

### Rating Matrix

Rating	: Hold
Target	: ₹ 115
Target Period	: 12-15 months
Potential Upside	: 10%

### What's Changed?

Target	Changed from ₹ 132 to ₹ 115
EPS FY17E	Unchanged
EPS FY18E	Unchanged
Rating	Changed from Buy to Hold

### Quarterly Performance

	Q2FY17	Q2FY16	YoY (%)	Q1FY17	QoQ (%)
Revenue	365.8	311.5	17.4	449.1	-18.6
EBITDA	58.9	55.2	6.6	91.5	-35.7
EBITDA (%)	16.1	17.7	-163 bps	20.4	-429 bps
PAT	0.7	-7.9	-108.7	23.6	-97.1

### Key Financials

₹ crore	FY15	FY16	FY17E	FY18E
Net Sales	1,427.0	1,709.5	2,033.2	2,511.8
EBITDA	435.1	395.0	455.8	575.8
Net Profit	83.4	92.0	131.1	187.6
EPS (₹)	3.8	4.1	5.9	8.4

\* Previous figures include ferro alloy business

### Valuation Summary

	FY15	FY16	FY17E	FY18E
P/E	27.9	25.3	17.8	12.4
Target P/E	29.8	27.0	19.0	13.3
EV / EBITDA	6.9	7.7	6.7	5.1
EV / Tonne	161.5	164.4	164.3	118.3
Price/Book value	3.4	3.1	2.7	2.3
RoCE	12.5	12.0	15.7	19.0
RoNW	12.3	12.3	15.3	18.4

\* Previous figures include ferro alloy business

### Stock Data

Market Capitalization	₹ 2332.8 Crore
Total Debt (FY16)	₹ 749.1 Crore
Cash and Investments (FY16)	₹ 24.5 Crore
EV	₹ 3057.4 Crore
52 week H/L	140 / 96
Equity capital	₹ 22.2 Crore
Face value	₹ 1

### Price Performance (%)

Return (%)	1M	3M	6M	12M
Star Cement	10.8	0.2	(0.0)	(19.5)
Shree Cement	14.6	27.3	61.0	50.8
Heidelberg	13.0	32.9	81.2	75.9
JK Lakshmi	9.4	20.8	40.9	28.9

### Research Analysts

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## Star Ferro & Cement (STAFER)

₹105

### Margin pressure stays despite robust volume

- Star Ferro & Cement's (SFCL) Q2FY17 results were above our estimates. Revenues increased 17.4% YoY to ₹ 365.8 crore (above I-direct estimate of ₹ 349.5 crore) led by 28.1% YoY increase in volumes to 0.60 MT (vs. I-direct estimate of 0.62 MT) while realisation declined 8.4% YoY to ₹ 6,086 (vs. I-direct estimate of ₹ 5,674). Geographically, the company saw 23.0% YoY growth in volumes in North East and 36.0% YoY growth in volumes outside North East
- On the margin front, EBITDA margin declined 163 bps to 16.1% led by an increase in raw material expenses (up 52.0% YoY). However, it remained above our estimated EBITDA margin of 14.4%. EBITDA/t declined 16.8% YoY to ₹ 980/t (vs. I-direct estimate of ₹ 817/t)

### Improvement in demand from infra projects to drive growth...

SFCL is the largest cement player in the North East region (NER) with over 27% market share. Demand growth in this region has consistently stayed higher than growth at the pan-India level. With the government's thrust on infrastructure development, demand growth in NER is expected to grow at a healthy pace over next few years. Considering this, SFCL is expected to clock revenue CAGR of 21.2% in FY16-18E.

### ...but declining operating margins, policy changes a key challenge

EBITDA margins declined from 30.4% in FY15 to 23.9% in FY16 mainly due to an increase in coal cost, higher freight and RM cost. Over the next two years, we expect cost pressures to continue to make it difficult for the company to regain 30% levels in operating margins. Further, various benefits (like capital investment subsidy, interest subsidy on working capital and transport subsidy) that the company enjoys under the NE Industrial Policy (NEIIPP 2007) will expire in 2018. This will put further pressure on the operating margins of the company.

### Receipt of subsidy a key trigger

The company is entitled to receive ~₹ 600 crore of subsidy from the government. However, the receipt of subsidy has been delayed resulting in increased debt. The company has received ₹ 25 crore subsidy in Q1FY17 and expects to receive the balance amount in the next two or three quarters. We believe receipt of subsidy could help make the company debt free (FY16 debt was at ₹ 749 crore) and act as a key trigger for the company.

