

Cost synergies reflects with strong EBITDA beat

Cement ▶ Result Update ▶ January 27, 2024

TARGET PRICE (Rs): 2,900

ACC's Q3FY24 EBITDA was a robust beat on our/consensus estimates by 27-30% mainly owing to lower-than-expected costs. EBITDA more than doubled YoY to Rs9.1bn (up 65% QoQ) with EBITDA/ton crossing the Rs1,000 mark post nine quarters (Emkay est: Rs825). Total cost/ton declined 17% YoY (6% QoQ) to Rs4,505 (vs. our est. of flat cost QoQ) owing to cost savings across line items. Blended realization improved 1% QoQ to Rs5,522/ton. Volume growth surprised positively with 15% YoY growth to 8.9mt, partly led by increased MSA transaction with Ambuja Cement. We increase our EBITDA estimates upwards by 13-15% in FY25-26E, citing consistent cost-saving measures and the recent acquisition of Asian Concretes & Cements. Given the healthy B/S and attractive valuation, we maintain BUY with a revised Dec-24E TP of Rs2,900 (13x EV/E).

ACC: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	CY21	FY23	FY24E	FY25E	FY26E
Revenue	161,517	222,102	197,458	213,647	225,001
EBITDA	29,981	19,249	31,490	36,202	38,855
Adj. PAT	19,178	10,468	17,486	20,455	22,091
Adj. EPS (Rs)	99.1	37.7	101.0	108.8	117.5
EBITDA margin (%)	18.6	8.7	15.9	16.9	17.3
EBITDA growth (%)	20.7	(48.6)	104.5	15.0	7.3
Adj. EPS growth (%)	30.3	(62.0)	168.1	7.7	8.0
RoE (%)	14.2	7.4	11.7	12.2	11.8
RoIC (%)	29.3	10.8	15.5	16.2	17.3
P/E (x)	24.2	55.4	26.5	22.7	21.0
EV/EBITDA (x)	13.0	22.5	13.4	11.2	10.0
P/B (x)	3.2	4.1	2.9	2.6	2.4
FCFF yield (%)	4.3	(7.4)	2.2	4.2	4.9

Source: Company, Emkay Research

Result Summary

Volume trajectory continued to remain healthy in Q3FY24 with 15% YoY growth (10% QoQ) to 8.9mt, on likely higher MSA with Ambuja. For 9MFY24, volume growth stood at an impressive 19% YoY to 26.4mt. Overall cost/ton fell Rs283/ton QoQ to Rs4,505/ton in Q3FY24 with delta-driven by reduction in fixed overheads (down Rs197/ton), freight costs (down Rs94/ton), and RM+P&F cost (down Rs40/ton). Operational efficiencies have started to yield results with total cost/ton down 15% YoY in 9MFY24. Subsequently, profitability improved sharply by Rs340/ton QoQ to Rs1,017/ton in Q3FY24. Furthermore, better working capital management resulted in net cash increasing by Rs6.5bn QoQ to Rs43bn as of Dec-23. In Q3, the company acquired an additional 55% stake in an associate company, Asian Concretes & Cements (Asian), for a cash consideration of Rs4.3bn. Asian has an overall capacity of 2.8mt; however, ACC was likely selling 1mt under a tolling arrangement. The said acquisition will likely increase volumes further by 1.2-1.3mt with additional EBITDA of Rs2-2.2bn p.a.

What we liked: Strong volume growth with improved profitability

What we did not like: Weak performance in the RMC division

Other operational highlights

1) Fuel cost in Q3FY23 stood at Rs1.86 vs. Rs2.59/Rs1.85 in Q3FY23/Q2FY24. 2) For the RMC segment, revenue fell 20% YoY (flat QoQ) to Rs3bn with volumes down 16% YoY (constant QoQ) to 0.7mn CBM. It reported EBIT loss of Rs45mn in Q3FY24 vs. profit of Rs46mn in Q3FY23 (Q2FY24: Rs33mn). 3) ACC commissioned 1mt of GU at Ametha in Q3. Earlier in Q2, ACC had commissioned a 3.3mt clinker facility in Ametha. 4) WHRS at Ametha with 16.3MW capacity has been commissioned, taking the overall capacity to 46.3MW. 5) Share of WHRS improved 270bps YoY to 9.1%. 6) Work on the WHRS facility at Chanda (18 MW) and Wadi (21.5 MW) is on track and will be commissioned in FY25, which will take the overall capacity to 85.8MW with total share of 25% in the power mix.

