



Out performance on volume & realisation!

19<sup>th</sup> July, 2017

**CMP:** Rs.1,734  
**Target Price:** Rs.1,862  
**Recommendation:** HOLD

Stock Info

BSE Group	A
BSE Code	500410
NSE Symbol	ACC
Bloomberg	ACC.IN
Reuters	ACC.BO
BSE Sensex	31,956
NSE Nifty	9,899

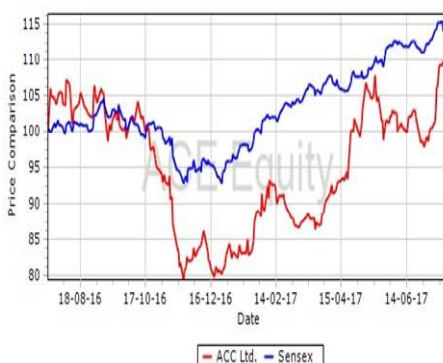
Market Info

Market Capital	Rs 32,617 cr
Equity Capital	Rs 188cr
Avg. Trading Vol.	3,94,300
52 Wk High/ Low	1,809/1,256
Face Value	10

Shareholding Pattern (%)

Promoters	54.53
Domestic Institutions	16.38
Foreign Institutions	14.78
Public & Others	14.31

Price Chart:



ACC Ltd. reported a healthy rise in its net profit for its second quarter ended June, 2017. Net profit for the quarter came in at Rs. 326 cr compared to Rs.246 cr in the corresponding quarter of previous year registering a growth of 32.6% YoY. Total income for the quarter came in at Rs.3,453 cr as compared to Rs. 2,880 cr in the corresponding quarter of FY 16, up 19.9% YoY however increased 8.8% sequentially. EBITDA for the company stood at Rs.637 cr vs. Rs. 462 cr YoY. EBITDA margin expanded to 18.4% from 16.1% in corresponding quarter of previous year and 13.2% sequentially.

Cement volumes came in at 6.74 MT higher by 10.1% compared to the corresponding quarter of previous year & higher by 11.2% sequentially led by continued thrust on promotion of company's range of premium products, alongside contributions from newly commissioned plants at Jamul & higher demand in eastern region. Premium product volume grew by 9% YoY. RMX Business sales improved by 14%. Realisation for quarter improved by 6.2% YoY & 4.6% QoQ based on higher prices in all regions.

Ongoing efforts to enhance operational efficiency delivered a reduction in energy consumption as a result of optimization of fuel mix and other input materials. Basic price of slag increased due to spurt in demand. Gypsum & raw mix optimization minimized the cost increase. Diesel price increased by 12% which impacted road freight. Despite busy season surcharge waiver of railway not available during the period, freight increase restricted through various logistics improvement initiatives. Packing material cost increased due to increase in price of PP granules.

Valuations:

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

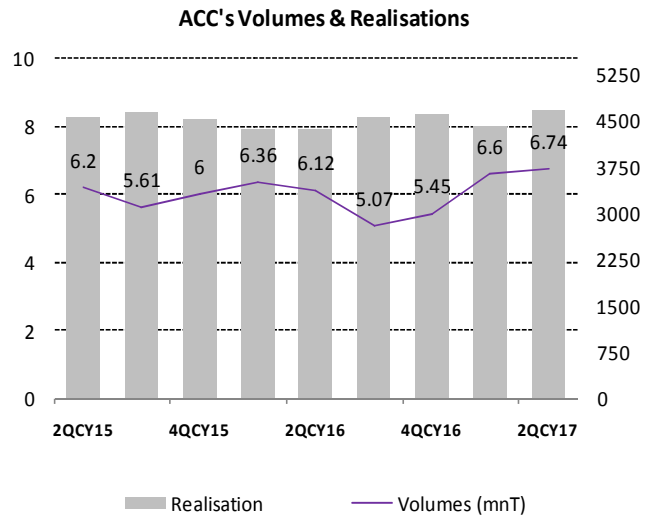
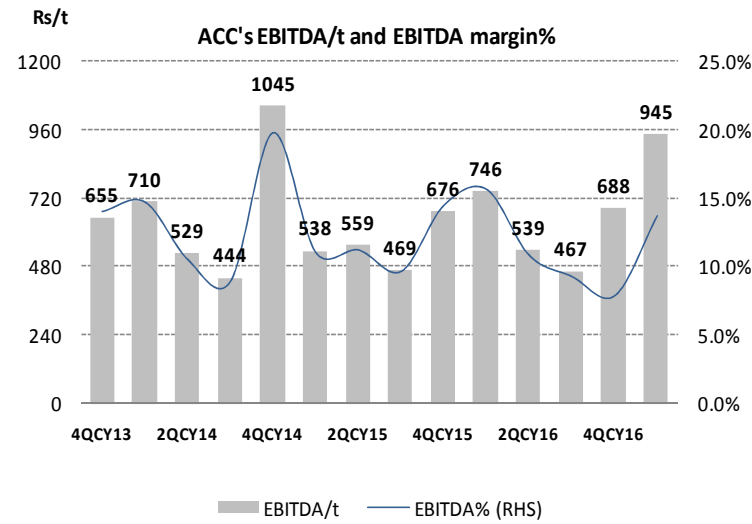
We have valued stock on EV/EBITDA of 19.5 (x) its CY19 estimates and have arrived at a fair value of Rs 1,862 per share. At CMP of Rs 1,734 the stock is available at CY19E P/E(x) and EV/EBITDA(x) of 39.4 (x) and 19.5 (x) respectively. We have "HOLD" rating on the stock.

