

The Ramco Cements Ltd.

February 7, 2025 | CMP 890 | Target Price: INR 995

HOLD

Expected Share Price Return: 11.7% | Dividend Yield: 0.0% | Expected Total Return: 11.7%

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✗

Company Info

BB Code	TRCL IN EQUITY
Face Value (INR)	1.0
52 W High/Low (INR)	1,060/700
Mkt Cap (Bn)	INR 207.8 / \$2.4
Shares o/s (Mn)	236.3
3M Avg. Daily Volume	6,59,329

Change in CEBPL Estimates

INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	93.6	92.3	1.4	103.1	102.1	1.0
EBITDA	17.2	16.8	2.7	21.4	20.9	2.3
EBITDAM %	18.4	18.2	20bps	20.8	20.5	29bps
PAT	4.6	4.4	6.0	7.5	7.2	3.2
EPS	19.7	18.6	6.1	31.6	30.7	3.1

Actual vs Consensus

INR Bn	Q3FY25A	Consensus Est.	Dev. %
Revenue	19.8	20.1	(1.4)
EBITDA	2.8	3.1	(12.4)
EBITDAM %	14.1	15.9	(176)bps
PAT	3.2	0.4	774.5

Key Financials

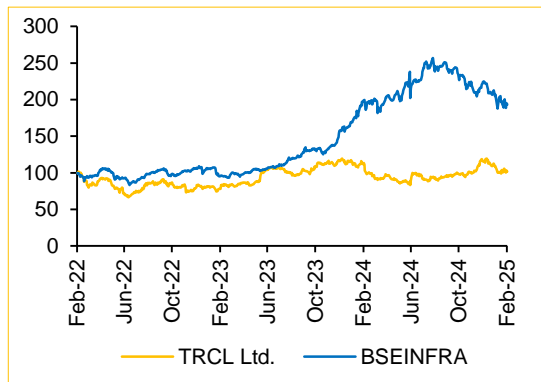
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	81.4	93.5	86.6	93.6	103.1
YoY (%)	36.0	14.9	(7.4)	8.1	10.2
EBITDA	11.8	15.5	13.9	17.2	21.4
EBITDAM %	14.5	16.6	16.0	18.4	20.8
Adj PAT	3.5	4.0	2.6	4.7	7.5
EPS	14.6	16.7	10.8	19.7	31.6
ROE %	5.1	5.5	3.5	5.9	8.7
ROCE %	6.1	7.7	5.8	8.0	10.5
PE(x)	60.8	53.2	82.1	45.1	28.1
EV/EBITDA	21.3	16.5	18.3	14.7	11.7

Shareholding Pattern (%)

	Dec-24	Sep-24	Jun-24
Promoters	42.75	42.29	42.29
FIIs	6.88	6.61	7.38
DIIIs	30.89	30.87	31.13
Public	19.48	20.23	19.20

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Infra	93.1	102.5	(2.9)
TRCL Ltd.	1.5	30.2	(10.1)



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Green Energy Initiatives to Boost EBITDA

- Q3FY25 standalone revenues came at INR19,766 Mn, (vs CEBPL est. INR20,444 Mn), down 6.2% YoY and down 3.0% QoQ. Total volume for Q3 stood at 4.4 Mnt, (vs CEBPL est. 4.4 Mnt), up 9.3% YoY and down 2.7% QoQ.
- Net sales realization for Q3FY25 stood at INR4,523/t, (vs CEBPL est. INR4,700/t) down 14.1% YoY and down 0.4% QoQ.
- Standalone EBITDA for Q3FY25 was reported at INR2,794 Mn, (vs CEBPL est. INR3,263 Mn) down 29.3% YoY and 10.5% QoQ. EBITDA/t for Q3 came at INR639/t, (vs CEBPL est. INR750/t), down 35.3% YoY and down 8.0% QoQ.
- PAT for Q3FY25 reported at INR3,253 Mn, higher because of exceptional item of INR 3,290 Mn from sale of investments and surplus land, (vs CEBPL est. INR383 Mn), up 248.4% YoY. Post excluding one off gains, company has incurred a loss of INR37 Mn.

