

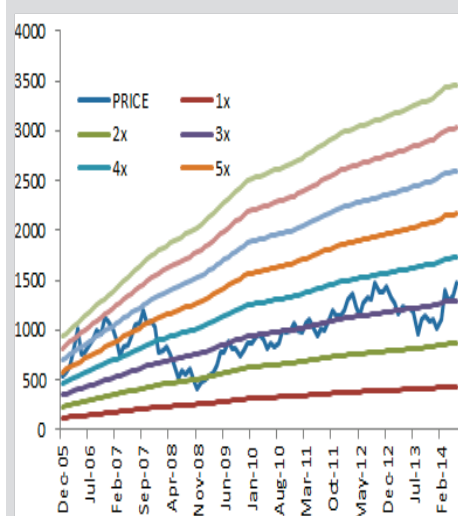
Initial Coverage	BUY
CMP	1374
Target Price	1584
Previous Target Price	1584
Upside	15%
Change from Previous	0%

Market Data	
BSE Code	500410
NSE Symbol	ACC
52wk Range H/L	1524/912
Mkt Capital (Rs)	25795
Average Daily Volume (Nos.)	12897
Nifty	7602

Stock Performance-%	1M	1yr	YTD
Absolute	-6.2	12.7	14.8
Rel. to	-6.8	-18.5	-15.4

Share Holding Pattern-%	4QFY14	3QFY14	2QFY14
Promoters	50.3	50.3	50.3
FII	19.7	19.7	20.0
DII	12.8	13.2	12.9
Others	17.2	16.8	16.8

1 yr Forward P/B



Source - Comapany/EastWind Research

Even though Q2 results disappointed us on margin front, we are very optimistic that y/y dispatch and realization growth trend would catch-up from here-on. On the back of new government's increased thrust towards Infra capex revival (which in turn could revive cement demand), we remain optimistic that H2CY14 would be better than H1CY14. Given their pan-India presence, we expect ACC to be one of the biggest beneficiaries for any revival in cement demand. On the back of better H2CY14 numbers, we expect margin improvement scenario to continue. Currently the stock trading at 3x in our one year forward P/B graph. We valued our Target price for FY14 at 3.4x P/B. Looking at the future synergy benefit from Holcim group we factored the earnings and arrived at revised target price for CY114 of Rs.1584.

Q2CY14 Consolidated Result Update

ACC reported top-line Sales of Rs 30,60Cr in Q2CY14, up 7.8% y/y and 1.4% q/q. Reported top-line numbers reflect 3.8% y/y increase in dispatch numbers (to 6.35 mn tn), and 3.4% y/y increase in avg. blended realization (to Rs 4818/tn). If we look at the last 14 quarter numbers, then Avg. blended realizations in Q2CY14 for the first time crossed previous high of Rs 4,682/ tn (reported in Q3CY12). For the first time since Q2CY12, ACC reported uptick in y/y growth trends across, both, Dispatches and Average blended realizations. Y/Y dispatches reported 3.8% growth in Q2CY14 (vs. 0.9% y/y growth in Q1CY14). On back of improved outlook, cement prices witnessed northward movement. This trend indicates that worst on demand and pricing front is over and both metrics should see northward movement from here-on.

- ACC reported EBITDA of Rs 4,013 mn, down 7.6% y/y, up 9.8% q/q. Reported EBITDA margins declined from 15.6% a year ago to 13.3%. Notably, this is the third successive where ACC reported sequential improvement in its EBITDA margins (reported lowest EBITDA margins of 9.0% in Q3CY13).

- Reported PAT numbers of ACC were at Rs 2,432 mn, down 7.1% y/y and 39.2% q/q. Reported PAT margins were at 8.1% (vs. 9.4% year ago and 13.5% in previous quarter). Reported PAT numbers reflect, (37.8% y/y decline in interest expenses (to Rs 111 mn) and 9.7% decline in tax expenses (to Rs 984 mn).

Per ton analysis

EBITDA/tn declined 10% y/y to Rs 632/tn, however, it was up from previous quarters Rs 558/tn. Decline in y/y EBITDA/tn is owing to 12.7% increase in freight costs/tn (to Rs 1,055/tn) and 8.4% increase in employee costs/tn (to Rs 306/tn). Increase in y/y freight cost/tn is due to higher diesel prices and increase in rail freight charges. Reported PAT numbers of ACC were at Rs 2,432 mn, down 7.1% y/y and 39.2% q/q. Reported PAT margins were at 8.1% (vs. 9.4% year ago and 13.5% in previous quarter). Reported PAT numbers reflect 37.8% y/y decline in interest expenses (to Rs 111 mn) and 9.7% decline in tax expenses (to Rs 984 mn).

