India

ADD *(no change)*

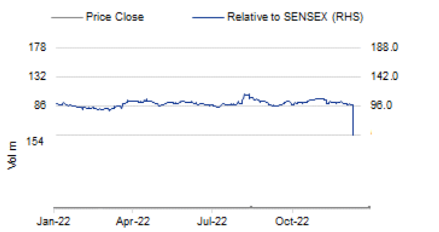
Consensus ratings*: Buy 25 Hold 11 Sell 8

Current price:	Rs1,968
Target price: ▼	Rs2,546
Previous target:	Rs2,636
Up/downside:	29.4%
InCred Research / Consensus:	2.8%
Reuters:	ACC.NS
Bloomberg:	ACC IN
Market cap:	US$5,090m
	Rs369,622m
Average daily turnover:	US$26.1m
	Rs1895.4m
Current shares o/s:	188.0m
Free float:	41.4%

Source: Bloomberg

Key changes in this note

- EBITDA cut by 4% for FY24F-25F.
- CY21 gets reflected as FY22 and FY23F consist of five quarters.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(19.4)	(17.7)	(13.9)
Relative (%)	(17.6)	(15.5)	(14.9)

Major shareholders	% held
Promoter & Promoter Group	56.7
Life Insurance Corporation of India	6.4
TATA Equity P/E Fund	1.3

ACC Ltd

Group synergies start kicking-in

- 4QCY22 consolidated EBITDA fell 32% yoy to Rs3.8bn (vs. Rs164m in 3Q and 38% above our estimate) driven by cost savings and operational synergies.
- We have cut our EBITDA estimates by ~4% for FY24F-25F to factor in higher input cost. Moderation in fuel prices and operational synergies bode well for profitability improvement in the coming quarters.
- Retain ADD rating with a lower target price of Rs2,546 (Rs2,636 earlier).

Broadly in-line volume performance; growth projects on track

Cement sales volume grew ~12% qoq to 7.7mt (flat yoy) in 4QCY22 mainly due to the increase in blended cement, better route planning and higher operational synergies with Ambuja Cements or ACEM. Cement realization was up ~2% qoq vs. 0.6% for UltraTech most likely on a better regional mix. The integrated Ametha project is on track and will be commissioned by 2QFY24F, with the Adani group's target to double Ambuja Cements and ACC's capacity over the next five years, which would improve the volume growth outlook.

Overall cost/t down 7% qoq; multiple levers to bridge gap with peers

Blended EBITDA/t improved sharply to Rs492 (vs. Rs24 qoq and Rs722 yoy) on the back of better realization and reduction in operating cost. Blended cost/t improved by ~7% qoq because (a) power & fuel cost/t declined 24% qoq as kiln fuel cost fell by ~18% to Rs 2.61/kcal with a change in coal basket and group synergies on coal procurement, and b) logistics cost/t declining by 9% qoq as direct sales improved, lead distance reduced from 307km to 292km, and there were higher dispatches via rail. ACC has commissioned its WHRS project at Kymore (14MW) and Jamul (10MW), with an aim to increase WHRS capacity to 75MW. We believe ACC's takeover by the Adani group would lead to multiple synergies which improve profitability and bridge the efficiency gap with peers such as 1) the end of the agreement with Holcim for payment of technology and knowhow fee @ 1% of net sales b) cross-utilization of raw materials, and c) potentially lower power cost. ACC's plants are much older, and we are of the view that the Adani group will succeed at narrowing the gap with peers to a large extent. We await more clarity on its targets and strategies.

Strong balance sheet is a buffer; will ACC-Ambuja Cements merge?

ACC had net cash of Rs30bn in CY22 (post dividend payment of Rs10.9bn) and it will use the same for expansion (as it has now undertaken initiatives to address the concerns over its falling market share). To us, a merger of Ambuja Cements-ACC is a logical way going ahead and, with new promoters at the fore, it may be looked at in the medium term.

Retain ADD rating with a slightly lower target price of Rs2,546

ACC trades at FY24F/FY25F EV/EBITDA of 10.2x/7.9x, respectively. We retain ADD rating on it with an EV/EBITDA-based target price of Rs2,546 (Rs2,636 earlier), set at 11x, in line with the one-year forward avg. on consensus estimates for 10 years and rollover to Dec 2024F. Downside risks: Pressure on cement price, delay in projects, and rise in input cost.

