

ACC

Performance Highlights

Y/E Dec (Rs cr)	2QCY2010	1QCY2010	% chg qoq	1QCY2009	% chg yoy
Net Sales	2,021	2,102	(3.9)	2,081	(2.9)
Operating Profit	595	657	(9.5)	772	(23.0)
OPM (%)	29.4	31.2	(178bp)	37.1	(769bp)
Net Profit	359	405	(11.4)	486	(26.1)

Source: Company, Angel Research

For 2QCY2010, ACC reported a 26.1% yoy decline in net profit due to the marginal de-growth in top-line, flat realisations and increase in operating expenses. Going ahead, we expect realisations to continue to be under pressure due to the company's substantial exposure in the southern region in CY2010, which would improve marginally in CY2011. At current levels, the stock is fairly priced and **we maintain our Neutral view on the stock.**

Operating profit down 23.0%: ACC's net sales de-grew by 2.9% yoy and were in line with our estimates. Top-line de-grew owing to the 2.8% fall in despatches to 5.27mn tonnes coupled with flat realisations at Rs3,834/tonne. The despatches declined due to unavailability of rail wagons and delays in stabilisation of new plants. On the operating front, the company's margins fell by 768bp yoy to 29.4% (37.1%) on account of the increase in raw material, freight and power costs. The company's net profit de-grew by 26.1% yoy to Rs359cr, primarily on account of the 23% decline in operating profits and 22.7% yoy increase in depreciation costs to Rs96.2cr (Rs78cr).

Outlook and Valuation: We expect ACC to register 6% CAGR in top-line over CY2009-11E on higher dispatches due to capacity addition. We have pruned our net sales estimates for CY2011E, by assuming 3% lower growth in realisation in CY2010E as against the earlier 5%. We also expect the company's operating and net profit to register 5% and 7% decline in CAGR over CY2009-11E. At current levels, the stock is fairly valued and we maintain our Neutral view on the stock.

Key Financials

Y/E Dec (Rs cr)	CY2008	CY2009	CY2010E	CY2011E
Net Sales	7,166	7,943	7,754	8,850
% chg	2.3	10.8	(2.4)	14.1
Net Profit	1,213	1,607	1,198	1,400
% chg	(1.0)	32.5	(25.4)	16.8
OPM (%)	24.2	31.2	24.8	25.1
FDEPS(Rs)	67.2	85.5	63.7	74.5
P/E(x)	12.2	9.6	12.9	11.0
P/BV(x)	3.1	2.6	2.2	2.0
RoE(%)	26.7	29.4	18.6	19.0
RoCE(%)	26.9	33.7	20.6	21.3
EV/Sales	1.9	1.6	1.7	1.4
EV/tonne	123	102	94	89
Installed capacity (mtpa)	23	27	30	30.4
EV/EBITDA	7.7	5.3	6.9	5.6

Source: Company, Angel research

NEUTRAL

CMP	Rs820
Target Price	-

Investment Period	-
-------------------	---

Stock Info

Sector	Cement
Market Cap (Rs cr)	15,320
Beta	0.8
52 Week High / Low	1017/686
Avg. Daily Volume	102870
Face Value (Rs)	10
BSE Sensex	18,131
Nifty	5,449
Reuters Code	ACC.BO
Bloomberg Code	ACC@IN

Shareholding Pattern (%)

Promoters	46.2
MF / Banks / Indian FIIs	24.9
FII / NRIs / OCBs	13.2
Indian Public / Others	15.7

Abs. (%)	3m	1yr	3yr
Sensex	3.1	22.0	16.4
ACC	(11.2)	1.0	(26.3)

