

Good Quarter

3rd Nov, 2014

CMP: **Rs.1,501**
Target Price: **Rs.1,585**
Recommendation: **HOLD**

Stock Info

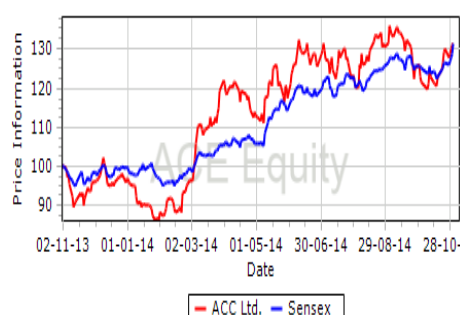
BSE Group	A
BSE Code	500410
NSE Symbol	ACC
Bloomberg	ACC.IN
Reuters	ACC.BO
BSE Sensex	27,866
NSE Nifty	8,332

Market Info

Market Capital	Rs 28,209cr
Equity Capital	Rs 188cr
Avg. Trading Vol.	3,33,650
52 Wk High/ Low	1,570/971
Face Value	10

Shareholding Pattern (%) (Sep 2014)

Promoters	50.3
Domestic Institutions	13.8
Foreign Institutions	18.7
Public & Others	17.2



ACC's 3QCY14 operating performance came in line with estimates. Standalone EBITDA margins increased by 250bps on YoY basis and stood at 13.5%. Volumes grew marginally by 1.4% on YoY basis and stood at 5.6mn tonnes. Realisations increased by 7.7% to Rs 4879 per ton. Sharp increase in realizations indicates return of pricing power. We expect cement demand to increase by 6-8% during next one year and realizations by ~10% on back of GOI emphasis on housing and infrastructure development.

ACC's witnessed 7% decrease in its operating cost to Rs 3,836 per ton on YoY basis. Raw material cost per ton was down by 20% on YoY basis on account of lower coal prices and stood at Rs 631 per ton. Power & fuel and freight cost increased by 10.5% and 15.6% respectively. EBITDA per ton thus increased sharply by 30.3% YoY to Rs 674 per ton.

Profit after tax increased by 69.6% YoY to Rs 205cr

Valuations:

From the current quarter we have started to see pricing power coming back to the manufacturers which makes us optimist on the sector. Our optimism is based on revival in investment climate created by the current government. Going forward, we forecast ACC's margins to increase to 16%. We have modeled for volume growth of 5% CAGR and realizations to increase by 8% CAGR over the next 2 years. We have valued stock on EV/EBITDA of 10.0(x) its CY15 estimates and have arrived at a fair value of Rs 1,585 per share. At CMP of Rs 1,501 the stock is available at CY15E P/E(x) and EV/EBITDA(x) of 18.0x and 9.3x, respectively at which valuations looks attractive in our view. We recommend **HOLD** rating on the stock.