### Uncertainty on subsidy, policy change prompt downgrade to HOLD

During the quarter, the company indicated that some green shoots in infra demand were visible in hydel, road and rail projects. Further, SFCL expects demand in the North East to grow at a CAGR of 10.0% over the next few years. Being a dominant player in this region, we expect the company to be a major beneficiary of this. Further, SFCL has consistently improved its market share from 23.0% to 27.0% and aims to achieve market share of over ~30% over the next five to seven years. However, consistent pressure on margins (due to higher operating cost and falling realisation), uncertainty on continuation of subsidy benefits beyond FY18 and equity dilution prompt us to downgrade the stock from BUY to HOLD. Hence, we revise our target price downwards to ₹ 115/share (i.e. 9.0x FY18E EV/EBITDA on diluted basis).

## Variance analysis

	Q2FY17	Q2FY17E	Q2FY16	YoY (%)	Q1FY17	QoQ (%)	Comments
Total Operating Income	365.8	349.5	311.5	17.4	449.1	-18.6	Cement revenues increased 17.4% YoY led by 28.1% YoY growth in volumes while realisation declined 8.4% YoY
Other Income	0.5	0.4	1.2	17.4	0.4	N.A	
Increase/Decrease in Stock	0.0	0.0	-16.4	-100.0	0.0	NA	
Raw Material Expenses	95.2	79.9	62.7	52.0	98.0	-2.8	The increase in RM cost was mainly led by higher volumes in traded goods
Employee Expenses	31.9	23.9	30.5	4.7	29.3	8.9	
Other Expenses	179.7	195.4	179.5	0.1	230.2	-21.9	Decline in coal cost led to flat other expenses during the quarter
EBITDA	58.9	50.3	55.2	6.6	91.5	-35.7	
EBITDA Margin (%)	16.1	14.4	17.7	-163 bps	20.4	-429 bps	Increase in RM cost led to lower EBITDA margins
Depreciation	35.8	33.0	42.8	-16.3	34.2	4.7	
Interest	19.9	21.0	21.6	-8.3	21.0	-5.3	
PBT	4.0	-3.3	-7.9	-150.3	36.7	-89.2	
Total Tax	1.4	-0.3	1.6	-13.7	0.5	150.3	
Minority Interest	1.9	-1.0	-1.6	-219.5	12.6	-84.6	
PAT	0.7	-1.9	-7.9	-108.7	23.6	-97.1	With a better topline, the company managed to report a net profit vs. net loss in the previous year

## Key Metrics

							Comments
Volume (MT)	0.60	0.62	0.47	28.1	0.76	-20.4	Strong demand in the NE and outside NE region led to an increase in volume growth
Realisation (₹)	6,086	5,674	6,641	-8.4	5,948	2.3	
EBITDA per Tonne (₹)	980	817	1,177	-16.8	1,212	-19.2	Pricing pressure and higher cost led to lower EBITDA/tonne

Source: Company, ICICIdirect.com Research

## Change in estimates

(₹ Crore)	FY17E			FY18E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,039.2	2,037.4	-0.1	2,513.6	2,516.4	0.1	We expect revenues to grow at a CAGR of 21.2% in FY16-18E
EBITDA	456.9	455.8	-0.2	574.1	575.8	0.3	
EBITDA Margin (%)	22.4	22.4	-4 bps	22.8	22.9	4 bps	We expect EBITDA to stabilise at 22.9% in FY18E
PAT	131.5	130.8	-0.5	186.6	187.6	0.5	
EPS (₹)	5.9	5.9	-0.5	8.4	8.4	0.5	

Source: Company, ICICIdirect.com Research

## Assumptions

	Current				Earlier		Comments	
	FY14	FY15	FY16	FY17E	FY17E	FY18E		
Volume (MT)	1.8	2.3	2.6	3.2	4.0	3.2	4.0	We expect volumes to increase at a CAGR of 23.2% over FY16-18E
Realisation (₹)	6,697	6,182	6,500	6,408	6,305	6,365	6,298	
EBITDA per Tonne (₹)	1,455	1,880	1,492	1,433	1,443	1,426.0	1,438.0	EBITDA/tonne to reach ₹ 1,443 in FY18E

Source: Company, ICICIdirect.com Research \* Earlier figures include ferro alloy business

## Company Analysis

### Dominant player in North-East region

Star Ferro Cement (SFCL) is the largest cement player in the North-East region (NER) with over 23% market share. Demand growth in this region has consistently remained higher than the growth at pan-India level. SFCL has expanded its capacity from 1.5 MT in FY13 to 3.9 MT in FY16. This, in turn, has helped SFCL gain market share in the NER. With the government's thrust on infrastructure development, demand growth in NER is expected to remain healthy over the coming years.

### Declining operating margins, policy changes a key challenge

EBITDA margins have declined from 30.4% in FY15 to 23.9% in FY16 mainly due to an increase in coal cost, higher freight and RM cost. Over the next two years, we expect cost pressures to continue to make it difficult for the company to regain 30% levels in operating margins. Further, various benefits (like capital investment subsidy, interest subsidy on working capital and transport subsidy) that the company enjoys under the NE Industrial Policy (NEIIPP 2007) will expire in 2018. This will put further pressure on the operating margins of the company.