Rupesh Sankhe

022-40403800 Ext 319
 rupeshd.sankhe@angeltrade.com

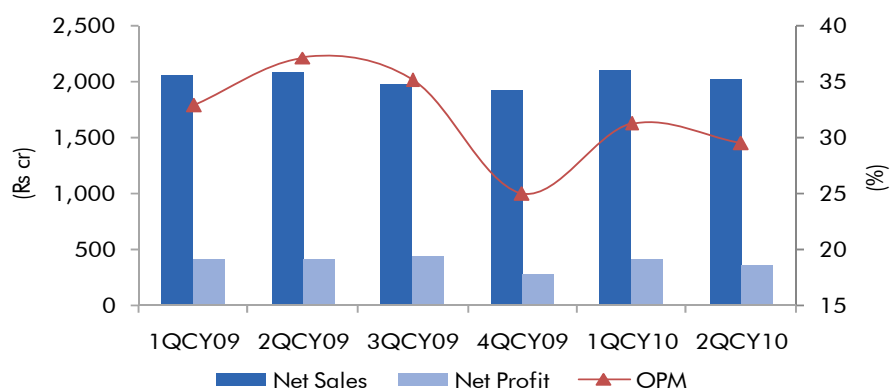
V Srinivasan

022-40403800 Ext 330
 v.srinivasan@angeltrade.com

Exhibit 1: 2QCY10 Performance

Y/E Dec (Rs cr)	2QCY10	1QCY10	% chg qoq	2QCY09	% chg yoy	1HCY10	1HCY09	% chg yoy
Net Sales	2,021	2,102	(3.9)	2,081	(2.9)	4,123	4,136	(0.3)
Other Operating Income	41	34	20.3	39	7.4	76	65	16.4
Total Operating Income	2,062	2,136	(3.5)	2,120	(2.7)	4,198	4,202	(0.1)
Net Raw Material Costs	264	307	(13.9)	248	6.4	571	533	7.2
(% of Sales)	13.1	14.6		11.9		13.8	12.9	
Power & Fuel	393	393	0.2	374	5.2	786	785	0.1
(% of Sales)	19.5	18.7		18.0		19.1	19.0	
Staff Costs	106	90	18.7	97	9.8	196	176	11.2
(% of Sales)	5.3	4.3		4.7		4.8	4.3	
Freight & Forwarding	270	275	(1.9)	255	6.0	545	532	2.4
(% of Sales)	13.4	13.1		12.2		13.2	12.9	
Other Expenses	434	415	4.5	374	16.0	849	728	16.7
(% of Sales)	21.5	19.8		18.0		20.6	17.6	
Total Expenditure	1,468	1,480	(0.8)	1,348	8.9	2,947	2,755	7.0
Operating Profit	594	657	(9.5)	772	(23.0)	1,251	1,447	(13.5)
OPM (%)	29.4	31.2		37.1		30.3	35.0	(4.63)
Interest	14	13	10	16.0	(11.8)	27	53	(49.1)
Depreciation	96	94	2.8	78	22.7	190	157	20.6
Other Income	18	26	(30.9)	18	(0.8)	45	42	6.5
PBT (incl. Extr. Items)	502	577	(12.9)	696	(27.8)	1,079	1,279	(15.6)
Provision for Taxation	144	172		211	(31.9)	315	388	(18.8)
(% of PBT)	28.6	29.8		30.3		29.2	30.4	
Reported PAT	359	405	(11.4)	486	(26.1)	764	890	(14.2)
PATM (%)	17.8	19.3		23.3		18.5	21.5	
Equity Capital	187.9	187.9		187.9	0.0	187.9	187.9	
EPS (Rs)	19.1	21.6		25.8	(26.1)	40.7	47.4	
Adjusted PAT	359	405	(11.4)	486	(26.1)	764	890	(14.2)

Source: Company, Angel Research

Exhibit 2: Financial performance trend


Source: Company, Angel Research

Exhibit 3: 2QCY10 Angel Estimates v/s Actual

	Actual	Estimates	Variation (%)
Net Sales	2,021	2,051	(1.5)
Operating Profit	595	623	(4.5)
Net Profit	359	377	(4.8)

Source: Company, Angel Research

Operational highlights

For 2QCY2010, the company's realisation per tonne remained flat on a yoy basis at Rs3,834. However, the raw material costs per tonne grew by 9.5% yoy. The freight costs per tonne rose by 9.0% yoy due the increase in diesel costs. Depreciation cost too increased by 26.1% yoy following increase in capacity. The operating profit per tonne stood at Rs1,128, down 24.2% yoy. Net profit per tonne for the quarter stood at Rs681, down 24% yoy.

