

ACC's strong volumes offset cost pressures

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ACC Ltd's cement volumes rose 27% for the fiscal year ended 31 December to 6.92 million tonnes from 5.45 million tonnes a year ago. The company follows a Jan-Dec fiscal year.

That impressive volume growth was due to a slew of factors.

Cement demand in eastern India, which contributes nearly 30% to ACC's sales, has been comparatively better than in other regions. Add to that the fact its new plants in

Jamul in Chhattisgarh and Sindri in Jharkhand are now stabilizing.

A shift in product mix towards premium products and a favourable base due to demonetization may also have boosted volumes.

Whatever the reason may be, the sharp volume growth has saved the day for ACC. Had volumes not jumped, in an environment of continuously escalating input costs and subdued realizations, the cement maker's earnings performance would have been dismal.

The company's power and fuel cost, and freight expenses increased 34% and 41%, year-

on-year, respectively. Prices of petroleum coke, slag and diesel remain elevated. Also, limited availability of linkage domestic coal further added to the cost pressure.

"Despite this, the company's efforts to optimize costs and higher utilization helped it to contain operational cost during the quarter. ACC's operating cost/tonne stood at Rs4,410, which is broadly flat y-o-y and down 3% sequentially. However, EBITDA/tonne at Rs506 still appears poor compared to other pan India cement players," Binod Modi, an analyst at Reliance Securities Ltd, said in a note. Ebitda stands for earnings before interest, tax, depreciation and amortization.

ACC's results exceeded analysts' estimates on both net profit and revenues. However, the trend in realizations, which declined in the December quarter, will be watched going ahead, analysts added.

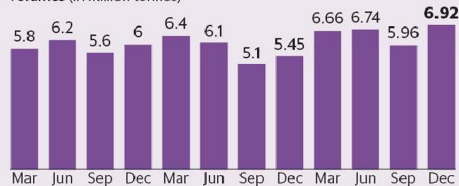
Reacting to the surprise earnings, the stock surged more than 7% intraday on BSE on Thursday. But one should not read too much into this rally because compared to other pan-India peers, the stock has been a laggard in the recent past.

On the valuation front, ACC is trading at a one-year forward price-to-earnings multiple of 23 times, lower than competitors.

On firm ground

ACC's cement volumes benefited from capacity expansion and better demand in the east.

Volumes (in million tonnes)



Source: Company

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