

Star Ferro & Cement (STAFER)

₹101

Demonetisation woes hamper growth...

- Star Ferro & Cement (SFCL) reported a weak set of Q3FY17 numbers. However, they were above our estimates at the EBITDA and PAT level. SFCL's revenues declined 8.2% YoY to ₹ 393.5 crore (vs. I-direct estimate of ₹ 397.7 crore) led by 5.7% YoY decline in realisation to ₹ 5,998 (vs. I-direct estimate of ₹ 6,327) and 2.7% YoY fall in volumes to 0.66 MT (vs. I-direct estimate of 0.63 MT)
- EBITDA/tonne in the quarter fell 3.4% YoY to ₹ 1,315/t (vs. I-direct estimate of ₹ 1,077/t) mainly led by higher raw material (RM) cost/t
- During the quarter, the reverse merger of Star Ferro & Cement with Star Cement was approved by shareholders. The company expects the reverse merger to be completed by Q4FY17E

Demand outlook continues to remain robust...

SFCL is the largest cement player in the North-East region (NER) with over 27% 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 grow at 10% CAGR over the next few years. This coupled with improving market share in NER region and expansion in eastern region is expected to drive Star Ferro's revenue at a CAGR of 21.7% in FY16-18E.

...however, increasing operating cost, policy uncertainty key concern

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 making it difficult for the company to regain 30% in operating margins. Further, the 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 operating margins of the company.

Receipt of subsidy key trigger

The company is entitled to receive ~₹ 700 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 remaining amount by FY18E. 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.

Near term challenges persist; maintain HOLD

Cement demand in NER is expected to grow at a CAGR of 10% over the next two or three years led by a pick-up in infrastructure activities like hydel, road and rail projects. Higher cement demand coupled with limited capacity addition in the NER is expected to significantly benefit SFCL (a dominant player in the North East). 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. However, consistent pressure on margins (due to higher operating cost and falling realisation), uncertainty on continuation of subsidy benefits beyond FY18 and equity dilution remains key near term concerns. Hence, we maintain our **HOLD** recommendation with a revised target price of ₹ 105/share (considering the equity dilution adjusted EV/EBITDA and EV/t works out to be 7x and \$190/t, respectively).

Rating Matrix	
Rating	: Hold
Target	: ₹ 105
Target Period	: 12-15 months
Potential Upside	: 4%

What's Changed?	
Target	Changed from ₹ 115 to ₹ 105
EPS FY17E	Changed from ₹5.9 to ₹5.5
EPS FY18E	Changed from ₹8.4 to ₹8.6
Rating	Unchanged

Quarterly Performance					
	Q3FY17	Q3FY16	YoY (%)	Q2FY17	QoQ (%)
Revenue	393.5	428.7	-8.2	365.8	7.6
EBITDA	86.3	91.7	-6.0	58.9	46.5
EBITDA (%)	21.9	21.4	53 bps	16.1	582 bps
PAT	20.6	18.6	11.2	0.7	2,930.8

Key Financials				
₹ crore	FY15	FY16	FY17E	FY18E
Net Sales	1,427.0	1,709.5	1,862.4	2,529.7
EBITDA	435.1	395.0	418.3	582.5
Net Profit	83.4	92.0	122.5	190.0
EPS (₹)	3.8	4.1	5.5	8.6

Valuation Summary				
	FY15	FY16	FY17E	FY18E
P/E	26.9	24.4	18.3	11.8
Target P/E	27.9	25.3	19.0	12.3
EV / EBITDA	6.7	7.5	7.1	5.0
EV / Tonne	156.7	159.6	160.5	139.3
Price/Book value	3.3	3.0	2.7	2.2
RoCE	12.5	12.0	13.4	18.7
RoNW	12.3	12.3	14.5	18.8

Stock Data	
Market Capitalization	₹ 2243.9 Crore
Total Debt (FY16)	₹ 749.1 Crore
Cash and Investments (FY16)	₹ 24.5 Crore
EV	₹ 2968.5 Crore
52 week H/L	131 / 87
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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Variance analysis

