



Impediment Continues!

4th Feb, 2017

CMP: Rs.1,416
Target Price: Rs.1,397
Recommendation: Neutral

Stock Info

BSE Group	A
BSE Code	500410
NSE Symbol	ACC
Bloomberg	ACC.IN
Reuters	ACC.BO
BSE Sensex	28,240
NSE Nifty	8,740

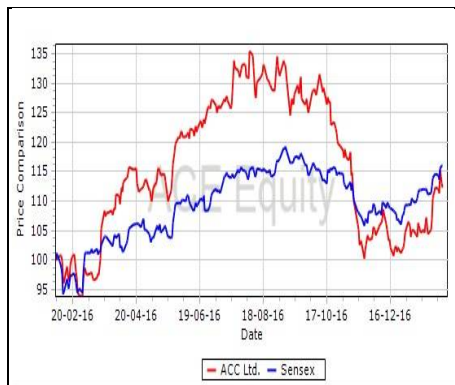
Market Info

Market Capital	Rs 26,265 cr
Equity Capital	Rs 188cr
Avg. Trading Vol.	3,46,220
52 Wk High/ Low	1,738/1173
Face Value	10

Shareholding Pattern (%) (Dec 2016)

Promoters	54.5
Domestic Institutions	16.7
Foreign Institutions	14.3
Public & Others	14.5

Price Chart:



ACC Ltd. reported a drop in its net profit for its fourth quarter ended December, 2016. Net profit for the quarter came in at Rs. 56 cr compared to Rs. 103 cr in the corresponding quarter of previous year registering a de-growth of 45% YoY and de-growth of 31% sequentially. Revenue for the company too headed south. Total income for the quarter came in at Rs. 2,734 cr as compared to Rs. 2,912 cr in the corresponding quarter of FY 16, down 6% YoY however increased 8.4% sequentially. EBITDA for the company stood at Rs. 256 cr vs. Rs. 280 cr YoY. EBITDA margin contracted to 9.4% from 9.6% in corresponding quarter of previous year and 10.9% sequentially.

Cement volumes came in at 5.5 MT lower by 9.2% compared to the corresponding quarter of previous year & higher by 7.5% sequentially led by continued thrust on promotion of company's range of premium products. Blended stood flat. RMX volume for the quarter increased by 8% sequentially and increased by 13.6% 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.

The 1.35 mnt cement grinding unit at Sindri in Jharkhand, was commissioned at end of Oct'16 completing the new integrated project with its clinkering line of 2.79 mnt and grinding unit of 1.1 mnt in Jamul. This will strengthen the company's market presence especially in eastern region.

Valuations:

The slowdown in demonetization is easing and expect economy to show solid growth going ahead. Increased government spending on infrastructure development should further boost demand for cement and concrete.

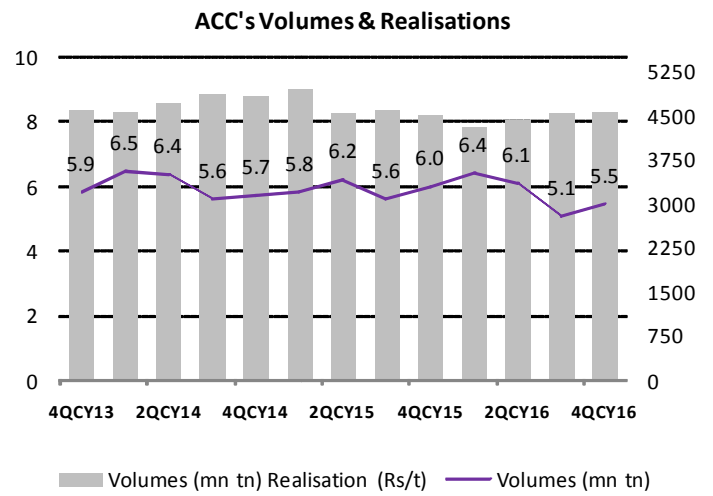
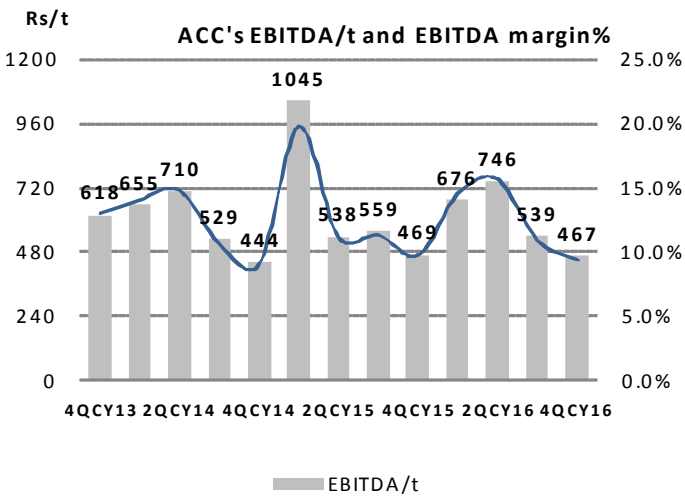
We have valued stock on EV/EBITDA of 17.5 (x) its FY17 estimates and have arrived at a fair value of Rs 1,397 per share. At CMP of Rs 1,416 the stock is available at FY17E P/E(x) and EV/EBITDA(x) of 40.1 (x) and 17.4 (x) respectively. We have "Neutral" rating on the stock.

