



Industry	Building Materials
Bloomberg	ACC IN
BSE CODE	500140

Steady volume growth with slight improvement in margins sequentially

RATING	NEUTRAL
CMP	1661
Price Target	1685
Potential Upside	1%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	1723/1255
Mkt Capital (Rs Cr)	31300
Free float (%)	45%
Avg. Vol 1M (,000)	855
No. of Shares (Cr)	19
Promoters Pledged %	0%

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1QCY19 Result Update

- ACC has reported revenue growth of 8% YoY to Rs. 3919 Cr while PAT has grown by 37% YoY to Rs.338 Cr. This PAT growth is due to exceptionally higher other income of Rs. 157 Cr. in 1QCY19.
- Revenue from sales of cement has increased by 7% YoY to Rs. 3587 Cr while sales volumes has increased by 5% YoY to 7.5 million Ton in Q1 CY19. This growth is led by stronger demand trends in rural housing segment.
- Sales in RMC business has increased by 18% YoY to Rs. 393 Cr while volumes has increased by 12% YoY to 0.9 million Ton in Q4 CY18.
- EBITDA margin of the company has remained almost flat to 13.5% in Q1 CY19. Price of fuel and slag has increased in the last quarter which was mitigated by the changing material source mix, fuel mix optimization and productivity improvement measures.
- Power and freight cost/Ton has remained almost flat on YoY but increased marginally on sequential basis.
- During the last quarter, company has received income tax refunds (including interest) and reversal of provision for interest on income tax aggregating Rs. 276 Cr. The company has made provision of Rs. 177 Cr against this due to its ultimate realisability. The net income of Rs. 99 Cr is included in other income.

View and Valuation

ACC has reported revenue growth of 8% YoY but missed on EBITDA margins due to higher slag cost. However due to exceptionally higher other income of Rs. 157 Cr, company has reported PAT growth of 37% YoY to Rs.338 Cr. Company has reported volume growth of 5% in grey cement and 12% in RMC. This is mainly led by the demand in the rural housing segment. Going forward, Predictions of a normal monsoon is expected to augur well for the rural economy. Post general election, government's thrust on infrastructure development as well as Housing for-All initiatives is expected to revive the construction sector and enhance demand. On the margins front, realization in cement has grown by 1% on YoY basis and flat on sequential basis. But rising slag prices has put pressure on margins which was mitigated by change in fuel mix. Considering recent rally in crude price, margins are expected to dip slightly in upcoming quarters. We expect revenue and PAT to grow at CAGR of 9% and 18% respectively over CY17-19e. At current the stock is trading at 12x CY19e EV/EBITDA. Recent rally in the stock price limits potential upside from current levels.

Hence we are NEUTRAL on this stock with the target price of Rs. 1685 (12x CY19e EBITDA)

Key Risks to our rating and target

- Slow down in pick of volume demand.
- Price rise of pet coke, coal, and diesel.

KEY FINANCIAL/VALUATIONS	CY15	CY16	CY17	CY18	CY19E
Net Sales	11797	10990	13285	14802	15888
EBITDA	1537	1478	1912	2048	2369
EBIT	875	869	1269	1445	1755
PAT	588	658	925	1521	1285
EPS (Rs)	31	35	49	81	68
EPS growth (%)	-49%	12%	40%	64%	-15%
ROE (%)	7%	7%	10%	14%	12%
ROCE (%)	10%	10%	14%	14%	16%
BV	449	469	498	561	585
P/B (X)	3.0	2.9	3.5	2.6	2.8
P/E (x)	43	39	35	18	24

