

November 1, 2023

RESULT REPORT Q2 FY24 | Sector: Cement

ACC Ltd

Cost Efficiency & Synergies to propel growth

Result Synopsis

ACC Ltd (ACC) delivered results in line with our expectations, 11% y/y revenue growth was primarily driven by an 18% y/y volume increase but was partially offset by 6% y/y NSR correction in Q2FY24. The Total cost/te declined by 17% y/y resulted in an EBITDA of Rs678/te in Q2FY24, a significant improvement from Rs24/te in Q2FY23. Power cost eased to Rs1095/te (down by 43% y/y) because of lower kiln fuel costs and from higher blended cement production. Because of higher other income, PAT exceeded expectation by 17% reaching to Rs3.9bn in Q2FY24 as compared to a net loss of Rs0.7bn in Q2FY23. ACC's recent capacity expansion of 3.3MTPA clinker and 1MTPA cement in Ametha, took the total capacity to ~37MTPA in Q2FY24. With the operationalization of 22.4MW of WHRS at Jamul & Kymore and ongoing 16.3MW at Ametha (expected by Q3FY24) will increase the total WHRS capacity to 46.3MW, raising the green energy share to 9% by FY24 end from 2.9% in Q1FY24.

ACC currently operates at +80-90% of the capacity (excl. MSA volumes) and the newly added 1MTPA GU at Ametha won't provide adequate production headroom to ACC in the near-term. Further, the announced expansions are largely planned in the parent company, therefore incremental volumes for ACC will come from Ambuja under a master supply agreement. This sets the stage for ACC to achieve 10% CAGR volume growth over FY24-26E against 2% CAGR over a decade. EBITDA is expected to reach +Rs950/te by end of FY25E guided by blended volumes and cost normalization. Ongoing cost-effective measures, like scaling green power, usage of alternative fuels, and debottlenecking, are expected to bring further savings of Rs300-400/te in the medium term. ACC is a net cash company with cash & cash equivalent of Rs57bn (as of Mar'23) would aid to fund CAPEX internally. We rolled forward our estimate to FY26 arriving at a target price of Rs2467 with a BUY rating, valuing the stock at 10x EV/EBITDA on FY26E.

Result Highlights

- Revenue came in-line to Rs44.4bn up by 11% y/y aided by volume growth of 18% y/y, While NSR corrected by 6% y/y in Q2FY24.
- As expected, total cost/te declined by 17% y/y due to ease in power / freight & other cost moderation by 43/18 & 22% y/y in Q2FY24.
- EBITDA came at Rs5.5bn in Q2FY24 against Rs0.16bn in Q2FY23 translates in EBITDA/te of Rs678 v/s YSECe of Rs735 in Q2FY24
- In Q2FY24, EBITDA margin came in at 12.4% (13.2% YSECe) as compared to 0.4% in Q2FY23 and 14.8% in Q1FY24.
- PAT came +17% above YSECe to Rs3.9bn aided by higher-than-expected other income in Q2FY24.

Exhibit 1: Actual vs estimates

Rs Mn	Actual	Estimate		% Variation		Remarks
		YSec	Consensus	YSec	Consensus	
Sales	44,347	44,403	55,174	(0.1)	(19.6)	Overall performance as expected. PAT performance beat over higher other income
EBITDA	5,493	5,845	8,662	(6.0)	(36.6)	
Margin (%)	12.4	13.2	15.7	-78 bps	-331 bps	
Adj. PAT	3,879	3,319	6,091	16.9	(36.3)	

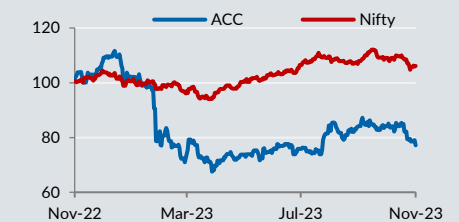
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 1,844
Target Price	: Rs 2,467
Potential Return	: +34%

Stock data (as on Nov 1, 2023)

