

Results largely in-line with expectation; Maintain Buy

Q4FY24 Result Update | Sector: Cement | May 23, 2024

BUY

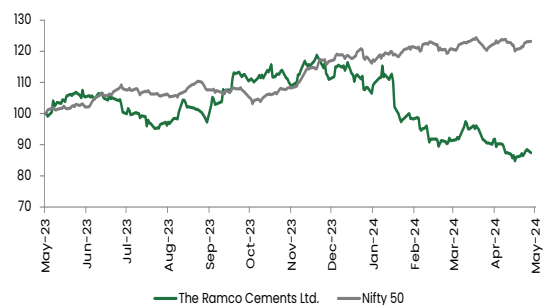
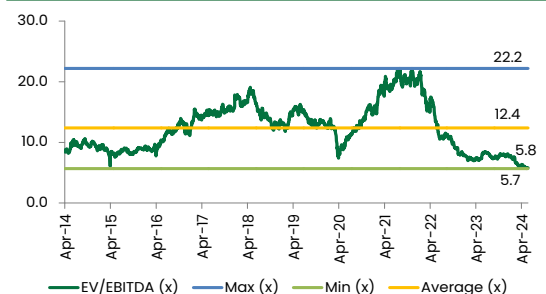
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|--------------------------|--------------|
| CMP (Rs) | 788 |
| Target Price (Rs) | 989 |
| Potential Upside | 25.5% |
| Sensex | 75,418 |
| Nifty | 22,968 |

Key Stock data

| | |
|------------------------------|-----------|
| BSE Code | 500260 |
| NSE Code | RAMCOCEM |
| Bloomberg | TRCL:IN |
| Shares o/s, Cr (FV 1) | 23.6 |
| Market Cap (Rs Cr) | 18,629 |
| 3M Avg Volume | 628,293 |
| 52 week H/L | 1,058/745 |

Shareholding Pattern

| (%) | Sep-23 | Dec-23 | Mar-24 |
|-----------------|--------|--------|--------|
| Promoter | 42.1 | 42.1 | 42.3 |
| FII | 7.9 | 7.9 | 7.4 |
| DII | 36.7 | 36.3 | 35.6 |
| Others | 13.3 | 13.6 | 14.7 |

1 year relative price performance

1 year Forward EV/EBITDA (x)

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Strong top-line growth: Ramco Cements reported strong Q4FY24 numbers with revenue growth of 4.1% YoY/26.9% QoQ to Rs 2,678.2cr. The growth was largely driven by volumes of 5.5MnT which grew by 15% YoY and 35.2% QoQ, however realization declined by 9.5% YoY and 6.1% QoQ.

Margins remain under pressure: Its gross profit grew by 0.7% YoY/15.4% QoQ to Rs 2,056.6cr however margins declined to 76.8% down by 257bps YoY/765bps QoQ due to healthy increase in raw material cost. Further, its power & fuel cost declined YoY however other expense and employee cost witnessed an increase which impacted the EBITDA margin by 36bps YoY. Sequentially, EBITDA too saw a decline to the tune of 314bps because of higher other & power & fuel expenses. On per ton basis, Fuel cost/ton declined by 30.2% YoY/17.3% QoQ to Rs 1,142 and also total cost/ton declined by 9.1% YoY/2.5% QoQ to Rs 4,179 but despite this EBITDA/ton too witnessed decline of 11% YoY/20.6% QoQ to Rs 800 due to lower cement price. PAT declined by 13.8% YoY but increased by 54.8% QoQ to Rs 130cr while PAT margin stood at 4.9% with a decline of 101bps YoY but increased by 88bps QoQ.

Healthy growth in FY24: Ramco posted revenue of Rs 9,376cr higher by 14.9% YoY led by healthy volumes of 18.4 MnT with growth of 22% YoY. Despite an increase in raw material prices by 28% YoY, its gross profit improved by 12.4% YoY but margin declined by 187bps YoY. However, EBITDA/PAT grew by 31.9% and 14.7% YoY while EBITDA margin improved by 215bps to 16.7% but PAT margin remained flat.