Maintained capex guidance of INR 12,000 Mn for FY26: TRCL is on track to reach 30 MTPA cement capacity by Mar-26 from 23 MTPA in FY24, driven by the commissioning of its 2nd line in Kolimigundla, de-bottlenecking of existing units, and targeted grinding capacity additions with minimal capex. The Kolimigundla railway siding and the Odisha construction chemicals unit are set for commissioning by Mar-25. Additionally, TRCL has secured 53% of mining land and 13% of factory land for its Karnataka greenfield project. These expansions will reinforce TRCL's position in the southern market. Also, we expect volumes to reach 22 MTPA by FY27 at 73% capacity utilization.

Green initiatives to drive improvement in EBITDA/t: TRCL has indulged into green power capacity expansion initiative of 25 MW from current capacity of 211 MW. Additionally, it plans to commission a 10 MW WHRS in RR Nagar by Jun-25 and a 15 MW WHRS in Kolimigundla alongside Kiln Line-2 by Mar-26. We expect these two initiatives will reduce power & fuel cost by ~160/t, driving EBITDA/t to ~₹974/t. Further, we reckon these initiatives will support EBITDA Margin expansion to ~20.8% by FY27.

View & Valuation: We revise our FY26/27 EPS estimates by 6.1%/3.1% and maintaining our rating to 'HOLD' with a revised TP of INR995, valuing it at 13x (unchanged) on FY27 EV/EBITDA. We anticipate strong growth for cement companies in Q4FY25, driven by the government's continued focus on infrastructure development. Additionally, industry positive outlook on cement pricing is expected to support the company's profitability.

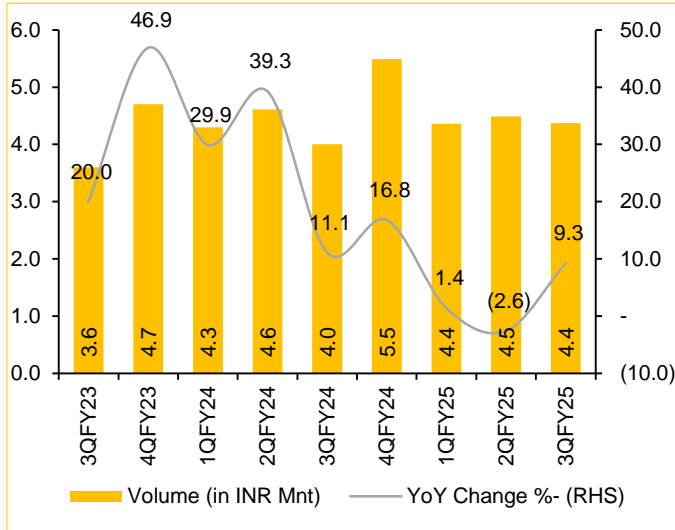
The management haven't host the conference call yet

The Ramco Cements Ltd.	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Volumes	4.4	4.0	9.3	4.5	(2.7)
Revenues (INR mn.)	19,766	21,061	(6.2)	20,382	(3.0)
COGS	4,076	3,280	24.3	4,012	1.6
Employee Cost	1,316	1,368	(3.8)	1,360	(3.2)
Power & Fuel cost	4,632	5,536	(16.3)	5,031	(7.9)
Freight Exp	4,660	4,293	8.6	4,571	2.0
Other Expenses	2,287	2,630	(13.0)	2,287	0.0
EBITDA (INR mn.)	2,794	3,954	(29.3)	3,121	(10.5)
EBITDA Margin (%)	14.1	18.8	(464)bps	15.3	(118)bps
Depreciation	1,738	1,655	5.0	1,686	3.1
EBIT (INR mn.)	1,056	2,299	(54.1)	1,435	(26.4)
EBIT Margin (%)	5.3	10.9	(557)bps	7.0	(170.0)
Other Income	113	70	61.5	113	(0.3)
Interest	1,125	1,019	10.5	1,199	(6.1)
Exceptional Item	3,290	-	NA	-	NA
PBT	3,333	1,350	147.0	350	853.7
Tax	80	416	(80.7)	94	(14.5)
PAT (INR mn.)	3,253	934	248.4	256	1,173
Basic EPS (INR)	13.7	3.9	248.4	1.1	1,173