Nifty	18,989
52 Week h/l (Rs)	2675 / 1592
Market cap (Rs/USD mn)	354580 / 4260
Outstanding Shares (mn)	188
6m Avg t/o (Rs mn):	1,312
Div yield (%):	0.5
Bloomberg code:	ACC IN
NSE code:	ACC

Stock performance



	1M	3M	1Y
Absolute return	-8.4%	-8.3%	-24.1%

Shareholding pattern (As of Sep'23 end)

Promoter	56.7%
FII+DII	30.1%
Others	13.2%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	NEUTRAL
Target Price	2,476	2,151

Δ in earnings estimates

	FY24E	FY25E
EPS (New)	82.4	98.9
EPS (Old)	83.0	105.2
% Change	-1%	-6%

Financial Summary

(Rs Mn)	FY24E	FY25E	FY26E
Revenue	196,207	210,236	228,494
Growth	(11.7)	7.2	8.7
EBITDA	27,789	32,748	38,283
Margin	14.2	15.6	16.8
PAT	15,489	18,597	22,791
Growth	75.0	20.1	22.6
EPS	82.4	98.9	121.2
ND/EBITDA	(0.4)	(0.4)	(0.7)
ROE	10.5	11.5	12.7
ROCE	13.5	14.7	16.1
EV/EBITDA	10.2	8.5	6.9

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Exhibit 2: Quarterly snapshot (Console)

Particulars (Rs m)	Q3CY22	Q4CY22	Q1CY23	Q1FY24	Q2FY24	y/y (%)	q/q (%)	FY23*	CY21	y/y (%)
Net Revenue	39,873	45,370	47,909	52,011	44,347	11.2	(14.7)	222,102	161,517	37.5
Total Expenses	39,710	41,578	43,224	44,302	38,855	(2.2)	(12.3)	202,853	131,536	54.2
COGS	8,491	12,878	15,778	14,269	12,944	52.4	(9.3)	54,537	28,665	90.3
Employee Expenses	2,113	2,030	2,121	1,520	1,948	(7.8)	28.2	10,362	8,362	23.9
Power & fuel	13,175	11,302	9,426	11,248	8,866	(32.7)	(21.2)	57,427	33,648	70.7
Freight Exp	9,827	10,018	10,298	11,654	9,479	(3.5)	(18.7)	51,402	38,230	34.5
Other Expenses	6,104	5,351	5,602	5,612	5,618	(8.0)	0.1	29,312	22,876	28.1
EBITDA	164	3,791	4,685	7,709	5,493	3,253.4	(28.7)	19,249	29,981	(35.8)
EBITDA (%)	0.4	8.4	9.8	14.8	12.4	1198 bps	-244 bps	8.7	18.6	-990 bps
D&A	1,735	1,725	1,768	2,001	2,128	22.7	6.4	8,413	6,007	40.1
Other Income	697	407	1,192	769	2,101	201.2	173.1	3,419	2,067	65.4
Interest Expense	177	189	152	251	289	62.9	14.9	773	546	41.5
Exceptional/EO items	163	791	664	-	-	(100.0)	-	1,618	548	195.4
Share JV/Associates	29	31	21	29	17	(41.0)	(40.8)	162	117	38.6
EBT	(1,184)	1,525	3,314	6,256	5,194	(538.8)	(17.0)	11,865	24,947	(52.4)
Tax	(311)	393	957	1,594	1,315	(523.6)	(17.5)	3,174	6,433	(50.7)
Reported PAT	(873)	1,132	2,357	4,661	3,879	(544.2)	(16.8)	8,852	18,631	(52.5)
Less: Minority Interest	0	0	0	0	0	-	(25.0)	1	1	27.3
Adj. PAT	(711)	1,923	3,021	4,661	3,879	(645.5)	(16.8)	10,468	19,178	(45.4)

Source: Company, YES Sec | Note: * Company changed its financial year end from Dec to Mar as result, the figure for FY23 is for 15months.

