

View: Robust quarter, fair valuation; maintain Accumulate

- TRCL's revenue was in line however, EBITDA, Realization/tn, EBITDA/tn and PAT were above estimates.
- TRCL posted robust set of numbers with -4.5%/ +49.7%/ +40.2% YoY growth in revenue/ EBITDA/ PAT to Rs12.6 bn/ Rs4.4 bn/ Rs2.4 bn led by -18.8%/ +16.8% YoY growth in volume/ realization (+4.1% QoQ).
- We expect 9.3%/ 16.2%/ 15.8% revenue/ EBITDA/ PAT CAGR over FY20-23E led by -8.8%/ 17.0%/ 10.0% volume growth and 11.2%/ 0.0%/ 0.5% realization growth in FY21E/ FY22E/ FY23E. We introduce FY23E.
- We increase our revenue estimates by 5.5%/ 5.2% and EBITDA estimates by 37.2%/ 26.3% for FY21E/ FY22E factoring H1FY21 results. Accordingly, we increase our PAT estimates by 64.9%/ 42.3% for FY21E/ FY22E. 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 Rs926 based on 14x (5-year average) Sept'22E EV/EBITDA.

EBITDA/tn - up 84.3%/ 48.8% YoY/ QoQ

Lower than anticipated volume (-18.8% YoY/ +14.2% QoQ to 2.21mt), higher than expected realization (+16.8% YoY/ +4.1% QoQ to Rs5,498/tn) and lower than expected operating cost/tn (-1.8% YoY/ -8.8% QoQ to Rs3,683/tn) helped TRCL to report strong EBITDA/tn of Rs1,997.

4MTPA capacity expansion to support future volume growth

TRCL commissioned 3mtpa (1mtpa at Vizag, AP in Mar'20 + 1mtpa at Kolaghat, WB in Sep'19 + 1mtpa at Haridaspur, Odisha in Sept'20) grinding unit out of 4mtpa. The balance 1mtpa at Kurnool, AP with 18MW of TPP, 12MW of WHRS and railway siding are expected to be operational in FY22. This will increase its capacity from 16.7mtpa (FY19) to 20.8mtpa (FY22). Clinker addition of 1.5mtpa at Jayanthipuram, AP/ 2.25mtpa at Kurnool, AP is expected to operational by Mar'21. TRCL spent Rs26.05 bn (Rs6.85 in H1FY21) capex for the above expansion and Rs8.8 bn is to be spent. In Jayanthipuram, out of 27MW of WHRS, balance 2 units of 9MW each are expected to be commissioned by Dec'20/ Mar'21, respectively.

Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Revenue	12,570	13,167	(4.5)	10,418	20.7
Total Expense	8,150	10,215	(20.2)	7,818	4.2
EBITDA	4,420	2,952	49.7	2,600	70.0
Depreciation	855	765	11.6	844	1.2
EBIT	3,565	2,187	63.0	1,756	103.1
Other Income	83	92	(9.8)	101	(17.5)
Interest	265	147	80.0	299	(11.4)
EBT	3,383	2,132	58.7	1,557	117.3
Tax	1,026	450	127.9	461	122.4
RPAT	2,358	1,682	40.2	1,096	115.1
APAT	2,358	1,682	40.2	1,096	115.1
			(bps)		(bps)
Gross Margin (%)	55.5	43.7	1171	48.0	742
EBITDA Margin (%)	35.2	22.4	1274	25.0	1021
NPM (%)	18.8	12.8	599	10.5	824
Tax Rate (%)	30.3	21.1	920	29.6	70
EBIT Margin (%)	28.4	16.6	1176	16.9	1151

CMP	Rs 802
Target / Upside	Rs 926 / 15%
NIFTY	11,669

Scrip Details

Equity / FV	Rs 236mn / Rs 1
Market Cap	Rs 189bn
	USD 3bn
52-week High/Low	Rs 884/ 455
Avg. Volume (no)	9,55,893
Bloom Code	TRCL IN

Price Performance	1M	3M	12M
Absolute (%)	8	16	0
Rel to NIFTY (%)	5	10	1

Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	42.7	42.7	42.6
MF/Banks/FIs	24.5	24.5	23.7
FIIIs	8.9	8.9	7.6
Public / Others	24.0	24.0	26.2