	Q3FY17	Q3FY17E	Q3FY16	YoY (%)	Q2FY17	QoQ (%)	Comments
Total Operating Income	393.5	397.7	428.7	-8.2	365.8	7.6	Cement revenues declined 8.2% YoY mainly led by 5.7% YoY decline in realisation and 2.7% YoY fall in volumes (driven by demonetisation woes and increased competition)
Other Income	0.5	0.5	1.3	-8.2	0.5	N.A	
Increase/Decrease in Stock	0.0	0.0	0.0	NA	0.0	NA	
Raw Material Expenses	109.6	97.4	95.8	14.3	95.2	15.0	A cess of ₹ 40/t on limestone led to higher RM expenses
Employee Expenses	31.5	25.1	27.8	13.3	31.9	-1.4	
Other Expenses	166.2	207.4	213.4	-22.1	179.7	-7.5	Lower advertising and freight expenses led to decline in other expenses
EBITDA	86.3	67.7	91.7	-6.0	58.9	46.5	
EBITDA Margin (%)	21.9	17.0	21.4	53 bps	16.1	582 bps	Increase in EBITDA margins was led by a fall in other expenses
Depreciation	35.6	32.9	43.0	-17.2	35.8	-0.6	
Interest	19.4	19.9	19.9	-2.7	19.9	-2.5	
PBT	31.1	15.5	29.6	5.2	4.0	683.0	
Total Tax	-0.1	5.3	0.8	-108.5	1.4	-105.1	
Minority Interest	10.6	2.6	10.2	3.4	1.9	445.9	
PAT	20.6	7.6	18.6	11.2	0.7	2,930.8	Higher operating margins and lower depreciation expenses drove net profit during the quarter
Key Metrics							
Volume (MT)	0.66	0.63	0.67	-2.7	0.60	9.2	Increased competition and demonetisation led to lower volumes in the quarter
Realisation (₹)	5,998	6,327	6,361	-5.7	6,086	-1.4	
EBITDA per Tonne (₹)	1,315	1,077	1,361	-3.4	980	34.2	Pricing pressure and higher RM expenses led to lower EBITDA/tonne

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY17E			FY18E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,037.4	1,866.6	-8.4	2,516.4	2,534.3	0.7	We expect revenues to grow at a CAGR of 21.7% in FY16-18E
EBITDA	455.8	418.3	-8.2	575.8	582.5	1.2	
EBITDA Margin (%)	22.4	22.4	4 bps	22.9	23.0	10 bps	We expect EBITDA to stabilise at 23.0% in FY18E
PAT	130.8	122.8	-6.1	187.6	190.0	1.3	
EPS (₹)	5.9	5.5	-6.1	8.4	8.6	1.3	

Source: Company, ICICIdirect.com Research

Assumptions

	FY14*	Current			Earlier		Comments	
		FY15	FY16	FY17E	FY18E	FY17E		FY18E
Volume (MT)	1.8	2.3	2.6	3.0	3.9	3.2	4.0	We expect volumes to increase at a CAGR of 21.6% over FY16-18E
Realisation (₹)	6,697	6,182	6,453	6,159	6,465	6,408	6,305	
EBITDA per Tonne (₹)	1,455	1,880	1,482	1,380	1,486	1,433.0	1,443.0	EBITDA/tonne to reach ₹ 1,486 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 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 the company enjoys under the NE industrial policy (NEIIPP 2007) will expire in 2018 which will further put pressure on operating margins of the company.

Receipt of subsidy a key trigger

The company is entitled to receive ~₹ 700 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 remaining amount by FY18E. We believe the receipt of subsidy could help in making the company debt free (FY16 debt stood 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 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 one 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 ~₹ 76 per share. The merger will help the promoter gain listing benefits as previously the promoter shares were privately held. Hence, this represents true holding of promoters i.e. 74.9% from 64.4%. The company expects the reverse merger to be completed by Q4FY17E. Considering the equity dilution adjusted EV/EBITDA and EV/t works out to be 7x and \$190/t, respectively.

