

Star Ferro & Cement (STAFER)

₹115

Cost pressures dent margins...

- Star Ferro's (SFCL) revenues increased 11.1% YoY to ₹ 563.2 crore (above I-direct estimate of ₹ 509.8 crore) led by 10.0% YoY increase in volumes to 0.89 MT (vs. I-direct estimate of 0.81 MT)
- EBITDA margins declined from 30.5% in Q4FY15 to 22.5% (below I-direct estimate of 30.1%) led by increase in raw material expenses (up 77.2% YoY driven by higher volumes in traded goods) and other expenses (up 17.5% YoY due to increase in freight expenses)
- The company reported a net profit decline of 27.7% YoY to ₹ 39.8 crore (below I-direct estimate of ₹ 50.3 crore), mainly due to lower EBITDA margin and higher interest expenses (up 7.8% YoY)
- For the full year FY16, revenues grew 19.8% YoY to ₹ 1,709.5 crore while EBITDA margins declined 735 bps YoY to 23.1%. Overall, net profit grew 10.3% YoY ₹ 92.0 crore in FY16

Healthy demand environment to drive utilisation...

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 growth at pan-India level. With the government's thrust on infrastructure development, demand growth in NER is expected to remain healthy over the coming years. Given this backdrop, Star Ferro is expected to clock revenue CAGR of 22.9% in FY16-18E.

...but 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 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 further put pressure on the operating margins of the company.

Debt to remain at elevated levels

The company's debt has increased from ₹ 691.8 crore in FY15 to ₹ 749.1 crore mainly due to lower operating margins and increase in working capital requirement. Going forward, the company aims to set up 1 MT capacity in Siliguri by FY18E, which will keep debt at higher levels. Further, the delay in receipt of ₹ 600 crore of subsidy from the government is also adversely impacting the company's debt levels.

Well placed to capture growth potential in NER; maintain BUY

SFCL's utilisation has improved from 44.1% in FY13 to over 75% in FY16 led by robust demand in the North-East region (NER). We expect the same to remain healthy, going forward, given limited available capacity in the market, in which it operates. The company aims to achieve market share of over ~30% in the next five to seven years from the current 23% (led by aggressive marketing efforts). Although, we do not expect the company to maintain ₹ 1,500 EBITDA/tonne post FY18 due to expiry of NEIIPP policy, healthy demand & pricing environment in NER region will enable the company to maintain EBITDA/tonne of over ₹1000/tonne (in line with many large cap cement companies). In addition, if the company is able to get the pending capital subsidy of ₹600 crore from the government, it will help SFCL reduce debt significantly. Hence, we maintain our **BUY** recommendation on the stock with a revised target price of ₹ 135/share (i.e. 6.0x FY18E EV/EBITDA).

Rating Matrix

Rating	: Buy
Target	: ₹ 135
Target Period	: 12-15 months
Potential Upside	: 17%

What's Changed?

Target	Changed from ₹ 140 to ₹ 135
EPS FY17E	Changed from ₹ 9.6 to ₹ 6.4
EPS FY18E	Unchanged
Rating	Unchanged

Quarterly Performance

	Q4FY16	Q4FY15	YoY (%)	Q3FY16	QoQ (%)
Revenue	563.2	506.9	11.1	428.7	31.4
EBITDA	126.7	154.8	-18.1	91.7	38.2
EBITDA (%)	22.5	30.5	-803 bps	21.4	111 bps
PAT	39.8	55.0	-27.7	18.6	114.2

Key Financials

₹ crore	FY15	FY16	FY17E	FY18E
Net Sales	1,427.0	1,709.5	2,110.8	2,581.9
EBITDA	435.1	395.0	503.9	620.5
Net Profit	83.4	92.0	141.4	196.7
EPS (₹)	3.8	4.1	6.4	8.9

* Previous figures include ferro alloy business

Valuation Summary

	FY15	FY16	FY17E	FY18E
P/E	30.6	27.8	18.1	13.0
Target P/E	35.9	32.6	21.2	15.2
EV / EBITDA	7.4	8.3	6.4	5.2
EV / Tonne	173.5	176.3	173.9	131.2
Price/Book value	3.8	3.4	3.0	2.5
RoCE	12.5	12.0	16.0	19.1
RoNW	12.3	12.3	16.3	19.0