### Receipt of subsidy a key trigger

The company is entitled to receive ~₹ 600 crore of subsidy from the government. However, the receipt of subsidy has been delayed resulting in increased debt. The company has received ₹ 25 crore subsidy in Q1FY17 and expects to receive the balance amount in the next two or three quarters. We believe the receipt of subsidy could help make the company debt free (FY16 debt was at ₹ 749 crore) and act as a key trigger for the company.

### Reverse merger of SFCL in Star Cement to simplify holding structure

The board has approved the reverse merger of Star Ferro & Cement with Star Cement. Under this scheme, Star Ferro & Cement shareholders will receive 1.33 shares of Star Cement for every share held. Consequently, Star Ferro & Cement will be dissolved and Star Cement will be the new entity. The price of the company will be adjusted to ~₹ 80 per share. The merger will help the promoter gain listing benefits as previously the promoter shares were privately held. Hence, this will represent true holding of promoters i.e. 74.9% from 64.4%. We believe these changes will be effective in the next two or three quarters.

#### Exhibit 1: Pre-merger promoter holding of company

Pre-merger holding in Star ferro & cement		
SFCL	Number of shares	% Holding
Promoter	143,123,840.2	64.4
Others	79,049,149.8	35.6
<b>Total</b>	<b>222,172,990.0</b>	<b>100.0</b>

Pre-merger holding in star cement		
SCL	Number of shares	% Holding
SFCL	295,475,000.0	70.5
Promoters	123,673,559.9	29.5
Public	65,360.0	0.0
<b>Total</b>	<b>419,213,920.0</b>	<b>100.0</b>

Pre-merger effective promoter holding	
SCL	% Holding
Promoter thr SFCL	45.4
Promoter	29.5
<b>Total</b>	<b>74.9</b>

Source: Company, ICICIdirect.com Research

Under the merger, every shareholders of SFCL will receive 1.33 shares of SCL for every one share held. Hence, the number of shares will increase from 22.2 crore shares to 29.5 crore shares. Further, considering 12.4 crore shares of promoters in SCL, overall shares in SCL are expected to reach 41.92 crore

#### Exhibit 2: Post merger shareholding pattern

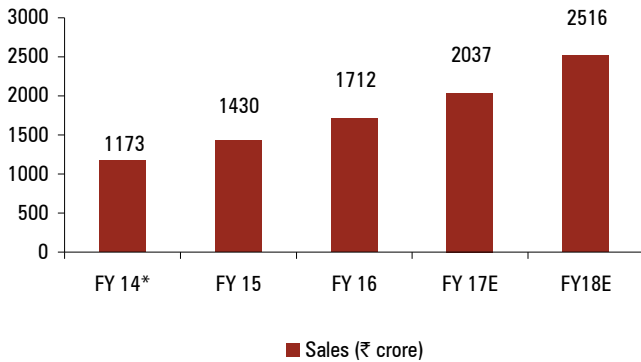
SCL	Number of shares	% Holding
Promoter	314,028,267.3	74.9
Others	105,135,369.3	25.1
Public	65,360.1	0.0
<b>Total</b>	<b>419,228,996.7</b>	<b>100.0</b>

Source: Company, ICICIdirect.com Research

### Expect cement revenue CAGR of 21.2% during FY16-18E

SFCL has increased its total cement capacity from 1.27 MT in FY12 to 3.1 MT in FY14. SFCL has also taken three grinding units on hire with total capacity of 0.76 MT. This leads to a total capacity of ~3.9 MT. Moreover, SFCL is exploring opportunities to debottleneck its existing capacity thereby further increasing its capacity by 0.4 MT. Given this backdrop, we expect cement revenues to grow at 21.2% CAGR in FY16-18E.

**Exhibit 3: Cement revenues to grow at CAGR of 21.2% in FY16-18E**



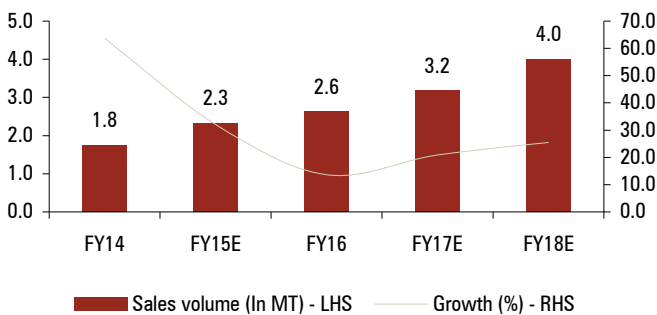
Source: Company, ICICIdirect.com Research, \* Figures include ferro alloy business

