

August 1, 2022

RESULT REPORT Q1 FY23 | Sector: Cement

The Ramco Cements

Higher East volumes aided margins

Result Synopsis

The Ramco Cements (TRCL) reported better-than-expected performance by posting EBITDA/te of Rs916 (v/s YSEC est. of Rs870) due to flat cost/te sequentially (5% lower than YSEC est.) in Q1FY23. Despite sequentially flat NSR (-7% y/y), the volume growth of 4% q/q (+55% y/y) resulted in revenue of Rs17.8bn (v/s YSEC est. of 16.7bn) in Q1FY23. Reported EBITDA/PAT stood at Rs3/1.1bn declined by 17/36% y/y due to surge in power & freight cost/te by +54% & 21% y/y respectively led jump in total cost/te by +10% y/y. Management expects ~12-15% of volume growth for this fiscal with the increasing utilization of the newly added capacity. With the newly added capacities in east, TRCL to diversify its geographical existence thereby increase share of blended cement (~74% as of Q1FY23). Although, TRCL increasing exposure to low realization markets (AP/Telangana & East) will softened its NSR outlook, but the increasing share of blended cement sales will continue to improve the cost structure. However, in a short run TRCL's margins will remained under pressure due to unprecedented surge in energy cost (blended fuel cost \$178/te as of Q1FY23) along with high exposure to the south (highly OPC) overcapacity & volatile demand market. We continue to like TRCL for its 1) strong retail presence in the south 2) low-cost cement producer - For Q1FY23 ~19% WHRS/renewable share 3) growth oriented - steadily increasing capacity share. We believe TRCL to generate healthy operating cash flow of Rs26.8bn and its fund ongoing capex (Rs8.5bn) and tends to deleverage its B/S (10bn) over FY23-24E would aid to lower the Net Debt/EBITDA to 1.3x by FY24E v/s 2.9x FY22. Thus, we retain our BUY recommendation with a TP of Rs1135, valuing the stock at 15x EV/EBITDA on the FY24E.

Result Highlights

- TRCL reported revenue of Rs17.8bn up by +4% q/q and +44% y/y (v/s YSEC est. of Rs16.7bn a beat of +6%) mainly due to strong volume growth of +4% q/q and +55% y/y to 3.31MT (v/s YSEC est. 3MT) in Q1FY23. NSR remained flat sequentially to Rs5376/te, while decline by 7% y/y (4% lower than YSEC est.) due to increasing east volumes share to +30% v/s ~18-20% in Q4FY22.
- Overall cost/te remained flat q/q (+10% y/y), while stood 5% lower than YSEC est. resulted in EBITDA/te beat of +5% to Rs916 translates in EBITDA of Rs3bn by 3% q/q (-17% y/y) in Q1FY23. EBITDA margins stood at 17% v/s YSEC est 15.6% in Q1FY23.
- TRCL reported PAT of Rs1.09bn (v/s YSEC est. of Rs0.95bn) decline by 8% q/q and 37% y/y due to increase in finance cost (+42% q/q and +95% y/y) on account of commissioning clinkering unit in JPM Line III.

Exhibit 1: Actual vs Estimates

Rs Mn	Actual	Estimate		% Variation		Remarks
		YSec	Consensus	YSec	Consensus	
Sales	17,794	16,722	16,220	6.4	9.7	Reported better-than-expected EBITDA/te, due to higher-than-expected volume and muted cost.
EBITDA	3,031	2,611	2,294	16.1	32.1	
Margin (%)	17.0	15.6	14.1	142 bps	289 bps	
Adj. PAT	1,092	953	1,431	14.7	(23.7)	

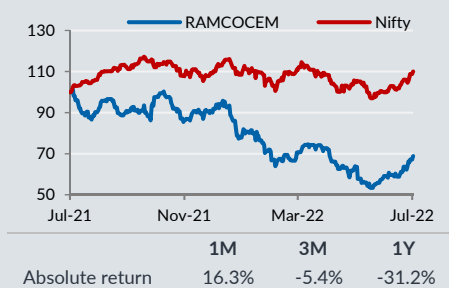
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 752
Target Price	: Rs 1135
Potential Return	: +51%

Stock data (as on August 1, 2022)

Nifty	17,340
52 Week h/l (Rs)	1120 / 576
Market cap (Rs/USD mn)	177715 / 2249
Outstanding Shares (mn)	236
6m Avg t/o (Rs mn):	338
Div yield (%):	0.4
Bloomberg code:	TRCL IN
NSE code:	RAMCOCEM

Stock performance



Shareholding pattern (As of Jun'22 end)

