The Ramco Cements

12 November 2024

Outlook remains favourable; Maintain BUY

RESULT UPDATE

Sector: Cement | **Rating: BUY**

CMP: Rs 870 | **Target Price: Rs 1,000**

Stock Info	
Sensex/Nifty	79,496 / 24,141
Bloomberg	TRCL IN
Equity shares (mn)	236
52-wk High/Low	Rs.1,058/ 700
Face value	Rs.1
M-Cap	Rs.205Bn/ USD 2.4Bn
3-m Avg traded value	USD 7.1Mn

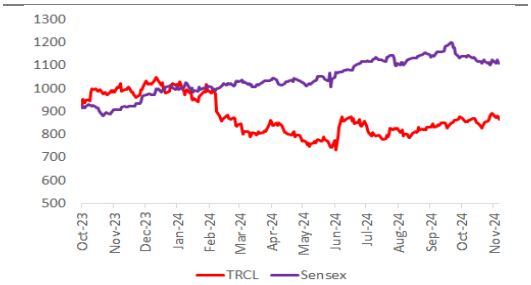
Financial Snapshot (Rs bn)

Y/E Mar	FY24	FY25E	FY26E
Sales	93.5	95.2	104.9
EBITDA	15.5	16.0	19.2
PAT	3.9	4.0	6.1
EPS (Rs)	16.7	16.8	25.8
PE (x)	47.9	47.7	31.0
EV/EBITDA (x)	15.3	14.3	12.0
RoE (%)	5.7	5.4	8.0
RoCE (%)	7.6	7.2	8.9
Dividend yield (%)	0.6	0.6	0.6

Shareholding pattern (%)

	Sep-24	Jun-24	Mar-24
Promoter	42.3	42.3	42.3
–Pledged	-	-	-
FII	6.6	7.4	7.4
DII	30.9	31.1	32.2
Others	17.2	19.2	18.1

Stock Performance (1-year)



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Ramco Cements' Q2FY25 performance beat estimates as Revenue/EBITDA/PAT were above expectations owing to healthy volume growth. Revenue was down by 12.5% YoY (-2.4% QoQ) to Rs20.4bn vs our est. of Rs17.7bn owing to a sharp dip in realizations exacerbated by intense price pressures. Volume was down by 2.6% YoY (+3.0% QoQ) to 4.5mt (our est. 3.8 mt). Blended Realization/tn declined sharply by 10.2% YoY and 5.2% QoQ to Rs4,539 (our est. Rs4,646/tn). EBITDA was down 21.7% YoY (-2.3% QoQ) to Rs3.1bn; vs our est. of Rs2.2bn. EBITDA/tn dipped 19.6% YoY to Rs695 due to weak realizations; despite a strong Rs344/tn saving in operating costs. Cement capacity utilization for the quarter stood at 75% (vs 84% in Q2FY24). The share of blended cement improved to 70% (69% in Q1FY25) while premium products accounted for 27% of the portfolio. We forecast a Revenue/EBITDA/PAT CAGR of 6%/11%/24% over FY24-FY26E backed by a healthy 6.5% growth in volumes. We value TRCL at 14x (prev. 13x) FY26E EV/EBITDA arriving at a TP of Rs1,000 (prev. Rs950) to factor in the expected strong government infrastructure push, particularly in Ramco's core markets. We maintain a BUY.

Strategic focus on renewables:

During Q2, the blended fuel consumption per ton for cement was Rs.1.60/kcal as against Rs.1.75/kcal during Q2FY24. The green power capacity stood at 209 MW. This will be increase to 219MW by FY25 and 234MW by FY26. WHRS plant with a capacity of 10 MW in Ramasamy Raja Nagar is scheduled to be commissioned by Q4FY25. Rail despatches for the quarter stood at 6% (vs 7% in Q2FY24 & 8% in Q1FY25). Avg. lead distance is 244kms vs 259kms in Q2FY24 & 273kms in Q1FY25. The share of green power stood at 39% which is expected to inch up to 425 by the end of FY25.

Updates during the quarter:

The average cement prices for Q2FY25 declined by 4-5% QoQ in the southern & northern region and 2-3% QoQ in eastern & western region. Capex incurred during H1FY25was Rs5.4bn with a planned capex of Rs12bn for FY25. The cement capacity has been increased from 23mtpa to 24mtpa during the quarter at the cost of $8/tn through de-bottlenecking in Kolimigundla Integrated Unit and Salem Grinding Unit. The company is on track to achieve cement capacity of 30mtpa by March 2026 with the commissioning of 2nd line in Kolimigundla along with de-bottlenecking of existing facilities. The Company has monetized Rs3.8 out of the targeted value of Rs10bn of non-core assets. Further, the company has entered into a sale agreement for disposal of lands worth Rs0.7bn, which is expected to be realized during Q3FY25.

