

April 4, 2024

Poised for strong growth ahead...

About the stock: ACC Limited, a part of Adani Group, is primarily engaged in the business of manufacturing & selling of cement, Ready Mix Concrete (RMC)

- As of Dec 2023, company's cement capacity stands at 38.6 mtpa, with 46 MW of green power capacity
- The company has Pan India presence with 16 cement manufacturing facilities (10 integrated units and 6 grinding units) and 85+ RMC units. In terms of volumes mix, northern region contributes 32%, followed by eastern (25%), western (20%), central (13%) & southern region (10%)

Investment Rationale:

- Healthy volume growth led by capacity expansions:** As of Dec-2023, company's cement capacity stands at 38.6 mtpa after the recent expansion at Amethi (1 mtpa cement grinding) and acquisition of balance 55% (1.54 mtpa) in Asian Concretes. Further, with expansion of 4 mtpa (1.6 mtpa at Sindri, Jharkhand, 2.4 mtpa at Salai Banwa, UP), company's capacity to reach 42.6 mtpa by FY26E. We believe that, company's volumes to grow at ~10% CAGR over FY23-26E to 40.8 mtpa by FY26E, led by ramp-up of recent capacity additions, upcoming expansions and pick-up in demand along with synergy benefits from parent company's units. Moreover, commencement of 3.3 mtpa clinker at Amethi would further help in cement production growth.
- EBITDA/ton to improve considerably going forward:** We expect ACC to benefit substantially in terms of margins expansion, led by focus on operational efficiencies led by increasing waste heat recovery power share to 25% by FY25E from 9% at present, benign fuel prices and positive operating leverage (led by healthy volume growth). We also believe that, the potential synergy benefits from parent's other units (master supply agreement) & businesses (ports & logistics) would further help in improving its efficiencies in terms of raw material, power & fuel and freight cost. Moreover, we believe that company's cement realisation would also rise in the coming periods led by pick-up in demand, increasing industry consolidation and increasing share of premium products. Thus, going ahead, we estimate EBITDA/ton to improve to ₹ 950/ton by FY26E (from ₹ 498/ton in FY23 and ₹ 840/ton in 9MFY24)

Rating and Target Price

- We believe that ACC is strongly positioned led by strong parentage, focus on operational efficiencies, healthy volume growth & strong balance sheet with net-cash position.
- We expect revenue to grow at ~9% CAGR over FY23-26E to Rs 22,879 crore in FY26E. However, EBITDA & PAT are expected to grow at ~44% & ~73% CAGR over the same period to Rs 3880 crore & Rs 2446 crore respectively in FY26E, led by considerable margin expansion.
- Valuation at 11.2x EV/EBITDA on FY26E basis (EV/ton of \$123/ton) looks attractive considering the multiple tailwinds. We recommend BUY on ACC with target price of ₹ 3225 per share (based on 14x FY26E EV/EBITDA)

Key Financial Summary

(Year-end March)	CY20	CY21	FY23*	3 Year CAGR (FY20-23) [^]	FY24E	FY25E	FY26E	2 Year CAGR (FY23-26E) [^]
Revenues	13,785	16,151	22,210	12.4	19,580	21,265	22,879	8.8
EBITDA	2,352	3,000	1,919	(21.4)	2,947	3,517	3,880	44.5
EBITDA margin (%)	17.1	18.6	8.6		15.1	16.5	17.0	
Net Profit	1,415	1,820	870	(33.1)	1,779	2,211	2,466	72.8
EPS (Rs)	75.3	96.9	46.3		94.7	117.8	131.3	
P/E (x)	31.6	26.2	56.8		27.8	22.3	20.0	
EV/EBITDA (x)	18.5	14.0	25.6		15.7	12.8	11.1	
RoCE (%)	15.2	18.3	10.1		16.0	17.6	17.3	
RoE (%)	12.3	13.3	6.2		11.4	12.6	12.5	

Source: Company, ICICI Direct Research * FY23 is 15 months period ^CAGR calculated after adjusting FY23 for 12 months

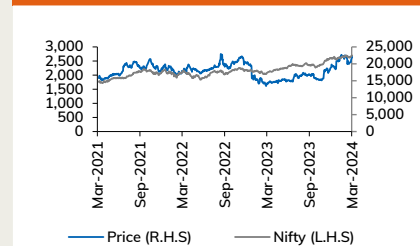
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	49,407
FY23 Gross Debt (₹ Crore)	0
FY23 Cash(₹ Crore)	287
EV (₹ Crore)	49,120
52 Week H/L (Rs)	2760/1671
Equity Capital	188.0
Face Value	10.0

Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	56.7	56.7	56.7	56.7
FII	10.1	10.0	7.1	6.2
DII	19.5	19.4	22.8	24.1
Others	13.8	14.0	13.4	12.9

Price Chart



Key risks

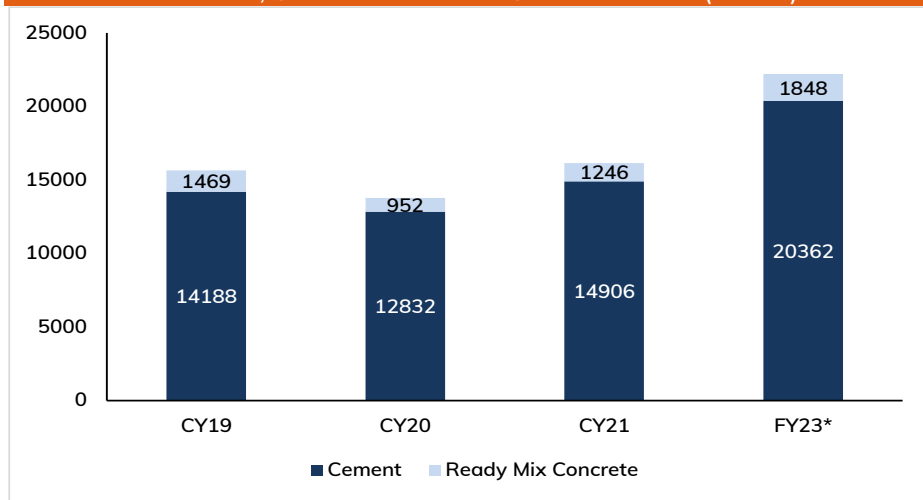
- (i) Slowdown in demand (ii) Delay in capacity expansion (iii) Increase in commodity prices (iv) High competition

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Exhibit 1: Revenue Mix; Cement contributes ~93% of revenues (₹ crore)



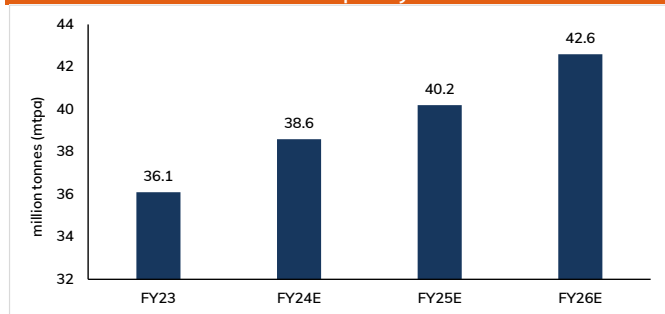
Source: Company, ICICI Direct Research

Exhibit 2: Cement capacity to reach 42.6 mtpa by FY26E

Cement Capacity as on date	38.6
Expansions on schedule	
Sindri project (Commissioning in Q4FY25)	1.6
Salai Banwa (Commissioning in Q1FY26)	2.4
Cement Capacity by FY26E	42.6

