

May 24, 2022

## Q4FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	HOLD		HOLD	
Target Price	650		831	
Sales (Rs. m)	69,221	74,008	70,880	75,789
% Chng.	(2.3)	(2.4)		
EBITDA (Rs. m)	12,884	16,972	15,316	17,244
% Chng.	(15.9)	(1.6)		
EPS (Rs.)	25.7	34.6	31.4	36.9
% Chng.	(18.1)	(6.1)		

### Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	51,887	58,972	69,221	74,008
EBITDA (Rs. m)	14,682	12,011	12,884	16,972
Margin (%)	28.3	20.4	18.6	22.9
PAT (Rs. m)	7,799	5,879	6,055	8,162
EPS (Rs.)	33.1	25.0	25.7	34.6
Gr. (%)	27.8	(24.6)	3.0	34.8
DPS (Rs.)	3.0	3.0	3.0	3.0
Yield (%)	0.4	0.4	0.4	0.4
RoE (%)	14.8	9.7	8.9	11.0
RoCE (%)	13.4	8.3	7.9	10.5
EV/Sales (x)	3.7	3.3	2.9	2.6
EV/EBITDA (x)	12.9	16.4	15.3	11.4
PE (x)	20.5	27.2	26.4	19.6
P/BV (x)	2.8	2.5	2.3	2.0

### Key Data

TRCE.BO | TRCL IN

52-W High / Low	Rs.1,133 / Rs.671
Sensex / Nifty	54,289 / 16,215
Market Cap	Rs.160bn/ \$ 2,068m
Shares Outstanding	236m
3M Avg. Daily Value	Rs.396.66m

### Shareholding Pattern (%)

Promoter's	42.33
Foreign	7.63
Domestic Institution	32.63
Public & Others	17.41
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(16.3)	(32.2)	(31.5)
Relative	(11.8)	(26.8)	(36.3)

**Kamlesh Bagmar**

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# The Ramco Cements (TRCL IN)

Rating: HOLD | CMP: Rs679 | TP: Rs650

## Major disappointment on volumes

### Quick Pointers:

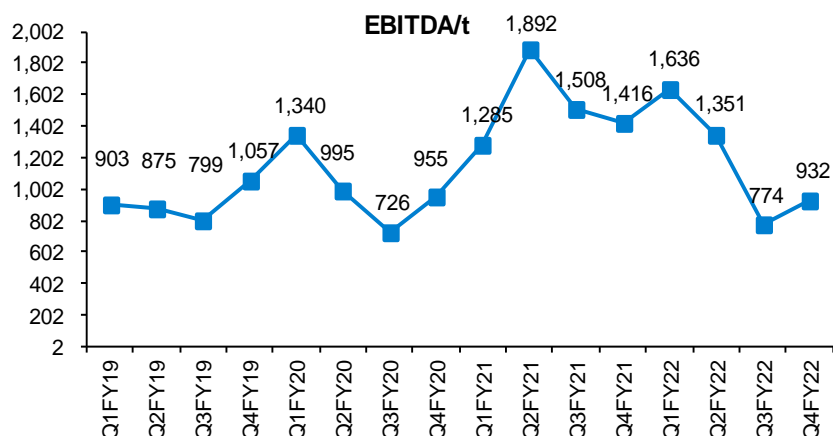
- Capex guidance of Rs13.5bn to be spent over next couple of years
- Net Debt increased by ~27% YoY to Rs37.5bn. Guided to reduce debt by Rs5bn in FY23e

**The Ramco Cements (TRCL) missed ours and consensus estimates. EBITDA declined 34% YoY to Rs2.95bn, below our/consensus estimates (CE) by 14%/6%. The miss was largely weaker than expected volumes and higher costs. We cut our EPS estimates by 18.1%/6.1% for FY23e/FY24e due to lower margins.**

**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 Rs650 (earlier Rs831) as we trim our assigned EV/EBITDA to 11x (earlier 13x) FY24e.**

