

The Ramco Cements (TRCL)

Aligned with industry, inflated cost drifts margin

Result Synopsis

The Ramco Cements (TRCL) reported better-than-expected EBITDA/te of Rs924 (beat YSEC est. of Rs774) due to higher-than-expected NSR of Rs5368/te (+2% than YSEC est.) and in-line total cost of Rs4444/te in Q4FY22. The extended monsoon and weak demand in the southern region resulted flat y/y volume growth to 3.2MT (miss of 9% to YSEC est.) translate in revenue of Rs17.1bn miss of 7% to YSEC est. in Q4FY22. For FY22, TRCL posted a volume growth of 11MT (+11% y/y; YSEC est. 11.3MT) with NSR rise of +3% y/y resulting in +14% revenue growth, however EBITDA decline by 17% y/y as operating cost surged by +26% y/y in FY22. The inflated fuel/diesel cost eroded the EBITDA/te to Rs1168 decline by 25% y/y in FY22, but sequential price hikes and anticipated cost normalization should uphold the EBITDA/te at +Rs1150 for FY23E. We trimmed our EBITDA/PAT est. by 30/40% and 16/21% for FY23/24E. We believe TRCL to generate healthy operating cash flow of Rs26.6bn and its fund ongoing capex (Rs8.5bn) also deleverage its B/S (10bn) over FY23-24E. This would aid TRCL to lower the Net Debt/EBITDA to 1.2x by FY24E v/s 2.8x FY22. Thus, we retain our BUY recommendation with a TP of Rs1135 (earlier Rs1188 on FY23E), valuing the stock at 15x EV/EBITDA on the FY24 estimates.

Result Highlights

- Reported volume grew by +6% q/q (flat y/y) to 3.2MT against YSEC est. of 3.5MT and NSR grew by +4% q/q (+6% y/y) against YSEC est. +2% q/q translated in the revenue miss of +7% to YSEC est. to Rs17.1bn (+10% q/q and +5% y/y) in Q4FY22.
- Despite surge in sequential power/freight/other cost per tonne by +6/16/7% (+90/1/21% y/y) the total cost/te increase by +1% (+20% y/y) due to decline in RM/te by 24% (11% y/y) translate in EBITDA/te of Rs924 up by +21% (decline by 34% y/y; YSEC est. Rs774) in Q4FY22.
- Due to healthy topline and Tax reversal, the EBITDA/PAT grew by +29/57% q/q, while remained lower by 34/45% on y/y basis in Q4FY22.
- In FY22, Volume grew by +11% y/y with the NSR increase of +3% y/y driven the revenue increase by +14% y/y to Rs60bn (2% lower than YSEC est.).
- EBITDA decline by 17% y/y to Rs12.9bn led by jump in total cost by +17% y/y translate in EBITDA/te of Rs1168 decline by 25% y/y, whereas due to the Tax reversal PAT grew by 13% y/y to Rs8.8bn in FY22.

Exhibit 1: Actual vs Estimates

Rs Mn	Actual	Estimate		% Variation		Remarks
		YSec	Consensus	YSec	Consensus	
Sales	17,134	18,338	17,464	(6.6)	(1.9)	Reported better-than-expected EBITDA/te, due to higher-than-expected NSR and in-line total cost in Q4FY22.
EBITDA	2,949	2,702	2,907	9.2	1.4	
Margin (%)	17.2	14.7	16.6	248 bps	57 bps	
Adj. PAT	1,183	1,022	1,256	15.7	(5.8)	

Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 680
Target Price	: Rs 1135
Potential Return	: +67%

Stock data (as on May 23, 2022)

Nifty	16,215
52 Week h/l (Rs)	1133 / 671
Market cap (Rs/USD mn)	160561 / 2071
Outstanding Shares (mn)	236
6m Avg t/o (Rs mn)	340
Div yield (%)	N/A
Bloomberg code:	TRCL IN
NSE code:	RAMCOCEM

Stock performance



Shareholding pattern (As of Mar'22 end)

Promoter	42.3%
FII+DII	40.3%
Others	14.0%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1135	1188