* Previous figures include ferro alloy business

Stock Data

Market Capitalization	₹ 2555 Crore
Total Debt (FY16)	₹ 749.1 Crore
Cash and Investments (FY16)	₹ 24.5 Crore
EV	₹ 3279.5 Crore
52 week H/L	189 / 100
Equity capital	₹ 22.2 Crore
Face value	₹ 1

Price Performance (%)

Return (%)	1M	3M	6M	12M
Star Cement	0.5	0.1	(12.0)	(26.0)
Shree Cement	(0.2)	17.8	0.0	20.1
Heidelberg	5.4	29.9	26.0	28.0
JK Lakshmi	2.0	26.4	(7.1)	(5.1)

Research Analysts

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Variance analysis

	Q4FY16	Q4FY16E	Q4FY15	YoY (%)	Q3FY16	QoQ (%)	Comments
Total Operating Income	563.2	509.8	506.9	11.1	428.7	31.4	Cement revenues increased 11.1% YoY led by 10.0% YoY growth in volumes
Other Income	0.2	-0.2	-0.9	11.1	1.3	N.A	
Increase/Decrease in Stock	13.0	0.0	31.0	-57.9	8.0	63.1	
Raw Material Expenses	135.5	97.2	76.4	77.2	87.8	54.3	The increase in RM cost was mainly led by higher volumes in traded goods
Employee Expenses	27.1	28.4	22.7	19.5	27.8	-2.6	
Other Expenses	260.9	230.9	222.1	17.5	213.4	22.2	The increase in other expenses was led by higher freight expenses
EBITDA	126.7	153.4	154.8	-18.1	91.7	38.2	
EBITDA Margin (%)	22.5	30.1	30.5	-803 bps	21.4	111 bps	Increase in RM cost and higher other expenses led to lower EBITDA margins
Depreciation	44.0	43.9	60.0	-26.7	43.0	2.2	
Interest	21.6	19.9	20.1	7.8	19.9	8.7	Rise in interest expenses was mainly due to increase in debt from ₹ 691.8 crore to ₹ 749.1 crore
PBT	61.2	89.4	74.1	-17.4	29.6	106.6	
Total Tax	2.6	22.3	-1.9	-237.0	0.8	216.6	
Minority Interest	18.8	16.8	21.0	-10.2	10.2	84.0	
PAT	39.8	50.3	55.0	-27.7	18.6	114.2	The decline in PAT was mainly due to lower EBITDA margin and higher interest expenses
Key Metrics							
Volume (MT)	0.89	0.81	0.81	10.0	0.66	35.7	Strong demand in the NE and outside NE region led to an increase in volume growth
Realisation (₹)	6,335	6,324	6,274	1.0	6,546	-3.2	
EBITDA per Tonne (₹)	1,425	1,924	1,915	-25.6	1,400	1.8	EBITDA/tonne was lower than our estimate due to a sharp rise in RM cost

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY17E			FY18E			Comments
	Old*	New	% Change	Old*	New	% Change	
Revenue	2,151.0	2,115.0	-1.7	N.A	2,586.5	N.A	We expect revenues to grow at a CAGR of 22.9% in FY16-18E
EBITDA	598.8	503.9	-15.9	N.A	620.5	N.A	
EBITDA Margin (%)	27.8	23.8	-401 bps	N.A	24.0	N.A	We have revised our EBITDA margins downwards due to persistent cost pressure
PAT	213.7	141.4	-33.9	N.A	196.7	N.A	
EPS (₹)	9.6	6.4	-33.7	N.A	8.9	N.A	

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

Assumptions

	Current					Earlier			Comments
	FY14	FY15	FY16E	FY17E	FY18E	FY15	FY16E	FY17E	
Volume (MT)	1.8	2.3	2.7	3.3	4.0	2.4	2.7	3.4	We expect volumes to increase at a CAGR of 21.3% over FY16-18E
Realisation (₹)	6,697	6,182	6,344	6,420	6,528	6,032	6,241	6,253	
EBITDA per Tonne (₹)	1,455	1,880	1,448	1,530	1,566	1,750.0	1,623.0	1,741.0	EBITDA/tonne to reach ₹ 1,566 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 the pan-India level. SFCL has expanded its capacity from 1.5 MT in FY13 to 3.6 MT in FY15. 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.