Valuation (x)

	FY21E	FY22E	FY23E
P/E	24.3	21.1	20.3
EV/EBITDA	14.8	12.8	11.9
ROE (%)	14.8	14.8	13.6
RoACE (%)	9.6	10.0	9.8

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	54,299	63,462	70,078
EBITDA	14,818	16,778	17,846
PAT	7,798	8,969	9,330
EPS (Rs.)	33.1	38.0	39.6

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

Particulars	Actual	DART Est	% Variance	Comments
Revenue (Rs mn)	12,570	12,151	20.4	-6.6%/ +9.5% lower/ higher than estimated volume/ realization
EBITDA (Rs mn)	4,420	2,906	41.2	+9.5%/ -5.6% higher/ lower than estimated realization/ cost
EBITDA%	35.2	23.9	383	
PAT (Rs mn)	2,358	1,342	70.6	Led by robust operating performance

Source: Company, DART

Exhibit 2: Change in estimates – Upgrade FY21E/ FY22E and introduce FY23E estimates

(Rs mn)	FY21E			FY22E			FY23E		
	New	Old	% change	New	Old	% change	New	Old	%change
Net revenues	54,299	51,453	5.5	63,462	60,298	5.2	70,078	-	-
EBIDTA	14,818	10,803	37.2	16,778	13,289	26.3	17,846	-	-
EBIDTA margin (%)	27.3	21.0	629	26.4	22.0	440	25.5	-	-
Adj. Net Profit	7,798	4,730	64.9	8,969	6,302	42.3	9,330	-	-
EPS (Rs)	33.1	20.1	64.7	38.0	26.8	42.2	39.6	-	-

Source: DART, Company

Exhibit 3: Volume, Realization & Cost/tn Analysis

(Rs)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
Volume(MT)	2.21	2.72	(18.8)	1.94	14.2	4.15	5.43	(23.5)
Realization/tn (Rs)	5,498	4,708	16.8	5,283	4.1	5,539	4,976	11.3
EBITDA/tn (Rs)	1,997	1,084	84.3	1,342	48.8	1,691	1,206	40.2
Cost/tn (Rs)	3,683	3,750	(1.8)	4,036	(8.8)	3,848	3,770	2.1
Raw Material Cost/tn (Rs)	730	733	(0.4)	974	(25.0)	844	738	14.3
Employee Expenses/tn (Rs)	498	362	37.4	503	(1.1)	500	345	45.1
Power and Fuels/tn (Rs)	823	996	(17.3)	780	5.6	803	990	(18.9)
Freight Expenses/tn (Rs)	977	990	(1.3)	1,042	(6.2)	1,007	1,015	(0.8)
Other expenses/tn (Rs)	655	668	(2.0)	738	(11.3)	694	682	1.7

Source: Company, DART

Exhibit 4: % of Revenue

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
Raw Material Cost	12.8	15.2	(232)	18.1	(525)	15.2	14.8	40
Employee Expenses	8.8	7.5	127	9.4	(59)	9.0	6.9	210
Power and Fuels	14.5	20.6	(611)	14.5	(1)	14.5	19.9	(540)
Freight Expenses	17.2	20.5	(329)	19.4	(216)	18.2	20.4	(221)
Other expenses	11.5	13.8	(230)	13.7	(219)	12.5	13.7	(119)

Source: Company, DART

Exhibit 5: Income statement (Standalone)