Δ in earnings estimates

	FY23E	FY24E
EPS (New)	30.6	47.7
EPS (Old)	50.9	60.2
% change	-40%	-21%

Financial Summary

(Rs mn)	FY22	FY23E	FY24E
Revenue	60,037	70,351	80,952
Growth	13.5	17.2	15.1
EBITDA	12,901	14,312	19,457
Margin	21.5	20.3	24.0
Adj PAT	8,815	7,217	11,245
Growth	10.5	(18.1)	55.8
EPS	37.3	30.6	47.7
ND/EBITDA	2.8	2.3	1.2
ROE	13.3	10.0	13.7
ROCE	7.8	8.9	12.8
EV/EBITDA	15.3	13.5	9.5

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Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs m)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	y/y (%)	q/q (%)	FY22P	FY21	y/y (%)
Net Revenue	16,337	12,347	15,031	15,525	17,134	4.9	10.4	60,037	52,910	13.5
Total Expenses	11,848	8,682	11,033	13,236	14,185	19.7	7.2	47,136	37,337	26.2
COGS	2,337	1,490	2,140	2,576	2,080	(11.0)	(19.2)	8,286	7,035	17.8
Employee Expenses	991	1,094	1,143	1,121	993	0.2	(11.4)	4,352	4,188	3.9
Power & fuel	2,476	2,207	2,863	4,151	4,668	88.5	12.5	13,888	7,947	74.8
Freight Exp	4,114	2,297	3,003	3,342	4,119	0.1	23.3	12,761	11,878	7.4
Other Expenses	1,929	1,594	1,886	2,047	2,324	20.5	13.6	7,850	6,290	24.8
EBITDA	4,490	3,665	3,998	2,289	2,949	(34.3)	28.8	12,901	15,573	(17.2)
EBITDA (%)	27.5	29.7	26.6	14.7	17.2	(1027 bps)	247 bps	21.5	29.4	(795 bps)
D&A	961	959	989	996	1,079	12.2	8.3	4,022	3,566	12.8
Other Income	78	53	72	62	93	19.0	49.9	280	304	(7.8)
Interest Expense	152	243	294	253	334	120.2	32.2	1,124	876	28.3
Exceptional/EO items	-	-	-	-	-	-	-	-	-	-
Share JV/Associates	37	17	(24)	(52)	(50)	(236.4)	(4.6)	(109)	208	(152.5)
EBT	3,491	2,532	2,764	1,051	1,579	(54.8)	50.3	7,925	11,643	(31.9)
Tax	1,332	815	(2,404)	298	397	(70.2)	33.0	(961)	3,799	(125.3)
Reported PAT	2,159	1,717	5,168	752	1,183	(45.2)	57.2	8,886	7,843	13.3
Less: Minority Interest	(2)	2	9	(4)	(3)	25.0	(21.1)	5	7	(31.9)
Adj. PAT	2,162	1,715	5,158	756	1,186	(45.1)	56.8	8,882	7,836	13.3

Source: Company, YES Sec

Exhibit 3: Quarterly Operational Performance Analysis (Consolidated)

Particulars (Rs m)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	y/y (%)	q/q (%)	FY22P	FY21	y/y (%)
Total Volumes (MMT)	3.2	2.1	2.7	3.0	3.2	(0.6)	6.2	11.0	10.0	10.7
NSR/te (Blended)	5,090	5,767	5,551	5,163	5,368	5.5	4.0	5,434	5,304	2.5
RM/te	728	696	790	857	652	(10.5)	(23.9)	750	705	6.3
Employees/te	309	511	422	373	311	0.8	(16.5)	394	420	(6.2)
Power/te	771	1,031	1,057	1,380	1,462	89.6	5.9	1,257	797	57.8
Freight/te	1,282	1,073	1,109	1,111	1,291	0.7	16.1	1,155	1,191	(3.0)
Others/te	601	744	696	681	728	21.2	7.0	711	630	12.7
Opex/te (Blended)	3,691	4,055	4,074	4,402	4,444	20.4	1.0	4,266	3,743	14.0
EBITDA/te (Blended)	1,399	1,712	1,476	761	924	(33.9)	21.4	1,168	1,561	(25.2)

Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

Demand & Volumes

- Extended monsoon during end of Q3 and starting of Q4 had impacted demand and due to the weak pricing company had cut down their production that resulted in lower volume in Q4FY22 as compared to the Q4FY21.
- During Apr-May'22, demand stood strong as dispatched volume of 1MT in Apr'22 and expect +3MT of volume dispatch for Q1FY23E. While management guided the expected volume growth of ~10-15% for FY23.
- Share of premium product stood at 22% in FY22 (~25% in Q4) v/s 14% in FY21 and going forward management expect premium product share to increase till ~30% in FY23E.
- Jayantipuram capacity utilization stood at ~80% in Q4FY22. While Kurnool clinker capacity would ramp up post the commissioning of its GU by Jun'22 end (expected ~40-45% utilization rate initially and overall average for year likely to stand at ~70% for FY23E).