**Exhibit 4: Capacity addition plans (standalone)**

Sr no	Location	Cement Capacity (MT)	Category	Remarks
1	Meghalaya	0.62	Integrated unit	
2	Meghalaya	0.70	Clinker unit	Q4FY13
3	Guwhati (Assam)	1.80	Grinding unit	Q4FY13
4	West Bengal	0.46	Grinding unit	On lease from Q3FY15
5	West Bengal	0.30	Grinding unit	On lease from Q3FY16
5	West Bengal	1.00	Grinding unit	FY18E
Capacity at the end of FY18E		4.88		

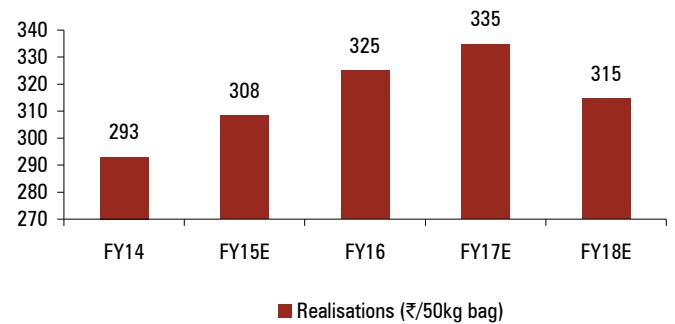
Source: Company, ICICIdirect.com Research

**Exhibit 5: Volume to grow led by capacity expansion**



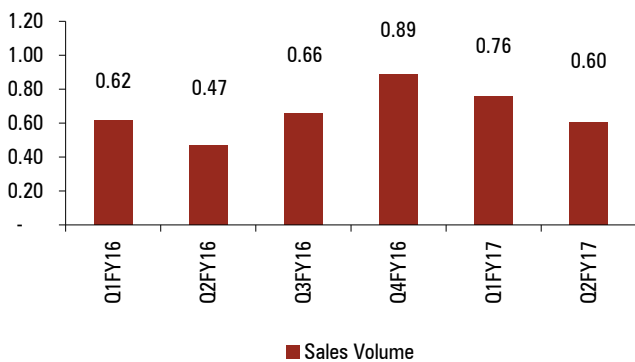
Source: Company, ICICIdirect.com Research

**Exhibit 6: Realisation trend**



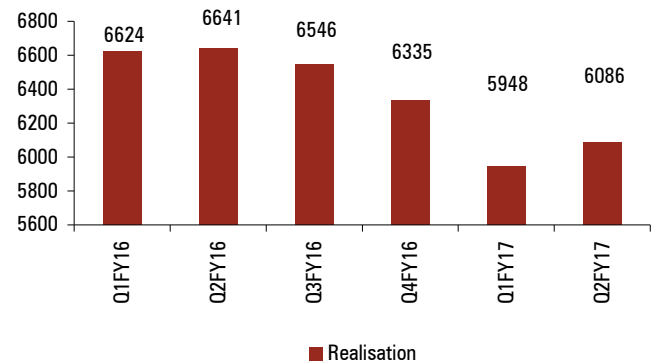
Source: Company, ICICIdirect.com Research

**Exhibit 7: Q2FY17 volume increases 28% YoY to 0.60 MT...**



Source: Company, ICICIdirect.com Research

**Exhibit 8: ...realisation at ₹ 6,086 during quarter**

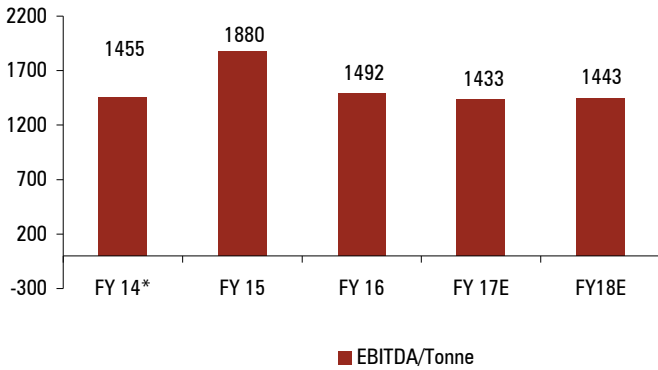


Source: Company, ICICIdirect.com Research, \* Figures include ferro alloy business

**Margins to remain under pressure due to increase in operating cost**

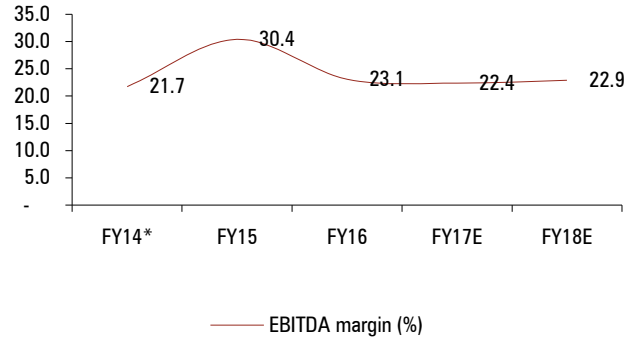
We expect pricing pressure and increase in operating expenses led by increase in marketing spend to pressurise margins in the next two years.