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
Total	222,172,990.0	100.0

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
Total	419,213,920.0	100.0

Pre-merger effective promoter holding	
SCL	% Holding
Promoter Shr SFCL	45.4
Promoter	29.5
Total	74.9

Source: Company, ICICIdirect.com Research

Under the merger, every shareholder 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 the overall shares in SCL is expected to reach 41.92 crore.

Exhibit 2: Post merger shareholding pattern

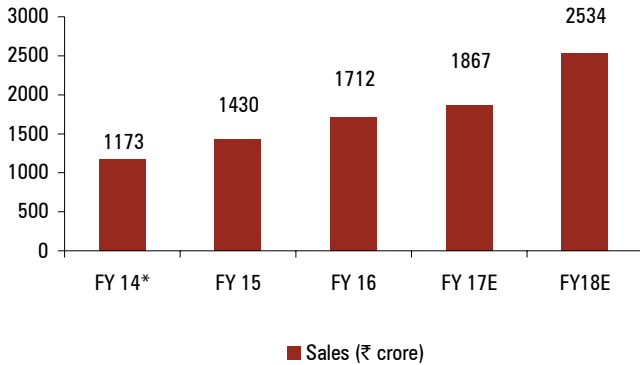
SCL	Number of shares	% Holding
Promoter	314,028,267.3	74.9
Others	105,135,369.3	25.1
Public	65,360.1	0.0
Total	419,228,996.7	100.0

Source: Company, ICICIdirect.com Research

Expect cement revenue CAGR of 21.7% 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, SFCL is exploring opportunities to de-bottleneck its existing capacity thereby further increasing its capacity by 0.4 MT. Given this backdrop, we expect cement revenues to grow at a CAGR of 21.7% in FY16-FY18E.

Exhibit 3: Cement revenues to grow at CAGR of 21.7% during FY16-18E



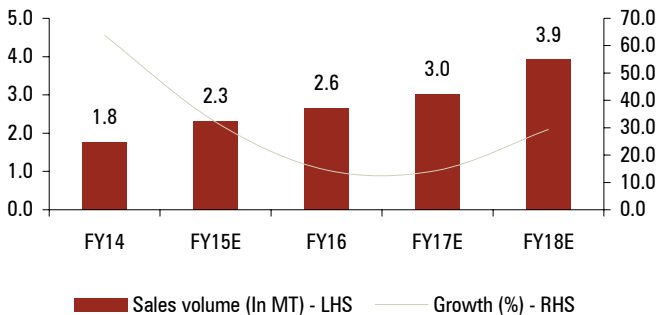
Source: Company, ICICIdirect.com Research, * Figures include ferro alloy business

Exhibit 4: Capacity addition plans

Sr no	Location	Cement Capacity (MT)	Category	Remarks
1	Meghalaya	0.62	Integrated unit	
2	Meghalaya	0.70	Clinker unit	Q4FY13
3	Guwahati (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	Meghalaya	0.40	Grinding unit	Debotling of existing plant in Q4FY17E
6	Assam	0.40	Clinker unit	by FY19E
Capacity at the end of FY19E		4.68		

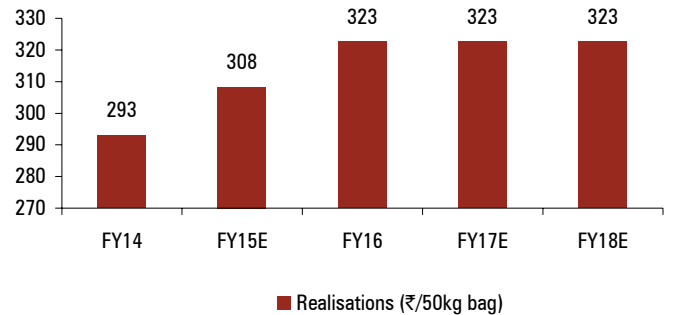
Source: Company, ICICIdirect.com Research