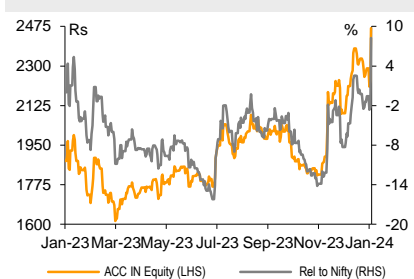
Target Price – 12M	Dec-24
Change in TP (%)	11.5
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	17.5
CMP (25-Jan-24) (Rs)	2,467.7

Stock Data	Ticker
52-week High (Rs)	2,564
52-week Low (Rs)	1,592
Shares outstanding (mn)	187.8
Market-cap (Rs bn)	463
Market-cap (USD mn)	5,575
Net-debt, FY24E (Rs mn)	-40,386
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	1,169.0
ADTV-3M (USD mn)	14.1
Free float (%)	-
Nifty-50	21,353
INR/USD	83.1
Shareholding, Dec-23	
Promoters (%)	56.7
FPIs/MFs (%)	6.2/24.2

Price Performance

(%)	1M	3M	12M
Absolute	18.0	30.5	13.9
Rel. to Nifty	18.0	16.9	(4.5)

1-Year share price trend (Rs)



Dharmesh Shah

dharmesh.shah@emkayglobal.com
+91 22 6612 1255

Cheragh Sidhwa

cheragh.sidhwa@emkayglobal.com
+91 22 6612 1219

Quarterly Analysis

Exhibit 1: Actual vs. Estimates (Q3FY24) Consolidated

(Rs mn)	Actual	Estimates		Variation (%)		Comment
		Emkay	Consensus	Emkay	Consensus	
Net sales	49,144	47,294	46,805	3.9	5.0	Owing to higher-than-expected volumes and lower-than-expected costs
EBITDA	9,047	6,935	7,108	30.5	27.3	
PAT	5,376	3,846	4,550	39.8	18.2	
Volumes (mt)	8.9	8.4		5.8		
Blended realization (Rs/ton)	5,522	5,624		(1.8)		
EBITDA (Rs/ton)	1,017	825		23.3		