Exhibit 3: Quarterly Operational Performance Analysis (Console)

Particulars (Rs m)	Q3CY22	Q4CY22	Q1CY23	Q1FY24	Q2FY24	y/y (%)	q/q (%)	FY23*	CY21	y/y (%)
Total Volumes (MMT)	6.9	7.7	8.5	9.4	8.1	18.2	(13.8)	38.6	29.4	31.3
NSR/te (Blended)	5,821	5,892	5,636	5,533	5,475	(5.9)	(1.1)	5,755	5,496	4.7
RM/te	1,240	1,672	1,856	1,518	1,598	28.9	5.3	1,413	975	44.9
Employees/te	308	264	249	162	240	(22.0)	48.7	269	285	(5.6)
Power/te	1,923	1,468	1,109	1,197	1,095	(43.1)	(8.5)	1,488	1,145	30.0
Freight/te	1,435	1,301	1,211	1,240	1,170	(18.4)	(5.6)	1,332	1,301	2.4
Others/te	891	695	659	597	694	(22.2)	16.2	760	778	(2.4)
Opex/te (Blended)	5,797	5,400	5,085	4,713	4,797	(17.3)	1.8	5,257	4,476	17.5
EBITDA/te (Blended)	24	492	551	820	678	2,735.9	(17.3)	499	1,020	(51.1)

Source: Company, YES Sec

KEY CONCALL TAKEWAYS

- Management reiterated 140MTPA capacity expansion target by FY28E and for which company will augment 10 clinker plants totaling to 40MTPA and 35 grinding units across location on console basis.
 - Ordered equipment for the Bhatapara, Maratha, Sankrail and Mundra expansion and expected to commission by FY25-26E.
 - Total Capex – Rs70bn – GU Expansion of 14MTPA, Clinker Units Expansion of 12.75MTPA and towards debottlenecking and Efficiency Improvement.
- In Q2FY24, MSA volume came at 2.4MT of which 1.2MT each in ACC and ACEM
- Under ACC, 22.4MW of WHRS at Jamul & Kymore plants became fully operational taking the total capacity to 30MTPA and another 16.3MW is expected to be commissioned in Q3FY24 which will result in 46.3MW.
- ACEM commissioned 18MW of WHRS (standalone) at Bhatapara, Suli and Rauri in Q1FY24. Additional 33MW at Suli, Ametha and Maratha is expected in FY24 taking total on console WHRS capacity to 121MW by FY24 end.
- **Optimizing operating efficiencies measures:** Increase in WHRS capacity from 90MW in Jun'23 to 175MW by FY25E (v/s 121MW by end of FY24E). Increase AFR share in fuel mix from 7% to 13% by FY24 and 30% by FY27. Focus on captive renewable capacity (Solar 200MW) to enhance green power (100MW each in ACC/ACEM).
 - Entering long term Fly Ash sourcing contracts for assured long-term supplies.
 - Coal extraction from newly allotted coal mines – Dahegaon Gawri will aid to reduce dependency of imported fuel consumption (~40% of the total coal requirement can be fulfilled from mines under occupation).
 - ACEM's Kiln fuel cost reduced by 34% to Rs 1.79/kCal per kg and is expected further to reduce through mix and allotted coal mines.
 - ACC's electrical energy consumption improved by 6.4 kWh/t to 73.9 kWh/t with improving clinker factor from 57.2% to 56.6% coupled with reduction in Kiln fuel cost from Rs3.19/kCal per kg to Rs1.85/kCal per kg
- **Optimizing Logistics & Freight cost:** GU addition to significantly reduce lead distance to 100kms. Currently ~45% of sales volume is under 150kms lead distance and served directly to customers.
 - Rail-Road mix optimization, in Q1FY23 Rail/Road mix stood at 30%.
 - At Holdco level, direct dispatches increased from 5% to 49% (ACC from 5% to 34%) in Q2FY24 and management reiterate its focus towards logistic cost saving through lead distance reduction, warehousing, and increasing Rail coefficient.
 - Ordered rail rakes for fly ash logistics from thermal power plants.
- For FY24E, management guided CAPEX of ~Rs70bn (65% under ACEM standalone and rest towards ACC).
- **Other Cost optimization measures:** Debottlenecking initiatives to improve plant capacity and change in product mix will improve realizations, also focuses to increase share of B2B sales. With implementation of cost reduction measures and synergies, management expects console ACEM's EBITDA to reach Rs1400-1500/te (Rs300-400/te reduction in cost for FY24 v/s Q4FY23 exit) in next 12-36month
- Maratha clinker expansion of 4MTPA will be catering 2MTPA of new grinding capacity each at Amaravati and Jalgaon and will be commissioned in next 24month
- Acquisition of Sanghi industries will aid ACC and Ambuja to fulfill its clinker requirement.