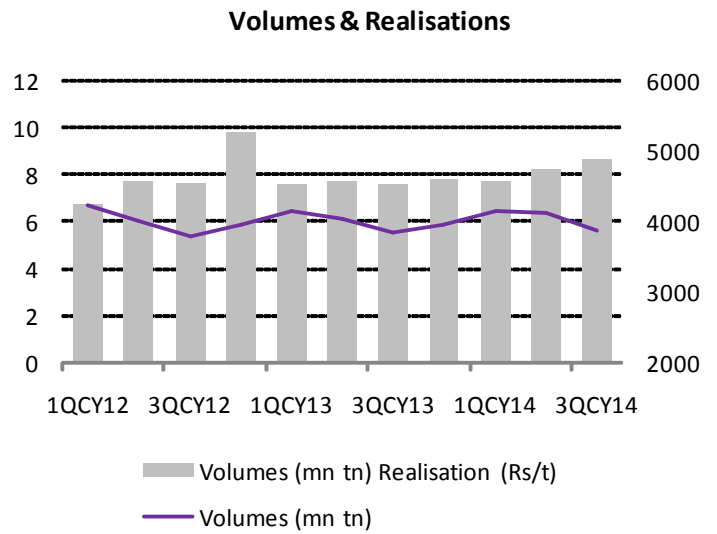
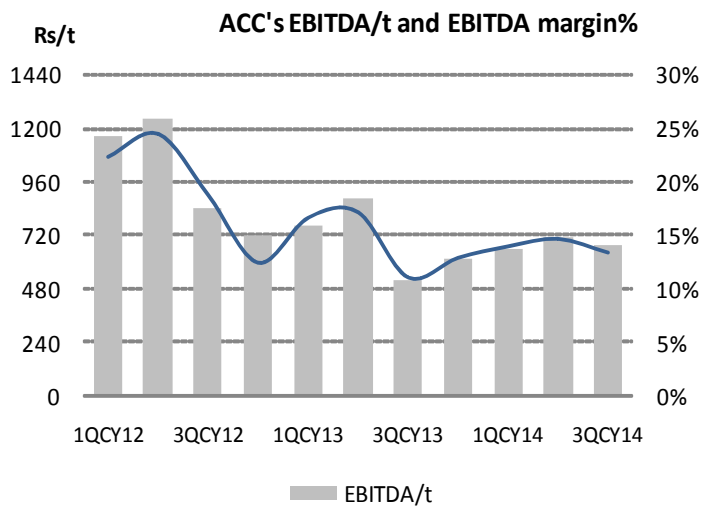
Financials:

(Rs Cr)	CY12	CY13	CY14E	CY15E
Net Revenue	11,358	11,169	11,807	14,079
EBITDA	2,196	1,629	1,852	2,388
Reported PAT	1,061	1,096	1,231	1,570
Reported EPS	56.5	58.3	65.5	83.5
EPS Growth (%)	-19.9	3.3	12.3	27.5
RONW (%)	14.4	14.0	14.9	17.6
P/E (x)	26.6	25.7	22.9	18.0
EV/EBITDA (x)	10.2	13.7	12.0	9.3

Source: - Company data, Arihant Research



	1QCY12	2QCY12	3QCY12	4QCY12	1QCY13	2QCY13	3QCY13	4QCY13	1QCY14	2QCY14	3QCY14
Volumes (mn tn)	6.7	6.1	5.4	5.9	6.4	6.1	5.5	5.9	6.5	6.4	5.6
Realisation (Rs/t)	4256	4591	4561	5279	4526	4567	4528	4594	4579	4739	4879
RM	679	498	571	1353	635	781	898	762	832	793	733
Employee cost	193	224	262	355	251	282	311	266	261	305	341
Power & Fuel	1006	998	1057	912	1009	967	1007	995	940	978	1113
Mfg Exp	825	846	948	1087	977	892	987	1077	952	970	1088
S&D Exp	635	949	910	1032	958	936	918	1044	1030	1064	1061



Valuations:

	CY14	CY15
EV/EBITDA	10	10
EBITDA	1852	2388
EV	18523	23877
Net debt	-2940	-3393
CWIP	1720	2520
Market Cap	23182	29790
No shares	18.8	18.8
Fair value	1233	1585
CMP	1501	1501
Upside	-18%	6%

3QCY14 Results (Standalone)

Rs in Crore	3QCY14	3QCY13	YOY (%)	2QCY14	QoQ (%)
Net Sales	2,814	2,570	9.5	3,060	-8.0
Expenditure	2,436	2,283	6.7	2,609	-6.6
EBITDA	379	286	32.2	451	-16.0
EBITDA Margins (%)	13	11		15	
Other Income	45	41		37	
Interest	11	11		11	
Depreciation	139	144		138	
PBT	272	172	58.2	339	-19.6
Tax	67	51		98	
Tax rate (%)	0	0		0	
PAT	205	121	69.6	241	-15.0
Net Profit Margin (%)	0	0		0	
EPS (Rs)	11	6	69.6	13	-15.0