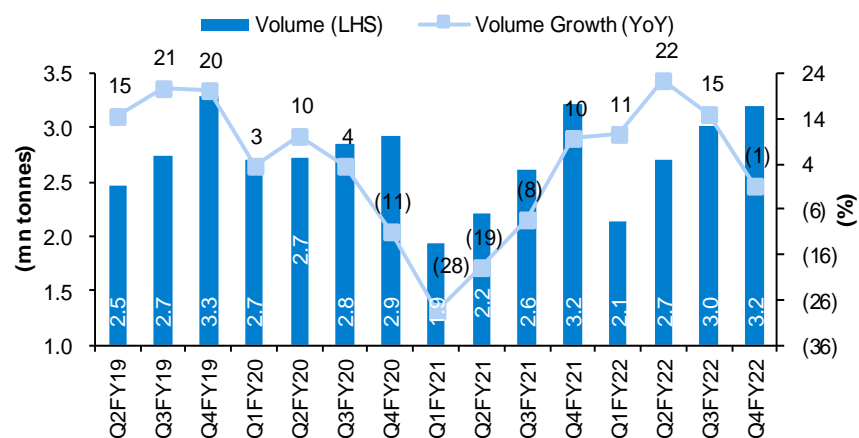
- EBITDA/t declined ~34% YoY to Rs930/t:** Cement volumes remained flat YoY at 3.2mnt (PLe:3.9mnt) as volumes were reduced in East region due to lower realisations. Realisations increased 3.8% QoQ/Rs193 (+5.2% YoY/Rs265) to Rs5,318 (PLe:Rs5,185). Cost increased 21% YoY to Rs4,413/t (PLe:Rs4,320) due to 90%/21% increase in energy/other expenses. Owing to better than expected realisations, EBITDA/t came above our estimates by 6.5%. However, it was more than diluted by lower volumes. Impacted by weak operational performance, PAT fell 47% YoY to Rs1.2bn (PLe:Rs1.5bn, CE:Rs1.5bn).
- Key takeaways of earnings call:** 1) Took price hike of Rs10-15 and Rs20/bag in South and East respectively in April 2) Incurred capex of Rs18.2bn in FY22 3) Pet coke cost will increase by 18% QoQ to US\$225/t in Q1 4) Carrying 5-months of coal/pet coke inventory 5) Commenced trial run of 2.25mtpa clinker capacity at Kurnool in May'22 while 1.0mtpa cement grinding unit will be commissioned in June'22 6) Rest of the projects like 12MW WHR/18MW CPP at Kurnool and modernisaion of RR nagar plant will be commissioned by FY23 end 7) Work on 1mnt grinding unit at Karnataka with an outlay of Rs3.0-3.5bn will start in next six months 8) Won limestone block in Karnataka at a premium of 25.1% 9) Lead distance at 356km 10) Overall trade/Non-trade mix at 72%/28%

Exhibit 1: Margins back to normalised levels



Source: Company, PL

Exhibit 2: Highly volatile volumes



Source: Company, PL

### Exhibit 3: Q4FY22 Result Overview

Y/e March (Rs mn)	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
<b>Net Sales</b>	<b>16,977</b>	<b>16,237</b>	<b>4.6</b>	<b>15,414</b>	<b>58,972</b>	<b>51,887</b>	<b>13.7</b>
Raw Material	2,698	3,004	(10.2)	2,576	8,904	8,654	2.9
<i>% of Net Sales</i>	<i>15.9</i>	<i>18.5</i>		<i>16.7</i>	<i>15.1</i>	<i>16.7</i>	
Staff Costs	943	947	(0.5)	1,057	4,145	4,021	3.1
<i>% of Net Sales</i>	<i>5.6</i>	<i>5.8</i>		<i>6.9</i>	<i>7.0</i>	<i>7.8</i>	
Power & Fuel	4,668	2,476	88.5	4,151	13,888	7,947	74.8
<i>% of Net Sales</i>	<i>27.5</i>	<i>15.3</i>		<i>26.9</i>	<i>23.5</i>	<i>15.3</i>	
Freight and selling expenses	3,502	3,448	1.6	3,342	12,144	10,261	18.4
<i>% of Net Sales</i>	<i>20.6</i>	<i>21.2</i>		<i>21.7</i>	<i>20.6</i>	<i>19.8</i>	
Other Expenses	2,330	1,941	20.0	2,057	7,881	6,322	24.7
<i>% of Net Sales</i>	<i>13.7</i>	<i>12.0</i>		<i>13.3</i>	<i>13.4</i>	<i>12.2</i>	
Total Expenditure	14,140	11,816	19.7	13,182	46,961	37,205	26.2
<b>EBITDA</b>	<b>2,837</b>	<b>4,422</b>	<b>(35.8)</b>	<b>2,232</b>	<b>12,011</b>	<b>14,682</b>	<b>(18.2)</b>
<i>Margin (%)</i>	<i>16.7</i>	<i>27.2</i>		<i>14.5</i>	<i>20.4</i>	<i>28.3</i>	
Depreciation	1,075	958	12.2	992	4,008	3,553	12.8
Other income	214	167	27.7	145	1,134	1,144	(0.8)
<b>EBIT</b>	<b>1,975</b>	<b>3,631</b>	<b>(45.6)</b>	<b>1,385</b>	<b>9,136</b>	<b>12,273</b>	<b>(25.6)</b>
Interest	334	152	120.2	253	1,124	876	28.3
<b>PBT</b>	<b>1,641</b>	<b>3,479</b>	<b>(52.8)</b>	<b>1,132</b>	<b>8,012</b>	<b>11,397</b>	<b>(29.7)</b>
Extraordinary income/(expense)	-	-		-	-	-	
<b>PBT (After EO)</b>	<b>1,641</b>	<b>3,479</b>	<b>(52.8)</b>	<b>1,132</b>	<b>8,012</b>	<b>11,397</b>	<b>(29.7)</b>
Tax	400	1,336	(70.0)	306	(915)	3,786	(124.2)
<i>% PBT</i>	<i>24.4</i>	<i>38.4</i>		<i>27.1</i>	<i>-11.4</i>	<i>33.2</i>	
<b>Reported PAT</b>	<b>1,241</b>	<b>2,144</b>	<b>(42.1)</b>	<b>826</b>	<b>8,927</b>	<b>7,611</b>	<b>17.3</b>
<b>Adjusted PAT</b>	<b>1,232</b>	<b>2,331</b>	<b>(47.2)</b>	<b>826</b>	<b>5,899</b>	<b>7,783</b>	<b>(24.2)</b>

