

The Ramco Cement

Accumulate



View: Muted quarter, fair valuation; Accumulate

- TRCL's revenue and EBITDA were marginally above estimates whereas PAT above estimates.
- TRCL posted a muted set of numbers with 9.3%/ 14.1%/ 11.6% YoY de-growth in revenue/ EBITDA/ PAT to Rs13.9 bn/ Rs2.8 bn/ Rs1.5 bn in Q4FY20 due to (10.9%)/ 1.5% YoY growth in volume/ realization (+5.3% QoQ).
- We expect 3.9%/ 6.4%/ 0.05% revenue/ EBITDA/ PAT CAGR over FY20-22E led by (7.7%)/ 15.0% volume growth and (0.4%)/ 2.5% realization growth in FY21E/ FY22E.
- We believe lockdown due to covid-19 will severely affect industry and TRCL's volume in Q1FY21E and FY21E. We like TRCL for its strong distribution (supports its industry leading volume growth) and healthy profitability metrics (despite turbulent south markets). Considering 25% run up in stock price during YTD FY21, we recommend Accumulate with a TP of Rs695 based on 15x (in line to 5-year average) FY22E EV/EBITDA.

EBITDA/tn up -3.7%/ 33.5% YoY/ QoQ

In line realization (+1.5% YoY/ +5.3% QoQ to Rs4713/tn), in line volume (-10.9% YoY/ +3.1% QoQ to 2.93 mt) and in line operating cost (+3.2% YoY/ +0.2% QoQ to Rs3,788/tn) helped TRCL to report EBITDA/tn of Rs952 (-3.7% YoY/ +33.5% QoQ).

4MTPA capacity expansion to support future volume growth

TRCL commissioned 2mtpa (1mtpa at Vizag, AP in Mar'20 + 1mtpa at Kolaghat, WB in Sep'19) grinding unit out of 4mtpa. The balance 1mtpa grinding unit at Haridaspur, Odisha and 1mtpa at Kurnool, AP are expected to operational by Aug'20/ Mar'21. This will increase its capacity from 16.5mtpa (FY19) to 20.5mtpa (FY21). Clinker addition of 1.5mtpa at Jayanthipuram, AP/ 2.25mtpa at Kurnool, AP is expected to operational by Mar'21. TRCL spent Rs19.2 bn capex for the above expansion and Rs13.8 bn is to be spent.

Q4FY20 Result (Rs Mn)

Particulars	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)
Revenue	13,899	15,324	(9.3)	12,780	8.8
Total Expense	11,107	12,073	(8.0)	10,751	3.3
EBITDA	2,792	3,251	(14.1)	2,029	37.6
Depreciation	833	767	8.6	797	4.5
EBIT	1,960	2,484	(21.1)	1,232	59.1
Other Income	114	111	2.9	85	34.6
Interest	216	128	68.4	215	0.5
EBT	1,857	2,466	(24.7)	1,101	68.6
Tax	396	813	(51.3)	153	158.0
RPAT	1,462	1,654	(11.6)	948	54.2
APAT	1,462	1,654	(11.6)	948	54.2
			(bps)		(bps)
Gross Margin (%)	42.8	40.0	286	39.0	383
EBITDA Margin (%)	20.1	21.2	(113)	15.9	421
NPM (%)	10.5	10.8	(27)	7.4	310
Tax Rate (%)	21.3	33.0	(1166)	13.9	738
EBIT Margin (%)	14.1	16.2	(211)	9.6	446

CMP	Rs 645
Target / Upside	Rs 695 / 8%
BSE Sensex	34,762
NSE Nifty	10,092

Scrip Details

Equity / FV	Rs 236mn / Rs 1
Market Cap	Rs 152bn
	USD 2bn
52-week High/Low	Rs 884/Rs 455
Avg. Volume (no)	8,31,601
NSE Symbol	RAMCOCEM
Bloomberg Code	TRCL IN

Shareholding Pattern Mar'20(%)

Promoters	42.7
MF/Banks/FIs	24.5
FII	8.9
Public / Others	24.0

Valuation (x)

