

ACC

HOLD

Volume and realization surprises

Summary

ACC'S Q2CY21 EBITDA is 23%/ 21% higher than our/consensus estimate. Beat in the number is led by volume and realization. Volume in the quarter has decreased by 15% QoQ versus estimate of -21% QoQ. Cement Realization increased by 8% QoQ and was supported by sale of premium cement. We have factored beat in Q2 result in CY21/22 financials and this has resulted in increase in the EBITDA by 5%/8% (exhibit 10). After covid 2 related lockdown, ACC has seen pick up in the volume in June-21 and profitability (EBITDA/t) led by realization has increased sharply. We value the stock at +1STD of its last 10 year mean to factor the positivity and arrive at TP of Rs2289. Our Rating is HOLD on the stock.

Key Highlights and Investment Rationale

- Q2CY21 Snapshot:** ACC Q2CY21 Revenue / EBITDA increased by 49% / 67% YoY. Operationally, volume increased by 43% YoY at 6.8mt. Opex/t was down 4% YoY at Rs4057/t. Company witnessed strong delivery on cost efficiency actions under project 'Parvat' across cost levers. This led EBITDA/t to increase to Rs1279/t vs Rs1074/t QoQ, Rs1093/t YoY. ACC reported PAT of Rs5.3bn up 99% YoY. In Q2CY21 company incurred a charge of Rs381mn in respect of impairment in the value of investment in Lucky Minmat Ltd.
- Realization could go soft in monsoon:** Start of monsoon, could lead to softness in realization, we expect Q2CY21 EBITDA/t of Rs1279, to taper off in the coming quarter. We are modeling in volume increase of 18%/6% and EBITDA/t of Rs993/1047 for CY21E/22E.
- Capacity addition plans on track:** ACC has cement capacity of 34.5mtpa with 17 operating cement plants having capacity utilization of 79% in Q2CY21 vs. 57% in Q2CY20. Company's cement capacity expansion project at Ametha in Madhya Pradesh has commenced and is expected to commission by Q2CY22. And its WHRS projects at various sites are progressing well.

TP Rs2,289
CMP Rs2,151

Potential upside / downside +6%

V/s Consensus

EPS (Rs)	CY21E	CY22E
IDBI Capital	101.4	115.3
Consensus	107.9	121.5
% difference	(6.0)	(5.1)

Shareholding Pattern (%)

Promoters	54.5
FII	13.6
DII	9.3
Public	22.6

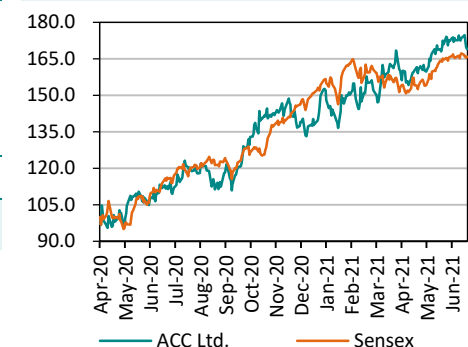
Price Performance (%)

	-1m	-3m	-12m
Absolute	6.0	14.6	63.5
Rel to Sensex	5.6	5.0	21.5

Key Stock Data

Bloomberg / Reuters	ACC IN / ACC.BO
Sector	Cement
Shares o/s (mn)	188
Market cap. (Rs mn)	403,865
Market cap. (US\$ mn)	5,393
3-m daily avg Trd value (Rs mn)	556.6
52-week high / low	Rs2,169 / 1,290
Sensex /Nifty	52,553 / 15,752

Relative to Sensex (%)



Financial snapshot

Year	CY18	CY19	CY20	CY21E	CY22E
Revenue	148,014	156,567	137,845	169,726	185,156
EBITDA	20,446	24,095	23,522	29,848	33,262
EBITDA (%)	13.8	15.4	17.1	17.6	18.0
Adj. PAT	10,060	13,589	14,149	19,062	21,669
EPS (Rs)	53.5	72.3	75.3	101.4	115.3
EPS Growth (%)	(18.8)	35.1	4.1	34.7	13.7
PE (x)	40.2	29.8	28.6	21.2	18.7
Dividend Yield (%)	0.4	0.7	0.7	0.9	1.0
EV/EBITDA (x)	18.3	14.9	14.7	11.4	9.9
RoE (%)	10.1	12.3	11.7	14.2	14.5
RoCE (%)	13.5	16.2	14.3	18.3	18.6

Source: Company; IDBI Capital Research

Exhibit 1: Financial snapshot (Standalone)

(Rs mn)

