

February 7, 2023

**RESULT REPORT Q3 FY23** | Sector: Cement

# The Ramco Cements

## Revenue/EBITDA beat; higher depreciation & finance cost dragged PAT

### Result Synopsis

The Ramco Cements (TRCL) reported mixed bag performance; Where revenue/EBITDA came +3/9% above YSECe to Rs20.1/2.83bn (+30/24% y/y) but Adj. PAT missed by 13% to Rs516mn (-32% y/y) due to higher depreciation & finance cost. Volume witnessed a growth of +19% y/y to 3.57MT (v/s 3.52MT YSECe). Net realization grew by +9% y/y, mitigated total cost/te increase of +10% y/y which resulted in EBITDA/te of Rs793 (v/s Rs740/te YSECe) up by +4%y/y. Power cost/te remained elevated by 43% y/y but witnessed marginal decline of 2% q/q to Rs1967/te (Rs1858/te 9MFY23) in Q3FY23.

On account of improving utilization of newly added capacities, we expect volume to grow at ~14% CAGR over FY23-25E whereas upcoming election year to fuel the demand further. Given the ongoing energy cost correction and increasing operating leverage, we believe operating efficiency to improve steadily to +Rs1000/te by FY25E (v/s Rs759/te in 9MFY23). However, high exposure to the fragmented south market with higher OPC sales & volatile demand will keep operating efficiencies under check in the short run. We remain POSITIVE on TRCL for its 1) strong retail presence in the south 2) low-cost cement producer 3) steadily increasing capacity share. Additionally, we expect TRCL to generate OCF of ~Rs30.7bn over FY23-25E will aid to fund the capex partly. Hence, net debt/EBITDA to remain elevated close to ~2.5x till FY25E and expected to lower the profitability due to higher interest outgo. At CMP, stock trades at 20/12x EV/EBITDA on FY24/25E. We rolled our estimate to FY25 and arrived at a Target Price of Rs931 with a BUY rating, valuing the stock at 15x EV/EBITDA on FY25E.

### Result Highlights

- Both volume & NSR came 1% above YSECe, increased by +19% & +9% y/y (8% & 4% q/q) translates in revenue growth of 30% y/y and 12% q/q to Rs20.1bn (v/s Rs19.6bn YSECe)
- TRCL delivered in-line total cost/te up by +10% y/y and flat q/q resulted in EBITDA of Rs793/te (v/s YSECe of Rs740/te)
- Power cost/te remained elevated by 43% y/y but witnessed marginal decline of 2% q/q to Rs1967/te (Rs1858/te 9MFY23) in Q3FY23.
- EBITDA came in at Rs2.83bn (9% above YSECe) increased by +24% y/y and +51% q/q with EBITDA margins of 14.1% in Q3FY23 v/s 14.7% in Q3FY22
- On account of higher-than-expected depreciation and finance cost, the Adj. PAT missed by 13% to Rs516mn v/s 31mn in Q2FY23 but declined by 32% y/y.

### Exhibit 1: Actual vs estimates

Rs Mn	Actual	Estimate		% Variation		Remarks
		YSec	Consensus	YSec	Consensus	
Sales	20,116	19,620	18,778	2.5	7.1	Topline as expected, while depreciation & interest cost dragged PAT below expectation
EBITDA	2,831	2,607	2,424	8.6	16.8	
Margin (%)	14.1	13.3	12.9	78 bps	116 bps	
Adj. PAT	512	588	485	(13.0)	5.6	

Source: Company, YES Sec

Reco	: <b>BUY</b>
CMP	: Rs 701
Target Price	: Rs 931
Potential Return	: +33%

### Stock data (as on Feb 7, 2023)

Nifty	17,722
52 Week h/l (Rs)	898 / 576
Market cap (Rs/USD mn)	161506 / 1953
Outstanding Shares (mn)	236
6m Avg t/o (Rs mn):	356
Div yield (%):	0.4
Bloomberg code:	TRCL IN
NSE code:	RAMCOCEM