Source: - Company data, Arihant Research



Profit and Loss Account, Year Ending December

Particulars, in Rs crore	CY12	CY13	CY14 E	CY15E
Income from Operations	11,358	11,169	11,807	14,079
YoY%	17.6%	-1.7%	5.7%	19.2%
Power & Fuel Cost	2382	2382	2416	2948
Employee Cost	617	662	697	774
Distribution Expenses	2221	2316	2444	2914
Other Expenditure	3942	4180	4398	5055
Total Expenditure	9162	9540	9955	11691
Operating EBITDA	2196	1629	1852	2388
Operating EBITDA margin %	19	15	16	17
Depreciation	559	574	481	604
Operating EBIT	1637	1055	1371	1784
Other Income	265	224	248	282
Interest	115	52	0	0
PBT before Excp Items	1787	1227	1619	2065
Extraordinary/ Excp	335	0	0	0
PBT	1451	1227	1619	2065
Tax Expense	390	131	389	496
Reported Net Profit	1061	1096	1231	1570
YoY%	-19.9%	3.3%	12.3%	27.5%
Effective Tax Rate	26.9	10.7	24.0	24.0
Reported EPS	56.5	58.3	65.5	83.5

Balance Sheet Year Ending December

Particulars, in Rs crore	CY12	CY13	CY14 E	CY15E
Liabilities + Equity				
(a) Share capital	188	188	188	188
(b) Reserves and surplus	7195	7637	8062	8682
Shareholders' funds	7383	7825	8250	8870
Non-current liab & Prov	1075	1003	1090	1191
Current liabilities	3468	3266	3650	4261
Total - Equity and liabilities	11926	12094	12991	14322
Assets				
Non-current assets				
Fixed assets	5864	5504	5323	5219
CWIP	311	820	1720	2520
Long Term Inv	195	177	177	177
Loans + Adv + Others	564	867	567	469
other Non-current assets	166	308	308	308
Current assets	4826	4418	4896	5629
Cash	678	503	915	1343
Other Current Assets	4148	3915	3981	4286
Total - Assets	11926	12094	12991	14322

Cash Flow Statement, Year Ending March

Particulars, in Rs crore	CY12	CY13	CY14 E	CY15E
Operating Activities				
PBT	1,451	1,227	1,619	2,065
Add Depr	559	574	481	604
Others	218	(108)	158	177
Total	2,228	1,693	2,258	2,846
Cash Taxes	(206)	(429)	(389)	(496)
Changes in Working Cap	(446)	(188)	318	306
Cash Flow from Operations	1,577	1,077	2,188	2,656
Investing Activities				
Change in investments	258	96	-	-
Capex	(568)	(948)	(1,200)	(1,300)
Cash Flow from Investing	(311)	(852)	(1,200)	(1,300)
Financing Activities				
Dividends + Taxes paid	(608)	(656)	(789)	(925)
Change in Non Curr Liab	(457.9)	(205.0)	213.0	(3.4)
Cash Flow from Financing	(1,066)	(861)	(576)	(928)
Opening Cash	478.1	1,139.4	503.4	914.7
Changes during year	200.3	(636.0)	411.3	428.1
Closing Cash	678	503	915	1,343

Ratio Analysis

	CY12	CY13	CY14 E	CY15E
Profitability				
Operating EBITDA%	19.3	14.6	15.7	17.0
Operating EBIT%	14.4	9.4	11.6	12.7
PAT%	9.3	9.8	10.4	11.1
Du Pont ROAE breakup				
PAT / Sales	9.3	9.8	10.4	11.1
Sales / Avg Total Fixed Assets	0.9	1.0	1.1	1.3
Avg Total Assets / Avg Eqty	1.6	1.6	1.6	1.6
ROE	0.1	0.1	0.2	0.2
Other Ratios				
Current Ratio	1.4	1.4	1.3	1.3
Long Term Debt / Equity	0.0	0.0	0.0	0.0
EPS	56.5	58.3	65.5	83.5
DPS	19.0	19.0	24.0	30.0
Dividend Payout ratio	0.3	0.3	0.4	0.4
P/E	26.6	25.7	22.9	18.0
BVPS	392.8	416.3	439.0	471.9
P/BV	3.8	3.6	3.4	3.2

Source: Company data, Arihant Research



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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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