Financial Summary	Dec-20A	Dec-21A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	137,860	161,517	223,020	207,896	225,060
Operating EBITDA (Rsm)	23,551	29,981	21,242	31,256	39,361
Net Profit (Rsm)	16,063	19,179	11,403	18,758	23,944
Core EPS (Rs)	85.4	102.0	60.7	99.8	127.4
Core EPS Growth	16.8%	19.4%	(40.5%)	64.5%	27.7%
FD Core P/E (x)	23.04	19.29	32.45	19.73	15.45
DPS (Rs)	14.0	58.0	13.3	20.0	25.5
Dividend Yield	0.86%	3.09%	0.68%	1.01%	1.29%
EV/EBITDA (x)	13.16	9.83	15.50	10.22	7.86
P/FCFE (x)	11.33	15.03	(11.08)	29.93	27.19
Net Gearing	(47.3%)	(52.6%)	(26.9%)	(30.3%)	(32.5%)
P/BV (x)	2.91	2.59	2.43	2.22	1.99
ROE	13.3%	14.2%	7.7%	11.8%	13.6%
% Change In Core EPS Estimates			(0.42%)	(0.30%)	(0.27%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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InCred Equities

Group synergies start kicking-in

4QCY22 results review

Quick snapshot of ACC’s 4QCY22 results ➤

- ACC reported 4QCY22 consolidated revenue of Rs45.3bn, up 7% yoy and ~14% qoq while broadly in line with our estimate of Rs45.6bn.
- Cement division: During 4Q, cement volume stood at 7.7mt (~2% above our expectation), up ~12% qoq (flat yoy). Sequential volume improvement supported by an increase in blended cement (clinker factor declined from 57.2% to 56.1%), better route planning and higher operational synergies with ACEM. ACC maintained its market leadership across key markets. Cement realization was up 7% yoy and 2% qoq at ~Rs5,497/t (in line with our estimate).
- RMC division: RMC revenue was at Rs 3.7bn vs. Rs 3.3bn in 4QCY21, up 6% qoq. The company reported an EBIT of Rs46m vs. Rs18m in 3QCY22 and Rs 145m in 4QCY21.
- Consolidated EBITDA for the quarter was at Rs 3.79bn vs. our expectation of ~Rs2.7bn and down 32% yoy (while 3QCY22 reported only Rs164m due to a significant impact of fuel cost increase and other expenses). Cement EBITDA/t stood at Rs492 during the quarter vs. Rs24 in 3QCY22 and Rs722 in 4QCY21.
- Operating cost: Overall blended cost/t was higher by 13% yoy while it was down 7% qoq on account of a) power and fuel cost declining by 24% qoq (while rising 20% yoy) b) logistics cost/t declining by 9% qoq, c) raw material consumption rising by 35% qoq and 30% yoy, and d) other expenses declining by 22% qoq and 6% yoy. We believe the company has consumed low-cost fuel inventory and shifted its focus on building synergies with other group companies which will continue to result in lower cost going ahead. However, we expect the entire synergy benefits to play out over the next 12-15 months.
- ACC reported PAT of Rs1.13bn vs. our expectation of Rs1.1bn, down 60% yoy (while the company reported a loss of Rs873m in 3QCY22). During 4QCY22, the company has taken a charge of Rs57.5m towards special incentives for certain key employees and Rs734m towards one-time information technology transition cost.

Cost savings and operational synergies:

- Kiln fuel cost fell by 17.7% from Rs3.17 per '000 kCal to Rs2.61 per '000 kCal with the change in coal basket, group synergies on coal procurement, and the higher alternate fuel and raw materials (AFR) factor. Fuel cost is expected to decline further in the coming months through synergies with the Adani group.
- Warehouse infrastructure was optimized, direct sales improved (40% to 44%), lead distance reduced (from 307km to 292km) & higher dispatches through rail helped in reducing logistics cost from Rs2.96 ptpk to Rs2.86 ptpk.
- **Waste heat recovery system or WHRS projects:** Management plans to increase the WHRS capacity from 7MW currently to 45MW in CY22F and to 75MW by CY25F. The ongoing 25MW WHRS expansion projects at Jamul and Kymore plants were partially commissioned during the quarter.

Balance sheet and cash flow items:

- Capital work-in-progress during CY22 stood at Rs 16.7bn vs. Rs12.4bn in CY21.
- Cash and cash equivalents in CY22 stood at Rs30bn vs. Rs75bn in CY21.
- Cash flow from operations in CY22 stood at (Rs16.7bn) mainly on negative movement in working capital vs. Rs28.3bn in CY21. Capex stood at Rs19bn in CY22 vs. Rs11.5bn in CY21.

Other updates:

- ACC has ongoing expansion projects at Ametha integrated project, Madhya Pradesh (greenfield, clinker 2.7mtpa and cement 1mtpa, to be completed in 2QFY24F).
- **Himachal Pradesh plant:** Due to transport unions' unworkable position on the freight rate and distribution model, the company decided to temporarily suspend operations at its Gagal plant (Bilaspur) in Himachal Pradesh. The company is holding constructive talks with all stakeholders, including the state government, to arrive at a mutually acceptable and sustainable solution.
- The company, with effect from 16 Sep 2022, has terminated its agreement with Holcim Technology for payment of technology and knowhow fees at 1% of eligible net sales (we expect a saving of Rs50/t in FY24F-25F).
- As per management, there is a rise in construction activity across the company's key markets, continuation of elevated demand and strong volume likely in the coming quarters. With a focus on operational excellence & unlocking potential, ACC has accelerated debottlenecking of its various plants & improvement in efficiency. During the quarter, alternative fuels & raw materials (AFR) consumption volume increased by 33% due to various debottlenecking initiatives and the strong focus on cost optimization.

