

Weak demand clouds the shine

We maintain BUY on Star Cement with a TP of Rs 140 (10x FY21 consol EBITDA), implying EV of USD 177/MT.

HIGHLIGHTS OF THE QUARTER

- During 1QFY20, Star's earnings continued to decline, this time driven by poor demand while realization and op costs remained stable. Star's consolidated net sales/ EBITDA/PAT fell 11/15/7% YoY to Rs 4.61/1.12/0.84bn YoY (broadly in-line our est).
- Sales volume declined 10% YoY** (-14% QoQ), dragged by demand contraction in east. Its cement sales in NE region slowed to 3% while sales outside NE region fell 5% YoY. Even clinker sales fell sharply (to 1% of Star's total sales vs 12% YoY) on weak export demand. The co remains hopeful of a demand recovery in H2FY20 to drive volume growth in FY20, despite a weak 1H.
- Flattish NSR/Opex, Unitary EBIDTA at Rs 1542/MT:** Weak demand foiled price increase in NE region, leading to flat NSR QoQ/YoY. Stable coal prices, lower clinker export freight and overhead management led to flattish opex despite volume decline. Unitary EBIDTA thus declined a modest 5% YoY (up 3% QoQ) in Q1.
- Expansions to boost clinker/cement capacity to 5/5.7mn MT by FY22E:** Star guided for 2mn MT Siliguri

Financial Summary (Consolidated)

| Year Ending Dec (Rs mn) | Jun-19 | Jun-18 | YoY (%) | Mar-19 | QoQ (%) | FY17 | FY18 | FY19 | FY20E | FY21E |
|-------------------------|--------|--------|---------|--------|---------|--------|--------|--------|--------|--------|
| Net Sales | 4,609 | 5,179 | (11.0) | 5,344 | (13.8) | 15,341 | 16,145 | 18,310 | 18,871 | 21,041 |
| EBITDA | 1,121 | 1,317 | (14.9) | 1,269 | (11.6) | 4,146 | 5,214 | 4,492 | 4,573 | 5,232 |
| APAT | 839 | 903 | (7.1) | 898 | (6.6) | 2,010 | 3,307 | 2,988 | 3,233 | 3,792 |
| Diluted EPS (Rs) | 18.2 | 17.4 | 76.3 | 16.8 | 140.0 | 4.8 | 7.9 | 7.1 | 7.7 | 9.0 |
| EV / EBITDA (x) | | | | | | 11.7 | 8.6 | 8.8 | 8.0 | 6.6 |
| EV/MT (USD) | | | | | | 221 | 188 | 164 | 131 | 117 |
| P/E (x) | | | | | | 20.0 | 12.2 | 13.5 | 12.5 | 10.6 |
| RoE (%) | | | | | | 18.2 | 24.1 | 17.9 | 16.9 | 17.5 |

Source: Company, HDFC sec Inst Research

GU to be operational by Jan-2020. In Q3FY20, Star expects to start work on a 2mn MT brownfield clinker unit in Meghalaya (operational by 4QFY22E). The clinker debottlenecking of 0.2mn MT in Meghalaya is now delayed by a year to 2QFY21E. Star will also add two WHRS units of 6-8MW each in Meghalaya during FY21/22E. A net cash balance sheet currently and healthy cashflow outlook should fund all these capex.

- Near term outlook:** Weak demand in 1H should result moderate FY20 volume growth to 4% in our view. Demand recovery post monsoon alongwith Siliguri expansion should drive Star's 8% volume CAGR during FY19-21E, in our view. We also expect its fuel cost to reduce in H2, as local coal comes up for auctioning.

STANCE

We continue to like Star for its leadership positioning in the lucrative NE region (best EBITDA margins) will further rise (on-going expansions). Star's industry leading margins should gain from increased local coal availability and cost reduction from upcoming WHRS. Thus, Star should sustain its industry leading profitability/ return ratios, while retaining a net cash balance sheet. Star currently trades at a mere 6.6x FY21E EBITDA (EV of USD 117/MT). Maintain BUY with a TP of Rs 140 (10x consol FY21E EBITDA).

| INDUSTRY | CEMENT |
|--------------------------------|---------------|
| CMP (as on 01 Aug 2019) | Rs 96 |
| Target Price | Rs 140 |
| Nifty | 10,980 |
| Sensex | 37,018 |

KEY STOCK DATA

| | |
|-----------------------------|-----------|
| Bloomberg | STRCEM IN |
| No. of Shares (mn) | 419 |
| MCap (Rs bn) / (\$ mn) | 40/584 |
| 6m avg traded value (Rs mn) | 19 |