Valuation and Outlook:

Given the government's strategic focus on development in Eastern India, coupled with the allocation of Rs150bn in financial support for the construction of Andhra Pradesh's capital city, Ramco Cements is well-positioned to capitalize on its established presence in these markets. Opex cost/tn has dropped by ~Rs900/tn over the past 8 quarters owing to a consistent ramp up in renewable power facilities Further, the company has maintained its volume through the quarters despite a weak industry scenario. We value TRCL at 14x (prev. 13x) FY26E EV/EBITDA to arrive at Rs1,000 (prev. Rs950) and maintain a BUY on the stock.

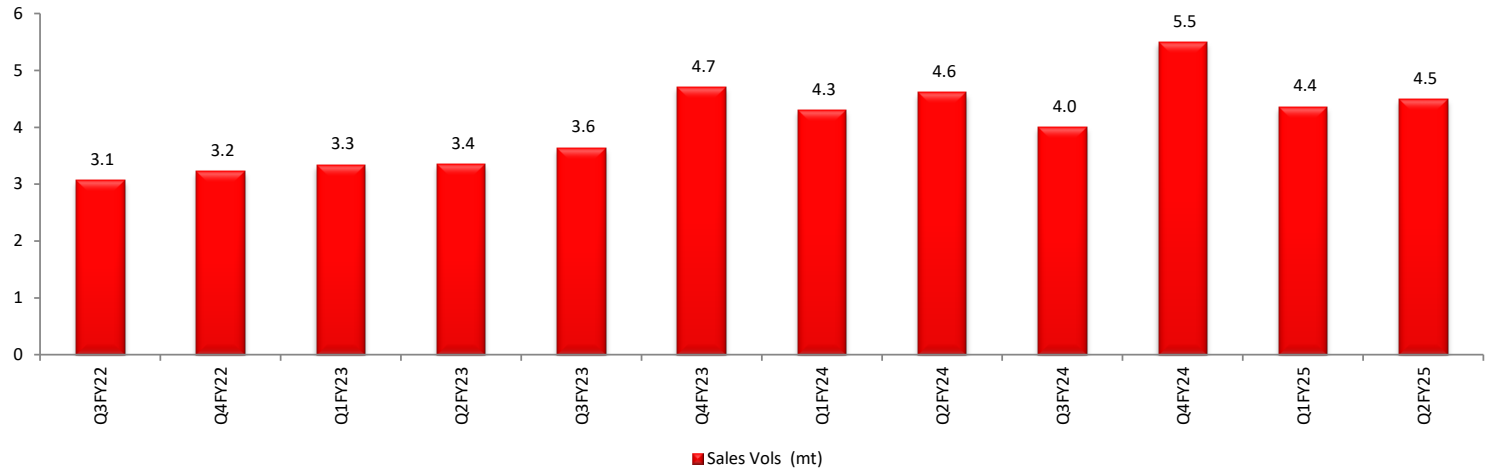
Investors are advised to refer through disclosures made at the end of the research report.

Exhibit 1: Result snapshot

Particulars (Rs bn)	Q2FY25	Q2FY24	Q1FY25	YoY (%)	QoQ(%)	Our Estimate	Deviation (%)
Revenue (Incl.OOI)	20.4	23.3	20.9	(12.5)	(2.4)	17.7	15.3
EBITDA	**3.1**	**4.0**	**3.2**	**(21.7)**	**(2.3)**	2.2	42.1
EBITDA Margin (%)	*15.3*	*17.1*	*15.3*	*(180 bps)*	*2 bps*		
PBT	**0.3**	**1.4**	**0.5**	**(74.7)**	**(27.4)**		
Tax	0.1	0.4	0.1	(74.5)	(25.8)		
Effective Tax Rate (%)	*26.9*	*26.7*	*26.3*	*17 bps*	*56 bps*		
Recurring PAT	**0.3**	**1.0**	**0.4**	**(74.7)**	**(27.9)**	(0.4)	(163.9)
Extord. Items	-	-	-	-	-		
Reported PAT	**0.3**	**1.0**	**0.4**	**(74.7)**	**(27.9)**		
PAT Margin (%)	*1.3*	*4.3*	*1.7*	*(309 bps)*	*(44 bps)*		
Blended Realization (Rs/tn)	4,539	5,053	4,790	(10.2)	(5.2)		
Total volumes (mt)	4.5	4.6	4.4	(2.6)	3.0		
Capacity Utilization (%)	*75*	*84*	*75*	*(710 bps)*	*222 bps*		
Blended EBITDA (Rs/tn)	**695**	**865**	**733**	**(19.6)**	**(5.1)**		
Per ton cost (Rs)	**Q2FY25**	**Q2FY24**	**Q1FY25**	**YoY (%)**	**QoQ(%)**		
Raw Material Cost	894	959	834	(6.8)	7.1		
Staff Cost	303	300	314	0.8	(3.4)		
Power and Fuel Cost	1,121	1,358	1,300	(17.5)	(13.8)		
Freight Cost	1,018	1,025	1,064	(0.6)	(4.3)		
Other Expenditure	509	546	546	(6.7)	(6.7)		
Total Cost	**3,844**	**4,188**	**4,057**	**(8.2)**	**(5.2)**		

