

Ramco Cements

Refer to important disclosures at the end of this report

Higher costs impact margins; leverage increases

- Ramco Cements' (Ramco's) Q2FY23 EBITDA declined 53% YoY and 39% QoQ to Rs1.8bn, clocking 14-17% below Consensus' and our estimates due to higher-than-expected input costs. Accordingly, blended EBITDA/ton declined 62% YoY and 39% QoQ to Rs555 (Emkay est.: Rs700). The company has revised its capex guidance upward, to Rs26bn for FY23-24 (vs ~Rs14bn earlier) owing to preparatory work for a second line in Kurnool, expansion of its Odisha grinding unit, and capex in the RR Nagar modernization & beneficiation plant, mining land development, etc. Consol. FCF generation stood at a negative Rs9.7bn in H1FY23 post working-capital blockage of Rs4bn and capex of ~Rs10bn. Hence, net debt increased by Rs10bn to Rs47bn, as of Sep-22. Factoring-in the Q2 miss and the higher opex/ton, we reduce EBITDA for FY23E by 13% and for FY24-25E by 3%. Further, building-in higher capex and increase in leverage, we revise our Sep-23E TP to Rs670 (Rs710 earlier). Our DCF-based TP implies 1-yr forward EV/EBITDA of 11x; maintain HOLD.**
- Results Summary:** Volumes sharply increased by 22% YoY (were flat QoQ) to 3.3mt, coming in ~4% above our estimate. Cement realization/ton was flat QoQ/declined ~1% YoY to Rs5,297 (Emkay est: Rs5,199). Total cost/ton increased by 19% YoY/9% QoQ to Rs4,385 (Emkay est.: Rs4,629) owing to higher-than-expected increase in input cost. Raw material costs include an impact of ~Rs55/ton, which is for usage of clinker in TN units received from AP units during Q2FY23, in view of maintenance of the TN units. In H1FY23, Company generated negative FCF of Rs9.7bn, post working capital blockage of Rs4bn and capex spend of Rs9.9bn. Net debt increased by Rs6bn QoQ to Rs47bn, as of Sep-22. **What we liked:** Better volume & realization growth. **What we did not like:** Higher cost pressure and increase in leverage.
- Earnings-call KTAs:** 1) Cement prices have increased by Rs10-25/bag in Oct-22 across key South markets (except Andhra Pradesh). For Nov-22, Company attempted price hikes of Rs5-15/bag, although absorption is yet to seen. 2) The company has revised upward its capex guidance to Rs26bn for FY23-24 (vs ~Rs14bn earlier) owing to preparatory work for a second line in Kurnool, expansion of its Odisha grinding unit, capex in the RR Nagar modernization & beneficiation plant for mining land, development, etc. Capex for H1FY23 stood at Rs9.9bn. 3) The 1.5mt cement grinding unit in Kolimigundla, AP was commissioned in Sep-22. Modernization of the RR Nagar plant is expected to be complete before Mar-23. The 0.9mt grinding unit in Haridaspur, Odisha is likely to be commissioned in coming 9-12 months at a capex of Rs1.3bn (Company has embarked on the Odisha expansion, as existing capacity is operating at almost full utilization). Management expects post-tax RoCE of at least 15-16% on new project capex. 4) Debt is likely to remain at broadly similar levels, of Rs47bn by FY23-end. 5) Management expects fuel cost to reduce in Q3FY23 and reach Q2FY23-levels by Q4FY23. 6) Limestone auction in Tamil Nadu has been put on hold. 7) Trade sales declined 100bps QoQ to 69%.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Cement & Building Materials \(Page 7\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	52,910	60,037	72,882	85,640	97,321
EBITDA	15,573	12,901	10,335	16,584	19,266
EBITDA Margin (%)	29.4	21.5	14.2	19.4	19.8
APAT	8,024	8,815	2,633	6,622	8,592
EPS (Rs)	34.0	37.3	11.1	28.0	36.4
EPS (% chg)	32.7	9.7	(70.1)	151.5	29.8
ROE (%)	15.0	14.3	3.9	9.3	11.0
P/E (x)	20.7	18.9	63.2	25.1	19.4
EV/EBITDA (x)	12.6	15.3	19.9	13.0	11.1
P/BV (x)	2.9	2.5	2.4	2.2	2.0