	FY20A	FY21E	FY22E
P/E	25.3	36.0	25.2
EV/EBITDA	15.9	18.5	14.1
ROE (%)	12.8	8.3	10.9
RoACE (%)	8.5	5.7	7.2

Estimates (Rs mn)

	FY20A	FY21E	FY22E
Revenue	53,684	49,204	57,940
EBITDA	11,366	10,001	12,860
PAT	6,011	4,215	6,017
EPS (Rs.)	25.5	17.9	25.5

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Exhibit 1: Actual V/s DART estimates (Rs mn)

Particulars	Actual	DART Est	% Variance	Comments
Revenue (Rs mn)	13,899	13,201	5.3	+1.8%/ +2.8% higher/ higher than estimated volume/ realization
EBITDA (Rs mn)	2,792	2,576	8.4	+2.8%/ +2.7% higher/ higher than estimated realization/ cost
EBITDA%	20.1	19.5	57 bps	
PAT (Rs mn)	1,462	1,174	24.5	Lower tax than estimates

Source: DART, Company

Exhibit 2: Change in estimates

(Rs mn)	FY21E			FY22E		
	New	Old	% change	New	Old	% change
Net revenues	49,204	-	-	57,940	-	-
EBIDTA	10,001	-	-	12,860	-	-
EBIDTA(%)	20.3	-	-	22.2	-	-
APAT	4,215	-	-	6,017	-	-
EPS (Rs)	17.9	-	-	25.5	-	-

Source: DART, Company

Exhibit 3: Per ton matrix

Volume and Realization (Rs)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	FY20	FY19	YoY (%)
Volume (mt)	2.93	3.29	(10.9)	2.84	3.1	11.20	11.12	0.7
Realization/ tn (Rs)	4,713	4,641	1.5	4,475	5.3	4,718	4,551	3.7
EBITDA/ tn (Rs)	952	988	(3.7)	713	33.5	1,015	932	8.8
Total cost/ tn (Rs)	3,788	3,671	3.2	3,780	0.2	3,777	3,696	2.2
Raw material cost/ tn (Rs)	805	853	(5.6)	834	(3.4)	780	762	2.4
Employee cost/ tn (Rs)	288	250	15.2	339	(15.0)	329	296	10.9
Power & Fuel cost/ tn (Rs)	868	893	(2.9)	911	(4.8)	938	951	(1.3)
Freight expense/ tn (Rs)	1,037	1,050	(1.3)	996	4.1	1,016	1,068	(4.9)
Other expenses/ tn (Rs)	790	624	26.6	700	12.8	715	619	15.6

Source: Company, DART

Exhibit 4: As a % of revenue

Particulars	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	FY20	FY19	YoY (%)
Raw Material Cost	17.0	18.3	(131)	18.6	(156)	16.3	16.5	(18)
Employee Expenses	6.1	5.4	71	7.6	(147)	6.9	6.4	46
Power and Fuels	18.3	19.2	(87)	20.3	(198)	19.6	20.5	(97)
Freight Expenses	21.9	22.5	(67)	22.2	(29)	21.2	23.1	(189)
Other expenses	16.7	13.4	327	15.6	108	14.9	13.4	155

Source: Company, DART

Exhibit 5: Q4FY20 performance (standalone)