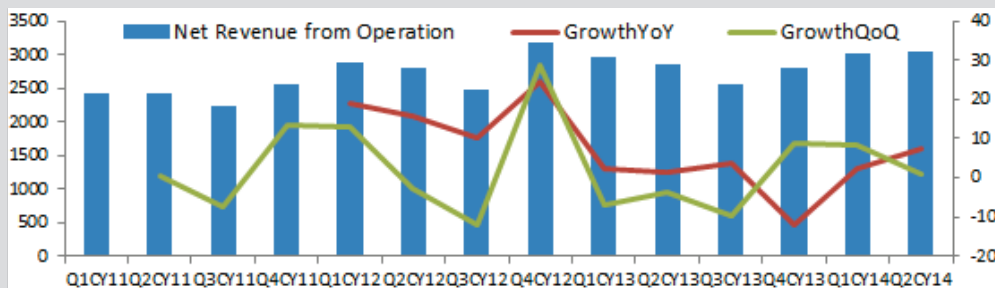
Financials :	Q2CY14	Y-o-Y %	Q-o-Q %	Q2CY13	Q1CY14
Net Revenue	3060	7%	1%	2851	3027
EBITDA	451	-8%	6%	489	425
PAT	241	-7%	-40%	259	399
EBITDA %	15%	(2) Bps	1 Bps	17%	14%
NPM %	8%	(1) Bps	(5) Bps	9%	13%

(In Crs)

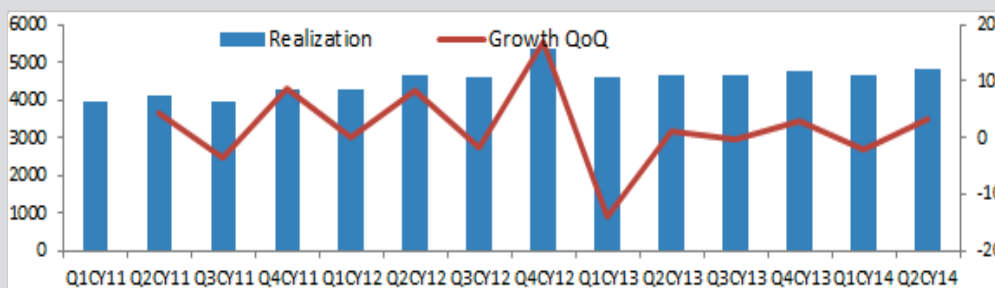
Outlook

The 22 % market segment from south also plays a vital role for Major cement makers like ACC, currently the demand from the south is very low, but we believe there should be Govt. expenditure even it started when Telengana state issue was cleared by the ministers. ACC traded at a premium discount with comparison to Ambuja and Ultratech So it is clear for ACC that there exist vaccum for ACC to be traded in market if we expect a good market condition after election. Its Capex plans are in pipeline to deliver in 2015, which shows a better outlook in terms of stability and earnings. Before Q1CY14 the street's expectation was very high for the positive govt. and it tends ACC to trade at 3.6x P/B . We Saw the stock rallied 15% upside to its current valuation which shows its sensitivity for a positive outlook.