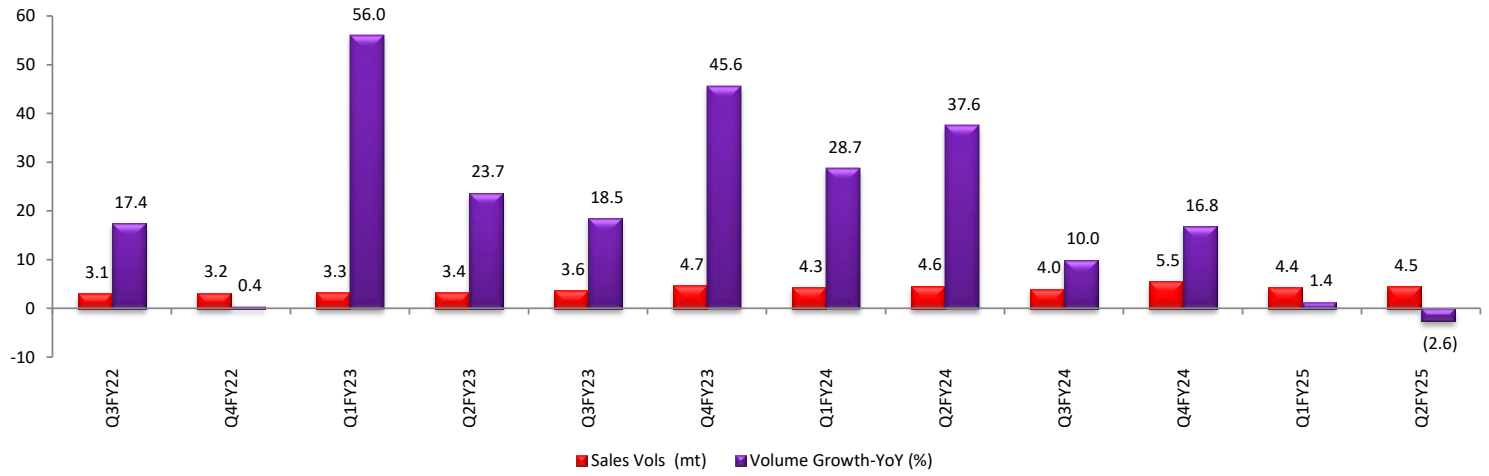
Source: Company, Systematix Institutional Research

Exhibit 2: Quarterly sales volumes



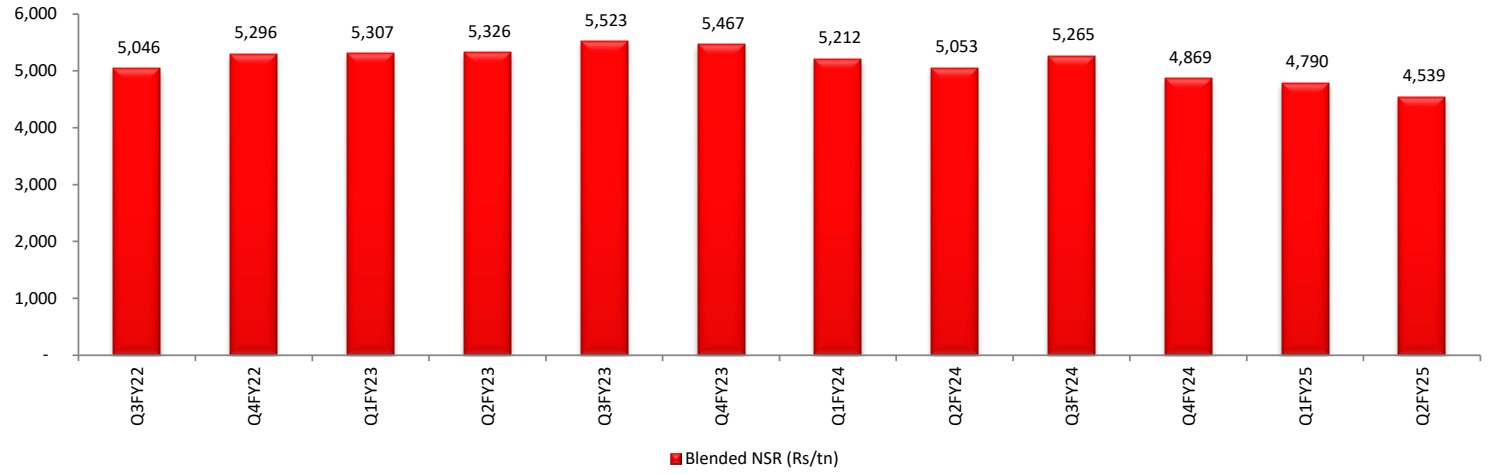
Source: Company, Systematix Institutional Research