Our view and valuation:

- ACC has delivered a steady 4QCY22 performance on the profitability front mainly on account of cost savings and operational synergy (after the worst quarter witnessed in its history in 3QCY22) where profitability beat on our and consensus estimates was mainly on the basis of lower cost while cement volume was marginally above our estimate.
- ACEM/ACC share prices have corrected by more than 20%/15%, respectively, over the past one week due to concerns over the high leverage position of the Adani group vs. ~4% correction witnessed in Indian cement stocks and 2.5% in the Nifty. We feel the current fears and a sharp drop in the share price is unwarranted. Unlike a few other Adani group companies, ACC has strong cash flow generating assets and a net cash balance sheet.
- We believe the recent fall in the stock price has made ACC attractive. In the medium-term, we expect its margins to improve on easing input cost, group level synergy, and demand recovery. We expect the structural change in the ownership as well as aggressive expansion strategy through organic/inorganic routes to pave the way for growth as well as margin expansion led by cost synergy and operating leverage opportunities. We await more clarity and want to see how this plays out. Given these potential benefits, we expect the valuation gap between the company and other large efficient players to narrow down over the next two to three years**.**
- At the CMP, ACC trades at 7.9x EV/EBITDA and US$95 FY25F EV/t on our estimates. Currently, we have an ADD rating on the stock.

InCred Equities

Figure 1: Consolidated quarterly performance (4QCY22)

Particulars (Rs m)	4QCY22	4QCY22F	3QCY22	4QCY21	% Change		
					4QCY22F	3QCY22	4QCY21
Net Sales	**45,370**	**45,616**	**39,873**	**42,258**	**-1%**	**14%**	**7%**
Raw materials consumed	12,878	9,552	8,491	9,940	35%	52%	30%
Freight and Forwarding Expense	10,018	10,920	9,827	9,591	-8%	2%	4%
Power and Fuel	11,302	13,555	13,175	9,414	-17%	-14%	20%
Employee Cost	2,030	2,228	2,113	2,036	-9%	-4%	0%
Other Expenses	5,351	6,620	6,104	5,714	-19%	-12%	-6%
Total Expenditures	**41,578**	**42,875**	**39,710**	**36,695**	**-3%**	**5%**	**13%**
EBITDA	**3,791**	**2,741**	**164**	**5,563**	**38%**	**2215%**	**-32%**
Depreciation	1,725	1,808	1,735	1,604	-5%	-1%	8%
EBIT	**2,066**	**932**	**-1,571**	**3,958**	**122%**	**232%**	**-48%**
Interest	189	178	177	129	6%	6%	46%
Other Income	407	695	697	539	-41%	-42%	-25%
PBT	**2,284**	**1,449**	**-1,051**	**4,368**	**58%**	**317%**	**-48%**
Tax	393	377	-311	1,031	4%	226%	-62%
PAT before MI & Associates	**1,892**	**1,072**	**-740**	**3,337**	**76%**	**356%**	**-43%**
Minority Interest	0	0	0	0			
Profit from Assoc.	31	29	29	19	7%	7%	67%
Recurring PAT	**1,923**	**1,101**	**-711**	**3,356**	**75%**	**371%**	**-43%**
Extraordinary items	-791	0	-163	-548			
Reported PAT	1,132	1,101	-873	2,809	3%	230%	-60%
EPS (Rs)	6.0	5.9	-4.6	15.0	3%	230%	-60%
Margins (%)	**4QCY22**	**4QCY22F**	**3QCY22**	**4QCY21**	**Est.**	**yoy**	**qoq**
Gross Margin	25%	25%	21%	32%	-78 bp	361 bp	-688 bp
EBITDA Margin	8.4%	6.0%	0.4%	13.2%	235 bp	795 bp	-481 bp
EBIT Margin	5%	2%	-4%	9%	251 bp	849 bp	-481 bp
PBT Margin	5%	3%	-3%	10%	186 bp	767 bp	-530 bp
PAT Margin	2%	2%	-2%	7%	8 bp	468 bp	-415 bp
Tax Rate	17%	26%	30%	24%	-881 bp	-1,237 bp	-641 bp
Cost items as % of Sales							
Raw Material Cost	28%	21%	21%	24%	744 bp	709 bp	486 bp
Freight Cost	22%	24%	25%	23%	-186 bp	-256 bp	-62 bp
P&F Cost	25%	30%	33%	22%	-480 bp	-813 bp	263 bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

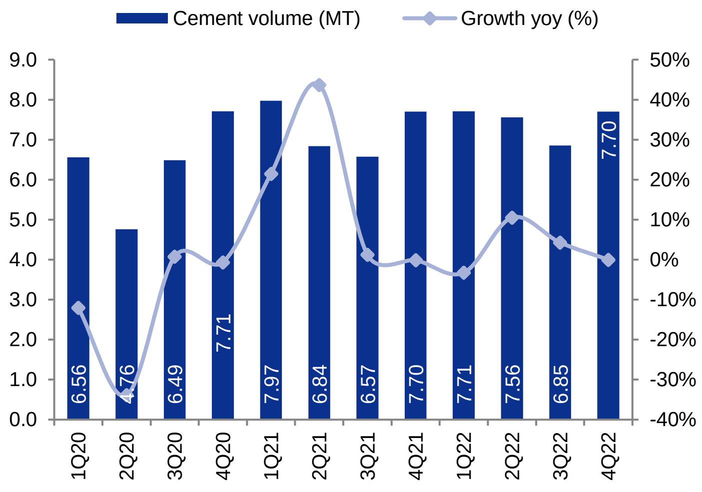
Figure 2: 4QCY22 results - per tonne analysis

