

January 25, 2022

Q3FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	HOLD		HOLD	
Target Price	925		1,015	
Sales (Rs. m)	71,705	76,671	73,441	78,526
% Chng.	(2.4)	(2.4)		
EBITDA (Rs. m)	17,158	18,742	17,966	19,810
% Chng.	(4.5)	(5.4)		
EPS (Rs.)	37.2	41.7	40.7	46.6
% Chng.	(8.7)	(10.6)		

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	51,887	61,384	71,705	76,671
EBITDA (Rs. m)	14,682	13,356	17,158	18,742
Margin (%)	28.3	21.8	23.9	24.4
PAT (Rs. m)	7,799	6,652	8,768	9,815
EPS (Rs.)	33.1	28.2	37.2	41.7
Gr. (%)	27.8	(14.7)	31.8	11.9
DPS (Rs.)	3.0	3.5	4.0	4.0
Yield (%)	0.3	0.4	0.4	0.4
RoE (%)	14.8	11.0	12.7	12.7
RoCE (%)	13.4	9.5	11.6	12.8
EV/Sales (x)	4.6	4.1	3.4	3.1
EV/EBITDA (x)	16.4	18.6	14.1	12.6
PE (x)	27.1	31.8	24.1	21.5
P/BV (x)	3.8	3.2	2.9	2.6

Key Data

TRCE.BO | TRCL IN

52-W High / Low	Rs.1,133 / Rs.766	
Sensex / Nifty	57,492 / 17,149	
Market Cap	Rs.212bn/ \$ 2,842m	
Shares Outstanding	236m	
3M Avg. Daily Value	Rs.405.12m	

Shareholding Pattern (%)

Promoter's	42.47
Foreign	8.15
Domestic Institution	32.29
Public & Others	17.09
Promoter Pledge (Rs bn)	12.98

Stock Performance (%)

	1M	6M	12M
Absolute	(9.5)	(18.1)	10.8
Relative	(10.1)	(24.5)	(5.8)

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The Ramco Cements (TRCL IN)

Rating: HOLD | CMP: Rs897 | TP: Rs925

Continuous miss on expectations

Quick Pointers:

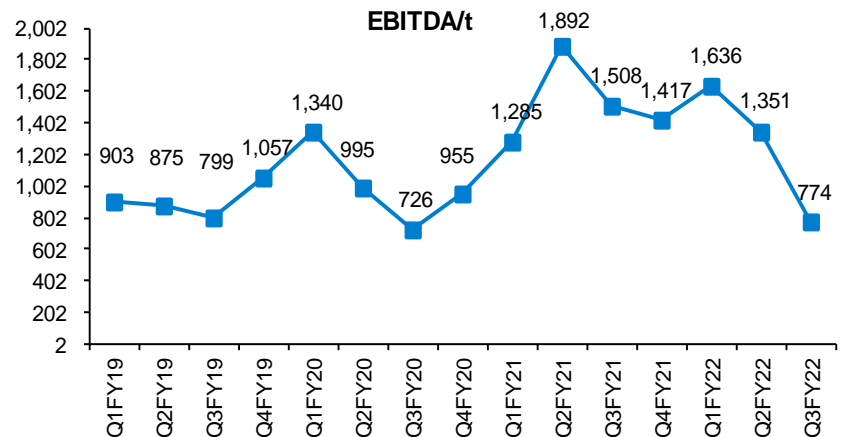
- Capex guidance revised upward to Rs16.4bn (earlier guidance of Rs14bn) due to cost overrun and accelerated capex on new projects
- Debt increased by ~24% YoY/8% QoQ to Rs38.4bn

The Ramco Cements (TRCL) reported disappointing earnings for Q3FY22. EBITDA declined 42% YoY to Rs2.3bn, below our/consensus estimates (CE) by 30%/35%. The miss was largely due to weak realisations and high cost, partially offset by better than expected volumes.

