



STEADY BEGINNING WITH CONTROL OVER COST!

24th APRIL, 2017

CMP: Rs.1,496
Target Price: Rs.1,669
Recommendation: ACCUMULATE

Stock Info

BSE Group	A
BSE Code	500410
NSE Symbol	ACC
Bloomberg	ACC.IN
Reuters	ACC.BO
BSE Sensex	29,655
NSE Nifty	9,217

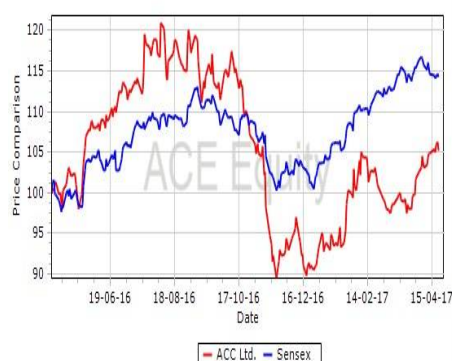
Market Info

Market Capital	Rs 30,202 cr
Equity Capital	Rs 188cr
Avg. Trading Vol.	3,63,400
52 Wk High/ Low	1,738/1,257
Face Value	10

Shareholding Pattern (%) (March 2016)

Promoters	54.53
Domestic Institutions	16.83
Foreign Institutions	14.26
Public & Others	14.38

Price Chart:



ACC Ltd. reported a drop in its net profit for its first quarter ended March, 2017. Net profit for the quarter came in at Rs. 211 cr compared to Rs. 232 cr in the corresponding quarter of previous year registering a de-growth of 8.9% YoY. Total income for the quarter came in at Rs. 3174 cr as compared to Rs. 2,936 cr in the corresponding quarter of FY 16, up 8.1% YoY however increased 17.7% sequentially. EBITDA for the company stood at Rs. 393 cr vs. Rs. 424 cr YoY. EBITDA margin contracted to 12.4% from 14.4% in corresponding quarter of previous year and 9.9% sequentially.

Cement volumes came in at 6.6 MT higher by 3.77% compared to the corresponding quarter of previous year & higher by 21% sequentially led by continued thrust on promotion of company's range of premium products. RMX volume for the quarter increased by 7% sequentially and increased by 8% compared to the corresponding quarter of previous year owing strong focus on infrastructure, commercial and realty segments.

Ongoing efforts to enhance operational efficiency delivered a reduction in energy consumption as a result of optimization of fuel mix and other input materials. Shortfall in regular availability of flyash, part of which was met through procurement over longer leads entailing higher transportation costs. Gypsum & raw mix optimization minimized the cost increase.

Premium products volume grew by 16% YoY. Capacity utilization stood at 81% in Q1 CY17.

Valuations:

Increased government spending on infrastructure development should further boost demand for cement and concrete.