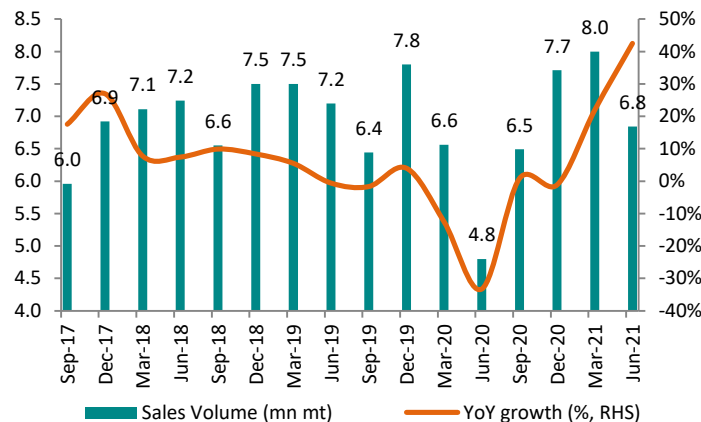
Year-end: December	June 21	June 20	YoY (%)	Mar 21	QoQ (%)
Net Sales	38,848	26,008	49.37	42,919	(9.5)
EBIDTA	8,747	5,244	66.8	8,594	1.8
<i>EBIDTA margin (%)</i>	<i>23%</i>	<i>20%</i>	<i>2bps</i>	<i>20%</i>	<i>2bps</i>
Other income	447	502	(11.0)	432	3.6
Depreciation	1,456	1,618	(10.0)	1,424	2.3
Interest	134	131	2.2	112	19.1
Pre-tax profit	7,604	3,998	90.2	7,489	1.5
Tax	1,885	1,318	43.0	1,915	(1.6)
Adjusted net profit	5,719	2,680	113.4	5,574	2.6
Adjusted EBITDA	10,036	5,244	91.4	8,594	16.8
Adjusted PAT	5,338	2,680	99.2	5,574	(4.2)

Source: Company; IDBI Capital Research

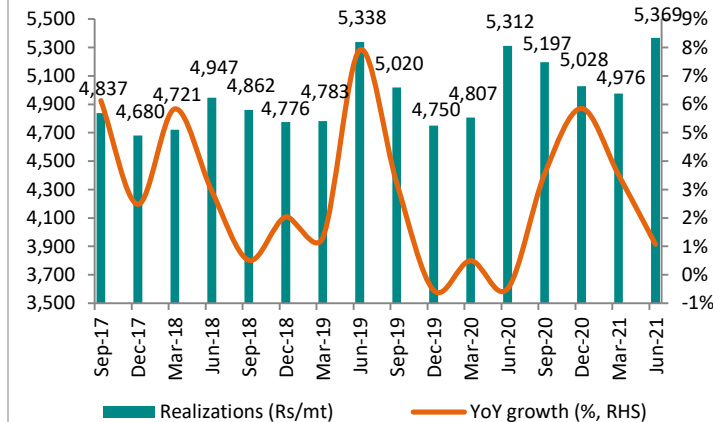
Exhibit 2: Operating Matrix

Particulars	June 21	June 20	YoY (%)	Mar 21	QoQ (%)
Cement sales (mn t)	6.84	4.8	42.5	8.00	(14.5)
Cement - Net realization Rs /t	5,307	5,289	0.3	4,915	8.0
Total expenditure per Rs /t	4,057	4,195	(3.3)	3,887	4.4
Composite raw materials Rs /t	735	1,040	(29.4)	932	(21.2)
Employees Cost Rs /t	305	367	(16.9)	257	18.6
Power & Fuel Cost Rs /t	1,212	952	27.3	1,005	20.6
Freight & Handling Expenses Rs /t	1,352	1,257	7.5	1,361	(0.7)
Other Expenditure Rs /t	797	709	12.3	735	8.4
EBITDA Rs /t	1,279	1,093	17.0	1,074	19.0
Adj. EBITDA Rs /t	1,279	1,093	17.0	1,074	19.0