Key Highlights: 1) Share in premium products was 29% in South and 20% in East for 4FY24. 2) Cement prices remained weak for the quarter. 3) Right cement for the right application strategy is well on track. 4) Capacity utilization for FY24 was 83% and 96% in Q4FY24. 5) Green power share remains flat at 36% for Q4FY24 and 34% for FY24. 6) Expansion of Dry Mortar Plant in Andhra Pradesh & Odisha (2 units) will be commissioned during June-September 2024 quarter. 7) Around 660 acres of mining land acquired for new project in Karnataka. 8) For FY24, the company spend Rs 1,922cr as capex and for FY25, they are expected to spend ~Rs 1,200cr. 9) The current spot CIF prices of pet coke is at USD 110. 10) By FY26, The company plans to reach a capacity of 19 MTPA for Clinker and 26 MTPA for cement.

Outlook & Valuation: Overall Q4FY24 results of Ramco Cements were in-line with expectations as volumes were healthy and margins remain impacted due to muted cement prices. Further, strong demand, government spending, management focus on its growing premium product along with capacity expansion plan bodes well for growth ahead. Besides, they are also focusing on improving utilization levels, increasing green energy usage as well as a cost optimization plan to aid overall growth. On the financial front, we have estimated its revenue/EBITDA to grow by 13.5%/17.1% CAGR over FY24-26E and have maintained a **Buy** rating but due to sharp correction in stock price our target price is revised downwards to **Rs 989**.

Financial Summary – consolidated

| Particulars, Rs cr | FY23 | FY24 | FY25E | FY26E |
|--------------------|-------|-------|--------|--------|
| Net revenue | 8,157 | 9,376 | 10,502 | 12,077 |
| EBITDA | 1,186 | 1,564 | 1,825 | 2,147 |
| EBITDAM (%) | 14.5 | 16.7 | 17.4 | 17.8 |
| APAT | 342 | 393 | 541 | 740 |
| APATM (%) | 4.2 | 4.2 | 5.2 | 6.1 |
| EPS (Rs) | 14.5 | 16.7 | 22.9 | 31.4 |
| EV/EBITDA (x) | 19.2 | 14.8 | 12.9 | 11.0 |
| RoE (%) | 4.6 | 5.2 | 6.7 | 8.5 |

Source : RBL Research

Net Sales growth was driven by strong volumes

EBITDA margin declined because of rise in expenses

EBITDA/ton declined because of muted prices of cement

P&L Account Quarterly - consolidated

| Particulars, Rs cr | Q4FY24 | Q4FY23 | Y-o-Y (%) | Q3FY24 | Q-o-Q (%) |
|-----------------------------------|----------------|----------------|--------------|----------------|-------------|
| Net Sales | 2,678.2 | 2,572.5 | 4.1 | 2,110.9 | 26.9 |
| Cost of Raw Materials | 551.9 | 447.3 | 23.4 | 388.1 | 42.2 |
| Purchase of Finished Goods | 0.4 | 0.2 | 84.2 | - | - |
| (Increase) / Decrease In Stocks | 69.5 | 83.6 | -16.9 | (59.6) | - |
| Total raw material expense | 621.7 | 531.1 | 17.0 | 328.5 | 89.2 |
| Gross Profit | 2,056.6 | 2,041.4 | 0.7 | 1,782.4 | 15.4 |
| Gross Margins % | 76.8 | 79.4 | -257bps | 84.4 | -765bps |
| Employee Cost | 130.1 | 118.4 | 9.9 | 143.2 | -9.1 |
| Power & Fuel | 617.2 | 768.6 | -19.7 | 552.2 | 11.8 |
| Other Expense | 890.2 | 742.7 | 19.9 | 690.5 | 28.9 |
| Total Expenditure | 2,259.2 | 2,160.9 | 4.6 | 1,714.4 | 31.8 |
| EBITDA | 419.0 | 411.7 | 1.8 | 396.5 | 5.7 |
| EBITDA Margins (%) | 15.6 | 16.0 | -36bps | 18.8 | -314bps |
| Depreciation | 154.1 | 140.9 | 9.3 | 179.8 | -14.3 |
| EBIT | 264.9 | 270.7 | -2.1 | 216.8 | 22.2 |
| Other Income | 13.6 | 11.0 | 23.3 | 6.5 | 108.9 |
| Interest | 103.8 | 77.2 | 34.5 | 101.9 | 1.9 |
| PBT | 174.8 | 204.6 | -14.6 | 121.4 | 44.0 |
| Tax | 44.7 | 53.7 | -16.7 | 37.4 | 19.6 |
| PAT | 130.0 | 150.9 | -13.8 | 84.0 | 54.8 |
| PAT Margin (%) | 4.9 | 5.9 | -101bps | 4.0 | 88bps |
| EPS (Rs) | 5.5 | 6.4 | -13.7 | 3.6 | 54.8 |

