

The Ramco Cements



RESULT UPDATE

25th May 2022

The Ramco Cements Ltd.

Cost pressure continues, expect better performance ahead

CMP INR 659	Target INR 843	Potential Upside 28%	Market Cap (INR Mn) INR 1,55,835	Recommendation BUY	Sector Cement
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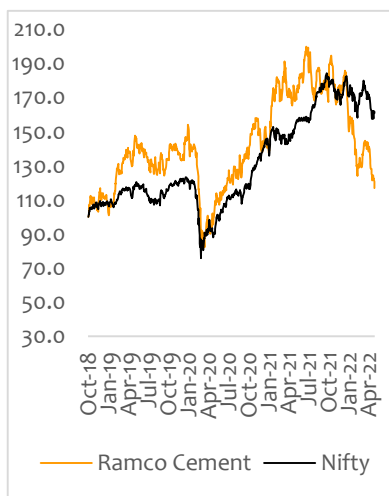
Result Highlights

- In Q4FY22, Ramco Cement's revenue grew 4.9% YoY/10.4% QoQ to INR 17,134 mn. Cement sales was mostly flat at 31.92 lac tons for Q4FY22, a decline of 1% YoY from 32.13 lac tons in Q4FY21.
- EBITDA has seen a decline of 34.3% YoY to INR 2,949 mn, though on QoQ basis EBITDA grew by 28.8%. EBITDA margin expanded by 247 bps QoQ to 17.2%, though on YoY basis margin suffered contraction to the tune of 1,027 bps.
- PAT has seen a growth of 56.8% QoQ to INR 1,186 mn, though on YoY basis PAT suffered a decline of 45.1%. PAT margin expanded by 205 bps QoQ to 6.9%. However, on YoY basis, margin suffered a contraction of 631 bps.

MARKET DATA

Shares outs (Mn)	236.3
Mkt Cap (INR Mn)	1,55,835
52 Wk H/L (INR)	1133/652
Volume Avg (3m K)	374
Face Value (INR)	1
Bloomberg Code	TRCL IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	54,053
NIFTY	16,125

SHARE HOLDING PATTERN (%)

Particulars	Mar-22 (%)	Dec-21 (%)	Sept-21 (%)
Promoters	42.3	42.5	42.5
FIIIs	7.6	8.1	8.7
DIIIs	36.0	35.7	31.7
Others	14.1	13.7	17.1
Total	100	100	100

KEY FINANCIALS

INR Mn	FY20	FY21	FY22	FY23E	FY24E
Revenue	53,893	52,910	60,037	68,055	77,449
EBITDA	11,474	15,573	12,901	13,868	17,456
PAT	6,051	7,843	8,820	6,651	9,120
Adj. PAT	6,051	7,843	5,741	6,651	9,120
Adj. EPS (INR)	25.7	33.2	24.3	28.1	38.6
EBITDA Margin	21.3%	29.4%	21.5%	20.4%	22.5%
Adj. NPM	11.2%	14.8%	9.6%	9.8%	11.8%

Source: Company, KRChoksey Research

Realisation improved despite flat volume growth

In Q4FY22, Ramco's cement sales volume was mostly flat at 3.19 mt, a decline of 0.6% YoY from 3.21 mt in Q4FY21. For FY22, sales volume was 11.05 mt against 9.98 mt in FY21, a growth of 11% YoY. The share of premium products stood at 22% for FY22 compared to 18% in FY21. Ramco took price hikes (INR 10-15/bag) during Q4FY22 and dispatched very low volumes to Eastern Region which is witnessing lower realisation amidst weak demand. Due to judicious sales mix and price hikes, realisation grew 5.2% YoY/3.6% QoQ to INR 5,322/t. Management has guided for 12-15% volume growth in FY23E, which will be supported by demand recovery in Eastern Region and higher utilisation from its Kurnool Plant.

