

ACC Ltd

ADD

CMP Rs 1,877

Target Rs 2,028

Upside 8%

Result Highlights

- ✓ Volume dispatches for the quarter stood at 7.97 MT translating into 21.5% y/y growth vis-à-vis expected growth of 18.7% y/y. RMC volumes continue to recover with normalcy in construction activities across metro cities as volumes came in at 0.83 mcm (down by ~10% y/y and lowest de-growth over last 4 qtrs).
- ✓ Cement NSR/te was Rs 4,876 during the quarter witnessing a healthy improvement of 6.5% y/y (vs. est. of +3.5% y/y). Improvement and outperformance in NSR/te on y/y basis was primarily driven by product mix optimization and higher share of premium products.
- ✓ Net sales for the company stood at Rs 42.9 bn – a growth of 22.6% y/y and 0.5% above our estimates.
- ✓ ACC delivered extremely strong outperformance on EBITDA level with absolute EBITDA for the quarter at Rs 8.6 bn (+22% above our estimates and +20% above consensus estimates) while EBITDA growth stood at 47% y/y. Per ton profitability on blended basis came in at Rs 1,041 (vs. est. of Rs 870) translating into healthy improvement of 22% y/y and 18.4% q/q. Better pricing and lower clinker cost led to strong operational performance for the company.
- ✓ Net profit for the company stood at Rs 5.62 bn which grew by 74.2% y/y.

Our View:

- ✓ ACC delivered strong set of numbers for Q1CY21 with marginal outperformance on volumes (+21.5% y/y and +2.2% above estimates) and massive outperformance on EBITDA level (+47% y/y) which was 22% above our estimates and 20% above consensus estimates. Better than expected realizations due to higher share of premium products (cement NSR up 6.5% y/y vs est. of +3.5% y/y) and lower clinker cost led to beat on operating performance.
- ✓ Going ahead, on the back of sharp surge in energy prices (spot prices at ~Rs 1.4/kcal on blended basis vs consumption cost of Rs 1.1-1.2/kcal during the quarter), we expect P&F costs to rise by ~Rs 170/te sequentially from Q2CY21E onwards. However, strong pricing scenario and operating leverage would offset the surge in costs to some extent translating into range-bound profitability for CY21E vis-à-vis CY20.

Exhibit 1: Result table

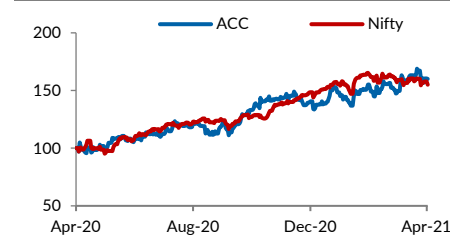
Y/e 31 Mar (Rs mn)	Q1CY21	Q4CY20	qoq (%)	Q1CY20	yoy (%)
Revenue	42,920	41,447	3.6	35,017	22.6
Operating Profit	8,602	7,009	22.7	5,865	46.7
OPM (%)	20.0	16.9	313 bps	16.7	329 bps
Other Income	440	640	(31.3)	559	(21.4)
Depreciation	1,432	1,574	(9.0)	1,580	(9.3)
EBIT	7,610	6,075	25.3	4,844	57.1
Interest	112	174	(35.4)	106	5.9
PBT	7,542	2,890	161.0	4,787	57.5
Tax	1,916	(1,835)	-	1,531	25.2
PAT	5,626	4,724	19.1	3,257	72.8

Source: Company, YES Sec – Research

Stock data (as on Apr 19, 2021)

Nifty	14,359
52 Week h/l (Rs)	2023 / 1107
Market cap (Rs/USD mn)	352430 / 4707
Outstanding Shares	188
6m Avg t/o (Rs mn):	2,481
Div yield (%):	0.7
Bloomberg code:	ACC IN
NSE code:	ACC

Stock performance



	1M	3M	1Y
Absolute return	7.7%	10.4%	63.2%

Shareholding pattern (As of March'21 end)

Promoter	54.53%
FII+DII	32.23%
Others	13.09%

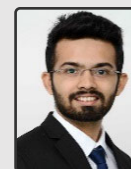
Δ in stance

(1-Yr)	New	Old
Rating	ADD	Reduce
Target Price	2,028	1,845

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- ✓ We upgrade our volume estimates by 4.8%/2.4% and EBITDA estimates by 12.1%/11.2% for CY21E/CY22E respectively.
- ✓ ACC is speedily ramping up recently commissioned 1.4 MTPA brownfield grinding unit in Jharkhand while company expects to commission Ametha project in Central market by Q2CY22.
- ✓ In the medium term, we expect volume/EBITDA CAGR of 13.5%/11.3% over CY20-CY22E. Balance sheet would continue to remain strong despite capex with net cash of Rs 65.4 bn in CY22E vs ~Rs 60 bn in CY20.
- ✓ At CMP of Rs 1,877, ACC is trading at EV/EBITDA of 9.5x on CY22E. We continue to assign EV/EBITDA multiple of 10x on CY22E and arrive at TP of Rs 2,028/share with potential upside of 8% (previous TP of Rs 1,845). We have an ADD rating on the stock.
- ✓ **Key Risk:** Further lockdowns across states due to second wave of COVID would hamper volume growth and timelines of capex commissioning.