Exhibit 4: Annual Operational Performance Estimates (Console)

Particulars (Rs m)	CY21	FY23	FY24E	FY25E	FY26E
Total Volumes (MMT)	29.4	38.6	35.5	38.0	40.8
Utilization (%)	78%	92%	81%	87%	93%
Cement Realization/te	4,958	5,163	5,164	5,189	5,260
Net Realization/te (Blended)	5,496	5,755	5,528	5,534	5,603
RM/te	975	1,413	1,449	1,347	1,352
Power/te	1,145	1,488	1,138	1,176	1,163
Freight/te	1,301	1,332	1,305	1,251	1,251
Employees/te	285	269	217	242	242
Others/te	778	760	637	656	656
Opex/te (Blended)	4,476	5,257	4,745	4,672	4,664
EBITDA/te (Blended)	1,020	499	783	862	939

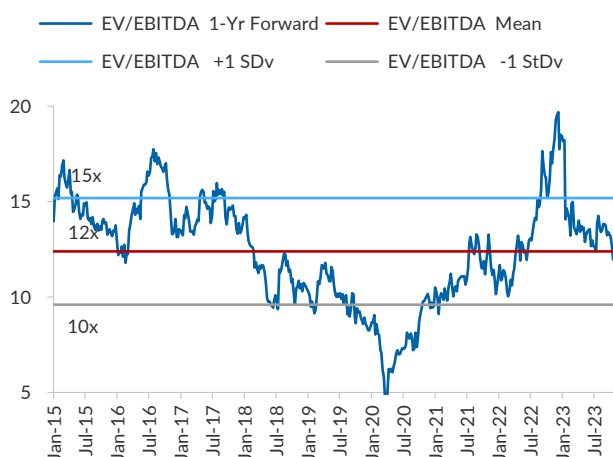
Source: Company, YES Sec

Exhibit 5: Key Estimates Revision

	FY24E			FY25E		
	Old	New	Change	Old	New	Change
Revenues	186,657	196,207	5%	195,532	210,236	8%
EBITDA	25,636	27,789	8%	30,977	32,748	6%
Adj. PAT	15,595	15,489	-1%	19,784	18,597	-6%
EPS	83.0	82.4	-1%	105.2	98.9	-6%

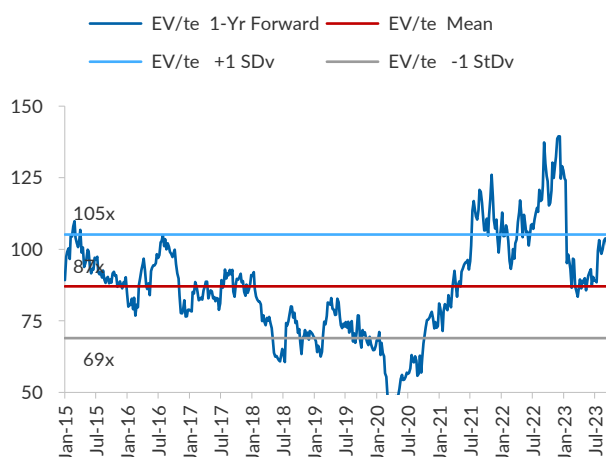
Source: Company, YES Sec

Exhibit 6: 1-yr forward EV/EBITDA band



Source: Company, YES Sec

Exhibit 7: 1-yr forward EV/te (\$) band



Source: Company, YES Sec

FINANCIALS

Exhibit 8: Balance Sheet (Console)

