

ACC
ACCUMULATE
Volume growth and costs surprises
Summary

ACC's Q1CY21 EBITDA is 14% higher than our estimate. Beat in the number is led by volume and lower costs. Volume in the quarter has increased by 22% YoY and opex/t is down Rs350/t QoQ. Though realization was down 1% QoQ but EBITDA/t was up 18% QoQ and was supported by higher volume and lower raw material cost, other expenses. ACC's has re-iterated greenfield expansion of 3.7mtpa Ametha (MP) plant in Q2CY22, this will increase its capacity by 10%. We have factored better volume and lower costs in CY21/22, this has resulted in higher EBITDA by 5%/10% respectively. Accordingly our TP is revised to Rs2143 (earlier Rs1875). Maintain ACCUMULATE rating.

Key Highlights and Investment Rationale

- Q1CY21 Snapshot:** ACC Q1CY21 Revenue / EBITDA increased by 23% / 47% YoY. Operationally, volume increased by 22% YoY and is led by volume transfer from Ambuja, Sindri commissioning and lower base of last year. Opex/t was down 8% QoQ as Company has benefited from lower cost inventory of raw material, operating leverage benefit from higher volume. This led EBITDA/t to increase to Rs1074/t vs Rs908/t QoQ, Rs893/t YoY. ACC reported PAT of Rs5.6bn up 74% YoY and 43% QoQ.
- Capacity addition plans maintained:** ACC has cement capacity of 34.5mtpa with 17 operating cement plants having capacity utilization of 90% in Q1CY21 vs. 72% in CY20. Sindri expansion has been completed and is fully operational. Company re-iterated Greenfield expansion in Ametha and associated grinding units to commission by Q2CY22. Ametha capacity commissioning will increase ACC capacity by 11% in CY22. Efficiency projects like Waste Heat Recovery is also on track. Company plans to commission 22.5MW in CY22 vs 7MW operational WHRS currently.
- Stock view:** Due to higher energy prices, Q1CY21 EBITDA/t of Rs1074, is expected to taper off in the coming quarter. But key thing to watch is volume and price hike to sustain the profitability. We modeling in volume increase of 20%/5% and EBITDA/t of Rs892/958 for CY21/22.

| | | |
|-----------------------------|----------------|--------------|
| TP | Rs2,143 | |
| CMP | Rs1,877 | |
| Potential upside / downside | +14% | |
| Previous Rating | ACCUMULATE | |
| V/s Consensus | | |
| EPS (Rs) | CY21E | CY22E |
| IDBI Capital | 96.8 | 104.4 |
| Consensus | 92.8 | 102.9 |
| % difference | 4.3 | 1.5 |

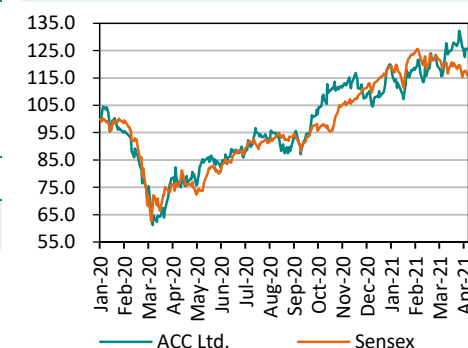
Shareholding Pattern (%)

| | |
|-----------|------|
| Promoters | 54.5 |
| FII | 12.6 |
| DII | 10.0 |
| Public | 22.9 |

Price Performance (%)

| | | | |
|---------------|------------|------------|-------------|
| | -1m | -3m | -12m |
| Absolute | 7.2 | 9.6 | 60.1 |
| Rel to Sensex | 11.0 | 12.5 | 8.3 |

| | |
|---------------------------------|-----------------|
| Key Stock Data | |
| Bloomberg / Reuters | ACC IN / ACC.BO |
| Sector | Cement |
| Shares o/s (mn) | 188 |
| Market cap. (Rs mn) | 352,449 |
| Market cap. (US\$ mn) | 4,707 |
| 3-m daily avg Trd value (Rs mn) | 798.1 |
| 52-week high / low | Rs2,023 / 1,108 |
| Sensex /Nifty | 47,949 / 14,359 |

Relative to Sensex (%)