STOCK PERFORMANCE (%)

| 52 Week high / low | Rs 140/80 | | |
|--------------------|-----------|-----|--------|
| | 3M | 6M | 12M |
| Absolute (%) | (8.1) | 2.6 | (14.6) |
| Relative (%) | (3.0) | 1.1 | (13.3) |

SHAREHOLDING PATTERN (%)

| | Mar-19 | Jun-19 |
|------------------|--------|--------|
| Promoters | 67.99 | 67.94 |
| FIs & Local MFs | 8.71 | 9.23 |
| FPIs | 1.23 | 1.05 |
| Public & Others | 22.07 | 21.78 |
| Pledged Shares * | 0.10 | - |

Source : BSE *as % of total shares o/s

Rajesh Ravi

rajesh.ravi@hdfcsec.com
+91-22-3021-2077

Demand slowdown pulled down sales volume, leading to revenue and profits decline

Debt reduction and cash pile up led to higher other income and lower interest expense, thus moderating PAT decline

During 1Q, Star's cement sales growth in NE moderated to 3% YoY, and declined 5% in outside NE region. Sharp dip in clinker export accelerated total volume dip

NSR/opex remained flattish both YoY and QoQ

Consolidated Quarterly Financials' Snapshot

| (Rs Mn) | 1QFY20 | 1QFY19 | YoY (%) | 4QFY19 | QoQ (%) |
|-------------------------------------------------|--------------|--------------|---------------|--------------|---------------|
| Net Sales | 4,609 | 5,179 | (11.0) | 5,344 | (13.8) |
| Raw Materials | 968 | 1,192 | (18.8) | 1,374 | (29.5) |
| Power and Fuel | 815 | 765 | 6.5 | 744 | 9.5 |
| Transport | 298 | 268 | 11.4 | 275 | 8.5 |
| Employee | 884 | 1,173 | (24.6) | 1,049 | (15.7) |
| Other Exp | 522 | 463 | 12.6 | 634 | (17.7) |
| EBITDA | 1,121 | 1,317 | (14.9) | 1,269 | (11.6) |
| <i>EBITDA margin (%)</i> | 24.3 | 25.4 | (110) | 23.7 | 59 |
| Depreciation | 222 | 283 | (21.5) | 238 | (6.8) |
| EBIT | 899 | 1,034 | (13.0) | 1,030 | (12.7) |
| Other Income (Including EO Items) | 74 | 3 | 2,087.2 | 34 | 114.4 |
| Interest Cost | 28 | 54 | (49.0) | 31 | (9.8) |
| PBT - Reported | 945 | 983 | (3.9) | 1,034 | (8.6) |
| Tax | 106 | 68 | 56.0 | 118 | (10.2) |
| <i>Tax rate (%)</i> | 11.2 | 6.9 | 431 | 11.4 | (20) |
| (Minority Interest)/ Share of associates profit | (0) | (12) | | -18 | |
| RPAT | 839 | 903 | (7.1) | 898 | (6.6) |
| EO (Loss) / Profit (Net Of Tax) | - | - | | - | |
| APAT | 839 | 903 | (7.1) | 898 | (6.6) |
| <i>Adj PAT margin (%)</i> | 18.2 | 17.4 | 76 | 16.8 | 140 |

Source: Company, HDFC sec Inst Research

Consolidated Quarterly Performance Analysis

| | 1QFY20 | 1QFY19 | YoY (%) | 4QFY19 | QoQ (%) |
|-------------------------------------------------------------|--------------|--------------|---------------|--------------|---------------|
| External total sales vol (mn MT) | 0.73 | 0.81 | (9.8) | 0.85 | (14.0) |
| Total sales vol (includes clinker to on-lease units) | 0.77 | 0.85 | (10.0) | 0.89 | (13.9) |
| Rs/MT trend | | | | | |
| NSR | 5,993 | 6,060 | (1.1) | 5,981 | 0.2 |
| Raw materials | 1,259 | 1,395 | (9.7) | 1,538 | (18.1) |
| Power & fuel | 1,060 | 896 | 18.3 | 832 | 27.3 |
| Freight | 1,149 | 1,372 | (16.3) | 1,173 | (2.0) |
| Employee | 388 | 314 | 23.8 | 308 | 26.1 |
| Other Exp | 678 | 542 | 25.1 | 710 | (4.4) |
| Opex | 2,888 | 2,810 | 2.8 | 2,715 | 6.3 |
| EBITDA | 1,542 | 1,634 | (5.6) | 1,501 | 2.7 |