Source: Bloomberg, Emkay Research

Exhibit 2: Quarterly Result Summary

(Rs mn)	Q3FY23	Q4FY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY23	9MFY24	% YoY
Revenue	45,370	47,909	52,011	44,347	49,144	8.3	10.8	1,29,927	1,45,502	12.0
Expenditure	41,578	43,224	44,302	38,855	40,096	(3.6)	3.2	1,21,710	1,23,253	1.3
Total RM	12,878	15,778	14,269	12,944	13,410	4.1	3.6	29,754	40,624	36.5
Power & Fuel	11,302	9,426	11,248	8,866	10,154	(10.2)	14.5	37,596	30,267	(19.5)
Freight	10,018	10,298	11,654	9,479	9,557	(4.6)	0.8	30,623	30,690	0.2
Staff cost	2,030	2,121	1,520	1,948	1,783	(12.2)	(8.5)	6,311	5,250	(16.8)
Other expenditure	5,351	5,602	5,612	5,618	5,193	(3.0)	(7.6)	17,426	16,423	(5.8)
EBITDA	3,791	4,685	7,709	5,493	9,047	138.6	64.7	8,218	22,249	170.7
Depreciation	1,725	1,768	2,001	2,128	2,352	36.3	10.5	5,107	6,481	26.9
EBIT	2,066	2,918	5,708	3,365	6,695	224.1	99.0	3,111	15,768	406.9
Other Income	407	1,192	769	601	862	111.8	43.5	1,643	2,231	35.8
Interest	189	152	251	289	339	79.8	17.5	515	879	70.8
PBT	2,284	3,957	6,226	3,677	7,217	216.0	96.3	4,239	17,120	303.9
Total Tax	393	957	1,594	1,315	1,916	388.1	45.7	858	4,826	462.8
Adjusted PAT	1,892	3,000	4,632	2,362	5,301	180.2	124.5	3,382	12,295	263.6
(Profit)/loss from JVs/Ass/MI	31	21	29	17	75	142.4	335.8	103	122	18.0
PAT after MI	1,923	3,021	4,661	2,379	5,376	179.6	126.0	3,485	12,417	256.3
Extraordinary items	(791)	(664)	-	1,500	-	(100.0)	(100.0)	(954)	1,500	
Reported PAT	1,132	2,356	4,661	3,879	5,376	375.1	38.6	2,531	13,917	449.8
Adjusted EPS (Rs)	10.2	16.1	24.8	12.7	28.6	179.6	126.0	18.5	66.0	256.3
(%)	Q3FY23	Q4FY23	1QFY24	2QFY24	3QFY24	YoY (bps)	QoQ (bps)	9MFY23	9MFY24	YoY (bps)
EBITDAM	8.4	9.8	14.8	12.4	18.4	120.3	48.6	6.3	15.3	897
EBITM	4.6	6.1	11.0	7.6	13.6	199.2	79.5	2.4	10.8	844
EBTM	5.0	8.3	12.0	8.3	14.7	191.7	77.1	3.3	11.8	850
PATM	4.2	6.3	8.9	5.3	10.8	158.7	102.6	2.6	8.4	585
Effective Tax rate	17.2	24.2	25.6	35.8	26.6			20.2	28.2	

Source: Company, Emkay Research

Exhibit 3: Quarterly analysis on a per ton basis

Rs/ton	Q3FY23	Q4FY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY23	9MFY24	YoY (%)
Cement volumes (mt)	7.8	8.5	9.4	8.1	8.9	14.8	9.7	22.3	26.4	18.5
Blended Realization	5,854	5,656	5,524	5,466	5,522	(5.7)	1.0	5,824	5,505	(5.5)
Raw Material	1,662	1,863	1,516	1,595	1,507	(9.3)	(5.5)	2,325	3,111	33.8
Power & Fuel	1,458	1,113	1,195	1,093	1,141	(21.8)	4.4	3,621	2,287	(36.8)
Freight	1,293	1,216	1,238	1,168	1,074	(16.9)	(8.1)	2,831	2,406	(15.0)
Staff cost	262	250	161	240	200	(23.5)	(16.5)	589	401	(31.9)
Other expenditure	691	661	596	692	583	(15.5)	(15.7)	1,664	1,288	(22.6)
Operating cost	5,365	5,103	4,706	4,789	4,505	(16.0)	(5.9)	5,456	4,664	(14.5)
EBITDA/ton	489	553	819	677	1,017	107.8	50.2	368	842	128.5

Source: Company, Emkay Research

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Exhibit 4: We have revised our EBITDA estimates upwards by 13-15% in FY25-26E

(Rs mn)	FY24E			FY25E			FY26E		
	Old	New	Chg. (%)	Old	New	Chg. (%)	Old	New	Chg. (%)
Revenue	2,01,962	1,97,458	(2.2)	2,13,598	2,13,647	0.0	2,23,134	2,25,001	0.8
EBITDA	29,157	31,490	8.0	31,963	36,202	13.3	33,913	38,855	14.6
PAT	16,343	17,486	7.0	18,973	20,455	7.8	20,372	22,091	8.4

Source: Emkay Research

Exhibit 5: We maintain BUY with a TP of Rs2,900/share, based on Dec-25E EV/E of 13x

EV/E valuation	
Dec-25E EBITDA (Rs bn)	33.0
EV/E (x)	13.0
Enterprise Value (Rs bn)	492
Net cash (Dec-24E; Rs bn)	53
Equity value (Rs bn)	545
No. of shares (mn)	188
Dec-24E Target Price (Rs/share)	2,900