Promoter	42.3%
FII+DII	40.3%
Others	14.0%

Δ in earnings estimates

	FY23E	FY24E
EPS (New)	29.6	46.7
EPS (Old)	30.6	47.7
% change	-3%	-2%

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	6,982	11,003
Growth	12.5	(20.8)	57.6
EPS	37.3	29.6	46.7
ND/EBITDA	2.9	2.3	1.3
ROE	13.3	9.7	13.5
ROCE	7.8	8.8	12.7
EV/EBITDA	16.7	14.7	10.4

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Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs m)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	y/y (%)	q/q (%)	FY22	FY21	y/y (%)
Net Revenue	12,347	15,031	15,525	17,134	17,794	44.1	3.9	60,037	52,910	13.5
Total Expenses	8,682	11,033	13,236	14,185	14,763	70.0	4.1	47,136	37,337	26.2
COGS	1,490	2,140	2,576	2,080	1,938	30.0	(6.9)	8,286	7,035	17.8
Employee Expenses	1,094	1,143	1,121	993	1,130	3.3	13.8	4,352	4,188	3.9
Power & fuel	2,207	2,863	4,151	4,668	5,244	137.6	12.3	13,888	7,947	74.8
Freight Exp	2,297	3,003	3,342	4,119	4,301	87.2	4.4	12,761	11,878	7.4
Other Expenses	1,594	1,886	2,047	2,324	2,150	34.9	(7.5)	7,850	6,290	24.8
EBITDA	3,665	3,998	2,289	2,949	3,031	(17.3)	2.8	12,901	15,573	(17.2)
EBITDA (%)	29.7	26.6	14.7	17.2	17.0	(1265 bps)	(18 bps)	21.5	29.4	(795 bps)
D&A	959	989	996	1,079	1,068	11.3	(1.0)	4,022	3,566	12.8
Other Income	53	72	62	93	62	17.3	(32.9)	280	304	(7.8)
Interest Expense	243	294	253	334	475	95.4	42.1	1,124	876	28.3
Exceptional/EO items	-	-	-	-	-	-	-	-	-	-
Share JV/Associates	17	(24)	(52)	(50)	(40)	(344.8)	(18.9)	(109)	208	(152.5)
EBT	2,532	2,764	1,051	1,579	1,510	(40.4)	(4.4)	7,925	11,643	(31.9)
Tax	815	(2,404)	298	397	418	(48.7)	5.3	(894)	3,799	(125.3)
Reported PAT	1,717	5,168	752	1,183	1,092	(36.4)	(7.6)	8,820	7,843	12.4
Less: Minority Interest	2	9	(4)	(3)	2	(4.5)	(170.0)	5	7	(31.9)
Adj. PAT	1,715	5,158	756	1,186	1,090	(36.4)	(8.1)	8,815	7,836	12.5

Source: Company, YES Sec

Exhibit 3: Quarterly Operational Performance Analysis (Consolidated)

Particulars (Rs m)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	y/y (%)	q/q (%)	FY22	FY21	y/y (%)
Total Volumes (MMT)	2.1	2.7	3.0	3.2	3.3	54.6	3.7	11.0	10.0	10.7
NSR/te (Blended)	5,767	5,551	5,163	5,368	5,376	(6.8)	0.2	5,434	5,304	2.5
RM/te	696	790	857	652	585	(15.9)	(10.2)	750	705	6.3
Employees/te	511	422	373	311	341	(33.2)	9.7	394	420	(6.2)
Power/te	1,031	1,057	1,380	1,462	1,584	53.7	8.3	1,257	797	57.8
Freight/te	1,073	1,109	1,111	1,291	1,299	21.1	0.7	1,155	1,191	(3.0)
Others/te	744	696	681	728	650	(12.7)	(10.8)	711	630	12.7
Opex/te (Blended)	4,055	4,074	4,402	4,444	4,460	10.0	0.4	4,266	3,743	14.0
EBITDA/te (Blended)	1,712	1,476	761	924	916	(46.5)	(0.9)	1,168	1,561	(25.2)

Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

Demand & Volumes

- Management continued with its previous volume growth guidance of ~12-15% for FY23E.
- Volume share of east increased to +30% of the total volume v/s ~18-20% in Q4FY22.
- Share of premium product stood at 24% in Q1FY23 (~19% in Q1FY22) and going forward management expect premium product share to increase till ~30% in FY23E.
- Kurnool clinker capacity would ramp up production post the commissioning of its 1MTPA GU by Aug'22 (expected ~ 40-45% utilization rate initially and overall average for year likely to stand at ~70% for FY23E).