Exhibit 5: Volume to grow led by capacity expansion



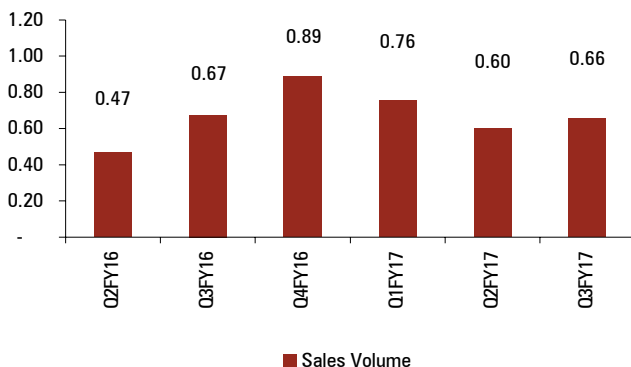
Source: Company, ICICIdirect.com Research

Exhibit 6: Realisation trend



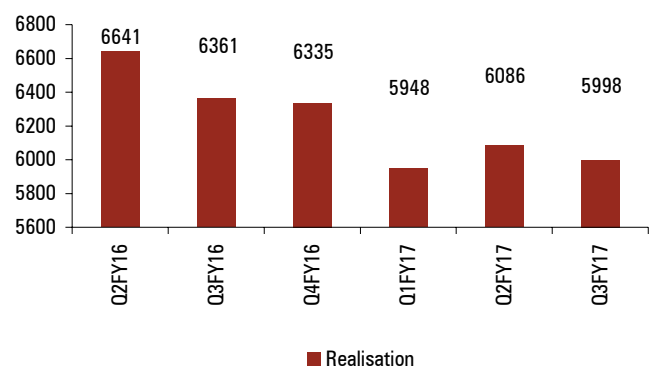
Source: Company, ICICIdirect.com Research

Exhibit 7: Q3FY17 volume declines 2.7% YoY to 0.66 MT...



Source: Company, ICICIdirect.com Research

Exhibit 8: ...realisation at ₹ 5,998 during the quarter

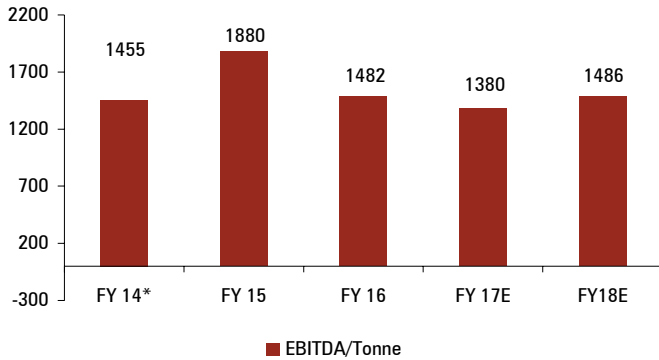


Source: Company, ICICIdirect.com Research, * Figures include ferro alloy business

Margins to remain under pressure due to increase in operating cost

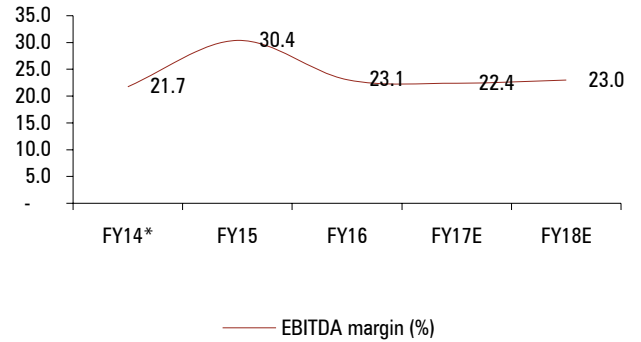
We expect margins to decelerate from 30.4% in FY15 to 23.0% in FY18E led by pricing pressure and increase in operating expenses.

