

Star Ferro & Cement

Cement

Result Update

04 August 2016

Weak pricing hurts further, but recovery in sight

We maintain BUY on Star Ferro & Cement (SFCL), with a TP of Rs150 (no change). Despite 16% YoY volume growth, SFCL's Q1FY17 consolidated EBIDTA declined 25% YoY owing to aggressive pricing in the eastern region. We expect cement price recovery post monsoon and stable costs to drive SFCL's profit growth during FY17/18E. Increased visibility on receiving ~Rs4-5bn of subsidy backlog by Q3FY17 should further enhance its balance sheet. Also, SFCL's simplifying its corporate structure through reverse merger with Star Cement is a step in the right direction. (We have included the proforma financials of the new entity Star Cement wef FY17 on page 6 post reverse merger).

- **Strong volume growth momentum continues, boosting market share:** Net external sales volume (cement + clinker sales) rose 16% YoY (down 19% QoQ) to 0.76mn MT. While cement sales volume rose 22% YoY, lower clinker sales (6% share in total sales vs 11% YoY and 10% QoQ) moderated total volume growth to 16% (4% below our estimates). NE region (NER) accounted for 61% of total sales vs 60% YoY and 69% QoQ. Cement sales from the on-lease GUs in West Bengal grew 83% YoY to 0.13mn MT (17% share in total sales vs 11% YoY and 14% QoQ). SFCL has been able to gain market share in NER (28% currently vs 23% YoY) at the expense of smaller players.
- **Weak pricing and cost increase drag down profits:** Amid continued competitive pressure, SFCL's NSR declined 1% QoQ and 5% YoY. The NSR dip appears lower on account of reduction in low-value clinker sales. Increase in cement sales' share (in its total sales volume) and higher unitary raw materials and power cost drove up total opex/MT to 8% YoY. However, on QoQ basis, lower coal prices and lead distance rationalisation moderated the cost increase to 2% despite negative operating leverage and higher share of cement sales. Subsequently, EBITDA/MT declined to Rs1,208 (vs our estimate of Rs1,360/MT) due to lower NSR as well as higher cost.
- **Demand recovery and subsidy receivable from government to boost cash flow:** We expect recovery in rural cement demand post monsoon and restoration of supply discipline in the eastern and NE regions to drive SFCL's profit recovery from H2FY17. Further, recent reduction in coal prices (from Q1FY17) and operating leverage gain from stable marketing expenses should add to profit growth. SFCL expects to receive Rs4-5bn of the Rs7bn of freight and capital subsidies (dues from central government) by Q3FY17. This should help SFCL in reducing its debt.
- **Valuation and risks:** The recently announced reverse merger of SFCL (purely a holding company) with Star Cement (earlier CMCL) will simplify corporate structure. SFCL will issue 1.33 share of Star Cement for every share of SFCL. Subsequently, Star Cement will get listed over next six months. We maintain our earnings estimates for FY17/18E. We retain BUY recommendation and our TP of Rs150, valuing SFCL's 70.5% holding in the cement business at 7.5x its FY18E EBITDA. Key downside risks are lower-than-expected price recovery, further delays in subsidy disbursement and sharp rise in input costs.

Y/E Mar (Rsmn)	Q1FY17	Q1FY16	YoY (%)	Q4FY16	QoQ (%)	Q1FY17E	Variance %
Net Sales	4,491	4,087	9.9	5,632	(20.3)	4,673	(3.9)
Op. cost	3,575	2,874	24.4	4,365	(18.1)	3,600	(0.7)
EBITDA	915	1,213	(24.5)	1,267	(27.8)	1,073	(14.7)
EBITDA margin (%)	20.4	29.7	(930)bps	22.5	(211)bps	23.0	(258)bps
Depreciation	342	417	(18.0)	439.5	(22.1)	330	3.8
Interest	210	202	3.7	216.1	(3.0)	200	4.8
PBT	367	611	(39.8)	613.9	(40.2)	553	(33.6)
Taxes Paid	5	5	1.6	25.9	(79.0)	28	(80.4)
Minority Interest	126	190	(33.6)	188.3	(33.1)	163	(22.7)
Adjusted PAT	236	415	(43.2)	400	(41.0)	363	(35.0)

