

View: Weak quarter, fair valuation; Accumulate

- TRCL's revenue was in line however, EBITDA and PAT below estimates.
- TRCL posted a muted set of numbers with 24.7%/ 27.6%/ 42.9% YoY de-growth in revenue/ EBITDA/ PAT to Rs10.4 bn/ Rs2.6 bn/ Rs1.1 bn in Q1FY21 due to -28.3%/ +5.9% YoY growth in volume/ realization (+12.1% QoQ).
- We expect 6.0%/ 8.1%/ 2.4% revenue/ EBITDA/ PAT CAGR over FY20-22E led by -6.9%/ 15.0% volume growth and 3.3%/ 2.0% realization growth in FY21E/ FY22E.
- We broadly maintain our estimates for FY21E/ FY22E factoring Q1FY21 results. We like TRCL for its strong distribution (supports its industry leading volume growth) and healthy profitability metrics (despite turbulent south markets). Thus, we maintain Accumulate with a TP of Rs725 based on 15x (in line to 5-year average) FY22E EV/EBITDA.

EBITDA/tn up +1.0%/ +40.9% YoY/ QoQ

Higher than expected volume (-28.3% YoY/ -33.9% QoQ to 1.94 mt), lower than expected realization (+5.9% YoY/ +12.1% QoQ to Rs5,283/ tn) and broadly in line operating cost (+6.5% YoY/ +6.6% QoQ to Rs4,036/tn) helped TRCL to report EBITDA/tn of Rs1,342 (+1.0% YoY/ +40.9% 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 along with railway siding and 1mtpa at Kurnool, AP with 18MW of TPP, 12MW of WHRS and railway siding are expected to be operational by Sept'20 (earlier Aug'20) and in FY22 (earlier Mar'21). This will increase its capacity from 16.5mtpa (FY19) to 20.5mtpa (FY22). Clinker addition of 1.5mtpa at Jayanthipuram, AP/ 2.25mtpa at Kurnool, AP is expected to operational by Mar'21. TRCL spent Rs21.77 bn (Rs2.57 in Q1FY21) capex for the above expansion and Rs11.8 bn is to be spent. In Jayanthipuram, out of 27MW of WHRS, units of 9MW each are expected to be commissioned by Sep'20/ Dec'20/ Mar'21, respectively.

Q1FY21 Result (Rs Mn)

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue	10,418	13,839	(24.7)	13,899	(25.0)
Total Expense	7,818	10,246	(23.7)	11,107	(29.6)
EBITDA	2,600	3,593	(27.6)	2,792	(6.9)
Depreciation	844	758	11.4	833	1.4
EBIT	1,756	2,835	(38.1)	1,960	(10.4)
Other Income	101	82	23.7	114	(11.3)
Interest	299	135	121.4	216	38.6
EBT	1,557	2,782	(44.0)	1,857	(16.2)
Tax	461	862	(46.5)	396	16.5
RPAT	1,096	1,920	(42.9)	1,462	(25.0)
APAT	1,096	1,920	(42.9)	1,462	(25.0)
			(bps)		(bps)
Gross Margin (%)	48.0	46.0	208	42.8	519
EBITDA Margin (%)	25.0	26.0	(101)	20.1	487
NPM (%)	10.5	13.9	(335)	10.5	0
Tax Rate (%)	29.6	31.0	(138)	21.3	831
EBIT Margin (%)	16.9	20.5	(364)	14.1	275

CMP	Rs 678
Target / Upside	Rs 725 / 7%
BSE Sensex	37,898
NSE Nifty	11,178

Scrip Details

Equity / FV	Rs 236mn / Rs 1
Market Cap	Rs 160bn
	US\$ 2bn
52-week High/Low	Rs 884/Rs 455
Avg. Volume (no)	9,03,049
NSE Symbol	RAMCOCEM
Bloomberg Code	TRCL IN

Shareholding Pattern Jun'20(%)

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

Valuation (x)

	FY20A	FY21E	FY22E
P/E	26.6	33.8	25.4
EV/EBITDA	16.6	17.9	14.2
ROE (%)	12.8	9.2	11.3
RoACE (%)	8.5	6.3	7.6

Estimates (Rs mn)