Pricing & Cost

- Price has improved substantially post Mar'22 across India. In east the price remained resilient and expect another Rs20/bag price hike going forward. Whereas, South price was volatile during quarter but in some pocket the price sustained and expect further price hike of Rs25/bag in the region.
- Management indicated that the fuel cost was highly volatile, hence fuel consumption cost it jump to \$199/te in Q4FY22 from \$170/te in Q3FY22, while FY22 average stood at \$143/te. The current fuel inventory is at \$225/te for Q1FY23E and expected to last for next 5month.
- The expected fuel mix for Q1FY23E likely to be ~80-85% Pet coke and rest AFR, while in Q4 fuel mix stood at 52% Pet coke, 33% imported coal and Rest AFR.
- Management indicated that to mitigate the full impact of the inflated cost, the price hike of ~Rs40/bag required, to maintain EBITDA/te at Rs1300.

CAPEX and Expansion Update

- For FY23-24E, management guided a CAPEX of Rs13.5bn in which Rs5bn would be the maintenance CAPEX.
- With commissioning of 9MW of WHRS capacity in Jayanthipuram in Apr-22, the entire Jayanthipuram capacity reached to 27MW and it would aid to moderate the overall power & fuel cost.
- In Kurnool, trial production of clinker is going on. With this, the clinkering capacity has gone up to 13.65 MTPA.
- The cement grinding facility & 6MW of WHRS in Kurnool will be commissioned by Jun-22 / Jul-22. After that, the installed capacity of cement will go past 20MTPA. Balance 6.15MW of WHRS and 18MW of TPP will be commissioned in Mar-23.
- The modernization of RR Nagar plant along with limestone beneficiation plant will be commissioned by Mar-23.
- Management Proposed to repay a Debt of Rs5bn in FY23E.

The Ramco Cements

Exhibit 4: Annual Operational Performance Estimates (Consolidated)

Particulars (Rs m)	FY20	FY21	FY22P	FY23E	FY24E
Total Volumes (MMT)	11.2	10.0	11.0	12.4	14.3
Net Realization/te (Blended)	4,722	5,331	5,434	5,658	5,645
RM/te	581	705	648	690	689
Power/te	938	797	1,257	1,358	1,242
Freight/te	1,215	1,191	1,257	1,333	1,280
Employees/te	340	420	394	373	356
Others/te	722	630	711	753	723
Opex/te (Blended)	3,786	3,742	4,266	4,507	4,288
EBITDA/te (Blended)	1,024	1,561	1,168	1,151	1,357

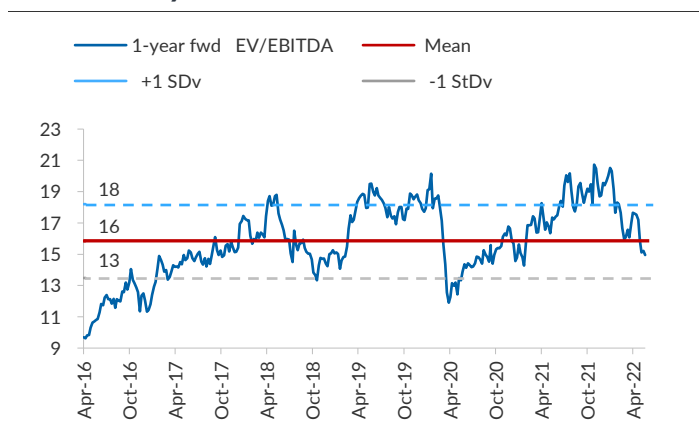
Source: Company, YES Sec

Exhibit 5: Key Estimate Revision (Consolidated)

Y/e 31 Mar	FY23E			FY24E		
(Rs m)	Old	New	Change	Old	New	Change
Revenues	71,115	70,351	(1%)	79,781	80,952	1%
EBITDA	20,515	14,312	(30%)	23,093	19,457	(16%)
PAT	11,995	7,217	(40%)	14,174	11,245	(21%)
EPS	50.9	30.6	(40%)	60.2	47.7	(21%)

