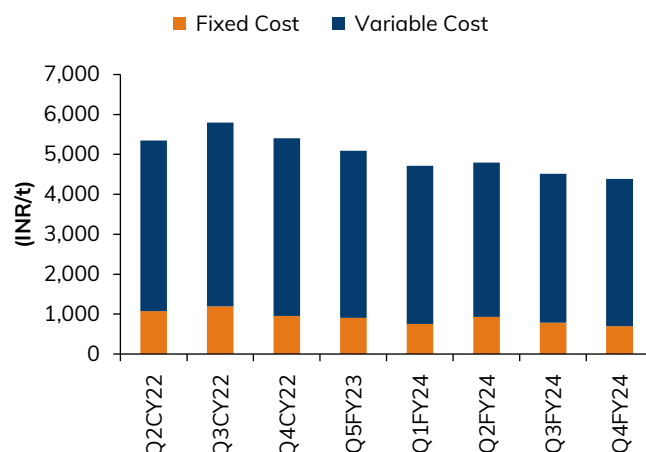
Source: I-Sec research, Company data

Exhibit 4: Quarterly realisation trend

Source: I-Sec research, Company data

Exhibit 5: Quarterly margin trend

Source: I-Sec research, Company data

Exhibit 6: Break-up of total cost

Source: I-Sec research, Company data

Exhibit 7: Q4FY24 result review

INR mn	Q4FY24	Q5FY23	YoY (%)	Q3FY24	QoQ (%)	Q4FY24E	Variance
Volume Sales (mt)	10.40	8.50	22.4	8.90	16.9	9.71	7.1
Blended cement realisation (INR/te)	5,190	5,636	(7.9)	5,526	(6.1)	5,307	(2.2)
Net Sales	53,981	47,908	12.7	49,183	9.8	51,552	4.7
Raw Materials	17,566	15,777	11.3	13,424	30.9	13,590	29.3
Personnel Cost	1,636	2,121	(22.8)	1,783	(8.2)	2,014	(18.8)
Power fuel costs	9,721	9,420	3.2	10,136	(4.1)	10,685	(9.0)
Outward freight	11,044	10,363	6.6	9,629	14.7	11,433	(3.4)
Other Expenses	5,643	5,564	1.4	5,180	8.9	5,961	(5.3)
Total Expenses	45,610	43,245	5.5	40,152	13.6	43,683	4.4
EBITDA	8,371	4,663	79.5	9,032	(7.3)	7,869	6.4
EBITDA / te (INR)	805	549	46.7	1,015	(20.7)	810	(0.6)
Cost/te	4,386	5,088	(13.8)	4,511	(2.8)	4,497	(2.5)
Interest	660	152	333.1	339	94.8	288	128.9
Depreciation	2,311	1,741	32.7	2,343	(1.4)	2,393	(3.4)
Other Income	1,215	1,173	3.6	839	44.8	839	44.8
Recurring pre-tax income	6,615	3,942	67.8	7,189	(8.0)	6,027	9.8
Extraordinary inc/(exp)	-	(664)	NA	-	NA	-	NA
Taxation	(870)	912	NA	1,914	NA	1,567	NA
Reported Net Income	7,485	2,366	216.4	5,275	41.9	4,460	67.8
Recurring Net Income	7,485	3,030	147.1	5,275	41.9	4,460	67.8
Ratios (%)			bps		bps		bps
EBITDA margins	15.5	9.7	577	18.4	-286	15.3	24
Net profit margins	13.9	6.3	754	10.7	314	8.7	522

Source: I-Sec research, Company data

Exhibit 8: Historical quarterly analysis

INR/te	Q5FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Cement realisations including RMC	5,636	5,533	5,475	5,526	5,190
Growth % (YoY)	(1.8)	(6.4)	(5.9)	(6.2)	(7.9)
Raw material with stock adjustment	1,856	1,520	1,598	1,508	1,689
Staff costs	249	162	240	200	157
Power & fuel costs	1,108	1,196	1,093	1,139	935
Outward freight	1,219	1,245	1,177	1,082	1,062
Other expenditure	655	592	689	582	543
Total expenses	5,088	4,715	4,798	4,511	4,386
Other operating income	-	-	-	-	-
EBITDA	549	818	677	1,015	805