Financial snapshot

| Year | CY18 | CY19 | CY20 | CY21E | CY22E |
|--------------------|---------|---------|---------|---------|---------|
| Revenue | 148,014 | 156,567 | 137,845 | 166,208 | 180,513 |
| EBITDA | 20,446 | 24,095 | 23,522 | 28,472 | 30,858 |
| EBITDA (%) | 13.8 | 15.4 | 17.1 | 17.1 | 17.1 |
| Adj. PAT | 10,060 | 13,589 | 14,149 | 18,190 | 19,624 |
| EPS (Rs) | 53.5 | 72.3 | 75.3 | 96.8 | 104.4 |
| EPS Growth (%) | (18.8) | 35.1 | 4.1 | 28.6 | 7.9 |
| PE (x) | 35.1 | 26.0 | 24.9 | 19.4 | 18.0 |
| Dividend Yield (%) | 0.5 | 0.7 | 0.7 | 1.0 | 1.1 |
| EV/EBITDA (x) | 15.8 | 12.8 | 12.5 | 10.2 | 9.1 |
| RoE (%) | 10.1 | 12.3 | 11.7 | 13.6 | 13.3 |
| RoCE (%) | 13.5 | 16.2 | 14.3 | 17.3 | 17.0 |

Source: Company; IDBI Capital Research

Exhibit 1: Financial snapshot (Standalone)

(Rs mn)

| Year-end: December | Mar 21 | Mar 20 | YoY (%) | Dec 20 | QoQ (%) |
|----------------------------|---------------|---------------|--------------|---------------|--------------|
| Net Sales | 42,919 | 35,017 | 22.57 | 41,447 | 3.6 |
| EBIDTA | 8,594 | 5,859 | 46.7 | 5,712 | 50.5 |
| <i>EBIDTA margin (%)</i> | <i>20</i> | <i>17</i> | <i>3bps</i> | <i>14</i> | <i>6bps</i> |
| Other income | 432 | 547 | (21.0) | 542 | (20.3) |
| Depreciation | 1,424 | 1,571 | (9.4) | 1,565 | (9.0) |
| Interest | 112 | 106 | 5.9 | 174 | (35.4) |
| Pre-tax profit | 7,489 | 4,728 | 58.4 | 2,755 | 171.9 |
| Tax | 1,915 | 1,529 | 25.2 | -1,884 | (201.6) |
| Adjusted net profit | 5,574 | 3,199 | 74.2 | 4,639 | 20.2 |
| Adjusted EBITDA | 9,883 | 5,859 | 68.7 | 6,942 | 24.0 |
| Adjusted PAT | 5,574 | 3,199 | 74.2 | 3,889 | 43.3 |

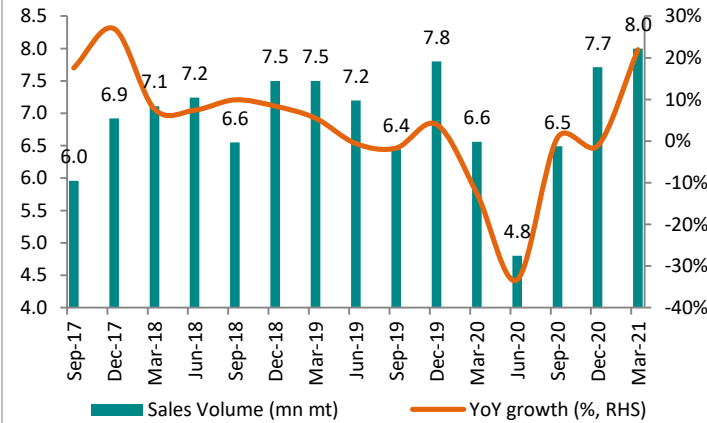
Source: Company; IDBI Capital Research

Exhibit 2: Operating Matrix

| Particulars | Mar 21 | Mar 20 | YoY (%) | Dec 20 | QoQ (%) |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cement sales (mn t) | 8.00 | 6.6 | 22.0 | 7.71 | 3.8 |
| Cement - Net realization Rs /t | 4,915 | 4,744 | 3.6 | 4,970 | (1.1) |
| Total expenditure per Rs /t | 3,887 | 3,893 | (0.1) | 4,234 | (8.2) |
| Composite raw materials Rs /t | 932 | 725 | 28.7 | 1,112 | (16.2) |
| Employees Cost Rs /t | 257 | 318 | (19.0) | 323 | (20.4) |
| Power & Fuel Cost Rs /t | 1,005 | 1,119 | (10.2) | 975 | 3.0 |
| Freight & Handling Expenses Rs /t | 1,361 | 1,442 | (5.6) | 1,322 | 3.0 |
| Other Expenditure Rs /t | 735 | 842 | (12.7) | 903 | (18.6) |
| EBITDA Rs /t | 1,074 | 893 | 20.3 | 741 | 45.0 |
| Adj. EBITDA Rs /t | 1,074 | 893 | 20.3 | 908 | 25.0 |

