

Result Update	Book Profit
CMP	1308
Target Price	1391
Previous Target Price	1257
Upside	6%
Change from Previous	11%

Market Data

BSE Code	500410
NSE Symbol	ACC
52wk Range H/L	1355/912
Mkt Capital (Rs Crores)	24564
Average Daily Volume (Nos.)	12282
Nifty	6063

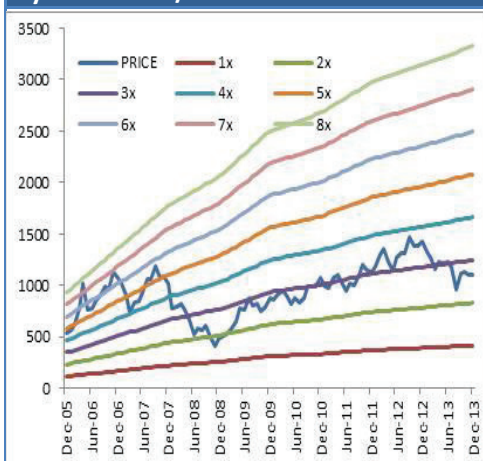
Stock Performance-%

	1M	1yr	YTD
Absolute	-3.5	-22.3	-21.0
Rel. to Nifty	-1.9	-24.4	-22.8

Share Holding Pattern-%

	Curent	3QCY13	2QCY13
Promoters	50.3	50.3	50.3
FII	19.7	20.0	20.9
DII	13.2	12.9	11.9
Others	16.8	16.8	16.9

1 yr Forward P/B



Source - Comapany/EastWind Research

In the first quarter (January-March) of 2014, the industry did not experience any significant improvement in the pace of infrastructure development and general construction. With no uptrend in the demand for cement, ACC's sales volume was at about the same level as in the corresponding period of previous year.

During the quarter, ACC's total consolidated turnover was Rs.2967 crore as compared to Rs.2906 crore in the first quarter of 2013. EBITDA for this quarter was Rs.425 crore as against Rs.492 crore in the first quarter of 2013. Profit after Tax in this quarter was Rs.400 crore as against Rs.438 crore in the first quarter of the previous year. Profit after Tax in this quarter includes write back of tax of Rs.113 crore on conclusion of earlier years' assessments as compared to Rs.141 crore in this respect in the corresponding quarter of the previous year.

Cost Analysis

Manufacturing costs faced escalations in the cost of our major inputs - namely, coal, fly ash and gypsum. On the positive side, Management says they continued to derive benefit from our ongoing cost leadership efforts and increased sales volume of premium products. Other income includes Rs.56 Crore Q1CY14 and Rs.40 Crore in Q4CY13, written back towards interest on income tax relating to earlier years.

Per Ton Analysis

Surprisingly, ACC's blended Realizations fell 0.3% QoQ (+1.2% YoY) to Rs4,579/t. Volumes grew 0.9% YoY to 6.48m tons. Cost/t rose 4.8% YoY to Rs 4,015 , lesser compared to our expectation, on account of low than expected energy cost. EBITDA/t fell 19% YoY at Rs 564, below our expectation of Rs 627.

Management Guidance

According to the Management their forecast does not include any significant improvement in the cement market in the near term, So the strategy is to continue to drive cost leadership and customer excellence programs to enhance sales realizations and improve margins.

Some part of the Upward price movement in northern market is due to the closure of 6 MT Binani Cement .We don't see any specific time period for the restart of this 6MT so we believe the the pricing will be maintained in northern market. But ACC's Pricing is less sensitive to this northern market just because of its higher exposure to Southern market which contributes 36% compared to 22% in North. ACC did not able to take part in the price rally in the first quarter due to its several price hikes in previous year.