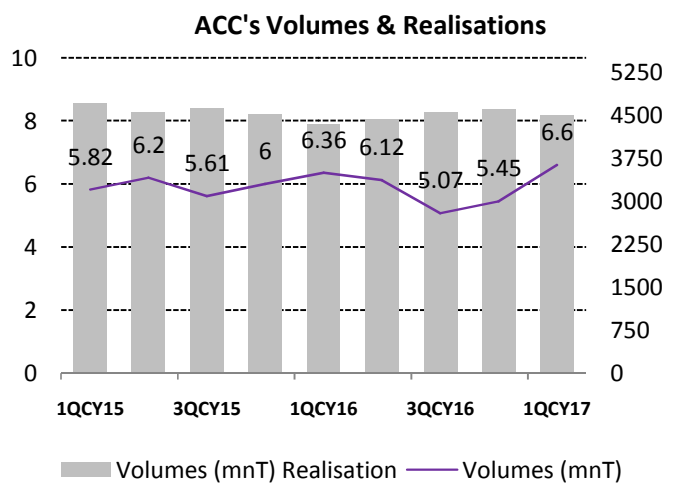
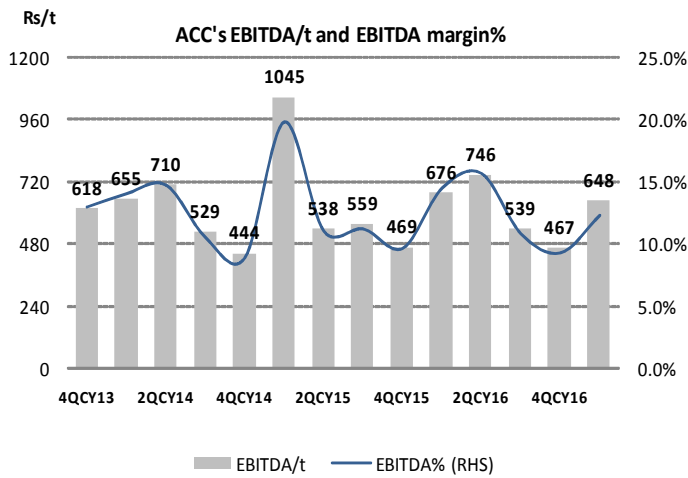
We have valued stock on EV/EBITDA of 17.5 (x) its FY19 estimates and have arrived at a fair value of Rs 1,669 per share. At CMP of Rs 1,608 the stock is available at FY19E P/E(x) and EV/EBITDA(x) of 34 (x) and 17.5 (x) respectively. We have "ACCUMULATE" rating on the stock.

Financial Snapshot (Rs Cr)	CY16	CY17E	CY18E	CY19E
Net Revenue	11,072	11,872	12,804	13,952
EBITDA	1,421	1,513	1,699	1,814
PAT	634	664	757	827
EPS	34.2	35.3	40.3	44.0
EPS Growth (%)	11.5	3.3	14.0	9.3
ROE%	7.4	8.9	8.3	8.8
P/E (x)	38.9	42.3	37.2	34.0
EV/EBITDA (x)	17.4	18.4	16.4	17.5

Source: Ace Equity, Arian Research



Per Tonne Analysis	1QCY15	2QCY15	3QCY15	4QCY15	1QCY16	2QCY16	3QCY16	4QCY16	1QCY17
Volumes (mnT)	5.82	6.2	5.61	6	6.36	6.12	5.07	5.45	6.6
Realisation	4715	4547	4618	4518	4345	4418	4558	4592	4491
RM	496	650	520	488	470	457	449	477	512
Staff Cost	294	323	296	334	297	306	381	366	296
Power & Fuel	1068	984	1102	1075	905	958	917	1004	988
Freight & forwarding	1179	1193	1093	1141	1153	1068	1182	1226	1258
Other Expenditure	975	954	1152	1075	947	980	1198	1131	939
Total Cost	4012	4104	4163	4113	3772	3769	4127	4204	3993



Valuations:

	CY16	CY17E	CY18E	CY19E
EV/EBITDA	17.4	18.4	16.4	17.5
EBITDA	1421	1513	1699	1814
EV	24719	27900	27799	31750
Net debt	-278	-217	-318	-381
Market Cap	24997	28117	28117	31369
No shares	18.8	18.8	18.8	18.8
Fair value				1669
CMP				1496
Upside				12%

Q1 CY17 Results (Consolidated)

Rs in Crore	Q1 CY17	Q1 CY16	YOY (%)	Q4 CY16	QoQ (%)
Total Income	3,174	2,936	8.1	2,697	17.7
Total Expenditure	2,781	2,512	10.7	2,432	14.4
EBITDA	393	424		266	
EBITDA Margins (%)	12.4	14.4	-2.1	9.9	2.5
Other Income	32	43		31	
Depreciation	166	144		168	
Exceptional Items	-	-		39	
PBT	259	322	-19.7	91	185.8
Tax	50	94		5	
Tax rate (%)	19.2	29.3		5.5	
Share of associates	2.1	3.9		4.7	
Minority Interest	-	0.0		0.1	
Net Profit	211	232	-8.9	90	134.0
Net Profit Margin (%)	6.6	7.9		3.3	
EPS	11.2	12.3		4.8	



