

Current	Previous
CMP: Rs 1662	
Rating: Accumulate	Rating: Accumulate
Target: Rs 1871	Target: Rs 1601

(NR-Not Rated)

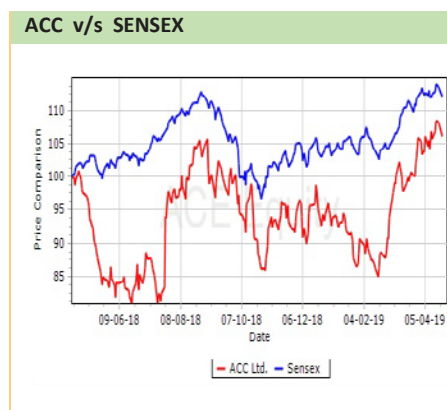
Stock Info	
INDEX	
BSE	500410
NSE	ACC
Bloomberg	ACC IN
Reuters	ACC.BO
Sector	Cement
Face Value (Rs)	10
Equity Capital (Rs Cr)	188
Market Cap (Rs Cr)	31,246
52w H/L (Rs)	1721/1255
Avg Weekly Vol (BSE+NSE)	665,500

Shareholding Pattern	%
(As on March, 2019)	
Promoters	54.5
Public & Others	45.5

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
ACC	15.7	17.1	6.2
SENSEX	6.0	13.2	12.3

Source: ACE Equity, Arihant Research



Source: ACE Equity, Arihant Research

ACC came out with mixed set of numbers in Q1CY19, PAT was ahead of our estimate though revenue & EBITDA were below our estimate. Revenue grew 8.1% YoY to Rs 3,919 cr against our estimate of Rs 3,941 cr. EBITDA stood at Rs 532 cr against our estimate of Rs 575 cr. EBITDA margin was flat at 13.6%, which was below our estimate of 14.6%. PAT for the quarter stood at Rs 346 cr ahead of our estimate of Rs 303 cr. Volume growth was decent at 5.5% YoY while realisation improved 3.3% YoY to Rs 4690/ton. We are positive on ACC from longer term perspective, and maintain our Accumulate rating on the stock with a revised target price of Rs 1871.

Q1CY19 Operational Highlights

- Cement volumes grew 5.5% YoY to 7.5 mt in Q1CY19, with premium products volume growing by 23% YoY. Ready mix concrete (RMC) business continued to deliver consistent strong volume growth with RMC volume up 19% YoY due to addition of 8 plants in potential markets bringing the total number of RMC plant to 80. Value-added solutions (VAS) volume also saw significant growth during the quarter.
- Realisation improved 3.3% YoY to Rs 4690/ton, however due to rising slag costs and elevated fuel and freight costs EBITDA margin remained flat on YoY basis at 13.6% for the quarter.
- Other income jumped 231% YoY to Rs 157 cr due to some reversal of interest on tax provision of earlier quarters which resulted in Rs 99.5 cr add-back to other income for this quarter. Aided by higher other income PAT grew 38.2% YoY to Rs 346 cr for the quarter.

Future Outlook

Government's concerted efforts to revive the real estate sector by thrust on affordable housing and increased investment in infrastructure will have a favourable impact which will stimulate cement demand. ACC being a Pan-India will be a direct beneficiary of this improved demand. Going forward, we believe ACC's operational performance to improve due to recent improvement seen in realisation across regions including Eastern and Northern regions, which augurs well for ACC.