Y/e 31 Mar (Rs mn)	CY21	FY23	FY24E	FY25E	FY26E
Equity Capital	1,880	1,880	1,880	1,880	1,880
Reserves	141,208	139,505	152,175	167,953	187,925
Net Worth	143,088	141,385	154,055	169,833	189,805
Other Long-Term Liabilities	1,014	1,257	1,257	1,257	1,257
Long Term provision.	2,156	1,778	1,778	1,778	1,778
Minority interest	34	35	35	35	35
Long-term Borrowing	-	-	-	-	-
Deferred tax liab (net)	4,037	4,573	4,573	4,573	4,573
Current Liabilities					
Trades Payables	19,049	14,934	15,557	14,423	15,230
Short-term Borrowing	-	-	-	-	-
Other current liabilities	40,855	41,375	41,375	41,375	41,375
Short Term Provision	157	101	101	101	101
Total Liabilities	210,388	205,438	218,731	233,376	254,154
Assets					
Total Net Block	65,914	72,465	79,628	86,055	86,434
CWIP & Other Assets	14,034	19,494	24,494	29,494	34,494
Investments	1,496	1,633	1,633	1,633	1,633
Other Non-Current Assets	25,251	29,294	29,294	29,294	29,294
Deferred tax asset (net)	-	-	-	-	-
Current Assets					
Inventories	12,739	16,242	13,735	13,905	14,674
Trades Receivables	4,890	8,692	6,395	6,214	6,708
Other current assets	10,761	53,412	53,412	53,412	53,412
Short Term Loans & advances	66	58	58	58	58
Cash & Bank Balances	75,237	4,147	10,081	13,311	27,447
Total Assets	210,388	205,438	218,731	233,376	254,154

Source: Company, YES Sec

Exhibit 9: Income statement (Console)

Y/e 31 Mar (Rs mn)	CY21	FY23	FY24E	FY25E	FY26E
Net Revenue	161,517	222,102	196,207	210,236	228,494
EBITDA	29,981	19,249	27,789	32,748	38,283
D&A	6,007	8,413	8,837	9,574	9,621
EBIT	23,974	10,836	18,952	23,175	28,662
Interest Expense	546	773	810	900	900
Other Income	2,067	3,419	2,511	2,523	2,628
Exceptional/EO items	548	1,618	-	-	-
EBT	24,947	11,865	20,653	24,798	30,390
Tax	6,433	3,174	5,163	6,199	7,597
Share of Profit/(Loss) in JV/Associates	117	162	-	-	-
Reported PAT	18,631	8,852	15,490	18,598	22,792
Less: Minority Interest	1	1	1	1	1
Adj. PAT	19,178	10,468	15,489	18,597	22,791

Source: Company, YES Sec

Exhibit 10: Cash Flow (Console)

Y/e 31 Mar (Rs mn)	CY21	FY23	FY24E	FY25E	FY26E
Cash flow from operation	32,628	(36,333)	29,754	27,050	31,957
Profit before tax	25,610	13,642	20,652	24,797	30,389
Depreciation	6,007	8,413	8,837	9,574	9,621
Tax paid	(6,433)	(3,174)	(5,163)	(6,199)	(7,597)
Working capital Δ	7,990	(53,598)	5,427	(1,122)	(456)
Other operating items	(547)	(1,616)	1	1	1
Cash flow from Investing Activities	(14,983)	(24,467)	(21,000)	(21,000)	(15,000)
Capital expenditure	(13,529)	(20,424)	(21,000)	(21,000)	(15,000)
Change in other non-current assets	(1,453)	(4,043)	-	-	-
Free cash flow	19,099	(56,757)	8,754	6,050	16,957
Cash flow from Financing activities	(2,466)	(10,290)	(2,820)	(2,820)	(2,821)
Equity raised	8,369	(8,817)	-	-	-
Investments	(203)	(138)	-	-	-
Debt financing/disposal	-	-	-	-	-
Dividends paid	(10,903)	(1,739)	(2,820)	(2,820)	(2,821)
Other items	271	403	-	-	-
Net Δ in cash	15,180	(71,090)	5,934	3,230	14,136