Exhibit 9: Expect EBITDA/tonne of ₹ 1,486 in FY18E



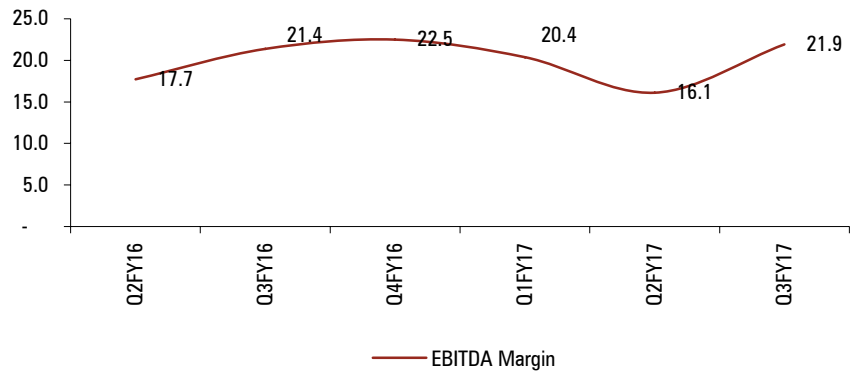
Source: Company, ICICIdirect.com Research * Previous figures include ferro alloy business

Exhibit 10: EBITDA growth trend



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

Exhibit 11: EBITDA margin at 21.9% in Q3FY17

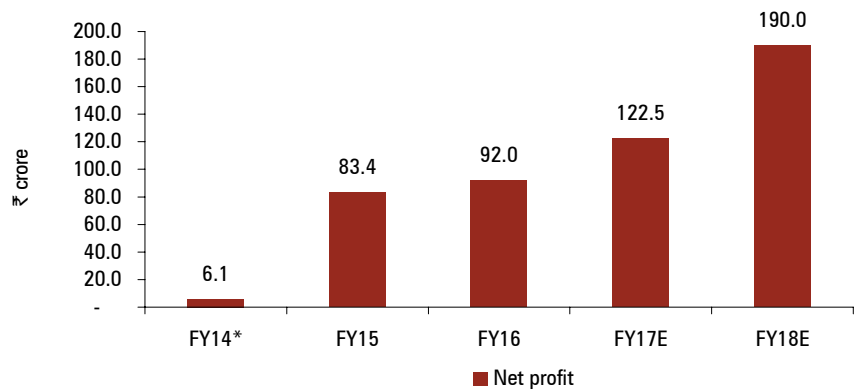


Source: Company, ICICIdirect.com Research

Net profit to increase from ₹ 92 crore to ₹ 190 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

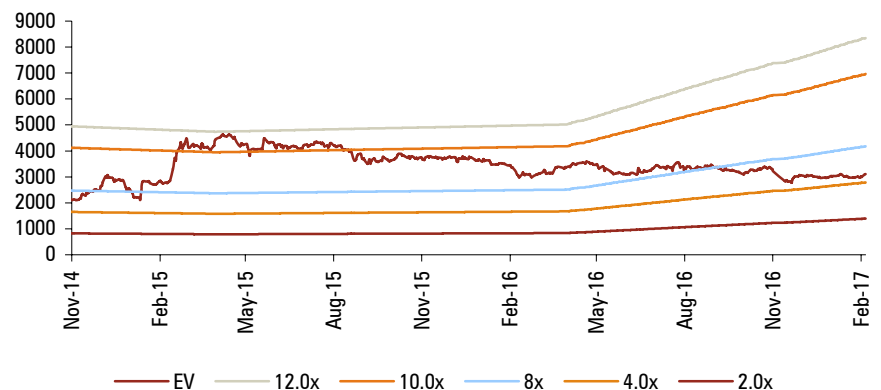
Cement demand in the NER is expected to grow at a CAGR of 10% over the next two or three years led by a pick-up in infrastructure activities like hydel, road and rail projects. Higher cement demand coupled with limited capacity addition in the NER is expected to significantly benefit SFCL (a dominant player in the North East). 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. However, consistent pressure on margins (due to higher operating cost and falling realisation), uncertainty on continuation of subsidy benefits beyond FY18 and equity dilution remains key near term concern. Hence, we maintain our **HOLD** recommendation with a revised target price of ₹ 105/share (considering the equity dilution adjusted EV/EBITDA and EV/tonne works out to 7x and \$190/tonne).

