

Retail Equity Research

The Ramco Cements Limited

Cement

BSE CODE: 500260

NSE CODE: RAMCOCEM

Bloomberg CODE: TRCL:IN

SENSEX: 66,023

BUY

12 Months Investment Period

Rating as per Mid Cap

CMP Rs. 973

TARGET Rs. 1,119

RETURN 15% ↑

(Closing: 22-11-23)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Strong volumes on capacity additions, margin improves.

The Ramco Cements Ltd. (TRCL), the Ramco Group's flagship company, is the 5th largest cement company in India with a total production capacity of ~22MT (South-19MT & East-3MT). TRCL has a captive thermal power capacity of 175MW and a windmill capacity of 126MW.

- We maintain our BUY rating with a target price of Rs. 1,119, considering strong volumes and improvements in margins in the quarter.
- Revenue growth was strong at 31%YoY, for Q2FY24, mainly aided by strong volumes (+37% YoY). The company has guided for ~20% volume growth for FY24E.
- Operating profit growth was robust at 117%YoY as EBITDA margin improved by 680bps YoY to 17.1% due to reduction in fuel prices and operating leverage. Further, TRCL focuses on cost reduction measures like Waste Heat recovery and has converted windmill power to captive.
- High capex during FY19-FY24 resulted in a high debt level (Rs. 50bn vs. Rs. 10.3bn in FY19). However, Net debt-to-EBITDA is at 3.3x vs. 4.5x during the last capex cycle. TRCL expects the maximum debt at current levels and D/E is at 0.7x. Deleveraging is expected post FY24.
- TRCL currently trades at 14x 1Yr Fwd EV/EBITDA. We value TRCL at ~15x FY25E EBITDA, considering the strong volume outlook.

Strong volumes aided by capacity additions.

TRCL reported strong revenue growth of 31%YoY, mainly aided by strong volumes (+37%YoY). Ramp up in new units supported volumes, while weak prices in both South and East along with conversion of wind energy to captive consumption instead of sale earlier, impacted realisation. TRCL has recently commissioned 1MT of grinding capacity at R.R. Nagar (TN) and is adding 0.9MT in Odisha by the end of FY24. Increased capacity would support future volumes, while increasing premium mix (targets of 35% in the next 2-3 years from the current 30%) would support realization. TRCL expands the capacity of dry mix products with two plants commissioned in FY23 and another two (in AP & Odisha) by FY24. This product has ~25-30% margin and will contribute ~Rs. 80cr revenue per plant. The company has guided strong volume growth of ~20% in FY24. We expect revenue to grow at a 12% CAGR over FY23-25E.

Higher volumes & lower costs aided margin improvement.

EBITDA margin sharply improved by 680bps YoY to 17.1% (15.2% in Q1FY24) mainly due to lower input costs and higher volumes. Operating profit improved by robust 117%YoY. EBITDA/ton improved to Rs. 879 vs. Rs. 555 YoY (Rs. 807 QoQ). Power & fuel price declined by 31%YoY on a per ton basis as average blended fuel consumption cost per ton declined to \$148 vs. \$199 YoY (\$170 QoQ) along with other cost reduction measures. TRCL's cost efficiency measures like additional WHRS (Waste Heat Recovery Systems), improvement in the premium mix and capacity increase in value added products, will support margins in future. Currently, the green power mix is at 38% Vs 22% YoY, 29% QoQ). Windmill capacity of 133MW has shifted to captive use since June 2023 and ~Rs.70/ton cost savings are expected. Higher finance & depreciation is on account of commissioning of new capacities. We expect EBITDA/Ton to improve in FY24 to Rs.1,040 (vs. Rs.794 in FY23/ Rs. 1,162 in FY22).

Valuation & Outlook: Focus is shifting to deleveraging post major capex.

TRCL's capacity expansions, coupled with GoI's strong focus on Infra & Housing, will aid future volumes. Now, lower input costs coupled with a shifting focus to deleveraging post FY24 will support valuation. The stock currently trades at ~14x 1Yr Fwd EV/EBITDA. We value TRCL at ~15x FY25E EV/EBITDA and arrived at a target price of Rs. 1,119, maintain BUY rating considering strong volumes and deleveraging.

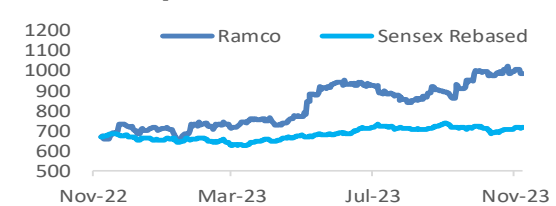
Company Data

Market Cap (Rs.cr)	23,134
Enterprise Value (Rs.cr)	27,450
Outstanding Shares (cr)	23.6
Free Float	54%
Dividend Yield	0.2%
52 week high (Rs.)	1040
52 week low (Rs.)	636
6m average volume (cr)	0.05
Beta	1.05
Face value (Rs.)	1