Focus on strengthening distribution, marketing initiatives, brand image

SFCL has been able to grow sales volumes by 35% in FY15. This has also helped the company achieve a market share of 23%. Going forward, SFCL is planning to increase its market share from 23% to 30% in the coming years. Apart from strengthening its footprint in the NER region, the company has also expanded its dealer network in the West Bengal and Bihar market. A huge marketing and visibility campaign has been put in place to have better brand visibility and top of the mind recall among users of cement in all these markets. SFCL is also exploring the possibility of introducing its product in the markets of neighbouring countries viz. Nepal, Bhutan and Bangladesh.

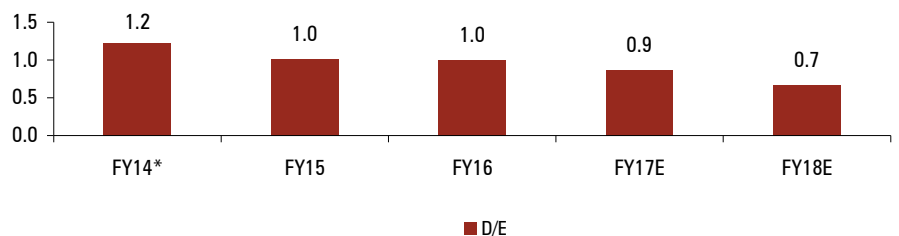
Declining operating margins, policy changes key challenges

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

Elevated debt levels to keep net margins under pressure

The company's debt has increased from ₹ 691.8 crore in FY15 to ₹ 749.1 crore mainly due to lower operating margins and increase in working capital requirement. Going forward, the company aims to set up 1 MT capacity in Siliguri by FY18E, which will keep debt at higher levels. Further, the delay in receipt of ₹ 600 crore of subsidy from the government is also adversely impacting the company's debt levels.

Exhibit 1: D/E ratio to improve, going forward...

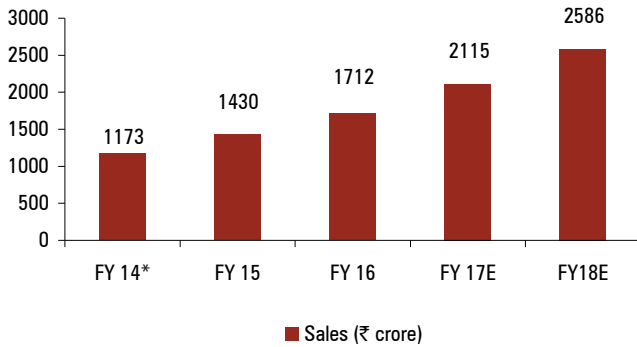


Source: Company, ICICIdirect.com Research, *Previous figures include ferro alloy business

Expect cement revenue CAGR of 22.9% during FY16-18E

The company 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, the company is exploring opportunities in Bangladesh. Given this backdrop, we expect cement revenues to grow at a CAGR of 22.9% in FY16-FY18E.

Exhibit 2: Cement revenues to grow at CAGR of 22.9% during FY15-17E



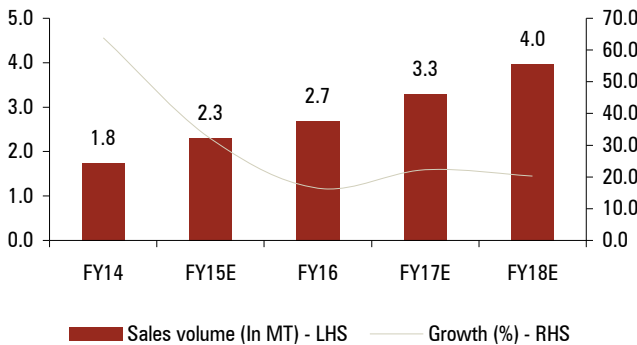
Source: Company, ICICIdirect.com Research, * Figures include ferro alloy business

Exhibit 3: Capacity addition plans (standalone)

Sr no	Location	Capacity (MT)	Cement 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
6	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		