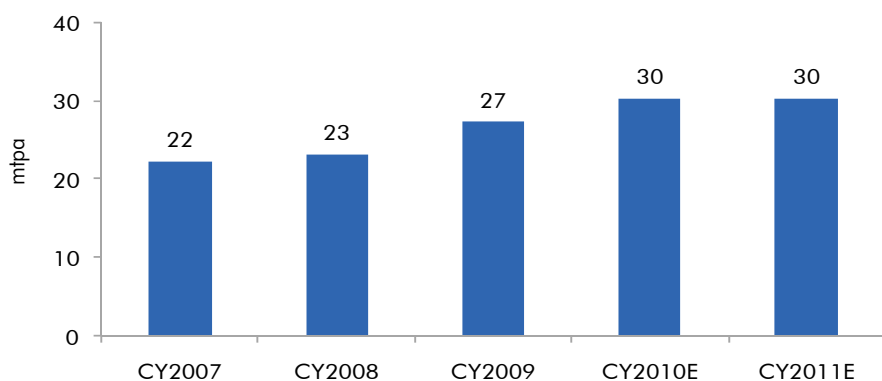
Exhibit 4: Operational performance

Parameter (Rs)	2QCY10	1QCY10	2QCY09	yoy chg(%)	qoq chg (%)
Realisation/tonne	3,834	3,767	3,840	(0.1)	1.8
Raw Material Cost/tonne	501	550	458	9.5	(8.8)
Power & Fuel Cost /tonne	746	703	690	8.2	6.1
Freight & Forwarding Cost/tonne	512	493	470	9.0	3.9
Operating Profit/tonne	1,128	1,177	1,489	(24.2)	(4.1)
Depreciation/tonne	182	168	145	26.1	8.9
Net Profit/tonne	681	726	896	(24.0)	(6.2)

Source: Company, Angel Research

3mt expansion project to be commissioned shortly

Work at the 3mtpa clinkering plant in Chanda, along with the 25MW captive power plant is on track and is expected to be commissioned in 3QCY2010. Post these capacity additions, the company's cement capacity will increase to 30.0mtpa, while its captive power capacity (CPC) will increase to 346MW.

Exhibit 5: Installed capacity


Source: Company, Angel Research

Investment Arguments

Growth to be driven by capacity addition: ACC's despatches grew by a moderate 5% during CY2006-09 as against the industry growth rate in excess of 10%. However, the company's volumes are set to post a CAGR of 8.3% over CY2009-11E as its capacity is set to expand from 26mtpa in CY2009 to 30mtpa in CY2010. The company has already completed expansion at Bargarh taking total capacity of the plant to 2.1mtpa. Apart from expanding capacities on its own, ACC has also been increasing its capacity by acquiring stakes in smaller companies. In line with this, the company had acquired 45% stake in Asian Cement while acquiring 100% stake in Encore Cement. Asian Cement, which has a 0.3mn tonnes grinding unit in HP, is adding another 1mn tonnes at the unit. Encore Cement has a 0.2mt slag grinding unit at Vishakapatnam. ACC has a strong balance sheet with healthy cash inflows and free cash flow over CY2009E-11E, which will enable it to fund its next round of expansion through internal accruals.

Diversified geographical presence to negate ill-effects of poor regional demand-supply dynamics: ACC is a pan-India player and hence is insulated to a large extent from the risks of slow-down in demand and price collapse in any particular region. The company's brands are popular across the country. Going ahead, post the proposed capacity expansions, the south, west, north, central and east regions would contribute 23%, 22%, 19%, 18% and 16% respectively to the company's overall revenues. Thus, the company's exposure to the southern region, which has faced the highest price correction over the past several months due to excess capacity and slowdown, is limited.

Increased use of captive power to improve operating margins: The use of captive power has improved the company's cost competitiveness and quality of power. The share of captive power in the company's overall power consumption has increased to 70% in CY2009 from 64% in CY2008 and is set to increase to 75% in CY2010. The company's captive power capacity (CPC) is set to increase to 346MW by CY2010. Over the years, ACC has improved its efficiency owing to which its power consumption per tonne of cement has declined.