Management - Highlights

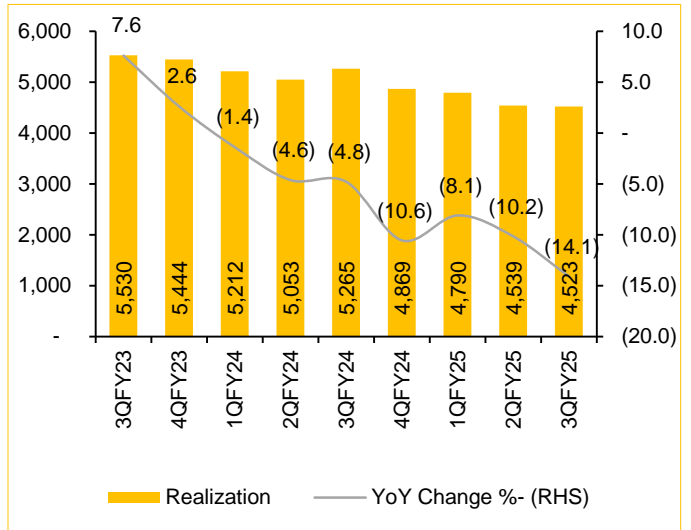
- In Q3FY25, the company incurred a total capital expenditure of INE2,560 Mn, including maintenance capex.
- During 9MFY25, the company monetized INR4,430 Mn out of its targeted INR10,000 Mn from the disposal of non-core assets. Additionally, it received advances totaling INR100 Mn for ongoing sales. The proceeds were utilized to reduce debt, and the company remains on track to achieve its committed target.
- As of December 31, 2024, the company's net debt stands at INR46,160 Mn. During Q3FY25, it reduced debt by INR4,870 Mn. The cost of debt for Q3FY25 was 7.89%, compared to 7.85% in Q3FY24.
- For Q3FY25, the company's interest cost stood at INR1,130 Mn, up from INR1,020 Mn in Q3FY24. Depreciation for Q3FY25 was INR1,740 Mn, compared to INR1,660 Mn in Q3FY24. The increase in interest and depreciation expenses is attributed to the commissioning of new manufacturing facilities in the previous year.
- The shift from selling wind power to captive use has contributed to a reduction in overall power costs. Consequently, the share of green power usage increased from 36% in Q3FY24 to 39% in Q3FY25.
- The current spot CIF price of pet coke is approximately \$110. In addition to the reduction in power and fuel costs, the company has improved its clinker conversion ratio from 1.32 in Q3FY24 to 1.42 in Q3FY25, contributing to better cost management.