Margin suffered due to steep rise in fuel costs

A sharp rise in input prices especially power and fuel costs (88.5% YoY/12.5% QoQ) had weighed on EBITDA. Ramco saw a decline of 34.3% YoY in Q4FY22 EBITDA to INR 2,949 mn, though on QoQ basis EBITDA grew by 28.8%. EBITDA margin expanded by 247 bps QoQ to 17.2%, though on YoY basis margin suffered contraction to the tune of 1,027 bps. On a per ton basis, Ramco's EBITDA/t suffered a decline of 33.9% YoY to INR 924, on account of 89.7% YoY rise in Power & Fuel Costs on per ton basis to INR 1,463. Though on QoQ basis EBITDA/t grew 21.1% despite 5.8% QoQ rise in Power & Fuel Cost on per ton basis, due to effective cost control measures by the company like use of WHRS (Waste Heat Recovery) operations in JPM, which has helped the company to manage power cost better.

Status of capacity expansion plans

The company has commenced trial production of clinker in Kurnool in May 2022. Cement grinding in Kurnool will be commissioned in June 2022. WHRS capacity of 6 MW in Kurnool will be commissioned in July 2022, while balance 6.15 MW will be commissioned in March 2023. Modernization of RRN Plant will be commissioned in March 2023. For Dry Mortar Plant, expansion of 2 units will be commissioned in FY23 and remaining 2 units will be commissioned in FY24. The company spent INR 4,290 mn in capex for Q4FY22, while total capex spend for FY22 stood at INR 18.2 bn.

13.6 %

Revenue CAGR between FY22 and FY24E

26.0 %

Adj. PAT CAGR between FY22 and FY24E

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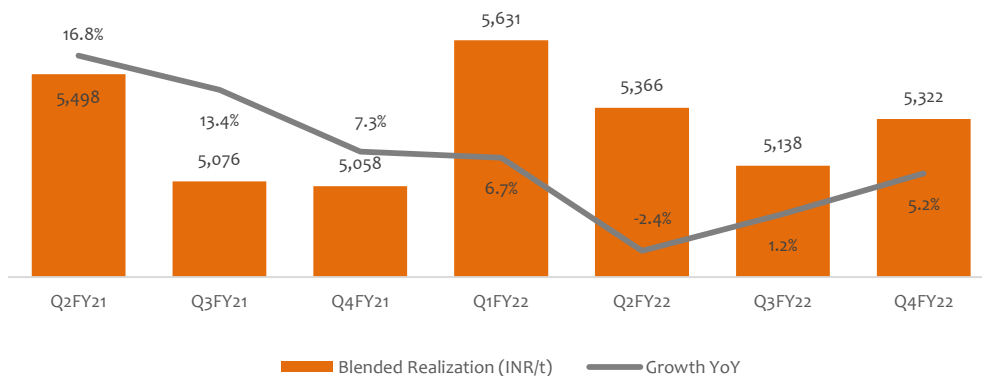
Key highlights of post-result conference call

- Share of premium products in the mix stood at 22% during FY22 as compared to 18% in FY21. Company aims to increase this to 30% by FY23. Ramco usually gets INR 200-300 more EBITDA/ton for its premium products.
- The company sold 1.215 mt of cement in Mar'22. Going forward Ramco expects 12-15% volume growth in FY23.
- Pet coke and coal prices have sharply increased during the quarter. For Q1FY23 the company is expecting a price of USD 225 for Pet Coke and USD 190 for coal price. For fuel they are using 100% pet coke. Current fuel price for company is around USD 220. Ramco Cement maintains five months of fuel inventory.
- Ramco's clinker capacity has gone up to 13.65 mt per annum.
- Gross debt at the of Q4FY22 stood at INR 39.3 bn with cash balance of INR 1.44 bn. The company aims to repay INR 5 bn (including INR 1.8 bn of working capital loan) of debt in FY23.
- The current cost of borrowings for the company stood at 5.54% against 6.6% YoY.
- The company commissioned its third boiler in WHRS in Jayanthipuram in April '22 making the entire WHRS capacity of 27 MW WHRS in Jayanthipuram fully operational. This will help in moderation in the overall power & fuel cost.