Exhibit 3: Change in volume YoY and QoQ



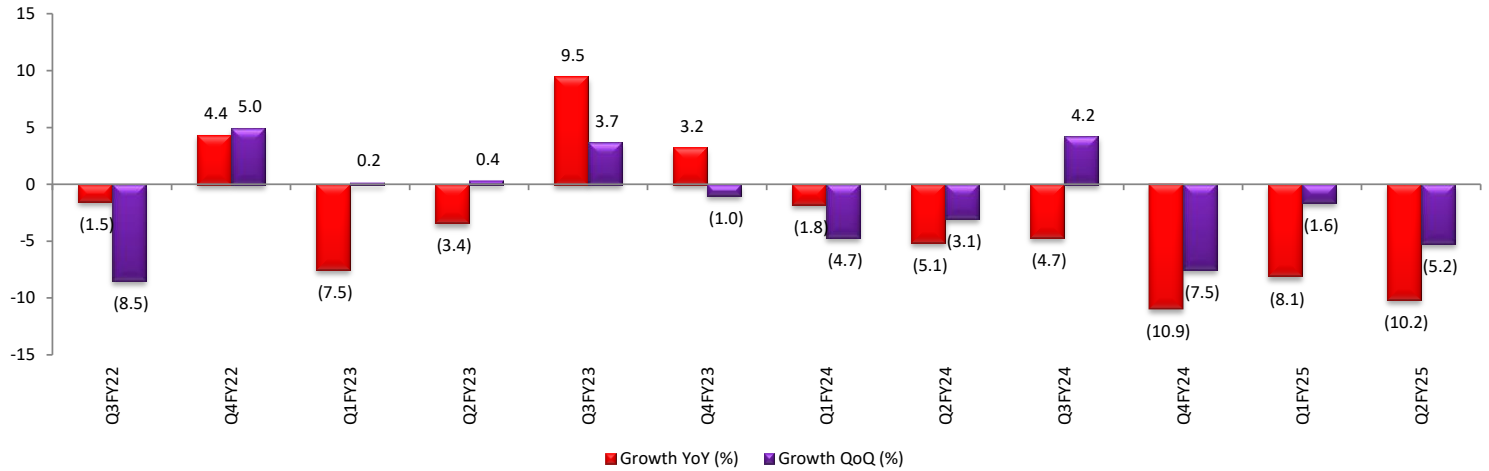
Source: Company, Systematix Institutional Research