### Stock performance



### Shareholding pattern (As of Dec'22 end)

Promoter	42.3%
FII+DII	42.8%
Others	14.9%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	931	956

### Δ in earnings estimates

	FY23E	FY24E
EPS (New)	12.2	25.7
EPS (Old)	12.7	34.0
% Change	-4%	-24%

### Financial Summary

(Rs mn)	FY23E	FY24E	FY25E
Revenue	76,892	89,139	90,673
Growth	28.1	15.9	1.7
EBITDA	10,798	16,153	17,573
Margin	14.0	18.1	19.4
Adj PAT	2,889	6,067	7,212
Growth	(67.2)	110.0	18.9
EPS	12.2	25.7	30.5
ND/EBITDA	4.4	3.2	2.5
ROE	4.2	8.2	9.0
ROCE	4.7	7.7	8.9
EV/EBITDA	19.5	13.3	11.8

### ABHISHEK LODHIYA

Lead Analyst

abhishek.lodhiya@ysil.in

+91 22 6885 0521


**SONU UPADHYAY**, Associate

## Exhibit 2: Quarterly snapshot (Console)

Particulars (Rs m)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	y/y (%)	q/q (%)	FY22	FY21	y/y (%)
Net Revenue	15,525	17,134	17,794	17,937	20,116	29.6	12.1	60,037	52,910	13.5
Total Expenses	13,236	14,185	14,763	16,060	17,285	30.6	7.6	47,136	37,337	26.2
COGS	2,091	2,080	1,938	2,135	2,781	33.0	30.3	7,155	7,035	1.7
Employee Expenses	1,121	993	1,130	1,181	1,191	6.2	0.9	4,352	4,188	3.9
Power & fuel	4,151	4,668	5,244	6,664	7,023	69.2	5.4	13,888	7,947	74.8
Freight Exp	3,826	4,119	4,301	4,043	3,957	3.4	(2.1)	13,892	11,878	17.0
Other Expenses	2,047	2,324	2,150	2,038	2,333	14.0	14.5	7,984	6,378	25.2
EBITDA	2,289	2,949	3,031	1,877	2,831	23.6	50.8	12,901	15,573	(17.2)
EBITDA (%)	14.7	17.2	17.0	10.5	14.1	(67 bps)	361 bps	21.5	29.4	(795 bps)
D&A	996	1,079	1,068	1,220	1,363	36.9	11.7	4,022	3,566	12.8
Other Income	62	93	62	69	88	42.2	28.1	280	304	(7.8)
Interest Expense	253	334	475	551	608	140.7	10.5	1,124	876	28.3
Exceptional/EO items	-	-	-	-	-	-	-	-	-	-
Share JV/Associates	(52)	(50)	(40)	(85)	(144)	N/A	N/A	(109)	208	N/A
EBT	1,051	1,579	1,510	90	804	(23.5)	788.8	8,034	11,435	(29.7)
Tax	298	397	418	53	291	(2.2)	446.7	(894)	3,799	(123.5)
Reported PAT	752	1,183	1,092	37	512	(31.9)	1,280.3	8,819	7,843	12.4
Less: Minority Interest	(4)	(3)	2	6	(4)	N/A	N/A	5	7	(31.9)
Adj. PAT	756	1,186	1,090	31	516	(31.8)	1,574.0	8,815	7,836	12.5

Source: Company, YES Sec

## Exhibit 3: Quarterly Operational Performance Analysis (Console)

Particulars (Rs m)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	y/y (%)	q/q (%)	FY22	FY21	y/y (%)
Total Volumes (MMT)	3.0	3.2	3.3	3.3	3.6	18.6	7.9	11.0	10.0	10.7
NSR/te (Blended)	5,158	5,371	5,376	5,419	5,635	9.2	4.0	5,434	5,303	2.5
RM/te	695	652	585	645	779	12.1	20.8	648	705	(8.2)
Employees/te	373	311	341	357	334	(10.4)	(6.5)	394	420	(6.2)
Power/te	1,379	1,463	1,584	2,013	1,967	42.6	(2.3)	1,257	797	57.8
Freight/te	1,271	1,291	1,299	1,222	1,108	(12.8)	(9.3)	1,257	1,191	5.6
Others/te	680	729	650	616	654	(3.9)	6.2	723	639	13.0
Opex/te (Blended)	4,397	4,447	4,460	4,852	4,842	10.1	(0.2)	4,266	3,742	14.0
EBITDA/te (Blended)	761	924	916	567	793	4.3	39.8	1,168	1,561	(25.2)

