

ACC Ltd

REDUCE

CMP Rs1,776

Target Rs1,845

Upside 4%

Results broadly in-line; downgrade from BUY to REDUCE due to lack of medium term triggers

Valuation and Outlook

- ✓ Q4CY20 of ACC was marked by distinct volume underperformance (-0.6% y/y) vis-à-vis industry growth rate (+5-7% y/y) and our estimates (+6% y/y). However EBITDA/te at Rs 880 was ~8% higher than our estimates translating into EBITDA of Rs 7 bn for the quarter (vs. our estimates of Rs 6.97 bn).
- ✓ ACC has commissioned 1.4 MTPA brownfield grinding unit in Jharkhand during Jan 2021. Notwithstanding the fact that company's 4.8 MTPA expansion in Central market along with investments in WHRS system in East and Central plants would drive operating profits, these triggers remain fairly distant in nature as company would enjoy benefits of the same post CY22E.
- ✓ In the medium term, we expect volume/EBITDA CAGR of 12.2%/5.5% over CY20-CY22E. Further, balance sheet of ACC will continue to be strong as we expect net cash reserves to remain stable at ~Rs 60 bn despite expected capex of Rs 36 bn over next two years.
- ✓ At CMP of Rs 1,776, ACC is trading at EV/EBITDA of 9.9x and EV/te of ~\$92 on CY22E. We continue to assign EV/EBITDA multiple of 10x on CY22E and arrive at TP of Rs 1,845/share with potential upside of 4% (previous TP of Rs 1,804). **We downgrade ACC from BUY to REDUCE.**

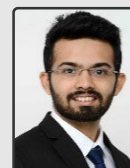
Key Result Highlights

- ✓ **Cement volumes** for the quarter stood at 7.71 MT ; a marginal decline of 0.6% y/y vis-à-vis expected growth of 6% y/y. RMC volumes were down 22% y/y at 0.73 mcm. We believe ACC has considerably underperformed w.r.t volumes as compared to industry growth rate (+5-7% y/y) and its peers (double digit growth).
- ✓ **Blended NSR/te** was Rs 5,203, declining sequentially by 2.2% (est. of 2.5% decline) but has improved by 3.6% y/y.
- ✓ **Net sales** for the company came in at Rs 41.45 bn – a growth of 2.1% y/y and 17.2% q/q but 6.5% below our estimates.
- ✓ However, profitability for ACC was better than our expectations as **blended EBITDA/te** was Rs 880 vis-à-vis our estimates of Rs 816. Although per tonne profitability improved by ~31.5% y/y (low base), it declined sequentially by ~13%. Accordingly, **EBITDA** for ACC stood at ~Rs 7bn (vs. our est. of Rs 6.97 bn) – witnessing growth of 29.5% y/y and 4.4% q/q.
- ✓ ACC has marked an exceptional charge of Rs 1.28 bn in other expenses and we have adjusted for the same to derive at core operating profits.

KUNAL SHAH

Lead Analyst

kunal.shah@ysil.in



UDIT GAJIWALA, Associate

AMAR AMBANI, Sr. President, Head of Research

amar.ambani@ysil.in

Exhibit 1: Quarterly Financials

Y/e 31 Mar (Rs mn)	Q4CY20*	Q3CY20	qoq(%)	Q4CY19	yoy (%)
Revenue	41,447	35,373	17.2	40,603	2.1
Operating Profit	7,008	6,714	4.4	5,410	29.5
OPM (%)	16.9	19.0	(207) bps	13.3	358 bps
Other Income	640	455	40.7	575	11.3
Depreciation	1,574	1,608	(2.2)	1,608	(2.1)
EBIT	6,074	5,561	9.2	4,377	38.8
Interest	174	160	8.6	293	(40.6)
PBT	2,890	5,407	(46.5)	4,133	(30.1)
Tax	(1,835)	1,768	-	1,400	-
PAT	4,724	3,639	29.8	2,733	72.9

*One-off charge of Rs 1.28 bn was marked in other expenses alongwith exceptional charge of Rs 1.76 bn

Exhibit 2: Per tonne analysis

Per te (in Rs)	Q4CY20	Q3CY20	qoq(%)	Q4CY19	yoy (%)
Cement volumes (MT)	7.7	6.5	18.8	7.8	(0.6)
Net realization	5,203	5,318	(2.2)	5,022	3.6
Raw Material cost	1,077	1,023	5.3	1,177	(8.5)
Employee cost	314	309	1.4	288	8.8
Power and fuel cost	945	947	(0.2)	916	3.2
Freight cost	1,273	1,293	(1.6)	1,218	4.5
Other expenses	715	737	(2.9)	754	(5.1)
EBITDA	880	1,010	(12.9)	669	31.5

Exhibit 3: Financial Summary

Y/e 31 Dec (In Rs mn)	CY19A	CY20A	CY21E	CY22E
Cement volumes (MTPA)	28.89	25.53	29.08	31.80
Revenues	156,576	137,860	160,219	176,405
EBITDA	24,128	24,840	25,565	27,640
EBITDA/te (Rs)	801	944	843	834
CFI	(3,217)	(7,485)	(20,000)	(16,000)
Net debt	(46,477)	(60,057)	(55,788)	(60,278)
Net debt/Equity (x)	(0.4)	(0.5)	(0.4)	(0.4)
Net debt/EBITDA (x)	(1.9)	(2.4)	(2.2)	(2.2)
ROE (%)	11.9	11.3	11.0	10.1
ROCE (%)	18.4	16.2	15.0	13.8
EV/EBITDA (x)	8.5	8.5	10.7	9.9
EV/ton (\$)	87	84	105	92