**Exhibit 9: Expect EBITDA/tonne of ₹ 1,443 in FY18E**



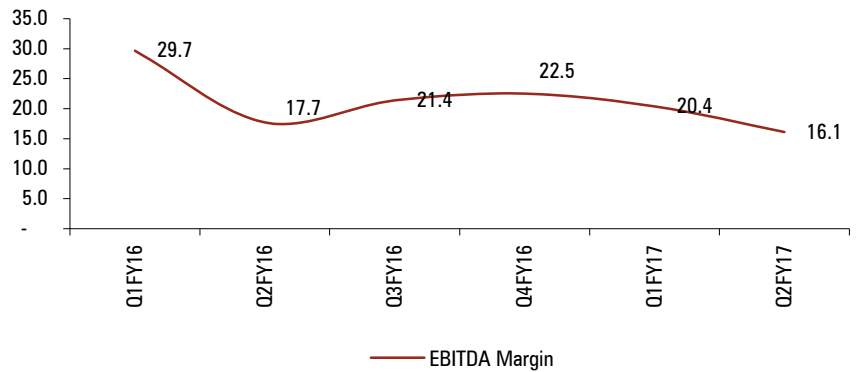
Source: Company, ICICIdirect.com Research \* previous figures include ferro alloy business

**Exhibit 10: EBITDA growth trend**



Source: Company, ICICIdirect.com Research \* Previous figures include ferro alloy business

**Exhibit 11: EBITDA margin at 16.1% in Q2FY17**

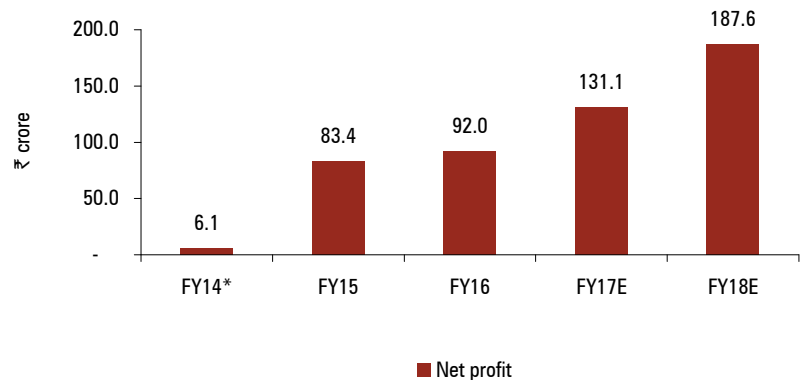


Source: Company, ICICIdirect.com Research \* Previous figures include ferro alloy business

**Net profit to increase from ₹ 92 crore to ₹ 187 crore in FY18E**

Net margin declined from 5.8% in FY15 to 5.4% in FY16. However, net margin is expected to increase to 7.5% in FY18E mainly led by lower depreciation and interest expenses.

**Exhibit 12: Profitability growth trend**



Source: Company, ICICIdirect.com Research \* Previous figures include ferro alloy business

## Valuations

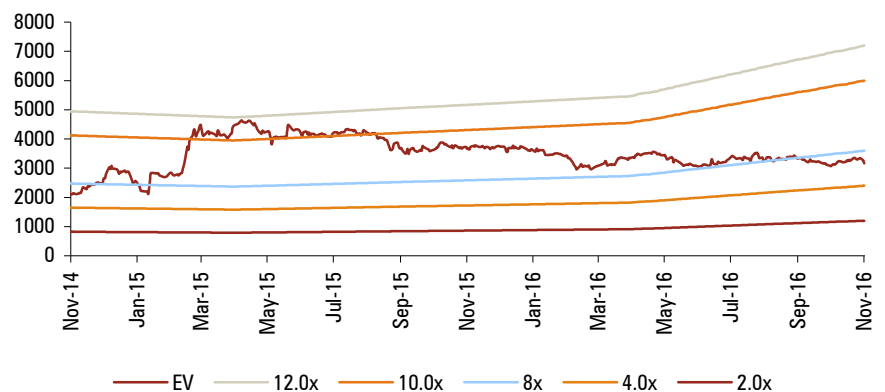
During the quarter, the company indicated that some green shoots in infra demand were visible in hydel, road and rail projects. Further, the company expects demand in the North East to grow at a CAGR of 10.0% over the next few years. SFCL being a dominant player in this region, we expect the company to be a major beneficiary of this. Further, the company has consistently improved its market share from 23.0% to 27.0% and aims to achieve market share of over ~30% over the next five to seven years. Considering this, SFCL is expected to clock revenue CAGR of 21.2% in FY16-18E. However, consistent pressure on margins (due to higher operating cost and falling realisation), uncertainty on continuance of subsidy benefits beyond FY18 and equity dilution prompt us to downgrade the stock from BUY to **HOLD**. Hence, we revise our target price downwards to ₹ 115/share (i.e. 9.0x FY18E EV/EBITDA on a diluted basis).

