7 August 2023

1QFY24 Results Update | Sector: Cement

The Ramco Cements

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	TRCL IN
Equity Shares (m)	236
M.Cap.(INRb)/(USDb)	206.6 / 2.5
52-Week Range (INR)	953 / 635
1, 6, 12 Rel. Per (%)	-7/14/3
12M Avg Val (INR M)	397

Financial Snapshot (INR b)

Y/E Mar	FY23	FY24E	FY25E
Sales	81.4	93.2	100.5
EBITDA	11.8	16.3	19.9
Adj. PAT	3.4	5.1	7.1
EBITDA Margin (%)	14.5	17.5	19.8
Adj. EPS (INR)	14.5	21.7	29.9
EPS Gr. (%)	-41.8	49.5	37.4
BV/Sh. (INR)	287	306	332
Ratios			
Net D:E	0.6	0.6	0.4
RoE (%)	5.2	7.3	9.4
RoCE (%)	4.8	6.6	8.3
Payout (%)	13.8	16.1	11.7
Valuations			
P/E (x)	60.1	40.2	29.3
P/BV (x)	3.0	2.9	2.6
EV/EBITDA(x)	19.4	15.0	12.0
EV/ton (USD)	136	133	130
Div. Yield (%)	0.2	0.4	0.4
FCF Yield (%)	-1.8	3.1	4.9

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	42.1	42.3	42.3
DII	35.8	35.9	36.8
FII	8.0	7.6	6.9
Others	14.1	14.3	14.0

FII Includes depository receipts

CMP: INR874 TP: INR915 (+5%) Neutral

Below estimates; debt and interest expense rise QoQ

Capacity utilization at 79% in 1QFY24 vs. 68% in 1QFY23

- The Ramco Cements (TRCL)'s 1QFY24 performance was below our estimates due to lower-than-estimated volume and realizations. EBITDA stood at INR3.4b (vs. est. INR3.8b), while blended EBITDA/t was at INR794 (vs. est. INR861). Net profit came in at INR789m (vs. est. INR1.3b) during the quarter.
- Volume was partly hit by non-availability of sand in Kerala and supply disruptions in eastern markets due to a rail accident. Power and fuel costs remained elevated as the company is carrying high-cost fuel inventory. However, it expects this to come down in the coming quarters.
- We maintain our EBITDA estimates but cut our EPS by 8%/12% for FY24E/ FY25E due to higher interest costs. The stock trades at 15x/12x FY24E/FY25E EV/EBITDA. **We maintain our Neutral rating with a TP of INR915, based on 12.5x FY25E EV/EBITDA.**

Volume rises 30% YoY; EBITDA/t at INR794

- TRCL's revenue/EBITDA/PAT stood at INR22.4b/INR3.4b/INR789m (up 26%/ 14%/down 30% YoY and 8%/11%/41% below our estimate). Sales volume (incl. dry-mortar) grew 30% YoY (4% below estimate). Realization dipped 2% YoY (3% below estimate) in 1QFY24.
- Opex/t declined 1% YoY led by a 2%/10%/17% drop in freight cost/ employee cost/other expenses. While, variable cost/t was up 6% YoY due to elevated fuel price. EBITDA/t fell 13% YoY and OPM was down 1.7pp YoY.
- Interest cost/depreciation rose 97%/39% YoY due to commissioning of new capacities and rise in interest rates (average cost of interest-bearing debt for 1QFY24 increased to 7.95% from 6.66% in FY23). Other income was up 14% YoY. PAT declined 30% YoY to INR789m during the quarter.

Highlights from the management commentary

- Volume in South has grown while it remained flat in East. Cement prices were weak in both South and East markets. Volume share in South rose to 79% vs. 73% in 1QFY23. Share of premium products was at 27% in 1QFY24.
- Fuel cost per kcal stood at INR2.03 (vs. INR2.21 in 4QFY23). Share of green power increased to 29% in 1QFY24 from 19%/23% in 1Q/4QFY23. It shifted 133MW of wind energy for captive use from sale to grid, which is estimated to drive a savings of INR70-80/t in the coming quarters.
- Orissa GU Line-2, having capacity of 0.9mt, is estimated to be commissioned in 2HFY24. Further, land acquisition for Karnataka plant is under progress.