Source: Company, YES Sec

# The Ramco Cements

## KEY CON-CALL HIGHLIGHTS

- Current cement demand is good and largely supported from IHB and infra segments. In the medium term, the cement demand is encouraging owing to the factors like a) good monsoon b) Infra push by the Government c) upcoming elections.
- In Q3FY23, the blended fuel consumption cost was at \$191/te as against \$149/te in Q3FY22. While on a per Kcal basis, the blended fuel cost for 3QFY23 was at Rs2.43 kcal/kg (Rs2.35 kcal/kg 9MFY23) and management expects it to remain flat for Q4FY23.
- The capacity utilization of clinker at Kurnool plant reached 55% in Q3FY23.
- Out of 12 MW WHRS in Kurnool, 5MW got commissioned in Nov-22 and another 3MW and 4MW will be commissioned in Feb and May-23. Further, TPP of 18MW and railway siding will be commissioned in FY24E.
- The modernization of RR Nagar plant will be commissioned before Mar-23.
- The production of dry mix products has started from one unit in Dec-22 and another unit likely to be operational from Feb-23. The remaining two units in AP & Orissa will be commissioned in FY24E.
- In Q3FY23, the company incurred Rs3.9bn towards capex for the ongoing capacity expansion plan.
- Company's net debt as on Dec'22 was Rs45.6bn, out of which Rs5.6bn is short-term loan. Whereas the average cost of borrowings increased to 7.13% in Q3FY23 from 5.44% in the Q3FY22
- Share of Premium products was 26% in Q3FY23 v/s 24% for H1FY23. While Trade sales contributed 63% in Q3FY23 v/s 69% in Q2FY23.
- Management maintained its CAPEX guidance of Rs31.1bn, out of which remaining Rs16.23bn is expected to be utilized in FY24E.
- TRCL to monetize the non-core assets (land bank) to deleverage the B/S and to fund ongoing CAPEX.

# The Ramco Cements

**Exhibit 4: Annual Operational Performance Estimates (Console)**

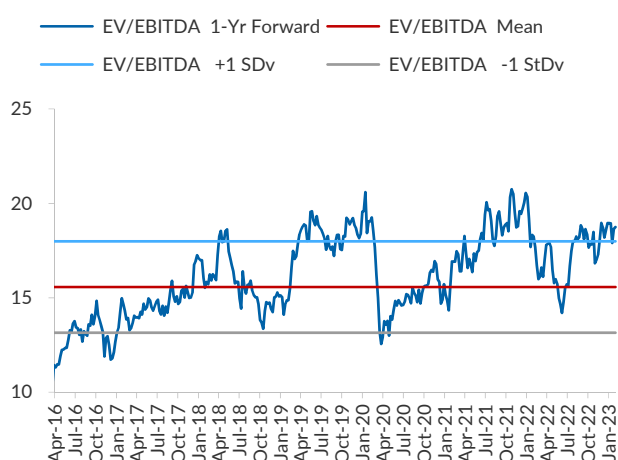
Particulars (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
Total Volumes (MMT)	10.0	11.0	13.9	15.5	16.3
Utilization (%)	51%	57%	68%	73%	76%
Cement Realization/te	5,159	5,261	5,465	5,678	5,481
Net Realization/te (Blended)	5,303	5,434	5,541	5,769	5,567
RM/te	705	648	659	636	665
Power/te	797	1,257	1,861	1,851	1,554
Freight/te	1,191	1,257	1,255	1,247	1,247
Employees/te	420	394	347	342	365
Others/te	639	723	642	647	657
Opex/te (Blended)	3,742	4,266	4,763	4,724	4,488
EBITDA/te (Blended)	1,561	1,168	778	1,045	1,079

