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Initiating Coverage

Star Cement Ltd.

31-March-2021

RETAIL RESEARCH

Star Cement Ltd.

Industry	LTP	Base case Fair Value	Bull case Fair Value	Recommendation	Time Horizon
Cement	Rs. 96.25	Rs.97	Rs.112	Buy at 84 and add on dips to Rs.77	2 quarters

HDFC Scrip Code	STACEMEQNR
BSE Code	540575
NSE Code	STARCEMENT
Bloomberg	STRCEM:IN
CMP March 30, 2021	96.40
Equity Capital (cr)	41
Face Value (Rs)	1
Eq- Share O/S(cr)	41.2
Market Cap (Rscr)	3955
Book Value (Rs)	45
Avg.52 Wk Volume	1042904
52 Week High	111.85
52 Week Low	65.90

Share holding Pattern % (Dec, 2020)	
Promoters	67.11
Institutions	8.14
Non Institutions	24.75
Total	100.0

Fundamental Research Analyst
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Our Take:

Star Cement Ltd (SCL) is a dominant player in the North-East region with ~25% market share. It has 5.69 MTPA of cement capacity, 3 MTPA of clinker capacity and a 51-MW captive coal-based power plant. The company has been focusing on increasing its captive power plant capacity, which should improve its operating efficiency. We believe that it has a strong, sustainable competitive advantage in the North East region, as entry of outside players in this market is limited. Also, since it plans to increase its capacity to 10mn mt by 2025, from the current 5.7mn mt, its volume growth has good visibility.

Eastern India region is largely underpenetrated and, thus, has good growth potential compared to the rest of country, where the company has major capacity.

Valuations & Recommendation:

We expect that the company will get benefit from the strong regional presence, improving utilization, and cost efficiencies, apart from industry triggers of higher realization. We like Star Cement due to its strong, experienced management, healthy margins on the back of substantial ongoing cost reduction, net cash positive balance sheet with superior return ratio's, and future growth visibility on the back of expansion plan. However, in the short to medium term, demand recovery in core markets continues to be the key monitorable.

We expect 10% CAGR in the topline and 12% EPS CAGR over FY20-23E. At the LTP, the company is trading at FY23E EV/T of $92.3/T, 6.7x FY23E EV/EBITDA. We believe the base case fair value of the stock is Rs.97 (FY23E EV/T of $92.9/T, 6.7x FY23E EV/EBITDA) and the bull case fair value is Rs.112 (FY23E EV/T of $107.7/T, 7.8x FY23E EV/EBITDA). Investors can buy the stock at Rs 84 (FY23E EV/T of $80.1/T, 5.8x FY23E EV/EBITDA) and add on dips to Rs.77 (FY23E EV/T of $73.2/T, 5.3x FY23E EV/EBITDA).

Financial Summary

Particulars (Rs cr)	Q3FY21	Q3FY20	YoY-%	Q2FY21	QoQ-%	FY19	FY20	FY21E	FY22E	FY23E
Total Operating Income	423	451	-6%	402	5%	1831	1844	1689	2158	2446
EBITDA	84	94	-11%	79	6%	449	395	334	485	579
APAT	-2	71	-100%	61	-100%	299	286	221	341	406
Diluted EPS (Rs)	0.0	1.7	-102%	1.5	-103%	7.1	6.9	5.4	8.3	9.8
RoE-%						17.9	15.4	11.0	15.4	16.2
P/E (x)						13.2	13.8	17.9	11.6	9.8
EV/EBITDA						8.6	9.5	11.3	7.9	6.8

(Source: Company, HDFC sec)

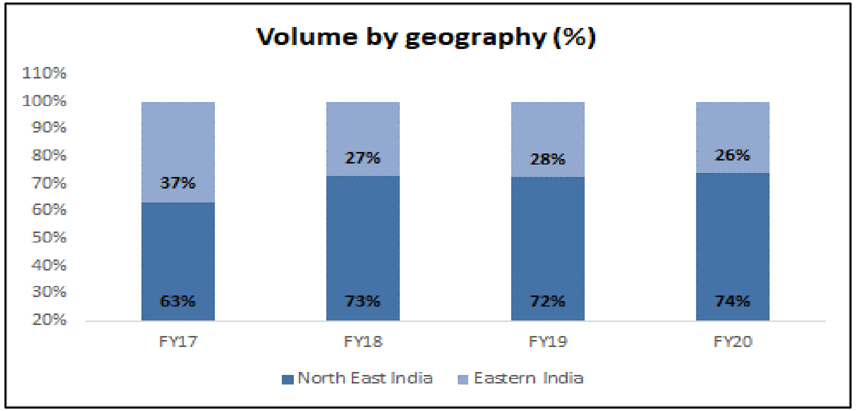
Q3FY21 Result Update

- The volumes of the company have degrown by 9.6% to 0.71 MTPA in Q3FY21 compared to 0.79 MTPA in Q3FY20. Revenue has degrown by 6% y-o-y to Rs.423 cr in Q3FY21, from Rs.451 cr in Q3FY20. NSR (Rs/T) has grown by 3.9% to Rs.5947/t y-o-y.
- Due to higher expenditure, the EBITDA was at Rs.84 cr, compared to Rs.94 cr in the previous year, a decline of 11% y-o-y. EBITDA/T has degrown y-o-y by 3% to Rs.1213/T. Consequently, PAT has reduced by 100% due to exceptional losses.
- The company had booked Rs 64.57 cr of gain as differential exercise in a legal case in the previous financial year. However, as a few similar cases' judgements were unfavorable for the company recently, it has written off the entire sum of Rs.64.57 cr as an exceptional loss in this quarter.
- Logistic disruption in Meghalaya during the second half of Q3FY21 pulled down SCL's sales volume. This disruption continued till mid-Feb-21 which will also affects the Q4FY21 performance.