We remain negative on Southern region due to overcapacity and volatile demand pattern. As demand outlook improves for region in FY23, volume growth would come at the cost of softer margins due to rise in competition for market share and low capacity utilisation. The same has played out in FY18-FY20, FY13-FY15 and FY09-FY11. Secondly, TRCL's earnings profile would deteriorate with increasing exposure to low margin and volatile markets of AP/Telangana and East regions. We trim our earnings estimates by 15%/5% for FY22e/FY23 due to cut in margin estimates. Given the expensive valuations and deteriorating earnings quality, we maintain Hold rating with revised TP of Rs925 (earlier Rs1,1015), EV/EBITDA of 13x FY24e.

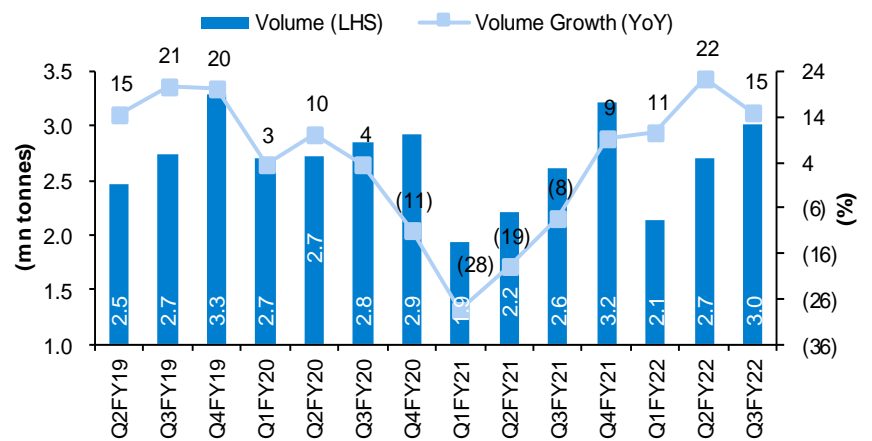
- EBITDA/t declined ~49% YoY to Rs770/t:** Cement volumes grew 15% YoY to 3.0mnt (PLe:2.6mnt) due to strong volume push in both of its markets, South and East. Realisations fell 4.5% QoQ/Rs240 (+1.1% YoY/Rs58) to Rs5,126 (PLe:Rs5,290). Cost increased 22% YoY to Rs4,364/t (PLe:Rs4,056) due to 69%/10%/19% increase in energy/freight cost/other expenses. Owing to lower than expected realisations and higher costs, EBITDA/t came below our estimates by 39% YoY. Impacted by weak operational performance, PAT fell 59% YoY to Rs826mn (PLe:Rs 1.4bn, CE:Rs1.76bn).
- Key takeaways of earnings call:** 1) Took price hike of Rs30-35/bag in East markets and Rs15-20/bag in South region 2) Incurred capex of Rs13.9bn in 9MFY22 and guided to spend Rs2.5bn in Q4 3) Guided capex of Rs12bn over next two years with plan of Rs7bn in FY23e 4) Gross debt would increase by 3%/Rs1bn to Rs39.5bn 5) 2.25mtpa clinker capacity at Kurnool would be commissioned in Feb'22 while 1.0mtpa grinding unit, 12MW WHRS and 18MW TPP would be commissioned in H2FY23 6) Realisations lower by Rs500/t in East compared to South 7) Will put grinding units in Karnataka and Maharashtra 8) Already identified land for Karnataka unit while will take more time for Maharashtra unit 9) Volume share between South and East stood at 78%:22% 10) Sells 80% of volumes in South region in Trade while share in East stands at 50%

