

The Ramco Cements (TRCL IN)

Rating: HOLD | CMP: Rs762 | TP: Rs740

May 22, 2019

Q4FY19 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	HOLD		HOLD	
Target Price	740		654	
Sales (Rs. m)	58,350	68,047	57,172	66,036
% Chng.	2.1	3.0		
EBITDA (Rs. m)	12,265	14,425	10,943	12,595
% Chng.	12.1	14.5		
EPS (Rs.)	30.0	34.4	25.8	28.3
% Chng.	16.4	21.4		

Key Financials

	FY18	FY19	FY20E	FY21E
Sales (Rs. m)	43,181	50,602	58,350	68,047
EBITDA (Rs. m)	10,113	9,505	12,265	14,425
Margin (%)	23.4	18.8	21.0	21.2
PAT (Rs. m)	5,484	5,137	7,071	8,102
EPS (Rs.)	23.3	21.8	30.0	34.4
Gr. (%)	(14.6)	(6.3)	37.6	14.6
DPS (Rs.)	1.0	1.0	1.0	1.0
Yield (%)	0.1	0.1	0.1	0.1
RoE (%)	14.1	12.1	14.8	14.8
RoCE (%)	13.9	11.8	14.1	15.0
EV/Sales (x)	4.4	3.8	3.4	2.8
EV/EBITDA (x)	18.7	20.3	16.0	13.4
PE (x)	32.7	34.9	25.4	22.2
P/BV (x)	4.4	4.0	3.5	3.1

Key Data

TRCE.BO | TRCL IN

52-W High / Low	Rs.829 / Rs.546
Sensex / Nifty	39,110 / 11,738
Market Cap	Rs.180bn / \$ 2,575m
Shares Outstanding	236m
3M Avg. Daily Value	Rs.573.16m

Shareholding Pattern (%)

Promoter's	42.75
Foreign	11.54
Domestic Institution	23.05
Public & Others	22.66
Promoter Pledge (Rs bn)	1.55

Stock Performance (%)

	1M	6M	12M
Absolute	0.1	22.9	(3.8)
Relative	(1.1)	9.9	(14.7)

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Earnings above estimates; Stretched valuations limit the upside

The Ramco Cements (TRCL) reported Q4FY19 earnings above our expectation on the back of strong volume growth and better realisations. Led by highly efficient operations, TRCL performed better than the market despite stiff competition in the regions. Company managed to improve its market share in eastern region by efficiently serving material flow from Kolaghat (WB) and Vizag (AP) units. Ongoing capacity addition in Eastern region are on track and we believe that these capacities would generate strong margins at par with existing operations backed by highly competitive logistics network and blending advantage. Led by improvement in prices, we upgrade our EBITDA estimates by 12%/14.5% for FY20e/FY21e. TRCL remains the best play in the Southern region; stretched valuations limits material upside from current levels as stock price has rallied by ~20% in the past couple of months. Hence, we maintain Hold with a TP of Rs740 (earlier Rs654), EV/EBITDA of 13x FY21E

- Higher volumes and better realisations led the beat:** Cement volumes grew 20% YoY at 3.29mn (PLe:3.09mn) tonnes (t) on the back of strong demand in Telangana, AP and Eastern states. Despite intense competition, realisations (net of freight) rose 6%/Rs213/t QoQ (+2.4%/Rs83/t QoQ) to Rs3,590/t above our estimate of Rs3,430/t. On the back of higher scale and low power and fuel costs, total cost/t (net of freight) came below our estimates at Rs2,620 (PLe:Rs2,651), up 3.7% YoY. Led by better realisations and lower costs, EBITDA/t arrived above our estimate at Rs970 (PLe:Rs780), down 1% YoY. EBITDA rose 19% YoY to Rs3.2bn (PLe:Rs2.4bn). Adj. PAT rose 26% YoY to Rs1.73bn (PLe:Rs1.2bn).

Exhibit 1: Key Operating Metrics

Y/e March (Rs mn)	Q4 FY19	Q4 FY18	Q4 YoY gr. (%)	Q3 FY19	FY19	FY18	YoY gr. (%)
Volume (mn te)-Cement	3.29	2.74	20.2	2.75	11.12	9.31	19.4
Cement Realisations (Rs/te)	4,640	4,571	1.5	4,392	4,551	4,637	(1.9)
Cement EBITDA/ te (Rs/te)	970	980	(1.0)	765	855	1,073	(20.3)