Source: Company, HDFC sec Inst Research

We expect volume growth to recover in H2, driving 8% volume CAGR in FY19-21E

We estimate Star's unitary EBITDA to sustain around Rs 1550/MT during FY20-21E (still the highest in the industry)

We estimate capex spend of Rs 4/5.3/4.3 bn towards the on-going expansions (2mn MT GU in Siliguri, 2.2 mn MT clinker expansions and 12-15 WHRS in Meghalaya) and towards annual maintenance capex

Consolidated Operational Trends and Assumptions

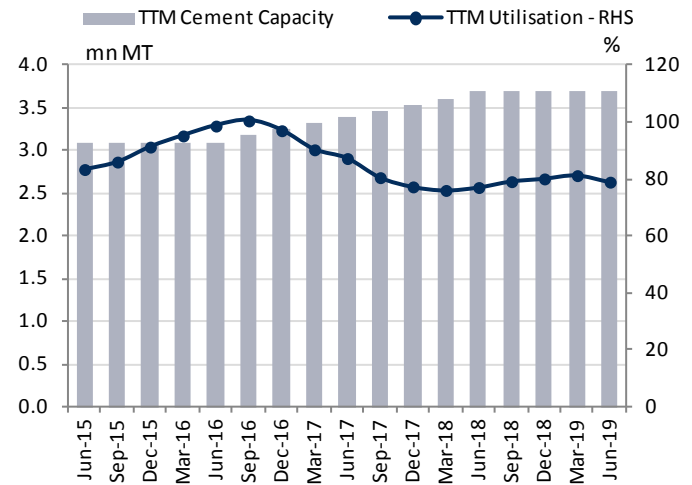
| Particulars | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Cement Cap (mn MT) | 3.09 | 3.1 | 3.4 | 3.7 | 3.7 | 5.7 | 5.7 |
| Sales Volume (mn MT) | 2.36 | 2.8 | 2.8 | 2.6 | 2.9 | 3.0 | 3.3 |
| YoY change (%) | 34.5 | 17.0 | 2.1 | (7.5) | 9.8 | 3.6 | 12.7 |
| Utilisation (%) | 76.3 | 89.3 | 83.1 | 70.6 | 77.5 | 52.1 | 58.7 |
| (Rs/ MT trend) | | | | | | | |
| NSR (1) | 5,845 | 5,345 | 5,112 | 5,864 | 6,098 | 6,074 | 6,165 |
| YoY change (%) | (0.2) | (8.6) | (4.3) | 14.7 | 4.0 | (0.4) | 1.5 |
| Raw material cost | 944 | 1,169 | 1,134 | 1,099 | 1,455 | 1,290 | 1,316 |
| Power and fuel cost | 730 | 729 | 638 | 785 | 862 | 1,050 | 1,029 |
| Transport cost | 998 | 1,002 | 899 | 1,042 | 1,209 | 1,150 | 1,173 |
| Employee cost | 375 | 365 | 395 | 390 | 388 | 399 | 407 |
| Other expenses | 740 | 728 | 664 | 655 | 690 | 713 | 708 |
| Total Opex | 4,093 | 3,993 | 3,731 | 3,970 | 4,602 | 4,602 | 4,632 |
| YoY change (%) | (10.4) | (2.4) | (6.6) | 6.4 | 15.9 | (0.0) | 0.7 |
| EBITDA per MT | 1,846 | 1,448 | 1,472 | 2,001 | 1,570 | 1,542 | 1,565 |
| YoY change (%) | 43.8 | (21.5) | 1.7 | 35.9 | (21.5) | (1.8) | 1.5 |

Source: Company, HDFC sec Inst Research

We have plotted the trailing 12m (TTM) operational performance trends of Star Cement for the past five years