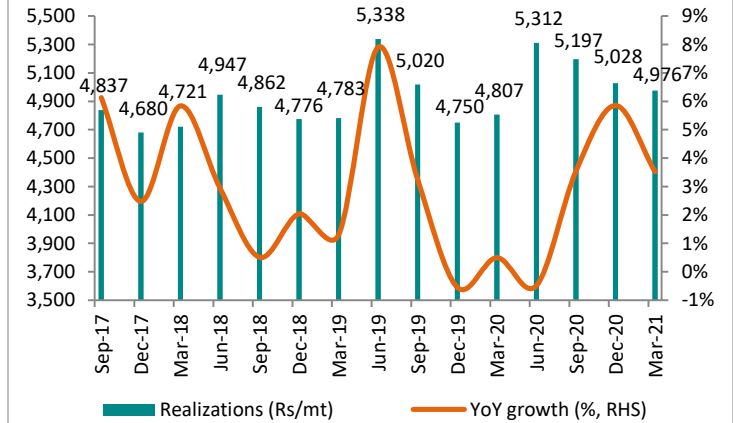
Source: Company; IDBI Capital Research

Exhibit 3: Q1CY21 volume increased by 22% YoY



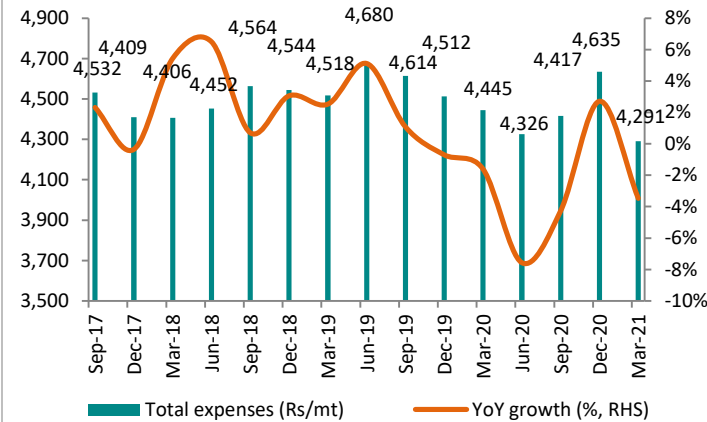
Source: IDBI Capital Research

Exhibit 4: Q1CY21 cement prices increased by 4% YoY



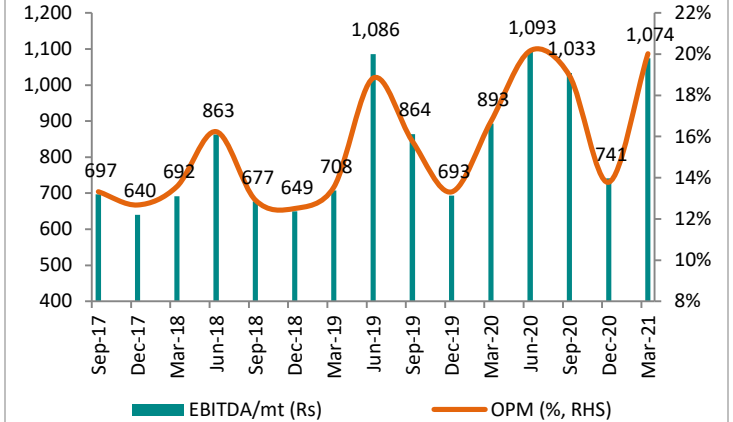
Source: IDBI Capital Research

Exhibit 5: Q1CY21 opex down 4% YoY

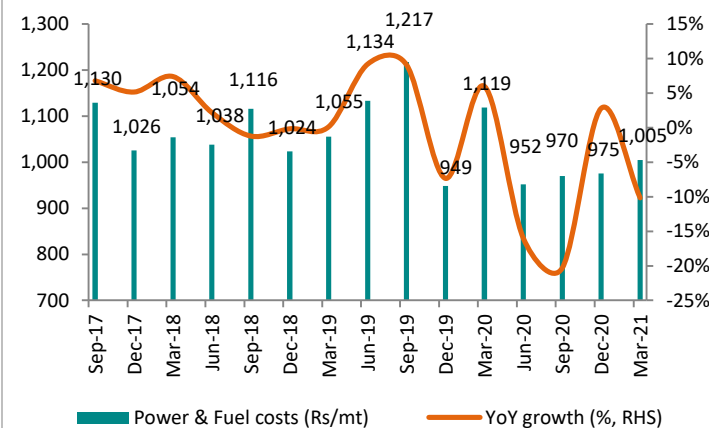


Source: IDBI Capital Research

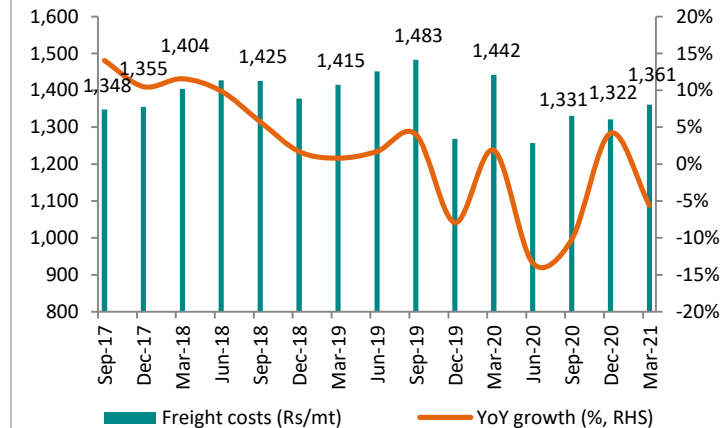
Exhibit 6: Q1CY21 EBITDA/t up 20% YoY



Source: IDBI Capital Research

Exhibit 7: Q1CY21 fuel cost down 10% YoY


Source: IDBI Capital Research

Exhibit 8: Q1CY21 freight cost down 6% YoY


Source: IDBI Capital Research

Exhibit 9: Capacity addition plan of ACC

| Capacity | mn t |
|--|-------------|
| Existing | 33.1 |
| Planned Capacity Addition over CY21-22: | |
| Ametha, MP (Integrated unit with 2.7mt Clinker Capacity) | 3.7 |
| Sindri Jharkhand (Brownfield) – Commissioned | 1.4 |
| Total | 5.1 |
| Total Capacity mn t | 38.2 |

Financial Summary

Profit & Loss Account

(Rs mn)

| Year-end: March | CY19 | CY20 | CY21E | CY22E |
|-------------------------------|----------------|----------------|----------------|----------------|
| Net sales | 156,567 | 137,845 | 166,208 | 180,513 |
| <i>Growth (%)</i> | 5.8 | (12.0) | 20.6 | 8.6 |
| Operating expenses | (132,472) | (114,324) | (137,736) | (149,655) |
| EBITDA | 24,095 | 23,522 | 28,472 | 30,858 |
| <i>Growth (%)</i> | 17.8 | -2.4 | 21.0 | 8.4 |
| Depreciation | (6,030) | (6,353) | (5,782) | (6,016) |
| EBIT | 18,065 | 17,169 | 22,691 | 24,842 |
| Interest paid | (862) | (570) | (436) | (402) |