Volume grew by 9.3% YoY basis



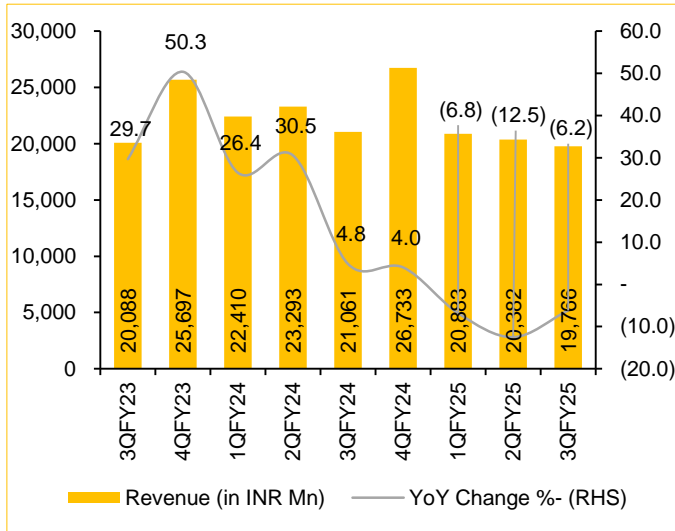
Source: Company, CEBPL

South market price remained volatile



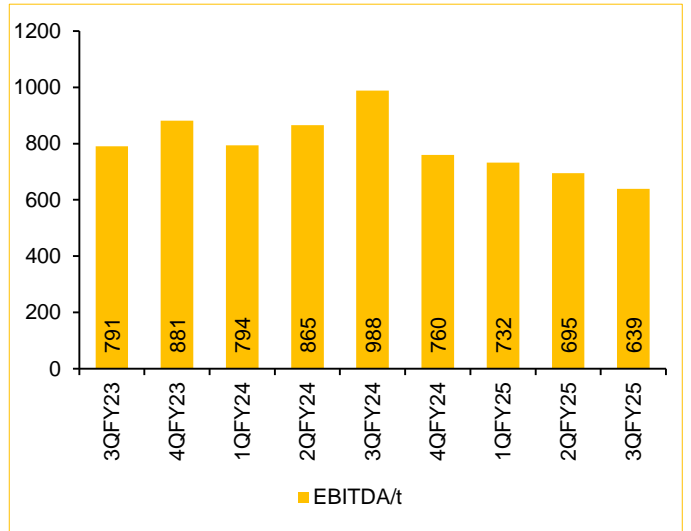
Source: Company, CEBPL

Actual Q3 revenues weak than market expectations



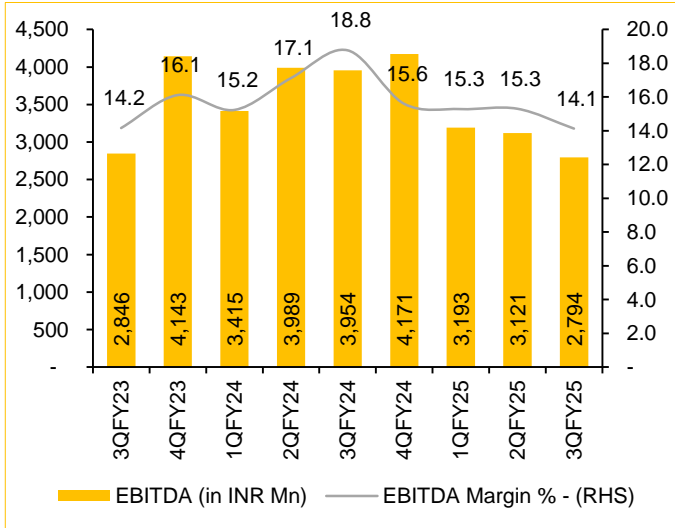
Source: Company, CEBPL

Cost reduction drove robust improvement in EBITDA/t



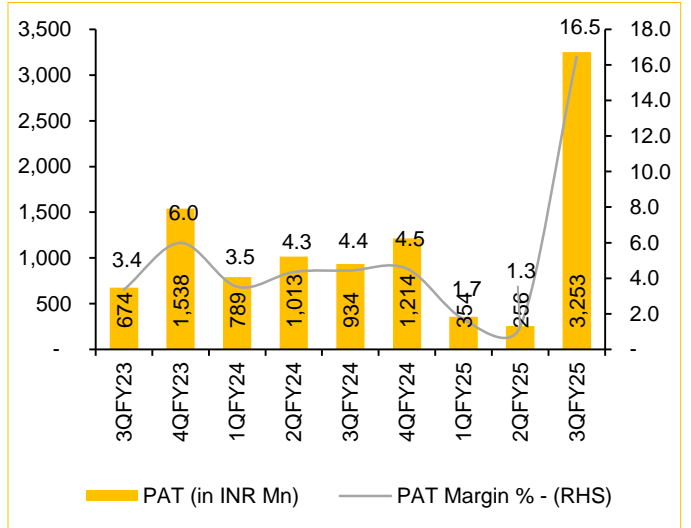
Source: Company, CEBPL

EBITDA Margins declined by 464bps on YoY



Source: Company, CEBPL

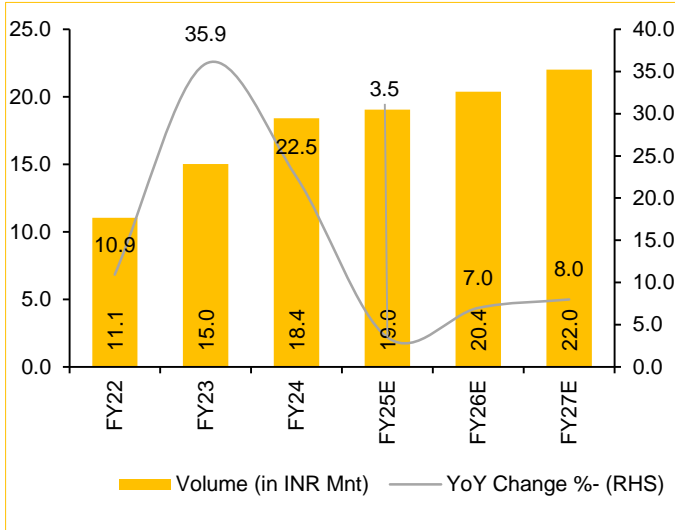
One offs lead to higher PAT in Q3FY25



Source: Company, CEBPL

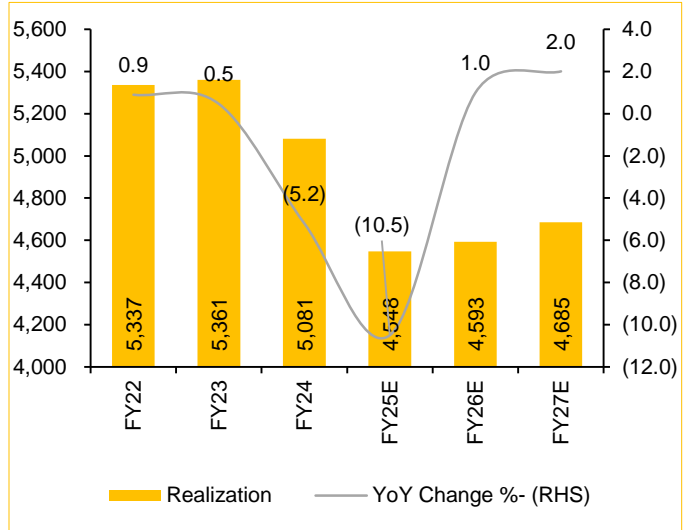
*All figures are in INR Million

Volume expected to come at 22.0 Mnt by FY27



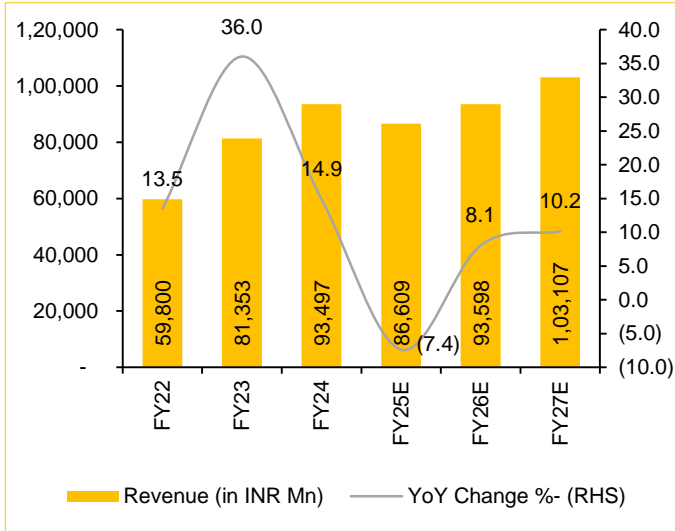
Source: Company, CEBPL

Realization expected to improve in long run



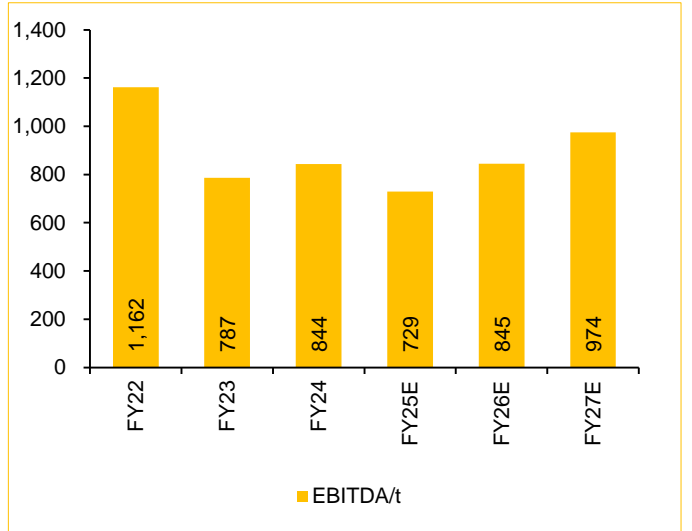
Source: Company, CEBPL