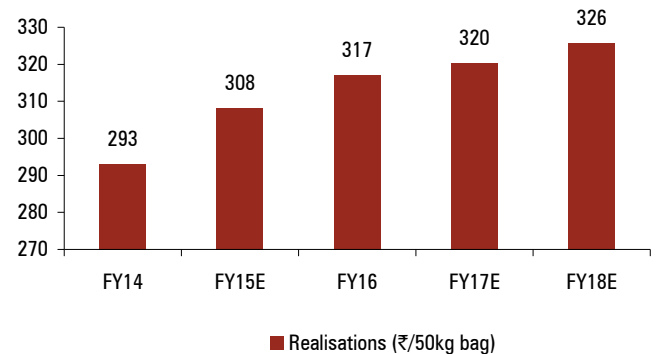
Source: Company, ICICIdirect.com Research

Exhibit 4: Volume to grow led by capacity expansion



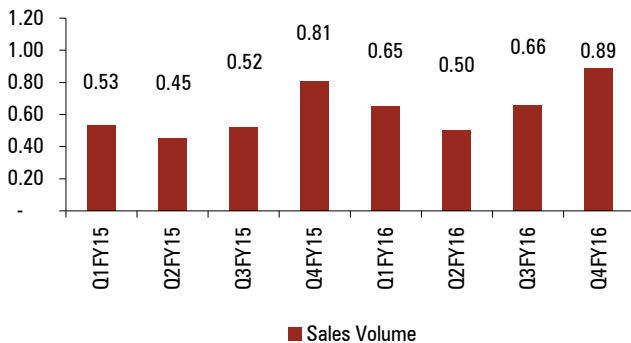
Source: Company, ICICIdirect.com Research

Exhibit 5: Realisation trend



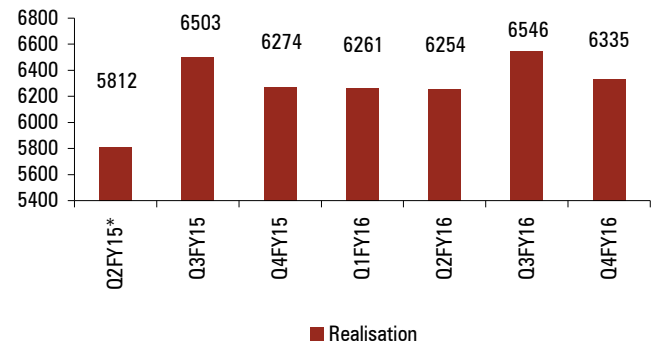
Source: Company, ICICIdirect.com Research

Exhibit 6: Q4FY16 volume increases 10% YoY to 0.89 MT...



Source: Company, ICICIdirect.com Research

Exhibit 7: ...realisation at ₹6,335 during quarter

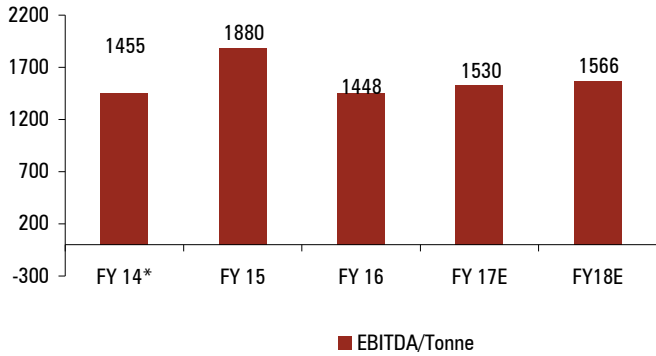


Source: Company, ICICIdirect.com Research, * Figures include ferro alloy business

Margins to improve from FY16E mainly due to better realisation

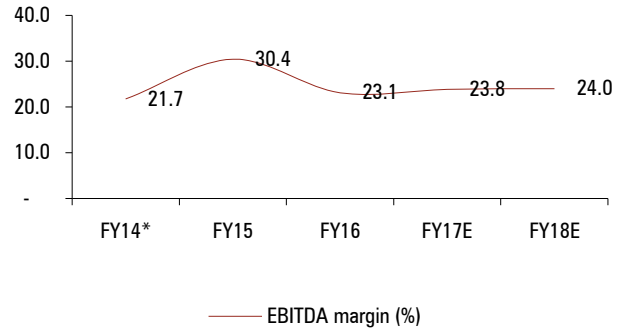
Although we do not expect the company to regain the FY15 EBITDA margin levels of 30%, we expect the EBITDA margin to improve from 23.1% in FY16 to 24.0% in FY18E led by improvement in realisation.