Long-term Triggers

Established market position in the North East India region

SCL is the largest cement manufacturer in North East India with an estimated market share of ~25%. The North East India region has relatively higher barriers of entry, given its geographic location and challenging terrain. This region has various players like Star, Dalmia, Holcim group, Ultratech, Topcem, Amrit Cement, etc., along with smaller grinding units. No new capacity addition by players is expected in the North East region in the medium term, which will be a benefit to SCL. Though Ultratech has increased its presence in the Eastern India market, SCL is able to maintain its market share. Over the past few years, cement arrivals in the North East region from mainland players has come down to 16% from 30%, owing to strong location advantage for the existing players in this region. The demand-supply scenario in the North East region is well-balanced, given the total capacity of ~11mn mt and demand of ~9mn mt. Strong brand presence enables the group to enjoy premium pricing compared to some of the other cement companies located in the region. In FY20, the company launched Star Anti Rust Cement.



Source – Company, HDFC sec Research

Demand potential drives growth in North East and East India regions

The North East region has ~4% of India's total population and comprises 8% of India's total land mass. The East region has 25% of India's total population, which is the highest in the country. The region also has high population density, given that its land area is only 17% of the country's total. The East region has the lowest per capita cement consumption of 131 kg/year against the national average of 225 kg/year.

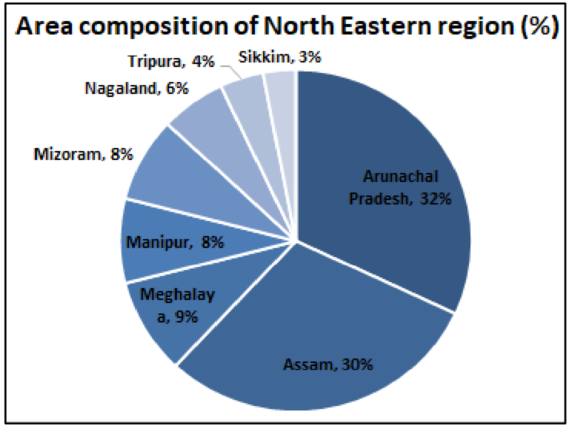
The Eastern India accounts for 18% of India's cement capacity. Almost in all the eight north-eastern states in India, cement deman has grown at 7-8% CAGR in the past three years. The Ministry of Development of North Eastern Region (DoNER) planned to operationalize 200 projects worth about Rs.3,000 cr in the North Eastern region, an average of two projects comprising Rs.30 cr per day. The Government allocated Rs.5,559 cr for the construction of North East Gas Grid project across the eight states - Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura.

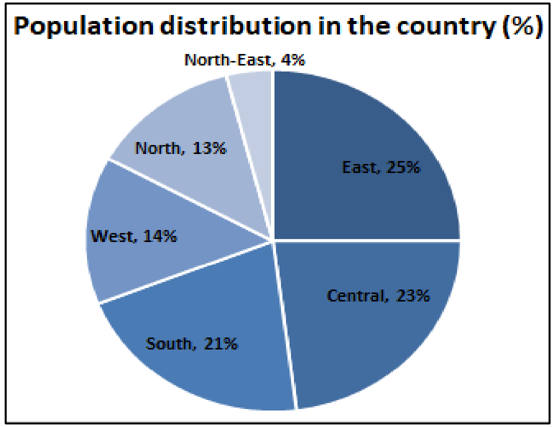
The construction of four new bridges over the Brahmaputra, namely Majuli-Jorhat, Dhakuakhana-Tekeliphuta-Disangmukh, Gohpur-Numaligarh and one near Tezpur are at different stages of implementation. DoNER undertook 49 projects of Rs.1,231 cr for setting up of a bamboo industrial park in Dima Hasao district in Assam at a cost of Rs.50 cr and construction of eight new projects for Rs.586.3 cr under the North East Road sector Development Scheme (NERSDS) and North East Special Infrastructure Development Scheme (NESIDS).

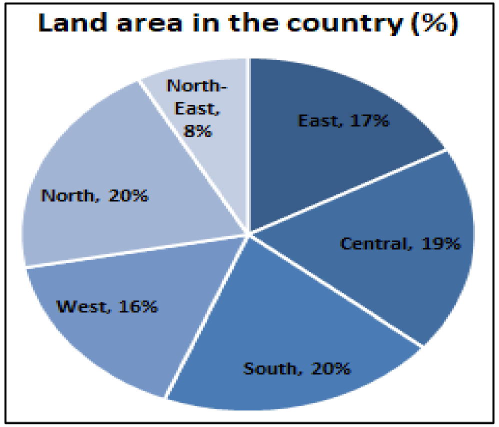
The Central government has sanctioned five new airports, with eight airports in pipeline, and Rs.5,000 cr of investment for the same is expected over the next 10 years. Guwahati, Agartala and Manipur airports would be upgraded. Arunachal (Hollongi airport) and Mizoram (Lengpui Airport) would be newly constructed. The government has approved funds of Rs 14,124 cr for 464 projects in eight smart cities in the Northeast.