Exhibit 4: Results Summary

Y/e 31 Mar (Rs mn)	Q3FY21*	Q2FY21	qoq(%)	Q3FY20**	yoy (%)
Revenue	6,601	5,222	26.4	6,050	9.1
Gross Profit	3,379	2,664	26.8	2,915	15.9
GP margin (%)	51.2	51.0	17.1bps	48.2	302bps
Operating Profit	1,237	866	42.9	841	47.0
OPM (%)	18.7	16.6	216bps	13.9	483bps
Depreciation	176	177	(0.3)	200	(11.9)
Interest	16	24	(33.6)	96	(83.7)
PBT	1058	678	55.9	48	-
Tax	281	175	60.4	44	537.4
Reported PAT	658	503	30.8	4	-

*includes exceptional charge of Rs 118 mn in Q3FY21

**impairment charge incurred to the tune of Rs 511 mn in Q3FY20

Exhibit 5: Segmental Volumes

Volumes	Q3FY21	Q2FY21	% q-o-q	Q3FY20	% y-o-y
Plywood (CBM)	71,977	53,682	34.1	63,996	12.5
Laminates (Nos)	15,91,300	14,17,215	12.3	15,53,737	2.4
MDF(CBM)	49,207	39,599	24.3	41,553	18.4
Particle Board (CBM)	15,885	16,966	(6.4)	16,333	(2.7)
Logistics (CFS)	13,803	12,932	6.7	15,176	(9.0)

Exhibit 6: Segmental Revenue

(Rs Mn)	Q3FY21	Q2FY21	% q-o-q	Q3FY20	% y-o-y
Ply & allied products	3,571	2,681	33.2	3,229	10.6
Laminate and allied	1,200	1,018	17.9	1,149	4.4
Medium Density Fiber Board	1,165	935	24.6	966	20.6
Particle Board	262	256	2.0	250	4.8
CFS	209	199	4.6	220	(5.2)
Others	138	110	25.4	141	(2.3)

Exhibit 7: Segmental EBITDA

(Rs Mn)	Q3FY21	Q2FY21	% q-o-q	Q3FY20	% y-o-y
Ply & allied products	539	350	53.8	455.7	18.2
Margin (%)	15.1	13.1	201.6 bps	14.1	97.5 bps
Laminate and allied	231	136	69.5	159.2	45.0
Margin (%)	19.2	13.4	585bps	13.9	537.8bps
Medium Density Fiber Board	323	263	23.0	250.6	28.9
Margin (%)	27.7	28.1	(35)bps	25.9	180.1bps
Particle Board	61	56	8.4	59.7	1.3
Margin (%)	23.1	21.8	137bps	23.9	(79.1)bps
CFS	55	59	(5.8)	76.4	(27.6)
Margin (%)	26.5	29.4	(293)bps	34.7	(821.5)bps
Others	26	20	34.4	15.0	74.7
Margin (%)	19.0	17.7	126bps	10.6	835.6bps

Exhibit 8: Financial Summary

Financial Overview (Rs mn)	FY20	FY21E	FY22E	FY23E
Net sales	23,170	20,247	25,648	29,835
EBITDA	2,797	3,276	4,291	5,389
EBITDA%	12.1	16.2	16.7	18.1
Net Profit	1,254	1,894	2,675	3,367
Net Profit %	5.4	9.4	10.4	11.3
EPS (Rs)	6.5	8.5	12.0	15.1
CFI	(245)	(620)	(3,342)	(4,466)
Net Debt	2,689	(200)	1,228	2,856
Net Debt/Equity (x)	0.2	(0.0)	0.1	0.2
Net Debt/EBITDA (x)	1.0	(0.1)	0.3	0.5
ROE (%)	11.5	15.1	18.1	19.1
ROCE (%)	15.9	21.4	22.7	22.6
P/E (x)	31.0	34.1	24.1	19.2
P/B (x)	4.1	5.2	4.4	3.7

DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that each security's price or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections.

Technical Analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

DISCLOSURE OF INTEREST

Name of the Research Analyst : Kunal Shah, Udit Gajiwala

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

YES Securities (India) Limited

Registered Address: Unit No. 602 A, 6th Floor, Tower 1 & 2,
One International Center, Senapati Bapat Marg, Elphinstone Road,
Mumbai – 400013, Maharashtra, India
Email: research@ysil.in | Website: <https://yesinvest.in>

Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Single Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member Code: BSE – 6538, NSE – 14914, MCX – 56355 & NCDEX - 1289 | MERCHANT BANKER: INM000012227 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (Cat III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 | AMFI ARN Code – 94338 |

Details of Compliance Officer: Vaibhav Purohit,
Email: compliance@ysil.in, Contact No.: +91-22-33479208

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Potential return >15% over 12 months

ADD: Potential return +5% to +15% over 12 months

REDUCE: Potential return -10% to +5% over 12 months

SELL: Potential return <-10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a SEBI registered stock broker holding membership of NSE, BSE, MCX & NCDEX. YSL is also a SEBI registered Category I Merchant Banker, Investment Adviser and a Research Analyst. YSL offers, inter alia, trading/investment in equity and other financial products along with various value-added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.