Shareholding (%)	Q4FY23	Q1FY24	Q2FY24
Promoters	42.3	42.1	42.1
FII's	7.6	8.0	7.9
MFs/Insti	32.5	32.4	33.4
Public	11.2	10.7	10.0
Others	6.5	6.8	6.7
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	14.4%	12.3%	47.6%
Absolute Sensex	1.2%	5.6%	7.5%
Relative Return*	13.3%	6.7%	40.1%

*over or under performance to benchmark index



Standalone (cr)	FY23A	FY24E	FY25E
Sales	8,135	9,514	10,276
Growth (%)	36.0	17.0	8.0
EBITDA	1,182	1,849	2,014
EBITDA Margin (%)	14.5	19.4	19.6
Adj. PAT	344	629	754
Growth (%)	-61.2	83.0	20.0
Adj. EPS	14.5	26.6	31.9
Growth (%)	-61.2	83.0	20.0
P/E	68.1	37.2	31.0
P/B	3.4	3.2	2.9
EV/EBITDA	23.2	15.2	13.4
ROE (%)	5.2	8.9	9.8
D/E	0.7	0.7	0.5

Vincent Andrews
Research Analyst

Quarterly Financials (Standalone)

Profit & Loss

(Rs cr)	Q2FY24	Q2FY23	YoY Growth	Q1FY24	QoQ Growth	H1FY24	H2FY23	YoY Growth
Sales	2,329	1,784	30.5%	2,241	3.9%	9,435	8,135	16.0%
EBITDA	399	184	116.9%	341	16.7%	1,769	1,182	49.7%
EBITDA margins	17.1%	10.3%	680bps	15.2%	190bps	18.7%	14.5%	420bps
Depreciation	157	122	29.5%	148	6.4%	622	504	23.4%
EBIT	241	62	287.6%	194	24.6%	1,146	678	69.2%
Interest	117	55	111.7%	93	24.8%	422	241	75.4%
Other Income	13	9	52.5%	8	70.8%	51	37	37.8%
Exceptional Items	0	0	0.0%	0	0.0%	0	0	0.0%
PBT	138	16	762.4%	108	27.8%	775	474	63.6%
Tax	37	5	710.1%	29	26.4%	206	130	58.4%
Share of profit from associates	0	0	NA	0	NA	0	0	NA
Minority interest	0	0	NA	0	NA	0	0	NA
Reported PAT	101	11	783.2%	79	28.4%	569	344	65.6%
Adjustments	0	0	0.0%	0	0.0%	0	0	0.0%
Adj PAT	101	11	783.2%	79	28.4%	569	344	65.6%
No. of Shares	24	24	0.0%	24	0.0%	24	24	0.0%
Adj EPS (Rs)	4.3	0.5	783.2%	3.3	28.4%	24.1	14.6	65.6%

Per Tonne Analysis

	Q2FY24	Q2FY23	YoY Growth	Q1FY24	QoQ Growth
Cement Volume (MT)	4.5	3.3	36.9%	4.2	7.1%
Cost of materials consumed	975	815	19.6%	772	26.3%
Employee Expenses	305	339	-9.8%	299	2.2%
Power & Fuel	1,382	2,013	-31.4%	1,786	-22.6%
Freight & forwarding	1,042	1,052	-0.9%	1,081	-3.6%
Other expenses	555	617	-10.0%	550	1.0%
Total expenses	4,259	4,835	-11.9%	4,488	-5.1%
Realisation (inc. RMC)	5,139	5,391	-4.7%	5,294	-2.9%
EBITDA	879	555	58.3%	807	9.0%

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change	
	FY24E	FY25E	FY23E	FY24E	FY23E	FY24E
Revenue	9,322	10,161	9,514	10,276	2.1%	1.1%
EBITDA	1,784	1,992	1,849	2,014	3.6%	1.1%
Margins (%)	19.1	19.6	19.4	19.6	30bps	0bps
Adj. PAT *	636	790	629	754	-1.1%	-4.5%
EPS	26.9	33.4	26.6	31.9	-1.1%	-4.4%



PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	5,368	5,268	5,980	8,135	9,514	10,276
% change	4.3	-1.9	13.5	36.0	17.0	8.0
EBITDA	1,137	1,548	1,284	1,182	1,849	2,014
% change	9.6	36.2	-17.1	-7.9	56.4	9.0
Depreciation	315	355	401	504	634	652
EBIT	821	1,193	883	678	1,214	1,362
Interest	71	88	112	241	424	375
Other Income	37	35	31	37	45	47
PBT	787	1,140	801	474	835	1,033
% change	10.0	44.8	-29.7	-40.9	76.3	23.8
Tax	186	379	-83	130	206	279
Tax Rate	23.6%	33.2%	-10.4%	27.5%	24.7%	27.0%
Reported PAT	601	761	1,198	344	629	754
Adj*	0	-19	314	0	0	0
Adj PAT	601	780	885	344	629	754
% change	18.8	29.8	13.4	-61.2	83.0	20.0
No. of shares (cr)	23.6	23.6	23.6	23.6	23.6	23.6
Adj EPS (Rs.)	25	32	51	15	27	32
% change	18.8	29.8	13.4	-61.2	83.0	20.0
DPS (Rs.)	4	4	4	4	4	4
CEPS (Rs.)	38.9	48.1	54.4	35.9	53.4	59.5

CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	916	1,116	1,285	848	1,263	1,406
Non-cash adj.	199	394	-72	147	206	279
Other adjustments	-13	-133	-68	164	218	96
Changes in W.C	-292	508	-17	247	-113	131
C.F. Operation	757	1,868	1,129	1,405	1,574	1,912
Capital exp.	-1919	-1765	-1810	-1763	-1600	-400
Change in inv.	-15	-10	0	-1	-89	-82
Other invest.CF	15	11	10	10	0	0
C.F - Investment	-1,932	-1,771	-1,810	-1,687	-1,689	-482
Issue of equity	0	2	2	0	0	0
Issue/repay debt	1,427	75	826	579	614	-946
Dividends paid	-156	-71	0	-71	-85	-85
Other finance.CF	-58	-70	-112	-233	-424	-375
C.F - Finance	1,213	-64	715	274	104	-1,407
Chg. in cash	37	34	34	-7	-10	23
Closing cash	91	142	176	169	158	182

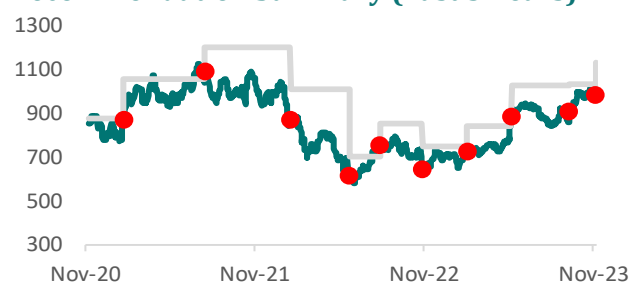
BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	61	142	176	169	158	182
Accounts Receivable	527	375	350	465	547	591
Inventories	645	598	833	882	1,084	1,081
Other Cur. Assets	335	336	345	372	396	428
Investments	189	201	201	202	202	202
Gross Fixed Assets	9,517	10,801	11,987	14,892	16,819	18,419
Net Fixed Assets	5,970	6,899	7,684	10,084	11,377	12,325
CWIP	1,814	2,325	2,992	1,927	1,600	400
Intangible Assets	83	87	109	150	150	150
Def. Tax (Net)	0	0	0	0	0	0
Other Assets	423	382	364	266	355	436
Total Assets	10,047	11,346	13,056	14,517	15,870	15,796
Current Liabilities	1,503	1,445	1,667	2,176	2,367	2,567
Provisions	54	65	80	96	109	115
Debt Funds	2,632	3,102	3,930	4,487	5,087	4,137
Other Liabilities	938	1,107	854	964	969	970
Equity Capital	24	24	24	24	24	24
Reserves & Surplus	4,895	5,603	6,501	6,770	7,313	7,982
Shareholder's Fund	4,919	5,627	6,525	6,794	7,337	8,006
Total Liabilities	10,047	11,346	13,056	14,517	15,870	15,796
BVPS (Rs.)	205	235	272	281	304	332

RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab. & Return						
EBITDA margin (%)	21.2	29.4	21.5	14.5	19.4	19.6
EBIT margin (%)	15.3	22.6	14.8	8.3	12.8	13.3
Net profit mgn.(%)	11.2	14.8	14.8	4.2	6.6	7.3
ROE (%)	12.8	14.8	14.6	5.2	8.9	9.8
ROCE (%)	7.4	6.9	11.2	3.8	6.6	6.6
W.C & Liquidity						
Receivables (days)	34.6	31.2	22.1	18.3	19.4	20.2
Inventory (days)	41.0	43.1	43.7	38.5	37.7	38.4
Payables (days)	125.0	148.7	174.8	153.1	139.9	149.6
Current ratio (x)	0.7	0.6	0.6	0.6	0.7	0.8
Quick ratio (x)	0.3	0.2	0.2	0.2	0.2	0.3
Turnover & Leverage						
Gross asset T.O (x)	0.6	0.5	0.5	0.6	0.6	0.6
Total asset T.O (x)	0.6	0.5	0.5	0.6	0.6	0.6
Int. coverage ratio (x)	11.5	13.6	7.9	2.8	2.9	3.6
Adj. debt/equity (x)	0.6	0.6	0.6	0.7	0.7	0.5
Valuation						
EV/Sales (x)	4.8	5.0	4.5	3.4	2.9	2.6
EV/EBITDA (x)	22.7	16.9	20.9	23.2	15.2	13.4
P/E (x)	38.9	30.0	26.4	68.1	37.2	31.0
P/BV (x)	4.7	4.1	3.6	3.4	3.2	2.9

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
08-June-22	Accumulate	705
12-Aug-22	Accumulate	855
14-Nov-22	Accumulate	750
17-Feb-23	Accumulate	845
24-May-23	Buy	1,030
25-Sept-23	Buy	1,034
23-Nov-23	Buy	1,119

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock. To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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