Source: Company, PL

### Exhibit 4: Key Operating Metrics

Y/e March (Rs mn)	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Volume (mn te)-Cement	3.2	3.2	(0.7)	3.0	11.0	10.0	10.7
Cement Realisations (Rs/te)	5,318	5,054	5.2	5,126	5,338	5,201	2.6
Cement EBITDA/ te (Rs/te)	889	1,376	(35.4)	742	1,087	1,472	(26.1)

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>51,887</b>	<b>58,972</b>	<b>69,221</b>	<b>74,008</b>
YoY gr. (%)	(1.8)	13.7	17.4	6.9
Cost of Goods Sold	8,565	8,762	10,034	11,377
Gross Profit	43,322	50,210	59,187	62,631
Margin (%)	83.5	85.1	85.5	84.6
Employee Cost	4,021	4,145	4,435	4,745
Other Expenses	6,411	8,022	8,952	9,491
<b>EBITDA</b>	<b>14,682</b>	<b>12,011</b>	<b>12,884</b>	<b>16,972</b>
YoY gr. (%)	39.4	(18.2)	7.3	31.7
Margin (%)	28.3	20.4	18.6	22.9
Depreciation and Amortization	3,553	4,008	4,373	5,190
<b>EBIT</b>	<b>11,129</b>	<b>8,003</b>	<b>8,512</b>	<b>11,782</b>
Margin (%)	21.4	13.6	12.3	15.9
Net Interest	876	1,124	1,650	2,123
Other Income	1,144	1,134	1,234	1,253
<b>Profit Before Tax</b>	<b>11,397</b>	<b>8,012</b>	<b>8,095</b>	<b>10,912</b>
Margin (%)	22.0	13.6	11.7	14.7
Total Tax	3,786	(961)	2,040	2,750
Effective tax rate (%)	33.2	(12.0)	25.2	25.2
<b>Profit after tax</b>	<b>7,611</b>	<b>8,973</b>	<b>6,055</b>	<b>8,162</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>7,799</b>	<b>5,879</b>	<b>6,055</b>	<b>8,162</b>
YoY gr. (%)	27.8	(24.6)	3.0	34.8
Margin (%)	15.0	10.0	8.7	11.0
Extra Ord. Income / (Exp)	(188)	3,095	-	-
<b>Reported PAT</b>	<b>7,611</b>	<b>8,973</b>	<b>6,055</b>	<b>8,162</b>
YoY gr. (%)	26.6	17.9	(32.5)	34.8
Margin (%)	14.7	15.2	8.7	11.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,611	8,973	6,055	8,162
<b>Equity Shares O/s (m)</b>	<b>236</b>	<b>236</b>	<b>236</b>	<b>236</b>
<b>EPS (Rs)</b>	<b>33.1</b>	<b>25.0</b>	<b>25.7</b>	<b>34.6</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>1,08,534</b>	<b>1,27,534</b>	<b>1,48,534</b>	<b>1,55,734</b>
Tangibles	1,08,534	1,27,534	1,48,534	1,55,734
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>38,968</b>	<b>42,977</b>	<b>47,349</b>	<b>52,539</b>
Tangibles	38,968	42,977	47,349	52,539
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>69,566</b>	<b>84,558</b>	<b>1,01,185</b>	<b>1,03,195</b>
Tangibles	69,566	84,558	1,01,185	1,03,195
Intangibles	-	-	-	-
Capital Work In Progress	25,895	25,050	13,325	14,925
Goodwill	-	-	-	-
Non-Current Investments	2,927	3,008	3,022	3,036
Net Deferred tax assets	(10,877)	(8,194)	(8,615)	(8,964)
Other Non-Current Assets	558	981	981	981
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	5,979	8,333	8,534	9,124
Trade receivables	3,752	3,498	5,689	6,083
Cash & Bank Balance	1,419	1,760	1,780	2,546
Other Current Assets	1,750	1,710	1,916	1,955
<b>Total Assets</b>	<b>1,13,458</b>	<b>1,30,601</b>	<b>1,38,177</b>	<b>1,43,740</b>
<b>Equity</b>				
Equity Share Capital	236	236	236	236
Other Equity	56,032	65,005	70,352	77,805
<b>Total Network</b>	<b>56,268</b>	<b>65,241</b>	<b>70,587</b>	<b>78,040</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	31,017	39,299	39,299	35,799
Provisions	321	321	321	321
Other non current liabilities	115	115	115	115
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	3,634	4,892	4,741	5,069
Other current liabilities	11,227	12,539	14,499	15,431
<b>Total Equity &amp; Liabilities</b>	<b>1,13,457</b>	<b>1,30,601</b>	<b>1,38,176</b>	<b>1,43,739</b>