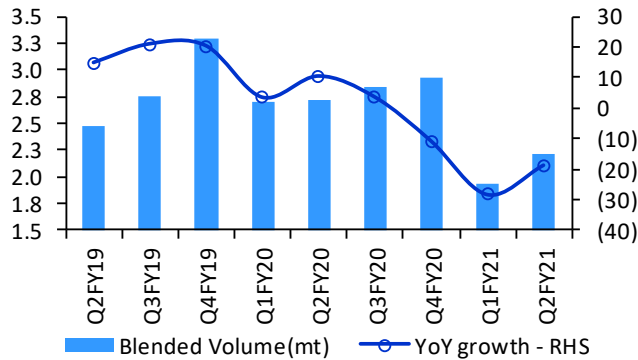
Particulars (Rs mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
Total Revenue	12,570	13,167	(4.5)	10,418	20.7	22,988	27,006	(14.9)
Raw Material Cost	1,615	1,997	(19.1)	1,886	(14.4)	3,501	4,005	(12.6)
Employee Expenses	1,102	987	11.6	975	13.0	2,076	1,871	11.0
Power and Fuel	1,822	2,713	(32.8)	1,511	20.6	3,333	5,373	(38.0)
Freight Cost	2,162	2,698	(19.8)	2,018	7.2	4,180	5,508	(24.1)
Other expenses	1,449	1,821	(20.4)	1,430	1.4	2,879	3,703	(22.3)
Total Expenditure	8,150	10,215	(20.2)	7,818	4.2	15,968	20,460	(22.0)
PBIDT (Excl. OI)	4,420	2,952	49.7	2,600	70.0	7,020	6,545	7.2
Other Income	83	92	(9.8)	101	(17.5)	184	174	5.9
Depreciation	855	765	11.6	844	1.2	1,699	1,523	11.5
EBIT	3,649	2,279	60.1	1,856	96.5	5,505	5,196	5.9
Interest	265	147	80.0	299	(11.4)	565	283	99.8
EBT (before EO)	3,383	2,132	58.7	1,557	117.3	4,940	4,913	0.6
EBT (after EO)	3,383	2,132	58.7	1,557	117.3	4,940	4,913	0.6
Tax	1,026	450	127.9	461	122.4	1,487	1,312	13.3
RPAT	2,358	1,682	40.2	1,096	115.1	3,454	3,601	(4.1)
APAT	2,358	1,682	40.2	1,096	115.1	3,454	3,601	(4.1)
Adj. EPS (Rs)	10.0	7.1	40.2	4.7	115.1	14.7	15.3	(4.1)
			bps		bps			bps
EBIDTA Margin (excl. O.I.)	35.2	22.4	1,274	25.0	1,021	30.5	24.2	630
NPM (%)	18.8	12.8	599	10.5	824	15.0	13.3	169
Tax Rate (%)	30.3	21.1	920	29.6	70	30.1	26.7	339

Source: DART, Company

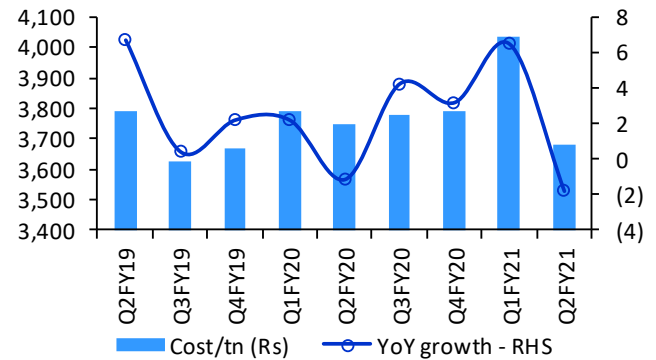
Exhibit 6: Valuation

Particulars	Rs mn
Assumed EV/EBITDA multiple (x)	14
EBITDA (Sep'22E)	17,312
EV	2,42,368
Less: Net Debt (Sep'22E)	23,954
Mcap	2,18,413
Shares o/s (mn)	236
Target Price	926
CMP (Rs)	802
Upside (%)	15.4

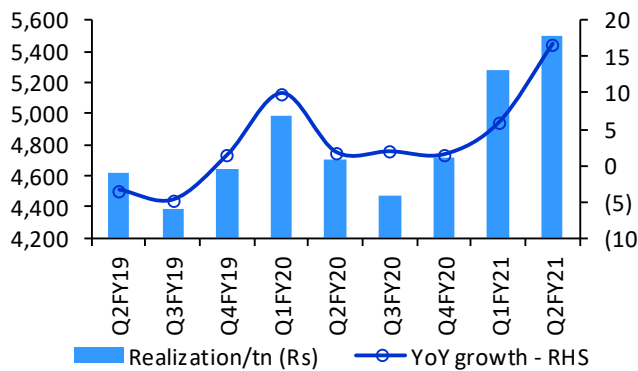
Source: Company, DART

Exhibit 7: Volume (mt)