Source: Company, YES Sec

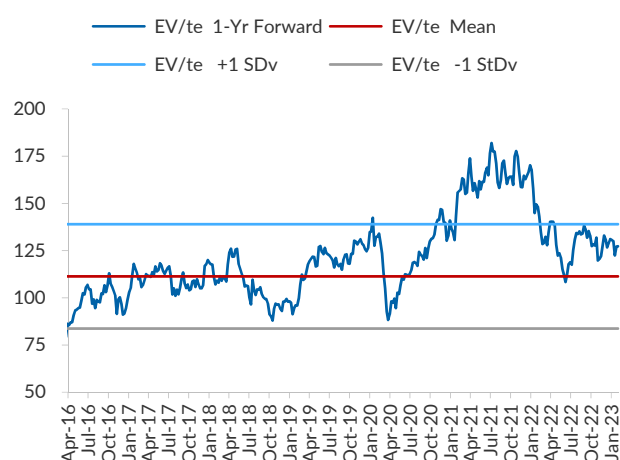
**Exhibit 5: Key Estimate Revision (Console)**

Y/e 31 Mar	FY23E			FY24E		
(Rs m)	Old	New	Change	Old	New	Change
Revenues	76,310	76,892	1%	88,635	89,139	1%
EBITDA	10,770	10,798	0%	18,503	16,153	-13%
PAT	2,981	2,889	-3%	8,003	6,067	-24%
EPS	12.7	12.2	-4%	34.0	25.7	-24%

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 (Console)**

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	236	236	236	236	236
Reserves	57,081	65,950	68,130	73,488	79,991
<b>Net worth</b>	<b>57,317</b>	<b>66,186</b>	<b>68,366</b>	<b>73,724</b>	<b>80,227</b>
Other LT Liabilities	194	297	297	297	297
LT provision.	321	413	413	413	413
Minority interest	63	68	68	68	68
Long-term Borrowing	21,626	28,573	38,573	44,573	38,573
Deferred tax liabilities. (net)	10,835	8,223	8,223	8,223	8,223
<b>Current Liabilities</b>					
Trades Payables	3,645	4,907	5,465	6,999	7,207
Short-term Borrowing	9,391	10,727	10,137	9,468	8,140
Other current liabilities	10,833	11,817	11,817	11,817	11,817
Short Term Provision	324	376	376	376	376
<b>Total Liabilities</b>	<b>114,549</b>	<b>131,585</b>	<b>143,734</b>	<b>155,957</b>	<b>155,339</b>
<b>Assets</b>					
Total Net Block	68,334	76,424	91,163	105,068	103,025
CWIP & Other Assets	25,002	31,644	26,644	21,644	21,644
Investments	3,070	2,971	2,971	2,971	2,971
Other Non-current Asset	3,555	3,473	3,473	3,473	3,473
Deferred tax asset (net)	-	-	-	-	-
<b>Current Assets</b>					
Inventories	5,993	8,345	10,738	12,002	12,268
Trades Receivables	3,759	3,507	4,143	5,024	5,441
Other current assets	3,121	3,301	3,301	3,301	3,301
Short Term Loans & advances	277	136	136	136	136
Cash & Bank Balances	1,438	1,785	1,165	2,338	3,081
<b>Total Assets</b>	<b>114,549</b>	<b>131,585</b>	<b>143,734</b>	<b>155,957</b>	<b>155,339</b>