Exhibit 13: Key assumptions

₹ per tonne	FY14*	FY15	FY16	FY17E	FY18E
Sales Volume	1.8	2.3	2.6	3.0	3.9
Net Realisation*	6697	6182	6453	6159	6465
Total Expenditure	5242	4301	4971	4779	4979
Raw material	1196	940	1393	1520	1600
Changes in Inventory	-44	52	-151	0	0
Employee cost	448	394	435	467	495
Other expenses	3642	2915	3330	2792	2884
EBITDA per Tonne	1455	1880	1482	1380	1486

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

Exhibit 14: One year forward EV/EBITDA



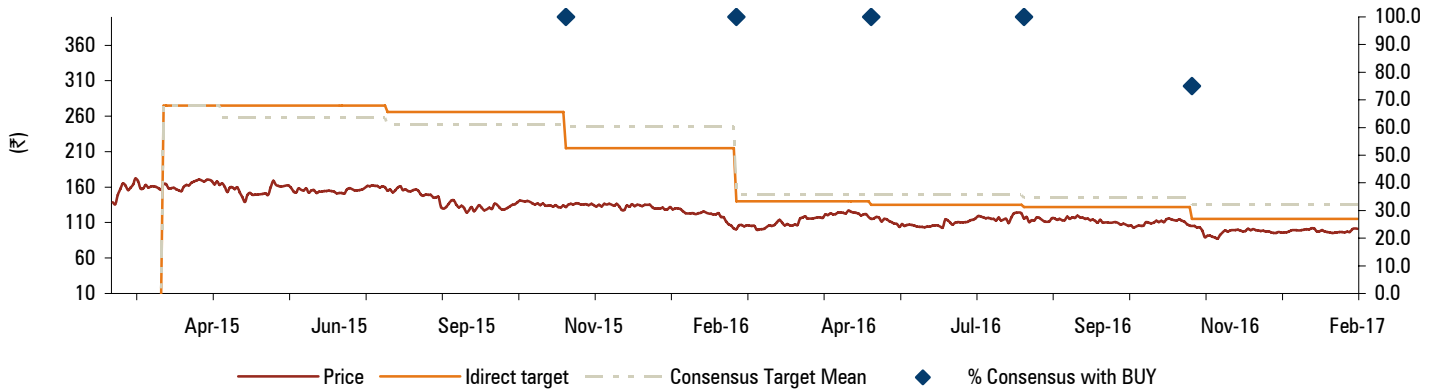
Source: Company, ICICIdirect.com Research

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	26.9	156.7	7	12.3	12.5
FY16	1709.5	19.8	4.1	10.3	24.4	159.6	8	12.3	12.0
FY17E	1862.4	8.9	5.5	33.1	18.3	160.5	7	14.5	13.4
FY18E	2529.7	35.8	8.6	55.1	11.8	139.3	5	18.8	18.7

Source: Company, ICICIdirect.com Research, * 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	Hires 0.46 MT grinding unit in West Bengal
Oct-16	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-Dec-16	12.6	27.9	0.00
2	Agarwal (Sanjay)	31-Dec-16	7.6	16.8	0.00
3	Bhajanka (Santosh)	31-Dec-16	6.8	15.0	0.00
4	Bhajanka (Sajjan)	31-Dec-16	6.7	14.9	0.00
5	Agarwal (Divya)	31-Dec-16	6.5	14.5	0.00
6	Agarwal (Subham)	31-Dec-16	5.0	11.1	0.00
7	Agarwal (Brij Bhushan)	31-Dec-16	3.9	8.7	0.00
8	Sriram Vanijya Pvt. Ltd.	31-Dec-16	3.8	8.5	0.00
9	Brijdham Merchants Pvt. Ltd.	31-Dec-16	3.5	7.7	0.00
10	Sumangal International Pvt. Ltd.	31-Dec-16	3.5	7.7	0.00