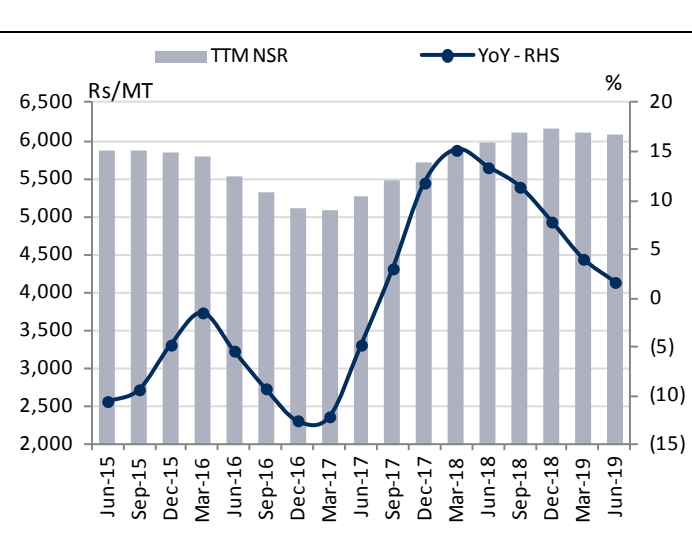
Long term performance trends

Star Cement's utilization has been hovering around 80%



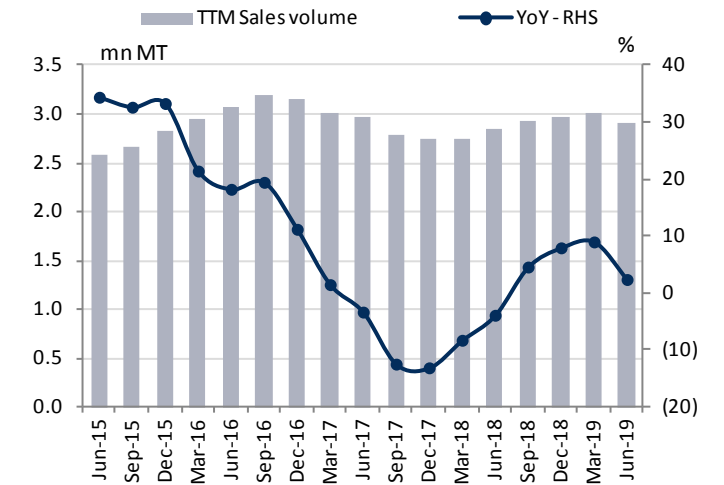
Source: Company, HDFC sec Inst Research

NSR has largely remained flattish on a higher base



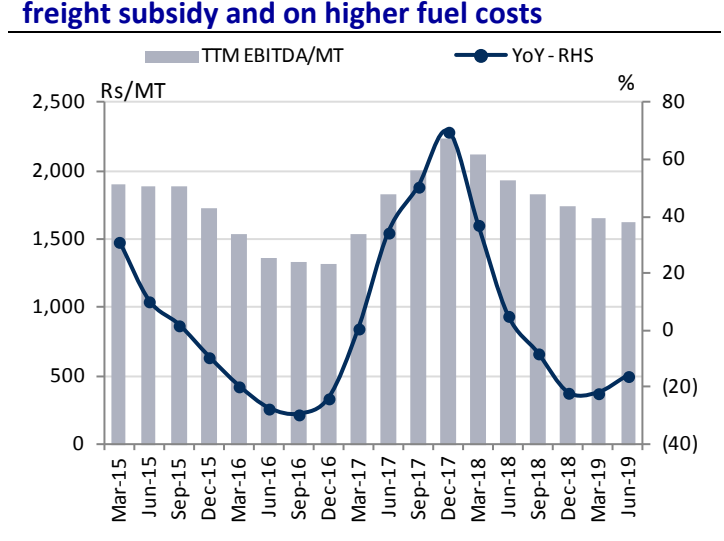
Source: Company, HDFC sec Inst Research

Volume decline in 1QFY20 has decelerated volume growth trends



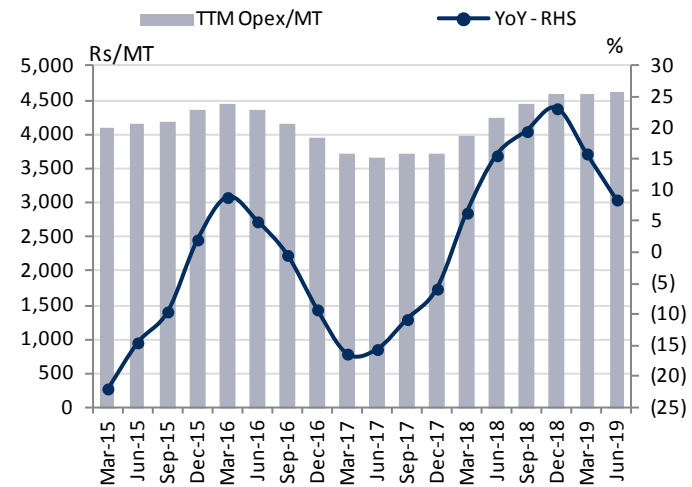
Source: Company, HDFC sec Inst Research

Unitary EBITDA has come post the expiration of freight subsidy and on higher fuel costs