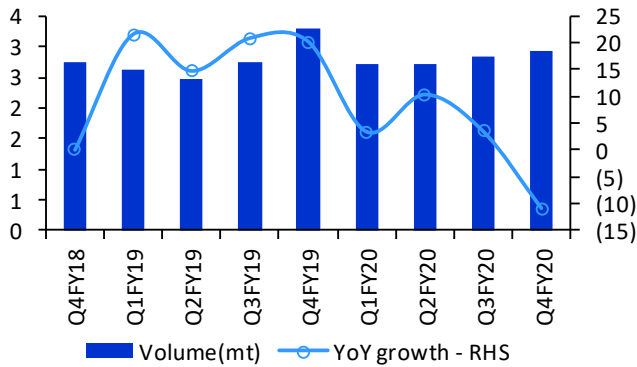
(Rsmn)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	FY20	FY19	YoY (%)
Total Revenue	13,899	15,324	(9.3)	12,780	8.8	53,684	51,463	4.3
Raw Material Cost	2,361	2,805	(15.8)	2,371	(0.4)	8,738	8,469	3.2
Employee Expenses	846	823	2.7	966	(12.4)	3,682	3,295	11.7
Power and Fuel	2,544	2,938	(13.4)	2,592	(1.9)	10,509	10,573	(0.6)
Freight Cost	3,039	3,454	(12.0)	2,831	7.3	11,379	11,880	(4.2)
Other expenses	2,317	2,053	12.8	1,992	16.3	8,011	6,881	16.4
Total Expenditure	11,107	12,073	(8.0)	10,751	3.3	42,318	41,098	3.0
PBIDT (Excl. OI)	2,792	3,251	(14.1)	2,029	37.6	11,366	10,365	9.7
Other Income	114	111	2.9	85	34.6	372	284	30.8
Depreciation	833	767	8.6	797	4.5	3,153	2,985	5.6
EBIT	2,073	2,595	(20.1)	1,316	57.5	8,586	7,664	12.0
Interest	216	128	68.4	215	0.5	714	509	40.3
PBT (Excl. E.O)	1,857	2,466	(24.7)	1,101	68.6	7,872	7,156	10.0
Exceptional Items	-	-	-	-	-	-	-	-
PBT (Incl. E.O)	1,857	2,466	(24.7)	1,101	68.6	7,872	7,156	10.0
Tax	396	813	(51.3)	153	158.0	1,861	2,097	(11.2)
RPAT	1,462	1,654	(11.6)	948	54.2	6,011	5,059	18.8
Adjustments	-	-	-	-	-	-	-	-
APAT	1,462	1,654	(11.6)	948	54.2	6,011	5,059	18.8
Adj. EPS (Rs)	6.2	7.0	(11.6)	4.0	54.2	25.5	21.5	18.8
			bps		bps			bps
EBIDTA Margin (excl. O.I.)	20.1	21.2	(113)	15.9	421	21.2	20.1	103
EBIDTA Margin (Incl. O.I.)	10.5	10.8	(27)	7.4	310	11.2	9.8	137
NPM (%)	21.3	33.0	(1,165)	13.9	738	23.6	29.3	(566)

Source: DART, Company

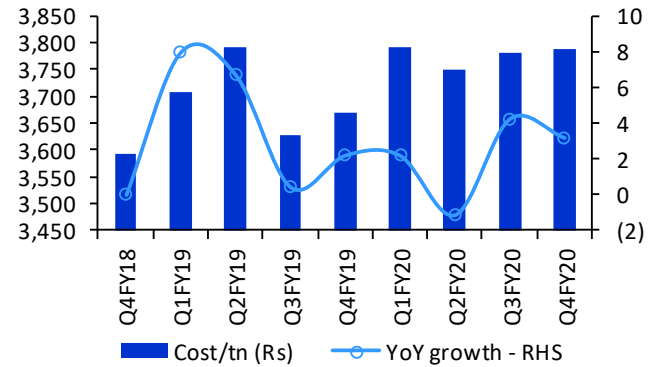
Exhibit 6: Valuation

Particulars	(Rs mn)
Assumed EV/EBITDA multiple (x)	15
EBITDA (FY22E)	12,860
(a) EV	1,92,897
(b) Less: Net Debt (FY22E)	29,133
Mcap (a-b)	1,63,764
Shares o/s (mn)	236
Target price (Rs)	695
CMP (Rs)	645
Up/(down)side (%)	7.8

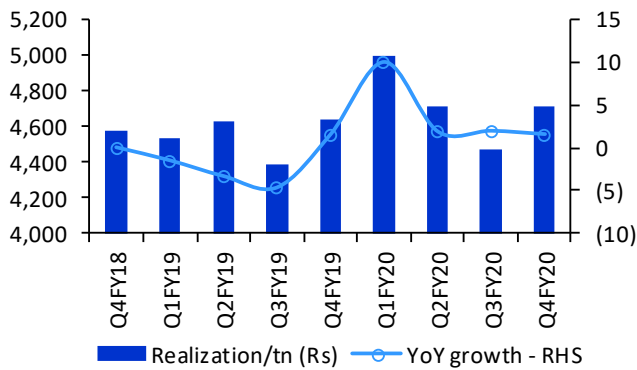
Source: Company, DART

Exhibit 7: Volume (mt)