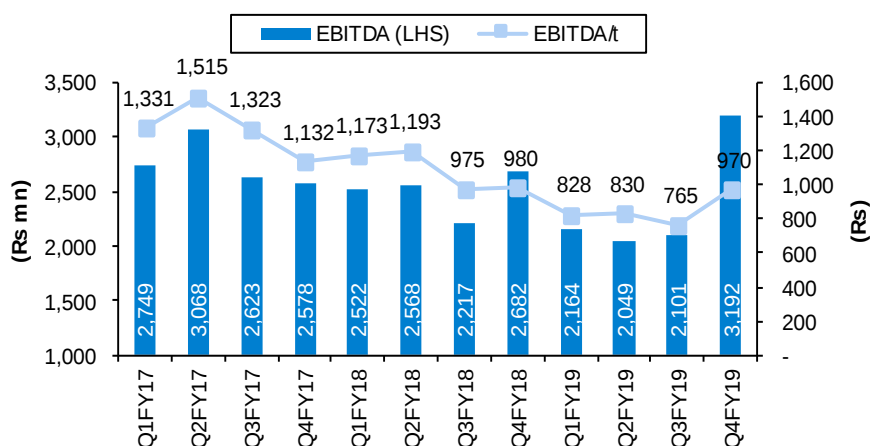
Source: Company, PL

Exhibit 2: Q4FY19 Result Overview

Y/e March (Rs mn)	Q4FY19	Q4FY18	YoY gr. (%)	Q3FY19	FY19	FY18	YoY gr. (%)
Net Sales	15,265	12,508	22.0	12,065	50,602	43,181	17.2
Raw Material	2,805	2,313	21.3	2,002	8,469	7,630	11.0
<i>% of Net Sales</i>	<i>18.4</i>	<i>18.5</i>		<i>16.6</i>	<i>16.7</i>	<i>17.7</i>	
Staff Costs	823	738	11.6	813	3,295	3,040	8.4
<i>% of Net Sales</i>	<i>5.4</i>	<i>5.9</i>		<i>6.7</i>	<i>6.5</i>	<i>7.0</i>	
Power & Fuel	2,938	2,176	35.0	2,713	10,573	7,291	45.0
<i>% of Net Sales</i>	<i>19.2</i>	<i>17.4</i>		<i>22.5</i>	<i>20.9</i>	<i>16.9</i>	
Freight and selling expenses	3,454	2,912	18.6	2,788	11,880	9,281	28.0
<i>% of Net Sales</i>	<i>22.6</i>	<i>23.3</i>		<i>23.1</i>	<i>23.5</i>	<i>21.5</i>	
Other Expenses	2,053	1,687	21.7	1,649	6,881	5,952	15.6
<i>% of Net Sales</i>	<i>13.4</i>	<i>13.5</i>		<i>13.7</i>	<i>13.6</i>	<i>13.8</i>	
Total Expenditure	12,073	9,826	22.9	9,965	41,097	33,193	23.8
EBITDA	3,192	2,682	19.0	2,101	9,505	9,988	(4.8)
<i>Margin (%)</i>	<i>20.9</i>	<i>21.4</i>		<i>17.4</i>	<i>18.8</i>	<i>23.1</i>	
Depreciation	767	754	1.7	756	2,985	2,922	2.2
Other income	170	230	(26.3)	105	1,145	1,249	(8.3)
EBIT	2,595	2,158	20.3	1,450	7,665	8,315	(7.8)
Interest	128	105	22.7	135	509	592	(14.1)
PBT	2,467	2,053	20.1	1,315	7,156	7,723	(7.3)
Extraordinary income/(expense)	-	-		-	-	124	
PBT (After EO)	2,467	2,053	20.1	1,315	7,156	7,847	(8.8)
Tax	783	679	15.3	304	2,096	2,290	(8.4)
<i>% PBT</i>	<i>31.7</i>	<i>33.1</i>		<i>23.1</i>	<i>29.3</i>	<i>29.2</i>	
Reported PAT	1,684	1,374	22.5	1,011	5,059	5,557	(9.0)
Adjusted PAT	1,732	1,374	26.0	1,011	5,137	5,673	(9.4)