Financials :	Q4CY13	Y-o-Y %	Q-o-Q %	Q4CY12	Q3CY13
Net Revenue	3027	2.4	8.4	2956	2792
EBITDA	425	-13.6	17.6	492	361
Depreciation	137	-1.3	-10.7	138	153
Interest Cost	11	0.1	-9.8	11	12
Tax	-14	-285.5	-61.2	8	-36
PAT	399	7.6	43.4	370	278

(In Crs)

Our View

We expect the demand scenario to grow through Housing and Infrastructure segment post-election.

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 after election 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.

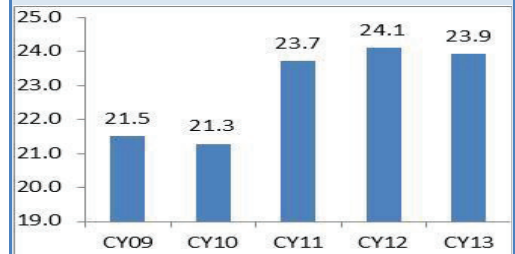
For ACC there is no scope for extra ordinary volume growth in near term, so to maintain its earnings what it can do is nothing but the operational cost cut. If it happens then it will be a outperform indicator among its large cap peers.

Before this result the street was hoping for a hope and it tends ACC to trade at 3.6x P/B . We Saw the stock rallied 15% upside from its current valuation which shows its sensitivity for a positive outlook. so we believe with the gradual increase in demand the stock may outperform among the large cap.

Valuation and Recommendation

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 of Holcim group we factored the earnings and arrived at revised target price for CY15 of Rs.1478. From current market price we see 12% upside movement in the stock. The upside is limited, Hence we are positive on the stock and recommend BUY at correction dips.

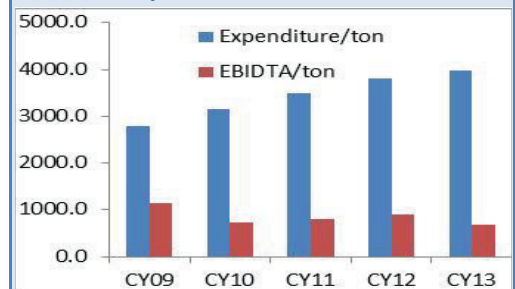
Cement Sales Volume



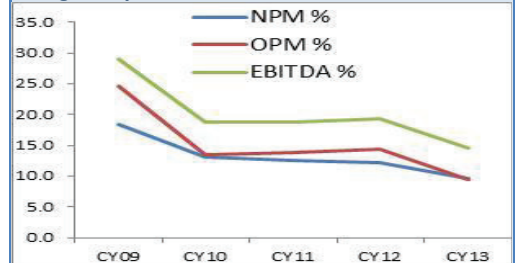
Cement Realization



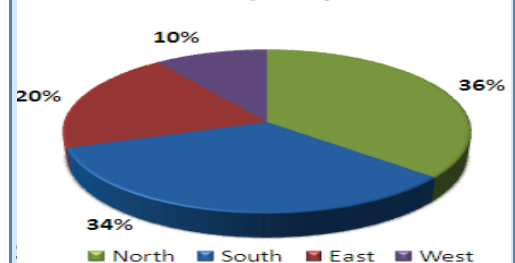
Per Ton Analysis



Margin Gap



Regional distribution of ACC's capacity



P/L PERFORMANCE	CY11	CY12	CY13	CY14E
Net Revenue from Operation	10237	11358	11169	11817
Other Income	191	263	219	319
Total Income	10428	11621	11389	11817
Power and fuel	2199	2384	2384	0
Freight and forwarding	1940	2219	2299	0
Expenditure	8316	9162	9540	9918
EBITDA	1921	2197	1848	1580
Depreciation	510	569	584	587
Interest Cost	97	115	52	41
Tax	215	391	132	252
PAT	1276	1050	1094	1020
ROE%	18	19	13	13
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
Total liabilities	<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	<u>11041</u>	<u>11921</u>	<u>11928</u>	<u>12101</u>
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	19632	20180	26240	20296
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	0.1	0.1	0.0	0.0
Current Ratio	1.0	1.3	1.4	1.4