Exhibit 4: Quarterly NSR



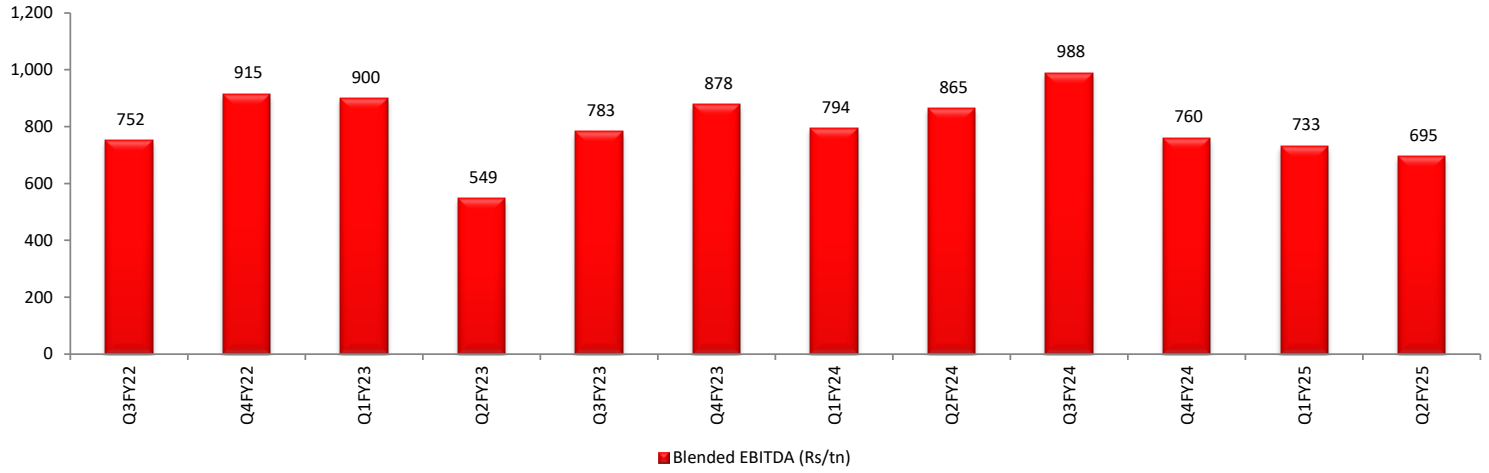
Source: Company, Systematix Institutional Research

Exhibit 5: Change in NSR YoY and QoQ



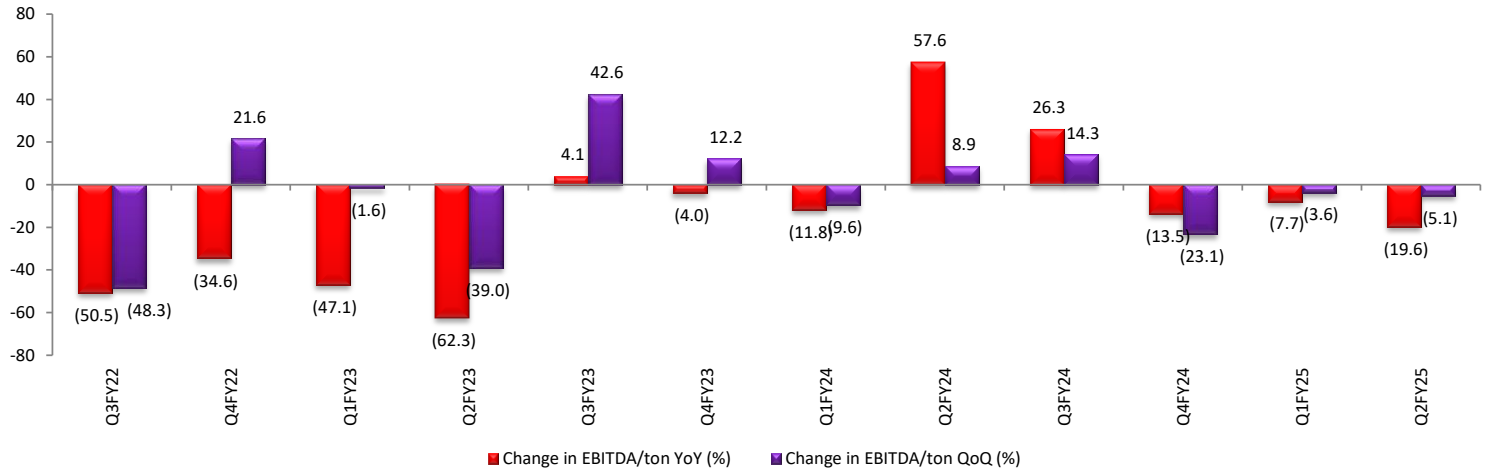
Source: Company, Systematix Institutional Research

Exhibit 6: Blended EBITDA/tn



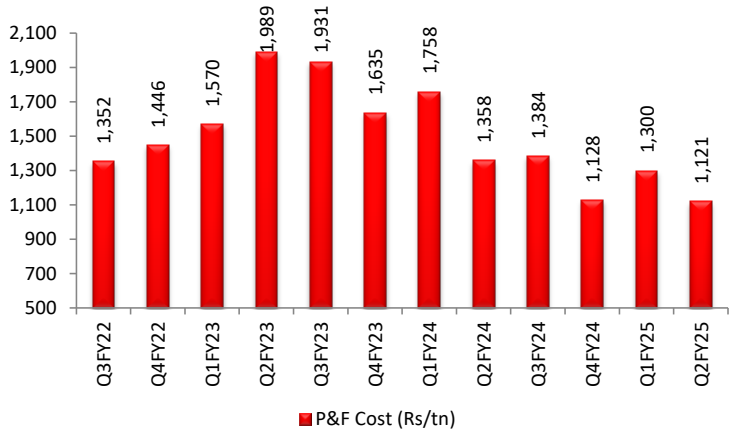
Source: Company, Systematix Institutional Research