Financial Snapshot (Rs Cr)	CY16	CY17E	CY18E	CY19E
Net Revenue	11,035	11,872	12,804	13,952
EBITDA	1,426	1,513	1,699	1,814
PAT	640	664	757	827
EPS	34.5	35.3	40.3	44.0
EPS Growth (%)	12.7	2.3	14.0	9.3
ROE%	7.5	8.9	8.3	8.8
P/E (x)	38.5	49.1	43.1	39.4
EV/EBITDA (x)	17.3	21.4	19.0	19.5

Source: Ace Equity, Arianth Research



Per Tonne Analysis	1QCY15	2QCY15	3QCY15	4QCY15	1QCY16	2QCY16	3QCY16	4QCY16	1QCY17	2QCY17
Volumes (mnT)	5.82	6.2	5.61	6	6.36	6.12	5.07	5.45	6.6	6.74
Realisation	4715	4547	4618	4518	4345	4361	4558	4592	4404	4657
RM	496	650	520	488	470	775	449	477	704	595
Staff Cost	294	323	296	334	297	305	381	366	297	325
Power & Fuel	1068	984	1102	1075	905	854	917	1004	982	1017
Freight & forwarding	1179	1193	1093	1141	1153	1060	1182	1226	1252	1291
Other Expenditure	975	954	1152	1075	947	954	1198	1131	942	950
Total Cost	4012	4104	4163	4113	3772	3948	4127	4204	4177	4178



Valuations:

	CY16	CY17E	CY18E	CY19E
EV/EBITDA	17.3	21.4	19.0	19.5
EBITDA	1426	1513	1699	1814
EV	24719	32373	32272	35378
Net debt	-278	-217	-318	-381
Market Cap	24997	32591	32591	34998
No shares	18.8	18.8	18.8	18.8
Fair value				1862
CMP				1734
Upside				7%

Q2 CY17 Results (Consolidated)

Rs in Crore	Q2 CY17	Q2 CY16	YOY (%)	Q1 CY17	QoQ (%)
Total Income	3,453	2,880	19.9	3,174	8.8
Total Expenditure	2,816	2,418	16.5	2,757	2.1
EBITDA	637	462		417	
EBITDA Margins (%)	18.4	16.1	2.4	13.1	5.3
Other Income	26	26		32	
Depreciation	163	142		166	
Exceptional Items	-	-		-	
PBT	479	327	46.5	259	85.0
Tax	156	83		50	
Tax rate (%)	32.5	25.4		19.2	
Share of associates	3.1	2.4		2.1	
Minority Interest	-	-		-	
Net Profit	326	246	32.6	211	54.6
Net Profit Margin (%)	9.4	8.5		6.6	
EPS	17.4	13.1		11.2	