Source: Company, PL

Exhibit 3: Better realisations led the improvement in EBITDA



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Net Revenues	43,181	50,602	58,350	68,047
YoY gr. (%)	12.0	17.2	15.3	16.6
Cost of Goods Sold	7,206	8,469	9,711	11,513
Gross Profit	35,976	42,134	48,639	56,534
Margin (%)	83.3	83.3	83.4	83.1
Employee Cost	3,040	3,295	3,562	3,847
Other Expenses	6,252	6,881	7,892	9,190
EBITDA	10,113	9,505	12,265	14,425
YoY gr. (%)	(8.2)	(6.0)	29.0	17.6
Margin (%)	23.4	18.8	21.0	21.2
Depreciation and Amortization	2,922	2,985	3,235	3,716
EBIT	7,191	6,520	9,030	10,709
Margin (%)	16.7	12.9	15.5	15.7
Net Interest	592	509	847	1,032
Other Income	1,249	1,145	1,638	1,576
Profit Before Tax	7,847	7,156	9,821	11,253
Margin (%)	18.2	14.1	16.8	16.5
Total Tax	2,363	2,097	2,750	3,151
Effective tax rate (%)	30.1	29.3	28.0	28.0
Profit after tax	5,484	5,059	7,071	8,102
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,484	5,137	7,071	8,102
YoY gr. (%)	(15.5)	(6.3)	37.6	14.6
Margin (%)	12.7	10.2	12.1	11.9
Extra Ord. Income / (Exp)	-	(78)	-	-
Reported PAT	5,484	5,059	7,071	8,102
YoY gr. (%)	(15.5)	(7.8)	39.8	14.6
Margin (%)	12.7	10.0	12.1	11.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,484	5,059	7,071	8,102
Equity Shares O/s (m)	236	236	236	236
EPS (Rs)	23.3	21.8	30.0	34.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Non-Current Assets				
Gross Block	84,281	88,044	104,181	105,481
Tangibles	84,281	88,044	104,181	105,481
Intangibles	-	-	-	-
Acc: Dep / Amortization	31,300	34,285	37,545	41,261
Tangibles	31,300	34,285	37,545	41,261
Intangibles	-	-	-	-
Net fixed assets	52,981	53,759	66,636	64,220
Tangibles	52,981	53,759	66,636	64,220
Intangibles	-	-	-	-
Capital Work In Progress	2,179	8,526	6,891	12,891
Goodwill	-	-	-	-
Non-Current Investments	2,168	2,264	2,238	2,273
Net Deferred tax assets	(7,597)	(8,704)	(8,316)	(8,879)
Other Non-Current Assets	594	2,774	594	594
Current Assets				
Investments	-	-	-	-
Inventories	5,599	5,597	7,993	9,321
Trade receivables	4,423	4,900	6,235	7,271
Cash & Bank Balance	1,194	928	461	1,975
Other Current Assets	878	1,127	789	769
Total Assets	70,904	81,082	92,963	100,532
Equity				
Equity Share Capital	236	236	236	236
Other Equity	40,186	44,366	51,035	58,286
Total Networkth	40,422	44,601	51,271	58,521
Non-Current Liabilities				
Long Term borrowings	11,132	14,148	17,632	15,132
Provisions	87	157	87	87
Other non current liabilities	127	131	127	127
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	2,671	2,572	3,677	4,288
Other current liabilities	8,869	10,769	11,854	13,498
Total Equity & Liabilities	70,904	81,082	92,963	100,532

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
PBT	7,847	7,613	9,821	11,253
Add. Depreciation	2,922	3,010	3,235	3,716
Add. Interest	592	605	847	1,032
Less Financial Other Income	1,249	1,145	1,638	1,576
Add. Other	(82)	(406)	(593)	(444)
Op. profit before WC changes	11,278	10,822	13,310	15,557
Net Changes-WC	1,564	(172)	(262)	(215)
Direct tax	(1,713)	(1,903)	(2,259)	(2,588)
Net cash from Op. activities	11,129	8,746	10,790	12,753
Capital expenditures	(4,942)	(11,363)	(13,250)	(7,300)
Interest / Dividend Income	164	315	497	343
Others	22	92	96	101
Net Cash from Invt. activities	(4,756)	(10,956)	(12,657)	(6,856)
Issue of share cap. / premium	(1,681)	-	-	-
Debt changes	(4,682)	2,500	4,000	(2,500)
Dividend paid	(852)	(852)	(852)	(852)
Interest paid	(658)	(605)	(847)	(1,032)
Others	-	-	-	-
Net cash from Fin. activities	(7,872)	1,043	2,301	(4,383)
Net change in cash	(1,499)	(1,167)	434	1,514
Free Cash Flow	11,129	8,746	10,790	12,753