Valuation & View

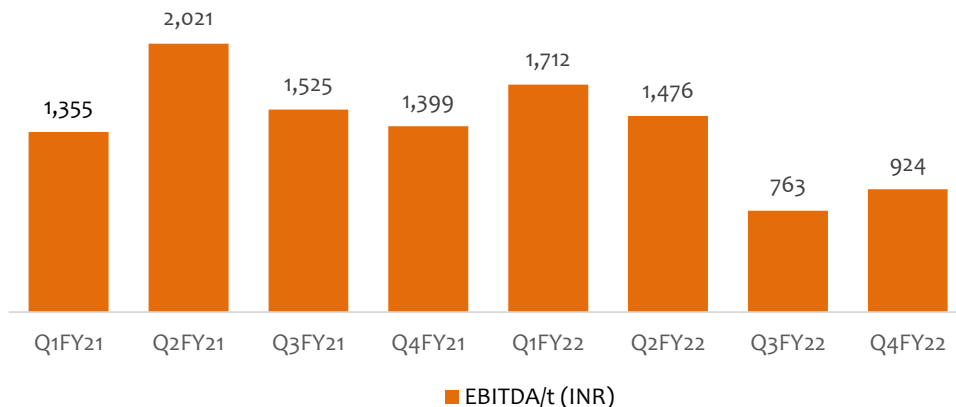
There have been sharp increase in the input cost, especially power & fuel costs, which have impacted the performance of the company. However, the company expects demand recovery in subsequent quarters and is on track with its expansion plans. After factoring in Q4FY22 results, we have revised our EBITDA margin estimates downwards for FY23E/FY24E from 22.6%/23.5% earlier to 20.4%/22.5% to factor in the sticky fuel price inflation. **At CMP of INR 659, the stock trades at 13.4x/10.6x its FY23E/FY24E EV/EBITDA. We now apply an EV/EBITDA multiple of 13x (earlier 14.5x) to FY24E EBITDA, which yields a target price of INR 843 per share (v/s previous TP of INR 1,019 per share), giving an upside of 28% over the CMP. Accordingly, we maintain our 'BUY' rating on the shares of Ramco Cements.**

Blended Realisation Trend over the Quarters



Source: Company, KRChoksey Research

EBITDA/t trend over the quarters



Source: Company, KRChoksey Research

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KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY 20	FY 21	FY22	FY23E	FY24E
Revenues	53,893	52,910	60,037	68,055	77,449
COGS	8,738	8,654	8,904	10,480	12,392
Gross profit	45,155	44,256	51,133	57,574	65,057
Employee cost	3,806	4,188	4,352	4,779	5,779
Transportation and Handling	11,377	10,260	12,143	13,747	15,877
Power and Fuel	10,509	7,947	13,888	16,333	16,264
Other Expenses	7,989	6,290	7,850	8,847	9,681
EBITDA	11,474	15,573	12,901	13,868	17,456
<i>EBITDA Margin</i>	21.3%	29.4%	21.5%	20.4%	22.5%
Depreciation & amortization	3,165	3,566	4,022	3,901	4,350
EBIT	8,309	12,008	8,878	9,966	13,106
Interest expense	721	876	1,124	1,590	1,500
Other income	335	304	280	454	517
Share of (loss) of associates and JV's	7	208	-109	61	69
Exceptional items loss (profit)	0	0	0	0	0
PBT	7,929	11,643	7,925	8,892	12,192
Income tax expense	1,879	3,799	-894	2,241	3,072
Minority Interest	9.3	6.9	4.7	3.5	4.9
PAT	6,051	7,843	8,820	6,651	9,120
Adj. PAT	6,051	7,843	5,741*	6,651	9,120
EPS (INR)	25.7	33.2	37.3	28.1	38.6
Adj. EPS (INR)	25.7	33.2	24.3	28.1	38.6

Source: Company, KRChoksey Research

*Adjusted for deferred tax reversal

Exhibit 2: Cash Flow Statement

INR Mn	FY 20	FY 21	FY22	FY23E	FY24E
Net Cash Generated From Operations	7,481	18,924	11,349	10,585	15,365
Net Cash Flow from/(used in) Investing Activities	(19,209)	(17,889)	(18,155)	(5,730)	(9,216)
Net Cash Flow from Financing Activities	11,936	(636)	7,154	(1,657)	(7,235)
Net Inc/Dec in cash equivalents	208	398	348	3,198	(1,087)
Opening Balance of cash & cash equivalents	580	639	1,081	1,462	4,659
Closing balance of cash equivalents	639	1,081	1,462	4,659	3,573
Cash and Cash Equivalents (BS)	639	1,081	1,462	4,659	3,573