Outlook and Valuation

We expect ACC to register 6% CAGR in top-line over CY2009-11E, on account of the increased dispatches due to capacity addition. We have pruned our estimates of net sales for CY2011E, by assuming lower 3% growth in realisations in CY2010E as against the earlier 5%. We also expect the company's operating and net profit to witness a decline of 5% and 7% CAGR respectively, over CY2009-11E. **At current levels, the stock is fairly valued and we maintain our Neutral view on the stock.**

Exhibit 6: Change in Estimates

Parameter	CY10E			CY11E		
	Earlier	Revised	Variation (%)	Earlier	Revised	Variation(%)
Net Sales	7,754	7,754	-	9,021	8,850	(1.9)
Operating Exp	5,828	5,828	-	6,626	6,626	0.0
Operating Profit	1,926	1,926	-	2,396	2,224	(7.2)
Depreciation	396	396	-	396	434	9.5
Interest	52	52	-	55	55	0.0
PBT	1,788	1,788	-	2,268	2,089	(7.9)
Tax	590	590	-	748	689	(7.9)
PAT	1,198	1,198	-	1,591	1,400	(12.0)

Source: Company, Angel Research

Exhibit 7: Key Assumptions

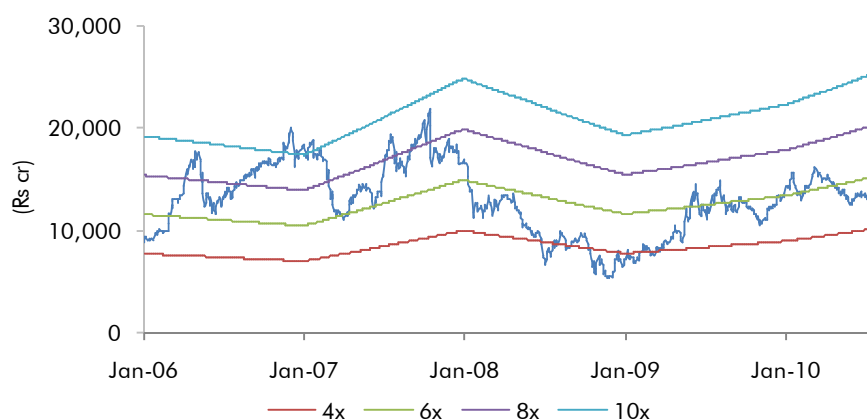
Parameter	Earlier Estimates		Revised Estimates	
	CY10E	CY11E	CY10E	CY11E
Installed Capacity (mtpa)	30.4	30.4	30.4	30.4
yoy Growth (%)	11	0	11	0
Utilisation (%)	74	82	74	82
Despatches (mt)	22.5	24.9	22.5	24.9
Net Realisation/tonne (Rs)	3,447	3,619	3,447	3,550
Growth	(16)	5	(16)	3
Raw material costs/tonne	408	428	408	428
Power	721	755	721	755
EBITDA/tonne	856	961	856	892

Source: Company, Angel Research

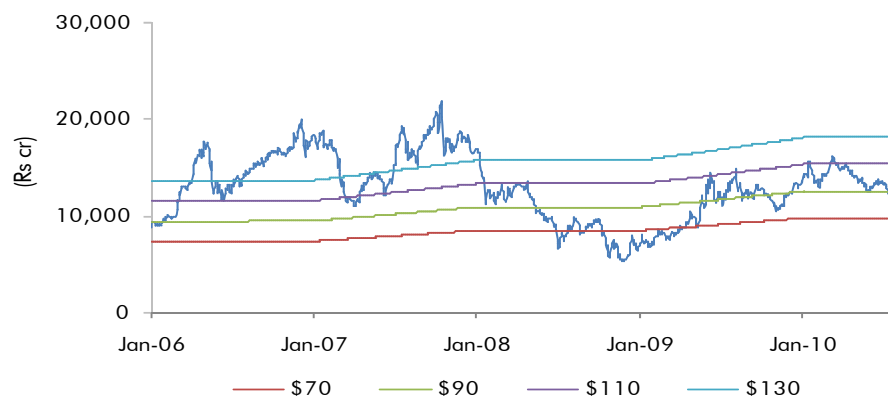
Exhibit 8: Angel EPS v/s Bloomberg Consensus

