

## Realisations surprised positively

CMP:	Rs.1157
Target Price:	Rs.1115
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	₹21721 cr
Equity Capital	₹ 188cr
Avg. Trading Vol. (NSE Qtly)	317020
52 Wk High/ Low	1487/912
Face Value	10

### Shareholding Pattern (%) (30th Sep 2013)

Promoters	50.3
Domestic Institutions	11.9
Foreign Institutions	20.9
Non Promoters Corp.	2.9
Public & Others	14.0
Govt. Holdings	-

Oct 23, 2013

ACC's 3QCY13 earning fell short of expectations on higher than estimated margins contraction. Standalone EBITDA margins declined 605bps and 760bps to 11.1% against expectation of 12.7%. Margin contraction primarily was driven by 10% qoq drop in volumes and increase in operating cost per tonne. Notably, freight cost declined qoq to Rs 918 per tonne. Effectively operating cost per tonne increased by Rs 264 per tonne to Rs 4121 per tonne.

Volumes declined 9.5% qoq to 5.5mn tonnes. Decline in blended realisations by 0.9% qoq came in as positive surprise as we were factoring 2% qoq decline. Blended realisation for the quarter stood at Rs 4528 per tonne. Revenues for the quarter thus stood at Rs 2570cr.

Another highlight of quarter was RMC division reporting positive EBIT of Rs 0.62cr.

### Cost analysis:

On per tonne basis, ACC, baring freight, reported across the board increase in costs. Raw material cost per tonne jumped 16% qoq to Rs 789 per tonne, other operating expenses by 11% to Rs 987 per tonne, power & fuel cost by 4.2% to Rs 1007 per tonne, employee cost by 10.4% to Rs 311 per tonne. Freight cost, however, declined 2% to Rs 918 per tonne.

### Valuations:

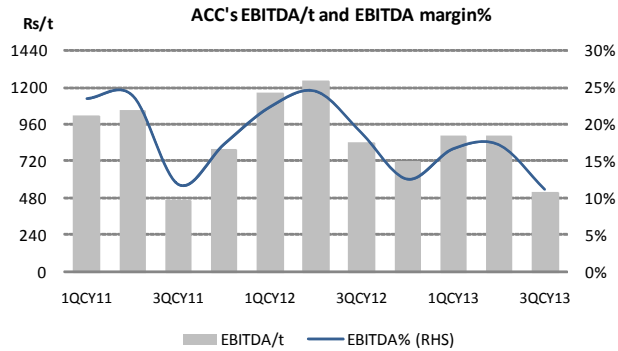
ACC though reported significant drop in profitability during the quarter, we could see few positives in form of company's ability to hold realisations during subdued environment (*realisations dipped just 0.9% qoq against expectation of 2%*) and improvement in profitability of RMC division. Going forward, we forecast margins to inch-up as we forecast operating leverage to improve on higher volumes and realisations. Nonetheless, stock appears fairly valued at current price. We have valued stock on EV/EBITDA of 9.0(x) its CY15 estimates and arrive at a fair value of Rs 1115 per share. Recommend reduce rating on the stock.

### Financials:

(Rs Cr)	CY11	CY12	CY13E	CY14E
Net Revenue	9,660	11,358	11,027	12,228
EBITDA	1921	2196	1606	2000
Reported PAT	1325	1061	1114	1392
Reported EPS	71	56	59	74
EPS Growth (%)	18	(20)	5	25
RONW (%)	18	14	14	16
P/E (x)	16	20	20	16
EV/EBITDA (x)	10	9	12	10



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



### 3QCY13 Results (Standalone)

Rs in Crore	3QCY13	3QCY12	YOY (%)	2QCY13	QoQ (%)
Net Sales	2570	2474	4	2851	-10
Expenditure	2283	2009	14	2361	-3
EBITDA	225	435	-48	434	-48
EBITDA Margins (%)	8.8		-		-
Other Income	41	55	-25	35	16
Interest	11	26	-57	18	-38
Depreciation	144	135	7	141	2
Exceptional Items (Loss)	0	0	-	0	-
PBT after exceptional items	144	135	7	141	2
Tax	51	109	-53	109	-53
Tax rate (%)	30%	31%	-	30%	-
PAT after extraordinary items	121	249	-51	258	-53
Net Profit Margin (%)	5%	10%	-	9%	-



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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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