Source: Company Data, PL Research

### Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	11,397	8,012	8,095	10,912
Add. Depreciation	3,553	4,008	4,373	5,190
Add. Interest	876	1,124	1,650	2,123
Less Financial Other Income	1,144	1,134	1,234	1,253
Add. Other	23	(238)	(234)	(239)
Op. profit before WC changes	15,849	12,907	13,885	17,986
Net Changes-WC	5,076	(85)	(845)	73
Direct tax	(2,077)	(1,722)	(1,619)	(2,401)
<b>Net cash from Op. activities</b>	<b>18,848</b>	<b>11,101</b>	<b>11,420</b>	<b>15,659</b>
Capital expenditures	(17,652)	(18,155)	(9,275)	(8,800)
Interest / Dividend Income	134	140	131	131
Others	(163)	98	103	108
<b>Net Cash from Invt. activities</b>	<b>(17,681)</b>	<b>(17,917)</b>	<b>(9,041)</b>	<b>(8,561)</b>
Issue of share cap. / premium	16	-	-	-
Debt changes	753	8,282	-	(3,500)
Dividend paid	(708)	-	(709)	(709)
Interest paid	(696)	(1,124)	(1,650)	(2,123)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(636)</b>	<b>7,158</b>	<b>(2,359)</b>	<b>(6,332)</b>
<b>Net change in cash</b>	<b>531</b>	<b>341</b>	<b>20</b>	<b>766</b>
Free Cash Flow	1,185	(7,054)	2,145	6,859

Source: Company Data, PL Research

### Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
<b>Net Revenue</b>	<b>12,051</b>	<b>14,531</b>	<b>15,414</b>	<b>16,977</b>
YoY gr. (%)	17.8	19.4	16.3	4.6
Raw Material Expenses	1,490	2,140	2,576	2,698
Gross Profit	10,560	12,391	12,838	14,278
Margin (%)	87.6	85.3	83.3	84.1
<b>EBITDA</b>	<b>3,404</b>	<b>3,538</b>	<b>2,232</b>	<b>2,837</b>
YoY gr. (%)	40.9	(11.9)	(41.7)	(35.8)
Margin (%)	28.2	24.3	14.5	16.7
Depreciation / Depletion	956	985	992	1,075
<b>EBIT</b>	<b>2,448</b>	<b>2,553</b>	<b>1,240</b>	<b>1,762</b>
Margin (%)	20.3	17.6	8.0	10.4
Net Interest	243	294	253	334
Other Income	296	480	145	214
<b>Profit before Tax</b>	<b>2,501</b>	<b>2,738</b>	<b>1,132</b>	<b>1,641</b>
Margin (%)	20.8	18.8	7.3	9.7
Total Tax	811	(2,432)	306	400
Effective tax rate (%)	32.4	(88.8)	27.1	24.4
<b>Profit after Tax</b>	<b>1,690</b>	<b>5,171</b>	<b>826</b>	<b>1,241</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,690</b>	<b>2,152</b>	<b>826</b>	<b>1,232</b>
YoY gr. (%)	54.2	(8.7)	(58.6)	(47.2)
Margin (%)	14.0	14.8	5.4	7.3
Extra Ord. Income / (Exp)	-	3,019	-	9
<b>Reported PAT</b>	<b>1,690</b>	<b>5,171</b>	<b>826</b>	<b>1,241</b>
YoY gr. (%)	54.2	119.3	(59.0)	(42.1)
Margin (%)	14.0	35.6	5.4	7.3
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,690</b>	<b>5,171</b>	<b>826</b>	<b>1,241</b>
Avg. Shares O/s (m)	238	238	238	238
<b>EPS (Rs)</b>	<b>7.1</b>	<b>9.0</b>	<b>3.5</b>	<b>5.2</b>