Source: Company, Centrum Research Estimates; Consolidated financials

Target Price	Rs150	Key Data	
CMP*	Rs113	Bloomberg Code	SFCL IN
Upside	33%	Curr Shares O/S (mn)	222.2
Previous Target	Rs150	Diluted Shares O/S(mn)	222.2
Previous Rating	Buy	Mkt Cap (Rsbn/USDmn)	25.1/375.4
Price Performance (%)*		52 Wk H / L (Rs)	159/95.2
	1M	6M	1Yr
		5 Year H / L (Rs)	189/13.3
SFCL IN	(2.4)	(8.1)	(27.5)
Daily Vol. (3M NSE Avg.)			225347
NIFTY	2.6	16.1	0.0

*as on 4 August 2016; Source: Bloomberg, Centrum Research

Shareholding pattern (%)*

	June-16	Mar-16	Dec-15	Sep-15
Promoter	66.7	66.6	66.4	66.4
FII	0.1	0.1	0.1	0.1
Dom. Inst.	0.0	0.0	0.0	0.0
Public & Others	33.2	33.2	33.6	33.5

Source: BSE, *as on 4 August 2016

Operational performance trends

	Q1FY17	Q1FY16	YoY (%)	Q4FY16	QoQ (%)
Sales Vol					
Net sales (mn MT)	0.76	0.65	16.1	0.93	(18.8)
Gross sales (mn MT)	0.80	0.69	15.6	0.99	(19.3)
NSR (Rs/MT) ^^	5,624	5,914	(4.9)	5,689	(1.1)
RM & Traded Goods	1,227	794	54.5	1,500	(18.2)
Power & Fuel	844	804	5.0	576	46.5
Employee	367	335	9.6	273	34.2
Freight	977	1,020	(4.2)	1,099	(11.1)
Other expenses	1,062	1,206	(11.9)	960	10.7
Opes (Rs/MT) ^^	4,477	4,159	7.7	4,409	1.6
EBITDA (Rs/MT) **	1,208	1,858	(35.0)	1,358	(11.1)

Source: Company, Centrum Research

^^ NSR and Op costs items calculated on gross sales which include clinker sales to the on-lease GUs in West Bengal for conversion to cement for sale

** EBITDA per MT calculation on total external cement and clinker sales (excluding clinker sales to on-lease GUs)

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	APAT	YoY (%)	DEPS Rs.	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY14	11,734	77.9	2,550	21.7	70	(71.7)	0.3	0.6	3.1	359.2	21.4
FY15	14,304	21.9	4,351	30.4	834	1,091.9	3.8	12.3	10.6	30.1	10.9
FY16P	17,150	19.9	3,979	23.2	925	10.9	4.2	13.1	11.0	27.2	12.0
FY17E	19,791	15.4	5,112	25.8	1,883	103.6	8.5	21.8	16.0	13.3	7.6
FY18E	23,092	16.7	6,211	26.9	2,477	31.5	11.1	23.5	17.9	10.2	5.3

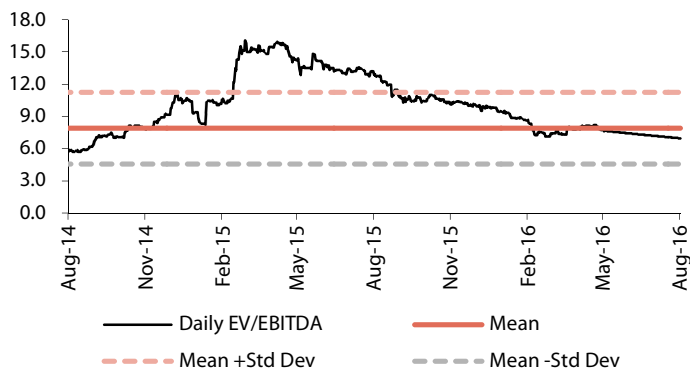
Source: Company, Centrum Research Estimates, Consolidated Financials; FY14 Financials include the financials for demerged Ferro alloy business.

