

The Ramco Cements Ltd.



RESULT UPDATE

27th January 2022

The Ramco Cements Ltd.

Cost pressure continues, expect better performance ahead

CMP INR 861	Target INR 1,019	Potential Upside 18.4%	Market Cap (INR Mn) INR 2,11,930	Recommendation BUY	Sector Cement
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Result Highlights of Q3FY22

- In Q3FY22, Ramco Cement's revenue rose 15.5% YoY and 4.0% QoQ to INR 15,525 mn, beating our estimate by 1.5%. Weak demand had persisted during the quarter due to monsoons, restrictions etc.
- EBITDA dropped 42.5% YoY and 41.3% QoQ to INR 2,289 mn. EBITDA margin contracted by 1488 bps YoY/1136 bps QoQ to 14.7% in Q3FY22 due to sharp increase in raw material prices.
- Adj. Pat for the quarter declined 63.1% YoY and 63.2% QoQ to INR 757 mn. The margins also contracted by 1039 bps YoY and 889 bps QoQ to 4.9% in Q3FY22.

KEY FINANCIALS

INR Mn	FY20	FY21	FY22E	FY23E	FY24E
Revenue	53,893	52,910	59,390	68,055	77,449
EBITDA	11,474	15,573	13,349	15,408	18,232
PAT	6,041	7,843	8,902	7,853	9,899
Adj. PAT	6,041	7,843	6,245	7,853	9,899
EPS (INR)	25.6	33.3	37.8	33.3	42.0
EBITDA Margin	21.3%	29.4%	22.5%	22.6%	23.5%
Adj. NPM	11.2%	14.8%	15.0%	11.5%	12.8%

Source: Company, KRChoksey Research

Revenue was impacted due to weak demand

In Q3FY22, Ramco Cement's consolidated revenue stood at INR 15,525 mn, up by 15.5% YoY and 4.0% QoQ. The revenue growth was impacted due to monsoons, festivals and covid related restrictions. The management had seen signs of demand recovery in South market where volumes have grown by 22% YoY. However, in East market, WB market have seen weak demand in Q3, though volumes in Orissa have grown by 30% YoY. The cement sales grew by 15% YoY to 3 lakh tonnes in Q3FY22. The cement prices fell sharply in December'21. The share of premium products stands at 22% during the quarter. The company will continue to focus on sale of premium products going ahead.

Higher cost have dented the performance of the company

A sharp increase in raw material price/freight charges/power & fuel charges/ other expenses by 27.9%/26.9%/94.2%/37% YoY had weighed on EBITDA. The EBITDA declined by 42.5% YoY/ 41.3% QoQ to INR 2,289 mn in Q3FY22. Power and fuel cost have increased by INR 562/ton YoY to INR 1,380 in Q3FY22 which have dented the performance. The company is focusing on the adoption of alternate fuels to control cost. The company has increased the share of alternate fuel to 21% in Q3FY22 as compared to 3% in Q3FY21. Increase in diesel prices had pushed the cost of inbound logistics. Also, other expenditures like packing cost, advertisement and sales promotion cost, admin and CSR expenses have increased the cost during the quarter. The effective tax rates of the company have been reduced due to adoption of new tax regime.

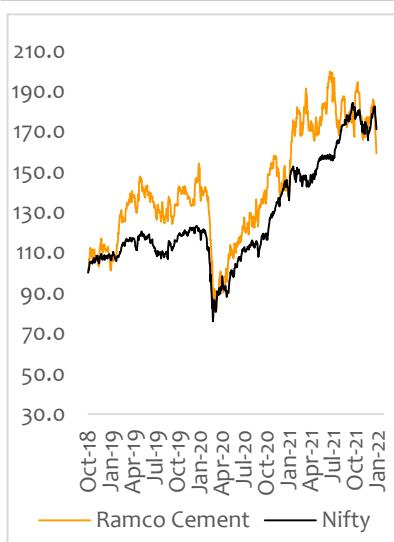
New capacities to spur growth going ahead

The 2.25 mtpa clinker unit in Kurnool will be commissioned in Q4FY22, rather than Q2FY22 as previously anticipated. By the end of FY23, the 1 mtpa grinding unit, 12 MW of WHRS, and 18 MW thermal power plant in Kurnool will be operational. The company had spent INR 4.9 bn towards capex in Q3FY22 and INR 13.9 bn in 9MFY22. Modernization of RRN Plant with the new 3000 TPD Kiln will be commissioned in FY24. Expansion of Dry Mortar Plant will be commissioned in FY24. Following the installation of 4 mt of clinker, an additional 5-6 mt of cement can be expected during the next two years.