Source: Company, Emkay Research

CMP	Target Price
Rs 704 as of (November 9, 2022)	Rs 670 (▼) 12 months
Rating	Upside
HOLD (■)	(4.9) %

Change in Estimates

EPS Chg FY23E/FY24E (%)	(39)/(10)
Target Price change (%)	(5.6)
Target Period (no. of months)	12
Previous Reco	HOLD

Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	11.1	28.0
Consensus	21.2	35.5
Mean Consensus TP (12M)	Rs 783	

Stock Details

Bloomberg Code	TRCL IN
Face Value (Rs)	1
Shares outstanding (mn)	236
52 Week H/L	1,107 / 575
M Cap (Rs bn/USD bn)	166 / 2.04
Daily Avg Volume (nos.)	534,022
Daily Avg Turnover (USD mn)	4.9

Shareholding Pattern Sep '22

Promoters	42.3%
FIIIs	6.6%
DIIIs	33.8%
Public and Others	17.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	(7)	(2)	(35)
Rel. to Nifty	(9)	(10)	(12)	(35)

Relative price trend



Source: Bloomberg

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Quarterly Highlights

Exhibit 1: Actual vs. Estimates (Q1FY23)

(Rs mn)	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Sales	17,797	16,830	16,230	5.7	9.7	Led by higher-than-expected volumes
EBITDA	1,838	2,221	2,135	(17.2)	(13.9)	Owing to higher-than-expected costs
Adj PAT	115	549	388	(79.1)	(70.4)	Led by lower EBITDA, higher finance costs and depreciation
Volume (mt)	3.3	3.2		4.4		
Cement Realization (Rs/ton)	5,297	5,199		1.9		
EBITDA (Rs/ton)	555	700		(20.7)		

Source: Company, Bloomberg, Emkay Research

Exhibit 2: Quarterly financial highlights (Standalone)

(Rs mn)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	YoY (%)	QoQ (%)	H1FY22	H1FY23	YoY (%)
Net Sales	14,865	15,453	17,004	17,682	17,797	19.7	0.6	27,110	35,479	30.9
Other operating income	66	38	87	43	47	(29.3)	9.4	108	89	(17.3)
Revenue	14,931	15,491	17,091	17,725	17,844	19.5	0.7	27,218	35,569	30.7
Expenditure	10,993	13,182	14,140	14,718	16,006	45.6	8.7	19,640	30,724	56.4
Total RM	2,140	2,576	2,698	2,642	2,698	26.1	2.1	3,630	5,339	47.1
Power and Fuel	2,863	4,151	4,668	5,244	6,664	132.8	27.1	5,069	11,908	134.9
Freight	3,003	3,342	3,502	3,598	3,481	15.9	(3.3)	5,301	7,078	33.5
Staff cost	1,096	1,057	943	1,082	1,121	2.3	3.6	2,145	2,203	2.7
Other expenditure	1,892	2,057	2,330	2,153	2,042	7.9	(5.1)	3,495	4,195	20.1
EBITDA	3,938	2,309	2,951	3,007	1,838	(53.3)	(38.9)	7,578	4,845	(36.1)
Depreciation	985	992	1,075	1,064	1,216	23.4	14.3	1,941	2,280	17.4
EBIT	2,953	1,317	1,876	1,943	622	(78.9)	(68.0)	5,637	2,565	(54.5)
Other Income	79	68	99	69	88	11.8	28.1	139	157	13.2
Interest	294	253	334	475	551	87.2	15.9	537	1,025	90.9
PBT	2,738	1,132	1,641	1,537	160	(94.1)	(89.6)	5,239	1,697	(67.6)
Total Tax	587	306	400	414	46	(92.2)	(89.0)	1,398	460	(67.1)
Adjusted PAT	2,152	826	1,241	1,123	115	(94.7)	(89.8)	3,841	1,237	(67.8)
PAT after MI	2,152	826	1,241	1,123	115	(94.7)	(89.8)	3,841	1,237	(67.8)
Extra ordinary items	3,019	-	-	-	-			3,019	-	
Reported PAT	5,171	826	1,241	1,123	115	(97.8)	(89.8)	6,861	1,237	(82.0)
Adjusted EPS (Rs)	9.1	3.5	5.3	4.8	0.5	(94.7)	(89.8)	16.3	5.2	(67.8)