Source: I-Sec research, Company data

Exhibit 9: Performance trend and assumptions

	CY19	CY20	CY21	FY23	FY24	FY25E	FY26E
Capacity ('000te)	33,400	33,400	34,800	36,400	37,400	39,400	39,400
Capacity utilisation (%)	87	77	83	105	98	100	106
Sales ('000te)	28,900	25,560	28,870	38,320	36,800	39,408	41,773
Growth (%)	2	(12)	13	NA	NA	7	6
Realisation (INR/te) – blended	5,418	5,393	5,595	5,796	5,422	5,351	5,462
Growth (%)	4	(0)	4	NA	NA	(1)	2

Source: I-Sec research, Company data

Exhibit 10: Per-tonne estimate analysis

(INR/te)	CY19	CY20	CY21	FY23	FY24	FY25E	FY26E
Net realisation including RMC	5,418	5,393	5,595	5,796	5,422	5,351	5,462
Raw materials consumed	941	983	993	1,424	1,582	1,574	1,574
Power & fuel costs	1,084	1,006	1,164	1,497	1,086	1,048	1,029
Freight costs	1,401	1,343	1,332	1,349	1,139	1,068	1,089
Other expenses	859	813	786	755	585	570	573
Total operating expenses	4,584	4,473	4,564	5,295	4,591	4,443	4,453
Other operating income	433	482	471	235	-	-	-
Blended EBITDA	834	920	1,031	501	831	908	1,009

Source: I-Sec research, Company data

Exhibit 11: Valuations based on 13x Mar'26E EV/E

Particulars	Mar'26
Assumed EV/EBITDA multiple (x)	13.0
EBITDA (INR mn)	42,154
EV (INR mn)	5,48,003
Less: Net debt (INR mn)	-66,930
M-cap (INR mn)	6,14,933
Shares o/s (mn)	188
Value per share (INR)	3,272

Source: I-Sec research, Company data

Exhibit 12: Earnings revision

INR mn	FY25E			FY26E		
	Revised	Earlier	% chg	Revised	Earlier	% chg
Revenue	2,10,881	2,16,504	(2.6)	2,28,159	2,30,206	(0.9)
EBITDA	35,775	36,428	(1.8)	42,154	38,840	8.5
Recurring PAT	22,331	22,744	(1.8)	28,453	25,864	10.0

Source: I-Sec research

Exhibit 13: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	56.7	56.7	56.7
Institutional investors	29.1	30.4	30.8
MFs and others	12.5	13.4	14.5
FIs/Banks	0.2	0.1	0.0
Insurance	9.3	9.5	9.1
FIIIs	7.1	7.4	7.2
Others	14.2	12.9	12.5

Source: Bloomberg

Exhibit 14: Price chart

Source: Bloomberg

Financial Summary

Exhibit 15: Profit & Loss

(Rs mn, year ending March)

	FY23A	FY24P	FY25E	FY26E
Net Sales	2,22,100	1,99,522	2,10,881	2,28,159
Operating Expenses	2,02,910	1,68,946	1,75,106	1,86,005
EBITDA	19,190	30,576	35,775	42,154
EBITDA Margin (%)	8.6	15.3	17.0	18.5
Depreciation & Amortization	8,351	8,763	9,319	9,415
EBIT	10,839	21,813	26,456	32,739
Interest expenditure	772	1,538	1,569	1,600
Other Non-operating Income	3,372	4,915	5,087	7,053
Recurring PBT	13,439	25,191	29,975	38,192
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	3,122	3,948	7,644	9,739
PAT	10,317	21,242	22,331	28,453
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	1,190	-	-	-
Net Income (Reported)	8,699	21,242	22,331	28,453
Net Income (Adjusted)	9,890	21,242	22,331	28,453

Source Company data, I-Sec research

Exhibit 16: Balance sheet

(Rs mn, year ending March)