Con-call highlights

- **Production and sales details:** Total external sales volume (cement + clinker) rose 16% YoY. Cement production rose 8% YoY to 0.623mn MT. Clinker production rose 11% YoY. Grey Cement sales volume grew 22% YoY to 0.754mn MT. Cement sales were higher on account of increase in contribution from on-lease grinding units. It produced 23% OPC and the rest is PPC and slag cement. During the quarter, NER accounted for 61% of total cement sales vs 60% YoY and 69% QoQ.
- **SFCL's market share in NER has increased to ~28%** from 23% YoY. Dalmia Cements stands at No. 2 position, with ~20% market share vs 18% YoY. Overall utilisation in the NER stands at ~70-72% on a 10mn MT of total installed capacity in the region. Gold Stone Cement is commissioning 0.5mn MT of new cement capacity (expected by Q3FY17).
- **NSR declined 5% YoY and 1% QoQ** led by weak pricing in the whole of the eastern region and timely arrival of monsoon. NSR dip is lower QoQ on account of lower sales share of clinker at 6% in Q1FY17 vs 11% YoY and 10% QoQ. Management suggested that pricing has bottomed out and it should see recovery from Q3FY17.
- SFCL's total **subsidy receivable** (Rs5bn of freight subsidy and Rs2bn of capital subsidy) stands at Rs7bn as of end of Q1FY17. It is extremely hopeful of receiving Rs4-5bn by Q3FY17. It will use the cash to pay off debt.
- **Expansion plans:** SFCL recently debottlenecked its Assam grinding unit, leading to 0.2mn MT capacity increase. Hence, its own clinker/grinding capacity currently stands at 2.6/3.3mn MT. It has 0.7mn MT on-lease capacity in West Bengal. SFCL will debottleneck its clinker capacity in FY17 to increase it by 0.3mn MT to 2.9 mnMT. It will also add 1mn MT of GU in Siliguri (expected by FY18E once land acquisition issue is resolved).
- **Simplification of corporate structure to be completed in FY17E:** The listed company SFCL is currently a purely holding company, which holds 70.48% in its unlisted subsidiary – Star Cement (earlier known as CMCL). CMCL and its two wholly owned subsidiaries own all of the cement assets and 51% of the thermal CPP. As the remaining 29.52% of Star Cement is also owned by same promoter group of SFCL, the promoters have decided to reverse merge the listed SFCL into Star Cement and subsequently make Star Cement as the listed company. This transaction would entail issuing the current shareholders of SFCL 1.33 share of the new entity – Star Cement. This will not lead to any equity dilution and simplify the corporate structure as Star Cement will truly reflect the cement business; moreover, the layers of subsidiary will reduce to one from the current two layers. This transaction is expected to be accomplished over the next six months.
- We have included the **proforma financials of to be listed company – Star Cement on page 6**. The consolidated financials, capital employed, return ratios and valuation ratios of the new entity (Star Cement) will remain the same as SFCL – except for extinguishing of minority shares. As against the current Mcap of Rs25bn for SFCL, the market cap of Star Cement will increase to Rs36bn to reflect the current value of the existing shareholders of SFCL (who owns 70.5% in Star Cement). This implies that CMP of Star Cement should be Rs85 to reflect the CMP of Rs113/share of SFCL.

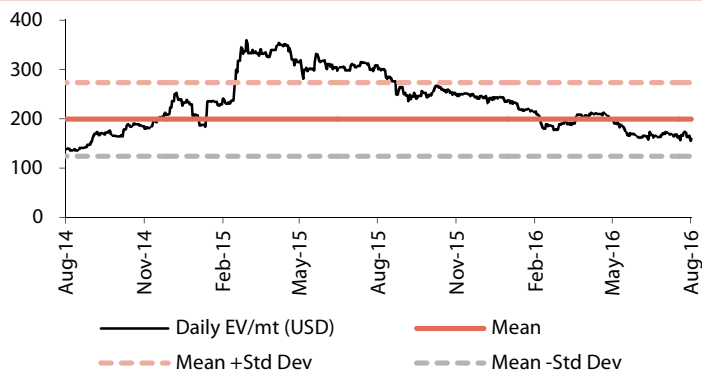
Valuations and key assumptions

Exhibit 1: 1 year forward EV/MT chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 2: 1 year forward EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 3: Comparative Valuations

