

Industry	Building Materials
Bloomberg	ACC IN
BSE CODE	500410

Volumes impacted on account of turbulence caused by COVID-19

RATING	NEUTRAL
CMP	1136
Price Target	1430
Potential Upside	26%

Rating Change	↔
Estimate Change	↔
Target Change	↔

Stock Info

52wk Range H/L	1768/896
Mkt Capital (Rs Cr)	21340
Free float (%)	45%
Avg. Vol 1M (,000)	36
No. of Shares (Cr)	19
Promoters Pledged %	NA

1QCY20 Result Update

- ❑ In 1QCY20, ACC grey cement volumes declined by 12% YoY to 6.56 while Ready mix Concrete volumes declined by 1% to 0.93 Million Cubic metres impacted on account of shut down of factories due to turbulence caused by COVID-19.
- ❑ Total Sales de-grew by 10.7% YoY to Rs. 3502 cr. impacted on account of lower volumes on account of nationwide lockdown due to COVID-19.
- ❑ Realization increased by 0.7% QoQ to Rs. 4807/ ton led by improved product mix and higher volumes of premium products.
- ❑ The Company's Gross margin expanded by 458 bps to 86.4% YoY led by benign input prices and supply chain efficiency while EBITDA margin improved by 318 bps to 16.7% YoY led by lower other expense and freight cost.
- ❑ Increase in Power & fuel due to lower volumes was minimized by increased consumption of alternate fuel and supply chain efficiency in freight & forwarding.
- ❑ PAT stood at Rs. 323 cr. with PAT de-growth of 6.6% YoY mainly on account of lower other income while PAT margin stood at 9.2% in 1QCY20.

View and Valuation

In 1QCY20, the volumes remained impacted by ~13% due to shut down of factories on account of COVID-19 in last week of the quarter. As of now Cement companies have received approval of carrying out production but demand, supply chain and labor availability still remains the concern. Hence, we expect demand to remain impacted due to closure of all economic activities. On realization front, we do not expect increase in cement prices because of subdued demand, thus expect prices in all regions to remain stable for at least few months. On Margin front, we expect company's supply chain efficiency; cost saving measures at operational level, maximizing the use of alternate fuel along with declining petrol prices will ensure margin expansion. Thus, we remain positive on the stock. However, considering the current scenario of lockdown and increasing rate of spread of disease, we expect the lockdown to extend which will hamper further. Thus, maintain our NEUTRAL rating with a target price of Rs. 1430.

Key Risks to our rating and target

- ❑ Further increase in lockdown beyond 3rd May-20.
- ❑ Unavailability of labors due to lockdown.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	CY16	CY17	CY18	CY19	CY20E
Net Sales	10990	13285	14802	15658	14561
EBITDA	1478	1912	2048	2413	2531
EBIT	869	1269	1445	1806	1893
PAT	658	925	1521	1378	1370
EPS (Rs)	35	49	81	73	73
EPS growth (%)	12%	40%	64%	-9%	-1%
ROE (%)	7%	10%	14%	12%	11%
ROCE (%)	10%	14%	14%	16%	15%
EV/EBITDA	16.2	15.6	11.7	9.8	5.4
P/B (X)	2.9	3.5	2.6	2.4	1.5
P/E (x)	39	35	18	20	14

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1QCY20 Results

Mixed numbers

Fig in Rs Cr

Financials	1QCY19	2QCY19	3QCY19	4QCY19	1QCY20	YoY %	QoQ %	CY18	CY19	YoY %
Net Sales	3919	4150	3528	4060	3502	-10.7%	-13.8%	14802	15658	-5%
Other Income	157	53	51	58	56	-64.3%	-2.8%	143	318	-55%
COGS	712	657	398	951	475	-33.2%	-50.0%	2332	2719	-14%
Gross Margin	82%	83%	89%	77%	86%	4.6%	9.9%	84%	83%	-1%
Employee Cost	200	204	230	233	209	4.5%	-10.3%	884	866	2%
Other Expenses	627	650	608	610	555	-11.5%	-9.0%	2544	2494	2%
EBITDA	532	783	557	541	586	10.3%	8.4%	2048	2413	-15%
EBITDA%	14%	19%	16%	13%	17%	3.2%	3.4%	14%	15%	2%
Depreciation	148	147	151	161	158	7.0%	-1.8%	603	606	-1%
EBIT	384	636	406	380	429	11.6%	12.7%	1445	1806	-20%
Interest	21	20	16	29	11	-49.2%	-63.8%	88	86	2%
PBT	520	670	440	408	474	-8.9%	16.0%	1500	2039	-26%
Exceptional	-	-	-	-	-	-	-	-	-	-
Tax	177	217	141	140	153	-14%	9%	-11	675	-102%
PAT	343	453	300	268	321	-6.4%	19.5%	1521	1378	10%
PAT Margin	9%	11%	8%	7%	9%	0.4%	2.6%	10%	9%	-1%