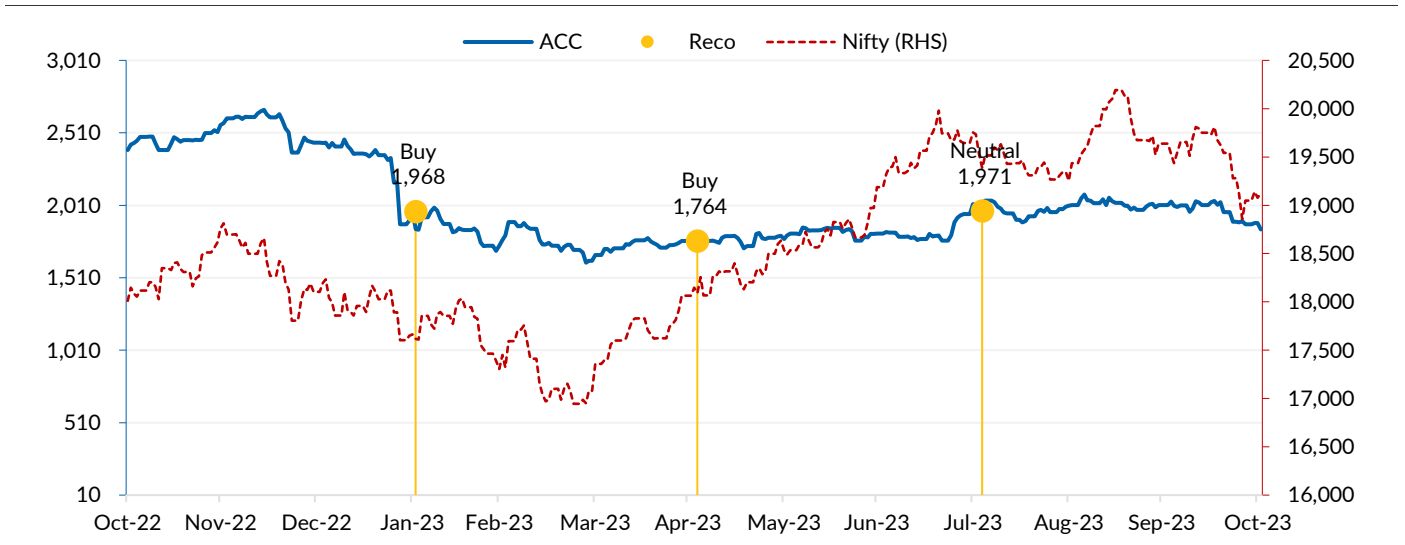
Source: Company, YES Sec

Exhibit 11: Ratio Analysis (Console)

	CY21	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Revenue	17.2	37.5	(11.7)	7.2	8.7
EBITDA	27.3	(35.8)	44.4	17.8	16.9
EBT	46.8	(52.4)	74.1	20.1	22.6
PAT	30.3	(52.5)	75.0	20.1	22.6
EPS	30.3	(52.5)	75.0	20.1	22.6
Profitability Ratios (%)					
EBITDA %	18.6	8.7	14.2	15.6	16.8
EBIT %	16.1	6.4	10.9	12.2	13.7
PAT %	11.5	4.0	7.9	8.8	10.0
RoCE	17.7	9.8	13.5	14.7	16.1
RoE	13.8	6.2	10.5	11.5	12.7
RoA	23.8	9.9	15.3	16.5	19.3
Per share ratios (Rs)					
EPS (Rs.)	99	47	82	99	121
DPS	58.0	9.3	15.0	15.0	15.0
Cash EPS	131	92	129	150	172
BVPS	761	752	819	903	1,010
Payout (%)					
Dividend Payout Ratio	58.5	19.6	18.2	15.2	12.4
Tax payout	25.8	26.8	25.0	25.0	25.0
Liquidity Ratios					
Inventory days	62	46	46	46	46
Payable days	73	44	44	44	44
Receivable days	11	11	11	11	11
Leverage ratios (x)					
Interest Coverage	47.7	18.4	26.5	28.6	34.8
Net D/E	(0.5)	(0.0)	(0.1)	(0.1)	(0.2)
Net Debt/EBITDA	(2.5)	(0.2)	(0.4)	(0.4)	(0.7)

Source: Company, YES Sec

Recommendation Tracker



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