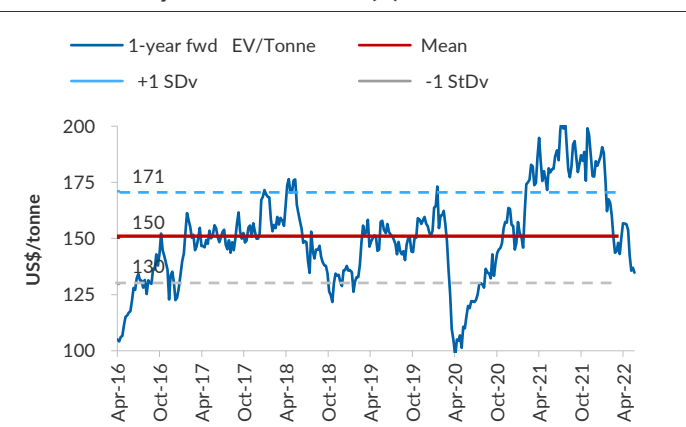
Source: Company, YES Sec

Exhibit 6: 1-yr forward EV/EBITDA band



Source: Company, YES Sec

Exhibit 7: 1-yr forward EV/te (\$) band



Source: Company, YES Sec

FINANCIALS

Exhibit 8: Balance Sheet (Consolidated)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22P	FY23E	FY24E
Equity capital	236	236	236	236	236
Reserves	49,778	57,081	65,950	71,989	81,883
Net worth	50,014	57,317	66,185	72,224	82,119
Other LT Liabilities	209	194	297	297	297
LT provision.	240	321	413	413	413
Minority interest	56	63	68	68	68
Long-term Borrowing	18,323	21,626	28,573	23,573	18,573
Deferred tax liabilities. (net)	9,122	10,835	8,223	8,223	8,223
Current Liabilities					
Trades Payables	3,430	3,645	4,907	4,715	5,393
Short-term Borrowing	8,001	9,391	10,727	10,727	10,727
Other current liabilities	11,640	10,833	11,817	11,817	11,817
Short Term Provision	293	324	376	376	376
Total Liabilities	101,328	114,549	131,585	132,432	138,003
Assets					
Total Net Block	58,464	67,761	75,755	77,093	76,973
CWIP & Other Assets	20,434	25,574	32,313	32,339	32,356
Investments	2,755	3,070	2,971	2,971	2,971
Other Non-current Asset	3,914	3,552	3,462	3,462	3,462
Deferred tax asset (net)	4	4	11	11	11
Current Assets					
Inventories	6,469	5,993	8,345	8,070	9,407
Trades Receivables	5,276	3,759	3,507	3,945	4,578
Other current assets	2,772	3,121	3,301	3,301	3,301
Short Term Loans & advances	298	277	136	136	136
Cash & Bank Balances	941	1,438	1,784	1,104	4,808
Total Assets	101,328	114,549	131,585	132,432	138,003

Source: Company, YES Sec

Exhibit 9: Income statement (Consolidated)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22P	FY23E	FY24E
Revenue	53,893	52,910	60,037	70,351	80,952
Operating profit	11,474	15,573	12,901	14,312	19,457
Depreciation & Amortization	3,165	3,566	4,022	4,036	4,003
PBIT	8,309	12,008	8,878	10,276	15,454
Interest expense	721	876	1,124	981	838
Other income	335	304	280	328	378
Profit before tax	7,922	11,435	8,034	9,623	14,993
Taxes	1,879	3,799	(894)	2,406	3,748
Minorities/Share from Associates	3	(201)	114	-	-
Exceptional items	-	(142)	-	-	-
Reported profit	6,041	7,694	8,815	7,217	11,245
Adj. Net profit	6,041	7,836	8,815	7,217	11,245