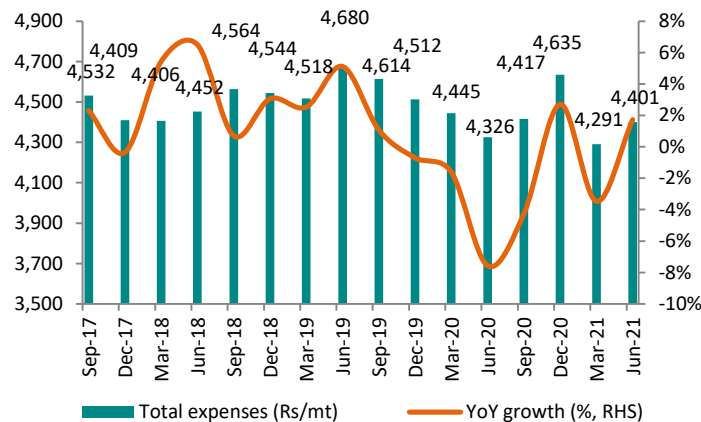
Source: Company; IDBI Capital Research

Exhibit 3: Q2CY21 volume increased by 43% YoY


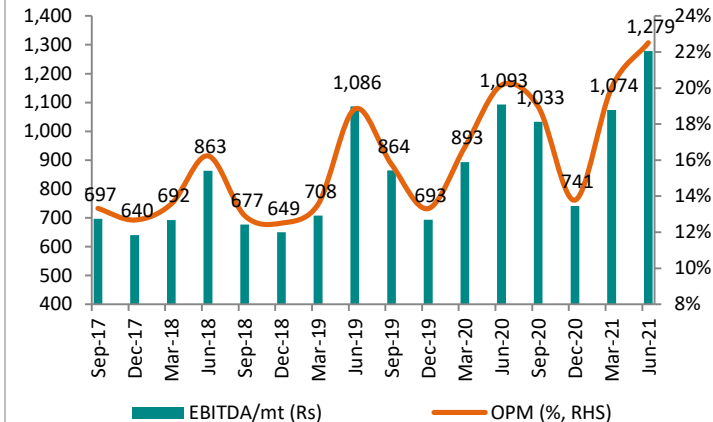
Source: IDBI Capital Research

Exhibit 4: Q2CY21 cement prices increased by 1% YoY


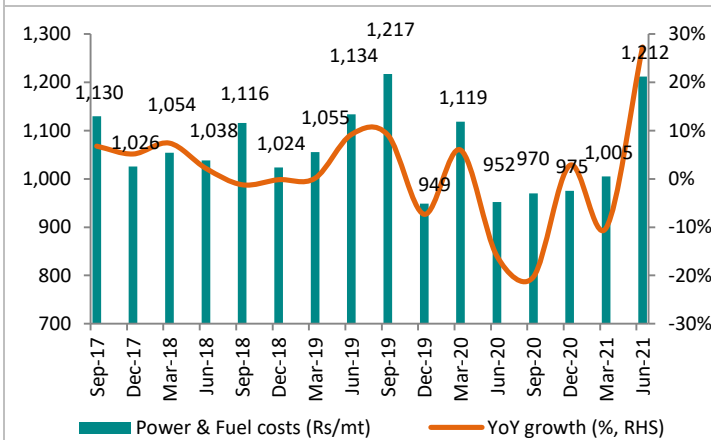
Source: IDBI Capital Research

Exhibit 5: Q2CY21 opex increased by 2% YoY


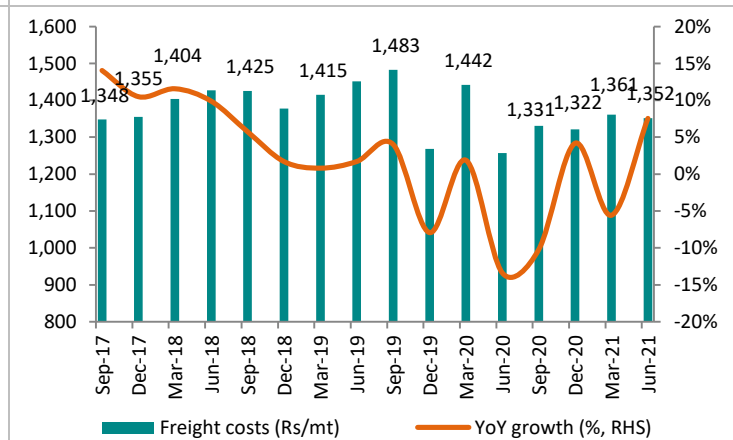
Source: IDBI Capital Research

Exhibit 6: Q2CY21 EBITDA/t up 23% YoY


Source: IDBI Capital Research

Exhibit 7: Q2CY21 fuel cost up 27% YoY


Source: IDBI Capital Research

Exhibit 8: Q2CY21 freight cost up 8% 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

Exhibit 10: Change in estimate

(Rs mn)	Old		New		Change %	
	CY21E	CY22E	CY21E	CY22E	CY21E	CY22E
Sales	166,208	180,513	169,726	185,156	2%	3%
EBITDA	28,472	30,858	29,848	33,262	5%	8%
EBITDA /t	956	986	993	1,047		
PAT	18,190	19,624	19,062	21,669	5%	10%
Volume mt	29.8	31.3	30.1	31.8	1%	2%