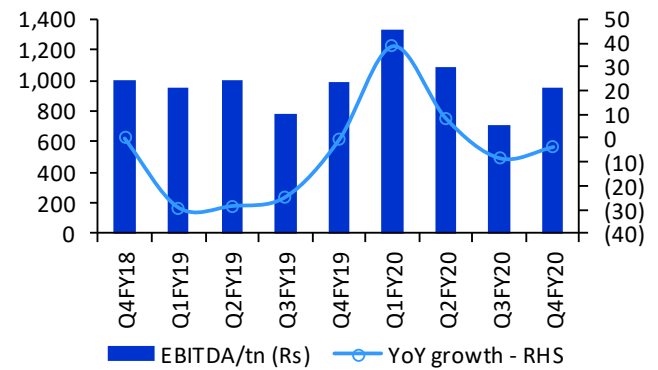
Source: Company, DART

Exhibit 8: Cost/tn (Rs)


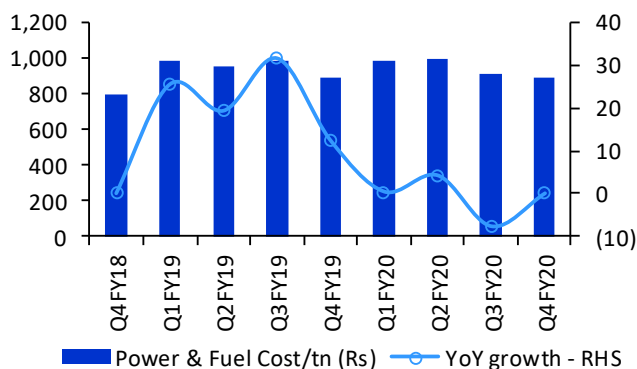
Source: Company, DART

Exhibit 9: Realization/tn (Rs)


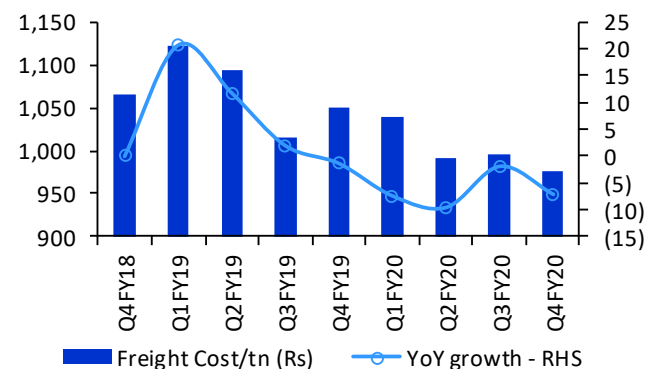
Source: Company, DART

Exhibit 10: EBITDA/tn (Rs)


Source: Company, DART

Exhibit 11: Power & fuel cost/tn (Rs)


Source: Company, DART

Exhibit 12: Freight cost/tn (Rs)


Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	51,463	53,684	49,204	57,940
Total Expense	41,097	42,318	39,203	45,080
COGS	30,922	30,625	27,902	32,408
Employees Cost	3,295	3,682	3,608	3,825
Other expenses	6,881	8,011	7,693	8,847
EBIDTA	10,365	11,366	10,001	12,860
Depreciation	2,985	3,153	3,705	4,250
EBIT	7,380	8,214	6,296	8,610
Interest	509	714	1,007	975
Other Income	284	372	344	406
Exc. / E.O. items	0	0	0	0
EBT	7,156	7,872	5,633	8,041
Tax	2,097	1,861	1,418	2,024
RPAT	5,059	6,011	4,215	6,017
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	5,059	6,011	4,215	6,017

