

May 13, 2013

ACC Ltd.

BSE Code: 500410 NSE Code: ACC Reuters Code: ACC.NS Bloomberg Code: ACC:IN

Associated Cement Companies Ltd (ACC) is engaged in manufacturing of cement and also in the manufacturing of ready mixed concrete. The company has been a trendsetter and important benchmark for the cement industry in many areas of cement and concrete technology. The Company has grinding plants in Karnataka and clinkering line in Maharashtra. The Company's subsidiaries include ACC Mineral Resources Limited, Lucky Minmat Limited, Bulk Cement Corporation (India) Limited, National Limestone Company Private Limited and Encore Cement and Additives Private Limited.

## Investor's Rationale

**Topline declined 2.9% YoY on lower blended realisation**— ACC Ltd., registered a decline in topline by 2.9% YoY ₹29.1 bn for Q1CY13 on consolidated basis. The reported top-line numbers reflect 4.5% YoY fall in dispatches to 6.42 MT and 1.6% YoY increase in average blended realizations to ₹4,534/ tonne. Average blended realizations continued to decline for the second consecutive quarter (vs. ₹4,577/tonne in Q4CY12 & ₹4,682/tonne in Q3CY12).

**Robust bottom-line on healthy other income and lower tax**— The company's net profit augmented 189.2% YoY at ₹4.4 bn against ₹1.5 bn primarily on the account of robust other income up by 56.2% YoY at ₹1.02 bn and lower tax -87.2% YoY at ₹0.08 bn against ₹0.59 bn. Further, decline in interest cost by 65.8% YoY at ₹0.11 bn also assisted in uplifting the bottomline. Thus, NPM expanded by 946bps YoY at 14.3% against 4.9%.

**EBITDA contracted 24.1% YoY on higher employee cost and other expenses**— The EBITDA of the company contracted 24.1% YoY to ₹4.9 bn, primarily on the account of higher employee cost and other expenses which grew 14.5 % and 18.3% YoY at ₹1.6 bn and ₹6.0 bn respectively. Thus OPM pressurized by 464bps YoY at 16.6% against 21.3%.

**Plan** – ACC plans to increase its presence in the eastern markets and augment the capacities by 5.15mmt. It is undertaking brownfield expansions at Sindri, Jharkhand (1.35 mmt) and Jamul, Chhattisgarh (1.1 mmt) and greenfield expansion of 2.7 mmt at Kharagpur (West Bengal). It has commenced work on the above projects with placement of equipment orders and groundbreaking at the site. The capacities will be commissioned in a phased manner by CY15E.

## Market Data

Rating	BUY
CMP (₹)	1,239.4
Target Price	1,350
Stop Loss	1,150
Duration	Short-term
52-week High-Low (₹)	1,515/1,105
Rise from 52WL (%)	12.2
Correction from 52WH (%)	18.2
Beta	1.1
1 year Average Volume (mn)	0.3
Stock Return (%)	3M- (4.85) 6M- (14.56) 1Y- 2.91
Market Cap (₹bn)	232.7
Book Value (₹)	392.8

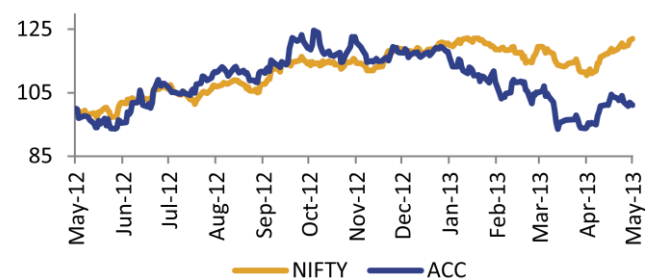
## Shareholding Pattern

	Mar'13	Dec'12	Chg
Promoters (%)	50.3	50.3	-
FII (%)	19.95	19.97	(0.02)
DII (%)	10.6	10.37	0.23
Public & Others (%)	19.15	19.36	(0.21)

## Quarterly Performance (Consolidated)

(₹bn)	Q1 CY'13	Q1 CY'12	Q4 CY'12	YoY Change(%)	QoQ Change(%)
Revenue	29.1	30.0	26.9	(2.9)	8.2
Op. exp	24.6	24.0	23.8	2.8	3.7
EBITDA	4.9	6.5	3.9	(24.1)	25.2
OPM (%)	16.6	21.3	14.2	(464bps)	244bps
Net profit	4.4	1.5	2.5	189.2	74.4
NPM (%)	14.3	4.9	8.9	946bps	547bps
EPS (₹)	23.3	8.1	13.4	189.3	74.5

## One Year Price Chart





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