Fairly valued; reiterate Neutral

- TRCL's net debt increased to INR44.0b as of Jun'23 from INR43.5b as of Mar'23. Capex stood at INR2.8b in 1QFY24. We estimate FY24/FY25 net debt at INR41b/INR35b and net debt/EBITDA at 2.5x/1.8x.
- At CMP, the stock fairly trades at 15x/12x FY24E/FY25E EV/EBITDA. **We value TRCL at 12.5x FY25E EV/EBITDA and reiterate our Neutral rating with a TP of INR915.**

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Quarterly Performance (INR b)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Sales Dispatches (m ton)	3.31	3.31	3.57	4.70	4.30	3.96	4.15	5.39	15.02	17.80	4.47	(4)
YoY Change (%)	54.6	22.1	18.7	45.5	29.9	19.5	16.4	14.7	34.8	18.5	34.9	
Realization (INR/ton)	5,298	5,312	5,623	5,464	5,212	5,212	5,162	5,225	5,384	5,204	5,384	(3)
YoY Change (%)	(6.2)	(1.4)	9.4	3.4	(1.6)	(1.9)	(8.2)	(4.4)	1.3	(3.3)	1.6	
QoQ Change (%)	0.3	0.3	5.9	(2.8)	(4.6)	-	(1.0)	1.2			(1.5)	
Net Sales	**17.7**	**17.8**	**20.1**	**25.7**	**22.4**	**20.9**	**21.5**	**28.4**	**81.4**	**93.2**	**24.2**	(8)
YoY Change (%)	44.3	19.5	29.7	50.3	26.4	17.2	6.8	10.5	36.0	14.5	36.8	
Total Expenditure	14.7	16.0	17.2	21.6	19.0	17.5	17.7	22.6	69.5	76.9	20.4	(7)
EBITDA	**3.0**	**1.8**	**2.8**	**4.1**	**3.4**	**3.4**	**3.7**	**5.8**	**11.8**	**16.3**	**3.8**	(11)
Margins (%)	17.0	10.3	14.2	16.1	15.2	16.1	17.5	20.3	14.5	17.5	15.9	
Depreciation	1.1	1.2	1.4	1.4	1.5	1.5	1.5	1.5	5.0	6.1	1.5	2
Interest	0.5	0.6	0.6	0.8	0.9	0.9	0.8	0.8	2.4	3.4	0.6	50
Other Income	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.3	0.1	5
PBT before EO expense	**1.5**	**0.2**	**1.0**	**2.1**	**1.1**	**1.0**	**1.5**	**3.5**	**4.7**	**7.1**	**1.8**	(41)
PBT	**1.5**	**0.2**	**1.0**	**2.1**	**1.1**	**1.0**	**1.5**	**3.5**	**4.7**	**7.1**	**1.8**	(41)
Tax	0.4	0.0	0.3	0.5	0.3	0.3	0.4	1.0	1.3	2.0	0.5	
Prior year tax	-	-	-	-	-	-	-	-	-	-	-	
Rate (%)	27.0	28.4	30.7	26.3	27.0	28.0	28.0	28.3	27.5	28.0	28.0	
Reported PAT	**1.1**	**0.1**	**0.7**	**1.5**	**0.8**	**0.7**	**1.1**	**2.5**	**3.4**	**5.1**	**1.3**	(41)
Adj PAT	**1.1**	**0.1**	**0.7**	**1.5**	**0.8**	**0.7**	**1.1**	**2.5**	**3.4**	**5.1**	**1.3**	(41)
YoY Change (%)	(33.6)	(94.7)	(18.4)	23.7	(29.7)	550.6	61.4	64.9	(41.8)	49.5	18.2	
Margins (%)	6.3	0.6	3.4	5.9	3.5	3.6	5.1	8.9	4.2	5.5	5.5	

Per ton analysis (incl. Windmills) (INR/t)