Financial Snapshot (Rs Cr)	CY14	CY15	CY16	CY17E
Net Revenue	11,738	11,797	11,164	11,872
EBITDA	1,489	1,538	1,421	1,513
PAT	1,168	576	596	664
EPS	62.2	30.7	32.2	35.3
EPS Growth (%)	6.6	(50.7)	5.0	9.8
ROE%	16.2	8.2	7.0	8.9
P/E (x)	22.5	43.5	41.3	40.1
EV/EBITDA (x)	17.5	16.6	17.4	17.4

Source: Ace Equity, Arihant Research



Per Tonne Analysis	4QCY13	1QCY14	2QCY14	3QCY14	4QCY14	1QCY15	2QCY15	3QCY15	4QCY15	1QCY16	2QCY16	3QCY16	4QCY16
Volumes (mn tn)	5.9	6.5	6.4	5.6	5.7	5.8	6.2	5.6	6.0	6.4	6.1	5.1	5.5
Realisation (Rs/t)	4594	4579	4739	4879	4839	4955	4547	4618	4518	4318	4418	4558	4592
RM	762	832	793	725	906	733	811	704	873	728	812	611	774
Employee cost	266	261	305	346	337	294	323	296	388	296	306	381	383
Power & Fuel	995	940	978	1106	1027	1068	984	1102	907	886	853	1058	975
Mfg Exp	1077	952	970	1098	1101	975	1014	1219	1075	941	980	1198	1187
S&D Exp	1044	1030	1064	1204	1155	1179	1193	1093	1141	1146	1068	1182	1226



Valuations:

	CY14	CY15	CY16	CY17E
EV/EBITDA	17.5	16.6	17.4	17.5
EBITDA	1489	1538	1421	1513
EV	26012	25479	24719	26482
Net debt	-304	-94	-278	-217
Market Cap	26316	25573	24997	26265
No shares	18.8	18.8	18.8	18.8
Fair value				1397
CMP				1416
Upside				-1%

Q4 CY16 Results (Consolidated)

Rs in Crore	Q4 CY16	Q4 CY15	YOY (%)	Q3 CY16	QoQ (%)
Total Income	2,734	2,912	-6.1	2,521	8.4
Total Expenditure	2,478	2,632	-5.8	2,248	10.3
EBITDA	256	280		274	
EBITDA Margins (%)	9.4	9.6	-0.3	10.9	-1.5
Other Income	17	19		26	
Interest	17	15		19	
Depreciation	170	158		155	
Exceptional Items	39	-		-	
PBT	47	126	-62.8	126	-62.8
Tax	(5)	26		43	
Tax rate (%)	(11.0)	20.9		34.1	
Share of associates	4.4	2.8		(1.0)	
Minority Interest	0.1	-		0.0	
Net Profit	56	103	-45.1	82	-31.3
Net Profit Margin (%)	2.1	3.5		3.3	
EPS	3.0	5.3		4.4	



