

## Marginally ahead of expectations but Outlook still cautious

|                 |         |
|-----------------|---------|
| CMP:            | Rs.1045 |
| Target Price:   | Rs.1006 |
| Recommendation: | Reduce  |

### Stock Info

|            |        |
|------------|--------|
| BSE Group  | A      |
| BSE Code   | 500410 |
| NSE Symbol | ACC    |
| Bloomberg  | ACC.IN |
| Reuters    | ACC.BO |
| BSE Sensex | 20768  |
| NSE Nifty  | 6178   |

### Market Info

|                              |           |
|------------------------------|-----------|
| Market Capital               | ₹19634 cr |
| Equity Capital               | ₹ 188cr   |
| Avg. Trading Vol. (NSE Qtly) | 317020    |
| 52 Wk High/ Low              | 1355/912  |
| Face Value                   | 10        |

### Shareholding Pattern (%) (Dec 2013)

|                       |      |
|-----------------------|------|
| Promoters             | 50.3 |
| Domestic Institutions | 12.9 |
| Foreign Institutions  | 20.0 |
| Non Promoters Corp.   | 2.9  |
| Public & Others       | 13.9 |
| Govt. Holdings        | -    |

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ACC's 4QCY13 operating performance came marginally ahead of estimates on higher volumes and better than estimated realisations. Standalone EBITDA margins improved qoq by 180bps to 12.9%. Volumes went up by 5.6% qoq to 5.9mn tonne, while blended realisations were up 1.7% qoq to Rs 4604 per tonne. We estimated 1.4% qoq decline in blended realisations. Consequently, revenues reported qoq increase of 8.7% to Rs 2792cr.

Operating cost inched up marginally qoq from Rs 4121 per tonne to Rs 4155 per tonne. Raw material, power & fuel and employee costs reported qoq drop on per tonne basis. However, other mfg expenses and freight cost increased qoq by 6% and 14% respectively. Effectively, EBITDA per tonne jumped qoq from Rs 517 per tonne to Rs 618 per tonne.

Profit after tax on tax credits reported 16% yoy growth to Rs 278cr.

### Valuations:

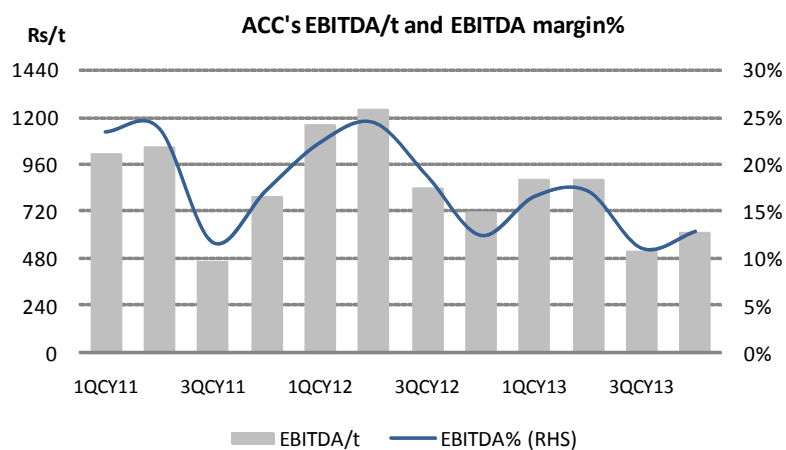
ACC continues to post weak operating performance and we don't foresee any meaningful recovery in its earnings profile over next two years. We expect pricing and demand to remain subdued near term and meaningful recovery, if any, may come only post general elections. Going forward, we forecast ACC's margins to remain in 14-15% range. We have valued stock on EV/EBITDA of 9.0(x) its CY15 estimates and have arrived at a fair value of Rs 1006 per share. At CMP of Rs 1045 the stock is available at CY14E P/E(x) and EV/EBITDA(x) of 20.0x and 9.9x, respectively at which valuations looks expensive in our view. Recommend reduce rating on the stock.