Exhibit 8: Expect EBITDA/tonne of ₹1,566 in FY18E



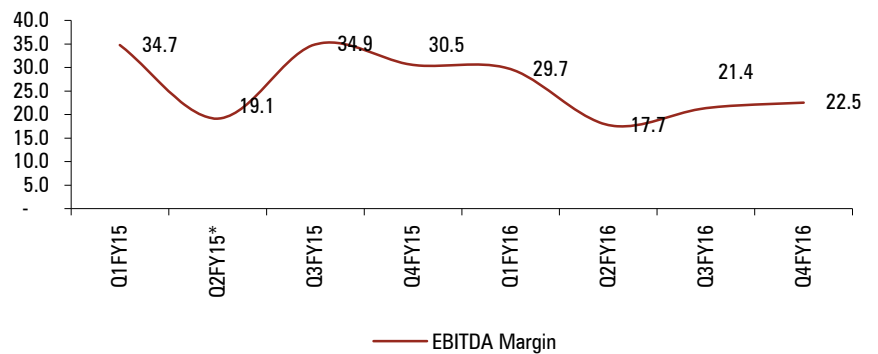
Source: Company, ICICIdirect.com Research * Previous figures include ferro alloy business

Exhibit 9: EBITDA growth trend



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

Exhibit 10: EBITDA margin at 22.5% in Q4FY16

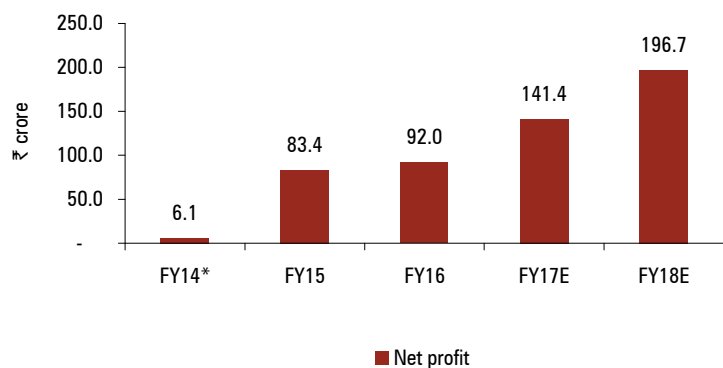


Source: Company, ICICIdirect.com Research * Previous figures include ferro alloy business

Net profit to increase from ₹ 92 crore to ₹ 196 crore in FY18E

The net margin declined from 5.8% in FY15 to 5.4% in FY16. However, net margin is expected to increase to 7.6% in FY18E mainly led by an improvement in EBITDA margin over FY16-18E.

Exhibit 11: Profitability growth trend



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

Valuations

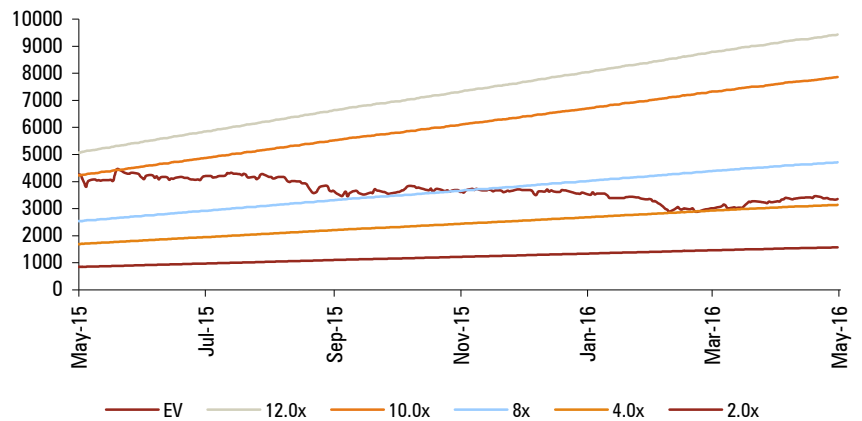
Star ferro's utilisation has improved from 44.1% in FY13 to over 75% in FY16 led by robust demand in the North-East region (NER). We expect the same to remain healthy, going forward, given limited available capacity in the market, in which it operates. The company aims to achieve market share of over ~30% in the next five to seven years from the current 23% (led by aggressive marketing efforts). Although, we do not expect the company to maintain ₹ 1,500 EBITDA/tonne post FY18 due to expiry of NEIIPP policy, healthy demand & pricing environment in NER region will enable the company to maintain EBITDA/tonne of over ₹1000/tonne (in line with many large cap cement companies). In addition, if the company is able to get the pending capital subsidy of ₹600 crore from the government, it will help SFCL reduce debt significantly. Hence, we maintain our **BUY** recommendation on the stock with a revised target price of ₹ 135/share (i.e. 6.0x FY18E EV/EBITDA).