Profit and Loss Account, Year Ending December				
Particulars, in Rs crore	CY16	CY17E	CY18E	CY19E
<b>Income from Operations</b>	<b>11,035</b>	<b>11,872</b>	<b>12,804</b>	<b>13,952</b>
YoY%	-6.5%	7.6%	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	4023	4309	4532	4879
Total Expenditure	9609	10359	11105	12138
<b>EBITDA</b>	<b>1426</b>	<b>1513</b>	<b>1699</b>	<b>1814</b>
EBITDA margin %	12.9	12.7	13.3	13.0
Depreciation	610	596	639	658
<b>EBIT</b>	<b>816</b>	<b>917</b>	<b>1060</b>	<b>1157</b>
Other Income	126	184	192	209
Interest	38	79	88	94
<b>PBT before Excp Items</b>	<b>904</b>	<b>1022</b>	<b>1164</b>	<b>1272</b>
Extraordinary/ Excp	39	0	0	0
<b>PBT</b>	<b>865</b>	<b>1022</b>	<b>1164</b>	<b>1272</b>
Tax Expense	225	358	408	445
<b>Net Profit</b>	<b>640</b>	<b>664</b>	<b>757</b>	<b>827</b>
YoY%	8.9%	3.8%	14.0%	9.3%

Balance Sheet Year Ending December				
Particulars, in Rs crore	CY16	CY17E	CY18E	CY19E
<b>Liabilities + Equity</b>				
(a) Share capital	188	188	188	188
(b) Reserves and surplus	8454	8819	9076	9357
<b>Shareholders' funds</b>	<b>8642</b>	<b>9007</b>	<b>9264</b>	<b>9545</b>
Non-current liab & Prov	694	510	500	457
Current liabilities	4051	4250	4537	4914
<b>Total - Equity and liabilities</b>	<b>13387</b>	<b>13767</b>	<b>14301</b>	<b>14916</b>
<b>Assets</b>				
<b>Non-current assets</b>	<b>9317</b>	<b>10078</b>	<b>10260</b>	<b>10482</b>
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
<b>Current assets</b>	<b>4070</b>	<b>3689</b>	<b>4041</b>	<b>4434</b>
Cash	278	217	318	381
Other Current Assets	3791	3472	3723	4053
<b>Total - Assets</b>	<b>13387</b>	<b>13767</b>	<b>14301</b>	<b>14916</b>

Cash Flow Statement, Year Ending March				
Particulars, in Rs crore	CY16	CY17E	CY18E	CY19E
<b>Operating Activities</b>				
<b>PBT</b>	<b>865</b>	<b>1,022</b>	<b>1,164</b>	<b>1,272</b>
Add Depr	610	596	639	658
Others	(199)	(189)	(180)	(175)
Total	1,276	1,429	1,623	1,755
Cash Taxes	(283)	(358)	(408)	(445)
Changes in Working Cap	221	36	37	49
<b>Cash Flow from Operations</b>	<b>1,215</b>	<b>1,107</b>	<b>1,252</b>	<b>1,359</b>
<b>Investing Activities</b>				
Change in investments	285	242	152	152
Capex	(780)	(550)	(670)	(730)
<b>Cash Flow from Investing</b>	<b>(495)</b>	<b>(308)</b>	<b>(518)</b>	<b>(578)</b>
<b>Financing Activities</b>				
Dividends + Taxes paid	(380)	(438)	(499)	(546)
Other Financing Activites	(20)	(60)	(10)	(43)
<b>Cash Flow from Financing</b>	<b>(400)</b>	<b>(498)</b>	<b>(509)</b>	<b>(589)</b>
Opening Cash	1,644	1,963	2,264	2,489
Changes during year	319	301	225	192
Closing Cash	1,963	2,264	2,489	2,681

Note: Closing cash includes liquid investments.

Ratio Analysis				
	CY16	CY17E	CY18E	CY19E
<b>Profitability</b>				
EBITDA%	12.9	12.7	13.3	13.0
EBIT%	7.4	7.7	8.3	8.3
PAT%	5.8	5.6	5.9	5.9
<b>Du Pont ROAE breakup</b>				
PAT / Sales	5.8	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	7.5	8.9	8.3	8.8
<b>Other Ratios</b>				
Current Ratio	1.0	0.9	0.9	0.9
Debt / Equity	0.0	0.0	0.0	0.0
EPS	35	35	40	44
DPS	17	19	22	24
<b>Valuation</b>				
P/E	38.5	49.8	43.7	40.0
EV/EBITDA	17.3	21.7	19.3	19.0
P/BV	2.9	3.7	3.6	3.5

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**Stock Rating Scale**

	<b>Absolute Return</b>
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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