

CMP: INR 659

Rating: Hold

Target Price: INR 704

Stock Info

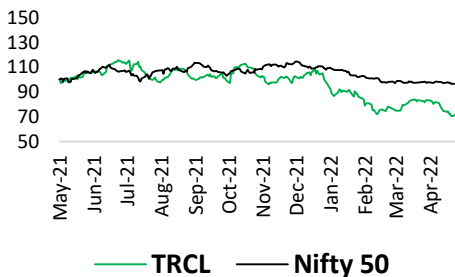
BSE	500260
NSE	RAMCOCEM
Bloomberg	TRCL IN
Reuters	TRCE.BO
Sector	Cement
Face Value (INR)	1
Equity Capital (INR mn)	236
Mkt Cap (INR mn)	15,5834
52w H/L (INR)	1,130/ 652
Avg. Yearly Vol (in 000')	520

Shareholding Pattern %

(As on March, 2022)

Promoters	42.33
Public & Others	57.67
Stock Performance (%)	1m 3m 12m
Ramco Cement	-18.6 -14.3 -32%
Nifty 50	-6% -0.7 6.1

Ramco Cement Vs Nifty 50



Ramco Cement Limited reported weak set of numbers in Q4FY22 Revenue from Operations grew by 4.8% YoY, and 10.3% QoQ to INR 17091 mn below our estimate INR 19971 mn. Sales Volume declined by 6% YoY and remain flat QOQ to 3.0 MMT below our estimate of 3,9 MMT. Volumes were impacted owing to weak pricing and subdued demand Realization/tonne grew by 11.8% YoY and 10.3% QoQ to INR 5697 above our expectation of INR 5121.

EBIDTA declined by 34% YoY and grew by 27% QoQ to INR 2950 mn below our estimates of INR 3272 mn. EBIDTA margin contracted by 1028 bps YoY and grew by 236 bps QoQ to 17.3%. Pressure on EBIDTA margin was mainly due to sharp increase in raw material fuel prices lower than expected volumes also put pressure on margin EBIDTA /ton declined by 30% YoY and grew by 27% QoQ to INR 983 above our expectation of INR 839. Owing to better than expected realization EBIDTA/ton came better than our estimate.

PAT declined by 42% YoY and grew by 50 % QoQ to INR 1240 mn below our expectation of INR 1495 mn led by poor operating performance and higher finance cost and depreciation cost on YoY basis

As per Section 115BAA in the Income Tax Act, 1961, the Company has an irrevocable option of shifting to a lower tax rate and simultaneously forgo certain tax incentives, deductions and accumulated MAT credit. In view of the overall tax benefits available under the said option, the company has opted for shifting to lower tax rate from the FY 2021-22. Consequently, the company is entitled to write-back the excess deferred tax provision of Rs.3055 Mn from Deferred Tax Liability to P&L during the CY, resultantly the profit after tax was higher by Rs.3055 mn during the CY

Outlook and Valuations

At a CMP of INR 659, stock is trading at an EV/EBIDTA multiple of 10.3(x) and 8.5 (x) and to its F23E and FY24E EBIDTA 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. Secondly, RCL's earnings profile would deteriorate with increasing exposure to low margin and volatile markets of AP/Telangana and East regions. We value the stock at 9 (x) EV/EBIDTA to its FY24E EBIDTA of INR 20991 Mn to arrive at a target price of INR 704 and we maintain Hold rating on the stock.

Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Shrey Gandhi

Shrey.gandhi@arihantcapital.com

022 4225 4865

Operational & Con-Call Highlights

- RCL, as per its 'right products for right applications' strategy, despatched negligible volumes in East India during Jan'22 owing to soft prices and subdued demand. However, demand recovered in Feb/Mar'22 and TRCL sold 1.215 mn ton of cement in Mar 22. Company expects 12-15% volume growth in FY23 with East to report robust demand.
- Power and fuel cost/te increased to Rs1,462/ton from Rs771/ton in Q4FY21 due to higher fuel prices. WHRS operations in JPM helped manage power cost better. Average fuel consumption/te was US\$199 while petcoke consumption in Q4FY22 at US\$248/ton in Mar'22; The current fuel consumption stands at US\$225/ton. TRCL maintains five months of fuel inventory. Further, management declined to comment on fuel inflation in Q1FY23 owing to volatility in commodity prices.
- Raw material price/te decreased to Rs844/te in Q4FY22 from Rs931/ton in Q4FY21 due to usage of purchased clinker in the previous year.
- RCL aims to expand the capacity of its dry mix products in Tamil Nadu, Odisha and Andhra Pradesh to produce high-value products, viz. water proofing and repair products, besides other regular dry mix products. The two units in Tamil Nadu will be commissioned in FY23 and the ones in Andhra Pradesh and Odisha in FY24.
- The third boiler in WHRS in Jayanthipuram has been commissioned in Apr'22 making the entire WHRS capacity of 27MW WHRS in Jayanthipuram fully operational and aiding moderation in the overall power & fuel cost to some extent.
- RCL aims to commission a new 1mte grinding unit in Karnataka by FY24 at a capex of ~Rs3.5bn. It also plans to set up a grinding unit in southeast Maharashtra; however, land for the same has been not finalised yet.
- Share of premium products in the mix stood at 22% during FY22 vs 18% YoY. Company aims to increase this to 30% by FY23.
- Windmill segment reported EBITDA loss of Rs25mn vs Rs58mn in Q4FY21.
- The cement grinding facility and the 6 MW of WHRS in Kurnool will be commissioned in Jun/Jul'22 taking the total installed capacity of cement to >20 mn tn. Remaining 6.15MW of WHRS and 18MW of TPP will be commissioned in Mar'23.
- Modernisation of the RR Nagar plant, along with limestone beneficiation plant, will be 'completed by' Mar'23.

Q4 FY22 - Quarterly Performance

(in INR Mn)

Particulars (INR Mn)	Q4FY22	Q3FY22	Q4FY21	Q-o-Q	Y-o-Y
Net Revenue	17,091	15,491	16,306	10.3%	4.8%
Material Cost	10,868	10,068	8,928	7.9%	21.7%
Employee Cost	943	1,057	947	-10.8%	-0.4%
Other Expenses	2,330	2,057	1,941	13.3%	20.0%
EBITDA	2,950	2,309	4,490	27.8%	-34.3%
<i>EBITDA Margin %</i>	<i>17.3%</i>	<i>14.9%</i>	<i>27.5%</i>	<i>236bps</i>	<i>-1028bps</i>
Other Income	99	68	99	45.6%	0.0%
Depreciation	1,075	992	958	8.4%	12.2%
EBIT	1,974	1,385	3,631	42.5%	-45.6%
Finance Cost	334	253	152	32.0%	119.7%
Exceptional Item	-	-	-	-	-
PBT	1,640	1,132	3,479	44.9%	-52.9%
Tax Expense	400	306	1,335	30.7%	-70.0%
Effective Tax Rate %	24.4%	27.0%	38.4%	-264bps	-1398bps
PAT	1,240	826	2,144	50.1%	-42.2%
<i>PAT Margin %</i>	<i>7.3%</i>	<i>5.3%</i>	<i>13.1%</i>	<i>192bps</i>	<i>(580) bps</i>
EPS (Rs)	6.0	3.0	9.0	100.0%	-33.3%

Source: Company Filings, Arianth Research

Valuations

INR Mn	FY24E
EV/EBITDA (x)	9.0
EBITDA	20991
EV	188915
Debt	41299
Cash	18338
Market Cap	165954
No shares	236
CMP (INR)	659
Target (INR)	704
Upside (%)	6.9%

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Key Financials

Income Statement

Y/E March (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Revenues	53,893	52,910	60,036	72,334	82,316
Change (%)	4.4%	-1.8%	13.5%	20.5%	13.8%
Total Expenses	42,419	37,337	47,136	53,888	61,325
EBITDA	11,474	15,573	12,900	18,445	20,991
Other Income	335	304	280	362	412
Depreciation	3,165	3,566	4,022	4,367	4,817
Interest	721	876	1,124	1,209	1,239
PBT	7,922	11,435	8,034	13,230	15,346
Extra-ordinary	0	0	0	0	0
PBT after ext-ord.	7,922	11,435	8,034	13,230	15,346
Tax	1,879	3,799	-894	3,969	4,604
Rate (%)	23.7%	20.0%	30.0%	30.0%	30.0%
PAT	6,044	7,636	8,928	9,261	10,742
MI & Associates	-3	201	-114	0	0
Consolidated PAT	6,041	7,837	8,814	9,261	10,742
Change (%)	18.3%	29.7%	12.5%	5.1%	16.0%