Shareholding Pattern

(in %)	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Promoter	66.43	66.64	66.65	64.42	64.42
FII	0.11	0.11	0.11	0.12	0.12
DII	0.01	0.01	0.01	1.76	1.74
Others	33.46	33.25	33.24	33.70	33.72

Source: Reuters, ICICIdirect.com Research

Recent Activity

Buys			Sells		
Investor Name	Value	Shares	Investor Name	Value	Shares
Sundaram Asset Management Company Limited	0.01	0.01	L&T Investment Management Limited	-0.08	-0.06
Goldman Sachs Asset Management (India) Private Ltd.	0.00	0.00			

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	1,866.6	2,534.3	
Growth (%)	77.9	21.9	19.7	9.0	35.8	
Raw material cost	209.6	217.6	373.7	460.7	627.2	
Inc/dec in stock	-7.8	11.9	-28.2	0.0	0.0	
Employees cost	78.9	91.3	108.4	141.5	194.0	
Others	637.7	674.5	863.2	846.1	1,130.6	
Total Operating Exp.	918.4	995.4	1,317.1	1,448.3	1,951.8	
EBITDA	254.9	435.1	395.0	418.3	582.5	
Growth (%)	115.4	70.7	-9.2	5.9	39.2	
Depreciation	161.6	223.7	171.5	147.6	163.4	
Interest	87.2	87.4	83.4	79.5	74.1	
Other Income	4.3	4.2	4.4	4.3	4.7	
PBT	10.4	128.2	144.5	195.5	349.7	
Total Tax	2.7	4.8	5.5	7.7	58.7	
PAT	6.1	83.4	92.0	122.5	190.0	
Growth (%)	-75.3	1,266.6	10.3	33.2	55.1	
Adjusted EPS (₹)	0.3	3.8	4.1	5.5	8.6	

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	122.5	190.0	
Add: Depreciation	161.6	223.7	171.5	147.6	163.4	
(Inc)/dec in Current Assets	-183.8	-178.3	-372.9	-195.9	-420.5	
Inc/(dec) in CL and Provisions	260.4	142.0	183.3	105.7	275.6	
CF from operating activities	244.3	270.8	73.9	180.0	208.6	
(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	-150.0	
Others	-7.8	87.5	49.2	64.9	101.0	
CF from investing activities	-147.2	66.0	-21.5	-91.1	-49.0	
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	-79.5	-74.1	
CF from financing activities	-111.5	-329.3	-48.2	-105.5	-150.1	
Net Cash flow	-14.4	7.6	4.3	-16.7	9.4	
Opening Cash	27.1	12.7	20.3	24.5	7.9	
Closing Cash	12.7	20.3	24.5	7.9	17.3	

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	824.4	988.4	
Total Shareholders funds	686.3	680.3	750.2	846.6	1,010.6	
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	424.5	525.5	
Total Liabilities	1,860.7	1,789.7	1,966.1	2,127.5	2,342.4	
Assets						
Gross Block	1,582.4	1,662.4	1,725.0	1,830.0	1,980.0	
Less: Acc Depreciation	410.7	634.4	805.9	953.5	1,117.0	
Net Block	1,171.7	1,028.0	919.1	876.5	863.0	
Capital WIP	99.5	41.0	49.0	100.0	100.0	
Total Fixed Assets	1,271.2	1,068.9	968.1	976.5	963.0	
Investments	1.5	1.5	1.5	1.5	1.5	
Inventory	175.5	109.1	209.2	229.6	311.9	
Debtors	109.7	309.8	448.8	489.0	664.0	
Loans and Advances	286.8	680.2	814.0	931.2	1,087.8	
Other Current Assets	349.4	0.4	0.5	18.6	25.3	
Cash	12.7	20.3	24.5	7.9	17.3	
Total Current Assets	934.0	1,119.9	1,497.0	1,676.3	2,106.2	
Creditors	148.7	77.0	140.4	153.1	207.9	
Provisions	197.7	324.0	360.6	374.1	520.8	
Total Current Liabilities	346.4	401.0	501.0	527.2	728.7	
Net Current Assets	587.6	718.9	996.1	1,149.1	1,377.5	
Others Assets	0.0	0.0	0.0	0.0	0.0	
Application of Funds	1,860.3	1,789.3	1,965.7	2,127.1	2,342.0	

