

# The Ramco Cements

## Strong volume offtake maintained; weak realisation

We maintain REDUCE rating on The Ramco Cements with an unchanged target price of INR 830/share (12x Mar-25E EBITDA). We estimate TRCL to deliver 26% EBITDA CAGR during FY23-25E (strong volume offtake, energy cost reduction, and op-lev gains). We estimate gearing to remain elevated (net debt/EBITDA >2.5x) as we model expansion in AP and Karnataka. In Q1FY24, while Ramco reported strong 29% YoY volume growth, NSR fell 5% QoQ. This negated the input/freight cost reduction gains. Thus, unit EBITDA fell ~INR 100 per MT QoQ to INR 783 per MT.

- **Q1FY24 performance:** Ramco reported an earnings miss: EBITDA came in 8/14% below ours/consensus estimates, mainly led by weaker-than-estimated NSR, which fell 5% QoQ (down 1% YoY). Sales volume remained strong: +29% YoY (though down 9% QoQ on seasonal weakness). On a QoQ basis, while its south volumes fell 5% QoQ, east volumes fell 20% QoQ on logistics disruption in the east. Trade sales share improved to 65% vs 63% QoQ on lower sales in the east. Unit opex cooled off 4% QoQ (INR 170/MT), mainly driven by INR 220/MT reduction in input costs (fuel cost reduction and Kurnool stabilization) and INR 24/MT savings in freight (lower lead distance). Lower volumes led to an op-lev loss of INR 73/MT. Thus, unit EBITDA fell ~INR 100/MT QoQ to INR 783/MT. Interest expenses doubled YoY on full capitalization of ongoing expansion.
- **Capex and outlook:** During Q1, the Capex outgo slowed to INR 2.84bn. In FY24E, Ramco will commission line-2 SGU in Odisha (0.9mn MT), 34/18MW WHRS/ CPP at Kurnool and two dry mortar plants in AP and Odisha. Land acquisition for the greenfield Karnataka project is in progress. The ramp-up of WHRS capacities and increased access to own the windmill for captive usage drove up green power share to 29% in Q1FY24 vs 22% in FY23. Ramco is targeting to scale it to 40% during FY24E, boosting the margin. Earlier, it had also guided for ~20% cement volume growth in FY24E. We maintain our earnings estimates. We model in INR 14/9bn as Capex in FY24/25E and estimate net debt/EBITDA to remain elevated at 3/2.5x in FY24/25 respectively.

### Quarterly/annual financial summary – standalone

YE Mar (INR bn)	Q1 FY24	Q1 FY23	YoY (%)	Q4 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Sales (mn MT)	4.3	3.3	28.7	4.7	(8.5)	10.0	11.1	15.0	18.0	18.9
NSR (INR/MT)	5,189	5,251	(1.2)	5,464	(5.0)	5,222	5,315	5,383	5,275	5,381
Opex (INR/MT)	4,406	4,391	0.3	4,578	(3.8)	3,703	4,195	4,614	4,353	4,382
EBITDA (INR/MT)	783	860	(8.9)	886	(11.6)	1,520	1,119	769	922	998
Net Sales	22.41	17.72	26.4	25.70	(12.8)	52.68	59.80	81.35	95.10	101.86
EBITDA	3.41	3.01	13.6	4.13	(17.3)	15.48	12.84	11.82	16.36	18.63
APAT	0.79	1.12	(29.7)	1.52	(48.2)	7.61	5.91	3.44	5.78	7.17
AEPS (INR)	3.3	4.8	(29.7)	6.5	(48.2)	32.3	25.0	14.5	24.4	30.3
EV/EBITDA (x)						14.4	17.7	20.2	14.8	13.0
EV/MT (INR bn)						11.5	11.8	10.9	10.6	9.3
P/E (x)						27.0	34.8	59.8	35.5	28.6
RoE (%)						14.4	9.7	5.2	8.2	9.4

Source: Company, HSIE Research

## REDUCE

CMP (as on 07 Aug 2023)	INR 874
Target Price	INR 830
NIFTY	19,597

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 830	INR 830
EBITDA revision %	FY24E	FY25E
	-	-

### KEY STOCK DATA

Bloomberg code	TRCL IN
No. of Shares (mn)	236
MCap (INR bn) / (\$ mn)	207/2,526
6m avg traded value (INR mn)	411
52 Week high / low	INR 953/634

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	14.8	24.7	15.5
Relative (%)	6.8	15.3	2.5

### SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	42.30	42.11
FIs & Local MFs	32.46	32.44
FPIs	7.55	7.95
Public & Others	17.69	17.50
Pledged Shares	9.28	8.88

Source : BSE

Pledged shares as % of total shares

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