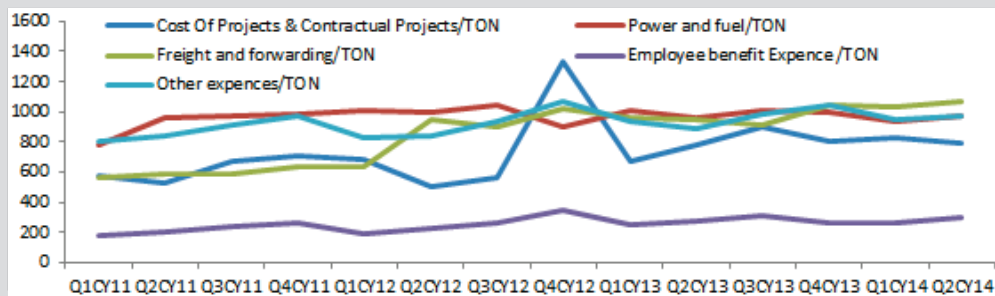
Quarterly Revenue & Growth Rate



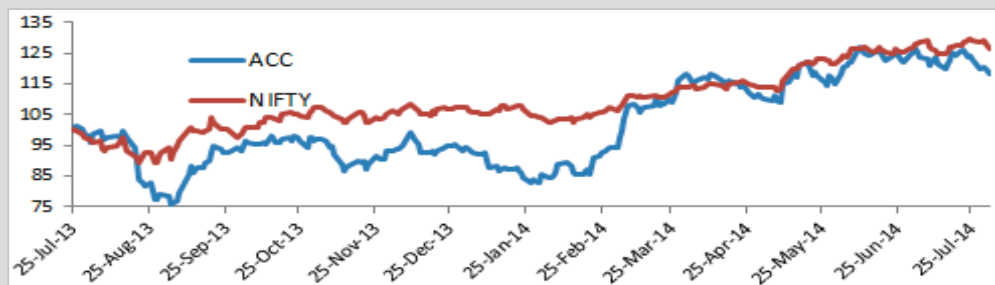
Realization Trend



Any Expenditure Trend



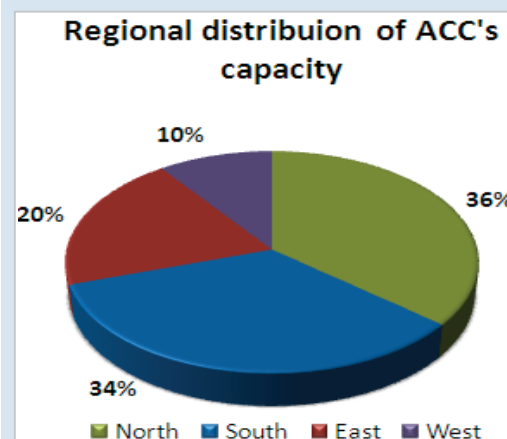
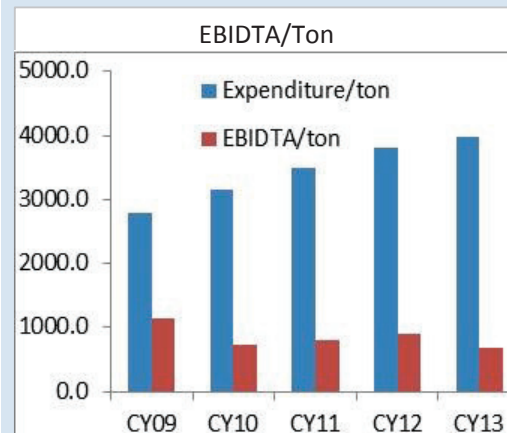
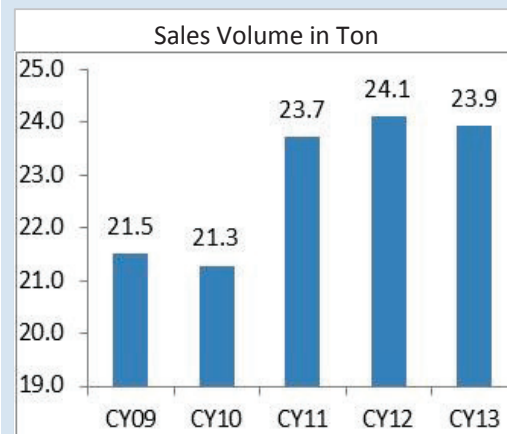
Nifty Vs ACC Ltd.



Profit & Loss Performance	Q2CY14	Q2CY13	CY13	CY14E
Total Income	3097	2886	11389	12236
Cost Of Projects & Contractual Project	503	478	1861	2089
Power and fuel	621	591	2384	2566
Freight and forwarding	676	578	2299	2626
Employee benefit Expense	194	172	663	657
Other expenses	616	543	2332	2447
Expenditure	2609	2362	9539	9935
EBITDA	451	489	1849	2002
Depreciation	138	139	584	584
Interest Cost	11	18	52	44
Tax	98	109	132	335
PAT	241	259	1095	1338
ROE%	-	-	14	16

B/S PERFORMANCE	CY10	CY11	CY12	CY13
Total equity	6281	6979	7372	7813
Long-term borrowings	510	506	85	0
Short-term borrowings	14	0	0	0
Long-term provisions	188	126	157	89
Trade payables	1581	816	661	642
Short-term provisions	1466	1051	1227	1081
<u>Total liabilities</u>	<u>11041</u>	<u>11921</u>	<u>11928</u>	<u>12101</u>
Intangibles	77	48	39	40
Tangible assets	5230	6359	5893	6040
Capital work-in-progress	1564	370	314	322
Long-term loans and advances	283	461	566	880
Inventories	926	1113	1134	1122
Trade receivables	249	266	303	397
Cash and bank balances	1086	1660	681	506
Short-term loans and advances	162	279	325	340
Total Assets	11041	11921	11928	12101

RATIOS	CY10	CY11	CY12	CY13
P/B	3.2	3.1	3.6	2.7
EPS	57.4	68.7	73.8	57.6
Debtor to Turnover%	3.0	2.6	2.7	3.6
Creditors to Turnover%	19.1	8.0	5.8	5.7
EV	19631.7	20180.0	26239.9	20295.9
P/E	18.7	16.5	19.4	19.2
EV/EBIDTA	12.7	10.5	11.9	12.5
Dividend Yield%	2.8	2.5	2.1	2.7
ROCE%	14.6	15.2	16.3	12.3
Debt/Equity	0	0	0	0
Current Ratio	1.0	1.3	1.4	1.4



Source - Comapany/EastWind Research

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