Source: Company, YES Sec

# The Ramco Cements

## Exhibit 9: Income statement (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
<b>Net Revenue</b>	<b>52,910</b>	<b>60,037</b>	<b>76,892</b>	<b>89,139</b>	<b>90,673</b>
<b>EBITDA</b>	<b>15,573</b>	<b>12,901</b>	<b>10,798</b>	<b>16,153</b>	<b>17,573</b>
D&A	3,566	4,022	5,261	6,094	6,043
<b>EBIT</b>	<b>12,008</b>	<b>8,878</b>	<b>5,536</b>	<b>10,058</b>	<b>11,530</b>
Interest Expense	876	1,124	2,068	2,415	2,368
Other Income	304	280	384	446	453
Exceptional/EO items	-	-	-	-	-
<b>EBT</b>	<b>11,435</b>	<b>8,034</b>	<b>3,852</b>	<b>8,089</b>	<b>9,615</b>
Tax	3,799	(894)	963	2,022	2,404
Share of Profit/(Loss) in JV/Associates	208	(109)	-	-	-
<b>Reported PAT</b>	<b>7,843</b>	<b>8,819</b>	<b>2,889</b>	<b>6,067</b>	<b>7,212</b>
Less: Minority Interest	7	5	-	-	-
<b>Adj. PAT</b>	<b>7,836</b>	<b>8,815</b>	<b>2,889</b>	<b>6,067</b>	<b>7,212</b>

Source: Company, YES Sec

## Exhibit 10: Cash Flow (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
<b>Cash flow from operation</b>	<b>16,431</b>	<b>13,001</b>	<b>5,679</b>	<b>11,551</b>	<b>12,780</b>
Profit before tax	11,636	7,921	3,852	8,089	9,615
Depreciation	3,566	4,022	5,261	6,094	6,043
Tax paid	(3,799)	894	(963)	(2,022)	(2,404)
Working capital Δ	5,022	159	(2,472)	(611)	(474)
Other operating items	7	5	-	-	-
<b>Cash flow from Investing Activities</b>	<b>(17,641)</b>	<b>(18,673)</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>(4,000)</b>
Capital expenditure	(18,003)	(18,755)	(15,000)	(15,000)	(4,000)
Change in other non-current assets	363	82	-	-	-
<b>Free cash flow</b>	<b>(1,573)</b>	<b>(5,754)</b>	<b>(9,321)</b>	<b>(3,449)</b>	<b>8,780</b>
<b>Cash flow from Financing activities</b>	<b>1,707</b>	<b>6,018</b>	<b>8,701</b>	<b>4,622</b>	<b>(8,037)</b>
Change in Equity & Reserves	168	758	(0)	-	-
Investments	(315)	99	-	-	-
Debt financing/disposal	776	8,282	9,410	5,331	(7,329)
Dividends paid	(708)	(709)	(709)	(709)	(709)
Other items	1,785	(2,413)	-	-	-
<b>Net Δ in cash</b>	<b>497</b>	<b>347</b>	<b>(620)</b>	<b>1,173</b>	<b>743</b>

Source: Company, YES Sec

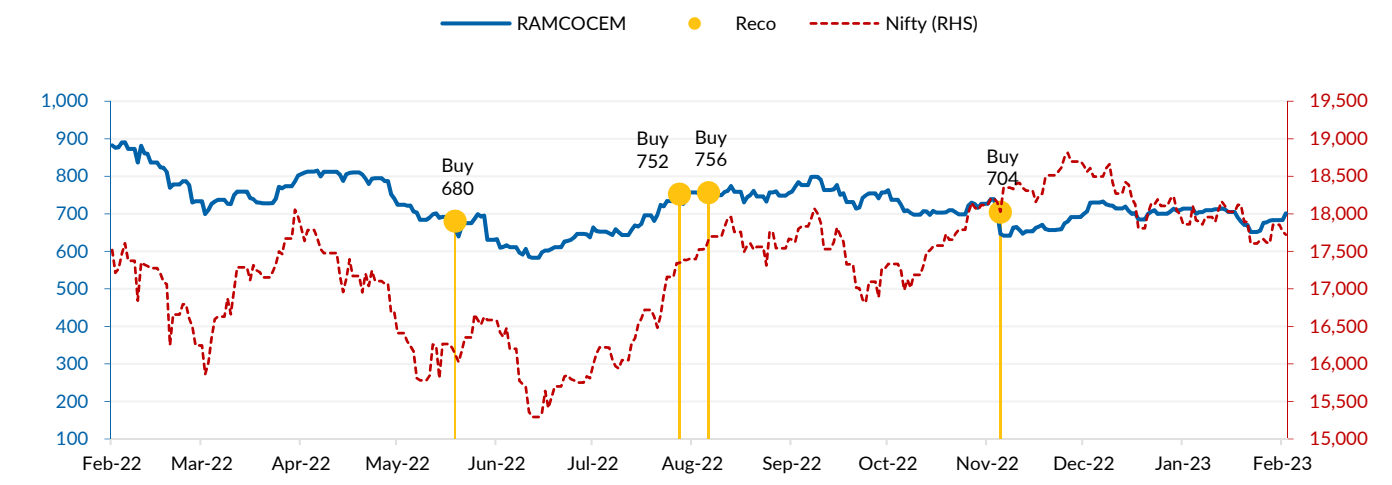
## Exhibit 11: Ratio Analysis (Console)