### Financials:

| (Rs Cr)        | CY12   | CY13   | CY14E  | CY15E  |
|----------------|--------|--------|--------|--------|
| Net Revenue    | 11,358 | 11,169 | 11,807 | 13,450 |
| EBITDA         | 2196   | 1629   | 1658   | 1973   |
| EBITDA/t       | 925    | 681    | 669    | 749    |
| Reported PAT   | 1061   | 1096   | 980    | 1233   |
| Reported EPS   | 56     | 58.3   | 52.2   | 65.6   |
| EPS Growth (%) | (20)   | 3      | (11)   | 26     |
| RONW (%)       | 14     | 14.0   | 12.1   | 14.2   |
| P/E (x)        | 18.5   | 17.9   | 20.0   | 15.9   |
| EV/EBITDA (x)  | 7.3    | 10.1   | 9.9    | 8.3    |



| Rs/t               | 1QCY11 | 2QCY11 | 3QCY11 | 4QCY11 | 1QCY12 | 2QCY12 | 3QCY12 | 4QCY12 | 1QCY13 | 2QCY13 | 3QCY13 | 4QCY13 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Realisation (Rs/t) | 3856   | 4039   | 3644   | 4249   | 4256   | 4591   | 4561   | 5279   | 4534   | 4567   | 4528   | 4604   |
| RM                 | 649    | 389    | 651    | 717    | 679    | 498    | 571    | 1353   | 677    | 781    | 898    | 800    |
| Employee cost      | 182    | 204    | 234    | 264    | 193    | 224    | 262    | 355    | 251    | 282    | 311    | 266    |
| Power & Fuel       | 774    | 956    | 936    | 991    | 1006   | 998    | 1057   | 912    | 1012   | 967    | 1007   | 998    |
| Mfg Exp            | 821    | 771    | 885    | 978    | 825    | 846    | 948    | 1087   | 938    | 892    | 987    | 1043   |
| S&D Exp            | 557    | 794    | 564    | 639    | 635    | 949    | 910    | 1032   | 960    | 936    | 918    | 1049   |



**4QCY13 Results (Standalone)**

| Rs in Crore                   | 4QCY13      | 4QCY12      | YOY (%)    | 3QCY13      | QoQ (%)    |
|-------------------------------|-------------|-------------|------------|-------------|------------|
| <b>Net Sales</b>              | <b>2792</b> | <b>3180</b> | <b>-12</b> | <b>2570</b> | <b>8.7</b> |
| <b>Expenditure</b>            | <b>2431</b> | <b>2782</b> | <b>-13</b> | <b>2283</b> | <b>6</b>   |
| EBITDA                        | 361         | 398         | -9         | 286         | 26         |
| EBITDA Margins (%)            | 12.9        | 12.5        |            | 11.1        |            |
| Other Income                  | 45          | 66          | -32        | 41          | 9          |
| Interest                      | 12          | 27          | -56        | 11          | 8          |
| Depreciation                  | 153         | 158         | -3         | 144         | 6          |
| Exceptional Items (Loss)      | 0           | 0           |            | 0           |            |
| PBT after exceptional items   | 242         | 279         | -13        | 172         | 40         |
| Tax                           | -36         | 40          | -191       | 51          | -171       |
| Tax rate (%)                  | 30%         | 14%         | -          | 30%         | -          |
| PAT after extraordinary items | 278         | 239         | 16         | 121         | 130        |
| Net Profit Margin (%)         | 10%         | 8%          | -          | 5%          | -          |



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### Stock Rating Scale

|            | <b>Absolute Return</b> |
|------------|------------------------|
| BUY        | >20                    |
| ACCUMULATE | 12-20                  |
| HOLD       | 5-12                   |
| NEUTRAL    | 0-5                    |
| REDUCE     | <0                     |

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