VENTURA

Kyon ki bhaiya, sabse bada rupaiya.

CMP Rs. 2308.5

Result Update Q2CY21

ACC Ltd

22nd Jul 2021

Bloomberg Code	ACC IN
No of share O/S (in crs)	18.78
Market Cap (in Rs. crs)	43,351.63
Face Value (in Rs.)	10
Dividend Yield (%)	0.61
52 Wk High/Low	2342.9/1289.7

Shareholding (%)	
Promoters	54.53
Institutional	33.14
Public	12.33
Total	100.00

ACC has commenced capacity expansion projects and associated grinding units at Ametha in MP

Key Highlights:

ACC Ltd reported net revenue of Rs. 3,885 cr, which was marked by a growth of +49.4%/-16.9% in YoY/QoQ terms. This was impacted by volume growth of +43.7%/-14.5% YoY/QoQ in the Cement segment to 6.84MT and +286.7%/-30.1% in the RMX segment to 0.58 Mio m3. Realization rates in the cements business rose in the quarter by 2% YoY to Rs 5,153/ton driven by premium products and brand positioning. Capacity expansion projects at Ametha in Madhya Pradesh and associated grinding units have commenced. WHRS projects in Jamul (10MW) and Kymore (14MW) are on track and likely to be commissioned by Q2CY22. Wet Flyash dryer installation as a cost efficiency project at Kymore, Gagal & Wadi are on fast track. Geocyle project Chanda was commissioned in June'21.

Operating margin expansion driven by favorable mix and cost efficiency project 'Parvat'

Gross Profit margins expanded by 50bps YoY to 65.7% in Q2CY21 impacted by reducing clinker factor and 36.8% higher raw materials cost /tonne in the cement business but mitigated through project 'Parvat'. Power and Fuel cost /tonne in the cement business was higher by 27.0% YoY impacted by rising fuel prices however various efficiency projects are underway to drive cost down. EBITDA for the quarter grew at +65.8% YoY/+1.2% QoQ to Rs 869 cr. Margins expanded by 220bps YoY/200bps QoQ to 22.4%. This was aided by 16% lower employee cost/tonne in the cement business.

Net income for the quarter stood at Rs 570 cr (+112.6%YoY/+2.2% QoQ) and Net profit margin was 14.7% (+410bps YoY/+150bps QoQ)

Media Release Highlights

- Various environment friendly projects underway targeting water saving by >50%, CO2 footprint reduction>80% and zero clinker binder.
- Cost effective Concrete Admixture was developed in RMX, further expansion to happen in Central India. Cool Walls : Special additive was developed in Powder and Liquid form for performance enhancement.
- Freight and forwarding costs per tonne rose by 4.8% YoY to Rs 1,278 cr in the quarter. Projects like geo mix and network optimization underway to mitigate fuel cost headwinds. Better absorption driven by higher volumes drove down employee cost/tonne by 16% to Rs 274 cr.
- Other expenses/tonne increased by 18.4% to Rs 753 cr driven by higher cost of maintenance in plants
- ECOPact was rolled out Pan India with excellent volume ramp up.
- ACC achieved a capacity utilization of 77% in Q2CY22. It currently has 17 cement plants and 79 ready mix concrete plants.

Valuation

At the CMP of Rs. 2308.5 the stock is trading at a 22.2x P/E with an estimated CY22 EPS of Rs. 102.3.

Financial Summary

Power & Fuel Cost increased by 81.6% YoY impacted by rising fuel prices

Employee costs were higher by 18.7% YoY but went down 16% per tonne in the cement business driven by higher volumes and better absorption.

EBITDA margin expanded by 220bps YoY and 200 bps QoQ to 22.4%

PAT for the quarter increased 112.6% YoY to Rs 570 cr.