| Other income | 3,112 | 2,040 | 1,778 | 1,925 |
| Pre-tax profit | 20,315 | 16,878 | 24,033 | 26,365 |
| Tax | (6,726) | (2,729) | (5,844) | (6,741) |
| <i>Effective tax rate (%)</i> | 33.1 | 16.2 | 24.3 | 25.6 |
| Net profit | 13,589 | 14,149 | 18,190 | 19,624 |
| Exceptional items | - | - | - | - |
| Reported net profit | 13,589 | 13,399 | 18,190 | 19,624 |
| <i>Growth (%)</i> | 35.1 | (1.4) | 35.8 | 7.9 |
| <i>Shares o/s (mn nos)</i> | 188 | 188 | 188 | 188 |

Cash Flow Statement

(Rs mn)

| Year-end: March | CY19 | CY20 | CY21E | CY22E |
|--------------------------------------|----------------|----------------|-----------------|-----------------|
| Pre-tax profit | 20,315 | 16,878 | 24,033 | 26,365 |
| Depreciation | 6,030 | 6,353 | 5,782 | 6,016 |
| Tax paid | (4,462) | (7,064) | (5,844) | (6,741) |
| Chg in working capital | 2,661 | 3,872 | (562) | 2,567 |
| Other operating activities | (2,059) | (866) | (1,343) | (1,523) |
| Cash flow from operations (a) | 22,484 | 19,173 | 22,067 | 26,684 |
| Capital expenditure | (4,935) | (7,452) | (15,000) | (15,000) |
| Chg in investments | 195 | 148 | - | - |
| Other investing activities | - | - | - | - |
| Cash flow from investing (b) | (3,283) | (7,378) | (13,222) | (13,075) |
| Equity raised/(repaid) | 5 | 1 | - | - |
| Debt raised/(repaid) | (572) | (645) | (436) | (402) |
| Dividend (incl. tax) | (3,169) | (2,629) | (4,288) | (4,626) |
| Chg in minorities | - | - | - | - |
| Other financing activities | - | - | - | - |
| Cash flow from financing (c) | (3,737) | (3,273) | (4,723) | (5,028) |
| Net chg in cash (a+b+c) | 15,464 | 8,522 | 4,122 | 8,582 |