Valuations

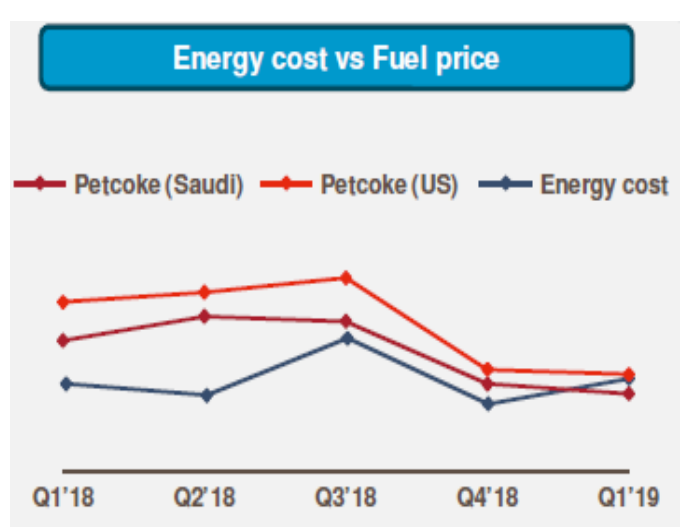
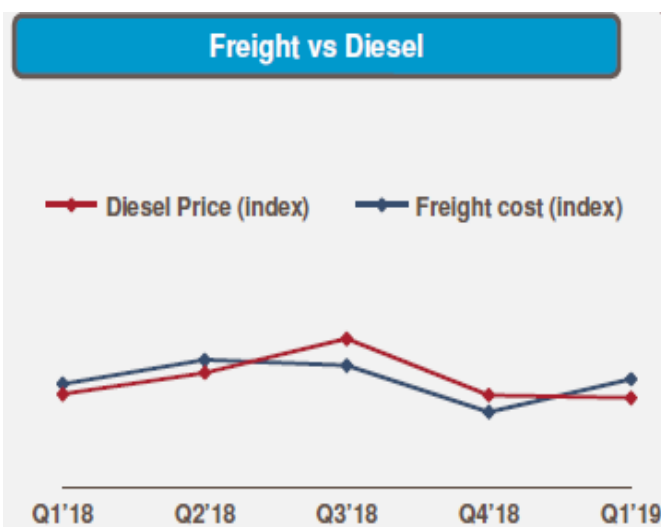
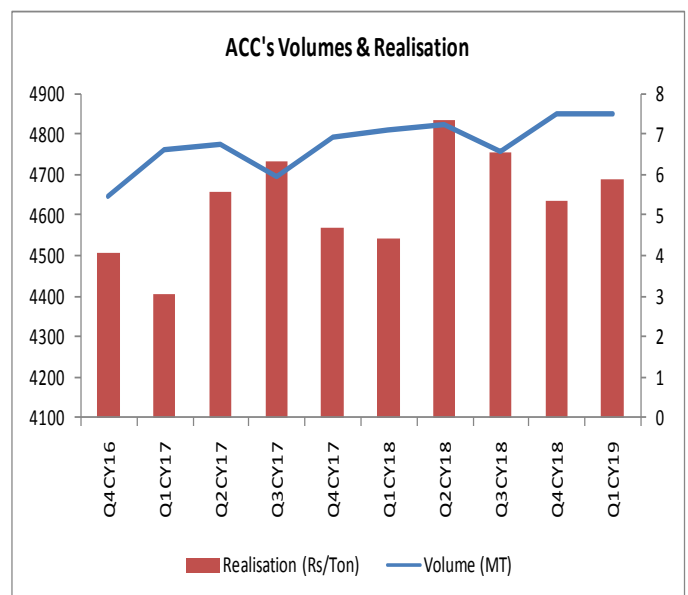
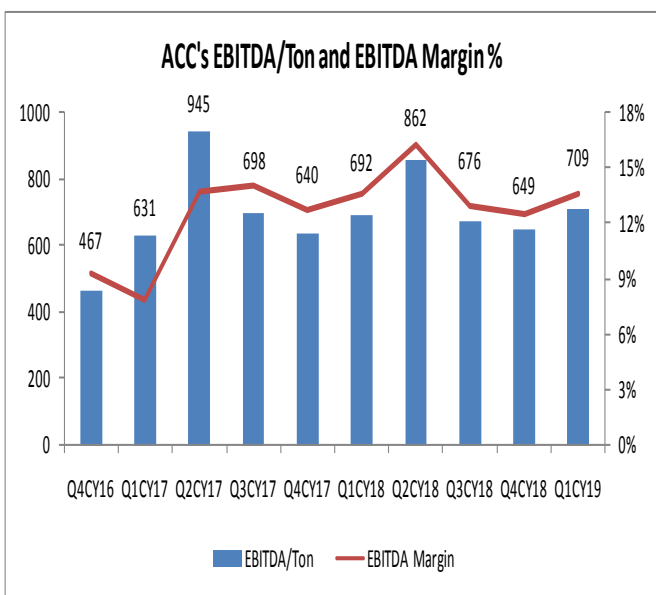
We continue to maintain our positive view on ACC owing to its deep penetration in rural markets and strong focus on premium products. At CMP of Rs 1662 the stock is available at CY20E EV/EBITDA of 10.5x. We value the stock at 12x EV/EBITDA of CY20E which yields a fair value of Rs 1,871. **We maintain our 'Accumulate' rating on the stock.**