Company	Mkt Cap (Rs bn)	CAGR FY16-18E (%)			EBITDA margin (%)			RoCE (%)			RoE (%)			EV/EBITDA (x)			EV/MT(USD)		
		Rev.	EBITDA	PAT	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
SFCL	25.1	16.0	24.9	63.6	23.2	25.8	26.9	11.0	16.0	17.9	13.1	21.8	23.5	12.0	7.6	5.3	238	181	117
UltraTech Cement	1,006	15.1	30.0	40.2	19.1	21.6	24.4	7.7	9.9	12.9	11.0	13.6	17.0	21.7	16.7	12.3	233	226	218
Shree Cement	585	17.1	32.1	76.2	24.1	29.1	30.7	8.7	18.0	21.1	10.9	20.6	23.5	42.2	21.6	16.9	334	304	293
JK Lakshmi	50.2	16.2	61.2	340.4	10.3	15.5	19.8	(0.5)	6.3	11.5	1.3	7.5	21.1	24.4	14.7	9.1	121	103	95
JK Cement	50.7	16.8	36.9	158.4	13.6	16.7	18.6	3.6	7.9	11.4	3.7	13.4	21.4	14.7	11.0	7.8	83	84	80
Orient Cement	34.0	28.2	75.1	107.6	12.1	18.6	22.7	4.8	8.0	13.7	6.3	9.4	22.3	23.1	12.8	7.6	81	88	82

Source: Company, Centrum Research Estimates

Exhibit 4: Key Operational Assumptions

Particulars	FY13	FY14	FY15	FY16	FY17E	FY18E
Total Sales Volume (mn MT)	1.1	1.8	2.4	2.8	3.2	3.5
YoY change (%)	(3.6)	64.4	34.5	17.0	14.3	10.4
(Rs/ MT trend)						
NSR	5,554	5,854	5,845	5,785	5,875	6,110
YoY change (%)	13.5	5.4	(0.2)	(1.0)	1.6	4.0
RM & Traded goods	704	855	944	1,169	1,138	1,136
Power & Fuel	1,017	941	707	729	705	733
Freight costs	1,183	1,086	998	1,002	999	1,039
Employee cost	368	419	375	367	370	379
Other expense	1,131	1,270	1,069	1,190	1,146	1,179
Total Opex	4,403	4,570	4,093	4,457	4,357	4,466
EBITDA per MT	1,150	1,284	1,846	1,443	1,622	1,711