Exhibit 1: Highly volatile margins



Source: Company, PL

Exhibit 2: Volume growth at cost of weak margins



Source: Company, PL

Exhibit 3: Q3FY22 Result Overview

Y/e March (Rs mn)	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
Net Sales	15,414	13,249	16.3	14,531	41,995	35,650	17.8
Raw Material	2,576	2,149	19.9	2,140	6,206	5,650	9.8
<i>% of Net Sales</i>	<i>16.7</i>	<i>16.2</i>		<i>14.7</i>	<i>14.8</i>	<i>15.8</i>	
Staff Costs	1,057	998	5.8	1,096	3,202	3,074	4.2
<i>% of Net Sales</i>	<i>6.9</i>	<i>7.5</i>		<i>7.5</i>	<i>7.6</i>	<i>8.6</i>	
Power & Fuel	4,151	2,137	94.2	2,863	9,220	5,470	68.5
<i>% of Net Sales</i>	<i>26.9</i>	<i>16.1</i>		<i>19.7</i>	<i>22.0</i>	<i>15.3</i>	
Freight and selling expenses	3,342	2,633	26.9	3,003	8,642	6,813	26.9
<i>% of Net Sales</i>	<i>21.7</i>	<i>19.9</i>		<i>20.7</i>	<i>20.6</i>	<i>19.1</i>	
Other Expenses	2,057	1,503	36.9	1,892	5,552	4,382	26.7
<i>% of Net Sales</i>	<i>13.3</i>	<i>11.3</i>		<i>13.0</i>	<i>13.2</i>	<i>12.3</i>	
Total Expenditure	13,182	9,421	39.9	10,993	32,822	25,389	29.3
EBITDA	2,232	3,828	(41.7)	3,538	9,174	10,261	(10.6)
<i>Margin (%)</i>	<i>14.5</i>	<i>28.9</i>		<i>24.3</i>	<i>21.8</i>	<i>28.8</i>	
Depreciation	992	896	10.7	985	2,933	2,595	13.0
Other income	145	205	(29.3)	480	921	976	(5.7)
EBIT	1,385	3,137	(55.9)	3,032	7,161	8,642	(17.1)
Interest	253	160	58.1	294	790	724	9.0
PBT	1,132	2,977	(62.0)	2,738	6,371	7,918	(19.5)
Extraordinary income/(expense)	-	-		-	-	-	
PBT (After EO)	1,132	2,977	(62.0)	2,738	6,371	7,918	(19.5)
Tax	306	964	(68.2)	(2,560)	(1,315)	2,451	(153.7)
<i>% PBT</i>	<i>27.1</i>	<i>32.4</i>		<i>-93.5</i>	<i>-20.6</i>	<i>30.9</i>	
Reported PAT	826	2,014	(59.0)	5,298	7,686	5,467	40.6
Adjusted PAT	826	1,997	(58.6)	2,152	4,667	5,451	(14.4)

Source: Company, PL

Exhibit 4: Key Operating Metrics

Y/e March (Rs mn)	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
Volume (mn te)-Cement	3.0	2.6	15.0	2.7	7.9	6.8	16.1
Cement Realisations (Rs/te)	5,126	5,068	1.1	5,366	5,346	5,271	1.4
Cement EBITDA/ te (Rs/te)	742	1,464	(49.3)	1,306	1,168	1,517	(23.0)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	51,887	61,384	71,705	76,671
YoY gr. (%)	(1.8)	18.3	16.8	6.9
Cost of Goods Sold	8,565	9,198	10,604	12,152
Gross Profit	43,322	52,186	61,101	64,519
Margin (%)	83.5	85.0	85.2	84.2
Employee Cost	4,021	4,303	4,604	4,926
Other Expenses	6,411	8,240	9,285	10,119
EBITDA	14,682	13,356	17,158	18,742
YoY gr. (%)	39.4	(9.0)	28.5	9.2
Margin (%)	28.3	21.8	23.9	24.4
Depreciation and Amortization	3,553	4,344	5,058	5,092
EBIT	11,129	9,012	12,100	13,650
Margin (%)	21.4	14.7	16.9	17.8
Net Interest	876	1,375	1,655	1,826
Other Income	1,144	1,256	1,276	1,297
Profit Before Tax	11,397	8,893	11,721	13,121
Margin (%)	22.0	14.5	16.3	17.1
Total Tax	3,786	(778)	2,954	3,306
Effective tax rate (%)	33.2	(8.7)	25.2	25.2
Profit after tax	7,611	9,671	8,768	9,815
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	7,799	6,652	8,768	9,815
YoY gr. (%)	27.8	(14.7)	31.8	11.9
Margin (%)	15.0	10.8	12.2	12.8
Extra Ord. Income / (Exp)	(188)	3,019	-	-
Reported PAT	7,611	9,671	8,768	9,815
YoY gr. (%)	26.6	27.1	(9.3)	11.9
Margin (%)	14.7	15.8	12.2	12.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,611	9,671	8,768	9,815
Equity Shares O/s (m)	236	236	236	236
EPS (Rs)	33.1	28.2	37.2	41.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	1,08,534	1,47,534	1,48,534	1,49,534
Tangibles	1,08,534	1,47,534	1,48,534	1,49,534
Intangibles	-	-	-	-
Acc: Dep / Amortization	38,968	43,312	48,370	53,462
Tangibles	38,968	43,312	48,370	53,462
Intangibles	-	-	-	-
Net fixed assets	69,566	1,04,222	1,00,164	96,072
Tangibles	69,566	1,04,222	1,00,164	96,072
Intangibles	-	-	-	-
Capital Work In Progress	25,895	3,103	11,103	18,453
Goodwill	-	-	-	-
Non-Current Investments	2,927	2,941	2,955	2,969
Net Deferred tax assets	(10,877)	(8,320)	(8,929)	(9,349)
Other Non-Current Assets	558	558	558	558
Current Assets				
Investments	-	-	-	-
Inventories	5,979	9,250	8,840	9,453
Trade receivables	3,752	5,045	5,894	6,302
Cash & Bank Balance	1,419	505	738	835
Other Current Assets	1,750	1,892	1,977	2,018
Total Assets	1,13,458	1,29,081	1,33,997	1,38,579
Equity				
Equity Share Capital	236	236	236	236
Other Equity	56,032	64,876	72,699	81,568
Total Network	56,268	65,112	72,934	81,804
Non-Current Liabilities				
Long Term borrowings	31,017	38,017	32,017	26,017
Provisions	321	321	321	321
Other non current liabilities	115	115	115	115
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	3,634	4,204	4,715	5,041
Other current liabilities	11,227	12,993	14,965	15,932
Total Equity & Liabilities	1,13,457	1,29,081	1,33,996	1,38,578