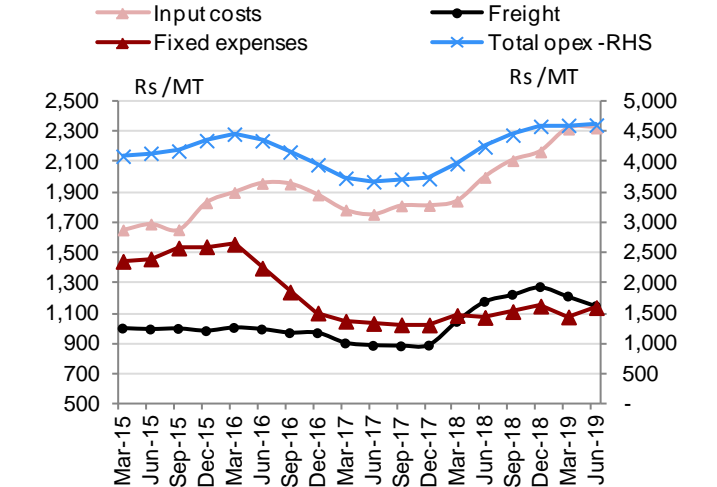
Source: Company, HDFC sec Inst Research

While cost inflation has moderated, it is still higher thereby impacting margins



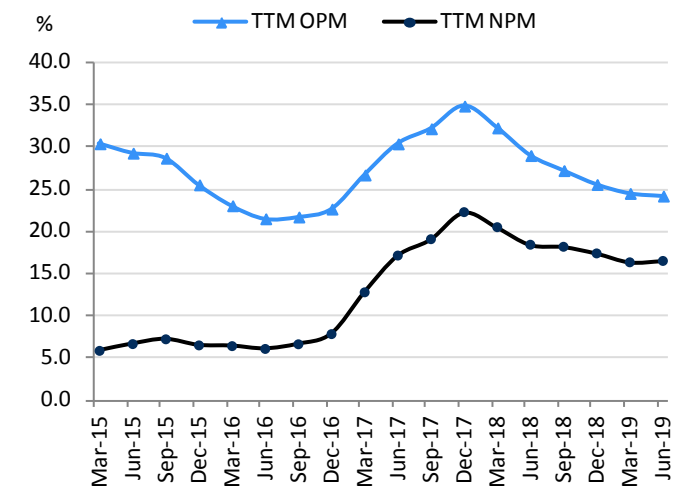
Source: Company, HDFC sec Inst Research

Surge in input costs (impact of freight subsidy expiration + higher fuel costs) inflated opex



Source: Company, HDFC sec Inst Research

Op margin fell on high opex; debt reduction and lower depreciation moderated NPM contraction



Source: Company, HDFC sec Inst Research

We reduce our FY20/21E EBITDA est by 8/7% YoY to factor in lower sales volume

STRCEM is currently trading at low valuations, given that its strong balance sheet and rising balance

Change in Estimates

| Rs bn | FY20E Old | FY20E Revised | Change % | FY21E Old | FY21E Revised | Change % |
|--------------|-----------|---------------|----------|-----------|---------------|----------|
| Net Revenues | 21.0 | 18.9 | (10.2) | 23.5 | 21.0 | (10.5) |
| EBITDA | 5.0 | 4.6 | (8.3) | 5.6 | 5.2 | (7.0) |
| APAT | 3.5 | 3.2 | (7.7) | 4.4 | 3.8 | (14.4) |
| AEPS | 8.4 | 7.7 | (7.7) | 10.6 | 9.0 | (14.4) |