Source: Company, Centrum Research Estimates

Exhibit 5: Quarterly financials trend - Consolidated

Y/E Mar (Rs mn)	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17
Net Sales	2,627	3,382	5,069	4,087	3,115	4,287	5,632	4,491
Total Expenditure	2,125	2,202	3,522	2,874	2,563	3,370	4,365	3,575
Raw Materials	626	227	1,074	549	463	958	1,485	980
Employee	240	246	227	231	305	278	271	293
Others	579	666	757	834	825	908	951	848
EBITDA	503	1,180	1,548	1,213	552	917	1,267	915
Depreciation	553	552	600	417	428	430	440	342
EBIT	(50)	629	948	796	124	487	828	573
Interest	208	234	201	202	216	199	216	210
Other Income	2	8	(9)	17	12	13	2	4
PBT	(256)	403	738	611	(81)	301	614	367
Taxes	28	29	(19)	5	16	8	26	5
Adjusted PAT (before minority)	(284)	374	757	605	(96)	293	588	362
Exceptional expense/ (income)	(11)	8	3	(0)	2	(5)	(2)	0
Minority Interest	(83)	129	210	190	(16)	102	188	126
Reported PAT	(212)	253	550	415	(79)	186	398	236
Adjusted PAT	(201)	245	547	415	(80)	190	400	236
Adj EPS (Rs)	(0.9)	1.1	2.5	1.9	(0.4)	0.9	1.8	1.1
YoY Growth (%)								
Revenue	19.1	34.9	30.5	29.7	17.7	21.4	22.5	20.4
EBITDA	(1.9)	18.6	18.7	19.5	4.0	11.4	14.7	12.8
PBT	(9.7)	11.9	14.6	14.9	(2.6)	7.0	10.9	8.2
Adj PAT	(10.8)	11.0	14.9	14.8	(3.1)	6.8	10.4	8.1
Margins (%)								
EBITDA	18.0	0.8	33.1	26.7	18.6	26.8	11.1	9.9
EBIT	626.8	29.0	30.8	8.3	9.9	(22.3)	(18.1)	(24.5)
PBT	n/m	40.8	31.6	68.6	n/m	(25.3)	(16.8)	(39.8)
Adj PAT	n/m	16.4	51.0	70.3	n/m	(22.2)	(27.0)	(43.2)
Operational Trend								
Cement & clinker Sales Vol								
Gross sales volume (mn MT)	0.45	0.58	0.87	0.69	0.53	0.74	0.99	0.80
YoY growth (%)	23.7	24.2	54.7	29.4	18.0	28.3	14.0	15.6
Net sales volume (mn MT)	0.45	0.56	0.81	0.65	0.50	0.67	0.93	0.76
YoY growth (%)	23.7	21.0	44.1	22.2	10.2	19.8	15.3	16.1
NSR (Rs/ MT) ^^	5,816	5,857	5,836	5,914	5,844	5,790	5,689	5,624
Opex (Rs/MT) ^^	4,703	3,813	4,055	4,159	4,808	4,551	4,409	4,477
EBITDA (Rs per MT) **	1,113	2,098	1,913	1,858	1,109	1,361	1,358	1,208

Source: Company, Centrum Research

^^ NSR and Op costs items calculated on gross sales which include clinker sales to the on-lease GUs in West Bengal for conversion to cement for sale

** EBITDA per MT calculation on total external cement and clinker sales (excluding clinker sales to on-lease GUs)

Financials - Consolidated

Exhibit 6: Income Statement

Y/E Mar(Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	11,734	14,304	17,150	19,791	23,092
Raw Materials	2,018	1,798	1,860	2,078	2,540
as % of sales	17.2	12.6	10.8	10.5	11.0
Employee	786	913	1,084	1,247	1,434
as % of sales	6.7	6.4	6.3	6.3	6.2
Others	2,828	2,599	3,516	3,860	4,455
as % of sales	24.1	18.2	20.5	19.5	19.3
EBITDA	2,550	4,351	3,979	5,112	6,211
EBITDA margin (%)	21.7	30.4	23.2	25.8	26.9
Depreciation	1,616	2,237	1,715	1,431	1,503
EBIT	933	2,113	2,264	3,681	4,708
Interest	872	874	834	750	620
Other income	24	8	14	60	200
PBT	85	1,247	1,445	2,991	4,288
Tax	27	48	55	300	750
Tax rate (%)	32.0	3.8	3.8	10.0	17.5
Adj PAT Pre-minority	58	1,199	1,389	2,691	3,538
Minority Interest	12	(365)	(464)	(807)	(1,061)
Adj PAT (post minority)	70	834	925	1,883	2,477
EO items	(9)	0	(5)	-	-
Reported PAT (post minority)	61	834	920	1,883	2,477