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	236	236	236	236
Minority Interest	0	0	0	0
Reserves & Surplus	44,366	48,950	52,459	57,769
Net Worth	44,601	49,186	52,694	58,004
Total Debt	16,187	30,241	34,741	30,241
Net Deferred Tax Liability	8,704	9,172	8,704	8,704
Total Capital Employed	69,493	88,599	96,140	96,950

Applications of Funds

Net Block	51,212	57,883	75,821	81,071
CWIP	10,007	20,035	9,392	4,892
Investments	2,814	2,644	2,644	2,644
Current Assets, Loans & Advances	17,049	19,908	18,823	20,959
Inventories	5,597	6,453	5,797	6,508
Receivables	4,900	5,269	4,853	5,715
Cash and Bank Balances	928	914	1,215	1,108
Loans and Advances	274	298	328	360
Other Current Assets	5,352	6,975	6,631	7,267
Less: Current Liabilities & Provisions	11,590	11,871	10,540	12,616
Payables	2,572	3,414	2,696	3,175
Other Current Liabilities	9,018	8,457	7,844	9,441
<i>sub total</i>				
Net Current Assets	5,460	8,037	8,282	8,343
Total Assets	69,493	88,599	96,140	96,950

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	39.9	43.0	43.3	44.1
EBIDTA Margin	20.1	21.2	20.3	22.2
EBIT Margin	14.3	15.3	12.8	14.9
Tax rate	29.3	23.6	25.2	25.2
Net Profit Margin	9.8	11.2	8.6	10.4
(B) As Percentage of Net Sales (%)				
COGS	60.1	57.0	56.7	55.9
Employee	6.4	6.9	7.3	6.6
Other	13.4	14.9	15.6	15.3
(C) Measure of Financial Status				
Gross Debt / Equity	0.4	0.6	0.7	0.5
Interest Coverage	14.5	11.5	6.3	8.8
Inventory days	40	44	43	41
Debtors days	35	36	36	36
Average Cost of Debt	3.7	3.1	3.1	3.0
Payable days	18	23	20	20
Working Capital days	39	55	61	53
FA T/O	1.0	0.9	0.6	0.7
(D) Measures of Investment				
AEPS (Rs)	21.5	25.5	17.9	25.5
CEPS (Rs)	34.1	38.9	33.6	43.6
DPS (Rs)	0.0	0.0	3.0	3.0
Dividend Payout (%)	0.0	0.0	16.8	11.7
BVPS (Rs)	189.3	208.8	223.7	246.2
RoANW (%)	11.9	12.8	8.3	10.9
RoACE (%)	8.6	8.5	5.7	7.2
RoAIC (%)	11.6	10.5	6.9	9.0
(E) Valuation Ratios				
CMP (Rs)	645	645	645	645
P/E	30.0	25.3	36.0	25.2
Mcap (Rs Mn)	1,51,888	1,51,888	1,51,888	1,51,888
MCap/ Sales	3.0	2.8	3.1	2.6
EV	1,67,148	1,81,215	1,85,414	1,81,021
EV/Sales	3.2	3.4	3.8	3.1
EV/EBITDA	16.1	15.9	18.5	14.1
P/BV	3.4	3.1	2.9	2.6
Dividend Yield (%)	0.0	0.0	0.5	0.5
(F) Growth Rate (%)				
Revenue	16.8	4.3	(8.3)	17.8
EBITDA	(5.7)	9.7	(12.0)	28.6
EBIT	(8.6)	11.3	(23.3)	36.8
PBT	(8.8)	10.0	(28.4)	42.7
APAT	(9.0)	18.8	(29.9)	42.7
EPS	(9.0)	18.8	(29.9)	42.7

Cash Flow

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	7,904	7,400	8,745	11,463
CFI	(14,597)	(19,540)	(10,789)	(5,414)
CFF	6,426	12,127	2,345	(6,155)
FCFF	(4,159)	(11,800)	(2,256)	6,463
Opening Cash	1,194	928	914	1,215
Closing Cash	928	914	1,215	1,108

E – Estimates

Total Return Expectation (12 Months)

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