CEMENT business

Cement	2QCY18	3QCY18	4QCY18	1QCY19	2QCY19	3QCY19	4QCY19	1QCY20	YoY %	QoQ %
Sales	3,581	3,185	3,582	3,587	3,841	3,233	3,705	3,153	3%	15%
Vol (Mn Ton)	7.2	6.5	7.5	7.5	7.2	6.4	7.8	6.6	3%	20%
Real.(Rs./Ton)	4,947	4,869	4,776	4,783	5,335	5,021	4,774	4,807	0%	-5%

RMC business

RMC	2QCY18	3QCY18	4QCY18	1QCY19	2QCY19	3QCY19	4QCY19	1QCY20	YoY %	QoQ %
Sales	321	303	360	393	366	335	389	390	8%	16%
Vol (Mn Ton)	0.8	0.7	0.9	0.9	0.9	0.8	0.9	0.9	8%	15%
Real.(Rs./Ton)	4,164	4,155	4,181	4,181	4,304	4,134	4,182	4,192	0%	1%

Exhibit: Cement Volume trend

Cement volumes remained impacted led by shutdown of factories due to COVID-19 in last week of 1QCY20.

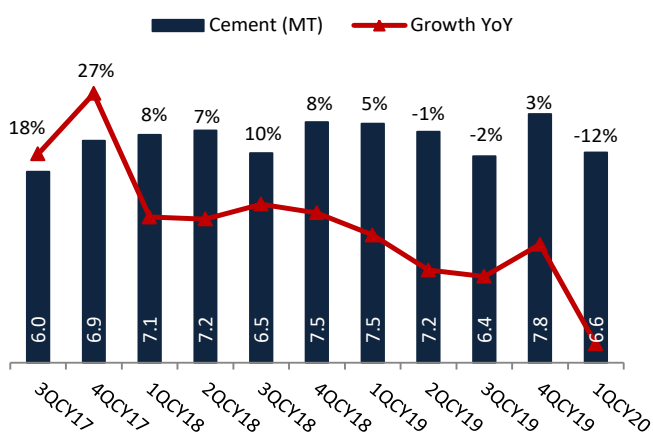


Exhibit: Cement realization trend

Realization remained flat on YoY basis but improved on QoQ basis led by improved product mix.

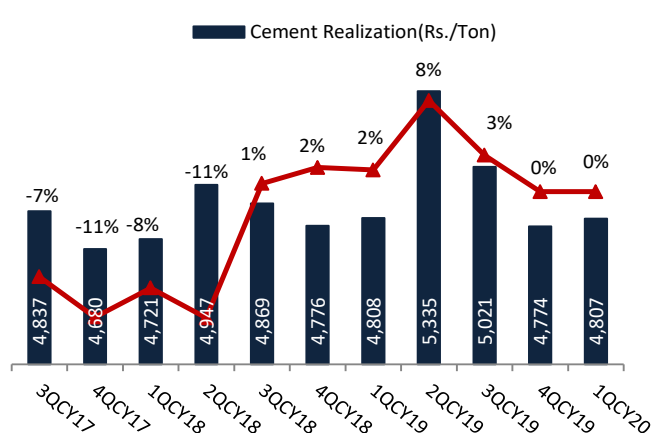


Exhibit: RMC Volume trend

The Company's RMC volumes also remained impacted led by shutdown of factories due to COVID-19.

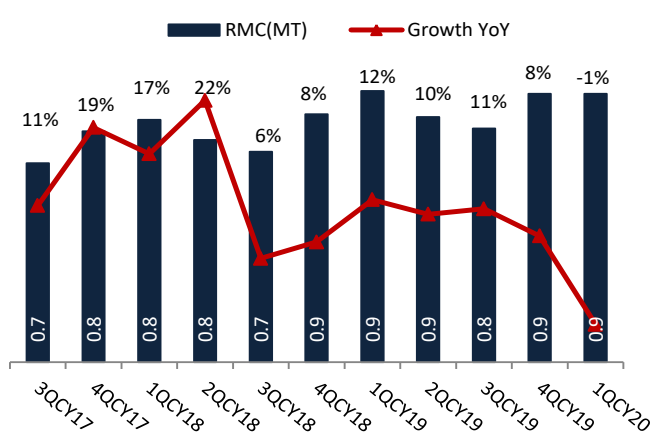


Exhibit: Revenue and revenue growth trend

Sales remained impacted due to lower volumes on account of lockdown due to COVID-19.