Net realization	**5,355**	**5,391**	**5,627**	**5,467**	**5,212**	**5,285**	**5,166**	**5,269**	**5,416**	**5,235**	**5,430**	(4)
RM Cost	798	815	779	1,130	760	800	800	877	894	814	900	(16)
Employee Expenses	327	339	316	241	294	323	311	244	306	289	273	8
Power, Oil & Fuel	1,584	2,013	1,967	1,635	1,758	1,658	1,508	1,398	1,772	1,568	1,775	(1)
Freight and Handling Outward	1,087	1,052	1,109	1,063	1,064	1,064	1,074	1,136	1,067	1,089	1,080	(1)
Other Expenses	650	617	659	521	541	590	570	546	590	560	540	0
Total Expenses	**4,447**	**4,835**	**4,829**	**4,589**	**4,418**	**4,435**	**4,263**	**4,202**	**4,629**	**4,320**	**4,569**	(3)
EBITDA	**908**	**555**	**797**	**878**	**794**	**849**	**903**	**1,067**	**787**	**914**	**861**	(8)

Source: Company, MOFSL Estimates

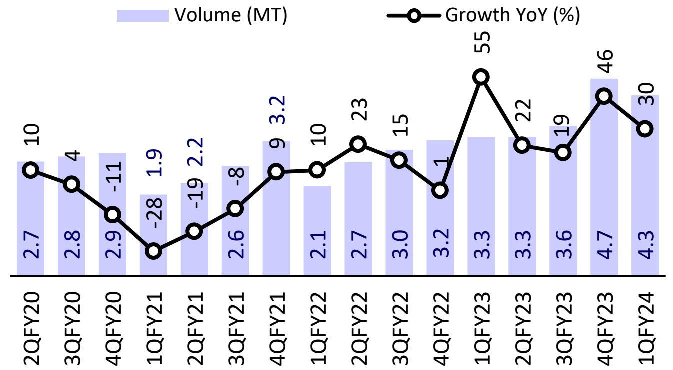
Exhibit 1: Revisions to our estimates

(INR b)	Revised		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	93	101	95	102	-1.9	-1.9
EBITDA	16	20	16	20	0.5	0.2
PAT	5	7	6	8	-8.4	-12.0
EPS (INR)	22	30	24	34	-8.4	-12.0