	FY23A	FY24P	FY25E	FY26E
Total Current Assets	81,315	98,519	1,19,960	1,45,804
of which cash & cash eqv.	32,229	46,660	66,930	91,871
Total Current Liabilities & Provisions	56,304	56,809	57,498	57,833
Net Current Assets	25,011	41,710	62,462	87,971
Investments	1,927	1,927	1,927	1,927
Net Fixed Assets	70,806	87,043	91,212	93,025
ROU Assets	-	-	-	-
Capital Work-in-Progress	20,623	7,191	3,191	1,691
Total Intangible Assets	4,057	4,057	4,057	4,057
Other assets	25,357	25,357	25,357	25,357
Deferred Tax assets	-	-	-	-
Total Assets	1,47,781	1,67,284	1,88,206	2,14,028
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	4,331	4,331	4,331	4,331
provisions	1,763	1,763	1,763	1,763
other Liabilities	1,257	1,257	1,257	1,257
Equity Share Capital	1,880	1,880	1,880	1,880
Reserves & Surplus	1,38,550	1,58,054	1,78,975	2,04,797
Total Net Worth	1,40,430	1,59,934	1,80,855	2,06,677
Minority Interest	-	-	-	-
Total Liabilities	1,47,781	1,67,284	1,88,206	2,14,028

Source Company data, I-Sec research

Exhibit 17: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	52,011	44,347	49,183	53,981
% growth (YOY)	16.4	11.2	8.4	12.7
EBITDA	7,690	5,484	9,032	8,371
Margin %	14.8	12.4	18.4	15.5
Other Income	782	2,079	839	1,215
Extraordinaries	0	0	0	0
Adjusted Net Profit	4,639	3,843	5,275	7,485

Source Company data, I-Sec research

Exhibit 18: Cashflow statement

(Rs mn, year ending March)

	FY23A	FY24P	FY25E	FY26E
Operating Cashflow	14,309	30,005	31,650	37,868
Working Capital Changes	(26,697)	(2,268)	(482)	(567)
Capital Commitments	(19,788)	(11,568)	(9,488)	(9,728)
Free Cashflow	(32,175)	16,169	21,680	27,573
Other investing cashflow	(26,632)	-	-	-
Cashflow from Investing Activities	(46,419)	(11,568)	(9,488)	(9,728)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(10,892)	(1,739)	(1,410)	(2,631)
Others	(1,485)	-	-	-
Cash flow from Financing Activities	(12,377)	(1,739)	(1,410)	(2,631)
Chg. in Cash & Bank balance	(71,184)	14,431	20,270	24,941
Closing cash & balance	2,858	17,298	37,569	62,510

Source Company data, I-Sec research

Exhibit 19: Key ratios

(Year ending March)

	FY23A	FY24P	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	52.6	113.0	118.8	151.4
Adjusted EPS (Diluted)	52.6	113.0	118.8	151.4
Cash EPS	97.0	159.6	168.4	201.5
Dividend per share (DPS)	9.3	7.5	14.0	14.0
Book Value per share (BV)	747.2	850.9	962.3	1,099.6
Dividend Payout (%)	17.6	6.6	11.8	9.2
Growth (%)				
Net Sales	-	-	5.7	8.2
EBITDA	-	-	17.0	17.8
EPS (INR)	-	-	5.1	27.4
Valuation Ratios (x)				
P/E	49.0	22.8	21.7	17.0
P/CEPS	26.6	16.2	15.3	12.8
P/BV	3.5	3.0	2.7	2.3
EV / EBITDA	25.1	15.3	12.5	10.0
EV / te (USD)	163.5	148.8	136.8	129.1
Dividend Yield (%)	0.4	0.3	0.5	0.5
Operating Ratios				
Gross Profit Margins (%)	75.4	70.8	70.6	71.2
EBITDA Margins (%)	8.6	15.3	17.0	18.5
Effective Tax Rate (%)	23.2	15.7	25.5	25.5
Net Profit Margins (%)	4.5	10.6	10.6	12.5
NWC / Total Assets (%)	16.9	24.9	33.2	41.1
Net Debt / Equity (x)	0.0	(0.1)	(0.2)	(0.3)
Net Debt / EBITDA (x)	(0.1)	(0.6)	(1.1)	(1.5)
Profitability Ratios				
RoCE (%) (Post Tax)	5.9	12.2	11.6	12.6
RoE (%)	7.0	14.1	13.1	14.7
RoC (%)	10.6	16.1	16.4	20.6
Fixed Asset Turnover (x)	3.3	2.5	2.4	1.0
Inventory Turnover Days	50	62	62	28
Receivables Days	11	16	16	17
Payables Days	58	55	55	25

Source Company data, I-Sec research

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