	FY20A	FY21E	FY22E
Revenue	53,684	51,453	60,298
EBITDA	11,366	10,803	13,289
PAT	6,011	4,730	6,302
EPS (Rs.)	25.5	20.1	26.8

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

Particulars	Actual	DART Est	% Variance	Comments
Revenue (Rs mn)	10,418	10,241	1.7	+9.7%/ -6.6% higher/ lower than estimated volume/ realization
EBITDA (Rs mn)	2,600	2,914	(10.8)	-6.6%/ -2.7% lower/ lower than estimated realization/ cost
EBITDA%	25.0	28.5	(350 bps)	
PAT (Rs mn)	1,096	1,398	(21.6)	Poor operating performance

Source: DART, Company

Exhibit 2: Change in estimates

(Rs mn)	FY21E			FY22E		
	New	Old	% change	New	Old	% change
Net revenues	51,453	49,204	4.6	60,298	57,940	4.1
EBIDTA	10,803	10,001	8.0	13,289	12,860	3.3
EBIDTA(%)	21.0	20.3	67	22.0	22.2	(16)
APAT	4,730	4,215	12.2	6,302	6,017	4.7
EPS (Rs)	20.1	17.9	12.2	26.8	25.5	4.7

Source: DART, Company

Exhibit 3: Per ton matrix

Volume and Realization (Rs)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	FY20	FY19	YoY (%)
Volume (mt)	1.94	2.70	(28.3)	2.93	(33.9)	10.21	10.53	(3.1)
Realization/ tn (Rs)	5,283	4,989	5.9	4,713	12.1	5,178	4,804	7.8
EBITDA/ tn (Rs)	1,342	1,329	1.0	952	40.9	1,095	1,016	7.7
Total cost/ tn (Rs)	4,036	3,791	6.5	3,788	6.6	3,823	3,728	2.6
Raw material cost/ tn (Rs)	974	743	31.0	805	20.9	809	728	11.1
Employee cost/ tn (Rs)	503	327	53.8	288	74.4	373	319	17.2
Power & Fuel cost/ tn (Rs)	780	984	(20.8)	868	(10.1)	928	977	(5.0)
Freight expense/ tn (Rs)	1,042	1,040	0.2	1,037	0.5	1,015	1,067	(4.9)
Other expenses/ tn (Rs)	738	696	6.0	790	(6.6)	698	637	9.6

Source: Company, DART

Exhibit 4: As a % of revenue

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	FY20	FY19	YoY (%)
Raw Material Cost	18.1	14.5	359	17.0	111	16.5	15.4	110
Employee Expenses	9.4	6.4	297	6.1	327	7.6	6.7	88
Power and Fuels	14.5	19.2	(472)	18.3	(380)	18.9	20.6	(173)
Freight Expenses	19.4	20.3	(94)	21.9	(250)	20.6	22.5	(185)
Other expenses	13.7	13.6	12	16.7	(295)	14.2	13.4	76

Source: Company, DART

Exhibit 5: Q1FY21 performance (standalone)