Source: Company, Arihant Research

Cash Flow Statement

Y/E March (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
PBT	7,922	11,435	8,034	13,230	15,346
Depreciation	3,165	3,566	4,022	4,367	4,817
Interest & others	389	371	958	847	827
Cash flow before WC changes	11,477	15,943	13,098	18,445	20,991
(Inc)/dec in working capital	916	5,068	-2,643	-649	455
Operating CF after WC changes	12,393	21,011	10,455	17,796	21,445
Less: Taxes	-1,879	-2,087	894	-3,969	-4,604
Operating Cash Flow	10,514	18,924	11,349	13,827	16,841
(Inc)/dec in F.A + CWIP	-17,508	-17,476	-18,255	-15,000	-15,000
(Pur)/sale of investment	-168	-315	99	0	0
Cash Flow from Investing	-17,676	-17,790	-18,156	-15,000	-15,000
Free Cash Flow (FCF)	-5,858	1,265	-3,651	-1,173	1,841
Loan raised/(repaid)	12,019	4,693	8,282	1,000	1,000
Equity raised	0	0	0	0	0
Interest & others	-567	-10,350	-421	6,502	8,796
Dividend	-589	-707	-707	-707	-707
Cash Flow from Financing Activities	10,862	-6,364	7,154	6,795	9,089
Net inc/(dec) in cash	-7	496	346	5,622	10,931
Opening balance of cash	948	942	1,438	1,785	7,407
Closing balance of cash	941	1,438	1,784	7,407	18,338

Source: Company, Arihant Research

Balance Sheet

Y/E March (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Sources of Funds					
Share Capital	236	236	236	236	236
Reserves & Surplus	49,778	57,081	65,950	73,743	83,778
Net Worth	50,014	57,317	66,185	73,978	84,014
Loan Funds	26,324	31,017	39,299	40,299	41,299
MI, Deferred Tax & other Liabilities	9,307	11,012	8,391	8,391	8,391
Capital Employed	85,725	99,425	1,14,076	1,42,461	1,52,899
Application of Funds					
Net Block	59,934	69,211	77,059	99,211	99,211
CWIP	18,964	24,125	31,011	31,011	31,011
Other Non-current Assets	3,915	3,552	3,463	3,463	3,463
Deferred Tax Assets	4	4	11	11	11
Net Fixed Assets	82,816	96,891	1,11,544	1,33,696	1,33,696
Investments	2,755	3,070	2,971	2,971	2,971
Debtors	5,276	3,759	3,507	4,162	4,736
Inventories	6,469	5,993	8,345	9,503	10,815
Cash & Bank Balance	942	1,438	1,785	7,407	18,338
Loans & Advances & other CA	3,071	3,398	3,437	5,821	6,355
Total Current Assets	15,757	14,589	17,074	26,894	40,244
Current Liabilities	15,070	14,479	16,725	20,150	22,931
Provisions	533	0	0	0	0
Net Current Assets	154	-535	-439	5,794	16,232
Total Assets	85,725	99,425	1,14,076	1,42,461	1,52,899

Key Ratios

Y/E March	FY20	FY21	FY22	FY23E	FY24E
Per share (INR)					
EPS	25.6	33.3	37.4	39.3	45.6
CEPS	39.1	48.4	54.5	57.8	66.0
BVPS	212.3	243.3	280.9	314.0	356.6
DPS	2.5	3.0	3.0	3.0	3.0
Div. Payout (%)	9.7%	9.0%	8.0%	7.6%	6.6%
Valuation (x)					
P/E	25.7	19.8	17.6	16.8	14.5
P/CEPS	16.9	13.6	12.1	11.4	10.0
P/BV	3.1	2.7	2.3	2.1	1.8
EV/EBITDA	15.7	11.9	14.9	10.2	8.5
Dividend Yield (%)	0.4%	0.5%	0.5%	0.5%	0.5%
Return Ratio (%)					
EBITDA Margin	21.3%	29.4%	21.5%	25.5%	25.5%
PAT Margin	11.2%	14.8%	14.7%	12.8%	13.0%
ROE	12.1%	13.7%	13.3%	12.5%	12.8%
ROCE	9.7%	12.1%	7.8%	9.9%	10.6%
Leverage Ratio (x)					
Total D/E	0.5	0.5	0.6	0.5	0.5
Net D/E	0.5	0.5	0.6	0.4	0.3
Turnover Ratios					
Asset Turnover (x)	0.6	0.5	0.5	0.5	0.5
Receivable Days	36	26	21	21	21
Payable days	102	100	102	102	102

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880