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1QCY19 Results

Mixed Numbers

Financials	1QCY18	2QCY18	3QCY18	4QCY18	1QCY19	YoY %	QoQ %	CY17	CY18	YoY %
Net Sales	3625	3848	3433	3895	3919	8.1%	0.6%	13285	14802	11%
Other Income	47	32	33	29	152	222.0%	429.5%	129	143	11%
COGS	566	549	473	745	712	25.7%	-4.5%	1960	2332	19%
Gross Margin	84%	86%	86%	81%	82%	-2.5%	1.0%	85%	84%	-1%
Employee Cost	199	256	213	214	200	0.4%	-6.9%	821	884	8%
Other Expenses	620	630	640	647	624	0.6%	-3.6%	2441	2544	4%
EBITDA	492	624	444	487	531	7.9%	9.0%	1912	2048	7%
EBITDA%	14%	16%	13%	13%	14%	0.0%	1.0%	14%	14%	-1%
Depreciation	148	148	151	154	147	-1.1%	-4.9%	644	603	-6%
EBIT	344	476	293	333	384	11.8%	15.4%	1269	1445	14%
Interest	18	28	20	22	21	14.4%	-6.5%	99	88	-11%
PBT	373	480	306	339	516	38.4%	52.0%	1299	1500	15%
Exceptional	-	-	-	0	-			0	0	
Tax	125	154	99	-391	177	42%	-145%	386	-11	-103%
PAT	247	326	207	730	338	36.8%	-53.7%	925	1521	64%
PAT Margin	7%	8%	6%	19%	9%	1.8%	-10.1%	7%	10%	3%

Segment Performance:

Cement business

Post monsoon, cement demand has gradually started picking up. In the last quarter, grey cement volume has grown by 5% YoY to 7.5 MT. This growth is led by the demand from rural housing segment. Going forward, cement demand is expected to pick up further on the back of higher (Minimum support price), increased outlays on housing, agri-sector initiatives, over five-fold increase in the outlay on Pradhan Mantri Awas Yojana - Urban (PMAY-U) to Rs. 31,500 Cr and revival in infrastructural development which remained slow due to general election. We expect demand growth in cement to remain in the range of 7-8% p.a. for next couple of quarters.

Cement	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18	4QCY18	1QCY19	YoY %	QoQ %
Sales	3,745	2,883	3,239	3,357	3,581	3,185	3,582	3,587	7%	0%
Vol (Mn Ton)	6.7	6.0	6.9	7.1	7.2	6.6	7.5	7.5	5%	0%
Real.(Rs./Ton)	5,556	4,837	4,680	4,721	4,947	4,862	4,776	4,783	1%	0%

RMC business

In RMC segment, the company has reported strong volume growth of 12% YoY to 0.9 million Ton through focus on profitable construction segments and value added solutions delivered to large projects. During the last quarter, company has commissioned eight new plants, bringing the total number of ready mix concrete plants to 80. With the revival in infrastructural activities, volume of RMC is expected to grow to the tune of 8-10%p.a. for upcoming fiscal.

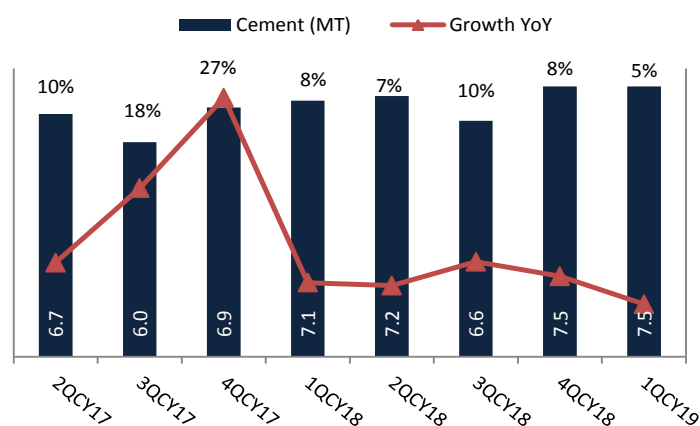
RMC	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18	4QCY18	1QCY19	YoY %	QoQ %
Sales	273	286	319	332	321	303	360	393	18%	9%
Vol (Mn Ton)	0.6	0.7	0.8	0.8	0.8	0.7	0.9	0.9	12%	9%
Real.(Rs./Ton)	4,336	4,144	3,988	3,949	4,164	4,155	4,181	4,181	6%	0%