### Exhibit 13: Key assumptions

₹ per tonne	FY14*	FY15	FY16	FY17E	FY18E
Sales Volume	1.8	2.3	2.6	3.2	4.0
Net Realisation*	6697	6182	6500	6408	6305
Total Expenditure	5242	4301	5008	4974	4862
Raw material	1196	940	1373	1440	1450
Changes in Inventory	-44	52	-121	0	0
Employee cost	448	394	438	410	380
Other expenses	3642	2915	3353	3124	3032
EBITDA per Tonne	1455	1880	1492	1433	1443

Source: ICICIdirect.com Research, \* Previous figures include ferro alloy business

### Exhibit 14: One year forward EV/EBITDA



Source: Company, ICICIdirect.com Research

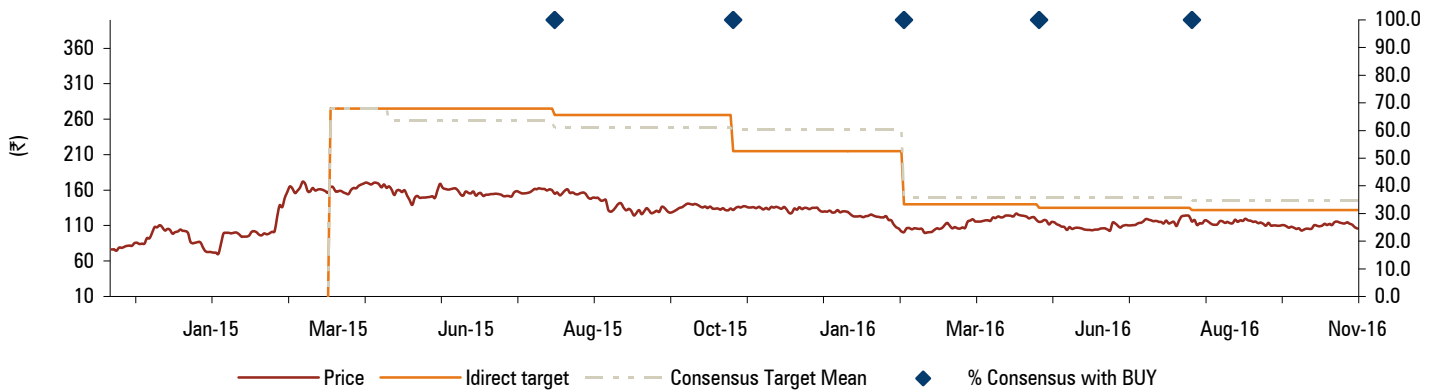
### Exhibit 15: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/Tonne (\$)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY15	1427.0	21.9	3.8	1,151.4	27.9	161.5	7	12.3	12.5
FY16	1709.5	19.8	4.1	10.3	25.3	164.4	8	12.3	12.0
FY17E	2033.2	18.9	5.9	42.4	17.8	164.3	7	15.3	15.7
FY18E	2511.8	23.5	8.4	43.1	12.4	118.3	5	18.4	19.0

\* Previous figures include ferro alloy business



### Recommendation history vs. consensus estimates



Source: Bloomberg, Company, ICICIdirect.com Research

### Key events

Date	Event
Mar-05	Commences operations with cement capacity of 0.40 MT and power capacity of 8 MW
Mar-12	Increases clinker capacity from 0.80 MT to 2.60 MT, cement capacity from 1.27 MT to 3.0 MT and power capacity from 8 MW to 51 MW
Apr-15	Completes process of de-merger of ferro alloys division of Star Ferro and Cement (SFCL) into Shyam Century Ferrous Ltd
Oct-15	Hired 0.3 MT grinding unit in West Bengal

Source: Company, ICICIdirect.com Research

### Top 10 Shareholders

Rank	Name	Last filing date	% O/S	Position (m)	Change (m)
1	Bhajanka (Prem Kumar)	30-Sep-16	12.6	27.9	0.00
2	Agarwal (Sanjay)	30-Sep-16	7.6	16.8	0.00
3	Bhajanka (Santosh)	30-Sep-16	6.8	15.0	0.00
4	Bhajanka (Sajjan)	30-Sep-16	6.7	14.9	0.00
5	Agarwal (Divya)	30-Sep-16	6.5	14.5	0.00
6	Agarwal (Subham)	30-Jun-16	5.0	11.1	0.74
7	Agarwal (Brij Bhushan)	30-Jun-16	3.9	8.7	0.34
8	Sriram Vanijya Pvt. Ltd.	30-Sep-16	3.8	8.5	0.00
9	Brijdham Merchants Pvt. Ltd.	30-Sep-16	3.5	7.7	0.00
10	Sumangal International Pvt. Ltd.	30-Sep-16	3.5	7.7	0.00