Exhibit 2: Per tonne analysis (blended)

Per te (in Rs)	Q1CY21	Q4CY20	qoq(%)	Q1CY20	yoy (%)
Cement volumes (MT)	8.0	7.7	3.4	6.6	21.5
Net realization	5,196	5,203	(0.1)	5,086	2.2
Raw Material cost	903	1,077	(16.1)	691	30.8
Employee cost	250	314	(20.3)	304	(17.7)
Power and fuel cost	974	945	3.1	1,067	(8.6)
Freight cost	1,312	1,273	3.1	1,367	(4.0)
Other expenses	715	715	(0.0)	806	(11.3)
EBITDA	1,041	880	18.4	852	22.3

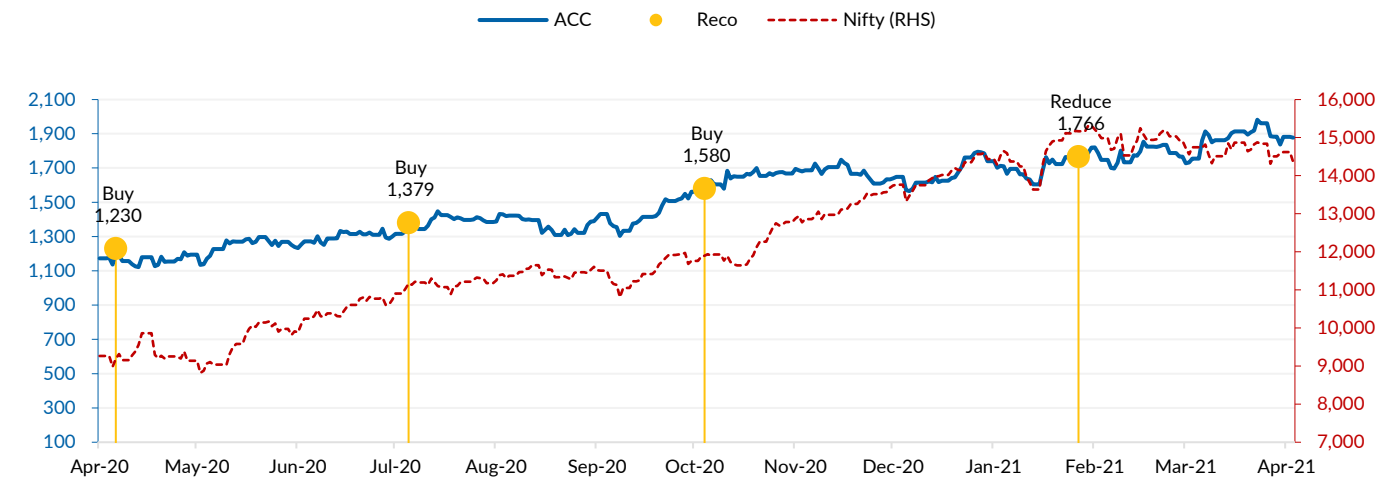
Source: Company, YES Sec - Research

Exhibit 3: Financial Summary

Y/e 31 Dec (In Rs mn)	CY19A	CY20A	CY21E	CY22E
Cement volumes (MTPA)	28.89	25.53	30.47	32.55
Revenues	156,576	137,860	168,745	183,585
EBITDA	24,128	24,840	28,643	30,747
EBITDA/te (Rs)	801	944	903	907
CFI	(3,217)	(5,352)	(20,000)	(16,000)
Net debt	(46,477)	(60,057)	(57,899)	(65,437)
Net debt/Equity (x)	(0.4)	(0.5)	(0.4)	(0.4)
Net debt/EBITDA (x)	(1.9)	(2.4)	(2.0)	(2.1)
ROE (%)	11.9	11.3	12.4	11.3
ROCE (%)	18.4	16.2	16.9	15.4
EV/EBITDA (x)	8.5	10.8	10.2	9.5
EV/ton (\$)	87	107	112	98

Source: Company, YES Sec - Research

Recommendation Tracker



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BUY: Potential return >15% over 12 months

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