Revenue expected to improve with growing demand



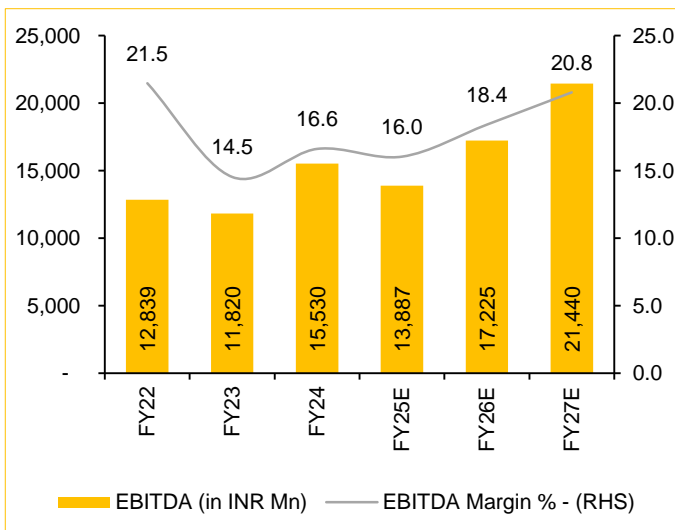
Source: Company, CEBPL

Green initiatives will support to increase in EBITDA/t



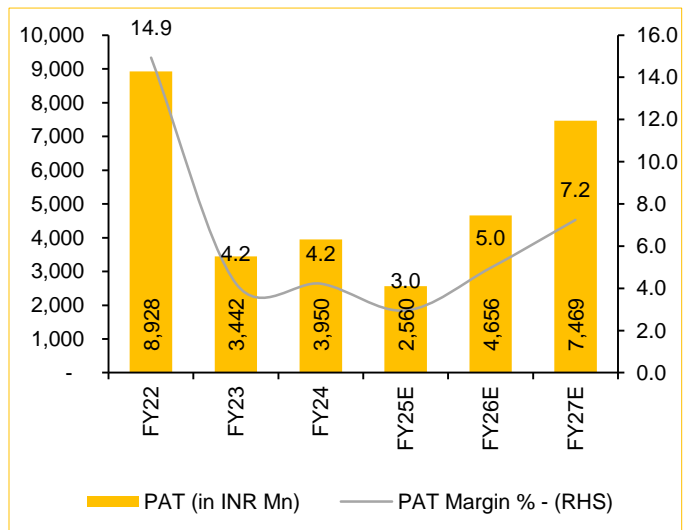
Source: Company, CEBPL

EBITDA Margin expected to reach 20.8% by FY27



Source: Company, CEBPL

PAT is expected to grow at a CAGR of 23.7% over FY24-27



Source: Company, CEBPL

*All figures are in INR Million

Income statement (Standalone in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	81,353	93,497	86,609	93,598	1,03,107
Gross profit	67,923	76,318	69,790	75,627	83,362
EBITDA	11,820	15,530	13,887	17,225	21,440
Depreciation	5,044	6,359	6,884	7,328	7,772
EBIT	6,776	9,171	7,003	9,897	13,668
Other Income	367	422	433	345	340
Interest Expenses	2,405	4,155	4,009	4,009	4,009
Exceptional Item	-	-	-	-	-
PAT	3,442	3,950	2,560	4,656	7,469
EPS (INR)	14.6	16.7	10.8	19.7	31.6