### Shareholding Pattern

(in %)	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Promoter	66.37	66.43	66.64	66.65	64.42
FII	0.11	0.11	0.11	0.11	0.12
DII	0.01	0.01	0.01	0.01	1.76
Others	33.52	33.46	33.25	33.24	33.70

Source: Reuters, ICICIdirect.com Research

### Recent Activity

Buys			Sells		
Investor Name	Value	Shares	Investor Name	Value	Shares
Narantak Dealcomm Ltd.	5.27	3.12	Agarwal (Sumitra Devi)	-7.05	-4.41
Agarwal (Hari Prasad) HUF	2.45	1.53	Agarwal (Mahabir Prasad)	-0.08	-0.04
Agarwal (Mittu)	2.55	1.51	L&T Investment Management Limited	-0.01	-0.01

Source: Reuters, ICICIdirect.com Research

## Financial summary

### Profit and loss statement ₹ Crore

(Year-end March)	FY14*	FY15	FY16	FY17E	FY18E
Total operating Income	1,173.3	1,430.4	1,712.1	2,037.4	2,516.4
Growth (%)	77.9	21.9	19.7	19.0	23.5
Raw material cost	209.6	217.6	365.7	457.8	578.7
Inc/dec in stock	-7.8	11.9	-20.2	0.0	0.0
Employees cost	78.9	91.3	108.4	130.5	151.7
Others	637.7	674.5	863.2	993.3	1,210.2
Total Operating Exp.	918.4	995.4	1,317.1	1,581.7	1,940.6
EBITDA	254.9	435.1	395.0	455.8	575.8
Growth (%)	115.4	70.7	-9.2	15.4	26.3
Depreciation	161.6	223.7	171.5	137.5	170.3
Interest	87.2	87.4	83.4	80.5	67.1
Other Income	4.3	4.2	4.4	4.3	4.7
PBT	10.4	128.2	144.5	242.0	343.1
Total Tax	2.7	4.8	5.5	44.2	61.1
PAT	6.1	83.4	92.0	131.1	187.6
Growth (%)	-75.3	1,266.6	10.3	42.5	43.1
Adjusted EPS (₹)	0.3	3.8	4.2	5.9	8.4

Source: Company, ICICIdirect.com Research, \* Previous figures include ferro alloy business

### Cash flow statement ₹ Crore

(Year-end March)	FY14*	FY15	FY16	FY17E	FY18E
Profit after Tax	6.1	83.4	92.0	131.1	187.6
Add: Depreciation	161.6	223.7	171.5	137.5	170.3
(Inc)/dec in Current Assets	-183.8	-178.3	-372.9	-226.9	-184.1
Inc/(dec) in CL and Provisions	260.4	142.0	183.3	155.1	77.0
CF from operating activities	244.3	270.8	73.9	196.7	250.8
(Inc)/dec in Investments	0.0	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-139.5	-21.5	-70.6	-156.0	-105.0
Others	-7.8	87.5	49.2	67.0	94.5
CF from investing activities	-147.2	66.0	-21.5	-89.0	-10.5
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-11.8	-152.5	57.3	0.0	-150.0
Dividend paid & dividend tax	-12.2	-26.0	-25.9	-26.0	-26.0
Inc/(dec) in Sec. premium	0.0	-63.4	3.8	0.0	0.0
Others	-87.5	-87.4	-83.4	-80.5	-67.1
CF from financing activities	-111.5	-329.3	-48.2	-106.5	-243.1
Net Cash flow	-14.4	7.6	4.3	1.2	-2.8
Opening Cash	27.1	12.7	20.3	24.5	25.7
Closing Cash	12.7	20.3	24.5	25.7	22.9

Source: Company, ICICIdirect.com Research, \* Previous figures include ferro alloy business

### Balance sheet ₹ Crore

(Year-end March)	FY14*	FY15	FY16	FY17E	FY18E
<b>Liabilities</b>					
Equity Capital	22.2	22.2	22.2	22.2	22.2
Reserve and Surplus	664.1	658.1	727.9	833.0	994.5
Total Shareholders funds	686.3	680.3	750.2	855.2	1,016.8
Total Debt	844.3	691.8	749.1	749.1	599.1
Deferred Tax Liability	77.3	94.6	107.2	107.2	107.2
Minority Interest / Others	252.9	323.1	359.6	426.7	521.2
Total Liabilities	1,860.7	1,789.7	1,966.1	2,138.1	2,244.2
<b>Assets</b>					
Gross Block	1,582.4	1,662.4	1,725.0	1,830.0	1,935.0
Less: Acc Depreciation	410.7	634.4	805.9	943.4	1,113.7
Net Block	1,171.7	1,028.0	919.1	886.6	821.3
Capital WIP	99.5	41.0	49.0	100.0	100.0
Total Fixed Assets	1,271.2	1,068.9	968.1	986.6	921.3
Investments	1.5	1.5	1.5	1.5	1.5
Inventory	175.5	109.1	209.2	250.7	309.7
Debtors	109.7	309.8	448.8	533.8	619.4
Loans and Advances	286.8	680.2	814.0	894.6	929.4
Other Current Assets	349.4	0.4	0.5	20.3	25.1
Cash	12.7	20.3	24.5	25.7	22.9
Total Current Assets	934.0	1,119.9	1,497.0	1,725.1	1,906.4
Creditors	148.7	77.0	140.4	167.1	206.5
Provisions	197.7	324.0	360.6	408.4	379.0
Total Current Liabilities	346.4	401.0	501.0	575.5	585.4
Net Current Assets	587.6	718.9	996.1	1,149.6	1,321.0
Others Assets	0.0	0.0	0.0	0.0	0.0
Application of Funds	1,860.3	1,789.3	1,965.7	2,137.8	2,243.8

