

# ACC profit higher on increased demand

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The country's largest cement producer, **ACC Ltd**, on Thursday reported a 42.22% increase in profit for calendar 2009, thanks to higher prices and increased demand as the economy recovers.

Despite a fall in profit for the last quarter due to lower realizations, annual profit grew to Rs1,563.91 crore from Rs1,099.64 crore in 2008.

Profit in the December quarter fell to Rs279.7 crore from Rs299.7 crore in the year-ago period. A one-time cost of Rs60 crore for the quarter also pulled down ACC's earnings, analysts said. The company did not disclose its expenses.

**Ambuja Cements Ltd**—which, like ACC, is owned by Swiss firm **Holcim Ltd**—posted a 13.1% fall in profit for the year. Profit fell to Rs1,218 crore from Rs1,402 crore in 2008, it said in a media release. Profit for the last quarter was also down at Rs240 crore from Rs249 crore in the year-ago period.

Analysts said the results were a reflection of difficult market conditions, particularly in the December quarter when cement prices fell across India.

"Cement prices have fallen across the country, particularly in the south, where prices dropped 27% since April.

Though prices have recovered since, that impact is still showing," said Rupesh Sankhe, an analyst with **Angel Broking Ltd**, on the fall in quarterly profit.

"The results are below our expectations," said an analyst with a Mumbai-based domestic private brokerage of both firms' performance. "Quarter-on-quarter realizations have dropped 9%, more than the 5-6% drop we had expected."

ACC's realization dropped to Rs3,585 a tonne in the quarter compared with Rs3,931 per tonne in the September quarter. Ambuja's realizations were also 9% lower at Rs3,620 per tonne against Rs3,978 a tonne in the September quarter. Realizations are tracked on a quarter-on-quarter basis because they give an indication of the monthly movement in prices.

The shares of both firms dropped more than 2% each on the Bombay Stock Exchange on a day when the benchmark Sensex fell 1.64%.

In its earnings statement, ACC said it would buy a 45% stake in **Asian Cement and Concrete Pvt. Ltd's** 300,000-tonne cement grinding unit in Himachal Pradesh, which is scheduled to increase capacity by 1 million tonnes.

ACC said it also plans to increase its total capacity to 30 million tonnes by the September quarter from the current 26 million.