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	11,397	8,893	11,721	13,121
Add. Depreciation	3,553	4,344	5,058	5,092
Add. Interest	876	1,375	1,655	1,826
Less Financial Other Income	1,144	1,256	1,276	1,297
Add. Other	23	(249)	(255)	(262)
Op. profit before WC changes	15,849	14,363	18,179	19,777
Net Changes-WC	5,076	(2,338)	1,743	66
Direct tax	(2,077)	(1,779)	(2,344)	(2,887)
Net cash from Op. activities	18,848	10,246	17,577	16,956
Capital expenditures	(17,652)	(16,208)	(9,000)	(8,350)
Interest / Dividend Income	134	145	146	146
Others	(163)	105	110	115
Net Cash from Invt. activities	(17,681)	(15,959)	(8,745)	(8,088)
Issue of share cap. / premium	16	-	-	-
Debt changes	753	7,000	(6,000)	(6,000)
Dividend paid	(708)	(827)	(945)	(945)
Interest paid	(696)	(1,375)	(1,655)	(1,826)
Others	-	-	-	-
Net cash from Fin. activities	(636)	4,798	(8,600)	(8,771)
Net change in cash	531	(914)	233	97
Free Cash Flow	1,185	(5,962)	8,577	8,606

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Net Revenue	16,237	12,051	14,531	15,414
YoY gr. (%)	17.5	17.8	19.4	16.3
Raw Material Expenses	3,004	1,490	2,140	2,576
Gross Profit	13,233	10,560	12,391	12,838
Margin (%)	81.5	87.6	85.3	83.3
EBITDA	4,422	3,404	3,538	2,232
YoY gr. (%)	63.1	40.9	(11.9)	(41.7)
Margin (%)	27.2	28.2	24.3	14.5
Depreciation / Depletion	958	956	985	992
EBIT	3,464	2,448	2,553	1,240
Margin (%)	21.3	20.3	17.6	8.0
Net Interest	152	243	294	253
Other Income	167	296	480	145
Profit before Tax	3,479	2,501	2,738	1,132
Margin (%)	21.4	20.8	18.8	7.3
Total Tax	1,336	811	(2,432)	306
Effective tax rate (%)	38.4	32.4	(88.8)	27.1
Profit after Tax	2,144	1,690	5,171	826
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,331	1,690	2,152	826
YoY gr. (%)	54.0	54.2	(8.7)	(58.6)
Margin (%)	14.4	14.0	14.8	5.4
Extra Ord. Income / (Exp)	(188)	-	3,019	-
Reported PAT	2,144	1,690	5,171	826
YoY gr. (%)	46.7	54.2	119.3	(59.0)
Margin (%)	13.2	14.0	35.6	5.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,144	1,690	5,171	826
Avg. Shares O/s (m)	238	238	238	238
EPS (Rs)	9.8	7.1	9.0	3.5