Ongoing expansion plans

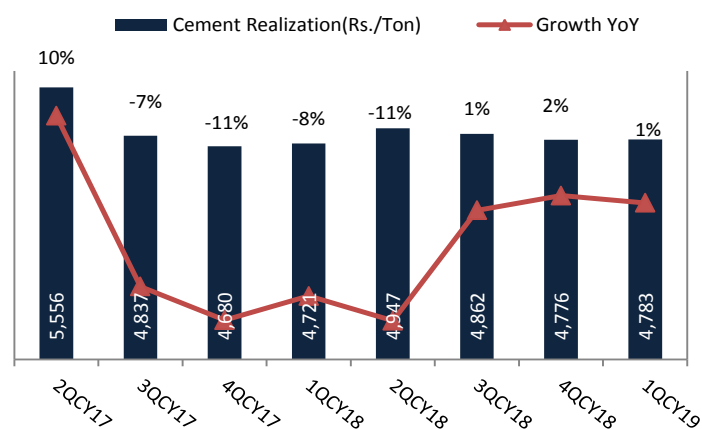
ACC is setting up a Greenfield Integrated Cement Plant at Ametha, District Katni, Madhya Pradesh (Clinker capacity of 3 MTPA and Cement capacity of 1 MTPA along with expansion of the existing grinding unit in Tikaria, Uttar Pradesh (Cement capacity of 1.6 MTPA) and a third grinding unit also in Uttar Pradesh (cement capacity 2.2 MTPA). These capacities are expected to come on stream by 2021. The projects are estimated to cost approximately Rs 3000 Cr which is likely to be funded through internal accruals

Exhibit: Cement Volume trend

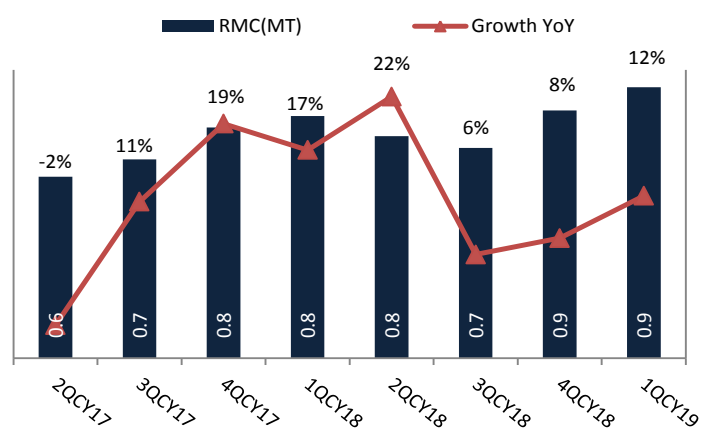
Cement volumes has improved post monsoon season due to revival in rural housing segment

**Exhibit: Cement realization trend**

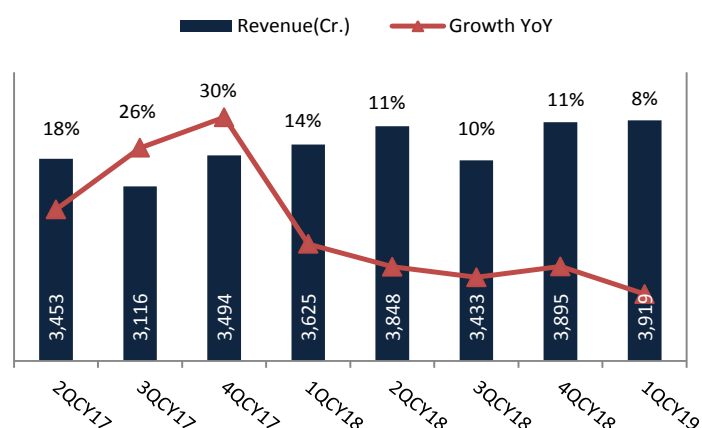
Company is focusing on trade sales which lead to improvement in realizations