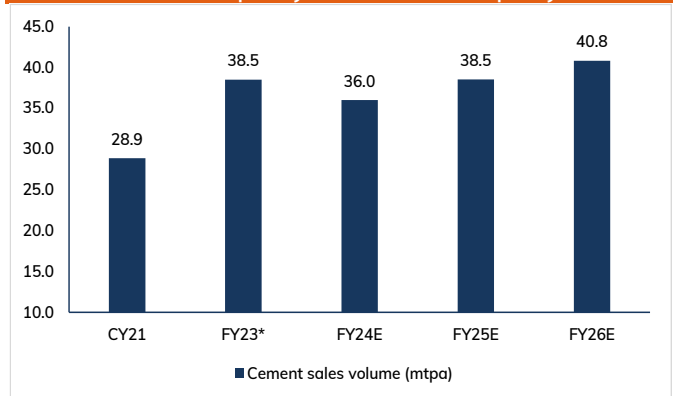
Source: Company, ICICI Direct Research

Exhibit 3: Year-end cement capacity trend



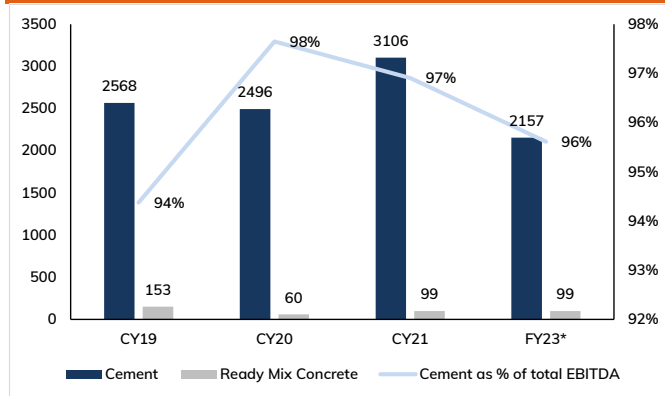
Source: Company, ICICI Direct Research

Exhibit 4: Cement capacity to reach 42.6 mtpa by FY26E



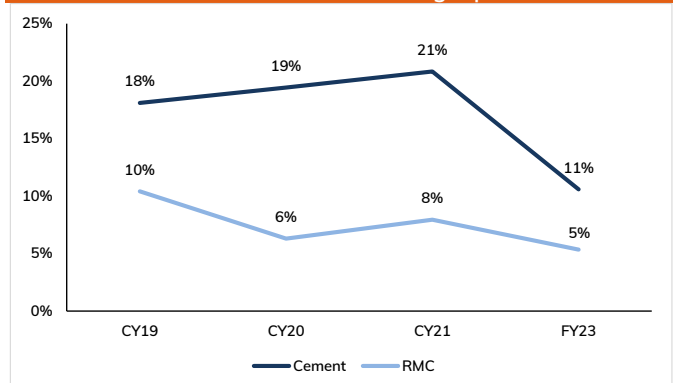
Source: Company, ICICI Direct Research

Exhibit 5: EBITDA mix; Cement contributes ~96% of total



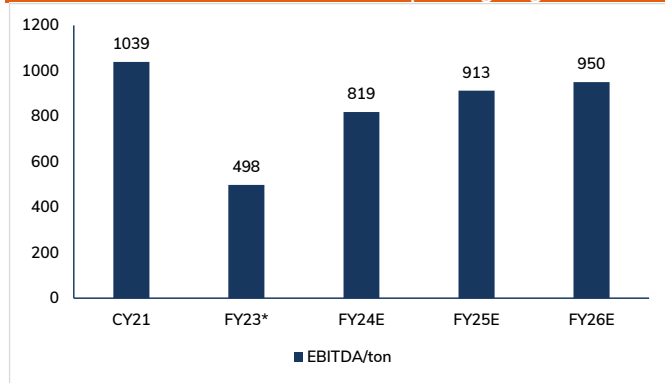
Source: Company, ICICI Direct Research

Exhibit 6: Cement & RMC EBITDA margin profile



Source: Company, ICICI Direct Research

Exhibit 7: Blended EBITDA/ton to improve going ahead



Source: Company, ICICI Direct Research

*FY23 is 15 months period

Financial summary

Exhibit 8: Profit and loss statement ₹ crore

(Year-end March)	FY23*	FY24E	FY25E	FY26E
Revenue	22,210.0	19,579.9	21,264.8	22,878.8
% Growth	37.5	(11.8)	8.6	7.6
Other income	337.2	445.0	489.5	538.5
Total Revenue	22,210.0	19,579.9	21,264.8	22,878.8
% Growth	37.5	(11.8)	8.6	7.6
Total Raw Material Costs	5,455.0	5,500.6	5,913.8	6,309.4
Employee Expenses	1,036.2	720.0	792.0	871.2
Other expenses	13,799.8	10,412.1	11,042.1	11,817.8
Total Operating Expenditure	20,291.0	16,632.7	17,747.8	18,998.4
Operating Profit (EBITDA)	1,919.0	2,947.2	3,516.9	3,880.3
% Growth	(36.0)	53.6	19.3	10.3
Interest	77.2	120.0	120.0	120.0
PBDT	2,179.0	3,272.2	3,886.4	4,298.8
Depreciation	835.1	881.1	914.4	983.8
PBT before Exceptional Items	1,343.9	2,391.1	2,972.0	3,315.0
Total Tax	312.2	612.1	760.8	848.6
PAT before MI	869.9	1,779.0	2,211.2	2,466.4
PAT	869.9	1,779.0	2,211.2	2,466.4
% Growth	(52.2)	104.5	24.3	11.5
EPS	46.3	94.7	117.8	131.3