Per tonne analysis	4QCY22	4QCY22F	3QCY22	4QCY21	% Change		
					4QCY22F	3QCY22	4QCY21
Sales volume	7.70	7.56	6.85	7.70	2%	12%	0%
Realization	5,497	5,513	5,389	5,139	-0.3%	2.0%	7.0%
EBITDA/t	492	363	24	722	35.8%	1959.1%	-31.8%
RM cost/t	1,672	1,264	1,240	1,291	32%	35%	30%
P&F cost/t	1468	1793	1923	1223	-18%	-24%	20%
Freight cost/t	1,301	1,445	1,435	1,246	-10%	-9%	4%
Employee cost/t	264	295	308	264	-11%	-15%	0%
Other expenses/t	695	876	891	742	-21%	-22%	-6%
Total cost/t	5,400	5,671	5,797	4,766	-5%	-7%	13%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

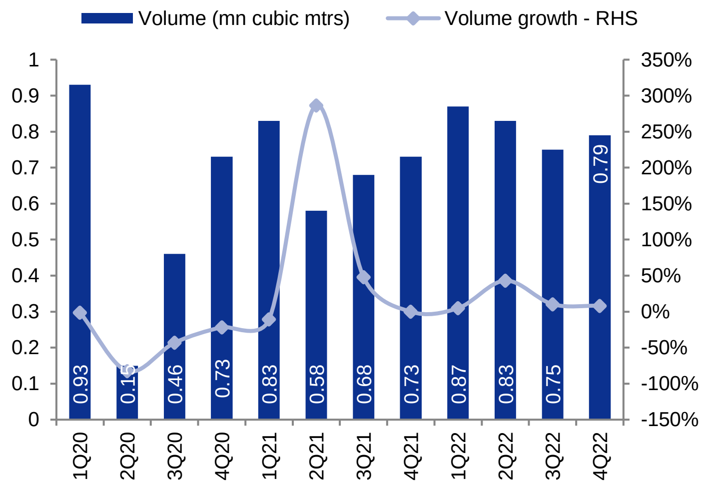
Key charts ›

Figure 3: Cement sales volume up 12% qoq (flat yoy)



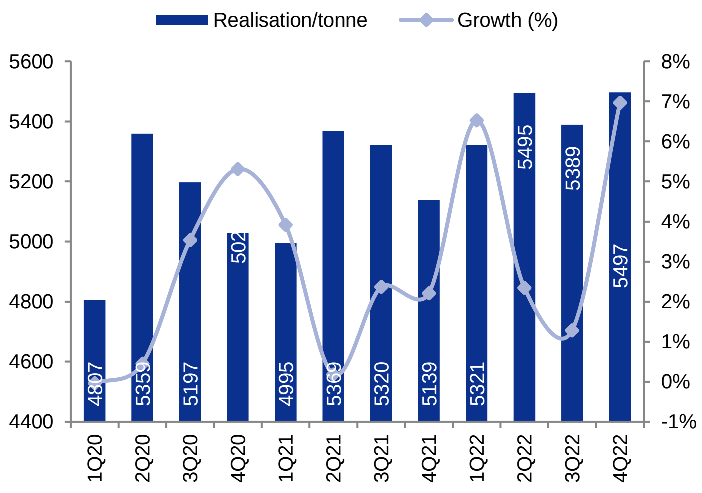
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Readymix concrete or RMC volume trend



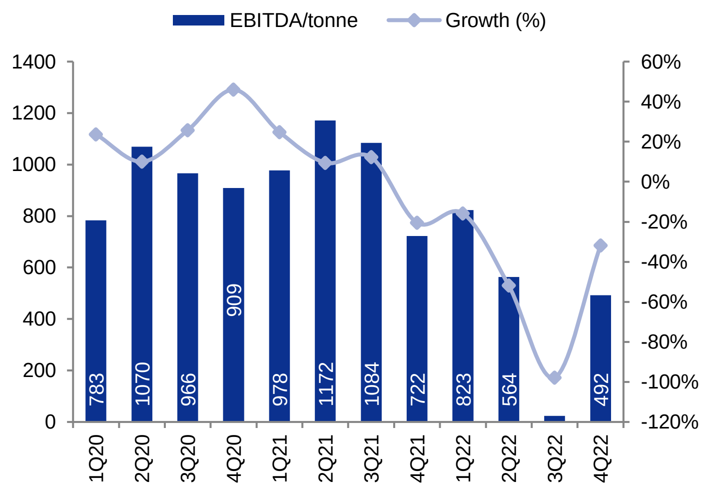
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Cement realization improves 7% yoy and 2% qoq