The Government approved an amount of Rs.53,370 cr for infrastructure and social and economic development of the North eastern region in FY20. Due to higher spending from the government in this region, the North East is expected to grow at a higher rate compared to other regions in the country. In four out of the past five years, the region’s GSDP growth has been higher than India’s GDP growth. Assam again leads the proportion of GSDP within the region with 61% of contribution coming from the state. Shortage of housing is the highest in the Eastern region, which is driving demand for affordable housing and cement consumption in the region. Eastern India and North East Region account for urban housing shortage of 4.6 million units and rural housing shortage of 17 million units.

Star Cement Ltd.



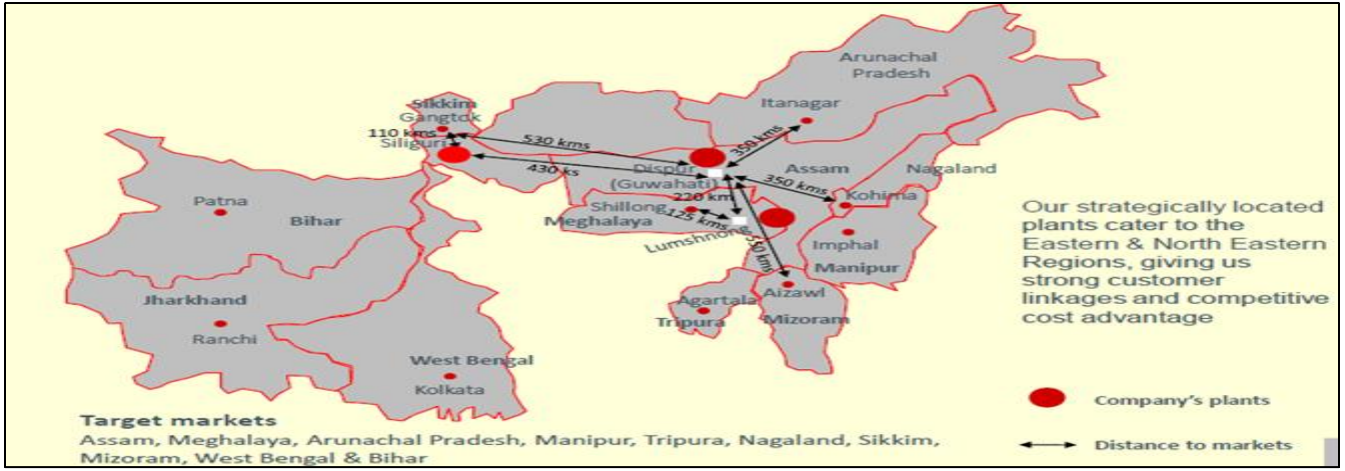




Source – Company, HDFC sec Research

New plant will add further growth

The plant established in Siliguri started in the month of December-2020; with the addition of this 2MTPA plant, total capacity will go up to around 5.7 MTPA. The plant will primarily produce PPC and cater to markets of East Bihar, North West Bengal and Sikkim. The Siliguri plant is a Rs. 400 cr plant, which has been funded through internal accruals. The next phase of its expansion is clinker expansion in Meghalaya, which will cost ~Rs850 cr. The management will start spending for the same from FY22 onwards and may take up to three years. The capex will be funded by internal accruals and the balance sheet will remain net cash positive despite investments.



Source – Company, HDFC sec Research

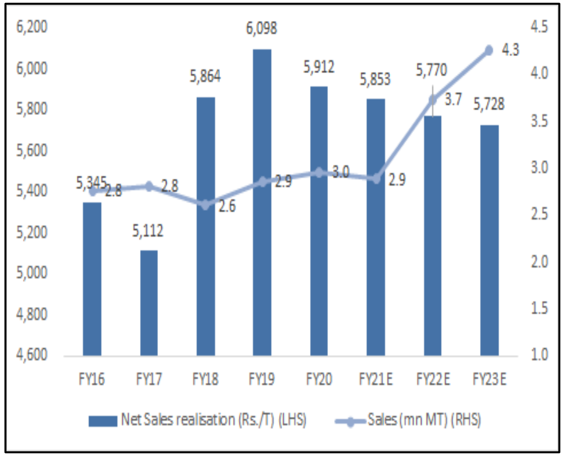
Star will add a 13MW WHRS in Meghalaya by the end of FY23E. Going forward, the company has plans to set-up a 2 MTPA clinker plant in Meghalaya, which will be used to feed the new grinding unit at Siliguri (West Bengal). We believe the new plant at Siliguri will result in lower logistics costs. The company plans to target various cities in the 300-400 kms radius of the new plant in West Bengal and Bihar. With the addition of this 2 MTPA, clinker capacity will go up to 5 MTPA. This capacity is expected to commence in FY24E. Besides, the company has a grinding facility of around 1-1.50 MTPA in Guwahati, which should be enhanced. As of FY20, ~25% of its total volume came from the eastern region, which is likely to go up to ~35-37% over the next two years.