Source: HDFC sec Inst Research

Peer Set Comparison

| Company | Mcap (Rs bn) | CMP (Rs/sh) | Reco | TP | EV/EBITDA (x) | | | EV/MT (USD) | | | Net D:E (x) | | | RoE (%) | | |
|--------------------|--------------|-------------|------------|------------|---------------|------------|------------|-------------|------------|------------|--------------|--------------|--------------|-------------|-------------|-------------|
| | | | | | FY19 | FY20E | FY21E | FY19 | FY20E | FY21E | FY19 | FY20E | FY21E | FY19 | FY20E | FY21E |
| UltraTech Cement | 1,162.2 | 4,232 | BUY | 5,140 | 20.0 | 15.1 | 12.6 | 206 | 183 | 175 | 0.7 | 0.5 | 0.3 | 8.9 | 11.0 | 11.7 |
| Shree Cement | 698.0 | 20,035 | NEU | 19,040 | 24.5 | 18.4 | 15.5 | 258 | 243 | 227 | (0.2) | (0.3) | (0.4) | 13.5 | 16.6 | 16.8 |
| Ambuja Cements | 390.8 | 197 | NEU | 230 | 12.7 | 11.1 | 10.1 | 125 | 122 | 113 | (0.7) | (0.7) | (0.7) | 5.9 | 6.3 | 6.3 |
| ACC | 284.6 | 1,515 | BUY | 1,930 | 12.0 | 10.2 | 9.0 | 123 | 119 | 117 | (0.3) | (0.3) | (0.3) | 11.0 | 12.2 | 12.8 |
| Dalmia Bharat | 178.2 | 925 | BUY | 1,450 | 10.9 | 8.9 | 8.0 | 123 | 124 | 93 | 0.3 | 0.3 | 0.2 | 2.8 | 5.6 | 5.4 |
| Ramco Cements | 169.1 | 718 | NEU | 800 | 17.8 | 13.6 | 12.0 | 189 | 172 | 153 | 0.3 | 0.4 | 0.4 | 11.9 | 15.9 | 15.0 |
| JK Cements | 73.9 | 957 | BUY | 1,162 | 11.2 | 9.8 | 8.8 | 114 | 94 | 94 | 0.7 | 1.0 | 0.9 | 11.3 | 13.2 | 12.8 |
| Star Cement | 40.3 | 96 | BUY | 140 | 8.7 | 8.0 | 6.6 | 164 | 131 | 117 | (0.1) | (0.2) | (0.3) | 17.9 | 16.9 | 17.5 |
| JK Lakshmi | 39.0 | 331 | NEU | 376 | 12.3 | 8.6 | 8.0 | 72 | 71 | 73 | 0.8 | 0.7 | 0.6 | 5.4 | 12.7 | 14.0 |
| Orient Cement | 19.4 | 95 | BUY | 150 | 10.3 | 6.3 | 6.0 | 62 | 59 | 62 | 1.2 | 1.0 | 0.9 | 4.6 | 15.1 | 16.4 |
| Deccan Cement | 5.0 | 355 | BUY | 680 | 4.4 | 3.4 | 3.7 | 29 | 34 | 38 | (0.2) | (0.0) | 0.1 | 11.9 | 18.1 | 16.5 |

Source: Company, HDFC sec Inst Research, For ACC and Ambuja, the financial year is CY18/CY19E/CY20E resp

Consolidated Income Statement

| (Rs Mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenues | 15,341 | 16,145 | 18,310 | 18,871 | 21,041 |
| Growth % | (2.9) | 5.2 | 13.4 | 3.1 | 11.5 |
| Raw Material | 3,403 | 3,025 | 4,367 | 4,008 | 4,491 |
| Power & Fuel | 1,916 | 2,160 | 2,587 | 3,262 | 3,512 |
| Freight Expense | 2,699 | 2,869 | 3,630 | 3,573 | 4,003 |
| Employee cost | 1,186 | 1,074 | 1,164 | 1,240 | 1,389 |
| Other Expenses | 1,991 | 1,805 | 2,071 | 2,215 | 2,415 |
| EBITDA | 4,146 | 5,214 | 4,492 | 4,573 | 5,232 |
| EBITDA Margin (%) | 27.0 | 32.3 | 24.5 | 24.2 | 24.9 |
| EBITDA Growth % | 3.8 | 25.7 | (13.8) | 1.8 | 14.4 |
| Depreciation | 1,179 | 1,207 | 1,056 | 1,049 | 1,182 |
| EBIT | 2,967 | 4,007 | 3,435 | 3,524 | 4,050 |
| Other Income (Including EO Items) | 24 | 44 | 55 | 250 | 300 |
| Interest | 781 | 525 | 144 | 100 | 40 |
| PBT | 2,211 | 3,526 | 3,346 | 3,674 | 4,310 |
| Tax | 139 | 164 | 296 | 367 | 431 |
| Minority Int | 62 | 55 | 62 | 73 | 86 |
| RPAT | 2,010 | 3,307 | 2,988 | 3,233 | 3,792 |
| EO (Loss) / Profit (Net Of Tax) | - | - | - | - | - |
| APAT | 2,010 | 3,307 | 2,988 | 3,233 | 3,792 |
| APAT Growth (%) | 49.4 | 64.5 | (9.6) | 8.2 | 17.3 |
| AEPS | 4.8 | 7.9 | 7.1 | 7.7 | 9.0 |
| AEPS Growth % | 49.4 | 64.5 | (9.6) | 8.2 | 17.3 |

