



## Monsoon Drops Volume!

24<sup>th</sup> Oct, 2016

**CMP:** Rs.1,566  
**Target Price:** Rs.1,509  
**Recommendation:** Neutral

### Stock Info

BSE Group	A
BSE Code	500410
NSE Symbol	ACC
Bloomberg	ACC.IN
Reuters	ACC.BO
BSE Sensex	28,121
NSE Nifty	8,699

### Market Info

Market Capital	Rs 29,350 cr
Equity Capital	Rs 188cr
Avg. Trading Vol.	2,81,390
52 Wk High/ Low	1,738/1173
Face Value	10

### Shareholding Pattern (%) (Sep 2016)

Promoters	50.3
Domestic Institutions	18.5
Foreign Institutions	16.8
Public & Others	14.4

### Price Chart:



ACC Ltd. reported a drop in its net profit for its third quarter ended September, 2016. Net profit for the quarter came in at Rs. 83 cr compared to Rs. 115 cr in the corresponding quarter of previous year registering a de-growth of 28% YoY and de-growth of 65% sequentially. Revenue for the company too headed south. Total income for the quarter came in at Rs. 2,521 cr as compared to Rs. 2,790 cr in the corresponding quarter of FY 15, down 9.6% YoY and 13.6% sequentially. EBITDA for the company stood at Rs. 274 cr vs. Rs. 313 cr YoY. EBITDA margin contracted to 10.9% from 11.2% in corresponding quarter of previous year and 15.7% sequentially.

Cement volumes came in at 5.1 MT lower by 9.6% compared to the corresponding quarter of previous year & lower by 17% sequentially impacted by higher monsoon. Blended realizations inclined sequentially by 3.3% however stood lower on YoY basis due to the market conditions. RMX volume for the quarter dropped by 3% sequentially and increased by 5% compared to the corresponding quarter of previous year owing to the dullness in construction activity.

Expenditure for the quarter dropped by 9% YoY and 8.6% sequentially. Optimization of fuel mix through higher usage of pet coke, lower cost of input materials and optimization of gypsum mix, helped in lowering production costs.

The new clinkering line at Jamul and the cement grinding unit at Jamul were both commissioned during the quarter. The remaining phase of the project (cement grinding unit at Sindri) is expected to be commissioned by end of October, 2016.

### Valuations:

With the stabilization of newly commissioned units volumes are expected to pick up to accomplish the rise in demand going ahead. However, raw material prices remain a concern.

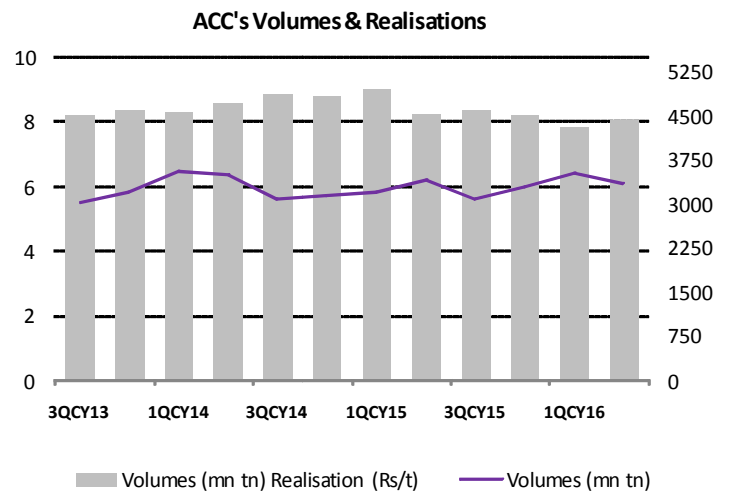
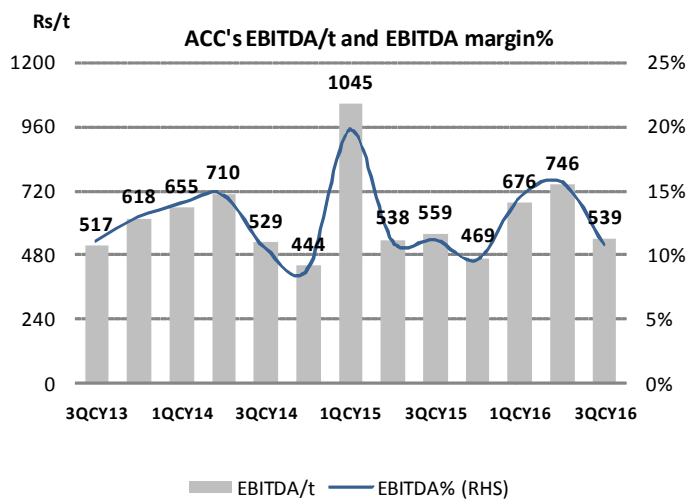
We have valued stock on EV/EBITDA of 17.5 (x) its FY17 estimates and have arrived at a fair value of Rs 1,509 per share. At CMP of Rs 1,566 the stock is available at FY17E P/E(x) and EV/EBITDA(x) of 39.7 (x) and 17.9 (x) respectively. We have "Neutral" rating on the stock.