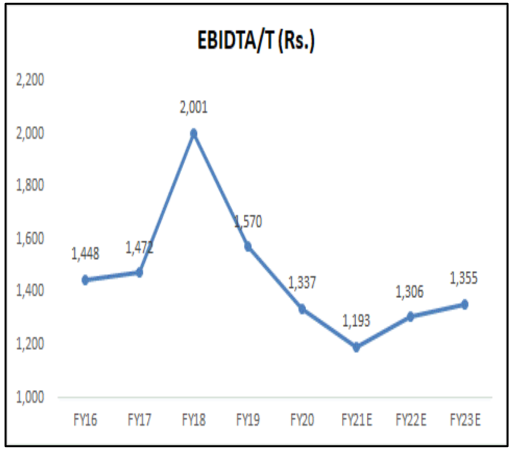
Lower operating costs

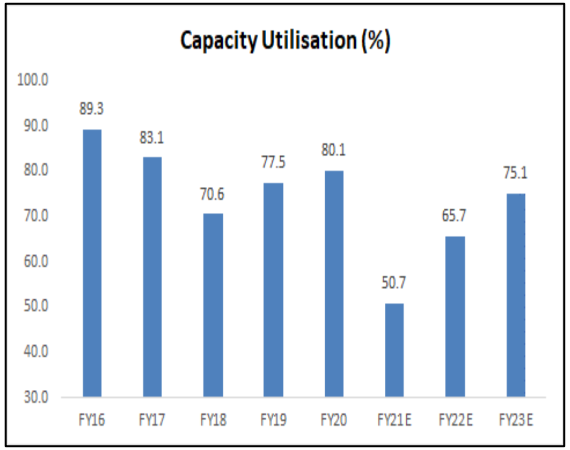
SCL's plants are located within a ~3 km radius of limestone mines and provide it with an uninterrupted supply of raw material at lower freight costs. These captive quarries offer high quality limestone with a calcium oxide content of 49%+ (higher than the rest of India) and reserves that can potentially last 80+ years with double clinker capacity. The weighted average lead distance also decreased to 271 km in comparison to 275 km in previous year. The group's operations remain integrated, supported by a clinkerisation facility of 2.6 MMTPA, captive limestone mines and 51-MW power plant.

Star Cement Ltd.

The company continued to source its power requirement for its Lumshnong unit from its subsidiary M/s. Meghalaya Power Ltd under a long-term arrangement for supply of quality power at competitive rates and, thus, has been able to reduce dependency on state utility/grid power.



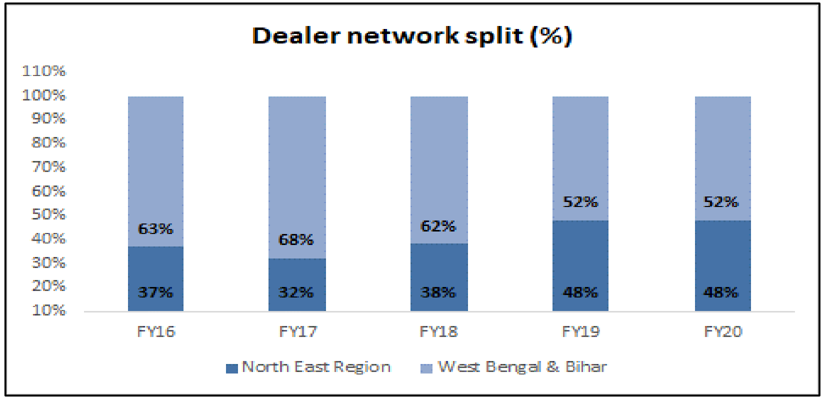




Source – Company, HDFC sec Research

Strong Distribution network

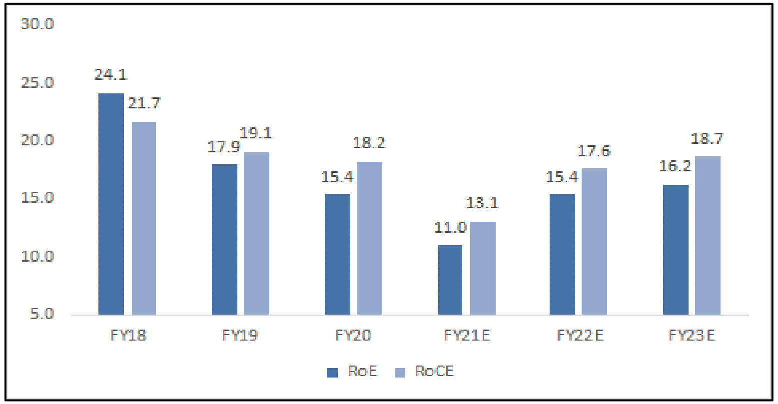
SCL's extensive distribution network is spread across 10 states in Eastern India, comprising 2,100+ dealers and 12,000+ retailers.

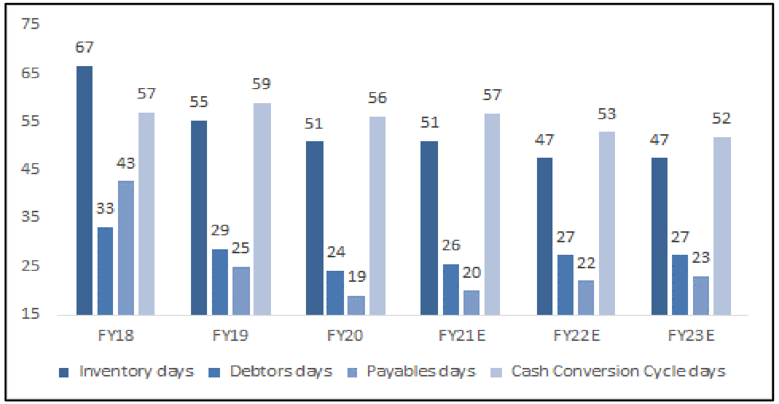


Source – Company, HDFC sec Research

Stable financial performance

The company has largely been using its free cash flow for debt repayment. It has led to significant improvement in the balance sheet with the company having achieved zero debt status. Strong balance sheet will support the company in its upcoming expansion.





Source – Company, HDFC sec Research

Benefits from government

Government of India has announced the North East Industrial and Investment Promotion Policy (NEIIPP), 2007, containing an extensive package of fiscal incentives in order to boost investment in the North East region.