Year/(Rs)	Angel Forecast	Bloomberg Consensus	Variation (%)
CY10E	63.7	69.1	(7.8)
CY11E	74.5	68.5	8.8

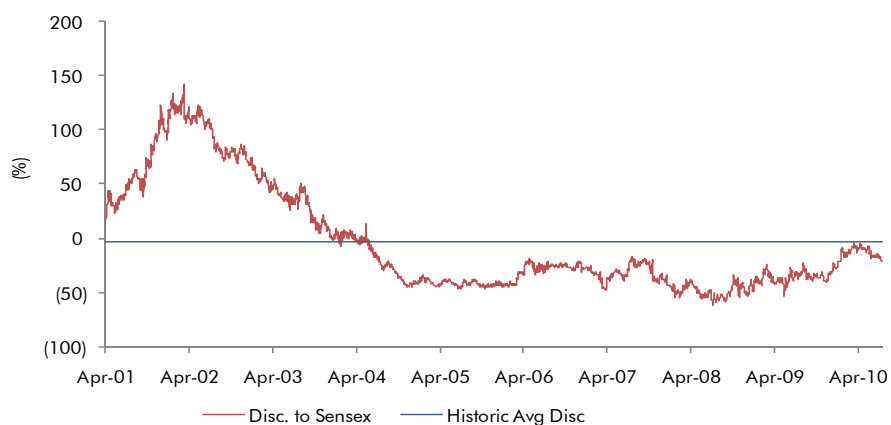
Source: Bloomberg, Angel Research

Exhibit 9: One-year forward EV/EBITDA band


Source: Company, Angel research

Exhibit 10: One year forward EV/tonne band


Source: Company, Angel research

Exhibit 11: Discount in ACC P/E to Sensex P/E


Source: Company, Angel research

Exhibit 12: Recommendation Summary

Company	Reco	CMP (Rs)	Tgt Price (Rs)	Upside (%)	FY2012E P/BV (x)	FY2012E P/E (x)	FY2010-12E EPS CAGR (%)	FY2012E RoCE (%)	FY2012E RoE (%)
ACC*	Neutral	820	-	-	2.0	11.0	(7.5)	21.3	19.0
Ambuja Cements*	Neutral	115	-	-	2.2	15.4	(3.5)	19.1	16.3
Grasim	Buy	1,826	2,216	21.4	0.9	7.0	(12.2)	15.0	13.0
India Cem	Buy	107	135	26.3	0.8	9.2	0.4	5.8	4.7
JK Lakshmi	Buy	67	98	46.3	0.6	4.3	(10.8)	12.8	14.9
Madras Cem	Buy	103	141	36.8	1.3	9.7	(15.3)	8.4	10.7
Ultratech	Buy	832	1,084	30.2	1.6	8.4	6.1	18.3	17.6

Source: Company, Angel research; Note: *Y/E dec

Profit & Loss Statement (Standalone)