Source: Company, Centrum Research Estimates

Exhibit 7: Key Ratios

Y/E Mar	FY14	FY15	FY16P	FY17E	FY18E
Growth Metrics (%)					
Net Sales	77.9	21.9	19.9	15.4	16.7
EBITDA	115.4	70.6	(8.5)	28.5	21.5
Adj PAT	(71.7)	1,091.9	10.9	103.6	31.5
Profitability Metrics (%)					
EBIT margin	8.0	14.8	13.2	18.6	20.4
PBT margin	0.7	8.7	8.4	15.1	18.6
Adj PAT margin	0.5	8.4	8.1	13.6	15.3
Return Ratios (%)					
RoE	0.6	12.3	13.1	21.8	23.5
RoCE	3.1	10.6	11.0	16.0	17.9
RoC	3.2	10.7	11.2	17.5	23.5
Turnover ratios (No of days)					
Inventory period	55	28	45	33	32
Collection period	44	79	96	84	84
Creditors period	26	20	30	27	27
Cash conversion cycle	73	87	110	89	89
Solvency Ratio (x)					
D/E	1.1	0.9	0.8	0.5	0.4
Net D/E	1.0	0.9	0.8	0.3	(0.1)
Interest coverage	1.1	2.4	2.7	4.9	7.6
Current ratio	3.4	3.8	3.7	3.5	3.7
Dividend					
DPS (Rs)	0.3	0.0	1.0	1.3	1.7
Dividend yield (%)	0.3	0.0	0.9	1.1	1.5
Dividend pay-out (%)	119.2	0.0	28.3	17.7	17.7
Per share (Rs)					
Basic EPS- reported	0.3	3.8	4.1	8.5	11.1
Basis EPS- adjusted	0.3	3.8	4.2	8.5	11.1
FDEPS- reported	0.3	3.8	4.1	8.5	11.1
FDEPS- adjusted	0.3	3.8	4.2	8.5	11.1
CEPS	7.6	13.8	11.9	14.9	17.9
BVPS	30.9	30.6	33.6	40.6	49.8
Valuations Metrics (x)					
P/E	359.2	30.1	27.2	13.3	10.2
Price/Cash earnings	14.9	8.2	9.5	7.6	6.3
Price/BV	3.7	3.7	3.4	2.8	2.3
EV/EBITDA	21.4	10.9	12.0	7.6	5.3
EV/ton (USD \$)	240	235	238	181	117

Source: Company, Centrum Research Estimates

Exhibit 8: Balance Sheet

Y/E Mar(Rs mn)	FY14	FY15	FY16P	FY17E	FY18E
Sources of Funds:					
Share Capital	222	222	222	222	222
Reserves	6,641	6,578	7,242	8,793	10,832
Shareholders Fund	6,863	6,800	7,464	9,015	11,054
Debt	9,917	8,805	9,398	6,898	5,898
Net deferred tax	45	87	112	212	312
Minority Int	2,529	3,231	3,695	4,502	5,564
Total Liabilities	19,354	18,922	20,669	20,627	22,828
Application of Funds:					
Gross Block	15,827	16,111	16,739	16,939	18,439
Accumulated Depn	4,105	5,831	7,546	8,977	10,480
Net Fixed Assets	11,722	10,280	9,193	7,962	7,958
Capital WIP	995	410	490	1,640	840
Investments	15	15	15	15	15
Inventories	1,755	1,091	2,092	1,781	2,032
Sundry Debtors	1,416	3,098	4,488	4,552	5,311
Cash & Liquid Investments	126	204	309	3,142	7,189
Loans & Advances	6,037	6,802	8,140	5,937	4,618
Other Current Assets	5	4	5	2	2
Total Current Assets	9,339	11,200	15,034	15,414	19,153
Sundry creditors	829	770	1,404	1,484	1,732
Other liabilities & provisions	1,889	2,212	2,658	2,919	3,406
Total Current Liabilities	2,718	2,982	4,062	4,403	5,138
Net Current Assets	6,621	8,218	10,971	11,011	14,015
Total Assets	19,354	18,922	20,669	20,627	22,828

Source: Company, Centrum Research Estimates

Exhibit 9: Cash Flow

Y/E Mar(Rs mn)	FY14	FY15	FY16P	FY17E	FY18E
PBT & extraord. Items	76	1,247	1,445	2,991	4,288
Add: Depreciation	1,616	2,237	1,715	1,431	1,503
Add: Interest	872	874	834	750	620
Add: Others	(24)	(12)	(14)	(60)	(200)
Operating profit before WC changes	2,541	4,346	3,979	5,112	6,211
Trade & other receivables	(1,606)	(2,632)	(2,729)	2,142	559
Inventories	(255)	463	(1,000)	310	(251)
Trade payables	919	636	1,080	341	734
Net change - WC	(941)	(1,532)	(2,649)	2,794	1,043
Direct taxes	-	(208)	(29)	(200)	(650)
Net cash from operating activities	1,599	2,606	1,301	7,705	6,604
Capital expenditure	(1,173)	(434)	(708)	(1,350)	(700)
Others	(1)	27	14	60	200
Net Cash from investing activities	(1,175)	(407)	(694)	(1,290)	(500)
Net free cash flows	425	2,199	607	6,415	6,104
Issue of share capital	-	2	-	-	-
Debt change	409	(1,231)	593	(2,500)	(1,000)
Dividend paid	(122)	-	(261)	(333)	(437)
Interest paid	(872)	(874)	(834)	(750)	(620)
Net cash from financing activities	(585)	(2,103)	(502)	(3,583)	(2,057)
Net change in cash	(160)	96	105	2,833	4,047

