

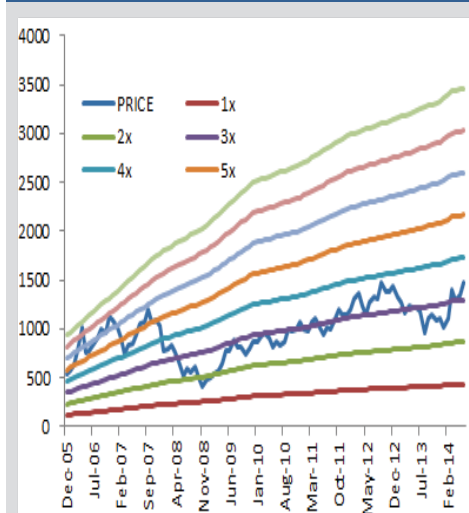
Initial Coverage	Hold
CMP	1425
Target Price	1584
Previous Target Price	1584
Upside	11%
Change from Previous	0%

Market Data	
BSE Code	500410
NSE Symbol	ACC
52wk Range H/L	1570/971
Mkt Capital (Rs)	26752
Average Daily Volume (Nos.)	13376
Nifty	8463

Stock Performance-%	1M	1yr	YTD
Absolute	-2.1	40.8	40.5
Rel. to	-8.6	-1.4	-1.4

Share Holding Pattern-%	Current	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

ACC delivered a good set of numbers ahead of street expectations with a revenue growth of 9.5% improved operating margins at 13.5% and profit growth of 69.6% over the previous year. This was on the back of higher sales which were up by a mere 1.4% and cement prices being higher. The cement sector continues to be in oversupply and with new expansions coming on stream we believe they would remain in oversupply over the next 12 to 18 months. With the new government in place expectations on reforms remain high with a hope on revival in demand which would bridge the cement demand supply gap and allow volumes to increase allowing for better profitability through economies of scale. Further commodity prices have been cooling with both crude and coal prices seeing a decline which would help the company on its large cost front, power and freight giving some respite from the ever increasing costs. The benefit of these declines would come through over the next couple quarters.

Volumes could see some revival: We had been quite hopeful along with the rest of the market with demand revival post monsoon as the government would initiate steps for reforms in infrastructure and the real estate space. However the reforms for both these sectors are still pending and it could be another quarter before we see reforms and its implementation driving demand of cement. Although volumes were up 1.4% over the previous year it is not meaningful at the moment. We would now expect some demand uptick only during the next quarter and hence we are not upgrading our numbers even though the company had done better than expectations.

Prices move up marginally: Cement prices saw a very marginal hike of about 4% during the quarter which was to offset some of the cost increases. With a major oversupply in the market it would be difficult for cement companies to increase prices to boost margin. With some cost expected to decline during the current quarter we believe price hikes would not happen. However if they are able to maintain current prices it would bode well for the profitability during the current quarter and CY15E. During Q3 CY14E we saw operating margins increase by 230bps over the previous year. These were however marginally lower sequentially as volumes were down sequentially which is the trend during the monsoons. The margin increase was due to limited cost increases during the quarter against which prices were increased marginally.

Mining suspension at two units: ACC has received notices to suspend limestone mining at 2 of its units, Chaibasa and Bargarh cement plants. This has led to the suspension of clinker manufacturing at these units in the near term. The management has kept the grinding units running with clinker coming in from other plants to cater to cement demand in those markets. At present it only has a marginal impact with some increases in freight costs.

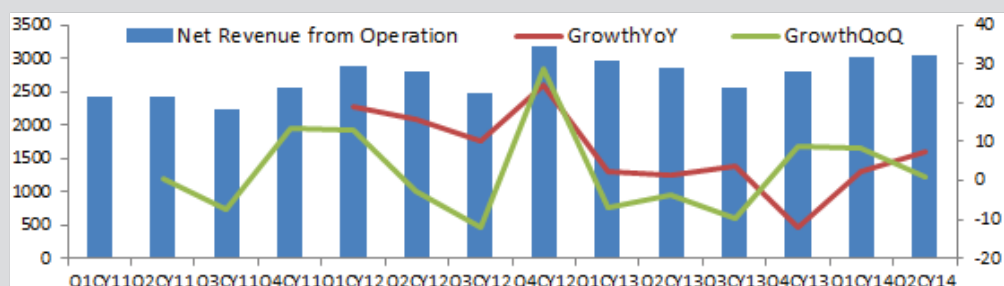
Financials :	Q3CY14	Y-o-Y %	Q-o-Q %	Q3CY13	Q2CY14
Net Revenue	2815	10%	-8%	2570	3060
EBITDA	379	33%	-16%	286	451
PAT	190	57%	-21%	121	241
EBITDA %	13%	234 Bps	(127) Bps	11%	15%
NPM %	7%	203 Bps	(114) Bps	5%	8%

(In Crs)