Profit and Loss Account, Year Ending December				
Particulars, in Rs crore	CY14	CY15	CY16	CY17E
Income from Operations	11,738	11,797	11,164	11,872
YoY%	5.1%	0.5%	-5.4%	6.3%
Power & Fuel Cost	2442	2399	2160	2464
Employee Cost	747	772	790	855
Distribution Expenses	2598	2704	2636	2731
Other Expenditure incl. RM cost	4463	4385	4157	4309
Total Expenditure	10249	10260	9743	10359
EBITDA	1489	1538	1421	1513
EBITDA margin %	12.7	13.0	12.7	12.7
Depreciation	539	663	615	596
EBIT	950	875	806	917
Other Income	268	120	107	184
Interest	83	65	69	79
PBT before Excp Items	1135	931	844	1022
Extraordinary/ Excp	0	164	39	0
PBT	1135	766	805	1022
Tax Expense	-33	190	210	358
Net Profit	1168	588	596	664
YoY%	6.6%	-49.7%	1.3%	11.5%

Balance Sheet Year Ending December				
Particulars, in Rs crore	CY14	CY15	CY16	CY17E
Liabilities + Equity				
(a) Share capital	188	188	188	188
(b) Reserves and surplus	8048	8235	8454	8819
Shareholders' funds	8236	8423	8642	9007
Non-current liab & Prov	652	590	694	510
Current liabilities	3784	3786	4051	4250
Total - Equity and liabilities	12671	12799	13387	13767
Assets				
Non-current assets	9003	9396	9317	10078
Fixed assets	7600	7711	7751	7873
Goodwill On Consolidation	21	16	10	8
Long Term Inv	84	87	88	169
Loans & Adv	937	1117	985	1522
other Non-current assets	361	466	483	506
Current assets	3668	3403	4070	3689
Cash	304	94	278	217
Other Current Assets	3363	3309	3791	3472
Total - Assets	12671	12799	13387	13767

Cash Flow Statement, Year Ending March				
Particulars, in Rs crore	CY14E	CY15	CY16	CY17E
Operating Activities				
PBT	1,135	766	805	1,022
Add Depr	558	663	615	596
Others	(140)	(204)	(199)	(189)
Total	1,553	1,226	1,221	1,429
Cash Taxes	(235)	(190)	(283)	(358)
Changes in Working Cap	42	112	221	36
Cash Flow from Operations	1,359	1,148	1,160	1,107
Investing Activities				
Change in investments	90	130	285	242
Capex	(1,527)	(861)	(780)	(550)
Cash Flow from Investing	(1,437)	(731)	(495)	(308)
Financing Activities				
Dividends + Taxes paid	(753)	(311)	(380)	(438)
Other Financing Activites	(84)	-	(20)	(60)
Cash Flow from Financing	(837)	(311)	(400)	(498)
Opening Cash	2,499	1,557	1,644	1,909
Changes during year	(942)	87	265	301
Closing Cash	1,557	1,644	1,909	2,210

Note: Closing cash includes liquid investments.

Ratio Analysis				
	CY14	CY15	CY16	CY17E
Profitability				
EBITDA%	12.7	13.0	12.7	12.7
EBIT%	8.1	7.4	7.2	7.7
PAT%	10.0	5.0	5.3	5.6
Du Pont ROAE breakup				
PAT / Sales	10.0	5.0	5.3	5.6
Sales / Avg Total Fixed Assets	1.1	1.1	0.9	1.0
Avg Total Assets / Avg Eqty	1.5	1.6	1.5	1.6
ROE	16.2	8.2	7.0	8.9
Other Ratios				
Current Ratio	1.0	0.9	1.0	0.9
Debt / Equity	0.0	0.0	0.0	0.0
EPS	62	31	32	35
DPS	34	17	17	19
Valuation				
P/E	22.5	43.5	41.3	40.1
EV/EBITDA	17.5	16.6	17.4	17.4
P/BV	3.2	3.0	2.9	3.0

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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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