Financial Snapshot (Rs Cr)	CY14	CY15	CY16E	CY17E
Net Revenue	11,738	11,797	10,986	11,872
EBITDA	1,489	1,538	1,420	1,632
PAT	1,168	576	660	741
EPS	62.2	30.7	35.1	39.4
EPS Growth (%)	6.6	(50.7)	14.6	12.2
ROE%	16.2	8.2	9.1	10.0
P/E (x)	22.5	43.5	44.6	39.7
EV/EBITDA (x)	17.5	16.6	20.6	17.9

Source: Ace Equity, Arian Research



Per Tonne Analysis	3QCY13	4QCY13	1QCY14	2QCY14	3QCY14	4QCY14	1QCY15	2QCY15	3QCY15	4QCY15	1QCY16	2QCY16	3QCY16
Volumes (mn tn)	5.5	5.9	6.5	6.4	5.6	5.7	5.8	6.2	5.6	6.0	6.4	6.1	5.1
Realisation (Rs/t)	4528	4594	4579	4739	4879	4839	4955	4547	4618	4518	4318	4418	4558
RM	898	762	832	793	725	906	733	811	704	873	728	812	611
Employee cost	311	266	261	305	346	337	294	323	296	388	296	306	381
Power & Fuel	1007	995	940	978	1106	1027	1068	984	1102	907	886	853	1058
Mfg Exp	987	1077	952	970	1098	1101	975	1014	1219	1075	941	980	1198
S&D Exp	918	1044	1030	1064	1204	1155	1179	1193	1093	1141	1146	1068	1182



#### Valuations:

	CY14	CY15	CY16E	CY17E
EV/EBITDA	17.5	16.6	20.6	17.5
EBITDA	1489	1538	1420	1632
EV	26012	25479	29282	28559
Net debt	-304	-94	-153	-189
Market Cap	26316	25573	29436	28370
No shares	18.8	18.8	18.8	18.8
Fair value				1509
CMP				1566
Upside				-4%

#### Q3 CY16 Results (Consolidated)

Rs in Crore	Q3 CY16	Q3 CY15	YOY (%)	Q2 CY16	QoQ (%)
Total Income	2,521	2,790	-9.6	2,917	-13.6
Total Expenditure	2,248	2,477	-9.2	2,460	-8.6
EBITDA	274	313		458	
EBITDA Margins (%)	10.9	11.2	-0.4	15.7	-4.8
Other Income	26	18		22	
Interest	19	14		17	
Depreciation	155	163		144	
Exceptional Items	-	-		-	
PBT	126	154	-18.3	318	-60.4
Tax	43	39		81	
Tax rate (%)	34.1	25.4		25.5	
PAT	83	115	-27.9	237	-65.0
Net Profit Margin (%)	3.3	4.1		8.1	
EPS	4.4	6.1	-28.8	12.7	-65.7



Profit and Loss Account, Year Ending December				
Particulars, in Rs crore	CY14	CY15	CY16E	CY17E
<b>Income from Operations</b>	<b>11,738</b>	<b>11,797</b>	<b>10,986</b>	<b>11,872</b>
YoY%	5.1%	0.5%	-6.9%	8.1%
Power & Fuel Cost	2442	2399	2216	2464
Employee Cost	747	772	758	855
Distribution Expenses	2598	2704	2549	2731
Other Expenditure incl. RM cost	4463	4385	4043	4190
Total Expenditure	10249	10260	9566	10240
<b>EBITDA</b>	<b>1489</b>	<b>1538</b>	<b>1420</b>	<b>1632</b>
EBITDA margin %	12.7	13.0	12.9	13.7
Depreciation	539	663	572	596
<b>EBIT</b>	<b>950</b>	<b>875</b>	<b>848</b>	<b>1036</b>
Other Income	268	120	165	184
Interest	83	65	69	79
<b>PBT before Excp Items</b>	<b>1135</b>	<b>931</b>	<b>943</b>	<b>1140</b>
Extraordinary/ Excp	0	164	0	0
<b>PBT</b>	<b>1135</b>	<b>766</b>	<b>943</b>	<b>1140</b>
Tax Expense	-33	190	283	399
<b>Net Profit</b>	<b>1168</b>	<b>588</b>	<b>660</b>	<b>741</b>
YoY%	6.6%	-49.7%	12.4%	12.2%