Pricing & Cost

- Price remained highly volatile during the quarter mainly due to high competition. Management expects that the price to improve going forward as every player in the industry across region witnessing the cost pressure.
- Management indicated that the pet coke cost steadily softening and with the better procurement deal the fuel consumption cost declined to \$178/te in Q1FY23 v/s \$199/te in Q4FY22 and \$170/te in Q3FY22.
- TRCL currently holding a fuel inventory for next 4month (incl. in-transit) and management guided that the power cost likely to increase by +5-6% q/q in Q2FY23.
- Management also indicated that the fuel cost steadily softening and the impact of this would reflect from Q3FY23 onwards.
- For Q1FY23 fuel-mix stood at 54% Pet coke, 30% imported coal and rest AFR.

CAPEX and Expansion Update

- For FY23-24E, management guided a CAPEX of Rs13.5bn in which Rs5bn would be the maintenance CAPEX.
- In Kurnool, trial production of clinker is going on and with this the clinker capacity has gone up to 13.65 MTPA. The cement grinding facility & 6MW of WHRS in Kurnool will be commissioned by Aug-22. After that, the installed capacity of cement will go past 20MTPA.
- And 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.
- Expansion of Dry Mortar Plant: 2 units will be commissioning in FY23E & remaining 2 units will be commissioned in FY24E.
- Management continues with its earlier proposed debt repayment of Rs5bn for FY23E.
- Presently, windfarms power is partly used for captive consumption and partly sold to the grid. While management guided that the steps are taken to use entire wind power for captive purpose to offset overall inflated power cost and increase the share of green energy by ~10%.

Exhibit 4: Annual Operational Performance Estimates (Consolidated)

Particulars (Rs m)	FY20	FY21	FY22	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

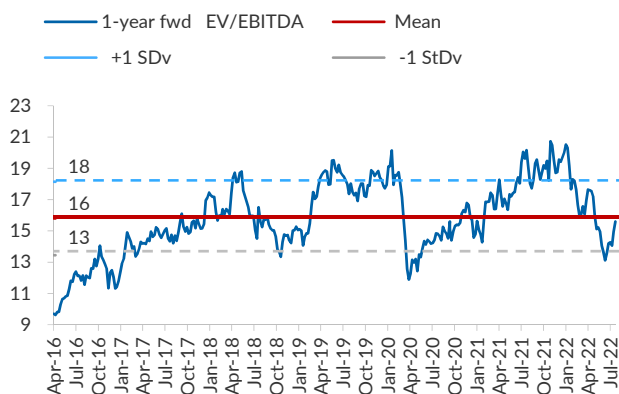
Source: Company, YES Sec

Exhibit 5: Key Estimate Revision (Consolidated)

Y/e 31 Mar	FY23E			FY24E		
(Rs m)	Old	New	Change	Old	New	Change
Revenues	70,351	70,351	0%	80,952	80,952	0%
EBITDA	14,312	14,312	0%	19,457	19,457	0%
PAT	7,217	6,982	-3%	11,245	11,003	-2%
EPS	30.6	29.6	-3%	47.7	46.7	-2%

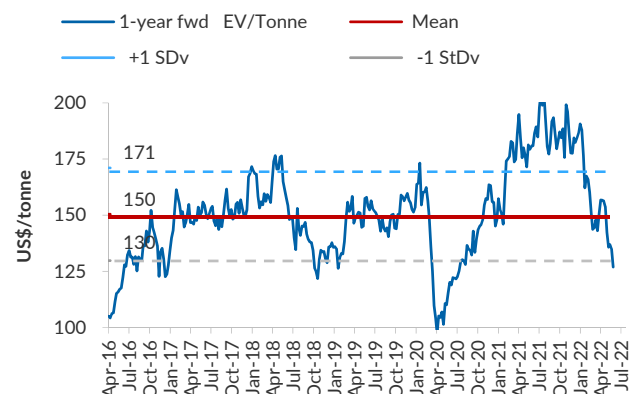
Source: Company, YES Sec

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	FY22	FY23E	FY24E
Equity capital	236	236	236	236	236
Reserves	49,778	57,081	65,950	71,754	81,406
Net worth	50,014	57,317	66,185	71,989	81,642
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	4,703	5,368
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	132,184	137,502
Assets					
Total Net Block	58,464	67,761	75,755	76,874	76,522
CWIP & Other Assets	20,434	25,574	32,313	32,430	32,515
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	8,057	9,379
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	998	4,626
Total Assets	101,328	114,549	131,585	132,184	137,502