Source: Company Data, PL Research

### Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	33.1	25.0	25.7	34.6
CEPS	48.2	42.0	44.3	56.7
BVPS	238.8	276.9	299.6	331.2
FCF	5.0	(29.9)	9.1	29.1
DPS	3.0	3.0	3.0	3.0
<b>Return Ratio(%)</b>				
RoCE	13.4	8.3	7.9	10.5
ROIC	9.1	9.5	6.0	8.1
RoE	14.8	9.7	8.9	11.0
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.5	0.6	0.5	0.4
Net Working Capital (Days)	43	43	50	50
<b>Valuation(x)</b>				
PER	20.5	27.2	26.4	19.6
P/B	2.8	2.5	2.3	2.0
P/CEPS	14.1	16.2	15.3	12.0
EV/EBITDA	12.9	16.4	15.3	11.4
EV/Sales	3.7	3.3	2.9	2.6
Dividend Yield (%)	0.4	0.4	0.4	0.4

Source: Company Data, PL Research

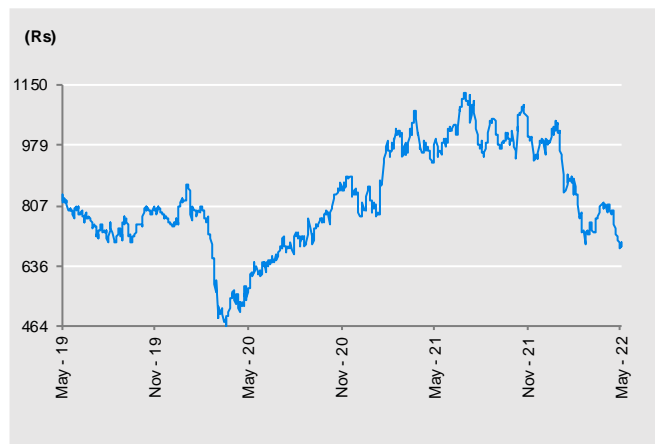
### Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Volume (mn te)-Cement	10	11	13	14
Cement Realisations-Cement (Rs/te)	5,201	5,338	5,496	5,223
Cement EBITDA (Rs/te)	1,472	1,087	1,023	1,198
Raw material cost (Rs/te)	858	793	797	803
Power & Fuel cost (Rs/te)	797	1,257	1,514	1,108
Freight cost (Rs/te)	1,028	1,099	1,099	1,110

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	Hold	831	810
2	25-Jan-22	Hold	925	897
3	10-Jan-22	Hold	1,015	1,047
4	16-Dec-21	Hold	990	993
5	26-Oct-21	Hold	990	943
6	06-Oct-21	Reduce	980	1,011
7	06-Sep-21	Reduce	980	1,047
8	28-Jul-21	Reduce	980	1,060
9	06-Jul-21	Reduce	950	1,033
10	01-Jul-21	Reduce	950	1,024

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,300	2,057
2	Ambuja Cement	Hold	400	383
3	Coal India	Accumulate	220	186
4	Dalmia Bharat	Accumulate	1,755	1,422
5	Heidelberg Cement India	Reduce	195	189
6	Hindalco Industries	Hold	673	428
7	Hindustan Zinc	Reduce	322	294
8	Jindal Steel & Power	Reduce	490	479
9	JK Lakshmi Cement	Accumulate	570	422
10	JSW Steel	Reduce	625	631
11	NMDC	Reduce	155	147
12	Shree Cement	Hold	23,150	22,001
13	Steel Authority of India	Reduce	57	83
14	Tata Steel	Reduce	1,230	1,171
15	The Ramco Cements	Hold	831	810
16	Ultratech Cement	Accumulate	7,180	6,630

## 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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