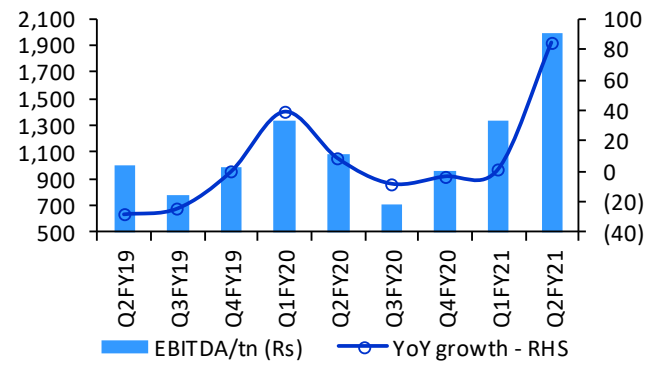
Source: Company, DART

Exhibit 8: Cost/tn (Rs)


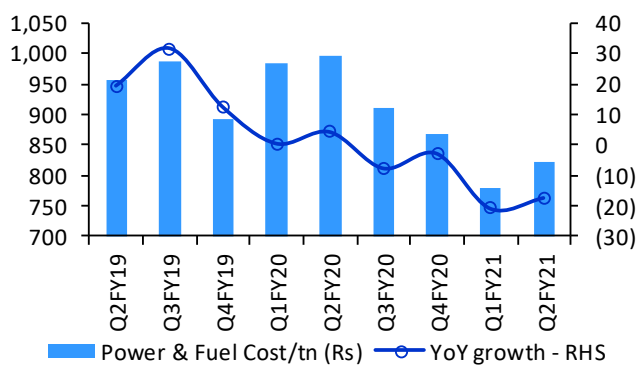
Source: Company, DART

Exhibit 9: Realization/tn (Rs)


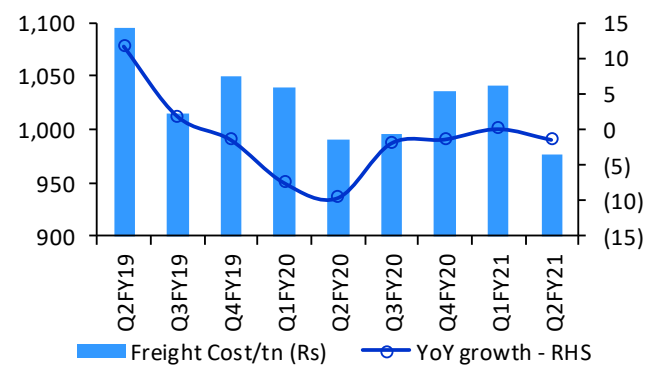
Source: Company, DART

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)	FY20A	FY21E	FY22E	FY23E
Revenue	53,684	54,299	63,462	70,078
Total Expense	42,318	39,482	46,683	52,232
COGS	30,625	27,830	33,213	37,265
Employees Cost	3,682	4,197	4,575	4,987
Other expenses	8,011	7,454	8,895	9,980
EBIDTA	11,366	14,818	16,778	17,846
Depreciation	3,153	3,698	4,302	4,559
EBIT	8,214	11,120	12,476	13,287
Interest	714	1,079	934	819
Other Income	372	380	444	0
Exc. / E.O. items	0	0	0	0
EBT	7,872	10,420	11,986	12,468
Tax	1,861	2,623	3,017	3,138
RPAT	6,011	7,798	8,969	9,330
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	6,011	7,798	8,969	9,330

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	236	236	236	236
Minority Interest	0	0	0	0
Reserves & Surplus	48,950	56,040	64,302	72,924
Net Worth	49,186	56,276	64,538	73,160
Total Debt	30,241	31,441	26,941	24,241
Net Deferred Tax Liability	9,172	9,172	9,172	9,172
Total Capital Employed	88,599	96,889	1,00,651	1,06,573

Applications of Funds

Net Block	57,883	75,828	84,026	81,467
CWIP	20,035	9,442	3,942	10,942
Investments	2,644	2,630	2,630	2,630
Current Assets, Loans & Advances	19,908	20,969	23,503	26,360
Inventories	6,453	6,546	7,476	8,256
Receivables	5,269	5,207	6,085	6,720
Cash and Bank Balances	914	1,396	1,590	1,683
Loans and Advances	298	328	360	397
Other Current Assets	6,975	7,493	7,990	9,304
Less: Current Liabilities & Provisions	11,871	11,980	13,449	14,825
Payables	3,414	3,570	3,825	4,224
Other Current Liabilities	8,457	8,410	9,624	10,601
<i>sub total</i>				
Net Current Assets	8,037	8,989	10,053	11,535
Total Assets	88,599	96,889	1,00,651	1,06,573