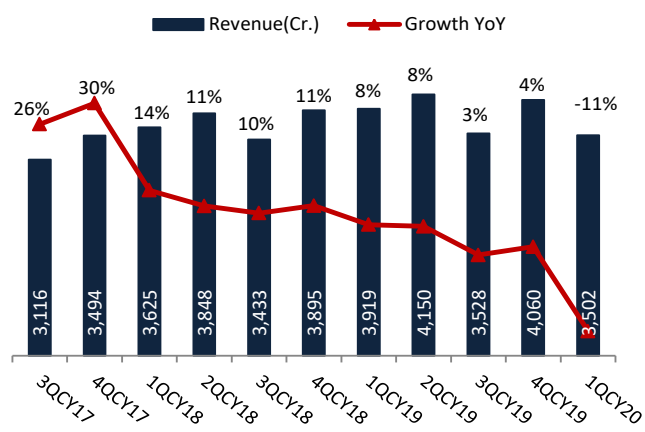


Exhibit: EBITDA margin trend

EBITDA improvement was led by supply chain efficiency and lower operational cost on account of lower volumes.

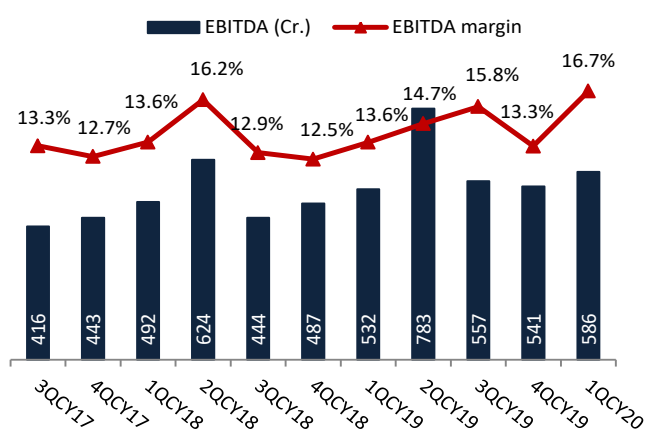
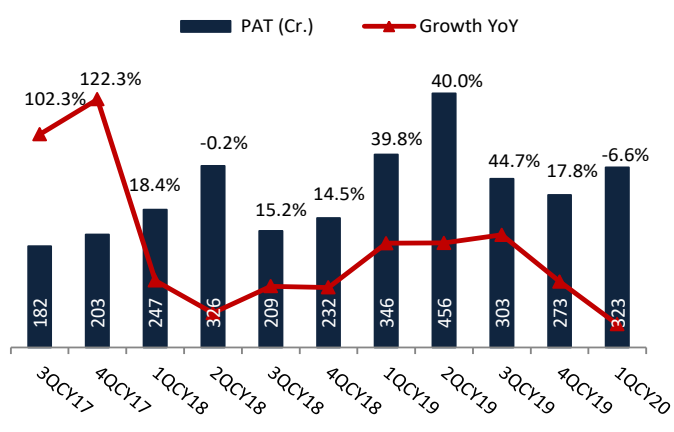


Exhibit: PAT and PAT growth trend

PAT de-grew by 6.6% to Rs. 323 cr. Led by lower other income in 1QCY20.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20E
Share Capital	188	188	188	188	188	188	188	188
Reserves	7625	8030	8233	8625	9168	10344	11356	12463
Networth	7813	8218	8421	8813	9356	10532	11544	12651
Debt	0	0	0	0	0	0	0	0
Total Capital Employed	7813	8218	8421	8813	9356	10532	11544	12651
Net Fixed Assets (incl CWIP)	6402	7622	7727	7813	7534	7470	7457	7897
Non Current Investments	87	84	87	32	4	4	4	4
Other Non Current Assets	308	361	466	839	1027	612	541	752
Non Current Assets	7684	9003	9396	9289	9191	9372	9601	10036
Inventory	1122	1256	1189	1225	1405	1679	1142	1062
Debtors	397	411	484	533	666	867	627	583
Cash & Bank	839	696	94	1977	2729	3097	4648	5193
Other Current Assets	20	15	55	323	792	725	808	752
Current Assets	4417	3678	3404	4093	5642	6673	7524	7868
Creditors	642	752	878	1258	1814	1926	1475	1372
Provisions	1064	937	639	52	51	27	23	22
Other Current Liabilities	1961	2115	2269	1416	1738	1795	1919	1785
Curr Liabilities	3666	3804	3786	3980	4793	4706	4698	4369
Net Current Assets	751	-126	-382	113	849	1967	2826	3499
Total Assets	12101	12682	12800	13394	14846	16056	17136	17914