Source: Company, MOFSL estimates

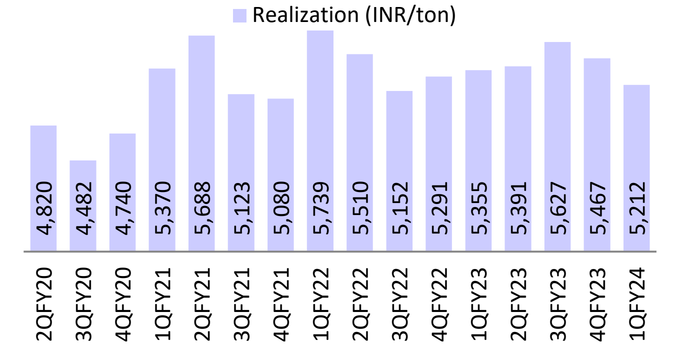
Story in charts

Exhibit 1: Sales volume grew 30% YoY



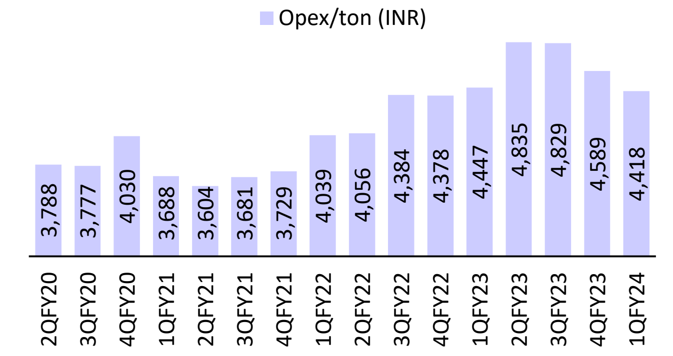
Source: MOFSL, Company

Exhibit 2: Blended realization declined 3% YoY



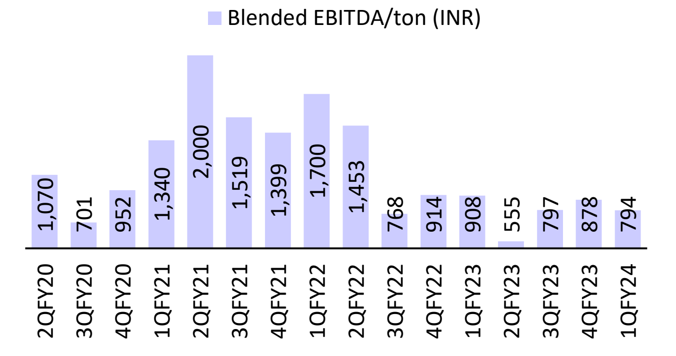
Source: MOFSL, Company

Exhibit 3: Opex/t down 1% YoY



Source: MOFSL, Company

Exhibit 4: Blended EBITDA/t declined 13% YoY



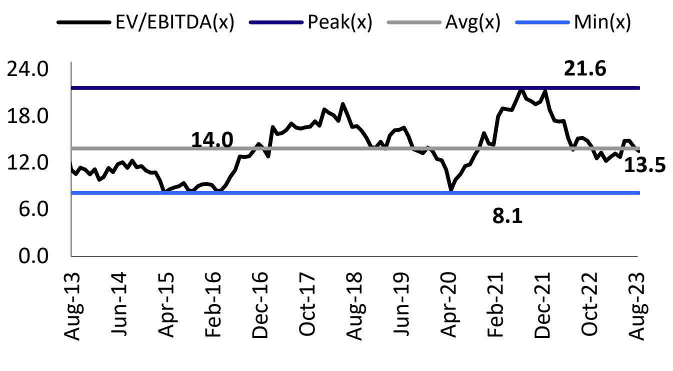
Source: MOFSL, Company

Exhibit 5: Key Performance Indicators – per ton analysis

INR/t	1QFY24	1QFY23	YoY (%)	3QFY23	QoQ (%)
Net realization	**5,212**	**5,355**	**(2.7)**	**5,467**	**(4.7)**
RM Cost	760	798	(4.8)	1,130	(32.7)
Employee Expenses	294	327	(10.0)	241	22.3
Power, Oil & Fuel	1,758	1,584	11.0	1,635	7.5
Freight and Handling Outward	1,064	1,087	(2.1)	1,063	0.2
Other Expenses	541	650	(16.8)	521	3.9
Total Expenses	**4,418**	**4,447**	**(0.6)**	**4,589**	**(3.7)**
EBITDA	**794**	**908**	**(12.6)**	**878**	**(9.6)**