Source: Company, Emkay Research

Margins (%)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	YoY (bps)	QoQ (bps)	H1FY22	H1FY23	YoY (%)
EBITDA	26.4	14.9	17.3	17.0	10.3	(1,608)	(666)	27.8	13.6	(1,422)
EBIT	19.8	8.5	11.0	11.0	3.5	(1,629)	(747)	20.7	7.2	(1,350)
EBT	18.3	7.3	9.6	8.7	0.9	(1,744)	(777)	19.2	4.8	(1,448)
PAT	14.4	5.3	7.3	6.3	0.6	(1,377)	(569)	14.1	3.5	(1,063)
Effective Tax rate	21.4	27.1	24.4	27.0	28.4			26.7	27.1	

Source: Company, Emkay Research

Exhibit 3: Quarterly analysis on per ton basis

(Rs/ton)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	YoY (%)	QoQ (%)	H1FY22	H1FY23	YoY (%)
Cement volumes (mt)	2.7	3.0	3.2	3.3	3.3	22.1	-	4.9	6.6	36.5
Cement Realization	5,362	5,126	5,318	5,285	5,297	(1.2)	0.2	5,480	5,291	(3.4)
Blended Realization	5,485	5,139	5,327	5,342	5,377	(2.0)	0.6	5,588	5,359	(4.1)
Raw Material	790	857	845	798	815	3.2	2.1	748	807	7.8
Power and Fuel	1,056	1,380	1,462	1,584	2,013	90.6	27.1	1,045	1,799	72.1
Freight	1,108	1,111	1,097	1,087	1,052	(5.1)	(3.3)	1,093	1,069	(2.1)
Staff cost	404	351	295	327	339	(16.2)	3.6	442	333	(24.7)
Other expenditure	698	684	730	650	617	(11.6)	(5.1)	720	634	(12.0)
Operating cost	4,056	4,384	4,430	4,447	4,835	19.2	8.7	4,049	4,641	14.6
Other operating income	24	12	27	13	14	(42.2)	9.4	22	14	(39.4)
Cement EBITDA	1,350	774	932	867	492	(63.6)	(43.3)	1,493	680	(54.5)
Blended EBITDA	1,453	768	925	908	555	(61.8)	(38.9)	1,562	732	(53.2)

Source: Company, Emkay Research

Exhibit 4: We have cut FY23E EBITDA by 13% and FY24-FY25E EBITDA by ~3%

Y/E Mar (Rs mn)	FY23E			FY24E			FY25E		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	70,075	72,882	4.0	83,750	85,640	2.3	95,171	97,321	2.3
EBITDA	11,935	10,335	(13.4)	17,064	16,584	(2.8)	19,754	19,266	(2.5)
PAT	4,279	2,633	(38.5)	7,393	6,622	(10.4)	9,335	8,592	(8.0)

Source: Emkay Research

Exhibit 5: We maintain HOLD, with TP of Rs670/share, based on Sep-24E EV/EBITDA, backed by DCF-based analysis

EV/E methodology, backed by DCF analysis	(Rs bn)
Sep-24E EBITDA	18
Implied EV/E (x)	11
EV	205
Net debt (Sep-23E)	46
Equity value	158
No. of shares (mn)	236
Sep-23 Target Price (Rs/share)	670

Source: Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	52,910	60,037	72,882	85,640	97,321
Expenditure	37,337	47,136	62,547	69,056	78,055
EBITDA	15,573	12,901	10,335	16,584	19,266
Depreciation	3,566	4,022	4,729	5,399	5,711
EBIT	12,008	8,878	5,607	11,185	13,555
Other Income	304	280	328	331	331
Interest expenses	876	1,124	2,222	2,414	2,121
PBT	11,435	8,034	3,712	9,102	11,765
Tax	3,611	(894)	965	2,367	3,059
Extraordinary Items	(188)	0	0	0	0
Minority Int./Income from Assoc.	201	(114)	(114)	(114)	(114)
Reported Net Income	7,836	8,815	2,633	6,622	8,592
Adjusted PAT	8,024	8,815	2,633	6,622	8,592