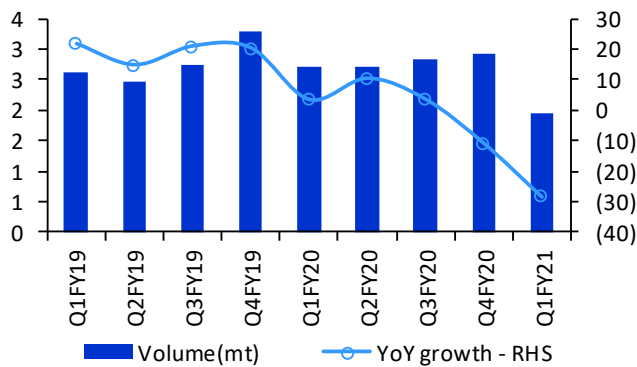
(Rs mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	FY20	FY19	YoY (%)
Total Revenue	10,418	13,839	(24.7)	13,899	(25.0)	50,204	49,978	0.5
Raw Material Cost	1,886	2,009	(6.1)	2,361	(20.1)	8,262	7,673	7.7
Employee Expenses	975	884	10.3	846	15.2	3,811	3,355	13.6
Power and Fuel	1,511	2,661	(43.2)	2,544	(40.6)	9,476	10,296	(8.0)
Freight Cost	2,018	2,811	(28.2)	3,039	(33.6)	10,357	11,236	(7.8)
Other expenses	1,430	1,882	(24.0)	2,317	(38.3)	7,124	6,710	6.2
Total Expenditure	7,818	10,246	(23.7)	11,107	(29.6)	39,030	39,270	(0.6)
PBITD (Excl. OI)	2,600	3,593	(27.6)	2,792	(6.9)	11,174	10,707	4.4
Other Income	101	82	23.7	114	(11.3)	359	256	40.6
Depreciation	844	758	11.4	833	1.4	3,164	2,976	6.3
EBIT	1,856	2,917	(36.4)	2,073	(10.5)	8,369	7,987	4.8
Interest	299	135	121.4	216	38.6	797	516	54.5
PBT (Excl. E.O)	1,557	2,782	(44.0)	1,857	(16.2)	7,572	7,471	1.4
Exceptional Items	-	-	-	-	-	-	-	-
PBT (Incl. E.O)	1,557	2,782	(44.0)	1,857	(16.2)	7,572	7,471	1.4
Tax	461	862	(46.5)	396	16.5	1,927	2,146	(10.2)
RPAT	1,096	1,920	(42.9)	1,462	(25.0)	5,645	5,325	6.0
Adjustments	-	-	-	-	-	-	-	-
APAT	1,096	1,920	(42.9)	1,462	(25.0)	5,645	5,325	6.0
Adj. EPS (Rs)	4.7	8.1	(42.9)	6.2	(25.0)	24.0	22.6	6.0
			bps		bps			bps
EBIDTA Margin (excl. O.I.)	25.0	26.0	(101)	20.1	487	22.3	21.4	83
NPM (%)	10.5	13.9	(335)	10.5	0	11.2	10.7	59
Tax Rate (%)	29.6	31.0	(138)	21.3	831	25.4	28.7	(328)

Source: DART, Company

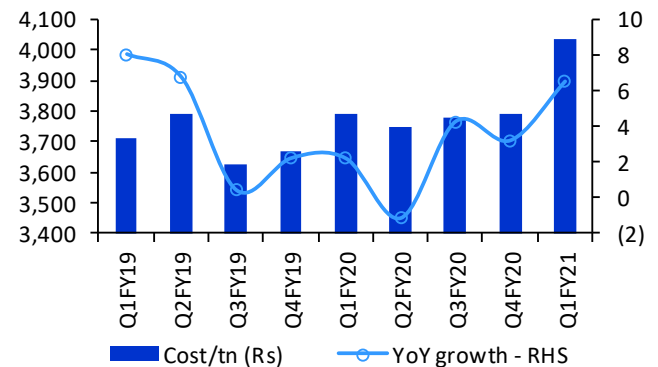
Exhibit 6: Valuation

Particulars	(Rs mn)
Assumed EV/EBITDA multiple (x)	15
EBITDA (FY22E)	13,289
(a) EV	1,99,341
(b) Less: Net Debt (FY22E)	28,607
Mcap (a-b)	1,70,734
Shares o/s (mn)	236
Target price (Rs)	725
CMP (Rs)	678
Up/(down)side (%)	6.8

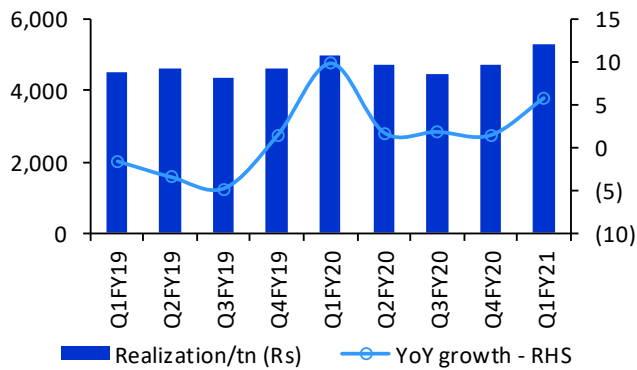
Source: Company, DART

Exhibit 7: Volume (mt)