Source: Company, Centrum Research Estimates

Proforma consolidated financials of the to be listed Star Cement (wef from FY17)

Exhibit 10: Income Statement

Y/E Mar(Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	11,734	14,304	17,150	19,791	23,092
Raw Materials	2,018	1,798	1,860	2,078	2,540
as % of sales	17.2	12.6	10.8	10.5	11.0
Employee	786	913	1,084	1,247	1,434
as % of sales	6.7	6.4	6.3	6.3	6.2
Others	2,828	2,599	3,516	3,860	4,455
as % of sales	24.1	18.2	20.5	19.5	19.3
EBITDA	2,550	4,351	3,979	5,112	6,211
EBITDA margin (%)	21.7	30.4	23.2	25.8	26.9
Depreciation	1,616	2,237	1,715	1,431	1,503
EBIT	933	2,113	2,264	3,681	4,708
Interest	872	874	834	750	620
Other income	24	8	14	60	200
PBT	85	1,247	1,445	2,991	4,288
Tax	27	48	55	300	750
Tax rate (%)	32.0	3.8	3.8	10.0	17.5
Adj PAT Pre-minority	58	1,199	1,389	2,691	3,538
Minority Interest	12	(365)	(464)	(50)	(50)
Adj PAT (post minority)	70	834	925	2,641	3,488
EO items	(9)	0	(5)	-	-
Reported PAT (post minority)	61	834	920	2,641	3,488

Source: Company, Centrum Research Estimates

Exhibit 11: Key Ratios - at Star Cement CMP Rs85 (= SFCL's CMP/1.33)

Y/E Mar	FY14	FY15	FY16P	FY17E	FY18E
Growth Metrics (%)					
Net Sales	77.9	21.9	19.9	15.4	16.7
EBITDA	115.4	70.6	(8.5)	28.5	21.5
Adj PAT	(71.7)	1,091.9	10.9	185.5	32.1
Profitability Metrics (%)					
EBIT margin	8.0	14.8	13.2	18.6	20.4
PBT margin	0.7	8.7	8.4	15.1	18.6
Adj PAT margin	0.5	8.4	8.1	13.6	15.3
Return Ratios (%)					
RoE	0.6	12.3	13.1	21.8	23.5
RoCE	3.1	10.6	11.0	16.0	17.9
RoC	3.2	10.7	11.2	17.5	23.5
Turnover ratios (No of days)					
Inventory period	55	28	45	33	32
Collection period	44	79	96	84	84
Creditors period	26	20	30	27	27
Cash conversion cycle	73	87	110	89	89
Solvency Ratio (x)					
D/E	1.1	0.9	0.8	0.5	0.4
Net D/E	1.0	0.9	0.8	0.3	(0.1)
Interest coverage	1.1	2.4	2.7	4.9	7.6
Current ratio	3.4	3.8	3.7	3.5	3.7
Dividend					
DPS (Rs)	0.3	0.0	1.0	0.7	0.9
Dividend yield (%)	0.4	0.0	1.2	0.8	1.0
Dividend pay-out (%)	119.2	0.0	28.3	12.6	12.5
Per share (Rs)					
Basic EPS- reported	0.3	3.8	4.1	6.3	8.3
Basis EPS- adjusted	0.3	3.8	4.2	6.3	8.3
FDEPS- reported	0.3	3.8	4.1	6.3	8.3
FDEPS- adjusted	0.3	3.8	4.2	6.3	8.3
CEPS	7.6	13.8	11.9	9.7	11.9
BVPS	30.9	30.6	33.6	30.9	38.1
Valuations Metrics (x)					
P/E	269.8	22.6	20.4	13.5	10.2
Price/Cash earnings	11.2	6.1	7.2	8.7	7.1
Price/BV	2.8	2.8	2.5	2.8	2.2
EV/EBITDA	18.4	10.8	12.0	7.5	5.5
EV/ton (USD \$)	234	234	239	179	122