Source : RBL Research

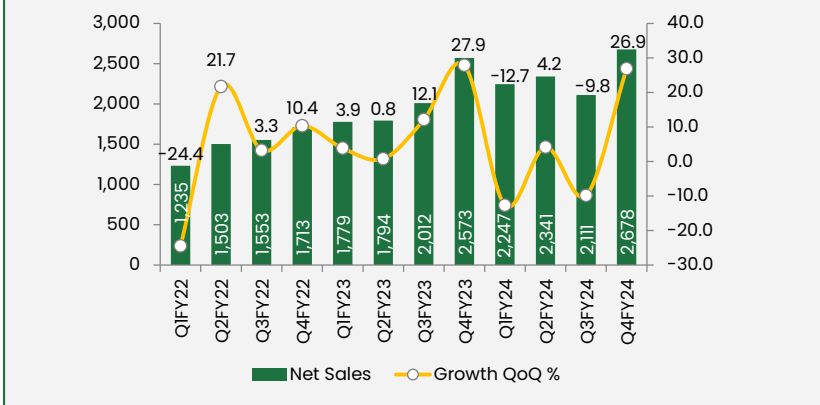
Key metrics

| Particulars, Rs cr | Q4FY24 | Q4FY23 | Y-o-Y (%) | Q3FY24 | Q-o-Q (%) |
|------------------------|--------|--------|-----------|--------|-----------|
| Cement Volume (Mn ton) | 5.4 | 4.7 | 15.0 | 4.0 | 35.2 |
| Realizations/Ton (Rs) | 4,954 | 5,473 | -9.5 | 5,277 | -6.1 |
| Fuel Cost/Ton (Rs) | 1,142 | 1,635 | -30.2 | 1,381 | -17.3 |
| Total Cost/Ton (Rs) | 4,179 | 4,598 | -9.1 | 4,286 | -2.5 |
| EBITDA/Ton (Rs) | 800 | 899 | -11.0 | 1,008 | -20.6 |