Source: Emkay Research

Exhibit 6: Annual Financials

Key Assumptions	CY18	CY19	CY20	CY21	15MFY23	FY24E	FY25E	FY26E	CAGR (%)	
									CY18-23	FY23-26E
Capacity (mt)	33.4	33.4	33.4	34.8	36.1	39.9	39.9	39.9	2.0	3.4
Volumes (mt)	28.8	29.8	26.2	29.4	38.6	36.0	38.5	40.0	7.6	1.2
Utilisation (%)	85	83	76	77	107	90	96	100		
Blended Realization (Rs/ton)	5,020	5,156	5,151	5,380	5,645	5,410	5,477	5,550	3.0	(0.6)
EBITDA/ton (Rs/ton)	735	811	949	1,020	499	875	940	971	(9.2)	24.9
PnL (Rs bn.)										
Revenue	148	157	138	162	222	197	214	225	10.7	0.4
EBITDA	21	24	25	30	19	31	36	39	(2.4)	26.4
Adj. Net Profit	11	14	15	19	10	17	20	22	(1.0)	28.3
Balance Sheet (Rs bn.)										
Equity	105	115	127	143	141	158	177	197		
Net Debt	(31)	(46)	(60)	(75)	(31)	(40)	(57)	(76)		
Cash Flow (Rs bn)										
OCF before NWC change	16	21	20	28	(14)	28	32	35		
NWC change	(4)	3	4	1	(27)	(1)	(1)	(1)		
Capex	(5)	(5)	(7)	(12)	(20)	(17)	(12)	(12)		
FCF	7	19	16	18	(60)	10	19	22		
Return ratios (%)										
RoE (%)	11.0	12.5	12.3	14.2	7.4	11.7	12.2	11.8		
RoCE (%)	10.9	12.3	12.1	14.1	7.5	11.9	12.4	12.0		
RoIC (%)	14.5	16.6	20.3	29.3	10.8	15.5	16.2	17.3		
Valuations (x)										
PE (x)						26.6	22.8	21.1		
EV/EBITDA (x)						13.2	11.4	10.1		
EV/ton (USD)						130	125	119		

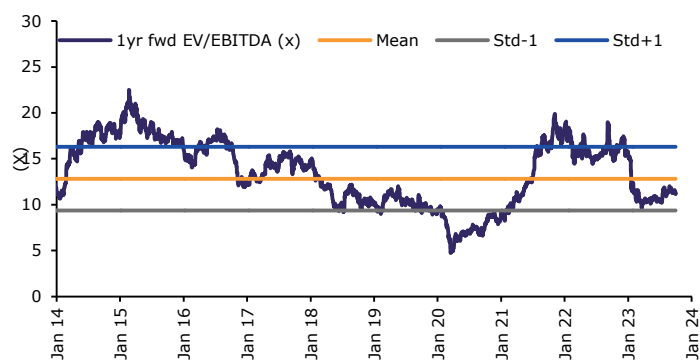
Source: Company, Emkay Research

Exhibit 7: Annual analysis on a per-ton basis

Rs/ton	CY18	CY19	CY20	CY21	15MFY23	FY24E	FY25E	FY26E
Blended realization	5,132	5,156	5,151	5,380	5,645	5,410	5,477	5,550
YoY (%)	4.0	0.5	(0.1)	4.5	4.9	(4.2)	1.2	1.3
Raw materials consumed	809	914	960	975	1,413	1,527	1,521	1,526
Power and fuel costs	1,041	1,053	983	1,145	1,488	1,143	1,138	1,153
Freight costs	1,384	1,355	1,305	1,301	1,332	1,142	1,150	1,170
Staff Cost	282	291	321	284	268	197	191	191
Other expenses	882	838	748	770	755	605	610	610
Operating cost	4,398	4,451	4,316	4,475	5,255	4,613	4,610	4,650
YoY (%)	1.0	1.2	(3.0)	3.7	17.4	(12.2)	(0.1)	0.9
Other operating income	112	106	114	115	109	79	73	71
Blended EBITDA	735	811	949	1,020	499	875	940	971
YoY (%)	2.5	10.4	17.0	7.5	(51.1)	75.5	7.4	3.2