Financial Performance

YE March (Rs Cr)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	P/E (x)
CY17	14,201	1,912	925	49	13.5	9.9	33.8
CY18	14,802	2,048	1,521	81	13.8	14.4	20.5
CY19E	15,764	2,308	1,211	64	14.6	11.0	25.8
CY20E	16,867	2,537	1,364	73	15.0	11.7	22.9

Source: Company, Arihant Research

Per Ton Analysis	Q4CY16	Q1CY17	Q2CY17	Q3CY17	Q4CY17	Q1CY18	Q2CY18	Q3CY18	Q4CY18	Q1CY19
Volumes (MT)	5.45	6.6	6.74	5.96	6.92	7.11	7.24	6.55	7.50	7.50
Realisation (Rs/T)	4507	4404	4657	4733	4569	4542	4832	4756	4634	4690
RM	726	704	595	831	873	793	806	822	944	861
Staff Cost	367	297	325	338	297	280	354	324	286	267
Power & Fuel	977	982	1017	1130	1026	1054	1037	1115	1024	1056
Freight & forwarding	1217	1252	1291	1341	1355	1404	1434	1432	1378	1409
Other Expenditure	1135	942	950	890	909	872	870	972	863	836
Total Cost	4422	4177	4178	4530	4460	4403	4502	4665	4494	4428



Q1CY19 Financial Performance

Rs Cr (consolidated)	Q1CY19	Q4CY18	Q1CY18	Q-o-Q	Y-o-Y
Net Revenue	3,919	3,896	3,625	0.6%	8.1%
Operating Costs	2,560	2,542	2,314	0.7%	10.7%
Employee cost	200	215	199	-7.0%	0.6%
Other Expenses	627	651	620	-3.7%	1.1%
EBITDA	532	488	492	9.0%	8.1%
<i>EBITDA margin %</i>	<i>13.6%</i>	<i>12.5%</i>	<i>13.6%</i>	<i>+105bps</i>	<i>-</i>
Depreciation	148	155	148	-4.9%	-0.5%
EBIT	384	333	344	15.5%	11.8%
Other Income	157	30	47	421.8%	230.7%
Finance cost	21	22	18	-6.7%	14.5%
Exceptional Item	-	-	-	-	-
PBT	520	340	373	52.8%	39.5%
Tax Expense	177	-389	125	NA	41.3%
Effective tax rate %	34.1%	-114.3%	33.6%	NA	+44bps
PAT	343	729	247	-53.0%	38.5%
MI & Associates	3	3	3	-	-
Consolidated PAT	346	732	250	-52.8%	38.2%
<i>PAT margin %</i>	<i>8.8%</i>	<i>18.8%</i>	<i>6.9%</i>	<i>-997bps</i>	<i>+192bps</i>
EPS (Rs)	18.4	39.0	13.3	-52.8%	38.2%

Source: Company, Aриhant Research

Valuations

	CY17	CY18	CY19E	CY20E
EV/EBITDA	15.0	13.8	11.7	10.5
EBITDA	1912	2048	2308	2537
EV	28678	28311	26940	*30442
Net Debt	-2560	-2933	-4304	-4726
Market Cap	31237	31244	31244	35168
No of Shares	18.8	18.8	18.8	18.8
Fair Value				1871
CMP				1662
Upside				12.6%