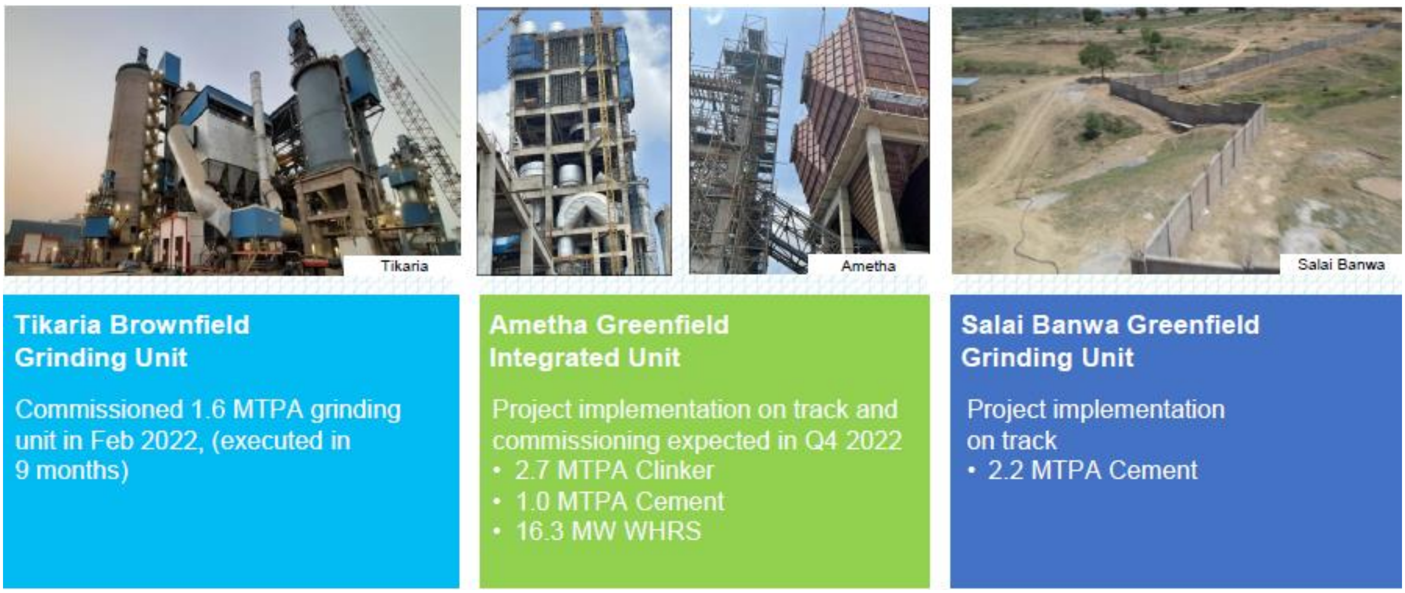
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Unit EBITDA stood at Rs492/t during the quarter



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Capacity expansion - ramp-up of ongoing capacity to 40mtpa (CY21: 35mtpa) will be key for near-term volume growth



SOURCE: INCRED RESEARCH, ACC 2QCY22 INVESTOR PRESENTATION

Figure 8: Sustainability goal (Net Zero Future)

First Indian Cement Company to Sign Net Zero Pledge with Science based Targets

BUSINESS AMBITION FOR 1.5°C

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

BUILDING FOR net zero PEOPLE & PLANET

ACC has become the first and only Indian cement company to sign the Business Ambition for 1.5°C along with Science Based Targets.

ACC has committed to reduce

- Scope 1 GHG emissions **21.3%** per ton of cementitious material by 2030 from a 2018 base year
- Scope 2 GHG emissions **48.4%** per ton of cementitious material within the same timeframe.

The target boundary includes biogenic emissions and removals from bioenergy feedstocks

SOURCE: INCRED RESEARCH, ACC 2QCY22 INVESTOR PRESENTATION

Figure 9: Sustainability goal - ACC's strategy is led by Sustainable Development (SD) 2030 Plan

	Climate and energy	Circular economy	Environment	Community
Target 2030	Net specific CO_2 emissions 400 kg /t of cementitious materials	Use 30 million tons of waste derived resources per year	Water Positive Index 5 (number of times)	3.5 million Number of new beneficiaries
Performance H1 2022	Net specific CO_2 emissions 469 kg /t of cementitious materials	Consumed 6 million tons of waste derived resources	>1 (number of times)	1.7 million (cumulative till H1'22) people benefited through community development projects
SDGs Impacted	7, 11, 13	11, 12, 13, 17	6, 12, 15	1, 2, 3, 4, 8, 10, 11, 16

SOURCE: INCRED RESEARCH, ACC 2QCY22 INVESTOR PRESENTATION

Figure 10: Project Parvat leveraging efficiencies to mitigate cost headwinds

Manufacturing Excellence

- Improvement in Clinker Factor
- Higher share of WHRS power
- Scaling up renewable power
- Improving TSR through Geocycle initiatives
- Fuel flexibility

Logistics Excellence

- Network Optimisation - MSA
- Improvement in Direct dispatch
- Warehouse footprint optimisation
- Transport Analytics Center
- Enhancing Logistics infrastructure