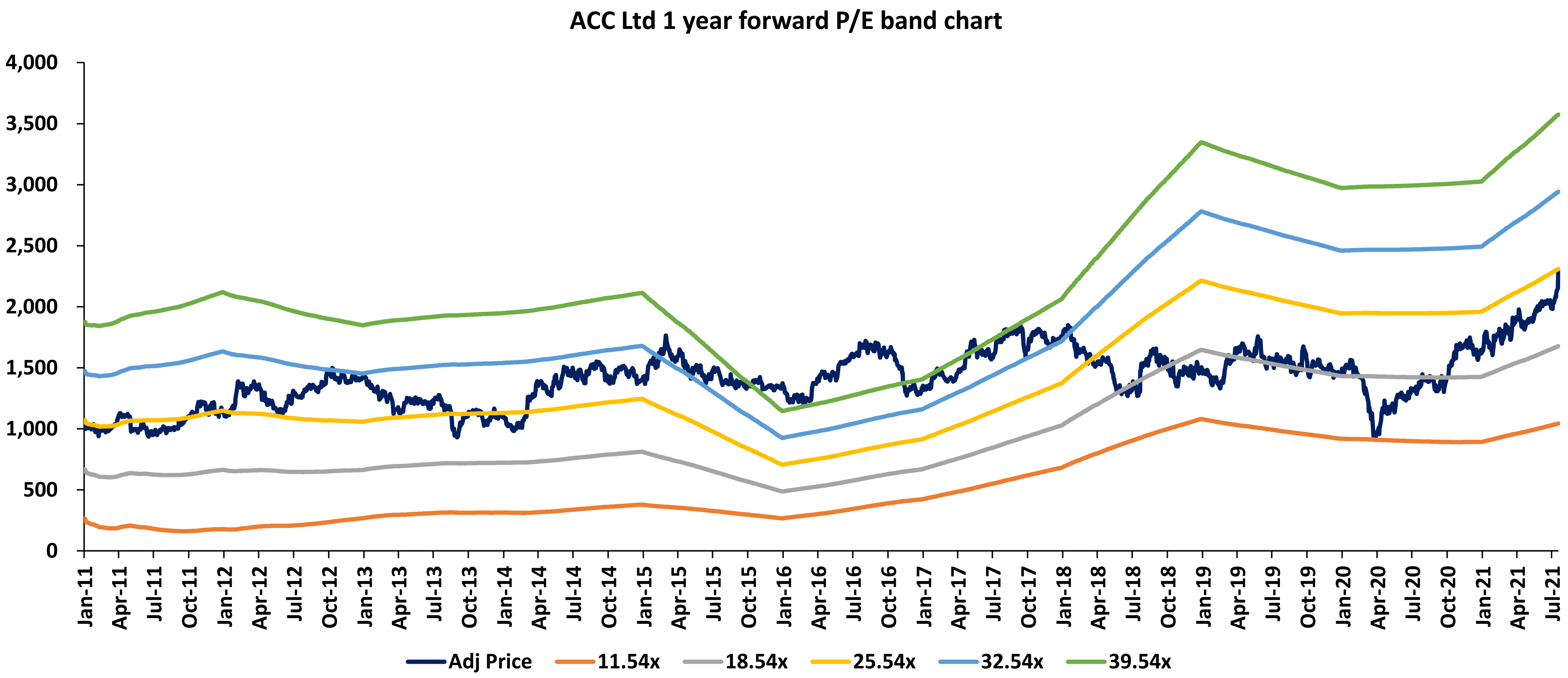
Figures are in Rs Cr	Q2CY21	Q2CY20	YoY (%)	Q1CY21	QoQ (%)	CY19	CY20	YoY (%)
Net Sales	3,885	2,601	*49.4*	4,213	*-16.9*	15,657	13,706	*-12.5*
Raw Material Cost	502	499	*0.6*	746	*-36.3*	2,721	2,512	*-7.7*
RM Cost to Sales (%)	*12.9*	*19.2*		*17.7*		*17.4*	*18.3*	*5.5*
Power & Fuel Cost	830	457	*81.6*	804	*-8.7*	3,131	2,572	
Power & Fuel Cost to Sales (%)	*21.4*	*17.6*		*19.1*		*20.0*	*18.8*	
Employee Cost	209	176	*18.7*	206	*1.3*	864	839	*-2.9*
Employee Cost to Sales (%)	*5.4*	*6.8*		*4.9*		*5.5*	*6.1*	
Operating Expenses	1,474	944	*56.2*	1,598	*-6.3*	6,534	5,431	*-16.9*
OPEX to Sales (%)	*37.9*	*36.3*		*37.9*		*41.7*	*39.6*	
EBITDA	869	524	*65.8*	859	*-31.8*	2,407	2,351	*-2.3*
EBITDA Margin (%)	*22.4*	*20.2*		*20.4*		*15.4*	*17.2*	
Depreciation	146	162	*-9.5*	142	*10.3*	603	635	*5.4*
Interest	13	13	*-0.5*	11	*-5.6*	86	57	
Other Income	46	50	*-9.3*	43	*26.7*	314	205	*-34.6*
Other Income to Sales (%)	*1.2*	*1.9*		*1.0*		*2.0*	*1.5*	
Exceptional Income / Expenses	1	1	*1.0*	0	*2.0*	0	-176	*0.0*
Profit Before Tax	756	401	*88.7*	749	*-36.9*	2,031	1,688	*-16.9*
Tax Rate (%)	*25.1*	*33.1*		*17.8*		*33.1*	*16.2*	
Profit After Tax	567	268	*111.4*	557	*-42.6*	1,359	1,415	*4.1*
Minority Int/Share of Associates	3	0		0		0	0	
Net Profit	570	268	*112.6*	557	*-42.6*	1,359	1,415	*4.1*
Net Profit Margin (%)	*14.7*	*10.3*		*13.2*		*8.7*	*10.3*	
Adjusted EPS	30.3	14.3	*112.6*	29.7	*-42.6*	72.4	75.3	*4.1*
Shareholder's Funds	13,582	12,699				11,521	12,661	
BV per share	723.3	676.3				613.5	674.2	
Net Debt	-5,748	-5,922				-4,538	-5,891	
Net Debt to Equity	-0.4	-0.5				-0.4	-0.5	
Net Debt to EBITDA	-1.9	-1.7				-1.9	-2.5	
CAPEX	344	177				493	725	
RoE	4.2	2.1				11.8	11.2	
ROIC	22.5	25.7				17.3	21.2	
P/E	22.2	21.6				20.0	21.5	
P/B	3.2	2.0				2.4	2.4	
EV/EBITDA	12.7	8.6				9.4	10.4	

Segmental Performance

VENTURA
Kyon ki bhaiya, sabse bada rupaiya.