Y/E Dec (Rs cr)	CY06	CY07	CY08	CY09	CY10E	CY11E
Total operating income	5,803	7,007	7,166	7,943	7,754	8,850
% chg	80.2	20.7	2.3	10.8	(2.4)	14.1
Total Expenditure	4,180	5,090	5,433	5,463	5,828	6,626
Net Raw Materials	759	903	886	956	998	1,160
Other Mfg costs	973	1,195	1,599	1,540	1,622	1,882
Personnel	318	353	413	364	418	469
Other	2,131	2,639	2,534	2,604	2,790	3,116
EBITDA	1,623	1,917	1,733	2,480	1,926	2,224
% chg	203.0	18.1	(9.6)	43.1	(22.3)	15.5
(% of Net Sales)	28.0	27.4	24.2	31.2	24.8	25.1
Depreciation & Amortisation	254	305	294	342	396	434
EBIT	1,369	1,612	1,439	2,138	1,530	1,790
% chg	269.0	17.8	(10.7)	48.5	(28.4)	17.0
(% of Net Sales)	23.6	23.0	20.1	26.9	19.7	20.2
Interest & other Charges	52	24	40	105	52	55
Other Income	142	129	338	261	310	354
(% of PBT)	8.7	6.7	18.9	11.4	17.3	16.9
Share in profit of Associates						
Recurring PBT	1,459	1,717	1,737	2,294	1,788	2,089
% chg	260.0	17.7	1.1	32.1	(22.1)	16.8
Extraordinary Expense/(Inc.)	(161)	(213)	(49)	-	-	-
PBT (reported)	1,620	1,930	1,785	2,294	1,788	2,089
Tax	388	492	524	688	590	689
(% of PBT)	23.9	25.5	29.3	30.0	33.0	33.0
PAT (reported)	1,232	1,439	1,262	1,607	1,198	1,400
ADJ. PAT	1,071	1,225	1,213	1,607	1,198	1,400
% chg	292.4	14.4	(1.0)	32.5	(25.4)	16.8
(% of Net Sales)	18.5	17.5	16.9	20.2	15.5	15.8
Basic EPS (Rs)	66	77	67	85	64	74
Fully Diluted EPS (Rs)	66	77	67	85	64	74
% chg	130.4	16.6	(12.3)	27.3	(25.4)	16.8

Balance Sheet (Standalone)

Y/E (Rs cr)	CY06	CY07	CY08	CY09	CY10E	CY11E
SOURCES OF FUNDS						
Equity Share Capital	187	188	188	188	188	188
Reserves& Surplus	2,955	3,965	4,740	5,828	6,677	7,667
Shareholders Funds	3,143	4,153	4,928	6,016	6,865	7,855
Minority Interest						
Total Loans	916	469	482	567	687	737
Deferred Tax Liability	321	331	336	349	349	349
Total Liabilities	4,380	4,953	5,746	6,932	7,901	8,942
APPLICATION OF FUNDS						
Gross Block	4,816	5,464	5,836	6,826	8,426	9,226
Less: Acc. Depreciation	1,894	2,149	2,366	2,668	3,064	3,498
Net Block	2,922	3,315	3,470	4,158	5,362	5,729
Capital Work-in-Progress	558	649	1,603	2,156	2,056	2,856
Goodwill	-	-	-	-	-	-
Investments	504	845	679	1,476	1,326	1,426
Current Assets	1,921	2,203	2,760	2,294	2,332	2,521
Cash	620	743	984	746	735	724
Loans & Advances	447	421	651	554	593	626
Other	854	1,039	1,124	994	1,004	1,171
Current liabilities	1,527	2,059	2,766	3,152	3,175	3,590
Net Current Assets	394	145	(6)	(858)	(843)	(1,069)
Mis. Exp. not written off	1	-	-	-	-	-
Total Assets	4,380	4,953	5,746	6,932	7,901	8,942

Cash Flow Statement (Standalone)

Y/E Dec (Rs cr)	CY06	CY07	CY08	CY09	CY10E	CY11E
Profit before tax	1,620	1,930	1,785	2,294	1,788	2,089
Depreciation	254	305	294	342	396	434
Change in Working Capital	393	367	309	679	27	270
Less: Other income	142	129	338	261	310	354
Direct taxes paid	388	492	524	688	590	689
Cash Flow from Operations	1,738	1,982	1,527	2,366	1,311	1,750
(Inc)/ Dec in Fixed Assets	(530)	(739)	(1,325)	(1,544)	(1,500)	(1,600)
(Inc)/ Dec in Investments	(210)	(341)	166	(797)	150	(100)
(Inc)/ Dec in loans and advances						
Other income	142	129	338	261	310	354
Cash Flow from Investing	(598)	(951)	(822)	(2,079)	(1,040)	(1,346)
Issue of Equity	12	2	2	0	-	-
Inc./(Dec.) in loans	(260)	(447)	13	85	120	50
Dividend Paid (Incl. Tax)	322	439	439	505	350	409
Others	52	24	40	105	52	55
Cash Flow from Financing	(622)	(908)	(464)	(525)	(282)	(415)
Inc./(Dec.) in Cash	517	123	241	(238)	(11)	(11)
Opening Cash balances	103	620	743	984	746	735
Closing Cash balances	620	743	984	746	735	724

