


About the Company

ACC Limited- a part of Adani Cement is one of India's leading producers of cement and ready-mix concrete. It is a member of the Adani Group - which has the largest and fastest-growing portfolio of diversified sustainable businesses. ACC has 17 cement manufacturing sites, over 83 concrete plants and a nationwide network of channel partners to serve its customers. Established in 1936, ACC is counted among the country's 'Most Sustainable Companies' and is recognized for its best practices in environment management and corporate citizenship.

Investment Rationale

- A. Capacity Expansion to strengthen footprint in Central region:** The company is expanding its cement grinding capacity to 39.2 mtpa from present 36.1 mtpa to be able to cater to the high-growth market of Central India. These capacities are expected to be commissioned in phases over CY22-CY23. Central regions is exhibiting promising growth potential driven by increasing housing and infra activities as per capita Cement consumption of the region is one of the lowest in India. We expect the company to deliver volume growth of 7% CAGR over CY22-CY24E and clock revenue CAGR of 10% over the same period.
- B. Better Synergies to drive growth:** Over the years, the company lost its market share to other larger players in the industry owing to delayed capacity expansion, resulting in underperformance of the stock. This, however, is expected to change moving ahead as the new management is known for its aggressive approach. Furthermore, many levers of growth along with cost savings (Rs 250-300/tonne) are expected to emerge in terms of raw material sourcing, network optimization, sourcing of renewable energy and WHRS capacity expansion.
- C. Higher govt focus on housing and infra to drive Cement consumption:** Housing and Infra which consumes around 80-90 percent of the total Cement produced in the country, will further accelerate the Cement demand as Central govt is very keen on developing the housing (urban & rural, low cost housing), Infra (Rail, Road, Port, Airport, Ropeways) under the various Central govt programs and initiatives. With general election 2024 fast approaching, rising construction activities will fuel the Cement demand moving ahead. We expect the overall Cement demand in the country to grow at a CAGR of 8-9 percent over FY22-FY25. Rising Cement demand will benefit the incumbent like ACC.
- D. Healthy Financials to support future growth:** The company exhibits a robust financial position with a debt free balance sheet, high interest coverage ratio, and healthy cash flows. While the company can fund ongoing capacity expansion through internal accruals, it will continue to have adequate liquidity to meet any Capex requirement moving forward. We expect the capital structure of the company to remain healthy from medium to long term perspective.

Outlook & Valuation: With expanded capacity, better pricing, increased demand, moderation in commodity prices and better synergies with other Adani group companies, we expect ACC to report Revenue/EBITDA/APAT CAGR of 10%/50%/40% respectively over CY22-CY24E. Stock is currently trading at 14x and 11x CY23E/CY24E EV/EBITDA.

Recommendation: We recommend a Buy the stock for a target price of Rs 2710/ implying an upside of 10% from CMP.

Financial Summary (Consolidated)

Y/E	Net Sales	EBITDA	Net Profit	EPS	PER	EV/EBIDTA	P/BV	RoE
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs)	(x)	(x)	(x)	(%)
2022E	17542	1457	750	41	61	27	3.0	5
2023E	19865	2687	1667	89	27	14	2.8	11
2024E	21344	3364	2085	112	22	11	2.5	13

Source: Axis Securities; CMP as on 18th November, 2022

CMP (Rs)	Target (Rs)	Potential Upside (%)
2460	2710	10%

MARKET DATA

No. of Shares	18.8 Cr
Market Cap	45971Cr
52-week High / Low	2785/1900
BSE Code	500410
NSE Code	ACC

Why ACC Ltd

- ✓ **Attractive Valuations**
- ✓ **Macro-economic Tailwinds**
- ✓ **Encouraging Growth Opportunities**
- ✓ **Company-specific Triggers**
- ✓ **Sector-specific Attributes**

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