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	5.5	8.6	
Cash EPS	7.6	13.8	11.9	12.2	15.9	
BV	30.9	30.6	33.8	38.1	45.5	
DPS	0.5	1.0	1.0	1.0	1.0	
Cash Per Share	0.6	0.9	1.1	0.4	0.8	
Operating Ratios (%)						
EBITDA Margin	21.8	30.5	23.1	22.5	23.0	
PBT / Total Operating income	0.6	8.7	8.4	10.5	13.8	
PAT Margin	0.5	5.8	5.4	6.6	7.5	
Inventory days	54.7	27.9	44.7	45.0	45.0	
Debtor days	34.2	79.2	95.8	95.8	95.8	
Creditor days	46.3	19.7	30.0	30.0	30.0	
Return Ratios (%)						
RoE	0.9	12.3	12.3	14.5	18.8	
RoCE	5.2	12.5	12.0	13.4	18.7	
RoIC	5.3	12.2	11.8	13.4	18.8	
Valuation Ratios (x)						
P/E	367.4	26.9	24.4	18.3	11.8	
EV / EBITDA	12.1	6.7	7.5	7.1	5.0	
EV / Net Sales	2.6	2.0	1.7	1.6	1.2	
Market Cap / Sales	1.9	1.6	1.3	1.2	0.9	
Price to Book Value	3.3	3.3	3.0	2.7	2.2	
Solvency Ratios						
Debt/EBITDA	3.3	1.6	1.9	1.8	1.2	
Debt / Equity	1.2	1.0	1.0	0.9	0.7	
Current Ratio	2.7	2.8	3.0	3.2	2.9	
Quick Ratio	2.2	2.5	2.6	2.7	2.5	

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*	1496	1680	Buy	28,116	31.3	32.2	60.7	22.9	22.0	14.5	146	143	123	6.0	6.7	12.1	7.0	7.0	12.2
Ambuja Cement*	238	280	Buy	47,656	5.2	5.4	6.6	22.4	29.7	27.9	164	157	154	14.0	7.9	9.0	14.8	7.8	10.2
UltraTech Cem	3,728	4300	Buy	101,555	79.3	103.1	127.4	24.1	19.7	16.8	258	244	241	10.8	13.5	16.0	10.5	11.9	13.2
Shree Cement	16,000	17000	Hold	55,071	202	405	565	40.7	22.4	15.9	341	316	316	6.5	13.3	18.3	10.9	18.2	20.5
Heidelberg Cem	131	124	Hold	2,810	1.7	2.6	3.5	19.2	15.8	13.6	125	120	118	6.0	7.5	9.1	4.3	6.1	7.8
India Cement	163	175	Buy	5,038	4.3	5.2	8.3	10.2	9.8	8.2	86	84	82	8.5	8.6	10.3	4.0	4.3	6.4
JK Cement	839	990	Buy	5,867	15.7	32.5	46.4	16.5	12.6	10.5	115	113	112	8.9	12.2	13.9	6.4	12.5	14.9
JK Lakshmi Cem	385	500	Buy	4,531	2.3	6.9	14.3	22.5	14.9	10.1	123	101	74	3.4	7.3	12.0	1.2	5.9	10.8
Mangalam Cem	278	365	Buy	742	-8.3	4.1	16.0	31.9	13.2	8.2	55	44	43	1.6	6.0	11.8	NA	2.3	8.2
SFCL	101	105	Hold	2,242	4.1	5.5	8.6	7.5	7.1	5.0	160	160	139	12.0	13.4	18.7	12.3	14.5	18.8

Source: Company, ICICIdirect.com Research

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