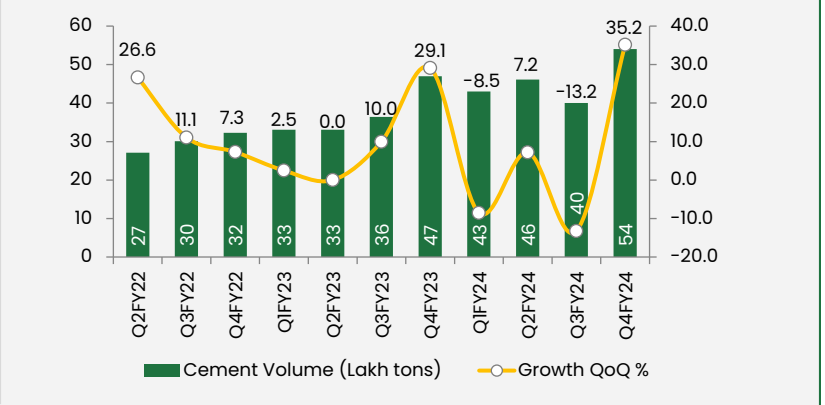
Source : RBL Research

Story in charts

Net Sales up by 4.1% YoY but down by 26.9% QoQ

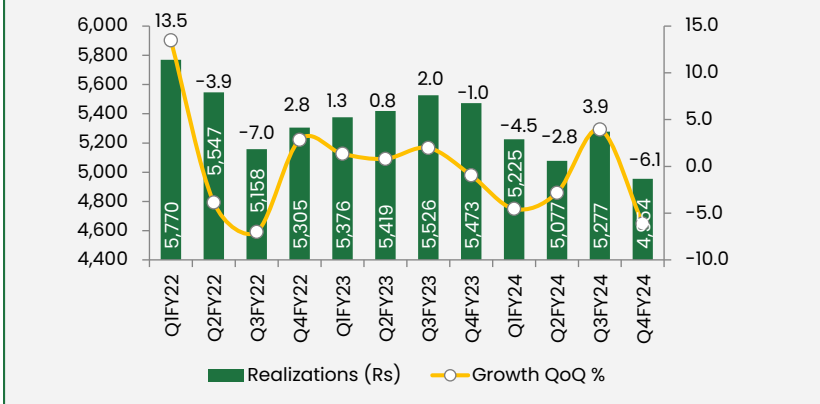


Cement Volumes grew by 15.0% YoY and 35.2% QoQ

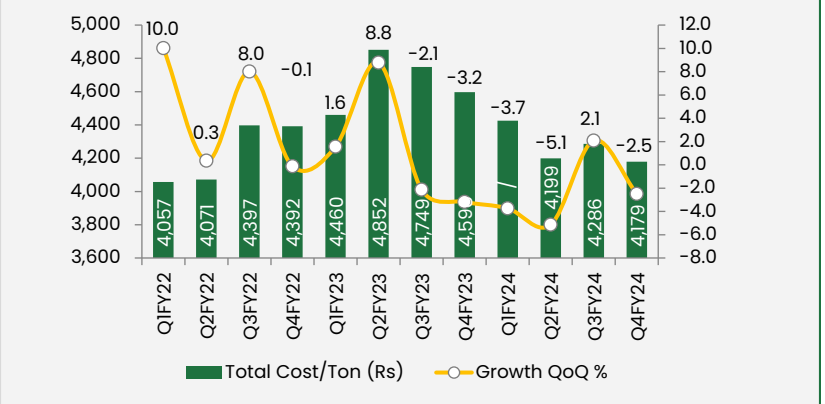


Source : RBL Research

Realizations down by 9.5% YoY and 6.1% QoQ

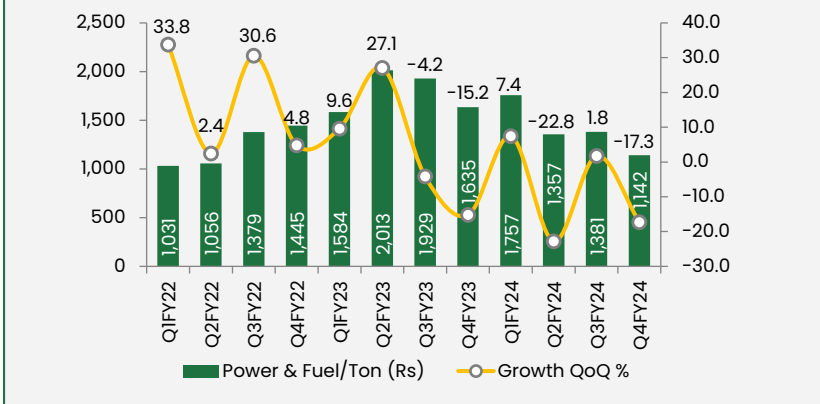


Total Cost/Ton down by 9.1% YoY and 2.5% QoQ

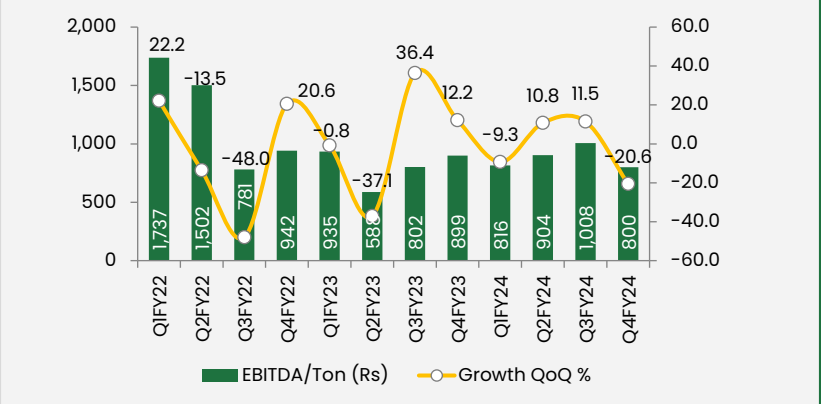


Source : RBL Research

Power & Fuel/ton de-grew by 30.2% YoY and 17.3% QoQ

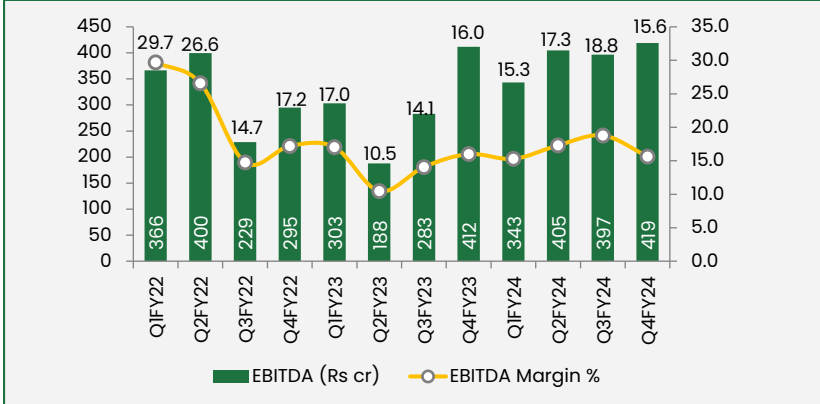


EBITDA/ton declined by 11.0% YoY and 20.6% QoQ

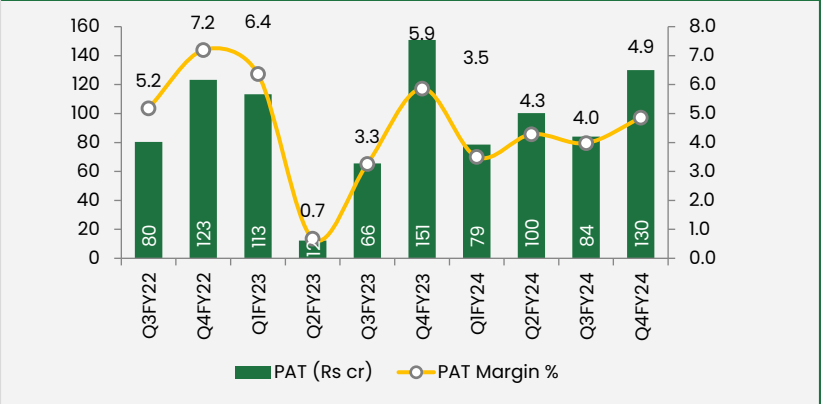


Source : RBL Research

EBITDA grew by 1.8% YoY and 5.7% QoQ



PAT declined by 13.8% YoY but grew by 54.8% QoQ



Source : RBL Research

P&L Account – consolidated

| Particulars, Rs cr | FY23 | FY24 | FY25E | FY26E |
|---------------------------------|--------------|--------------|---------------|---------------|