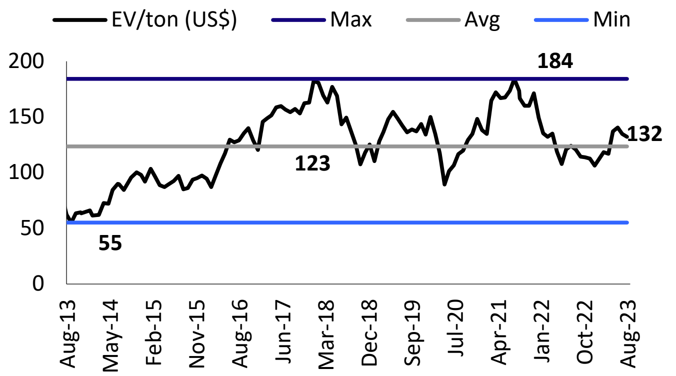
Source: MOFSL, Company

Exhibit 6: One-year forward EV/EBITDA chart



Source: MOFSL, Company

Exhibit 7: One-year forward EV/ton chart



Source: MOFSL, Company

Financials and valuations

Income Statement								(INR m)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Net Sales	**43,851**	**51,220**	**53,435**	**52,684**	**59,800**	**81,353**	**93,169**	**1,00,540**
Change (%)	11.6	16.8	4.3	-1.4	13.5	36.0	14.5	7.9
EBITDA	**10,658**	**10,123**	**11,117**	**15,480**	**12,838**	**11,820**	**16,275**	**19,880**
Margin (%)	24.3	19.8	20.8	29.4	21.5	14.5	17.5	19.8
Depreciation	2,922	2,985	3,153	3,553	4,008	5,044	6,090	6,734
EBIT	**7,736**	**7,138**	**7,964**	**11,927**	**8,830**	**6,775**	**10,185**	**13,146**
Int. and Finance Charges	592	509	714	876	1,124	2,405	3,398	3,701
Other Income - Rec.	579	527	622	346	306	367	346	356
PBT bef. EO Exp.	**7,723**	**7,156**	**7,872**	**11,397**	**8,012**	**4,737**	**7,134**	**9,801**
EO Expense/(Income)	87	30	0	0	0	0	0	0
PBT after EO Exp.	**7,636**	**7,126**	**7,872**	**11,397**	**8,012**	**4,737**	**7,134**	**9,801**
Current Tax	1,859	1,846	1,393	2,440	1,768	257	1,998	2,744
Deferred Tax	220	221	469	1,346	-2,682	1,045	0	0
Tax Rate (%)	27.2	29.0	23.6	33.2	-11.4	27.5	28.0	28.0
Reported PAT	**5,557**	**5,059**	**6,011**	**7,611**	**8,927**	**3,435**	**5,137**	**7,057**
PAT Adj for EO items	**5,644**	**5,089**	**6,011**	**7,611**	**5,899**	**3,435**	**5,137**	**7,057**
Change (%)	-12.8	-9.8	18.1	26.6	-22.5	-41.8	49.5	37.4
Margin (%)	12.9	9.9	11.2	14.4	9.9	4.2	5.5	7.0

Balance Sheet								(INR m)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Equity Share Capital	236	236	236	236	236	236	236	236
Total Reserves	40,186	44,366	48,950	56,032	65,012	67,699	72,009	78,238
Net Worth	**40,422**	**44,601**	**49,186**	**56,268**	**65,249**	**67,935**	**72,245**	**78,475**
Deferred Liabilities	7,597	8,704	9,172	10,877	8,240	9,285	9,285	9,285
Total Loans	11,132	16,187	30,241	31,017	39,300	44,874	43,374	38,874
Capital Employed	**59,150**	**69,493**	**88,599**	**98,162**	**1,12,789**	**1,22,095**	**1,24,904**	**1,26,634**
Gross Block	81,976	84,945	93,901	1,06,223	1,18,037	1,47,329	1,73,203	1,81,203
Less: Accum. Deprn.	31,121	33,514	35,757	38,720	42,728	47,772	53,862	60,596
Net Fixed Assets	**50,854**	**51,431**	**58,144**	**67,503**	**75,309**	**99,557**	**1,19,340**	**1,20,607**
Capital WIP	1,500	8,308	18,143	23,255	30,340	19,873	3,000	3,000
Total Investments	**3,968**	**4,294**	**4,275**	**4,369**	**4,220**	**4,209**	**4,209**	**4,209**
Curr. Assets, Loans & Adv.	**14,581**	**17,049**	**19,908**	**18,331**	**20,687**	**21,530**	**23,488**	**26,200**
Inventory	5,599	5,597	6,453	5,979	8,333	8,823	9,445	10,192
Account Receivables	4,423	4,900	5,269	3,752	3,498	4,650	5,360	5,784
Cash and Bank Balance	1,194	928	914	1,419	1,760	1,686	2,302	3,338
Loans and Advances	3,365	5,625	7,273	7,181	7,095	6,371	6,381	6,886
Curr. Liability & Prov.	**11,754**	**11,589**	**11,871**	**15,296**	**17,767**	**23,074**	**25,133**	**27,381**
Account Payables	11,183	11,179	11,341	14,655	16,985	22,141	24,249	26,168
Provisions	571	410	531	641	782	933	883	1,213
Net Current Assets	**2,827**	**5,461**	**8,037**	**3,035**	**2,920**	**-1,545**	**-1,645**	**-1,181**
Appl. of Funds	**59,150**	**69,493**	**88,599**	**98,162**	**1,12,789**	**1,22,095**	**1,24,904**	**1,26,634**