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Net Revenue	11,860	11,413	12,065	15,265
YoY gr. (%)	19.7	10.9	15.2	22.0
Raw Material Expenses	1,808	1,854	2,002	2,805
Gross Profit	10,052	9,558	10,063	12,460
Margin (%)	84.8	83.8	83.4	81.6
EBITDA	2,164	2,049	2,101	3,192
YoY gr. (%)	(19.3)	(5.3)	2.5	52.0
Margin (%)	18.2	18.0	17.4	20.9
Depreciation / Depletion	735	728	756	767
EBIT	1,429	1,321	1,345	2,425
Margin (%)	12.1	11.6	11.1	15.9
Net Interest	114	131	135	128
Other Income	388	482	105	170
Profit before Tax	1,703	1,671	1,315	2,467
Margin (%)	14.4	14.6	10.9	16.2
Total Tax	453	464	304	813
Effective tax rate (%)	26.6	27.7	23.1	33.0
Profit after Tax	1,250	1,208	1,011	1,654
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,250	1,208	1,011	1,732
YoY gr. (%)	(19.8)	(25.7)	(9.3)	26.0
Margin (%)	10.5	10.6	8.4	11.3
Extra Ord. Income / (Exp)	-	-	-	(78)
Reported PAT	1,250	1,208	1,011	1,654
YoY gr. (%)	(19.8)	(28.3)	(17.7)	52.3
Margin (%)	10.5	10.6	8.4	10.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,250	1,208	1,011	1,654
Avg. Shares O/s (m)	238	238	238	238
EPS (Rs)	5.3	5.1	4.2	7.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY18	FY19	FY20E	FY21E
Per Share(Rs)				
EPS	23.3	21.8	30.0	34.4
CEPS	35.7	34.5	43.7	50.2
BVPS	171.6	189.3	217.6	248.4
FCF	47.2	37.1	45.8	54.1
DPS	1.0	1.0	1.0	1.0
Return Ratio(%)				
RoCE	13.9	11.8	14.1	15.0
ROIC	10.0	8.5	10.3	11.1
RoE	14.1	12.1	14.8	14.8
Balance Sheet				
Net Debt : Equity (x)	0.2	0.3	0.3	0.2
Net Working Capital (Days)	62	57	66	66
Valuation(x)				
PER	32.7	34.9	25.4	22.2
P/B	4.4	4.0	3.5	3.1
P/CEPS	21.4	22.1	17.4	15.2
EV/EBITDA	18.7	20.3	16.0	13.4
EV/Sales	4.4	3.8	3.4	2.8
Dividend Yield (%)	0.1	0.1	0.1	0.1

Source: Company Data, PL Research

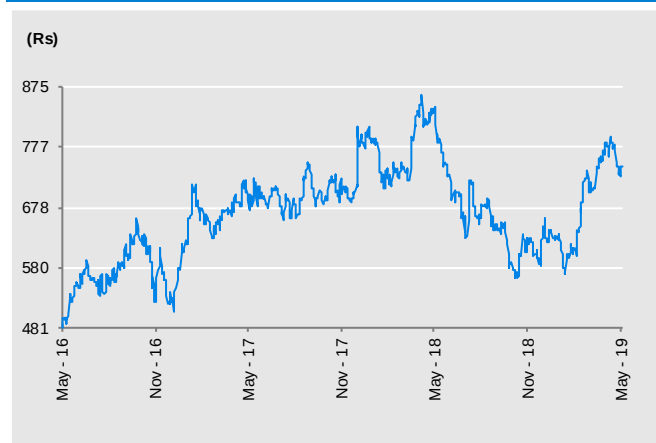
Key Operating Metrics

Y/e Mar	FY18	FY19	FY20E	FY21E
Volume (mn te)-Cement	9	11	13	15
Cement Realisations-Cement (Rs/te)	4,637	4,551	4,655	4,680
Cement EBITDA (Rs/te)	1,086	886	978	992
Raw material cost (Rs/te)	774	760	775	792
Power & Fuel cost (Rs/te)	783	944	911	901
Freight cost (Rs/te)	997	1,045	1,077	1,099

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	23-May-18	Accumulate	890	798
2	12-Jun-18	Hold	790	747
3	10-Jul-18	Hold	790	704
4	2-Aug-18	Hold	735	693
5	5-Oct-18	Hold	735	638
6	30-Oct-18	Hold	640	602
7	7-Jan-19	Hold	660	629
8	29-Jan-19	Hold	600	574
9	5-Apr-19	Hold	654	759

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	1,735	1,662
2	Ambuja Cement	Hold	205	221
3	Coal India	Hold	265	235
4	Heidelberg Cement India	BUY	214	182
5	Hindalco Industries	Accumulate	224	195
6	Hindustan Zinc	Hold	275	272
7	Jindal Steel & Power	BUY	221	187
8	JK Lakshmi Cement	Hold	320	357
9	JSW Steel	BUY	364	294
10	NMDC	Reduce	86	105
11	Shree Cement	Hold	19,370	20,346
12	Steel Authority of India	Hold	50	59
13	Tata Steel	BUY	685	511
14	The Ramco Cements	Hold	654	759
15	Ultratech Cement	Accumulate	4,700	4,432

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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