Source: Company, YES Sec

Exhibit 9: Income statement (Consolidated)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22	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	4,164	4,167
PBIT	8,309	12,008	8,878	10,147	15,290
Interest expense	721	876	1,124	1,166	996
Other income	335	304	280	328	378
Profit before tax	7,922	11,435	8,034	9,309	14,671
Taxes	1,879	3,799	(894)	2,327	3,668
Minorities/Share from Associates	3	(201)	114	-	-
Exceptional items	-	-	-	-	-
Reported profit	6,041	7,836	8,815	6,982	11,003
Adj. Net profit	6,041	7,836	8,815	6,982	11,003

Source: Company, YES Sec

Exhibit 10: Cash Flow (Consolidated)

Y/e 31 Mar (Rs m)	FY20	FY21	FY22	FY23E	FY24E
Cash flow from operation	7,922	11,435	8,034	9,309	14,671
Profit before tax	3,165	3,566	4,022	4,164	4,167
Depreciation	(1,879)	(3,799)	894	(2,327)	(3,668)
Tax paid	729	2,495	1,495	(354)	(1,291)
Working capital Δ	(3)	201	(114)	-	-
Other operating items	9,936	13,897	14,332	10,792	13,879
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)	(3,743)	(4,340)	5,392	9,979
Cash flow from Financing activities					
Change in Equity & Reserves	(688)	176	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	(786)	3,628

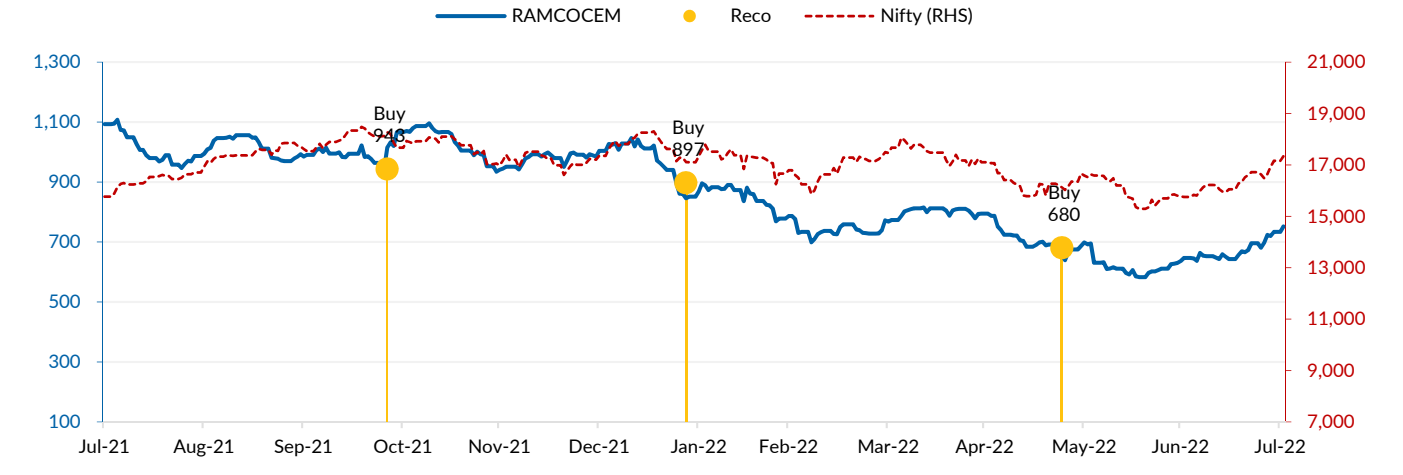
Source: Company, YES Sec

Exhibit 11: Growth and Ratio matrix (Consolidated)

Y/e 31 Mar	FY20	FY21	FY22	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
EBIT	12.3	42.4	(25.6)	14.4	49.6
PBT	10.3	44.3	(29.7)	15.9	57.6
EPS	18.3	29.5	12.6	(20.8)	57.6
Profitability ratios (%)					
EBITDA (%)	21.3	29.4	21.5	20.3	24.0
EBIT (%)	16.0	23.3	15.3	14.9	19.4
PAT (%)	11.2	14.8	14.7	9.9	13.6
ROCE	12.4	14.6	9.4	10.1	14.7
ROE	12.7	14.6	14.3	10.1	14.3
ROA	6.6	7.3	7.2	5.3	8.2
Per share ratios (Rs)					
EPS	25.6	33.2	37.4	29.6	46.7
DPS	2.5	3.0	3.0	5.0	5.7
Cash EPS	12.2	18.1	20.3	12.0	29.0
BVPS	212	243	281	306	347
Payout (%)					
Dividend payout	11.8	9.0	8.0	16.9	12.3
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	9.0	15.7
Net D/E	0.35	0.35	0.40	0.31	0.17
Net Debt/EBITDA	2.21	1.90	2.91	2.33	1.27

Source: Company, YES Sec

Recommendation Tracker



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The Ramco Cements

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

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