Exhibit 12: Key assumptions

₹ per tonne	FY14*	FY15	FY16E	FY17E	FY18E
Sales Volume	1.8	2.3	2.7	3.3	4.0
Net Realisation*	6697	6182	6344	6420	6528
Total Expenditure	5242	4301	4896	4890	4962
Raw material	1196	940	1336	1225	1235
Changes in Inventory	-44	52	-110	0	0
Employee cost	448	394	424	425	435
Other expenses	3642	2915	3251	3240	3292
EBITDA per Tonne	1455	1880	1448	1530	1566

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

Exhibit 13: One year forward EV/EBITDA



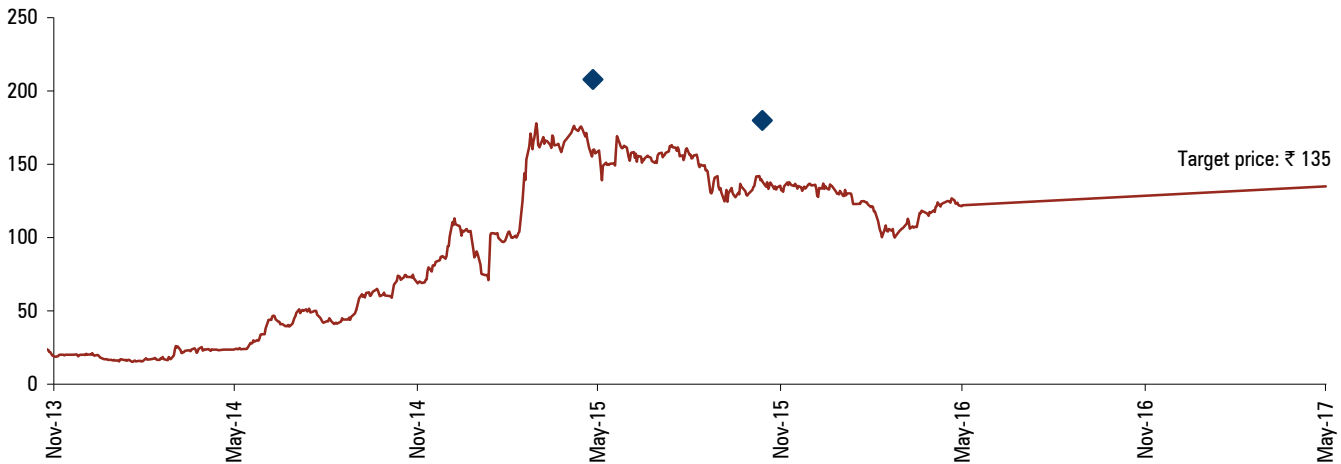
Source: Company, ICICIdirect.com Research

Exhibit 14: 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	30.6	173.5	7	12.3	12.5
FY16	1709.5	19.8	4.1	10.3	27.8	176.3	8	12.3	12.0
FY17E	2110.8	23.5	6.4	53.6	18.1	173.9	6	16.3	16.0
FY18E	2581.9	22.3	8.9	39.2	13.0	131.2	5	19.0	19.1