Exhibit 7: Blended EBITDA/tn down by 19.6% YoY and 5.1% QoQ



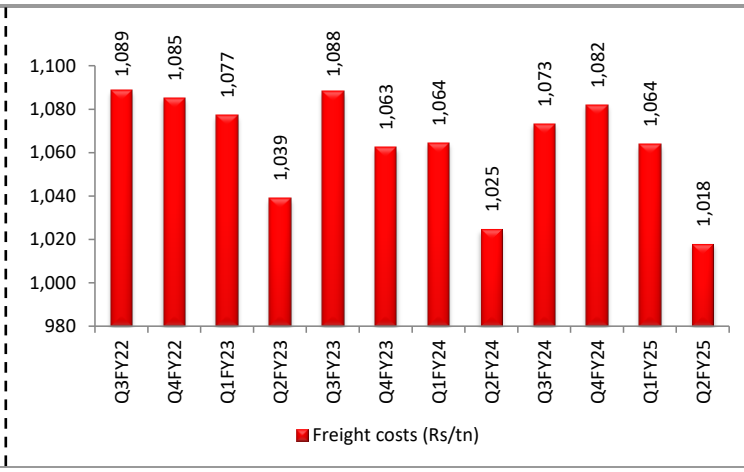
Source: Company, Systematix Institutional Research

Exhibit 8: P&F cost/tn down 17.5% YoY and 14% QoQ



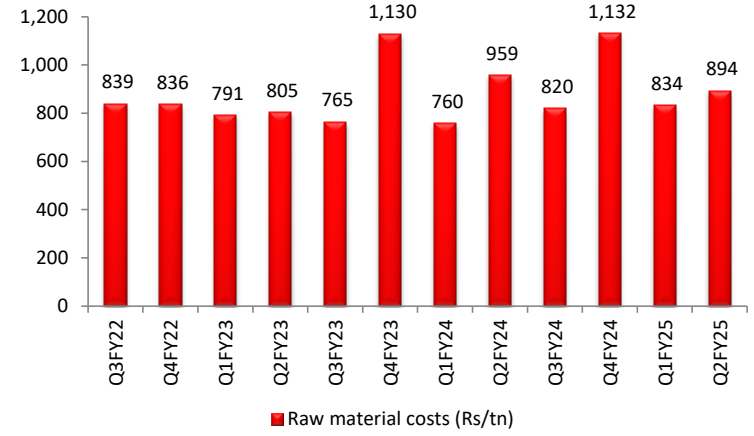
Source: Company, Systematix Institutional Research

Exhibit 9: Freight Cost/tn remains flattish YoY and down 4% QoQ



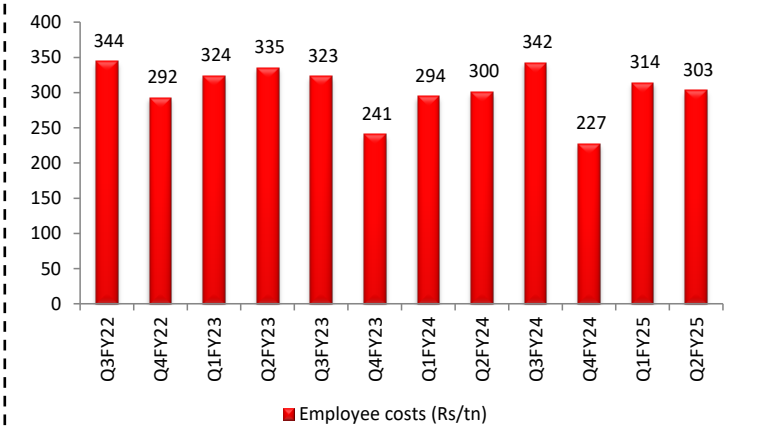
Source: Company, Systematix Institutional Research