| Net sales | 8,157 | 9,376 | 10,502 | 12,077 |
| Expenditure | | | | |
| Cost of materials | 1,357 | 1,745 | 1,911 | 2,174 |
| (Increase) / Decrease In Stocks | (14) | (27) | (30) | (35) |
| Total raw materials | 1,343 | 1,719 | 1,883 | 2,141 |
| Gross Profit | 6,814 | 7,657 | 8,619 | 9,936 |
| Gross Margins % | 83.5 | 81.7 | 82.1 | 82.3 |
| Employee cost | 469 | 551 | 630 | 725 |
| Power & Fuel Cost | 2,662 | 2,550 | 2,835 | 3,237 |
| Other expenses | 2,498 | 2,992 | 3,329 | 3,828 |
| Total expenditure | 6,972 | 7,812 | 8,677 | 9,930 |
| EBITDA | 1,186 | 1,564 | 1,825 | 2,147 |
| EBITDAM (%) | 14.5 | 16.7 | 17.4 | 17.8 |
| Depreciation | 506 | 646 | 683 | 725 |
| PBIT | 680 | 918 | 1,142 | 1,422 |
| Other income | 33 | 39 | 44 | 50 |
| Interest expenses | 241 | 416 | 439 | 452 |
| PBT | 472 | 541 | 746 | 1,020 |
| Tax | 130 | 148 | 205 | 281 |
| Reported PAT | 342 | 393 | 541 | 740 |
| PAT Margin % | 4.2 | 4.2 | 5.2 | 6.1 |
| EPS (Rs) | 14.5 | 16.7 | 22.9 | 31.4 |