Y/e 31 Mar	FY21	FY22	FY23E	FY24E	FY25E
<b>Growth matrix (%)</b>					
Revenue	(1.8)	13.5	28.1	15.9	1.7
EBITDA	35.7	(17.2)	(16.3)	49.6	8.8
EBT	44.3	(29.7)	(52.1)	110.0	18.9
PAT	29.6	12.4	(67.2)	110.0	18.9
EPS	29.5	12.3	(67.2)	110.0	18.9
<b>Profitability ratios (%)</b>					
EBITDA (%)	29.4	21.5	14.0	18.1	19.4
EBIT (%)	23.3	15.3	7.7	11.8	13.2
PAT (%)	14.8	14.7	3.8	6.8	8.0
ROCE	13.0	8.2	4.7	7.7	8.9
RONW	13.7	13.3	4.2	8.2	9.0
ROA	8.6	8.3	2.5	4.9	5.9
<b>Per share ratios (Rs)</b>					
EPS	33	37	12	26	31
DPS	3.0	3.0	3.0	3.0	3.0
Cash EPS	48	54	34	51	56
BVPS	243	280	289	312	340
<b>Payout (%)</b>					
Dividend payout	9.0	8.0	24.5	11.7	9.8
Tax payout	33.2	(11.1)	25.0	25.0	25.0
<b>Liquidity ratios</b>					
Inventory days	102	109	109	109	109
Payable days	60	52	52	52	52
Receivables days	31	22	22	22	22
<b>Leverage ratios (x)</b>					
Interest Coverage	14.1	8.1	2.9	4.4	5.1
Net D/E	0.5	0.5	0.7	0.7	0.5
Net Debt/EBITDA	1.9	2.9	4.4	3.2	2.5

Source: Company, YES Sec

# The Ramco Cements

## Recommendation Tracker





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### YES Securities (India) Limited

**Registered Address:** 2<sup>nd</sup> Floor, North Side, YES BANK House,  
Off Western Express Highway, Santacruz East,  
Mumbai - 400 055, Maharashtra, India.

**Correspondence Address:** 4<sup>th</sup> Floor, AFL House,  
Lok Bharti Complex, Marol Maroshi Road, Andheri East,  
Mumbai - 400059, Maharashtra, India.

☎ +91 22 68850521 | ✉ research@ysil.in  
Website: www.yesinvest.in

**Registration Nos.:** CIN: U74992MH2013PLC240971 | SEBI Single  
Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member  
Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL:  
IN-DP-653-2021 | MERCHANT BANKER: INM000012227 | RESEARCH  
ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 |  
Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (CAT  
III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 |  
AMFI ARN Code - 94338.

**Details of Compliance Officer:** Name: Aditya Goenka,  
**Email id:** compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

## DISCLOSURE OF INTEREST

Name of the Research Analyst : Abhishek Lodhiya, Sonu Upadhyay

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
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10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

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**BUY:** Upside greater than 20% over 12 months

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

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

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**NOT RATED / UNDER REVIEW**

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