Commercial Excellence

- Driving premiumisation
- Higher share of blended cement
- Channel expansion
- Revenue & margin management
- Enabling digitisation of Channel & Field force

MSA – Master Supply Agreement; TSR – Thermal Substitution Rate, WHRS - Waste Heat Recovery Systems

SOURCE: INCRED RESEARCH, ACC 2QCY22 INVESTOR PRESENTATION

Figure 11: Green power addition (ACC's WHRS capacity to touch 75MW with new projects announced at Chanda and Wadi plants)

WHRS Projects

- Jamul, Kymore and Ametha projects on track
- Orders placed for Chanda and Wadi
- Total capacity to reach 75 MW
- Study in progress for other plants

Renewables

- Journey of increasing share of green power on course
- 82 MW of solar energy capacity
- 19 MW of wind power
- Mix of On-site as well as Off-site facilities

Geocycle Initiatives

- Single-use plastics management with Leave Behind No Waste, Zero Plastic, reuse of packaging material
- Introduced Bubble Barrier technology to address marine pollution.
- Geocycle projects at Jamul and Kymore progressing as planned

SOURCE: INCRED RESEARCH, ACC 2QCY22 INVESTOR PRESENTATION

Figure 12: Sectoral outlook

Housing

- Focus on PMAY scheme (Urban and Rural)
- Demand expected in real estate
  - Over 185-195 million sq. ft of real estate projects to be launched in FY23
- Good agri production, healthy reservoir levels & buoyant farm income to drive demand for rural housing

Infrastructure

- 18,000 km highway construction @50 km/day
- 47,000 kms rural roads targeted
- Momentum to continue Urban Infra, Bharatmala and Metro projects
- Significant infra outlay in State budgets

Industrial/ Commercial

- Implementation of PLI scheme to boost domestic demand
- Demand for warehousing space to be strong on back of e-commerce and retail growth
- Fresh capex uptick in mature capital intensive sectors (steel and cement)
- 13-14% increase expected in office space demand in 2022

SOURCE: INCRED RESEARCH, ACC 2QCY22 INVESTOR PRESENTATION
PMAY - PRADHAN MANTRI AWAS YOJANA, PLI – PRODUCTION-LINKED INCENTIVE

Figure 13: ACC's RMC business is in place for significant growth

Strong Demand Outlook

- Low penetration
- Rapid urbanisation
- Focus on Infrastructure development

ACC Well Positioned

- 82 plants across India
- Industry leading products
- Strong brand equity
- Wide network

Growth Ambition

- Strong expansion plans
- Portfolio of valued added services
- Scale up of global products

Green Products

- Faster scaling-up of ECOPact
- 'AIRIUM', being scaled up
- 'DYNAMax', launched during the quarter

SOURCE: INCRED RESEARCH, ACC 2QCY22 INVESTOR PRESENTATION

Figure 14: Solutions & products business is also set for significant growth

LeakBlock range of waterproofing solutions
Integral waterproofing compound for concrete and plaster with advanced polymer technology

Xtra Strong Tile Adhesive
- Ready to use adhesive made with a special formula to fix floor tiles
- A polymer modified white cement based cementitious adhesive designed to fix marbles, stones and tiles with long-lasting strength

LeakBlock Waterproof Plaster
A ready-to-use cementitious waterproof mortar designed to meet all your internal and external plastering work needs

Admixtures range of products
Enhances usability and strength of Ready mix concrete

SOURCE: INCRED RESEARCH, ACC 2QCY22 INVESTOR PRESENTATION

Figure 15: Product portfolio is expanding

Premium Products

Concrete+ Xtra Strong
Higher strength

F2R Superfast
Enables robust construction in quick time

Gold Water Shield
India's first water-repellent cement

Green Products

Green Building Products
High strength, light weight cement bricks and blocks

ECOPact
Concrete with significantly lower CO_2 emission

AIRIUM
Climate Control Concrete Insulation System

DYNAMax
Ultimate performance Concrete

SOURCE: INCRED RESEARCH, ACC 2QCY22 INVESTOR PRESENTATION

Figure 16: Our revised earnings estimates

Rs. m	New (FY)			Change (%)			Old (CY)		
	FY23F (15M)*	FY24F	FY25F	FY23F (15M)*	FY24F	FY25F	FY23F	FY23F	FY24F
Sales	2,23,020	2,07,896	2,25,060	0%	0%	0%	2,23,020	2,07,896	2,25,060
EBITDA	21,242	31,256	39,361	-6%	-4%	-4%	22,641	32,649	40,994
PAT	11,403	18,758	23,944	-8%	-6%	-5%	12,370	19,857	25,255
EPS (Rs.)	59.9	98.9	126.4	-8%	-6%	-5%	65	105	133

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS
*NOTE: FINANCIAL YEAR IS FOR 15 MONTHS; YEAR-END CHANGES FROM DEC- MAR, HENCE, OLD ESTIMATES ARE NOT COMPARABLE WITH REVISED ESTIMATES