Profit and Loss Account, Year Ending December				
Particulars, in Rs crore	CY16	CY17E	CY18E	CY19E
Income from Operations	11,072	11,872	12,804	13,952
YoY%	-6.2%	7.2%	7.8%	9.0%
Power & Fuel Cost	2160	2464	2706	3045
Employee Cost	790	855	922	1005
Distribution Expenses	2636	2731	2945	3209
Other Expenditure incl. RM cost	4065	4309	4532	4879
Total Expenditure	9651	10359	11105	12138
EBITDA	1421	1513	1699	1814
EBITDA margin %	12.8	12.7	13.3	13.0
Depreciation	611	596	639	658
EBIT	810	917	1060	1157
Other Income	122	184	192	209
Interest	36	79	88	94
PBT before Excp Items	896	1022	1164	1272
Extraordinary/ Excp	39	0	0	0
PBT	857	1022	1164	1272
Tax Expense	224	358	408	445
Net Profit	634	664	757	827
YoY%	7.8%	4.8%	14.0%	9.3%

Cash Flow Statement, Year Ending March				
Particulars, in Rs crore	CY16	CY17E	CY18E	CY19E
Operating Activities				
PBT	857	1,022	1,164	1,272
Add Depr	611	596	639	658
Others	(199)	(189)	(180)	(175)
Total	1,269	1,429	1,623	1,755
Cash Taxes	(283)	(358)	(408)	(445)
Changes in Working Cap	221	36	37	49
Cash Flow from Operations	1,208	1,107	1,252	1,359
Investing Activities				
Change in investments	285	242	152	152
Capex	(780)	(550)	(670)	(730)
Cash Flow from Investing	(495)	(308)	(518)	(578)
Financing Activities				
Dividends + Taxes paid	(380)	(438)	(499)	(546)
Other Financing Activites	(20)	(60)	(10)	(43)
Cash Flow from Financing	(400)	(498)	(509)	(589)
Opening Cash	1,644	1,956	2,258	2,482
Changes during year	312	301	225	192
Closing Cash	1,956	2,258	2,482	2,674

Note: Closing cash includes liquid investments.

Balance Sheet Year Ending December				
Particulars, in Rs crore	CY16	CY17E	CY18E	CY19E
Liabilities + Equity				
(a) Share capital	188	188	188	188
(b) Reserves and surplus	8454	8819	9076	9357
Shareholders' funds	8642	9007	9264	9545
Non-current liab & Prov	694	510	500	457
Current liabilities	4051	4250	4537	4914
Total - Equity and liabilities	13387	13767	14301	14916
Assets				
Non-current assets	9317	10078	10260	10482
Fixed assets	7751	7873	7904	7976
Goodwill On Consolidation	10	8	7	5
Long Term Inv	88	169	201	233
Loans & Adv	985	1522	1622	1722
other Non-current assets	483	506	526	546
Current assets	4070	3689	4041	4434
Cash	278	217	318	381
Other Current Assets	3791	3472	3723	4053
Total - Assets	13387	13767	14301	14916

Ratio Analysis				
	CY16	CY17E	CY18E	CY19E
Profitability				
EBITDA%	12.8	12.7	13.3	13.0
EBIT%	7.3	7.7	8.3	8.3
PAT%	5.7	5.6	5.9	5.9
Du Pont ROAE breakup				
PAT / Sales	5.7	5.6	5.9	5.9
Sales / Avg Total Fixed Assets	0.8	1.0	0.9	1.0
Avg Total Assets / Avg Eqty	1.5	1.6	1.5	1.6
ROE	7.4	8.9	8.3	8.8
Other Ratios				
Current Ratio	1.0	0.9	0.9	0.9
Debt / Equity	0.0	0.0	0.0	0.0
EPS	34	35	40	44
DPS	17	19	22	24
Valuation				
P/E	38.9	42.3	37.1	34.0
EV/EBITDA	17.4	18.4	16.3	17.5
P/BV	2.9	3.1	3.0	2.9

Source: - Ace Equity, 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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