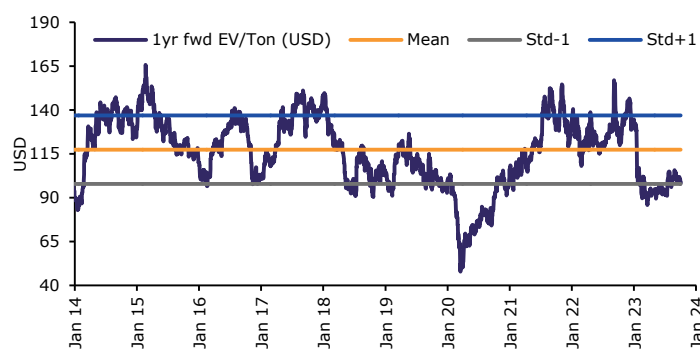
Source: Company, Emkay Research

Exhibit 8: One-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

Exhibit 9: One-year forward EV/ton



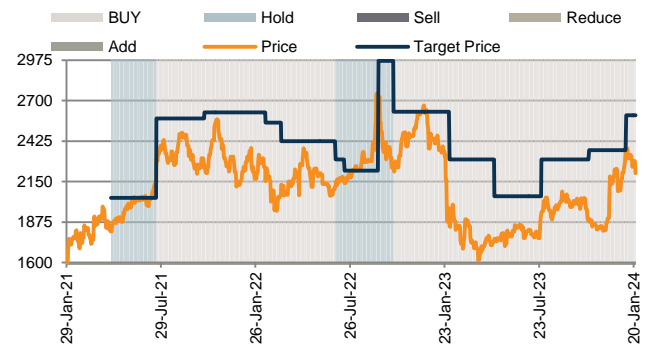
Source: Bloomberg, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
05-Jan-24	2,377	2,600	Buy	Dharmesh Shah
30-Nov-23	1,876	2,365	Buy	Dharmesh Shah
30-Nov-23	1,876	2,365	Buy	Dharmesh Shah
26-Oct-23	1,900	2,365	Buy	Dharmesh Shah
28-Sep-23	1,996	2,300	Buy	Dharmesh Shah
18-Sep-23	2,007	2,300	Buy	Dharmesh Shah
27-Jul-23	1,941	2,300	Buy	Dharmesh Shah
03-Jun-23	1,816	2,050	Buy	Dharmesh Shah
04-May-23	1,766	2,050	Buy	Dharmesh Shah
28-Apr-23	1,763	2,050	Buy	Dharmesh Shah
02-Mar-23	1,801	2,300	Buy	Dharmesh Shah
05-Feb-23	1,927	2,300	Buy	Dharmesh Shah
01-Feb-23	1,846	2,300	Buy	Dharmesh Shah
29-Dec-22	2,448	2,625	Buy	Dharmesh Shah
05-Dec-22	2,621	2,625	Buy	Dharmesh Shah
05-Nov-22	2,481	2,625	Buy	Dharmesh Shah
17-Oct-22	2,270	2,625	Buy	Dharmesh Shah
05-Oct-22	2,360	2,970	Hold	Dharmesh Shah
18-Sep-22	2,612	2,970	Hold	Dharmesh Shah
04-Sep-22	2,290	2,225	Hold	Dharmesh Shah
15-Jul-22	2,140	2,225	Hold	Dharmesh Shah
04-Jul-22	2,165	2,300	Hold	Dharmesh Shah
28-Jun-22	2,128	2,300	Hold	Dharmesh Shah
19-Apr-22	2,057	2,425	Buy	Dharmesh Shah
16-Mar-22	2,129	2,425	Buy	Dharmesh Shah
14-Feb-22	2,154	2,550	Buy	Dharmesh Shah
31-Dec-21	2,216	2,620	Buy	Dharmesh Shah
20-Oct-21	2,264	2,620	Buy	Dharmesh Shah
05-Sep-21	2,469	2,580	Buy	Dharmesh Shah
20-Jul-21	2,309	2,580	Buy	Dharmesh Shah
06-Jun-21	2,010	2,040	Hold	Dharmesh Shah
24-Apr-21	1,813	2,040	Hold	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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