Source: Company; IDBI Capital Research

Exhibit 11: Target Price

	CY22E Old	CY22E New
EBTIDA Rs mn	30,858	33,262
Multiple (x)	11	11
EV Rs mn	339,438	365,885
Debt Rs mn	0	0
CashCY21 Rs mn	63,360	64,494
Net Debt Rs mn	-63,360	-64,494
Equity value Rs mn	402,798	430,379
Shares o/s (mn)	188	188
TP (Rs)	2,143	2,289

Source: Company; IDBI Capital Research

Exhibit 12: Valuation Band



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account (Rs mn)

Year-end: March	CY19	CY20	CY21E	CY22E
Net sales	156,567	137,845	169,726	185,156
<i>Growth (%)</i>	5.8	(12.0)	23.1	9.1
Operating expenses	(132,472)	(114,324)	(139,878)	(151,893)
EBITDA	24,095	23,522	29,848	33,262
<i>Growth (%)</i>	17.8	-2.4	26.9	11.4
Depreciation	(6,030)	(6,353)	(5,706)	(5,880)
EBIT	18,065	17,169	24,142	27,382
Interest paid	(862)	(570)	(505)	(488)
Other income	3,112	2,040	1,786	1,917
Pre-tax profit	20,315	16,878	25,423	28,811
Tax	(6,726)	(2,729)	(6,361)	(7,142)
<i>Effective tax rate (%)</i>	33.1	16.2	25.0	24.8
Net profit	13,589	14,149	19,062	21,669
Exceptional items	-	-	-	-
Reported net profit	13,589	14,149	19,062	21,669
<i>Growth (%)</i>	35.1	4.1	34.7	13.7
<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	25,423	28,811
Depreciation	6,030	6,353	5,706	5,880
Tax paid	(4,462)	(7,064)	(6,361)	(7,142)
Chg in working capital	2,661	3,872	69	2,769
Other operating activities	(2,059)	(869)	(1,281)	(1,429)
Cash flow from operations (a)	22,484	19,170	23,557	28,889
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)	(13,214)	(13,083)
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	(572)	(399)	(505)	(488)
Dividend (incl. tax)	(3,169)	(2,629)	(4,255)	(4,837)
Chg in minorities	-	-	-	-
Other financing activities	-	-	-	-
Cash flow from financing (c)	(3,742)	(3,028)	(4,760)	(5,325)
Net chg in cash (a+b+c)	15,459	8,764	5,583	10,481

Balance Sheet

(Rs mn)

Year-end: March	CY19	CY20	CY21E	CY22E
Net fixed assets	74,267	70,740	80,034	89,154
Investments	2,302	2,206	2,206	2,206
Other non-curr assets	11,449	15,588	15,588	15,588
Current assets	74,128	83,276	94,845	107,154
Inventories	11,410	9,005	12,568	13,710
Sundry Debtors	6,284	4,515	6,975	7,609
Cash and Bank	43,832	57,349	62,932	73,413
Marketable Securi.	1,549	1,562	1,562	1,562
Loans and advances	314	598	562	613
Total assets	162,146	171,810	192,673	214,102
Shareholders' funds	115,213	126,614	141,422	158,253
Share capital	1,880	1,880	1,880	1,880
Reserves & surplus	113,333	124,735	139,542	156,374
Other liabilities	1,171	(2,291)	(2,291)	(2,291)
CurrLiab & prov	45,763	47,487	53,543	58,140
Current liabilities	43,187	45,192	51,165	55,740
Provisions	2,575	2,294	2,377	2,399
Total liabilities	46,933	45,195	51,251	55,848
Total equity & liabilities	162,146	171,810	192,673	214,102
Book Value (Rs)	613	674	752	842

Source: Company; IDBI Capital Research

Financial Ratios

Year-end: March	CY19	CY20	CY21E	CY22E
Adj. EPS (Rs)	72.3	75.3	101.4	115.3
Adj. EPS growth (%)	35.1	4.1	34.7	13.7
EBITDA margin (%)	15.4	17.1	17.6	18.0
Pre-tax margin (%)	13.0	12.2	15.0	15.6
ROE (%)	12.3	11.7	14.2	14.5
ROCE (%)	16.2	14.3	18.3	18.6
Turnover & Leverage ratios (x)				
Asset turnover (x)	1.0	0.8	0.9	0.9
Leverage factor (x)	1.4	1.4	1.4	1.4
Net margin (%)	8.7	10.3	11.2	11.7
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	47

Valuation

Year-end: March	CY19	CY20	CY21E	CY22E
P/E (x)	29.8	28.6	21.2	18.7
Price / Book value (x)	3.5	3.2	2.9	2.6
PCE (x)	20.6	19.7	16.3	14.7
EV / Net sales (x)	2.3	2.5	2.0	1.8
EV / EBITDA (x)	14.9	14.7	11.4	9.9
Dividend Yield (%)	0.7	0.7	0.9	1.0



Notes

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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