SCL's plants enjoy the following fiscal benefits granted by the Government

	Exemption	Balance Exemption period**			
		SCML	SCL-GGU	SCL-LMS	MPL
Income Tax	100% under Section 80 IE, subject to MAT	≈ 2 years	≈ 2 years	-	≈ 3 years
IGST / CGST on Clinker	29% / 58%	≈ 3 years	-	≈7 years	
Cement	29% / 58%	-	≈ 3 years	≈7 Years	

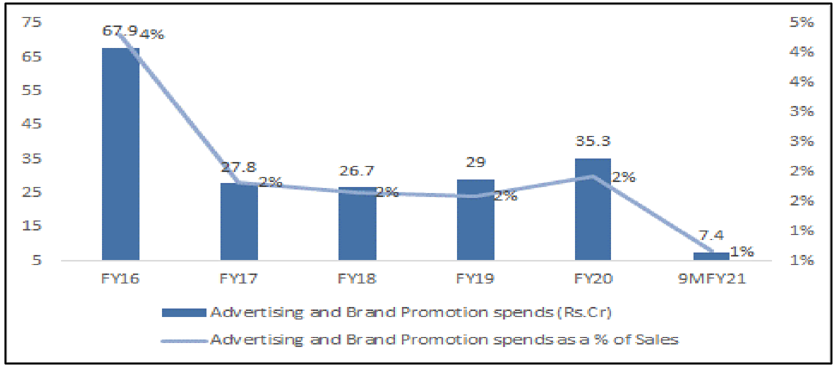
** As on 31.03.2020

*SCLML - Star Cement Meghalaya Ltd., GGU – Grinding unit, MPL - Meghalaya Power Ltd. Source – Company, HDFC sec Research

Continuous focus on brand building

SCL continuously puts efforts into the brand building of its cement business. It has invested ~Rs.300 cr towards the same. SCL as a brand has a very high recall, which ensures repeat customers and business. It is the most preferred brand in the North East region and is witnessing consistent growth in the markets of Bengal and Bihar.

The company has been endorsed and promoted by celebrities including Bipasha Basu, Hima Das, Debojit Saha, Saurabhee Debbarma, Lou Majaw, Mami Varte, Late Bhupen Hazarika, Pranjal Saikia, and Simanta Sekhar.

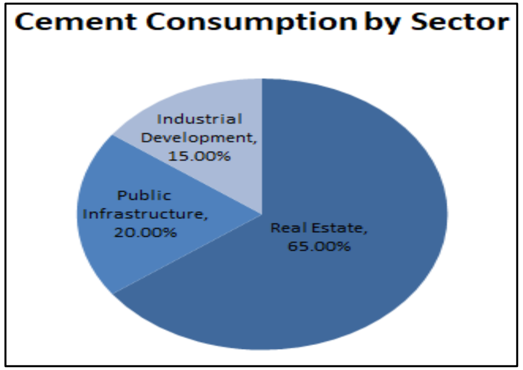


Source – Company, HDFC sec Research

What could go wrong

COVID-led lockdown and slowdown in the economy affect future growth

Cement demand has fallen sharply in H1FY21. A decline in cement demand in FY21 may bring down capacity utilization of cement companies. Growth in the housing segment, which forms 60-65% of cement demand, is likely to be affected, given the impact of the slowdown in economic growth as lower income growth and income cuts will result in lower discretionary spending over the next year.



Source – Company, HDFC sec Research

The COVID-induced self-isolation impaired the home buying sentiment that has adversely impacted the weak balance sheets of builders as they deferred launches of new projects.

Fall in volumes will result in lower capacity utilization, resulting in lower operating leverage.

The prolonged deterioration of the core economy sectors can result in a slowdown in cement demand, which can result in lower volume offtake and cement prices. Cement industry is a highly fixed cost intensive business. Any slowdown in demand can result in negative operating leverage, which can impact the company's overall profitability.

Any spike in key raw material can result in higher input costs, which can impact earnings.

The inability to ramp up the utilization of new grinding unit, coupled with delays in clinker expansion plans in Meghalaya, can impact overall earnings growth trajectory.

Intense competition

Competition in the cement industry is very high; apart from large players, small players also exist in the market. Foreign players may give tougher competition to domestic players.

Costs rise in H2 could bring pressure on margins

Higher pet coke prices should lead to a 10-15% increase in energy costs for the industry, though its usage may come down in favor of coal. Other operating expenses such as ad spends, marketing expense, and maintenance expense should increase in H2.

Revenue concentration

SCL's revenue is majorly concentrated in East and North-East region. Higher dependence on these regions remains a concern for the increased price volatility in these markets.

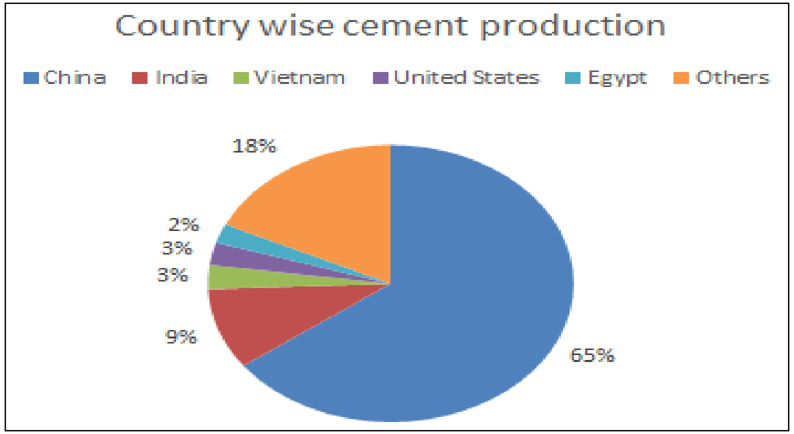
Star Cement Ltd.