MARKET DATA

Shares outs (Mn)	235.6
Mkt Cap (INR Mn)	2,11,930
52 Wk H/L (INR)	1132.7/766
Volume Avg (3m K)	352
Face Value (INR)	1
Bloomberg Code	TRCL IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	57,858
NIFTY	17,278

SHARE HOLDING PATTERN (%)

Particulars	Dec-21 (%)	Sept-21 (%)	Jun-21 (%)
Promoters	42.47	42.52	42.54
FIIIs	8.15	8.71	8.64
DIIIs	35.68	35.07	25.69
Others	13.7	13.69	23.13
Total	100	100	100

13.5 %

Revenue CAGR between FY21 and FY24E

8.1%

APAT CAGR between FY21 and FY24E

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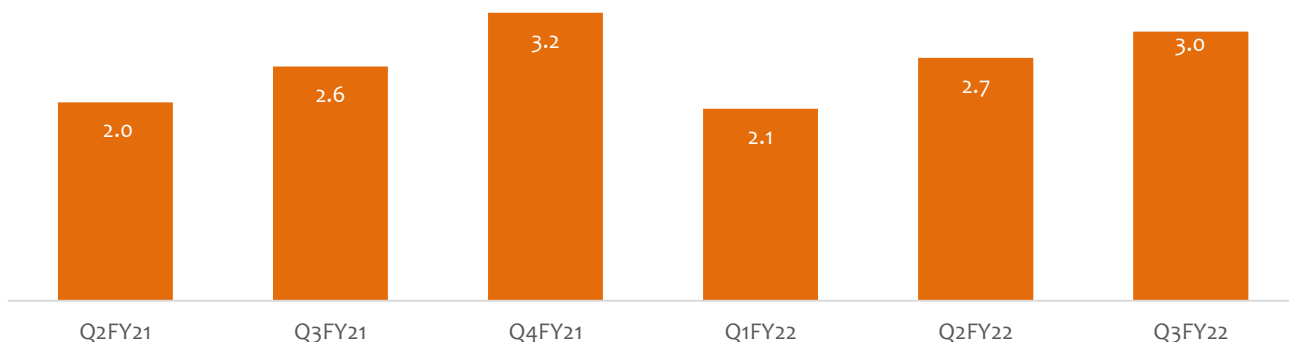
Key highlights of post-result conference call

- The company had spent INR 4.9 bn towards capex in Q3FY22 and INR 13.8 bn in 9MFY22. Going ahead, a few capex in the pipeline are: modernization of RRN Plant with the new 3000 TPD Kiln will be commissioned in FY 2023-24, clinkering unit of 2.25 MTPA in Kurnool will be commissioned in Feb 2022, cement mill of 1 MTPA in Kurnool will be commissioned in FY 2022-23, WHRS capacity of 12.15 MW in Kurnool will be commissioned in FY 2022-23 etc.
- The share of premium products stands at 22% during the quarter. The company continues to focus on sale of premium products going ahead.
- Pet coke and coal prices have sharply increased during the quarter. Power and fuel cost have increased 69% YoY. However, the management is focusing on the adoption of alternate fuels to control cost. The company has increased the share of alternate fuel to 21% in Q3FY22 as compared to 3% in Q3FY21.
- The demand in the month of October and November had been impacted given the monsoons, festivals and covid related restrictions. The management had seen signs of demand recovery in South market where volumes have grown by 22% YoY.
- The cement prices have sharply fallen during December'21 in both East and South markets. However, the company expects the prices to rise in the coming months.
- The company is moving towards green power and have improved the share of green power to 15% in Q3FY22 as compared to 11% in Q3FY21.