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	236	236	236	236	236
Reserves & surplus	57,081	65,950	68,319	74,279	82,012
Net worth	57,317	66,186	68,556	74,515	82,248
Minority Interest	63	68	68	68	68
Loan Funds	31,017	39,300	50,163	46,947	38,469
Net deferred tax liability	10,831	8,212	8,212	8,212	8,212
Total Liabilities	99,228	1,13,766	1,26,999	1,29,743	1,28,997
Net block	68,630	76,843	1,11,865	1,21,829	1,20,260
Investment	4,519	4,275	4,519	4,519	4,519
Current Assets	18,141	20,536	26,045	26,419	29,241
Cash & bank balance	1,438	1,785	1,885	1,293	2,295
Other Current Assets	3,110	3,294	3,294	3,294	3,294
Current liabilities & Provision	15,316	17,809	22,872	24,106	26,105
Net current assets	2,825	2,727	3,173	2,313	3,137
Misc. exp	0	0	0	0	0
Total Assets	99,228	1,13,766	1,26,999	1,29,743	1,28,997

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	11,435	8,034	3,270	8,658	11,320
Other Non-Cash items	67	(82)	0	0	0
Chg in working cap	5,068	(163)	(346)	267	179
Operating Cashflow	18,923	11,349	8,910	14,371	16,273
Capital expenditure	(17,659)	(18,106)	(17,515)	(9,003)	(4,142)
Free Cash Flow	1,264	(6,757)	(8,605)	5,368	12,130
Investments	(310)	(226)	0	0	0
Other Investing Cash Flow	99	97	0	0	0
Investing Cashflow	(17,790)	(18,157)	(17,187)	(8,672)	(3,811)
Equity Capital Raised	16	23	0	0	0
Loans Taken / (Repaid)	754	8,257	10,864	(3,216)	(8,478)
Dividend paid (incl tax)	(708)	0	(263)	(662)	(859)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(636)	7,154	8,378	(6,292)	(11,459)
Net chg in cash	497	346	101	(593)	1,002
Opening cash position	941	1,438	1,785	1,885	1,293
Closing cash position	1,438	1,785	1,885	1,293	2,295

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	29.4	21.5	14.2	19.4	19.8
EBIT Margin	22.7	14.8	7.7	13.1	13.9
Effective Tax Rate	31.6	(11.1)	26.0	26.0	26.0
Net Margin	14.8	14.9	3.8	7.9	8.9
ROCE	13.1	8.6	4.9	9.0	10.7
ROE	15.0	14.3	3.9	9.3	11.0
RoIC	12.1	13.4	4.3	7.0	8.2

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	34.0	37.3	11.1	28.0	36.4
CEPS	49.1	54.3	31.2	50.9	60.5
BVPS	243.0	280.1	290.1	315.3	348.1
DPS	3.0	3.0	1.1	2.8	3.6

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	20.7	18.9	63.2	25.1	19.4
P/CEPS	14.3	13.0	22.6	13.8	11.6
P/BV	2.9	2.5	2.4	2.2	2.0
EV / Sales	3.7	3.4	3.0	2.5	2.1
EV / EBITDA	12.6	15.3	19.9	13.0	11.1
Dividend Yield (%)	0.4	0.4	0.2	0.4	0.5

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	0.5	0.6	0.7	0.6	0.4
Net Debt/EBIDTA	1.9	2.9	4.7	2.8	1.9
Working Cap Cycle (days)	9.6	5.7	6.5	4.4	3.2

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	(1.8)	13.5	21.4	17.5	13.6
EBITDA	35.7	(17.2)	(19.9)	60.5	16.2
EBIT	44.5	(26.1)	(36.9)	99.5	21.2
PAT	29.7	12.5	(70.1)	151.5	29.8

Quarterly (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q2FY23	Q2FY23
Revenue	14,931	15,491	17,091	17,725	17,844
EBITDA	3,938	2,309	2,951	3,007	1,838
EBITDA Margin (%)	26.4	14.9	17.3	17.0	10.3
PAT	2,152	826	1,241	1,123	115
EPS (Rs)	9.1	3.5	5.3	4.8	0.5

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Promoters	42.5	42.5	42.3	42.3	42.3
FIIIs	8.7	8.2	7.6	6.9	6.6
DIIIs	31.7	32.3	32.6	33.4	33.8
Public and Others	17.1	17.1	17.4	17.4	17.3