* Previous figures include ferro alloy business

Company snapshot



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	Hires 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)	31-Mar-16	0.13	27.94	0.02
2	Agarwal (Sanjay)	31-Mar-16	0.09	19.5	0.00
3	Bhajanka (Sajjan)	31-Mar-16	0.07	16.6	0.00
4	Bhajanka (Santosh)	31-Mar-16	0.07	15.0	0.00
5	Agarwal (Divya)	31-Mar-16	0.07	14.5	0.00
6	Sriram Vanijya Pvt. Ltd.	31-Mar-16	0.04	8.5	0.00
7	Brijdham Merchants Pvt. Ltd.	31-Mar-16	0.03	7.7	0.00
8	Sumangal International Pvt. Ltd.	31-Mar-16	0.03	7.7	0.00
9	Sumangal Business Pvt. Ltd.	31-Mar-16	0.03	6.8	0.00
10	Sriram Merchants Pvt. Ltd.	31-Mar-16	0.03	6.7	0.00

Shareholding Pattern

(in %)	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Promoter	66.48	66.37	66.37	66.43	66.64
FII	0.11	0.11	0.11	0.11	0.11
DII	0.00	0.02	0.01	0.01	0.01
Others	33.41	33.50	33.52	33.46	33.25

Source: Reuters, ICICIdirect.com Research

Recent Activity

Investor Name	Buys		Investor Name	Sells	
	Value	Shares		Value	Shares
Auroville Investments Pvt. Ltd.	3.24	1.85			
Bhajanka (Prem Kumar)	0.04	0.02			
Bhajanka (Yash)	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	2,115.0	2,586.5
Growth (%)	77.9	21.9	19.7	23.5	22.3
Raw material cost	209.6	217.6	365.7	403.6	489.3
Inc/dec in stock	-7.8	11.9	-20.2	0.0	0.0
Employees cost	78.9	91.3	108.4	140.0	172.4
Others	637.7	674.5	863.2	1067.5	1304.3
Total Operating Exp.	918.4	995.4	1,317.1	1,611.1	1,966.0
EBITDA	254.9	435.1	395.0	503.9	620.5
Growth (%)	115.4	70.7	-9.2	27.6	23.1
Depreciation	161.6	223.7	171.5	178.7	192.5
Interest	87.2	87.4	83.4	104.9	97.9
Other Income	4.3	4.2	4.4	4.3	4.7
PBT	10.4	128.2	144.5	224.6	334.8
Total Tax	2.7	4.8	5.5	22.5	50.2
PAT	6.1	83.4	92.0	141.4	196.7
Growth (%)	-75.3	1,266.6	10.3	53.7	39.2
Adjusted EPS (₹)	0.3	3.8	4.2	6.4	8.9

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	141.4	196.7
Add: Depreciation	161.6	223.7	171.5	178.7	192.5
(Inc)/dec in Current Assets	-183.8	-178.3	-372.9	-249.5	-343.1
Inc/(dec) in CL and Provisions	260.4	142.0	183.3	201.4	102.1
CF from operating activities	244.3	270.8	73.9	271.9	148.3
(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	60.8	87.9
CF from investing activities	-147.2	66.0	-21.5	-95.3	-17.1
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	-50.0
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	-104.9	-97.9
CF from financing activities	-111.5	-329.3	-48.2	-130.9	-173.9
Net Cash flow	-14.4	7.6	4.3	45.8	-42.7
Opening Cash	27.1	12.7	20.3	24.5	70.3
Closing Cash	12.7	20.3	24.5	70.3	27.6

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

Balance sheet ₹ Crore

(Year-end March)	FY14*	FY15	FY16	FY17E	FY18E
Liabilities					
Equity Capital	22.2	22.2	22.2	22.2	22.2
Reserve and Surplus	664.1	658.1	727.9	843.3	1,014.0
Total Shareholders funds	686.3	680.3	750.2	865.5	1,036.2
Total Debt	844.3	691.8	749.1	749.1	699.1
Deferred Tax Liability	77.3	94.6	107.2	107.2	107.2
Minority Interest / Others	252.9	323.1	359.6	420.4	508.3
Total Liabilities	1,860.7	1,789.7	1,966.1	2,142.2	2,350.8
Assets					
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	984.7	1,177.2
Net Block	1,171.7	1,028.0	919.1	845.4	757.8
Capital WIP	99.5	41.0	49.0	100.0	100.0
Total Fixed Assets	1,271.2	1,068.9	968.1	945.4	857.8
Investments	1.5	1.5	1.5	1.5	1.5
Inventory	175.5	109.1	209.2	260.2	318.3
Debtors	109.7	309.8	448.8	554.2	636.6
Loans and Advances	286.8	680.2	814.0	886.5	1,084.4
Other Current Assets	349.4	0.4	0.5	21.1	25.8
Cash	12.7	20.3	24.5	70.3	27.6
Total Current Assets	934.0	1,119.9	1,497.0	1,792.4	2,092.8
Creditors	148.7	77.0	140.4	173.5	212.2
Provisions	197.7	324.0	360.6	424.0	389.5
Total Current Liabilities	346.4	401.0	501.0	597.5	601.7
Net Current Assets	587.6	718.9	996.1	1,194.9	1,491.0
Others Assets	0.0	0.0	0.0	0.0	0.0
Application of Funds	1,860.3	1,789.3	1,965.7	2,141.8	2,350.4