Figures are in Rs. Cr	Q2CY19	Q3CY19	Q4CY19	Q1CY20	Q2CY20	Q3CY20	Q4CY20	Q1CY21	Q2CY21	CY19	CY20	CY21E	CY22E
Volumes													
Cement (MT)	7.2	6.44	7.76	6.56	4.76	6.49	7.70	8.00	6.84	28.90	25.50	28.84	34.61
RMC (Mio m3)	0.85	0.81	0.93	0.93	0.15	0.46	0.73	0.83	0.58	3.53	2.27	3.01	3.53
Revenue													
Cement	**3,841**	**3,233**	**3,705**	**3,153**	**2,551**	**3,373**	**3,877**	**3,981**	**3,672**	**14,366**	**12,954**	**14,252**	**16,709**
% of Revenue	*92.57%*	*91.64%*	*91.25%*	*90.04%*	*98.03%*	*94.49%*	*93.53%*	*92.75%*	*94.53%*	*93.63%*	*96.05%*	*91.57%*	*91.74%*
Revenue/tonne	*5335*	*5021*	*4774*	*4807*	*5359*	*5197*	*5034*	*4976*	*5369*	*4971*	*5080*	*4942*	*4828*
Ready Mix Concrete	**366**	**335**	**389**	**390**	**62**	**197**	**313**	**360**	**255**	**1,483**	**962**	**1,283**	**1,504**
% of Revenue	*8.82%*	*9.49%*	*9.58%*	*11.14%*	*2.39%*	*5.51%*	*7.55%*	*8.38%*	*6.57%*	*9.66%*	*7.13%*	*8.24%*	*8.26%*
Revenue/MCM	*4304*	*4134*	*4182*	*4193*	*4149*	*4273*	*4287*	*4335*	*4398*	*4200*	*4236*	*4260*	*4260*
less: Intersegment	57	40	34	41	11		45	49	42	505	428	-29	
Revenue from Operations	**4,150**	**3,528**	**4,060**	**3,502**	**2,602**	**3,570**	**4,145**	**4,292**	**3,885**	**15,343**	**13,487**	**15,563**	**18,213**

1 Year forward band chart



Disclosures and Disclaimer

Kyon ki bhaiya, sabse bada rupaiya.

Ventura Securities Limited (VSL) is a SEBI registered intermediary offering broking, depository and portfolio management services to clients. VSL is a member of BSE and NSE. VSL is a depository participant of NSDL. VSL states that no disciplinary action whatsoever has been taken by SEBI against it in last five years except administrative warning issued in connection with technical and venial lapses observed while inspection of books of accounts and records. Ventura Guaranty Limited is the holding Company of VSL; Ventura Commodities Limited and Ventura Allied Services Private Limited are subsidiaries of VSL. Research Analyst (RA) involved in the preparation of this research report and VSL, disclose that neither RA nor VSL nor its associates (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the time of publication of this research report (iv) have received any compensation from the subject company in the past twelve months (v) have managed or co-managed public offering of securities for the subject company in past twelve months (vi) have received any compensation for investment banking, merchant banking or brokerage services from the subject company in the past twelve months (vii) have received any compensation for products or services from the subject company in the past twelve months (viii) have received any compensation or other benefits from the subject company or third party in connection with the research report. RA involved in the preparation of this research report discloses that he / she has not served as an officer, director or employee of the subject company. RA involved in the preparation of this research report and VSL discloses that they have not been engaged in the market making activity for the subject company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. We may have earlier issued or may issue in future, reports on the companies covered herein with recommendations/ information inconsistent or different than those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of VSL. This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of VSL. VSL will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document. The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently for the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by VSL, its associates, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts. The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. VSL and the RA involved in the preparation of this research report and its associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report/document has been prepared by VSL, based upon information available to the public and sources believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. VSL has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change. This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public /used by the public media without the express written consent of VSL. This report or any portion hereof may not be printed, sold or distributed without the written consent of VSL. This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely those of the author and are given as a part of the normal research activity of VSL and are given as of this date and are subject to change without notice. Any opinion, estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimates or projection. This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. Neither the company nor its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read “Risk Disclosure Document for Capital Market and Derivatives Segments” as prescribed by Securities and Exchange Board of India before investing in Securities Market.

V**entura Securities Limited**
Corporate Office: 8th Floor, ‘B’ Wing, I Think Techno Campus, Pokhran Road no. 02, Off Eastern Express Highway, Thane (West) 400 607
SEBI Registration No.: INH000001634