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	33.1	28.2	37.2	41.7
CEPS	48.2	46.7	58.7	63.3
BVPS	238.8	276.4	309.6	347.2
FCF	5.0	(25.3)	36.4	36.5
DPS	3.0	3.5	4.0	4.0
Return Ratio(%)				
RoCE	13.4	9.5	11.6	12.8
ROIC	9.1	10.3	8.8	9.7
RoE	14.8	11.0	12.7	12.7
Balance Sheet				
Net Debt : Equity (x)	0.5	0.6	0.4	0.3
Net Working Capital (Days)	43	60	51	51
Valuation(x)				
PER	27.1	31.8	24.1	21.5
P/B	3.8	3.2	2.9	2.6
P/CEPS	18.6	19.2	15.3	14.2
EV/EBITDA	16.4	18.6	14.1	12.6
EV/Sales	4.6	4.1	3.4	3.1
Dividend Yield (%)	0.3	0.4	0.4	0.4

Source: Company Data, PL Research

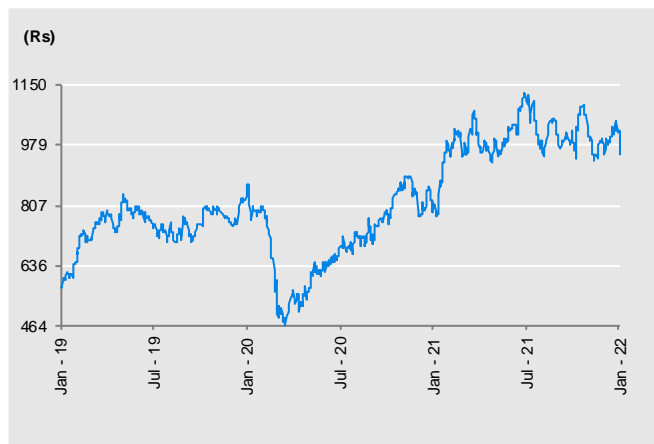
Key Operating Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Volume (mn te)-Cement	10	11	13	15
Cement Realisations-Cement (Rs/te)	5,201	5,345	5,477	5,206
Cement EBITDA (Rs/te)	1,472	1,163	1,311	1,273
Raw material cost (Rs/te)	858	801	810	825
Power & Fuel cost (Rs/te)	797	1,161	1,168	947
Freight cost (Rs/te)	1,028	1,128	1,128	1,139

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	10-Jan-22	Hold	1,015	1,047
2	16-Dec-21	Hold	990	993
3	26-Oct-21	Hold	990	943
4	06-Oct-21	Reduce	980	1,011
5	06-Sep-21	Reduce	980	1,047
6	28-Jul-21	Reduce	980	1,060
7	06-Jul-21	Reduce	950	1,033
8	01-Jul-21	Reduce	950	1,024
9	25-May-21	Reduce	945	973
10	07-Apr-21	Reduce	945	1,042

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,555	2,324
2	Ambuja Cement	BUY	440	399
3	Coal India	Accumulate	172	161
4	Dalmia Bharat	Accumulate	2,280	1,990
5	Heidelberg Cement India	Reduce	225	243
6	Hindalco Industries	BUY	620	493
7	Hindustan Zinc	Reduce	288	330
8	Jindal Steel & Power	BUY	555	404
9	JK Lakshmi Cement	Hold	665	602
10	JSW Steel	Accumulate	760	666
11	NMDC	Accumulate	165	140
12	Shree Cement	Hold	28,000	27,001
13	Steel Authority of India	Accumulate	152	110
14	Tata Steel	BUY	1,842	1,169
15	The Ramco Cements	Hold	1,015	1,047
16	Ultratech Cement	Accumulate	8,535	7,870

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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