**Exhibit: RMC Volume trend**

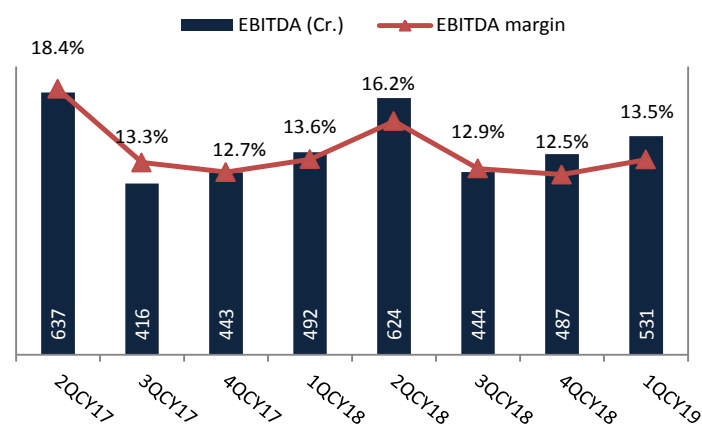
Company has added 8 new RMC plants during 1QCY19 which helped to improve volumes

**Exhibit: Revenue and revenue growth trend**

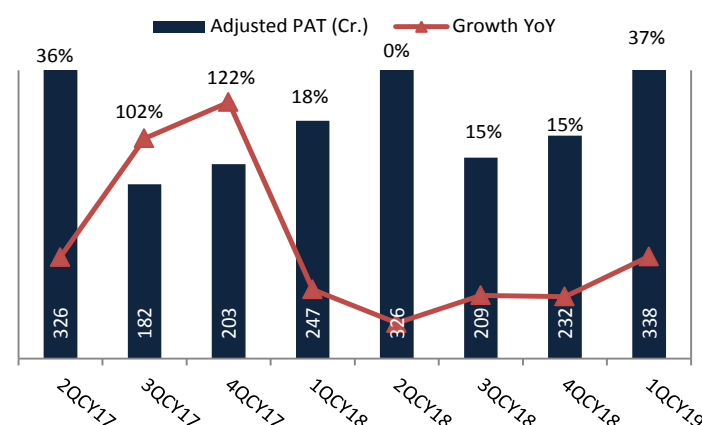
Revenue has increased on account of higher volumes and realizations

**Exhibit: EBITDA margin trend**

EBITDA has improved in 1Q CY19 on account of higher realization and change in fuel mix

**Exhibit: PAT and PAT growth trend**

PAT Margin has improved on account of higher other income



Financial Details

Balance Sheet

Y/E March	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19E
Share Capital	188	188	188	188	188	188	188	188
Reserves	7184	7625	8030	8233	8625	9168	10340	10804
Networth	7372	7813	8218	8421	8813	9356	10528	10992
Debt	85	0	0	0	0	0	0	0
Total Capital Employed	7457	7813	8218	8421	8813	9356	10528	10992
Net Fixed Assets (incl CWIP)	6246	6402	7622	7727	7813	7534	7668	8007
Non Current Investments	101	87	84	87	32	4	4	4
Other Non Current Assets	166	308	361	466	839	1027	612	612
Non Current Assets	7082	7684	9003	9396	9289	9191	9443	9782
Inventory	1134	1122	1256	1189	1225	1405	1679	1802
Debtors	303	397	411	484	533	666	868	932
Cash & Bank	1003	839	696	94	1977	2729	3000	3209
Other Current Assets	29	20	15	55	323	792	718	771
Current Assets	4846	4417	3678	3404	4093	5642	6570	7041
Creditors	661	642	752	878	1258	1814	1923	2064
Provisions	1292	1064	937	639	52	51	27	29
Other Current Liabilities	1520	1961	2115	2269	1416	1738	1789	1920
Curr Liabilities	3472	3666	3804	3786	3980	4793	4695	5039
Net Current Assets	1374	751	-126	-382	113	849	1876	2002
Total Assets	11928	12101	12682	12800	13394	14846	16025	16834