Balance Sheet Year Ending December				
Particulars, in Rs crore	CY14	CY15	CY16E	CY17E
<b>Liabilities + Equity</b>				
(a) Share capital	188	188	188	188
(b) Reserves and surplus	8048	8235	8537	8789
<b>Shareholders' funds</b>	<b>8236</b>	<b>8423</b>	<b>8725</b>	<b>8977</b>
Non-current liab & Prov	652	590	570	510
Current liabilities	3784	3786	4017	4238
<b>Total - Equity and liabilities</b>	<b>12671</b>	<b>12799</b>	<b>13313</b>	<b>13726</b>
			0	0
<b>Assets</b>				
<b>Non-current assets</b>	<b>9003</b>	<b>9396</b>	<b>9885</b>	<b>10078</b>
Fixed assets	7600	7711	7919	7873
Goodwill On Consolidation	21	16	11	8
Long Term Inv	84	87	97	169
Loans & Adv	937	1117	1372	1522
other Non-current assets	361	466	486	506
<b>Current assets</b>	<b>3668</b>	<b>3403</b>	<b>3428</b>	<b>3648</b>
Cash	304	94	153	189
Other Current Assets	3363	3309	3274	3459
<b>Total - Assets</b>	<b>12671</b>	<b>12799</b>	<b>13313</b>	<b>13726</b>

Cash Flow Statement, Year Ending March				
Particulars, in Rs crore	CY14E	CY15	CY16E	CY17E
<b>Operating Activities</b>				
<b>PBT</b>	<b>1,135</b>	<b>766</b>	<b>943</b>	<b>1,140</b>
Add Depr	558	663	572	596
Others	(140)	(204)	(199)	(189)
Total	1,553	1,226	1,316	1,548
Cash Taxes	(235)	(190)	(283)	(399)
Changes in Working Cap	42	112	221	37
<b>Cash Flow from Operations</b>	<b>1,359</b>	<b>1,148</b>	<b>1,255</b>	<b>1,186</b>
<b>Investing Activities</b>				
Change in investments	90	130	285	242
Capex	(1,527)	(861)	(780)	(550)
<b>Cash Flow from Investing</b>	<b>(1,437)</b>	<b>(731)</b>	<b>(495)</b>	<b>(308)</b>
<b>Financing Activities</b>				
Dividends + Taxes paid	(753)	(311)	(436)	(489)
Other Financing Activites	(84)	-	(20)	(60)
<b>Cash Flow from Financing</b>	<b>(837)</b>	<b>(311)</b>	<b>(456)</b>	<b>(549)</b>
Opening Cash	2,499	1,557	1,644	1,948
Changes during year	(942)	87	304	329
Closing Cash	1,557	1,644	1,948	2,277

Note: Closing cash includes liquid investments.

Ratio Analysis				
	CY14	CY15	CY16E	CY17E
<b>Profitability</b>				
EBITDA%	12.7	13.0	12.9	13.7
EBIT%	8.1	7.4	7.7	8.7
PAT%	10.0	5.0	6.0	6.2
<b>Du Pont ROAE breakup</b>				
PAT / Sales	10.0	5.0	6.0	6.2
Sales / Avg Total Fixed Assets	1.1	1.1	1.0	1.0
Avg Total Assets / Avg Eqty	1.5	1.6	1.6	1.6
ROE	16.2	8.2	9.1	10.0
<b>Other Ratios</b>				
Current Ratio	1.0	0.9	0.9	0.9
Debt / Equity	0.0	0.0	0.0	0.0
EPS	62	31	35	39
DPS	34	17	19	22
<b>Valuation</b>				
P/E	22.5	43.5	44.6	39.7
EV/EBITDA	17.5	16.6	20.6	17.9
P/BV	3.2	3.0	3.4	3.3

**Arihant Research Desk**

E. research@arihantcapital.com  
T. 022-42254800

**Head Office**

#1011, Solitaire Corporate park,  
Building No. 10, 1<sup>st</sup> Floor,  
Andheri Ghatkopar Link Road,  
Chakala, Andheri (E).  
Mumbai - 400093  
Tel: (91-22) 42254800  
Fax: (91-22) 42254880

**Registered Office**

E-5 Ratlam Kothi  
Indore - 452003, (M.P.)  
Tel: (91-731) 3016100  
Fax: (91-731) 3016199

**Stock Rating Scale**

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

**Research Analyst Registration No.**

INH000002764

**Contact**

SMS: 'Arihant' to 56677

**Website**[www.arihantcapital.com](http://www.arihantcapital.com)**Email Id**[research@arihantcapital.com](mailto:research@arihantcapital.com)**Disclaimer:**

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