Key Ratios

Y/E Dec (Rs cr)	CY06	CY07	CY08	CY09	CY10E	CY11E
Valuation Ratio (x)						
P/E (on FDEPS)	12.5	10.7	12.2	9.6	12.9	11.0
P/CEPS	10.3	8.8	9.9	7.9	9.7	8.4
P/BV	4.9	3.7	3.1	2.6	2.2	2.0
Dividend yield (%)	2.1	2.9	2.9	3.3	2.3	2.7
EV/Sales	2.6	2.1	1.9	1.6	1.7	1.4
EV/EBITDA	9.3	7.5	7.7	5.3	6.9	5.6
EV / Total Assets	3.4	2.9	2.3	1.9	1.7	1.4
Per Share Data (Rs)						
EPS (Basic)	65.7	76.6	67.2	85.5	63.7	74.5
EPS (fully diluted)	65.7	76.6	67.2	85.5	63.7	74.5
Cash EPS	79.3	92.8	82.8	103.7	84.8	97.5
DPS	17.2	23.4	23.4	26.9	18.6	21.8
Book Value	167.6	221.1	262.3	320.1	365.3	418.0
Dupont Analysis (%)						
EBIT margin	23.6	23.0	20.1	26.9	19.7	20.2
Tax retention ratio	76.1	74.5	70.7	70.0	67.0	67.0
Asset turnover (x)	1.6	1.8	1.6	1.5	1.2	1.2
ROIC (Post-tax)	28.7	30.3	22.8	27.5	15.4	15.6
Cost of Debt (Post Tax)	3.8	2.6	5.9	14.0	5.5	5.2
Leverage (x)	0.3	0.0	(0.1)	(0.1)	(0.0)	(0.0)
Operating ROE	36.1	30.6	21.3	26.5	15.2	15.6
Returns (%)						
ROCE (Pre-tax)	34.3	34.6	26.9	33.7	20.6	21.3
Angel ROIC (Pre-tax)	42.2	47.9	43.1	59.9	33.6	34.3
ROE	40.6	33.6	26.7	29.4	18.6	19.0
Turnover ratios (x)						
Asset Turnover (Gross Block)	1.2	1.4	1.3	1.3	1.0	1.0
Inventory / Sales (days)	39	35	39	36	37	36
Receivables (days)	13	13	15	12	9	9
Payables (days)	120	129	162	198	198	186
Working capital cycle (ex-cash) (days)	(4)	(21)	(40)	(60)	(75)	(70)
Solvency ratios (x)						
Net debt to equity	0.1	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)
Net debt to EBITDA	0.2	(0.2)	(0.3)	(0.1)	(0.0)	(0.0)
Interest Coverage (EBIT / Interest)	26.3	67.3	36.0	20.4	29.7	32.4

Research Team Tel: 022 - 4040 3800

E-mail: research@angeltrade.com

Website: www.angeltrade.com

DISCLAIMER

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Angel Broking Limited, its affiliates, directors, its proprietary trading and investment businesses may, from time to time, make investment decisions that are inconsistent with or contradictory to the recommendations expressed herein. The views contained in this document are those of the analyst, and the company may or may not subscribe to all the views expressed within.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavours to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Angel Broking Limited and its affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Note: Please refer to the important 'Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Limited and its affiliates may have investment positions in the stocks recommended in this report.

Disclosure of Interest Statement

ACC

1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below Rs 1 lakh for Angel, its Group companies and Directors.

Ratings (Returns) :	Buy (> 15%) Reduce (-5% to 15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
----------------------------	------------------------------------	---	--------------------