About the company

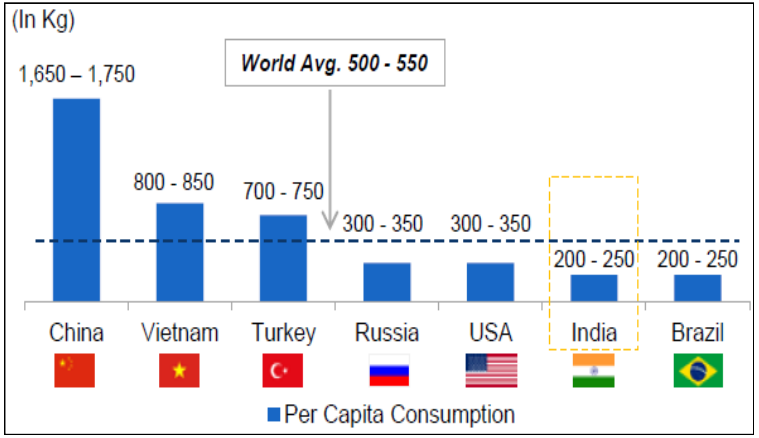
Star Cement Ltd (SCL) is promoted by Mr. Sajjan Bhajanka, Mr. Hari Prasad Agarwal, Mr. Sanjay Agarwal, Mr. Prem Kumar Bhajanka and Mr. Rajendra Chamaria. It has started operations in 2005. SCL has a cement capacity of 5.69 MTPA and a 51-MW captive coal-based power plant. The company's institutional customers comprise Larsen & Tourbo, National Hydro Power Corporation, Public Works Department, Indian Railways, and Ministry of Defense.

Industry

India is the second-largest cement producer in world. The cement industry occupies an important place in the Indian economy because of its strong linkages with other sectors such as construction, transportation, coal and power. The sector notably plays a critical role in the economic growth of the country, in its journey towards inclusive and decidedly conclusive growth. The construction sector alone constitutes about 7% of the country's gross domestic product (GDP). India is the second-largest producer of cement in the world, after China, with an installed capacity of ~509 MTPA. Presently, the Indian cement industry has 225 plants, owned by 65 players.



Lower per capita cement consumption in India



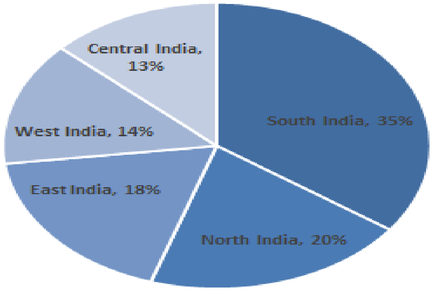
Source – Statista, Shree Cement earning presentation, HDFC sec Research

Although India is among the leading producers of cement in the world, its per capita cement consumption is at 200-250 kg, which is lowest among the developing countries. The world average is 500-580 kg, while countries such as China have a per capita cement consumption of 1650-1750 kg, followed by Vietnam (800-850 kg) and Turkey (700-750 kg). The factors that could trigger cement sales are infrastructural demand especially for Government projects, as well as higher housing demand in rural and semi-urban areas. A higher realization and rising dispatches are considered to be conducive for higher profits for the cement industry. All efforts are targeted to increase sales and reach the premium segment in prices.

The government also intends to expand the capacity of the railways and the facilities for handling and storage to ease the transportation of cement and reduce transportation costs. The demand for the cement industry is expected to reach 550-600 million tonnes per annum by 2025 because of the expanding demand of different end users i.e. housing, commercial construction and industrial construction.
Government thrust on affordable housing for realizing its vision of “Housing for All” by 2022 and Smart City program should also help in demand growth for cement. The rate of new cement capacity additions has also slowed down considerably. Therefore, the outlook for the cement sector looks better.

Cement, being a bulk commodity, is a freight intensive industry and long-distance transportation can prove to be uneconomical. This has resulted in cement being largely a regional play with the industry divided into five main regions viz. north, south, west, east and the central region. Cement is relatively a highly concentrated industry in India: I) the top 10 companies constitute> 60% of the market; ii) the top 5 companies enjoy a market share of around > 48%, and iii) the top 2 cement groups (Lafarge Holcim and Aditya Birla Group) enjoy a market share of around 38%.

Region wise cement capacity distribution Indutry



Star Cement Ltd.

Peer Comparison as per FY20 Financial

Company	CMP (As on 30-03-2021)	Mcap (Rs. Cr.)	Capacity (MTPA)	OPM%	NPM%	RoE%	RoCE%	D/E(x)	TTM P/E (x)	TTM EV/T ($)	EBIDTA/T (Rs.)
Star Cement	96	3972	5.7	21	15	15	18	0.0	25	86	1337
ACC	1874	35229	33.4	15	9	12	17	0.0	23	119	781
Ambuja Cement	300	59570	29.7	17	8	9	17	0.0	24	232	897
Dalmia Bharat	1584	29621	26.5	22	3	2	5	0.5	47	172	1091
Shree Cement	29094	105029	44.4	29	12	13	16	0.2	52	325	1458
The Ramco Cement	986	23230	16.5	21	11	12	13	0.6	33	211	981
Ultratech Cement	6786	195844	114.8	22	9	12	14	0.7	27	255	1141
India Cements	168	5208	15.6	12	1	1	4	0.7	33	70	530
Heidelberg Cement	230	5221	6.26	24	12	22	28	0.2	22	107	1122
Birla Corp	899	6922	15.6	19	7	11	11	0.8	12	89	962
Deccan Cement	411	575	2.25	14	10	13	12	0.2	6	28	544
JK Cement	2903	22440	17.1	21	8	17	15	1	34	196	1186
JK Lakshmi Cement	420	4943	13.3	17	6	15	17	0.7	14	64	732
Orient Cement	97	1980	8.0	16	4	8	11	1.0	13	50	659