Figure 17: Our revised earnings estimates

Rs. m	Incred			Consensus			Change (%)		
	FY23F (15M)*	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
Sales	2,23,020	2,07,896	2,25,060	2,05,257	2,08,564	2,19,329	9%	0%	3%
EBITDA	21,242	31,256	39,361	27,677	33,888	37,920	-23%	-8%	4%
PAT	11,403	18,758	23,944	17,273	20,506	22,459	-34%	-9%	7%
EPS (Rs.)	2,23,020	2,07,896	2,25,060	2,05,257	2,08,564	2,19,329	9%	0%	3%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
*NOTE: FINANCIAL YEAR IS FOR 15 MONTHS; YEAR-END CHANGES FROM DEC-MAR, HENCE, OLD ESTIMATES ARE NOT COMPARABLE WITH REVISED ESTIMATES

Figure 18: Key assumptions

	CY20A	CY21A	FY23F (15M)*	FY24F	FY25F
Volume (in mtpa)	26	29	37	35	38
yoy	-12%	13%	30%	-6%	8%
Realization (per t)	5,024	5,160	5,351	5,329	5,350
yoy	2%	3%	4%	0%	0%
Cost (per t)	4,112	4,149	4,867	4,551	4,441
yoy	1%	1%	17%	-6%	-2%
EBITDA (per t)	899	1,004	573	938	1,070
yoy	15%	12%	-43%	64%	14%
EBITDA (Rs m)	23,551	29,981	21,242	31,256	39,361
yoy	-2%	27%	-29%	47%	26%

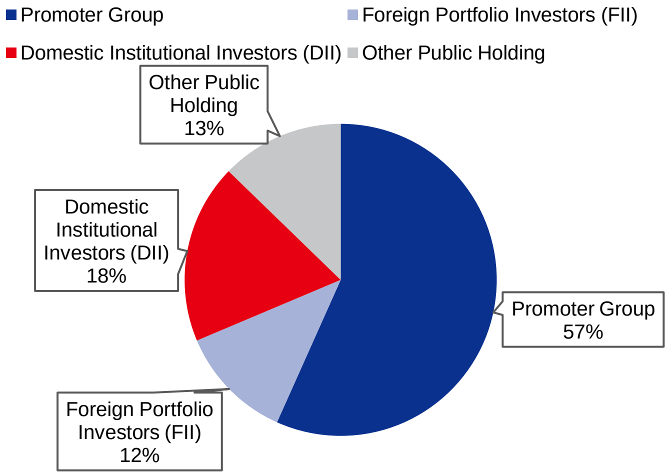
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS
*NOTE: FINANCIAL YEAR IS FOR 15 MONTHS; YEAR-END CHANGES FROM DEC-MAR

Figure 19: Our target price of Rs2,546 is based on 11x Dep-2024F EV/EBITDA

Valuation	TP
Target EV/EBITDA (x)	11.0
Target EV (Rs m)	4,32,968
Net debt / (cash) (Rs m)	(60,526)
No. of shares (m)	188
Fair value per share (Rs)	**2,546**

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

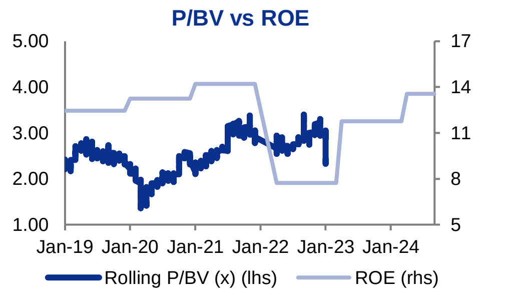
Figure 20: ACC's shareholding pattern (as at end-Dec 2022)

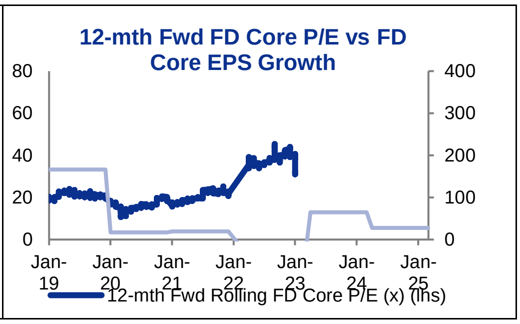


SOURCE: INCRED RESEARCH, COMPANY REPORTS

InCred Equities

BY THE NUMBERS





Profit & Loss

(Rs m)	Dec-20A	Dec-21A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenue	**137,860**	**161,517**	**223,020**	**207,896**	**225,060**
Gross Profit	**137,860**	**161,517**	**223,020**	**207,896**	**225,060**
Operating EBITDA	**23,551**	**29,981**	**21,242**	**31,256**	**39,361**
Depreciation And Amortisation	(6,388)	(6,007)	(8,410)	(7,997)	(8,957)
Operating EBIT	**17,163**	**23,974**	**12,832**	**23,258**	**30,404**
Financial Income/(Expense)	(571)	(546)	(808)	(687)	(708)
Pretax Income/(Loss) from Assoc.	89	117	137	157	177
Non-Operating Income/(Expense)	2,167	2,067	3,018	2,263	2,037
Profit Before Tax (pre-EI)	**18,849**	**25,611**	**15,178**	**24,991**	**31,909**
Exceptional Items					
Pre-tax Profit	**18,849**	**25,611**	**15,178**	**24,991**	**31,909**
Taxation	(2,786)	(6,433)	(3,775)	(6,233)	(7,965)
Exceptional Income - post-tax					
Profit After Tax	**16,063**	**19,179**	**11,403**	**18,758**	**23,944**
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**16,063**	**19,179**	**11,403**	**18,758**	**23,944**
Recurring Net Profit	16,063	19,179	11,403	18,758	23,944
Fully Diluted Recurring Net Profit	**16,063**	**19,179**	**11,403**	**18,758**	**23,944**