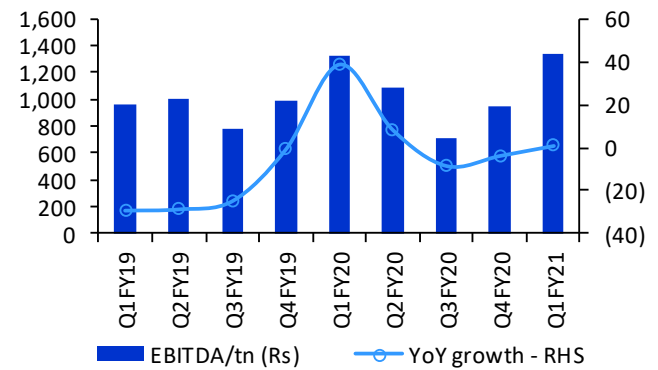
Source: Company, DART

Exhibit 8: Cost/tn (Rs)


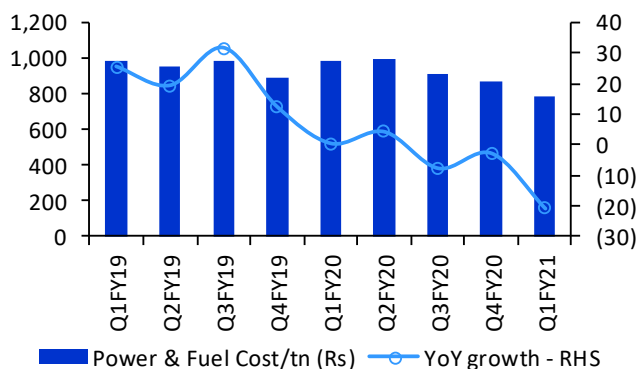
Source: Company, DART

Exhibit 9: Realization/tn (Rs)


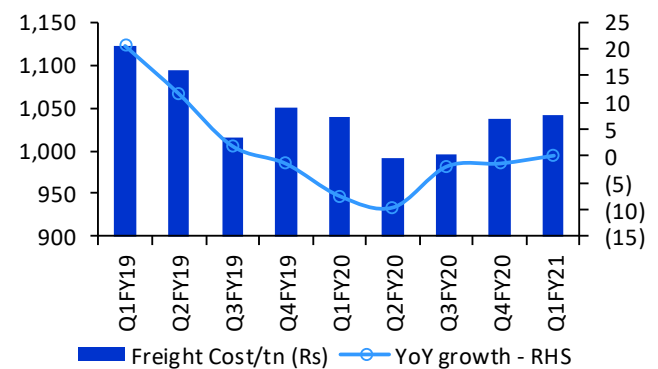
Source: Company, DART

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	51,453	60,298
Total Expense	41,097	42,318	40,650	47,008
COGS	30,922	30,625	29,210	34,014
Employees Cost	3,295	3,682	3,682	3,903
Other expenses	6,881	8,011	7,758	9,091
EBIDTA	10,365	11,366	10,803	13,289
Depreciation	2,985	3,153	3,705	4,250
EBIT	7,380	8,214	7,098	9,039
Interest	509	714	1,137	1,040
Other Income	284	372	360	422
Exc. / E.O. items	0	0	0	0
EBT	7,156	7,872	6,321	8,422
Tax	2,097	1,861	1,591	2,120
RPAT	5,059	6,011	4,730	6,302
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	5,059	6,011	4,730	6,302

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	52,973	58,569
Net Worth	44,601	49,186	53,209	58,804
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	96,654	97,750

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	19,782	22,237
Inventories	5,597	6,453	6,062	6,773
Receivables	4,900	5,269	5,075	5,947
Cash and Bank Balances	928	914	1,427	1,634
Loans and Advances	274	298	328	360
Other Current Assets	5,352	6,975	6,891	7,522
Less: Current Liabilities & Provisions	11,590	11,871	10,985	13,094
Payables	2,572	3,414	2,819	3,304
Other Current Liabilities	9,018	8,457	8,166	9,790
<i>sub total</i>				
Net Current Assets	5,460	8,037	8,797	9,142
Total Assets	69,493	88,599	96,654	97,750