Company	Regions wise Presence				
	North	West	South	East	Central
ACC	Y	Y	Y	Y	Y
Ambuja Cement	Y	Y	Y	Y	Y
Dalmia Bharat			Y	Y	Y
Shree Cement	Y	Y	Y	Y	Y
The Ramco Cement			Y	Y	
Ultratech Cement	Y	Y	Y	Y	Y
India Cements		Y	Y		
Heidelberg Cement					Y
Birla Corp	Y	Y		Y	Y
Deccan Cement			Y		
JK Cement	Y	Y	Y		
JK Lakshmi Cement	Y	Y		Y	

Star Cement Ltd.

Orient Cement		Y	Y		Y
Star Cement				Y	

	Sales (Rs. Cr)				EBIDTA Margin (%)				PAT (Rs. Cr)				RoE (%)			
	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
Star Cement	1844	1689	2158	2446	21	20	22	24	286	221	341	406	15	11	15	16
Dalmia Bharat	9674	10353	11503	12837	22	25	22	22	224	728	551	765	2	7	5	6
ACC	13786	16644	18086	20664	18	17	17	17	1409	1525	1762	1920	12	12	13	13
Ambuja Cement	11668	11268	12728	14070	18	23	23	23	1528	1789	1941	2081	7	8	9	9
Shree Cement	11904	12229	13575	15802	31	32	32	33	1570	2096	2417	2824	14	15	15	16
The Ramco Cement	5368	5099	6115	7188	21	28	26	27	601	725	774	1050	13	13	13	16
Ultratech Cement	42125	42430	47050	51260	22	23	23	24	3791	5110	5400	6310	12	12	12	12
India Cements	5186	4974	5919	NA	12	12	13	NA	50	22	153	NA	1	0	3	NA
Heidelberg Cement	2170	1920	2222	2729	24	21	22	25	268	211	292	352	22	15	19	21
Birla Corp	6916	6474	7245	8526	19	20	20	20	505	446	498	598	11	9	9	10
Deccan Cement	556	768	768	828	14	20	17	17	57	117	83	83	13	23	14	12
JK Cement	5802	6135	6999	8301	21	23	23	25	496	603	730	1063	17	18	19	22
JK Lakshmi Cement	4044	4181	4391	4791	17	16	16	17	235	255	260	288	15	14	13	12
Orient Cement	2422	2203	2521	2822	16	19	16	17	87	118	118	165	8	10	9	12

Star Cement Ltd.

Financials

Income Statement

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Revenues	**1615**	**1831**	**1844**	**1689**	**2158**	**2446**
Growth %		13.4	0.7	-8.4	27.8	13.3
Operating Expenses	1093	1382	1449	1356	1673	1868
EBITDA	**521**	**449**	**395**	**334**	**485**	**579**
EBIDTA Margin (%)	**32.3**	**24.5**	**21.4**	**19.7**	**22.5**	**23.6**
EBITDA Growth %		**-13.8**	**-12.0**	**-15.6**	**45.4**	**19.3**
Depreciation	121	106	93	105	124	144
EBIT	**401**	**344**	**302**	**228**	**361**	**434**
Other Income	4	5	29	28	30	30
Interest	52	14	9	8	8	8
PBT	**353**	**335**	**322**	**248**	**383**	**456**
Tax	16	30	34	25	38	46
Minority Int	6	6	2	2	4	5
RPAT	**331**	**299**	**286**	**156**	**341**	**406**
EO (Loss) / Profit (Net Of Tax)	0	0	0	-65	0	0
APAT	**331**	**299**	**286**	**221**	**341**	**406**
APAT Growth (%)		**-9.6**	**-4.4**	**-22.6**	**54.5**	**19.0**
AEPS	7.9	7.1	6.9	5.4	8.3	9.8

Balance Sheet

As at March	FY18	FY19	FY20	FY21E	FY22E	FY23E
SOURCES OF FUNDS						
Share Capital	41.9	41.9	41.2	41.2	41.2	41.2
Reserves And Surplus	1434	1682	1816	1975	2234	2537
Total Equity	**1476**	**1724**	**1857**	**2016**	**2275**	**2578**
Minority Int	62	68	70	73	76	81
Long-term Debt	199	2	1	90	120	72
Short-term Debt	234	72	10	10	10	16
Total Debt	**432**	**74**	**11**	**100**	**130**	**88**
Deferred Tax Liability	-233	-271	-289	-314	-352	-398
TOTAL SOURCES OF FUNDS	**1738**	**1595**	**1649**	**1875**	**2129**	**2348**
APPLICATION OF FUNDS						
Net Block	785	722	696	946	872	1708
Capital WIP	36	74	238	188	568	48
Total Non-current Investments	1	2	2	2	2	2
Total Non-current Assets	**822**	**798**	**935**	**1135**	**1441**	**1757**
Inventories	295	277	257	237	281	318
Debtors	146	144	122	118	162	183
Cash and Cash Equivalents	20	211	282	341	306	197
Other Current Assets	990	595	472	441	443	464
Total Current Assets	**1451**	**1227**	**1134**	**1137**	**1192**	**1162**
Creditors	189	125	96	93	130	154
Other Current Liabilities & Provns	346	306	324	304	374	417
Total Current Liabilities	**535**	**431**	**420**	**397**	**504**	**571**
Net Current Assets	916	796	714	740	688	591
TOTAL APPLICATION OF FUNDS	**1738**	**1595**	**1649**	**1875**	**2129**	**2348**

Star Cement Ltd.