Source: Company, MOFSL Estimates

Financials and valuations

Ratios								
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Basic (INR)								
EPS	**24.0**	**21.6**	**25.5**	**32.3**	**25.0**	**14.5**	**21.7**	**29.9**
Cash EPS	36.4	34.3	38.9	47.3	41.9	35.9	47.5	58.4
BV/Share	171.6	189.3	208.8	238.5	276.1	287.5	305.7	332.1
DPS	3.0	3.0	2.5	3.0	3.0	2.0	3.5	3.5
Payout (%)	12.7	16.8	11.8	9.3	7.9	13.8	16.1	11.7
Valuation (x)								
P/E	36.5	40.5	34.3	27.1	35.0	60.1	40.2	29.3
Cash P/E	24.0	25.5	22.5	18.5	20.9	24.4	18.4	15.0
P/BV	5.1	4.6	4.2	3.7	3.2	3.0	2.9	2.6
EV/Sales	4.9	4.2	4.1	4.0	3.6	2.8	2.6	2.4
EV/EBITDA	20.1	21.0	19.5	13.7	16.6	19.4	15.0	12.0
EV/Ton (USD)	155	154	140	132	133	136	133	130
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3	0.2	0.4	0.4
Return Ratios (%)								
RoIC	10.7	9.3	10.0	11.9	13.5	5.7	6.9	8.2
RoE	14.5	12.0	12.8	14.4	9.7	5.2	7.3	9.4
RoCE	11.7	9.7	9.4	9.8	10.6	4.8	6.6	8.3
Working Capital Ratios								
Asset Turnover (x)	0.7	0.7	0.6	0.5	0.5	0.7	0.7	0.8
Inventory (Days)	46.6	39.9	44.1	41.4	50.9	39.6	37.0	37.0
Debtor (Days)	35.5	34.9	36.0	26.0	21.3	20.9	21.0	21.0
Creditor (Days)	93.1	79.7	77.5	101.5	103.7	99.3	95.0	95.0
Leverage Ratio (x)								
Current Ratio	1.2	1.5	1.7	1.2	1.2	0.9	0.9	1.0
Debt/Equity	0.3	0.4	0.6	0.6	0.6	0.7	0.6	0.5

Cash Flow Statement								(INR m)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
OP/(Loss) before Tax	7,847	7,156	7,872	11,397	8,012	4,737	7,134	9,801
Depreciation	2,922	2,985	3,153	3,553	4,008	5,044	6,090	6,734
Interest & Finance Charges	436	404	714	876	1,124	2,405	3,398	3,701
Direct Taxes Paid	-1,713	-1,584	-1,861	-3,786	915	-1,302	-1,998	-2,744
(Inc)/Dec in WC	1,564	-929	-2,590	5,507	457	4,390	716	573
CF from Operations	**11,055**	**8,032**	**7,287**	**17,547**	**14,516**	**15,275**	**15,340**	**18,064**
Others	74	-127	100	143	30	-166	0	0
CF from Operating incl EO	**11,129**	**7,904**	**7,387**	**17,690**	**14,546**	**15,109**	**15,340**	**18,064**
(Inc)/Dec in FA	-4,942	-12,018	-18,791	-17,434	-18,900	-18,826	-9,000	-8,000
Free Cash Flow	**6,187**	**-4,114**	**-11,404**	**256**	**-4,354**	**-3,717**	**6,340**	**10,064**
(Pur)/Sale of Investments	0	9	19	-94	150	11	0	0
Others	1,698	-2,588	-1,257	1,150	-1,904	935	0	0
CF from Investments	**-3,244**	**-14,597**	**-20,029**	**-16,378**	**-20,654**	**-17,880**	**-9,000**	**-8,000**
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-4,682	7,755	14,054	776	8,282	5,575	-1,500	-4,500
Interest Paid	-658	-476	-714	-876	-1,124	-2,405	-3,398	-3,701
Dividend Paid	-852	-853	-711	-708	-709	-473	-827	-827
Others	-1,681	0	0	0	0	0	0	0
CF from Fin. Activity	**-7,872**	**6,426**	**12,630**	**-808**	**6,450**	**2,697**	**-5,725**	**-9,028**
Inc/Dec of Cash	**13**	**-266**	**-13**	**504**	**342**	**-74**	**615**	**1,036**
Opening Balance	1,181	1,194	927	915	1,419	1,761	1,686	2,302
Closing Balance	**1,194**	**927**	**915**	**1,419**	**1,761**	**1,686**	**2,302**	**3,338**

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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