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

Key ratios

(Year-end March)	FY14*	FY15	FY16	FY17E	FY18E
Per share data (₹)					
EPS	0.3	3.8	4.1	6.4	8.9
Cash EPS	7.6	13.8	11.9	14.4	17.5
BV	30.9	30.6	33.8	39.0	46.6
DPS	0.5	1.0	1.0	1.0	1.0
Cash Per Share	0.6	0.9	1.1	3.2	1.2
Operating Ratios (%)					
EBITDA Margin	21.8	30.5	23.1	23.9	24.0
PBT / Total Operating income	0.6	8.7	8.4	10.6	13.0
PAT Margin	0.5	5.8	5.4	6.7	7.6
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
Return Ratios (%)					
RoE	0.9	12.3	12.3	16.3	19.0
RoCE	5.2	12.5	12.0	16.0	19.1
RoIC	5.3	12.2	11.8	16.5	19.3
Valuation Ratios (x)					
P/E	418.3	30.6	27.8	18.1	13.0
EV / EBITDA	13.3	7.4	8.3	6.4	5.2
EV / Net Sales	2.9	2.3	1.9	1.5	1.2
Market Cap / Sales	2.2	1.8	1.5	1.2	1.0
Price to Book Value	3.7	3.8	3.4	3.0	2.5
Solvency Ratios					
Debt/EBITDA	3.3	1.6	1.9	1.5	1.1
Debt / Equity	1.2	1.0	1.0	0.9	0.7
Current Ratio	2.7	2.8	3.0	3.0	3.5
Quick Ratio	2.2	2.5	2.6	2.6	2.9

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(₹)			FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
ACC*	1402	1550	Hold	26,612	31.3	57.8	66.3	21.6	15.4	13.3	138	120	119	6.0	10.5	11.4	7.0	12.0	12.6
Ambuja Cement*	215	236	Hold	33,325	5.2	7.2	7.8	19.7	15.3	14.1	164	137	139	7.9	11.5	12.2	7.8	10.4	10.7
UltraTech Cem	3184	3800	Buy	87,945	79.2	99.3	119.7	20.4	16.8	14.4	218	202	199	12.0	13.3	15.7	10.5	11.5	12.9
Shree Cement	12399	11300	Buy	43,149	109.9	178.4	181.5	34.8	23.3	23.0	263	245	245	5.6	8.9	8.4	6.8	10.1	9.4
Heidelberg Cem	94	81	Hold	1,836	1.2	2.1	2.7	15.3	13.1	11.9	101	101	101	5.8	7.1	8.0	3.2	5.1	6.2
India Cement	90	80	Hold	2,796	4.4	4.9	5.7	6.9	6.3	6.2	59	58	56	8.8	8.8	9.1	4.0	3.9	4.3
JK Cement	585	486	Hold	4,091	14.9	41.7	47.1	12.2	8.6	7.6	86	89	84	9.3	13.6	13.8	6.1	14.7	14.5
JK Lakshmi Cem	341	294	Hold	4,014	-3.4	5.0	8.5	21.7	14.7	12.3	115	100	90	3.0	6.5	8.2	NA	4.4	7.1
Mangalam Cem	275	196	Buy	734	-7.7	7.8	14.8	29.9	12.8	9.7	54	49	47	1.3	7.4	9.7	NA	4.0	7.0
SFCL	115	135	Buy	2,553	4.1	6.4	8.9	8.3	6.4	5.2	176	174	131	12.0	16.0	19.1	12.3	16.3	19.0

Source: Company, ICICIdirect.com Research

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