Income Statement

Fig in Rs Cr

Y/E March	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20E
Revenue from Operation	11150	11739	11797	10990	13285	14802	15658	14561
Change (%)	-2%	5%	-1%	-7%	21%	11%	7%	-7%
Other Income	281	257	120	123	129	143	318	234
EBITDA	1630	1513	1537	1478	1912	2048	2413	2531
Change (%)	-26%	-7%	2%	-4%	29%	7%	18%	5%
Margin (%)	14%	13%	13%	13%	14%	14%	15%	17%
Depr & Amor.	584	568	663	609	644	603	606	638
EBIT	1046	946	875	869	1269	1445	1806	1893
Int. & other fin. Cost	114	83	65	79	99	88	86	79
EBT	1214	1120	930	913	1299	1500	2039	2048
Exp Item	0	0	164	39	0	0	0	0
Tax	132	-31	190	227	386	-11	675	678
Minority Int & P/L share of Ass.	(0)	(0)	0	-	-	-	-	-
Reported PAT	1095	1162	588	658	925	1521	1378	1370
Adjusted PAT	1095	1162	457	629	925	1521	1378	1370
Change (%)	3%	6%	-49%	12%	40%	64%	-9%	-1%
Margin(%)	10%	10%	5%	6%	7%	10%	9%	9%

Financial Details

Key Ratios

Y/E March	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20E
ROE	14%	14%	7%	7%	10%	14%	12%	11%
ROCE	13%	12%	10%	10%	14%	14%	16%	15%
Asset Turnover	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.8
Debtor Days	13	13	15	18	18	21	15	15
Inv Days	37	39	37	41	39	41	27	27
Payable Days	21	23	27	42	50	48	34	34
Int Coverage	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
P/E	19	23	43	39	35	18	20	14
Price / Book Value	2.7	3.2	3.0	2.9	3.5	2.6	2.4	1.5
EV/EBITDA	12	17	17	16	16	12	10	5
FCF per Share	0.1	(0.2)	0.2	0.6	0.6	0.4	1.2	0.9
Div Yield	3%	2%	1%	1%	0%	0%	0%	0%

Cash Flow Statement

Fig in Rs Cr

Y/E March	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20E
PBT	1214	1120	766	885	1310	1510	2053	2048
(inc)/Dec in Working Capital	-189	60	52	183	-91	-391	270	-121
Non Cash Op Exp	584	568	827	609	644	603	606	638
Int Paid (+)	114	83	65	79	99	88	86	79
Tax Paid	-451	-237	-231	-274	-219	-528	-447	-678
others	-208	-240	-22	-93	-188	-165	-313	0
CF from Op. Activities	1063	1352	1457	1390	1554	1118	2255	1965
(inc)/Dec in FA & CWIP	-963	-1604	-1119	-501	-520	-497	-495	-1078
Free Cashflow	101	-251	337	889	1034	620	1760	887
(Pur)/Sale of Inv	-58	36	153	-112	62	40	-6	0
others	159	111	62	78	79	93	179	0
CF from Inv. Activities	-862	-1457	-904	-535	-380	-364	-322	-1078
inc/(dec) in NW	0	0	0	0	0	0	0	0
inc/(dec) in Debt	-128	-35	0	0	0	0	0	0
Int. Paid	-51	-49	-41	-46	-42	-41	-57	-79
Div Paid (inc tax)	-656	-753	-675	-384	-384	-340	-317	-263
others								
CF from Fin. Activities	-834	-837	-716	-430	-426	-380	-374	-342
Inc(Dec) in Cash	-633	-942	-164	425	749	373	1559	545
Add: Opening Balance	3156	2523	1581	1383	1810	2561	2934	4648
Closing Balance	2523	1581	1418	1808	2559	2933	4492	5193

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