Source: Company, Centrum Research Estimates

Exhibit 12: Balance Sheet

Y/E Mar(Rs mn)	FY14	FY15	FY16P	FY17E	FY18E
Sources of Funds:					
Share Capital	222	222	222	419	419
Reserves	6,641	6,578	7,242	12,520	15,570
Shareholders Fund	6,863	6,800	7,464	12,939	15,990
Debt	9,917	8,805	9,398	6,898	5,898
Net deferred tax	45	87	112	212	312
Minority Int	2,529	3,231	3,695	578	628
Total Liabilities	19,354	18,922	20,669	20,627	22,828
Application of Funds:					
Gross Block	15,827	16,111	16,739	16,939	18,439
Accumulated Depn	4,105	5,831	7,546	8,977	10,480
Net Fixed Assets	11,722	10,280	9,193	7,962	7,958
Capital WIP	995	410	490	1,640	840
Investments	15	15	15	15	15
Inventories	1,755	1,091	2,092	1,781	2,032
Sundry Debtors	1,416	3,098	4,488	4,552	5,311
Cash & Liquid Investments	126	204	309	3,142	7,189
Loans & Advances	6,037	6,802	8,140	5,937	4,618
Other Current Assets	5	4	5	2	2
Total Current Assets	9,339	11,200	15,034	15,414	19,153
Sundry creditors	829	770	1,404	1,484	1,732
Other liabilities & provisions	1,889	2,212	2,658	2,919	3,406
Total Current Liabilities	2,718	2,982	4,062	4,403	5,138
Net Current Assets	6,621	8,218	10,971	11,011	14,015
Total Assets	19,354	18,922	20,669	20,627	22,828

Source: Company, Centrum Research Estimates

Exhibit 13: Cash Flow

Y/E Mar(Rs mn)	FY14	FY15	FY16P	FY17E	FY18E
PBT & extraord. Items	76	1,247	1,445	2,991	4,288
Add: Depreciation	1,616	2,237	1,715	1,431	1,503
Add: Interest	872	874	834	750	620
Add: Others	(24)	(12)	(14)	(60)	(200)
Operating profit before WC changes	2,541	4,346	3,979	5,112	6,211
Trade & other receivables	(1,606)	(2,632)	(2,729)	2,142	559
Inventories	(255)	463	(1,000)	310	(251)
Trade payables	919	636	1,080	341	734
Net change - WC	(941)	(1,532)	(2,649)	2,794	1,043
Direct taxes	-	(208)	(29)	(200)	(650)
Net cash from operating activities	1,599	2,606	1,301	7,705	6,604
Capital expenditure	(1,173)	(434)	(708)	(1,350)	(700)
Others	(1)	27	14	60	200
Net Cash from investing activities	(1,175)	(407)	(694)	(1,290)	(500)
Net free cash flows	425	2,199	607	6,415	6,104
Issue of share capital	-	2	-	-	-
Debt change	409	(1,231)	593	(2,500)	(1,000)
Dividend paid	(122)	-	(261)	(333)	(437)
Interest paid	(872)	(874)	(834)	(750)	(620)
Net cash from financing activities	(585)	(2,103)	(502)	(3,583)	(2,057)
Net change in cash	(160)	96	105	2,833	4,047

Source: Company, Centrum Research Estimates

Appendix A

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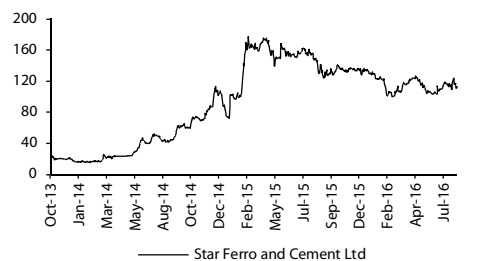
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SFCL price chart



Source: Bloomberg, Centrum Research

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