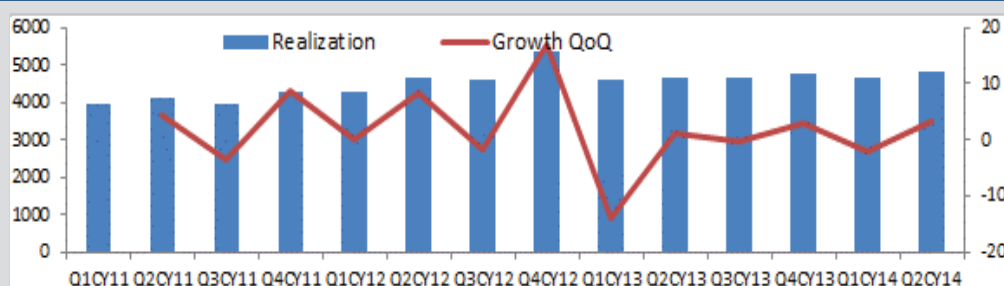
Outlook

ACC at present is trading at a P/E 27.5x and 22.7x, a P/BV of 3.4x and 3.3x, P/CEPS of 17.6x and 15.2x and an EV/EBIDTA of 15.6x and 12.0x its CY14E and CY15E earnings respectively. On an EV/Tonne too it is trading at US\$142.8 their CY14E earnings which is above replacement cost. Cement prices saw a very marginal hike of about 4% during the quarter which was to offset some of the cost increases. Volumes could see some revival: We had been quite hopeful along with the rest of the market with demand revival post monsoon as the government would initiate steps for reforms in infrastructure and the real estate space. With expectation of revival in demand for cement we had upgraded our target price on a P/EPS basis since the company was debt free and earning are expected to grow. Considering routine update , we recommend Hold with previous TP at Rs.1584/share.

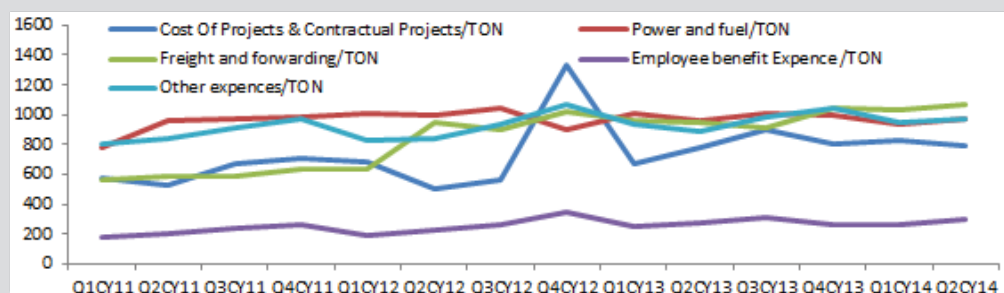
Quarterly Revenue & Growth Rate



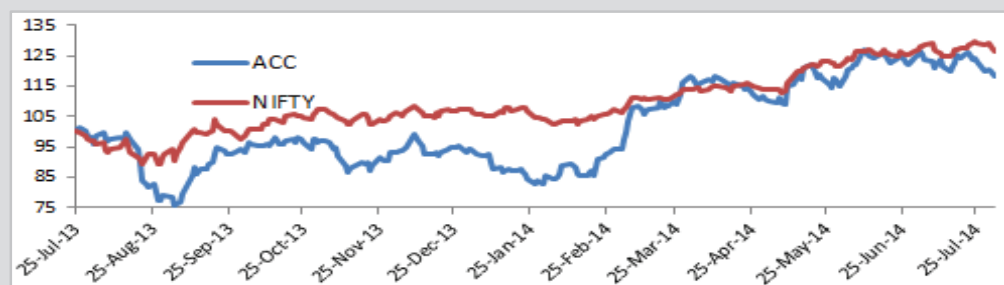
Realization Trend



Any Expenditure Trend



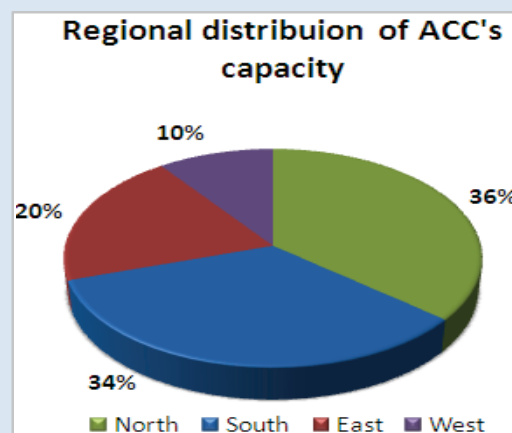
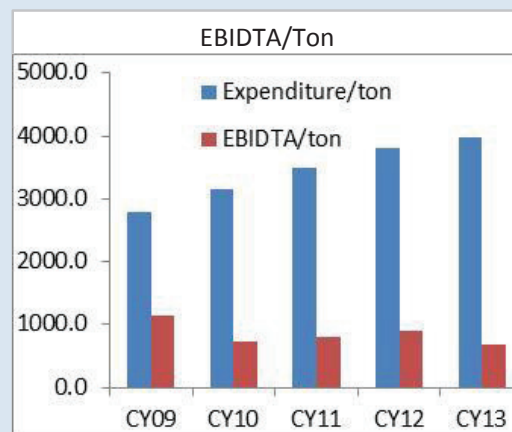
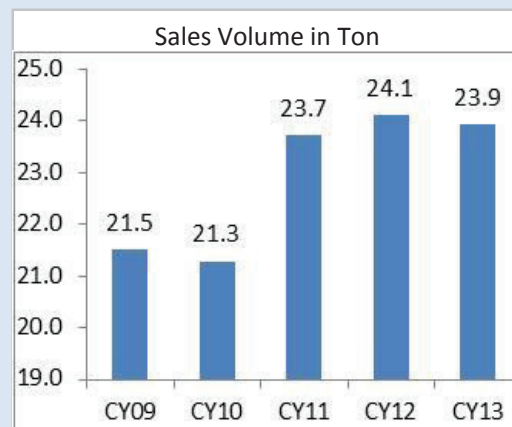
Nifty Vs ACC Ltd.



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 Expence	194	172	663	657
Other expences	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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