Cash Flow Statement

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Reported PBT	352.6	334.6	321.5	248.2	383.4	456.3
Non-operating & EO Items	-4.2	-5.0	-27.1	-28.0	-30.0	-30.0
Interest Expenses	52.5	14.4	9.3	8.0	8.0	8.0
Depreciation	120.7	105.6	91.5	105.4	123.6	144.3
Working Capital Change	-6.7	304.3	160.7	32.6	17.5	-12.4
Tax Paid	-66.4	-59.2	-50.5	-49.6	-76.7	-91.3
OPERATING CASH FLOW (a)	**448.5**	**694.7**	**505.5**	**316.6**	**425.8**	**474.9**
Capex	-32.4	-80.4	-227.1	-305.0	-430.0	-460.0
Free Cash Flow (FCF)	416.1	614.3	278.4	11.6	-4.2	14.9
Investments	2.6	-115.3	75.5	0.0	0.0	0.0
Non-operating Income	4.4	3.0	16.1	28.0	30.0	30.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
INVESTING CASH FLOW (b)	**-25.3**	**-192.6**	**-135.5**	**-277.0**	**-400.0**	**-430.0**
Debt Issuance/(Repaid)	-368.5	-359.8	-62.4	89.3	30.0	-42.8
Interest Expenses	-52.2	-14.4	-9.6	-8.0	-8.0	-8.0
FCFE	-4.7	240.1	206.3	92.8	17.8	-35.9
Share Capital Issuance	0.0	0.0	-102.0	0.0	0.0	0.0
Dividend	0.0	-51.6	-49.7	-61.9	-82.5	-103.1
FINANCING CASH FLOW (c)	**-420.8**	**-425.8**	**-223.8**	**19.4**	**-60.5**	**-153.9**
NET CASH FLOW (a+b+c)	**2.4**	**76.3**	**146.1**	**59.0**	**-34.7**	**-109.0**

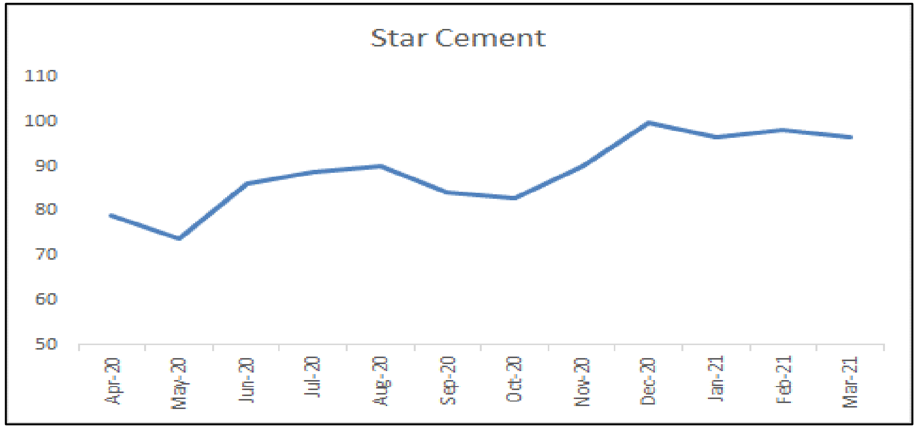
Key Ratios

	FY18	FY19	FY20	FY21E	FY22E	FY23E
PROFITABILITY %						
EBITDA Margin	32.3	24.5	21.4	19.7	22.5	23.6
EBIT Margin	24.8	18.8	16.4	13.5	16.7	17.8
APAT Margin	20.1	16.0	15.4	12.9	15.6	16.4
RoE	24.1	17.9	15.4	11.0	15.4	16.2
RoCE	21.7	19.1	18.2	13.1	17.6	18.7
EFFICIENCY						
Fixed Asset Turnover (x)	1.6	1.7	1.6	1.3	1.4	1.2
Inventory (days)	66.6	55.3	50.9	51.1	47.5	47.5
Debtors (days)	33.1	28.7	24.2	25.6	27.4	27.4
Payables (days)	42.7	25.0	19.0	20.0	22.0	23.0
Cash Conversion Cycle (days)	57.0	58.9	56.1	56.7	52.8	51.8
Net D/E	0.3	-0.1	-0.1	-0.1	-0.1	0.0
Interest Coverage	7.6	23.9	32.4	28.5	45.2	54.3
PER SHARE DATA (Rs)						
EPS	7.9	7.1	6.9	5.4	8.3	9.8
CEPS	10.8	9.6	9.2	7.9	11.3	13.3
Dividend	1.0	0.0	1.0	1.5	2.0	2.5
Book Value	35.2	41.1	45.0	48.9	57.0	64.5
VALUATION						
P/E (x)	11.9	13.2	13.8	17.9	11.6	9.7
P/BV (x)	2.7	2.3	2.1	2.0	1.7	1.5
EV/EBITDA (x)	8.5	8.6	9.5	11.3	7.9	6.8
Dividend Yield (%)	1.0	0.0	1.0	1.6	2.1	2.6

Source: Company, HDFC sec Research

Star Cement Ltd.

One Year Price Chart



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