Exhibit 10: RM Cost/tn down 6.8% YoY and up 7.1% QoQ



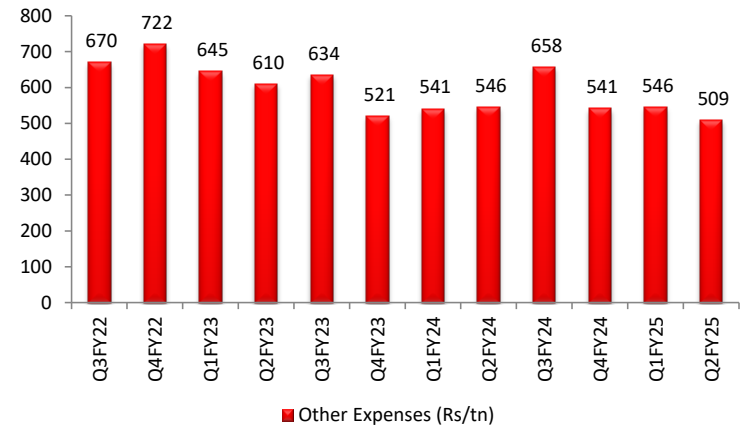
Source: Company, Systematix Institutional Research

Exhibit 11: Employee Cost/tn flattish YoY and down 3% QoQ



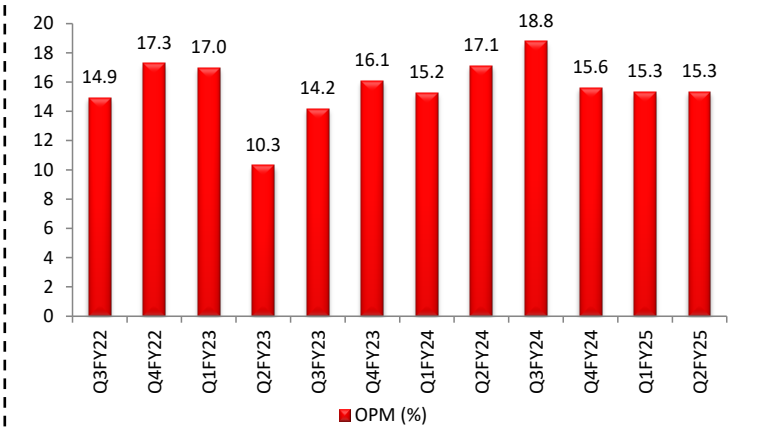
Source: Company, Systematix Institutional Research

Exhibit 12: Other Expenses/tn up 4% YoY; down 18% QoQ



Source: Company, Systematix Institutional Research

Exhibit 13: Margin stood at 15.3% in 2QFY25 vs. 17.1% in 2QFY24



Source: Company, Systematix Institutional Research

Exhibit 14: TRCL valued on EV/EBITDA method (FY26E)

FY26E	EBITDA (Rs bn)	Multiple (x)	Enterprise Value (Rs bn)
EBITDA	20	14	202
Less: net debt / (cash)			34
Equity value			234
Target price per share			**1,000**

Source: Company, Systematix Institutional Research

Exhibit 15: Key assumptions

Particulars	FY21	FY22	FY23	FY24	FY25E	FY26E
Cement Sales Volume (mt)	10.0	11.0	15.0	18.4	19.3	20.9
Blended Realization (Rs/ton)	5,281	5,412	5,416	5,081	4,929	5,028
EBITDA (incl. other income) (Rs/ton)	1,481	1,107	742	806	827	922
Per ton costs (Rs)						
Raw material	858	794	894	934	920	938
Employee cost	403	375	307	286	295	310
Power & Fuel	797	1,257	1,772	1,389	1,279	1,249
Freight	1,028	1,099	1,067	1,062	1,052	1,042
Other expense	643	725	589	567	556	567
Total Cost	**3,729**	**4,251**	**4,629**	**4,238**	**4,102**	**4,106**

Source: Company, Systematix Institutional Research

FINANCIALS (STANDALONE)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	**59,796**	**81,353**	**93,498**	**95,228**	**1,04,903**
Growth (%)	13.5	36.0	14.9	1.9	10.2
EBITDA	**12,835**	**11,820**	**15,519**	**15,987**	**19,233**
Growth (%)	(17.1)	(7.9)	31.3	3.0	20.3
EBITDA margin (%)	**21.5**	**14.5**	**16.6**	**16.8**	**18.3**
Depreciation	4,008	5,044	6,359	6,637	6,913
EBIT	**8,826**	**6,775**	**9,161**	**9,350**	**12,320**
Other Income	306	367	423	432	441
Interest expenses	1,124	2,405	4,155	4,488	4,597
PBT	**8,009**	**4,737**	**5,429**	**5,293**	**8,164**
Tax	**-915**	**1,302**	**1,485**	**1,334**	**2,057**
Effective tax rate (%)	-11.4	27.5	27.4	25.2	25.2
Adjusted PAT	**8,923**	**3,435**	**3,944**	**3,959**	**6,107**
Growth (%)	17.2	(61.5)	14.8	0.4	54.2
Net Margin (%)	**14.9**	**4.2**	**4.2**	**4.2**	**5.8**
Reported PAT	**8,923**	**3,435**	**3,944**	**3,959**	**6,107**
Growth (%)	17.2	(61.5)	14.8	0.4	54.2