Source: Company, ICICIdirect.com Research, \* Previous figures include ferro alloy business

### Key ratios

(Year-end March)	FY14*	FY15	FY16	FY17E	FY18E
<b>Per share data (₹)</b>					
EPS	0.3	3.8	4.1	5.9	8.4
Cash EPS	7.6	13.8	11.9	12.1	16.1
BV	30.9	30.6	33.8	38.5	45.8
DPS	0.5	1.0	1.0	1.0	1.0
Cash Per Share	0.6	0.9	1.1	1.2	1.0
<b>Operating Ratios (%)</b>					
EBITDA Margin	21.8	30.5	23.1	22.4	22.9
PBT / Total Operating income	0.6	8.7	8.4	11.9	13.7
PAT Margin	0.5	5.8	5.4	6.4	7.5
Inventory days	54.7	27.9	44.7	45.0	45.0
Debtor days	34.2	79.2	95.8	95.8	90.0
Creditor days	46.3	19.7	30.0	30.0	30.0
<b>Return Ratios (%)</b>					
RoE	0.9	12.3	12.3	15.3	18.4
RoCE	5.2	12.5	12.0	15.7	19.0
RoIC	5.3	12.2	11.8	15.8	19.1
<b>Valuation Ratios (x)</b>					
P/E	381.9	27.9	25.3	17.8	12.4
EV / EBITDA	12.4	6.9	7.7	6.7	5.1
EV / Net Sales	2.7	2.1	1.8	1.5	1.2
Market Cap / Sales	2.0	1.6	1.4	1.1	0.9
Price to Book Value	3.4	3.4	3.1	2.7	2.3
<b>Solvency Ratios</b>					
Debt/EBITDA	3.3	1.6	1.9	1.6	1.0
Debt / Equity	1.2	1.0	1.0	0.9	0.6
Current Ratio	2.7	2.8	3.0	3.0	3.3
Quick Ratio	2.2	2.5	2.6	2.6	2.7

Source: Company, ICICIdirect.com Research, \* Previous figures include ferro alloy business



## ICICIdirect.com coverage universe (Cement)

Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			EV/EBITDA (x)			EV/Tonne (\$)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)			FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
ACC*	1502	1760	Buy	28,266	31.3	46.8	61.2	23.4	18.5	15.2	149	134	130	6.0	9.8	11.9	7.0	9.9	12.0
Ambuja Cement*	240	280	Buy	37,200	5.2	5.8	6.4	29.7	24.3	21.0	164	156	156	7.9	11.0	12.8	7.8	10.9	11.5
UltraTech Cem	3872	4600	Buy	106,248	79.3	104.3	127.8	25.2	20.1	17.0	270	257	250	10.8	13.2	15.4	10.5	12.0	13.5
Shree Cement	16160	18650	Hold	56,237	131	494	624	43.6	21.2	14.1	350	323	317	5.3	20.3	23.5	7.4	22.1	22.1
Heidelberg Cem	139	135	Hold	3,059	1.7	4.8	7.0	18.5	11.6	9.4	120	117	114	7.1	13.5	16.2	4.3	10.8	13.7
India Cement	150	190	Buy	4,608	4.4	8.6	5.8	9.7	7.7	8.5	82	79	77	8.4	10.9	8.8	4.1	6.9	4.5
JK Cement	890	990	Hold	6,224	15.4	33.5	45.0	17.2	12.4	11.1	120	116	116	8.9	12.3	13.7	6.3	12.8	14.4
JK Lakshmi Cem	470	550	Buy	5,532	1.1	7.0	14.1	26.2	17.4	11.9	143	122	88	3.4	7.7	12.2	1.0	5.9	10.7
Mangalam Cem	336	365	Buy	897	0.0	25.5	25.6	34.9	7.2	7.1	63	52	49	1.4	15.3	14.9	NA	12.5	11.3
SFCL	105	115	Hold	2,331	4.1	5.9	8.4	7.7	6.7	5.1	164	164	118	12.0	15.7	19.0	12.3	15.3	18.4

Source: Company, ICICIdirect.com Research

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