KARVY STOCK BROKING LIMITED

08 January 2003
Q3FY03 Results Preview

ACC

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Under Performer
Rs153.90

Continued Pricing pressure

ACC is expected to post recurring PBT of Rs140.18 million in Q3FY03 (Rs293.4 million) - a decline of 47.8% YoY. Net profit (because of profit on sale of investment) is expected to be Rs342.26million (Rs169.30 million).

Key Issues

- Maharashtra (16.94% of dispatches), UP (15.83%) and Punjab (13.3%) are the three largest markets for ACC. Prices in Maharashtra recovered primarily from mid-November. But, the exact reverse happened in UP where the prices began to decline in the same period. Punjab remained stable till November but declined in December'02.
- **Domestic coal prices (basic and royalty) were hiked effective from mid-August 2002.** Royalty has been increased from Rs135/tonne to Rs165/tonne and the basic price has been hiked from Rs1040/tonne to Rs1120/tonne. Net impact is higher coal price/tonne by Rs114.4 (assuming 4% Sales Tax) or up 9.33%. The full impact will be reflected in Q3FY03. In Q2FY03, P&F cost/tonne of ACC was higher by Rs51.78 to Rs541.34/tonne. ACC is almost entirely on domestic coal (including for captive power, where fuel is pass through cost).
- Volume growth (7.6% YoY and no growth QoQ) will not offset the impact of decline in prices and increase in **variable cost.**

View and Valuation

ACC is the most expensive stock among the cement majors (excluding India Cements) and is not justified by fundamentals. We maintain our **Under Performer** rating on the stock.

Rs Million

	Q3FY03	Q3FY02	(%)
Net Sales	6942.75	7038.60	**-1.36**
EBIDTA	830.43	1100.70	**-24.55**
EBIDTA (%)	**11.96**	**15.64**	
Profit before Tax	140.18	293.40	
Profit after Tax	**342.26**	**169.30**	**102.16**

Note: PAT includes profit on sale of investments of Rs251.79million

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Stock Ratings		Absolute Returns
Buy	:	> 25%
Out Performer	:	16 - 25%
Market Performer	:	0 - 15%
Under Performer	:	< 0%

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