

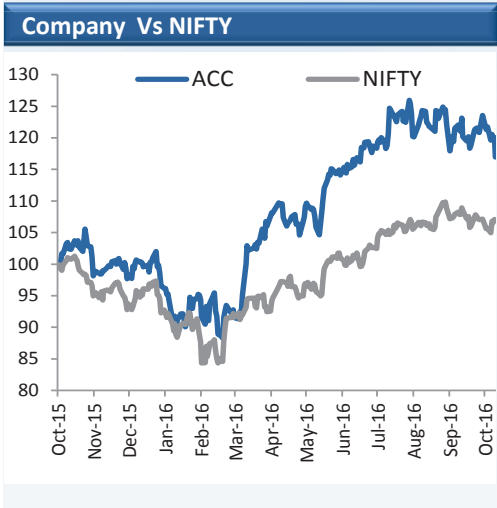
ACC LTD.

Company Update	
CMP	1562
Target Price	NA
Previous Target Price	NA
Upside	NA
Change from Previous	NA

Market Data	
BSE Code	500410
NSE Symbol	ACC
52wk Range H/L	1721/1191
Mkt Capital (Rs Cr)	29,333
Av. Volume(,000)	23.8
Nifty	8693.1

Stock Performance			
	1Month	1Year	YTD
Absolute	-6.2	14.0	15.8
Rel.to Nifty	-4.3	7.7	9.6

Share Holding Pattern-%			
	Q3CY16	Q2CY16	Q1CY16
Promoter	50.3	50.3	50.3
Public	49.7	49.7	49.7
Others			
Total	100.0	100.0	100.0



Q3CY16 Result Update :

ACC Ltd's volume growth in Q3CY16 was subdued, as copious monsoon rainfall across the country dampened sales. Consolidated net profit in Q3CY16 fell 28.8% year-on-year to Rs 82 Cr, hit by lower realizations. Consolidated net sales fell 9.75% to Rs2,472.81 Cr YoY . Earnings before interest, tax, depreciation and amortization (Ebitda) was impacted by higher costs and the EBIDTA% contracted 30 basis points at 10.9%, year-on-year. A basis point is 0.01%. Cement sales volume for Q3CY16 fell 9.6% YoY to 5.07 million tonnes, touching its lowest level since the December 2014 quarter. Weak volume growth led to a decline in consolidated revenue. Apart from this company incurred higher Depreciation due to commencement of grinding and clinkerisation unit at sindri.

ACC's 0.8mMT plant was shut down during the Quarter at sindri, which is at a higher utilization level.(coz company increasing capacity to 1.1mMT in this unit). This capacity addition held, but lately at 14th September. Before that we are assuming higher capacity for September capacity.

From last two quarters Diesel price was increasing, but from September diesel price seen sharp increase, which lead to higher freight cost increase in Rs.100/ton YoY. Apart from this higher employee cost(increased Rs.90/t YoY) also hampered EBIDT/T.

Market share loss to continue :

Capacity constrained in key markets like the North and the West. Utilizations for its North and West operations are 85 % and 80 %, respectively, and it has not added any capacity in these regions in the last 5-6 years, leaving limited scope for raising production. While it has spare capacity in the South, where its plants are running at 50-55 % utilization, and it is adding capacity in the East, we believe this does not give ACC the ability to arrest the decline in its market share.

View and Valuation :

ACC is perceived as the most sensitive large cap Cement stock to play price recovery, with high scope for margin expansion. The stock currently trades at a 42 % discount to peers in terms of EV/ton (FY18E), making it appear attractively valued.While we are reasonably confident of an impending upturn in the industry, we do not expect sharp margin improvement for ACC. Its profitability is unlikely to catch up with peers, given its inefficient operations. We retain our Neutral rating and our target price for now.

Financials	Q3CY16	Q2CY16	Q3CY15	QoQ	YoY
Sales	2521	2917	2790	-13.6%	-9.6%
EBITDA	274	458	313	-40.2%	-12.6%
Net Profit	82	239	115	-65.7%	-28.9%
EBIDTA/t	540	748	558	-27.8%	-3.3%
EBIDTA %	10.9%	15.7%	11.2%	(480Bps)	(30Bps)
PAT %	3.3%	8.2%	4.1%	(490Bps)	(80Bps)

(Source: Company/Eastwind)