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	39.9	43.0	43.2	43.6
EBIDTA Margin	20.1	21.2	21.0	22.0
EBIT Margin	14.3	15.3	13.8	15.0
Tax rate	29.3	23.6	25.2	25.2
Net Profit Margin	9.8	11.2	9.2	10.5
(B) As Percentage of Net Sales (%)				
COGS	60.1	57.0	56.8	56.4
Employee	6.4	6.9	7.2	6.5
Other	13.4	14.9	15.1	15.1
(C) Measure of Financial Status				
Gross Debt / Equity	0.4	0.6	0.7	0.5
Interest Coverage	14.5	11.5	6.2	8.7
Inventory days	40	44	43	41
Debtors days	35	36	36	36
Average Cost of Debt	3.7	3.1	3.5	3.2
Payable days	18	23	20	20
Working Capital days	39	55	62	55
FA T/O	1.0	0.9	0.7	0.7
(D) Measures of Investment				
AEPS (Rs)	21.5	25.5	20.1	26.8
CEPS (Rs)	34.1	38.9	35.8	44.8
DPS (Rs)	0.0	0.0	3.0	3.0
Dividend Payout (%)	0.0	0.0	14.9	11.2
BVPS (Rs)	189.3	208.8	225.9	249.6
RoANW (%)	11.9	12.8	9.2	11.3
RoACE (%)	8.6	8.5	6.3	7.6
RoAIC (%)	11.6	10.5	7.8	9.4
(E) Valuation Ratios				
CMP (Rs)	678	678	678	678
P/E	31.6	26.6	33.8	25.4
Mcap (Rs Mn)	1,59,827	1,59,827	1,59,827	1,59,827
MCap/ Sales	3.1	3.0	3.1	2.7
EV	1,75,086	1,89,154	1,93,141	1,88,434
EV/Sales	3.4	3.5	3.8	3.1
EV/EBITDA	16.9	16.6	17.9	14.2
P/BV	3.6	3.2	3.0	2.7
Dividend Yield (%)	0.0	0.0	0.4	0.4
(F) Growth Rate (%)				
Revenue	16.8	4.3	(4.2)	17.2
EBITDA	(5.7)	9.7	(5.0)	23.0
EBIT	(8.6)	11.3	(13.6)	27.3
PBT	(8.8)	10.0	(19.7)	33.2
APAT	(9.0)	18.8	(21.3)	33.2
EPS	(9.0)	18.8	(21.3)	33.2

Cash Flow

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	7,904	7,400	9,230	11,839
CFI	(14,597)	(19,540)	(10,933)	(5,412)
CFF	6,426	12,127	2,215	(6,220)
FCFF	(4,159)	(11,800)	(1,770)	6,839
Opening Cash	1,194	928	914	1,427
Closing Cash	928	914	1,427	1,634

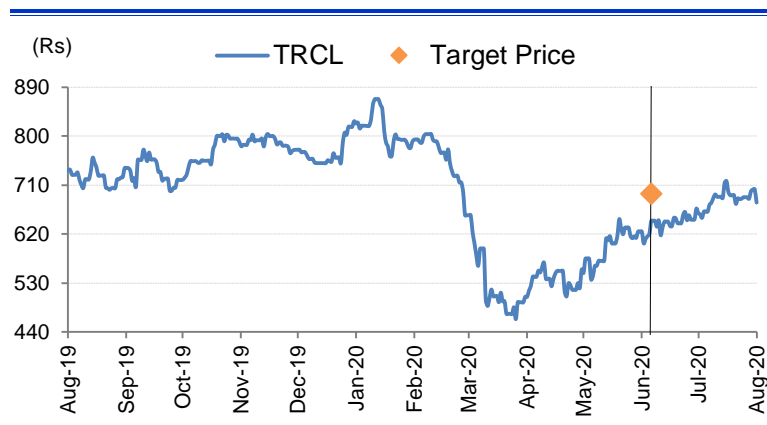
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jun-20	Accumulate	695	645

*Price as on recommendation date

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