Balance Sheet (Rs mn)

| Year-end: March | CY19 | CY20 | CY21E | CY22E |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Net fixed assets | 74,267 | 71,581 | 80,799 | 89,783 |
| Investments | 2,302 | 2,206 | 2,206 | 2,206 |
| Other non-curr assets | 11,449 | 14,747 | 14,289 | 14,289 |
| Current assets | 74,128 | 83,276 | 92,586 | 102,862 |
| Inventories | 11,410 | 9,005 | 12,307 | 13,367 |
| Sundry Debtors | 6,284 | 4,515 | 6,830 | 7,418 |
| Cash and Bank | 43,832 | 57,349 | 61,802 | 70,384 |
| Marketable Securi. | 1,549 | 1,562 | 1,562 | 1,562 |
| Loans and advances | 314 | 598 | 550 | 597 |
| Total assets | 162,146 | 171,810 | 189,880 | 209,140 |
| Shareholders' funds | 115,213 | 126,614 | 140,517 | 155,515 |
| Share capital | 1,880 | 1,880 | 1,880 | 1,880 |
| Reserves & surplus | 113,333 | 124,735 | 138,637 | 153,635 |
| Other liabilities | 1,171 | (2,291) | (2,291) | (2,291) |
| CurrLiab & prov | 45,763 | 47,487 | 51,655 | 55,917 |
| Current liabilities | 43,187 | 45,192 | 49,282 | 53,524 |
| Provisions | 2,575 | 2,294 | 2,372 | 2,393 |
| Total liabilities | 46,933 | 45,195 | 49,364 | 53,625 |
| Total equity & liabilities | 162,146 | 171,810 | 189,880 | 209,140 |
| Book Value (Rs) | 613 | 674 | 747 | 827 |

Source: Company; IDBI Capital Research

Financial Ratios

| Year-end: March | CY19 | CY20 | CY21E | CY22E |
|--|-------|-------|-------|-------|
| Adj. EPS (Rs) | 72.3 | 71.3 | 96.8 | 104.4 |
| Adj. EPS growth (%) | 35.1 | (1.4) | 35.8 | 7.9 |
| EBITDA margin (%) | 15.4 | 17.1 | 17.1 | 17.1 |
| Pre-tax margin (%) | 13.0 | 12.2 | 14.5 | 14.6 |
| ROE (%) | 12.3 | 11.7 | 13.6 | 13.3 |
| ROCE (%) | 16.2 | 14.3 | 17.3 | 17.0 |
| Turnover & Leverage ratios (x) | | | | |
| Asset turnover (x) | 1.0 | 0.8 | 0.9 | 0.9 |
| Leverage factor (x) | 1.4 | 1.4 | 1.4 | 1.3 |
| Net margin (%) | 8.7 | 10.3 | 10.9 | 10.9 |
| Net Debt/Equity (x) | (0.4) | (0.5) | (0.5) | (0.5) |
| Working Capital & Liquidity ratio | | | | |
| Inventory days | 27 | 24 | 27 | 27 |
| Receivable days | 15 | 12 | 15 | 15 |
| Payable days | 41 | 45 | 46 | 46 |

Valuation

| Year-end: March | CY19 | CY20 | CY21E | CY22E |
|------------------------|------|------|-------|-------|
| P/E (x) | 26.0 | 24.9 | 19.4 | 18.0 |
| Price / Book value (x) | 3.1 | 2.8 | 2.5 | 2.3 |
| PCE (x) | 18.0 | 17.2 | 14.7 | 13.8 |
| EV / Net sales (x) | 2.0 | 2.1 | 1.7 | 1.6 |
| EV / EBITDA (x) | 12.8 | 12.5 | 10.2 | 9.1 |
| Dividend Yield (%) | 0.7 | 0.7 | 1.0 | 1.1 |



Notes

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Key to Ratings Stocks:

BUY: Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto ±5%; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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