Source: Company, KRChoksey Research

Exhibit 3: Key Ratios

Key Ratio	FY 20	FY 21	FY22	FY23E	FY24E
EBITDA Margin (%)	21.3%	29.4%	21.5%	20.4%	22.5%
Net Profit Margin (%)	11.2%	14.8%	14.7%	9.8%	11.8%
RoE (%)	12.7%	14.6%	14.3%	9.7%	12.2%
RoCE (%)	11.9%	14.3%	9.1%	9.4%	11.9%
Current Ratio (x)	0.7x	0.6x	0.6x	0.7x	0.7x

Source: Company, KRChoksey Research

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Exhibit 4: Balance Sheet

INR Mn	FY 20	FY 21	FY22	FY23E	FY24E
Current assets					
Inventories	6,469	5,993	8,345	9,188	9,846
Trade Receivables	5,276	3,759	3,507	4,102	4,244
Cash and Cash Equivalents	639	1,081	1,462	4,659	3,573
Other bank balances	302	357	323	323	323
Loans	298	277	136	154	176
Other financial assets	1,041	1,362	1,582	1,793	2,041
Current tax assets	28	11	7	7	7
Other current assets	1,703	1,748	1,712	1,940	2,208
Total current assets	15,757	14,589	17,074	22,168	22,417
Non-current assets					
Property, plant and equipment	58,464	67,761	75,755	76,933	80,906
Capital work in process	18,143	23,255	29,922	29,922	29,922
Investment property	1,470	1,450	1,304	1,478	1,682
Intangible assets	560	573	670	670	670
Intangible assets under development	261	297	419	419	419
Investments in associates	2,499	2,791	2,693	3,053	3,474
Other investments	256	279	278	315	359
Loan	281	431	662	751	854
Other financial assets	189	214	291	329	375
Deferred tax assets	4	4	9	9	9
Other non-current assets	3,445	2,907	2,510	2,845	3,237
Total non-current assets	85,571	99,960	1,14,510	1,16,722	1,21,905
TOTAL ASSETS	1,01,328	1,14,549	1,31,584	1,38,890	1,44,322
EQUITY AND LIABILITIES					
Current liabilities					
Borrowings	8,001	9,392	10,727	11,999	10,499
Trade Payables	3,430	3,645	4,907	5,168	6,790
Other financial liabilities	10,600	8,909	8,974	10,172	11,576
Other current liabilities	1,026	1,909	2,727	3,091	3,517
Provisions	293	324	376	426	485
Deferred Government Grants	14	14	14	0	0
Liabilities for Current tax	0	0	102	0	0
Total current liabilities	23,363	24,194	27,826	30,856	32,867
Non-current liabilities					
Borrowings	18,404	21,706	28,769	27,997	24,497
Provisions	240	321	413	413	413
Deferred tax liabilities	9,122	10,835	8,223	8,223	8,223
Deferred Government Grants	128	115	101	101	101
Total non-current liabilities	27,895	32,975	37,505	36,733	33,233
Equity					
Share capital	236	236	236	236	236
Other equity	49,778	57,081	65,950	70,994	77,910
Minority interest	56	63	68	71	76
Total Equity	50,070	57,380	66,254	71,301	78,222
Total liabilities and equity	1,01,328	1,14,549	1,31,584	1,38,890	1,44,322

Source: Company, KRChoksey Research

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The Ramco Cements Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
25-05-22	659	843	BUY	Buy	More than 15%
25-01-22	861	1,019	BUY		
26-10-21	1,015	1,176	BUY	Accumulate	5% – 15%
29-07-21	1,041	1,119	ACCUMULATE		
30-06-21	1,036	1,107	ACCUMULATE	Hold	0 – 5%
26-05-21	946	1,070	ACCUMULATE		
17-03-21	999	1021	HOLD	Reduce	-5% – 0
15-12-20	845	868	HOLD		
24-09-20	724	751	HOLD	Sell	Less than – 5%
20-08-20	702	751	ACCUMULATE		

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