Valuation & View

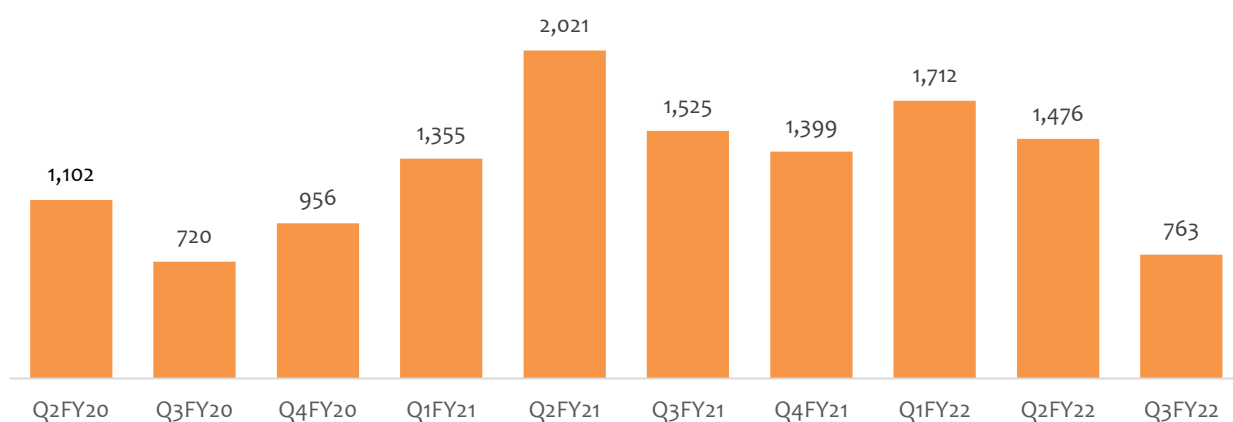
There have been sharp increase in the cost which have impacted the performance of the company. However, the company sees visible recovery in demand and prices going ahead, hence we expect the company to grow its revenue/APAT at 13.5%/8.1% CAGR over FY21-24E. **At a CMP of INR 861, we are optimistic about the company's growth prospects and apply an EV/EBITDA multiple of 14.5x to FY24E EBITDA, which yields a target price of INR 1,019 per share (v/s previous TP of INR 1,176 per share), an upside of 18.4% over the CMP. Accordingly, we maintain our 'BUY' rating on the shares of Ramco Cements.**

Cement Sales Volume trend over the quarters (MnT)



Source: Company, KRChoksey Research

EBITDA/t (INR) trends over the quarters



Source: Company, KRChoksey Research

The Ramco Cements Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY 20	FY 21	FY22E	FY23E	FY24E
Revenues	53,893	52,910	59,390	68,055	77,449
COGS	8,738	8,654	10,096	11,842	13,166
Gross profit	45,155	44,256	49,294	56,213	64,283
Employee cost	3,806	4,188	4,171	5,416	6,164
Transportation and Handling	11,377	10,260	13,066	14,292	16,264
Power and Fuel	10,509	7,947	10,987	12,250	13,941
Other Expenses	7,989	6,290	7,721	8,847	9,681
EBITDA	11,474	15,573	13,349	15,408	18,232
<i>EBITDA Margin</i>	<i>21.3%</i>	<i>29.4%</i>	<i>22.5%</i>	<i>22.6%</i>	<i>23.5%</i>
Depreciation & amortization	3,165	3,566	3,996	3,878	4,010
EBIT	8,309	12,008	9,353	11,531	14,222
Interest expense	721	876	1,369	1,364	1,364
Other income	335	304	283	286	325
Share of (loss) of associates and JV's	7	208	82	63	71
Exceptional items loss (profit)	0	0	0	0	0
PBT	7,929	11,643	8,349	10,515	13,255
Income tax expense	1,879	3,799	-567	2,650	3,340
Minority Interest	9.3	6.9	13.7	12.1	15.2
PAT	6,041	7,836	8,902	7,853	9,899
Adj. PAT	6,041	7,836	6,245*	7,853	9,899
EPS (INR)	25.6	33.3	37.8	33.3	42.0
Adj. EPS (INR)	25.6	33.3	26.5	33.3	42.0

Source: Company, KRChoksey Research

*Adjusted for deferred tax reversal

Exhibit 2: Cash Flow Statement

INR Mn	FY 20	FY 21	FY22E	FY23E	FY24E
Net Cash Generated From Operations	7,481	14,820	10,567	11,494	13,718
Net Cash Flow from/(used in) Investing Activities	(19,209)	(12,603)	(1,117)	(4,922)	(9,354)
Net Cash Flow from Financing Activities	11,936	2,520	2,626	(5,565)	(3,164)
Net Inc/Dec in cash equivalents	208	4,737	12,076	1,007	1,200
Opening Balance of cash & cash equivalents	580	639	1,081	13,157	14,164
Closing balance of cash equivalents	639	1,081	13,157	14,164	15,364
Cash and Cash Equivalents (BS)	639	1,081	13,157	14,164	15,364