Source : RBL Research

Balance Sheet – consolidated

| Particulars, Rs cr | FY23 | FY24 | FY25E | FY26E |
|---------------------------------|---------------|---------------|---------------|---------------|
| Share Capital | 24 | 24 | 24 | 24 |
| Reserves & Surplus | 6,837 | 7,214 | 7,687 | 8,355 |
| Total Shareholder's Fund | 6,861 | 7,238 | 7,711 | 8,379 |
| Minority Interest | 7 | 4 | 4 | 4 |
| Long term borrowings | 3,622 | 3,927 | 4,201 | 4,348 |
| Short term borrowing | 865 | 990 | 966 | 966 |
| Total Debt | 4,487 | 4,917 | 5,167 | 5,314 |
| Deferred tax liabilities | 928 | 1,034 | 1,034 | 1,034 |
| Loans & advances | 19 | 14 | 15 | 18 |
| Long term provision | 53 | 69 | 78 | 89 |
| Total | 1,020 | 1,136 | 1,149 | 1,166 |
| Current Liabilities | | | | |
| Trade payables | 639 | 993 | 1,112 | 1,290 |
| Short term provisions | 41 | 45 | 51 | 58 |
| Other current liabilities | 1,540 | 1,939 | 2,100 | 2,415 |
| Total | 2,219 | 2,978 | 3,263 | 3,764 |
| Total liabilities | 14,595 | 16,272 | 17,293 | 18,626 |
| Application of Assets | | | | |
| Net Block | 10,255 | 12,102 | 13,268 | 14,294 |
| Current work in process | 1,927 | 1,329 | 1,026 | 970 |
| Non current investment | 273 | 319 | 368 | 423 |
| Tax assets | 3 | 3 | 4 | 4 |
| Long term loans | 15 | 18 | 21 | 24 |
| Other non-current assets | 236 | 251 | 281 | 323 |
| Total | 12,708 | 14,023 | 14,967 | 16,037 |
| Current Assets | | | | |
| Inventories | 884 | 983 | 964 | 1,059 |
| Trade receivables | 465 | 856 | 958 | 1,102 |
| Cash & Bank | 170 | 137 | 98 | 76 |
| Short term loans | 13 | 16 | 17 | 20 |
| Other current assets | 355 | 258 | 289 | 332 |
| Total | 1,886 | 2,250 | 2,326 | 2,589 |
| Total assets | 14,594 | 16,272 | 17,293 | 18,626 |

Source : RBL Research

Cashflow – consolidated

| Particulars, Rs cr | FY23 | FY24 | FY25E | FY26E |
|-------------------------------------------------|----------------|----------------|----------------|----------------|
| Profit before tax | 472 | 541 | 746 | 1,020 |
| Add: Depreciation | 506 | 646 | 683 | 725 |
| Add: Interest cost | 241 | 416 | 439 | 452 |
| Less: Other Income | (10) | (12) | (13) | (15) |
| Others | (15) | (9) | - | - |
| Operating profit before working capital changes | 1,193 | 1,582 | 1,855 | 2,182 |
| Add/(Less) Changes in WC | 251 | 366 | 150 | 188 |
| Cash from Operations | 1,444 | 1,948 | 2,005 | 2,370 |
| Less: Taxes | (33) | (43) | (54) | (51) |
| Cash flow from Operations | 1,412 | 1,906 | 1,951 | 2,319 |
| Net cash used in Investing | | | | |
| Purchase of fixed assets | (1,766) | (1,923) | (1,545) | (1,694) |
| Purchase of investments | (1) | (11) | (49) | (55) |
| Sales of fixed assets | 2 | 8 | - | - |
| Sales of investments | 53 | - | - | - |
| Dividend Income | 1 | 1 | - | - |
| Other Income | 6 | 8 | 13 | 15 |
| Others | 10 | 5 | - | - |
| Cash flow from investing | (1,694) | (1,911) | (1,581) | (1,734) |
| Cash flow from Financing | | | | |
| Purchase of borrowings | 1,659 | 1,435 | 250 | 147 |
| Sales of borrowings | (1,080) | (1,010) | - | - |
| Dividend (Incl dividend tax) | (71) | (47) | (47) | (47) |
| Interest cost | (233) | (406) | (439) | (452) |
| Cash flow from Financing | 275 | (28) | (237) | (352) |
| Net cash Inflow/Outflow | (8) | (33) | 133 | 232 |
| Opening cash | 178 | 170 | 137 | 270 |
| Closing Cash & Bank | 170 | 137 | 270 | 502 |
| Others | - | - | (172) | (427) |
| Cash Trf to B/S | 170 | 137 | 98 | 76 |