Source: Company, ICICI Direct Research *FY23 is 15 months period

Exhibit 9: Cash flow statement ₹ crore

(Year-end March)	FY23*	FY24E	FY25E	FY26E
Profit after Tax	869.9	1,779.0	2,211.2	2,466.4
Depreciation	835.1	881.1	914.4	983.8
Interest	77.2	120.0	120.0	120.0
Cash Flow before WC changes	1,782.2	2,780.1	3,245.6	3,570.1
Changes in inventory	(350.2)	121.5	(129.2)	(123.8)
Changes in debtors	(412.3)	96.9	(66.9)	(64.1)
Changes in loans & Advances	0.6	(0.1)	-	-
Changes in other current assets	(1,453.4)	1,284.3	(453.2)	(239.9)
Net Increase in Current Assets	(4,997.6)	1,441.3	(919.0)	(686.1)
Changes in creditors	(407.1)	(151.1)	115.4	110.5
Changes in provisions	(5.6)	1.6	(0.2)	0.7
Net Inc in Current Liabilities	(361.7)	(107.2)	147.5	391.5
Net CF from Operating activities	(3,577.2)	4,114.2	2,474.2	3,275.6
Changes in deferred tax assets	-	-	-	-
(Purchase)/Sale of Fixed Assets	(1,962.5)	(1,050.0)	(900.0)	(900.0)
Net CF from Investing activities	(2,406.4)	(916.6)	(987.7)	(993.4)
Dividend and Dividend Tax	(1,089.2)	(174.6)	(262.9)	(262.9)
Net CF from Financing Activities	(1,132.5)	(294.6)	(382.9)	(382.9)
Net Cash flow	(7,116.1)	2,902.9	1,103.6	1,899.2
Opening Cash/Cash Equivalent	7,402.9	286.8	3,189.7	4,293.3
Closing Cash/ Cash Equivalent	286.8	3,189.7	4,293.3	6,192.5

Source: Company, ICICI Direct Research *FY23 is 15 months period

Exhibit 10: Balance sheet ₹ crore

(Year-end March)	FY23*	FY24E	FY25E	FY26E
Equity Capital	188.0	188.0	188.0	188.0
Reserve and Surplus	13,855.0	15,459.4	17,407.7	19,611.2
Total Shareholders funds	14,043.0	15,647.4	17,595.7	19,799.1
Total Debt	-	-	-	-
Total Liabilities	14,778.1	16,382.5	18,330.8	20,534.2
Gross Block	11,503.7	13,536.8	14,786.8	15,836.8
Acc. Depreciation	4,423.1	5,304.2	6,218.6	7,202.4
Net Block	7,080.6	8,232.5	8,568.2	8,634.4
Capital WIP	1,683.1	700.0	350.0	200.0
Total Fixed Assets	8,907.7	9,076.6	9,062.2	8,978.5
Non Current Assets	2,938.2	2,804.8	2,892.5	2,985.9
Inventory	1,623.5	1,502.0	1,631.3	1,755.1
Debtors	874.7	777.8	844.8	908.9
Other Current Assets	2,263.3	979.0	1,432.2	1,672.1
Cash	286.8	3,189.7	4,293.3	6,192.5
Total Current Assets	8,126.7	9,588.3	11,610.9	14,196.2
Current Liabilities	1,492.2	1,341.1	1,456.5	1,567.0
Provisions	176.3	176.3	90.0	91.0
Total Current Liabilities	5,630.4	5,523.2	5,670.8	6,062.3
Net Current Assets	2,496.3	4,065.1	5,940.1	8,133.9
Total Assets	14,778.1	16,382.5	18,330.8	20,534.2

Source: Company, ICICI Direct Research *FY23 is 15 months period

Exhibit 11: Key ratios

(Year-end March)	FY23*	FY24E	FY25E	FY26E
EPS	46.3	94.7	117.8	131.3
Cash per Share	15.3	169.9	228.6	329.8
DPS	9.3	14.0	14.0	15.0
BV	747.8	833.3	937.0	1,054.3
EBITDA Margin	8.6	15.1	16.5	17.0
PAT Margin	3.9	9.1	10.4	10.8
RoE	6.2	11.4	12.6	12.5
RoCE	10.1	16.0	17.6	17.3
RoIC	7.9	16.6	19.6	21.3
EV / EBITDA	25.6	15.7	12.8	11.1
P/E	56.8	27.8	22.3	20.0
EV / Net Sales	2.2	2.4	2.1	1.9
Sales / Equity	1.6	1.3	1.2	1.2
Market Cap / Sales	2.2	2.5	2.3	2.2
Price to Book Value	3.5	3.2	2.8	2.5
Asset turnover	1.6	1.3	1.2	1.2
Debtors Turnover Ratio	33.2	23.7	26.2	26.1
Creditors Turnover Ratio	13.1	13.8	15.2	15.1
Debt / Equity	-	-	-	-
Current Ratio	1.5	1.1	1.2	1.3
Quick Ratio	1.0	0.6	0.7	0.8

Source: Company, ICICI Direct Research *FY23 is 15 months period

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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