Source: Company, YES Sec

Exhibit 10: Cash Flow (Consolidated)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22P	FY23E	FY24E
Cash flow from operation	9,936	13,755	14,332	10,898	13,955
Profit before tax	7,922	11,293	8,034	9,623	14,993
Depreciation	3,165	3,566	4,022	4,036	4,003
Tax paid	(1,879)	(3,799)	894	(2,406)	(3,748)
Working capital Δ	729	2,495	1,495	(355)	(1,293)
Other operating items	(3)	201	(114)	-	-
Cash flow from Investing Activities					
Capital expenditure	(19,538)	(18,003)	(18,755)	(5,400)	(3,900)
Change in other non-current assets	(797)	363	82	-	-
Free cash flow	(10,399)	(3,885)	(4,340)	5,498	10,055
Cash flow from Financing activities					
Change in Equity & Reserves	(688)	318	760	-	-
Investments	(168)	(315)	99	-	-
Debt financing/disposal	11,312	3,303	6,947	(5,000)	(5,000)
Dividends paid	(710)	(708)	(707)	(1,178)	(1,351)
Other items	647	1,784	(2,406)	-	-
Net Δ in cash	(7)	496	353	(680)	3,704

Source: Company, YES Sec

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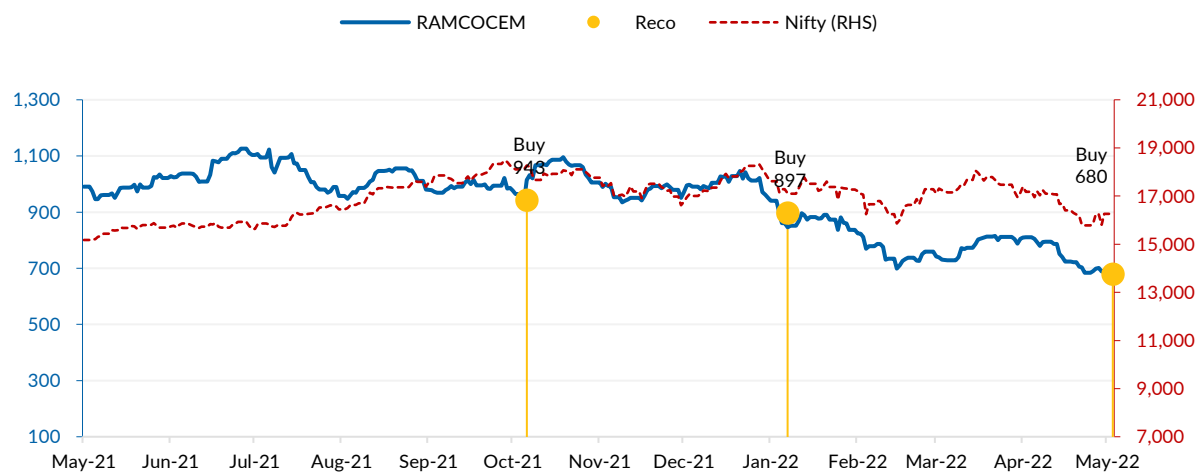
Exhibit 11: Growth and Ratio matrix (Consolidated)

Y/e 31 Mar	FY20	FY21	FY22P	FY23E	FY24E
Growth matrix (%)					
Revenue	4.4	(1.8)	13.5	17.2	15.1
EBITDA	9.9	35.7	(17.2)	10.9	35.9
EBT	10.3	44.3	(29.7)	19.8	55.8
PAT	18.3	27.4	14.6	(18.1)	55.8
EPS	18.3	27.2	14.7	(18.1)	55.8
Profitability ratios (%)					
EBITDA (%)	21.3	29.4	21.5	20.3	24.0
EBIT (%)	16.0	23.3	15.3	15.1	19.6
PAT (%)	11.2	14.5	14.7	10.3	13.9
ROCE	12.4	14.6	9.4	10.2	14.8
ROE	12.7	14.3	14.3	10.4	14.6
ROA	6.6	7.1	7.2	5.5	8.3
Per share ratios (Rs)					
EPS	25.6	32.6	37.4	30.6	47.7
DPS	2.5	3.0	3.0	5.0	5.7
Cash EPS	12.2	17.5	20.3	13.5	30.7
BVPS	212	243	281	307	349
Payout (%)					
Dividend payout	11.8	9.2	8.0	16.3	12.0
Tax payout	23.7	33.2	(11.1)	25.0	25.0
Liquidity ratios					
Debtor days	36	26	21	20	21
Inventory days	44	41	51	42	42
Creditor days	23	25	30	24	24
Leverage ratios (x)					
Interest Coverage	12.0	14.1	8.1	10.8	18.9
Net D/E	0.35	0.35	0.40	0.31	0.17
Net Debt/EBITDA	2.21	1.90	2.91	2.32	1.26

Source: Company, YES Sec

The Ramco Cements

Recommendation Tracker



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