Source: Company, HDFC sec Inst Research

Consolidated Balance Sheet

| (Rs mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| SOURCES OF FUNDS | | | | | |
| Share Capital | 419 | 419 | 419 | 419 | 419 |
| Reserves And Surplus | 11,040 | 14,344 | 16,817 | 19,064 | 21,869 |
| Total Equity | 11,460 | 14,763 | 17,237 | 19,483 | 22,288 |
| Minority Interest | 566 | 621 | 683 | 757 | 843 |
| Long-term Debt | 3,715 | 1,988 | 18 | 13 | 11 |
| Short-term Debt | 4,292 | 2,336 | 496 | 496 | 496 |
| Total Debt | 8,007 | 4,324 | 513 | 509 | 506 |
| Deferred Tax Liability | (1,765) | (2,329) | (2,710) | (3,078) | (3,509) |
| Long-term Liab+ Provisions | - | - | - | - | - |
| TOTAL SOURCES OF FUNDS | 18,268 | 17,380 | 15,723 | 17,671 | 20,129 |
| APPLICATION OF FUNDS | | | | | |
| Net Block | 8,632 | 7,847 | 7,223 | 10,424 | 10,292 |
| Capital WIP | 549 | 357 | 743 | 493 | 4,743 |
| Goodwill | - | - | - | - | - |
| Other Non-current Assets | - | - | - | - | - |
| Total Non-current Investments | 15 | 14 | 17 | 17 | 17 |
| Total Non-current Assets | 9,195 | 8,219 | 7,984 | 10,934 | 15,052 |
| Inventories | 1,612 | 2,946 | 2,772 | 2,453 | 2,525 |
| Debtors | 1,378 | 1,465 | 1,438 | 1,698 | 1,894 |
| Cash and Cash Equivalents | 201 | 198 | 2,113 | 3,719 | 2,822 |
| Other Current Assets (& Loans/adv) | 10,651 | 9,900 | 5,952 | 4,102 | 3,675 |
| Total Current Assets | 13,842 | 14,509 | 12,275 | 11,973 | 10,916 |
| Creditors | 938 | 1,889 | 1,254 | 1,810 | 2,018 |
| Other Current Liabilities & Provns | 3,832 | 3,459 | 3,282 | 3,428 | 3,822 |
| Total Current Liabilities | 4,769 | 5,348 | 4,536 | 5,237 | 5,839 |
| Net Current Assets | 9,072 | 9,160 | 7,739 | 6,736 | 5,077 |
| TOTAL APPLICATION OF FUNDS | 18,268 | 17,380 | 15,723 | 17,671 | 20,129 |

Source: Company, HDFC sec Inst Research

Consolidated Cash Flow

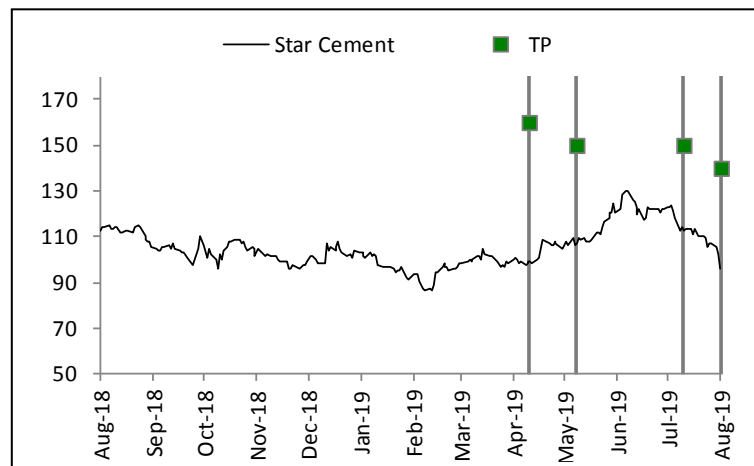
| (Rs mn) | FY17 | FY18 | FY19 | FY20E | FY21E |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Reported PBT | 2,148 | 3,526 | 3,346 | 3,674 | 4,310 |
| Non-operating & EO Items | (104) | (42) | (449) | (250) | (300) |
| Interest Expenses | 781 | 525 | 144 | 100 | 40 |
| Depreciation | 1,179 | 1,207 | 1,056 | 1,049 | 1,182 |
| Working Capital Change | (722) | (345) | 3,709 | 2,609 | 763 |
| Tax Paid | (282) | (664) | (677) | (735) | (862) |
| OPERATING CASH FLOW (a) | 3,000 | 4,206 | 7,130 | 6,447 | 5,132 |
| Capex | (890) | (324) | (818) | (4,000) | (5,300) |
| Free Cash Flow (FCF) | 2,110 | 3,882 | 6,312 | 2,447 | (168) |
| Investments | (0) | 0 | (3) | - | - |
| Non-operating Income | 26 | 44 | 55 | 250 | 300 |
| Others | | | | | |
| INVESTING CASH FLOW (b) | (865) | (280) | (766) | (3,750) | (5,000) |
| Debt Issuance/(Repaid) | (1,402) | (3,407) | (3,811) | (4) | (3) |
| Interest Expenses | (780) | (522) | (144) | (100) | (40) |
| FCFE | (71) | (47) | 2,357 | 2,343 | (210) |
| Share Capital Issuance | - | - | - | - | - |
| Dividend | - | - | (494) | (987) | (987) |
| FINANCING CASH FLOW (c) | (2,181) | (3,929) | (4,448) | (1,091) | (1,029) |
| NET CASH FLOW (a+b+c) | (45) | (3) | 1,915 | 1,606 | (897) |
| EO Items, Others | | | | | |
| Closing Cash & Equivalents | 199 | 198 | 2,113 | 3,719 | 2,822 |