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity share capital	236	236	236	236	236
Reserves & surplus	65,012	67,699	71,205	73,888	78,719
Net worth	**65,248**	**67,935**	**71,441**	**74,125**	**78,955**
Loan Funds	**39,300**	**44,874**	**49,168**	**55,129**	**56,510**
Net Deferred Taxes	8240.4	9285.1	10304.3	23184.3	23184.3
Total Liabilities	**1,12,788**	**1,22,095**	**1,30,914**	**1,52,438**	**1,58,649**
Net block	**77,516**	**1,01,826**	**1,18,759**	**1,37,005**	**1,45,091**
Capital WIP	30,340	19,873	13,292	3,000	3,000
Investment	**2,013**	**4,382**	**6,903**	**6,903**	**6,903**
Current Assets	**20,687**	**19,087**	**22,730**	**51,625**	**51,757**
Inventories	8,333	8,823	9,823	10,603	11,243
Sundry Debtors	3,498	4,650	8,522	9,198	9,754
Cash and Bank	1,760	1,686	1,352	28,753	27,657
Current Liab & Prov	**17,767**	**23,074**	**30,770**	**33,212**	**35,219**
Net current assets	**2,920**	**-3,987**	**-8,040**	**18,414**	**16,538**
Total Assets	**1,12,789**	**1,22,095**	**1,30,914**	**1,52,438**	**1,58,649**

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT (Ex-Other income)	**8,012**	**4,737**	**5,435**	**4,861**	**7,723**
Depreciation	4,008	5,044	6,359	6,637	6,913
Interest Provided	1,124	2,405	4,155	4,488	4,597
Other Non-Cash items					
Chg in working cap	(171)	2,471	3,660	948	779
Tax paid	(1,575)	(316)	(419)	11,546	(2,057)
Operating Cashflow	**11,291**	**14,050**	**18,945**	**28,480**	**17,955**
Capital expenditure	(18,155)	(17,651)	(19,224)	(1,708)	(15,000)
Free Cash Flow	**(6,865)**	**(3,601)**	**(279)**	**26,772**	**2,955**
Other income	57	787	352	432	441
Investments	(4)	(5)	(127)	-	-
Investing Cashflow	**(18,103)**	**(16,869)**	**(18,999)**	**(1,276)**	**(14,559)**
Equity Capital Raised	23	-	-	-	-
Loans Taken / (Repaid)	8,256	5,788	4,256	5,961	1,381
Interest Paid	(1,125)	(2,334)	(4,063)	(4,488)	(4,597)
Dividend paid (incl tax)	-	(710)	(473)	(1,276)	(1,276)
Income from investments	-	-	-	-	-
Others	-	-	-	-	-
Financing Cashflow	**7,154**	**2,745**	**(280)**	**197**	**(4,492)**
Net chg in cash	**342**	**(75)**	**(334)**	**27,401**	**(1,096)**
Opening cash position	1,419	1,760	1,686	1,352	28,753
Closing cash position	**1,760**	**1,686**	**1,352**	**28,753**	**27,657**

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
Profitability (%)					
EBITDA Margin	21.5	14.5	16.6	16.8	18.3
Net Margin	14.9	4.2	4.2	4.2	5.8
ROCE	8.7	6.1	7.6	6.9	8.2
ROE	14.7	5.2	5.7	5.4	8.0
RoIC	11.8	7.8	8.9	7.9	9.5
Per Share Data (Rs)					
EPS	37.8	14.5	16.7	16.8	25.8
CEPS	54.8	35.9	43.6	44.8	55.1
BVPS	276.6	287.5	302.3	313.7	334.1
DPS	3.5	4.0	4.5	4.5	4.5
Valuations (x)					
PER	21.1	55.0	47.9	47.7	31.0
P/CEPS	14.6	22.3	18.3	17.8	14.5
P/BV	2.9	2.8	2.6	2.6	2.4
EV / Sales	3.8	2.9	2.5	2.3	2.1
EV / EBITDA	17.6	19.6	15.3	13.5	11.3
Dividend Yield (%)	0.4	0.5	0.6	0.6	0.6
Gearing Ratio (x)					
Net Debt/ Equity	0.6	0.6	0.7	0.4	0.4
Net Debt/EBIDTA	2.9	3.7	3.1	1.6	1.5
Working Cap Cycle (days)	(38.5)	(49.7)	(51.9)	(51.9)	(51.9)

Source: Company, Systematix Institutional Research

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