Income Statement

Y/E March	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19E
Revenue from Operation	11358	11150	11739	11797	10990	13285	14802	15888
Change (%)	11%	-2%	5%	-1%	-7%	21%	11%	8%
Other Income	263	281	257	120	123	129	143	252
EBITDA	2197	1630	1513	1537	1478	1912	2048	2369
Change (%)	9%	-26%	-7%	2%	-4%	29%	7%	16%
Margin (%)	19%	14%	13%	13%	13%	14%	14%	15%
Depr & Amor.	569	584	568	663	609	644	603	614
EBIT	1628	1046	946	875	869	1269	1445	1755
Int. & other fin. Cost	115	114	83	65	79	99	88	99
EBT	1776	1214	1120	930	913	1299	1500	1908
Exp Item	335	0	0	164	39	0	0	0
Tax	391	132	-31	190	227	386	-11	623
Minority Int & P/L share of Ass.	(0)	(0)	(0)	0	-	-	-	-
Reported PAT	1059	1095	1162	588	658	925	1521	1285
Adjusted PAT	798	1095	1162	457	629	925	1521	1285
Change (%)	-18%	3%	6%	-49%	12%	40%	64%	-15%
Margin(%)	9%	10%	10%	5%	6%	7%	10%	8%

Financial Details

Key Ratios

Y/E March	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19E
ROE	14%	14%	14%	7%	7%	10%	14%	12%
ROCE	22%	13%	12%	10%	10%	14%	14%	16%
Asset Turnover	1.0	0.9	0.9	0.9	0.8	0.9	0.9	0.9
Debtor Days	10	13	13	15	18	18	21	21
Inv Days	36	37	39	37	41	39	41	41
Payable Days	21	21	23	27	42	50	47	47
Int Coverage	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
P/E	25	19	23	43	39	35	18	24
Price / Book Value	3.6	2.7	3.2	3.0	2.9	3.5	2.6	2.8
EV/EBITDA	12	12	17	17	16	16	12	12
FCF per Share	0.7	0.1	(0.2)	0.2	0.6	0.6	0.4	0.7
Div Yield	2%	3%	2%	1%	1%	0%	0%	0%

Cash Flow Statement

Y/E March	CY12	CY13	CY14	CY15	CY16	CY17	CY18E	CY19E
PBT	1441	1214	1120	766	885	1310	1500	1908
(inc)/Dec in Working Capital	-450	-189	60	52	183	-91	-979	83
Non Cash Op Exp	569	584	568	827	609	644	603	614
Int Paid (+)	115	114	83	65	79	99	88	99
Tax Paid	-206	-451	-237	-231	-274	-219	11	-623
others	108	-208	-240	-22	-93	-188	117	0
CF from Op. Activities	1577	1063	1352	1457	1390	1554	1339	2080
(inc)/Dec in FA & CWIP	-572	-963	-1604	-1119	-501	-520	-738	-952
Free Cashflow	1005	101	-251	337	889	1034	602	1128
(Pur)/Sale of Inv	81	-58	36	153	-112	62	107	0
others	184	159	111	62	78	79	0	0
CF from Inv. Activities	-308	-862	-1457	-904	-535	-380	-631	-952
inc/(dec) in NW	0	0	0	0	0	0	0	0
inc/(dec) in Debt	-348	-128	-35	0	0	0	0	0
Int. Paid	-110	-51	-49	-41	-46	-42	-88	-99
Div Paid (inc tax)	-608	-656	-753	-675	-384	-384	-339	-821
others								
CF from Fin. Activities	-1066	-834	-837	-716	-430	-426	-427	-919
Inc(Dec) in Cash	203	-633	-942	-164	425	749	282	208
Add: Opening Balance	2953	3156	2523	1581	1383	1810	2729	3000
Closing Balance	3156	2523	1581	1418	1808	2559	3010	3209

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