Source: Company, HDFC sec Inst Research

Consolidated Key Ratios & Valuations

| | FY17 | FY18 | FY19 | FY20E | FY21E |
|------------------------------------|------|------|-------|-------|-------|
| PROFITABILITY % | | | | | |
| EBITDA Margin | 27.0 | 32.3 | 24.5 | 24.2 | 24.9 |
| EBIT Margin | 19.3 | 24.8 | 18.8 | 18.7 | 19.2 |
| APAT Margin | 12.7 | 20.1 | 16.0 | 16.7 | 17.6 |
| RoE | 18.2 | 24.1 | 17.9 | 16.9 | 17.5 |
| RoIC | 15.6 | 21.7 | 20.4 | 24.0 | 28.1 |
| RoCE | 15.5 | 21.7 | 19.2 | 20.3 | 20.7 |
| EFFICIENCY | | | | | |
| Tax Rate % | 6.3 | 4.7 | 8.9 | 10.0 | 10.0 |
| Fixed Asset Turnover (x) | 1.1 | 1.6 | 1.7 | 1.4 | 1.3 |
| Inventory (days) | 38 | 67 | 55 | 47 | 44 |
| Debtors (days) | 33 | 33 | 29 | 33 | 33 |
| Other Current Assets (days) | 253 | 224 | 119 | 79 | 64 |
| Payables (days) | 22 | 43 | 25 | 35 | 35 |
| Other Current Liab & Provns (days) | 91 | 78 | 65 | 66 | 66 |
| Cash Conversion Cycle (days) | 211 | 203 | 112 | 58 | 39 |
| Net Debt/EBITDA (x) | 1.9 | 0.8 | (0.4) | (0.7) | (0.4) |
| Net D/E (x) | 0.6 | 0.3 | (0.1) | (0.2) | (0.3) |
| Interest Coverage (x) | 3.8 | 7.6 | 23.9 | 35.2 | 101.2 |
| PER SHARE DATA (Rs) | | | | | |
| EPS | 4.8 | 7.9 | 7.1 | 7.7 | 9.0 |
| CEPS | 7.6 | 10.8 | 9.6 | 10.2 | 11.9 |
| Dividend | - | 1.0 | - | 2.0 | 2.0 |
| Book Value | 27.3 | 35.2 | 41.1 | 46.5 | 53.2 |
| VALUATION | | | | | |
| P/E (x) | 20.0 | 12.2 | 13.5 | 12.5 | 10.6 |
| P/Cash EPS (x) | 12.6 | 8.9 | 10.0 | 9.4 | 8.1 |
| P/BV (x) | 3.5 | 2.7 | 2.3 | 2.1 | 1.8 |
| EV/EBITDA (x) | 11.7 | 8.6 | 8.8 | 8.0 | 6.6 |
| EV/MT(USD) | 221 | 188 | 164 | 131 | 117 |
| Dividend Yield (%) | - | 1.0 | - | 2.1 | 2.1 |
| OCF/EV (%) | 6.2 | 9.3 | 18.1 | 17.6 | 14.8 |
| FCFF/EV (%) | 4.3 | 8.6 | 16.0 | 6.7 | (0.5) |
| FCFE/M Cap (%) | 5.2 | 9.6 | 15.7 | 6.1 | (0.4) |

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY


| Date | CMP | Reco | Target |
|-----------|-----|------|--------|
| 10-Apr-19 | 99 | BUY | 160 |
| 8-May-19 | 107 | BUY | 150 |
| 10-Jul-19 | 114 | BUY | 150 |
| 2-Aug-19 | 96 | BUY | 140 |

Rating Definitions

- BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

INSTITUTIONAL RESEARCH

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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