Source : RBL Research

Key ratios – consolidated

| Particulars | FY23 | FY24 | FY25E | FY26E |
|-----------------------------|-------|-------|-------|-------|
| Per share Data | | | | |
| EPS (Rs) | 14.5 | 16.7 | 22.9 | 31.4 |
| Book value per share (Rs) | 291.0 | 306.9 | 327.0 | 355.3 |
| Dividend per share (Rs) | 3.0 | 2.0 | 2.0 | 2.0 |
| Dividend Yield (%) | 22.6 | 12.6 | 9.1 | 6.6 |
| Dividend Payout (%) | 0.4 | 0.3 | 0.3 | 0.3 |
| Profitability Ratios | | | | |
| EBITDAM(%) | 14.5 | 16.7 | 17.4 | 17.8 |
| PBTM (%) | 5.8 | 5.8 | 7.1 | 8.4 |
| NPM (%) | 4.2 | 4.2 | 5.2 | 6.1 |
| RoE (%) | 4.6 | 5.2 | 6.7 | 8.5 |
| RoCE (%) | 6.0 | 7.6 | 8.9 | 10.4 |
| Efficiency Data | | | | |
| Debt-Equity Ratio | 0.7 | 0.7 | 0.7 | 0.6 |
| Interest Cover Ratio | 3.0 | 2.3 | 2.7 | 3.3 |
| Fixed Asset Ratio | 1.3 | 1.3 | 1.3 | 1.2 |
| Debtors (Days) | 20.8 | 33.3 | 33.3 | 33.3 |
| Inventory (Days) | 39.5 | 38.3 | 33.5 | 32.0 |
| Payable (Days) | 28.6 | 38.7 | 38.7 | 39.0 |
| WC (Days) | 31.8 | 32.9 | 28.1 | 26.3 |
| Valuation | | | | |
| P/E (x) | 54.3 | 47.3 | 34.3 | 25.1 |
| P/BV | 2.7 | 2.6 | 2.4 | 2.2 |
| EV/EBITDA | 19.3 | 15.0 | 13.0 | 11.1 |
| EV/Sales | 2.8 | 2.5 | 2.3 | 2.0 |

Source : RBL Research

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

| S. No. | Statement | Answer | |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----|
| | | Yes | No |
| | | Tick appropriate | |
| | | Yes | No |
| | I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table] | | No |
| | I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance? | | No |
| | I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance? | | No |
| | I/we have received any compensation from the subject company in the past twelve months? | | No |
| | I/we have managed or co-managed public offering of securities for the subject company in the past twelve months? | | No |
| | I/we have received any compensation for brokerage services from the subject company in the past twelve months? | | No |
| | I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months? | | No |
| | I/we have received any compensation or other benefits from the subject company or third party in connection with the research report? | | No |
| | I/we have served as an officer, director or employee of the subject company? | | No |
| | I/we have been engaged in market making activity for the subject company? | | No |

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

| SS.No. | Name(s) of RA. | Signatures of RA | Serial Question of question which the signing RA needs to make a separate declaration / answer | Yes | No. |
|--------|----------------|------------------|------------------------------------------------------------------------------------------------|-----|-----|
| | | | | | |
| | | | | | |

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