*EV on basis of target EV/EBITDA multiple of 12x

Consolidated Financials

Profit and Loss Account (Year Ending December)				
Particulars, in Rs crore	CY17	CY18	CY19E	CY20E
Income from Operations	14,201	14,802	15,764	16,867
YoY Change (%)	25.0%	4.2%	6.5%	7.0%
Power & Fuel Cost	2717	3001	2995	3289
Employee Cost	821	884	914	995
Distribution Expenses	3434	3993	4099	4217
Other Expenditure incl. RM cost	5316	4876	5448	5829
Total Expenditure	12288	12754	13456	14330
EBITDA	1912	2048	2308	2537
EBITDA margin %	13.5	13.8	14.6	15.0
Depreciation	644	603	633	646
EBIT	1269	1445	1674	1891
Other Income	129	143	150	157
Interest	99	88	93	100
PBT before Excp Items	1299	1500	1731	1948
Extraordinary/ Excp	0	0	0	0
PBT	1299	1500	1731	1948
Tax Expense	386	-11	519	584
Net Profit	925	1521	1211	1364
YoY Change (%)	42.7%	64.5%	-20.3%	12.6%

Source: Company, Arianth Research

Balance Sheet (Year Ending December)				
Particulars, in Rs crore	CY17	CY18	CY19E	CY20E
Liabilities + Equity				
(a) Share capital	188	188	188	188
(b) Reserves and surplus	9171	10347	10839	11504
Shareholders' funds	9359	10535	11027	11692
Non-current liab & Prov	694	815	902	952
Current liabilities	4793	4706	4832	5026
Total - Equity and liabilities	14846	16056	16760	17670
Assets				
Non-current assets	9191	9372	10019	10694
Fixed assets	7494	7433	7928	8451
Goodwill + Intangibles	56	53	53	53
Long Term Inv	95	104	136	168
Loans & Adv	223	169	269	369
other Non-current assets	1324	1612	1632	1652
Current assets	5655	6684	6742	6976
Cash	2560	2933	4304	4726
Other Current Assets	3095	3751	2438	2250
Total - Assets	14846	16056	16760	17670

Source: Company, Arianth Research

Cash Flow Statement (Year Ending December)				
Particulars, in Rs crore	CY17	CY18	CY19E	CY20E
Operating Activities				
PBT	1,299	1,500	1,731	1,948
Add Depreciation	644	603	633	646
Others	(159)	(171)	(175)	(168)
Total	1,784	1,933	2,189	2,426
Taxes	(386)	11	(519)	(584)
Changes in Working Capital	1,516	(30)	117	382
Cash Flow from Operations	2,914	1,914	1,787	2,223
Investing Activities				
Change in investments	901	938	896	(401)
Capex	(1,595)	(1,595)	(600)	(550)
Cash Flow from Investing	(694)	(657)	296	(951)
Financing Activities				
Dividends + Taxes paid	(610)	(1,004)	(800)	(900)
Other Financing Activities	124	121	87	50
Cash Flow from Financing	(486)	(883)	(713)	(850)
Opening Cash	827	2,560	2,933	4,304
Changes during year	1,734	374	1,370	422
Closing Cash	2,560	2,933	4,304	4,726

Source: Company, Arianth Research

Ratio Analysis				
	CY17	CY18	CY19E	CY20E
Profitability				
EBITDA (%)	13.5%	13.8%	14.6%	15.0%
EBIT (%)	8.9%	9.8%	10.6%	11.2%
PAT (%)	6.5%	10.3%	7.7%	8.1%
Du Pont ROAE Analysis				
PAT / Sales	6.5	10.3	7.7	8.1
Sales / Avg Total Fixed Assets	1.2	1.0	1.0	1.0
Avg Total Assets / Avg Eqty	1.6	1.6	1.5	1.5
ROAE %	9.9%	14.4%	11.0%	11.7%
Other Ratios				
Current Ratio	1.2	1.4	1.4	1.4
Debt / Equity	0.0	0.0	0.0	0.0
EPS	49	81	64	73
DPS	17	16	16	18
Valuation				
P/E	33.8	20.5	25.8	22.9
EV/EBITDA	15.0	13.8	11.7	10.5
P/BV	3.3	3.0	2.8	2.7

Source: Company, Arianth Research

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office

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

Registered Office

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

Stock Rating Scale

	Absolute Return
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

Websitewww.arihantcapital.com**Email Id**research@arihantcapital.com

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880