Source: Company, CEBPL

Balance sheet (Standalone in INR Mn.)

Balance Sheet (Rs. Mn.)	FY23	FY24	FY25E	FY26E	FY27E
Tangible fixed assets	1,01,743	1,20,433	1,25,548	1,30,220	1,34,447
Capital Work in Progress	19,269	13,292	13,292	13,292	13,292
Investments	2,023	2,231	2,231	2,231	2,231
Cash & Cash equivalents	1,686	1,352	960	1,881	3,089
Loans & Advances and Other Assets	6,976	6,031	6,031	6,031	6,031
Net Working Capital	7,100	8,435	4,271	3,334	5,367
Total assets	1,38,797	1,51,773	1,52,333	1,56,989	1,64,458
Shareholder's funds	67,935	71,441	74,001	78,657	86,126
Borrowings	44,875	49,168	47,168	47,168	47,168
Deferred Tax	9,285	10,304	10,304	10,304	10,304
Other Liabilities & Provisions	16,702	20,860	20,860	20,860	20,860
Total equity & liabilities	1,38,797	1,51,773	1,52,333	1,56,989	1,64,458
Capital Employed	1,11,467	1,18,856	1,19,889	1,23,497	1,29,559
Invested Capital	90,512	1,04,213	1,05,638	1,08,324	1,13,179