Source: Company, KRChoksey Research

Exhibit 3: Key Ratios

Key Ratio	FY 20	FY 21	FY22E	FY23E	FY24E
EBITDA Margin (%)	21.3%	29.4%	22.5%	22.6%	23.5%
Adj. Net Profit Margin (%)	11.2%	14.8%	15.0%	11.6%	12.8%
RoE (%)	12.7%	14.6%	14.6%	11.7%	13.4%
RoCE (%)	11.9%	14.3%	9.9%	11.4%	13.2%
Current Ratio (x)	0.7X	0.6X	1.1X	1.2X	1.2X

Source: Company, KRChoksey Research

The Ramco Cements Ltd.

Exhibit 4: Balance Sheet

INR Mn	FY 20	FY 21	FY22E	FY23E	FY24E
Current assets					
Inventories	6,469	5,993	6,777	7,851	8,657
Trade Receivables	5,276	3,759	6,020	6,712	7,427
Cash and Cash Equivalents	639	1,081	13,157	14,164	15,364
Other bank balances	302	357	357	357	357
Loans	298	277	356	408	465
Other financial assets	1,041	1,362	891	1,021	1,162
Current tax assets	28	11	11	11	11
Other current assets	1,703	1,748	1,247	1,429	1,626
Total current assets	15,757	14,589	28,817	31,954	35,069
Non-current assets					
Property, plant and equipment	58,464	67,761	65,930	66,006	70,318
Capital work in process	18,143	23,255	23,255	23,255	23,255
Investment property	1,470	1,450	1,900	2,178	2,478
Intangible assets	560	573	573	573	573
Intangible assets under development	261	297	297	297	297
Investments in associates	2,499	2,791	2,732	3,131	3,563
Other investments	256	279	356	408	465
Loan	281	431	238	272	310
Other financial assets	189	214	178	204	232
Deferred tax assets	4	4	4	4	4
Other non-current assets	3,445	2,907	2,376	2,722	3,098
Total non-current assets	85,571	99,960	97,838	99,049	1,04,592
TOTAL ASSETS	1,01,328	1,14,549	1,26,655	1,31,002	1,39,661
EQUITY AND LIABILITIES					
Current liabilities					
Borrowings	8,001	9,392	10,392	11,934	11,934
Trade Payables	3,430	3,645	3,264	3,731	4,040
Other financial liabilities	10,600	8,909	11,878	9,528	10,068
Other current liabilities	1,026	1,909	1,485	1,701	1,936
Provisions	293	324	297	340	387
Deferred Government Grants	14	14	0	0	0
Liabilities for Current tax	0	0	0	0	0
Total current liabilities	23,363	24,194	27,316	27,234	28,366
Non-current liabilities					
Borrowings	18,404	21,706	23,706	22,164	22,164
Provisions	240	321	321	321	321
Deferred tax liabilities	9,122	10,835	10,835	10,835	10,835
Deferred Government Grants	128	115	115	115	115
Total non-current liabilities	27,895	32,975	34,975	33,433	33,433
Equity					
Share capital	236	236	236	236	236
Other equity	49,778	57,081	64,051	70,010	77,521
Minority interest	56	63	77	89	104
Total Equity	50,070	57,380	64,363	70,335	77,861
Total liabilities and equity	1,01,328	1,14,549	1,26,655	1,31,002	1,39,661

Source: Company, KRChoksey Research

The Ramco Cements Ltd.

The Ramco Cements Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
27-01-22	861	1,019	BUY	Buy	More than 15%
26-10-21	1,015	1,176	BUY		
29-07-21	1,041	1,119	ACCUMULATE	Accumulate	5% – 15%
30-06-21	1,036	1,107	ACCUMULATE		
26-05-21	946	1,070	ACCUMULATE	Hold	0 – 5%
17-03-21	999	1021	HOLD		
15-12-20	845	868	HOLD	Reduce	-5% – 0
24-09-20	724	751	HOLD		
20-08-20	702	751	ACCUMULATE	Sell	Less than – 5%
22-06-20	634	675	ACCUMULATE		

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