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	43.0	48.7	47.7	46.8
EBIDTA Margin	21.2	27.3	26.4	25.5
EBIT Margin	15.3	20.5	19.7	19.0
Tax rate	23.6	25.2	25.2	25.2
Net Profit Margin	11.2	14.4	14.1	13.3
(B) As Percentage of Net Sales (%)				
COGS	57.0	51.3	52.3	53.2
Employee	6.9	7.7	7.2	7.1
Other	14.9	13.7	14.0	14.2
(C) Measure of Financial Status				
Gross Debt / Equity	0.6	0.6	0.4	0.3
Interest Coverage	11.5	10.3	13.4	16.2
Inventory days	44	44	43	43
Debtors days	36	35	35	35
Average Cost of Debt	3.1	3.5	3.2	3.2
Payable days	23	24	22	22
Working Capital days	55	60	58	60
FA T/O	0.9	0.7	0.8	0.9
(D) Measures of Investment				
AEPS (Rs)	25.5	33.1	38.0	39.6
CEPS (Rs)	38.9	48.8	56.3	58.9
DPS (Rs)	0.0	3.0	3.0	3.0
Dividend Payout (%)	0.0	9.1	7.9	7.6
BVPS (Rs)	208.6	238.7	273.7	310.3
RoANW (%)	12.8	14.8	14.8	13.6
RoACE (%)	8.5	9.6	10.0	9.8
RoAIC (%)	10.5	12.1	12.8	13.0
(E) Valuation Ratios				
CMP (Rs)	802	802	802	802
P/E	31.5	24.3	21.1	20.3
Mcap (Rs Mn)	1,89,217	1,89,217	1,89,217	1,89,217
MCap/ Sales	3.5	3.5	3.0	2.7
EV	2,18,544	2,19,262	2,14,568	2,11,775
EV/Sales	4.1	4.0	3.4	3.0
EV/EBITDA	19.2	14.8	12.8	11.9
P/BV	3.8	3.4	2.9	2.6
Dividend Yield (%)	0.0	0.4	0.4	0.4
(F) Growth Rate (%)				
Revenue	4.3	1.1	16.9	10.4
EBITDA	9.7	30.4	13.2	6.4
EBIT	11.3	35.4	12.2	6.5
PBT	10.0	32.4	15.0	4.0
APAT	18.8	29.7	15.0	4.0
EPS	18.8	29.7	15.0	4.0

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	7,400	12,193	13,728	13,783
CFI	(19,540)	(11,151)	(7,419)	(9,492)
CFF	12,127	(560)	(6,115)	(4,197)
FCFF	(11,800)	1,192	6,728	4,783
Opening Cash	928	914	1,396	1,590
Closing Cash	914	1,396	1,590	1,683

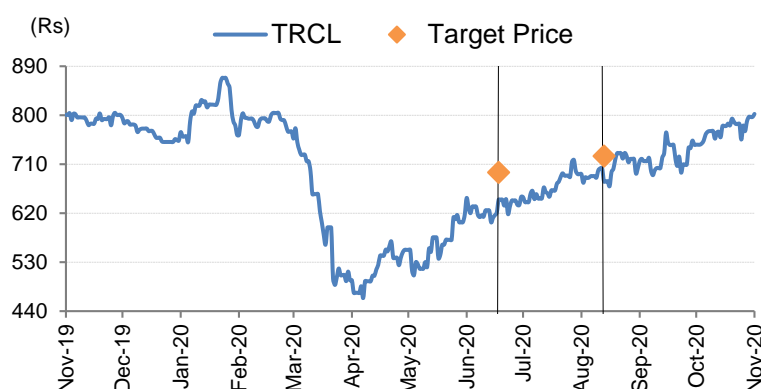
E – Estimates

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
Aug-20	Accumulate	725	678

*Price as on recommendation date

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