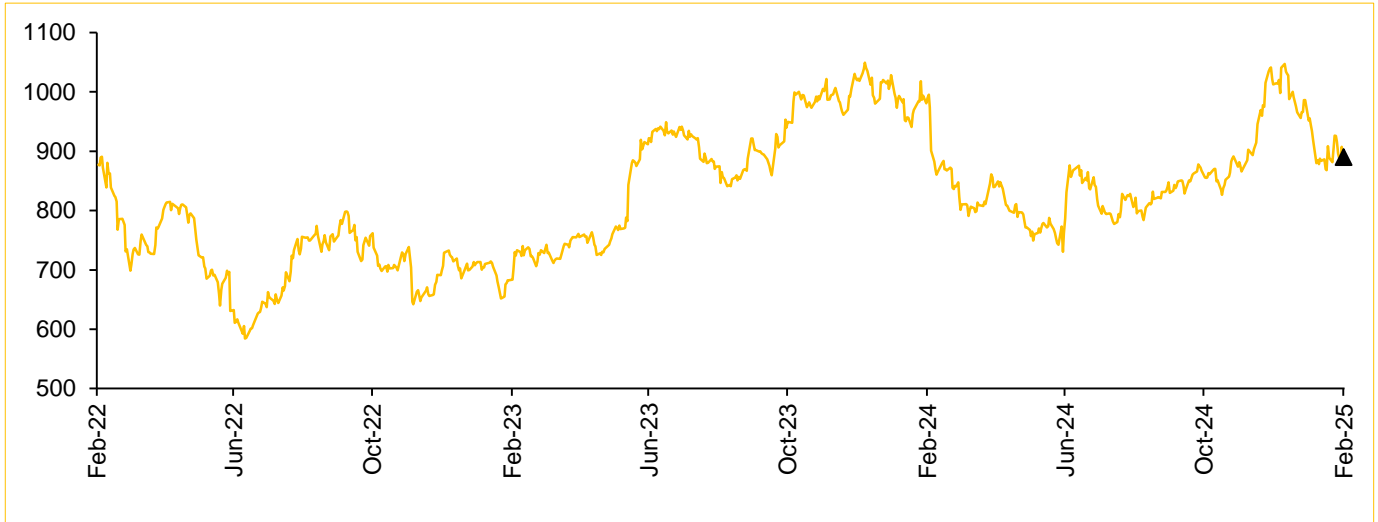
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
CFO	14,050	18,946	17,617	16,931	17,217
Capex	(17,651)	(19,224)	(12,000)	(12,000)	(12,000)
FCF	(3,602)	(278)	5,617	4,931	5,217
CFI	(16,869)	(18,999)	(12,000)	(12,000)	(12,000)
CFF	2,745	(280)	(6,009)	(4,009)	(4,009)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	36.0	14.9	(7.4)	8.1	10.2
EBITDA	(7.9)	31.4	(10.6)	24.0	24.5
Margin ratios (%)					
EBITDA	14.5	16.6	16.0	18.4	20.8
PAT	4.2	4.2	3.0	5.0	7.2
Performance Ratios (%)					
OCF/EBITDA (X)	1.2	1.2	1.3	1.0	0.8
OCF/IC	15.5	18.2	16.7	15.6	15.2
ROE	5.1	5.5	3.5	5.9	8.7
ROCE	6.1	7.7	5.8	8.0	10.5
Turnover Ratios (Days)					
Inventory	40	38	32	30	34
Debtor	21	33	28	28	30
Payables	29	39	42	45	45
Cash Conversion Cycle	32	33	18	13	19
Financial Stability ratios (x)					
Net Debt to Equity	0.6	0.7	0.6	0.6	0.5
Net Debt to EBITDA	3.7	3.1	3.3	2.6	2.1
Interest Cover	2.8	2.2	1.7	2.5	3.4
Valuation metrics					
Fully diluted shares (Mn)	236	236	236	236	236
Price (INR)	890	890	890	890	890
Market Cap(INR Mn)	2,10,040	2,10,040	2,10,040	2,10,040	2,10,040
PE(x)	60.8	53.2	82.1	45.1	28.1
EV (INR Mn)	2,51,206	2,55,625	2,54,017	2,53,096	2,51,888
EV/EBITDA (x)	21.3	16.5	18.3	14.7	11.7
Price to BV (x)	3.1	2.9	2.8	2.7	2.4
EV/IC (x)	2.8	2.5	2.4	2.3	2.2
EV/OCF	17.9	13.5	14.4	14.9	14.6

Source: Company, CEBPL

Historical Price Chart: The Ramco Cement Limited



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