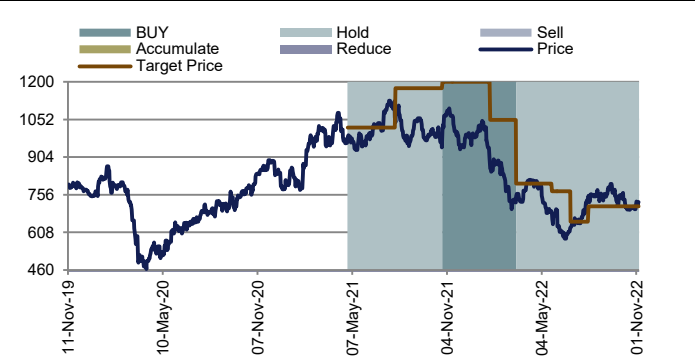
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
05-Nov-22	727	710	12m	Hold	Dharmesh Shah
04-Oct-22	757	710	12m	Hold	Dharmesh Shah
04-Sep-22	748	710	12m	Hold	Dharmesh Shah
01-Aug-22	752	710	12m	Hold	Dharmesh Shah
04-Jul-22	645	650	12m	Hold	Dharmesh Shah
28-Jun-22	628	650	12m	Hold	Dharmesh Shah
23-May-22	680	770	12m	Hold	Dharmesh Shah
16-Mar-22	750	800	12m	Hold	Dharmesh Shah
25-Jan-22	861	1,050	12m	Buy	Dharmesh Shah
31-Dec-21	1,004	1,200	12m	Buy	Dharmesh Shah
02-Dec-21	951	1,200	12m	Buy	Dharmesh Shah
26-Oct-21	1,015	1,200	12m	Buy	Dharmesh Shah
05-Sep-21	1,047	1,175	12m	Hold	Dharmesh Shah
28-Jul-21	1,041	1,175	12m	Hold	Dharmesh Shah
06-Jun-21	987	1,020	12m	Hold	Dharmesh Shah
25-May-21	946	1,020	12m	Hold	Dharmesh Shah
28-Apr-21	979	1,020	12m	Hold	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Cement & Building Materials



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Sector

Cement & Building Materials

Analyst bio

Dharmesh is a CA and has around 10 years of experience in equity research. His team currently covers ten stocks in cement sector.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Cement & Building Materials	2.28	2.28	0%	0	100.00	
ACC	0.19	0.19	0%	0	8.52	0
Ambuja Cements	0.38	0.38	-2%	-1	16.59	0
Birla Corporation	0.00	0.00	NA	0	0.00	0
Dalmia Bharat	0.13	0.07	-48%	-6	2.99	0
Grasim Industries*	0.62	0.62	0%	0	27.04	0
JK Cement	0.00	0.04	NA	4	1.96	0
Ramco Cements	0.00	0.00	NA	0	0.00	0
Shree Cements	0.21	0.21	0%	0	9.24	0
Star Cement	0.00	0.00	NA	0	0.00	0
Ultratech Cement	0.74	0.77	3%	2	33.66	0
Cash	0.00	0.00	NA	0	0.00	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	8-Nov-21	9-May-22	8-Aug-22	7-Oct-22	7-Nov-22
EAP - Cement & Building Materials	100.0	194.4	155.5	160.2	165.7	180.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	186.8	148.9	153.3	160.1	174.3

*Performance measurement base date 1st April 2019

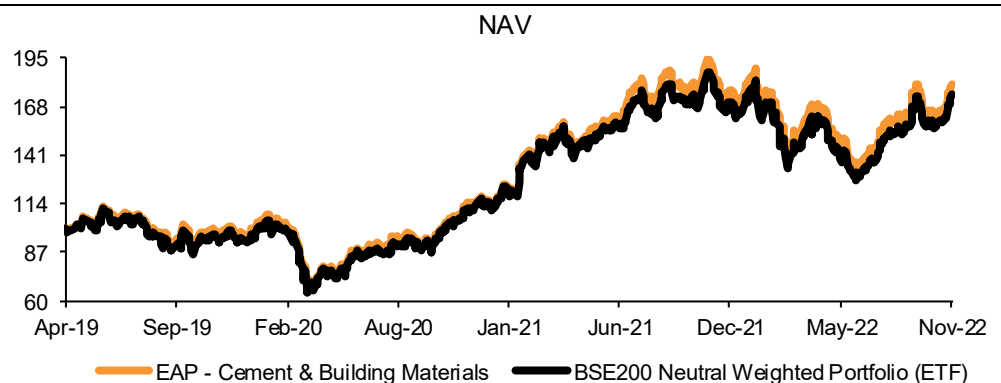
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Cement & Building Materials	8.6%	12.3%	15.8%	-7.4%
BSE200 Neutral Weighted Portfolio (ETF)	8.9%	13.7%	17.1%	-6.7%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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