Cash Flow

(Rs m)	Dec-20A	Dec-21A	Mar-23F	Mar-24F	Mar-25F
EBITDA	23,551	29,981	21,242	31,256	39,361
Cash Flow from Invt. & Assoc.					
Change In Working Capital	3,883	1,303	(22,397)	4,927	543
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	2,167	2,067	3,018	2,263	2,037
Other Operating Cashflow	1,901	(1,162)	(1,162)	(1,162)	(1,162)
Net Interest (Paid)/Received	(571)	(546)	(808)	(687)	(708)
Tax Paid	7,069	2,857	(3,775)	(6,233)	(7,965)
Cashflow From Operations	**38,000**	**34,499**	**(3,883)**	**30,363**	**32,107**
Capex	(7,479)	(11,533)	(23,954)	(17,000)	(17,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	2,127	1,653	(5,550)	(1,000)	(1,000)
Cash Flow From Investing	**(5,352)**	**(9,880)**	**(29,504)**	**(18,000)**	**(18,500)**
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(2,629)	(10,890)	(2,509)	(3,752)	(4,789)
Preferred Dividends					
Other Financing Cashflow	(645)	7,585	1,498	1,118	1,138
Cash Flow From Financing	**(3,274)**	**(3,305)**	**(1,010)**	**(2,633)**	**(3,651)**
Total Cash Generated	29,375	21,314	(34,397)	9,730	9,956
Free Cashflow To Equity	**32,648**	**24,619**	**(33,386)**	**12,363**	**13,607**
Free Cashflow To Firm	**33,219**	**25,165**	**(32,578)**	**13,051**	**14,314**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs m)	Dec-20A	Dec-21A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	60,057	75,237	40,840	50,570	60,526
Total Debtors	4,514	4,890	8,996	8,952	9,682
Inventories	9,013	12,739	18,592	18,464	19,968
Total Other Current Assets	10,903	10,827	25,831	16,338	17,669
Total Current Assets	**84,486**	**103,694**	**94,259**	**94,324**	**107,846**
Fixed Assets	65,544	65,914	79,504	86,507	92,550
Total Investments	1,293	1,496	1,496	1,496	1,496
Intangible Assets	5,583	12,488	18,038	19,038	20,038
Total Other Non-Current Assets	25,097	26,797	28,751	30,751	33,251
Total Non-current Assets	**97,516**	**106,695**	**127,789**	**137,791**	**147,334**
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	14,222	19,049	21,034	19,085	20,032
Other Current Liabilities	33,820	41,012	41,592	38,802	41,964
Total Current Liabilities	**48,043**	**60,060**	**62,626**	**57,887**	**61,996**
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	6,936	7,206	7,406	7,206	7,006
Total Non-current Liabilities	**6,936**	**7,206**	**7,406**	**7,206**	**7,006**
Total Provisions					
Total Liabilities	**54,979**	**67,267**	**70,032**	**65,093**	**69,002**
Shareholders' Equity	126,991	143,088	151,982	166,989	186,144
Minority Interests	32	34	34	34	34
Total Equity	**127,024**	**143,122**	**152,016**	**167,022**	**186,178**

Key Ratios

	Dec-20A	Dec-21A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	(12.0%)	17.2%	38.1%	(6.8%)	8.3%
Operating EBITDA Growth	(2.3%)	27.3%	(29.1%)	47.1%	25.9%
Operating EBITDA Margin	17.1%	18.6%	9.5%	15.0%	17.5%
Net Cash Per Share (Rs)	319.47	400.22	217.25	269.01	321.97
BVPS (Rs)	675.52	761.15	808.46	888.28	990.18
Gross Interest Cover	30.07	43.89	15.87	33.85	42.96
Effective Tax Rate	14.8%	25.1%	24.9%	24.9%	25.0%
Net Dividend Payout Ratio	19.7%	59.7%	22.0%	20.0%	20.0%
Accounts Receivables Days	14.27	10.63	11.36	15.76	15.11
Inventory Days	27.05	24.58	25.64	32.53	31.16
Accounts Payables Days	46.26	46.16	36.25	41.45	38.44
ROIC (%)	23.6%	32.6%	11.0%	19.0%	23.2%
ROCE (%)	14.2%	17.7%	8.7%	14.6%	17.2%
Return On Average Assets	9.4%	10.1%	5.6%	8.6%	10.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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