

**CMP: INR 752**

**Rating: Accumulate**

**Target Price: INR 856**

**Stock Info**

BSE	500260
NSE	RAMCOCEM
Bloomberg	TRCL IN
Reuters	TRCE.BO
Sector	Cement
Face Value (INR)	1
Equity Capital (INR mn )	236
Mkt Cap (INR mn)	177762
52w H/L (INR)	1119/ 575
Avg. Yearly Vol (in 000')	438

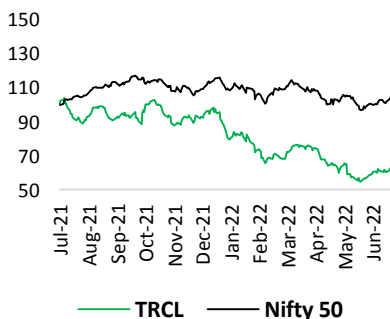
**Shareholding Pattern %**

(As on June, 2022)

Promoters	42.33
Public & Others	57.67

Stock Performance (%)	1m	3m	12m
Ramco Cement	-18.6	-14.3	-32%
Nifty 50	-6%	-0.7	6.1

**Ramco Cement Vs Nifty 50**



Ramco Cement Limited reported weak set of numbers in Q1FY23 on operational front on YoY basis, However were above our estimate on all front. Revenue from Operations grew by 44% YoY, and 3.7% QoQ to INR 17725 mn above our estimate INR 15126 mn an back of good volume growth Sales Volume grew by 57% YoY and 10% QOQ to 3.3 MMT above our estimate of 2.8 MMT. Volume were higher as demand for individual housing and infra picked up in southern and eastern region. Realization/tonne declined by 8.2% YoY and 5.7% QoQ to INR 5371 below our expectation of INR 5402.

EBIDTA declined by 17% YoY and grew by 2% QoQ to INR 3007 mn above our estimates of INR 2265 mn. EBIDTA margin contracted by 1266 bps YoY and 30 bps QoQ to 17.0%. Pressure on EBIDTA margin was mainly due to sharp increase in fuel prices, weak cement prices and company was unable to pass sharp rise in fuel cost to customer. EBIDTA /ton declined by 47% YoY and 7.3% QoQ to INR 911 above our expectation of INR 809.

PAT declined by 33.6% YoY and 9.4 % QoQ to INR 1123 mn above our expectation of INR 684 mn. Bottom line was impacted due to poor operating performance and higher finance cost.

As per Section 115BAA in the income Tax Act, 1961, the Company has an irrevocable option of shifting to a lower tax rate and simultaneously forgo certain tax incentives, deductions and accumulated MAT credit. During Q2 of PY, the company had opted for shifting to lower tax rate from FY 2021-22 onwards, in view of the overall tax benefits available under the said option.

**Outlook and Valuations**

At a CMP of INR 752 stock is trading at an EV/EBIDTA multiple of 11.4(x) and 9.5 (x) and to its F23E and FY24E . TRCL's capacity expansion will support market share gains which along with the revival in economic activities and strong Government focus on Infra & Housing will support future volumes. With most of the capex completed, FY24 to witness significant deleveraging supported by strong free cash flows. Also with the easing out of fuel prices input cost is expected to come down going ahead which will help margin expansion. We value the stock at 10.7 (x) EV/EBIDTA to its FY24E EBIDTA of INR 20991 Mn to arrive at a target price of INR 856 and we upgrade to Accumulate rating from Hold rating on the stock.

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### Operational & Con-Call Highlights

- The company continues to focus on the strategy of right products for right applications to make its brands stronger.
- Operating ratio for Q1 FY23 is 17% as against 30% in Q1FY22.
- The average increase in diesel prices by 11% during the Q1 has resulted in increase of all in-bound / out-bound logistics cost.
- During the Q1 the average price of pet coke has increased by 90% compared to Q1 of PY. The spot CIF prices of pet coke per ton has spiked to \$ 242 in May-22.
- Since the fuel prices have peaked in the Q1 of FY23, the power & fuel cost per ton of cement for Q1 of FY23 has sharply increased to Rs.1,584/- from Rs.1,031/- in the Q1 of PY. The operation of WHRS in Jayanthipuram has helped to moderate the overall power & fuel cost to some extent.
- The effective average cost of borrowing for Q1 of FY23 is 5.41% as against 5.16% in the Q1 of PY.
- The trial production from clinkering plant in Kurnool is successful and is running well. With this, the clinkering capacity has gone up to 13.65 MTPA. The cement grinding facility, 6 MW of WHRS in Kurnool will be commissioned in Aug 2022. With this, the installed capacity of cement will go past 20 MTPA. Balance 6.15 MW of WHRS and will be commissioned in Mar-23. The modernisation of RR Nagar plant along with lime stone beneficiation plant will be commissioned in Mar-23.
- The company also propose to expand the capacity of its dry mix products in Tamilnadu, Orissa and Andhra Pradesh to produce high value products viz. water proofing, repair products, flooring screeds including liquid products besides other regular dry mix products. The two units in TN will be commissioned in FY23 and the remaining two units in AP & Orissa will be commissioned in FY24.
- During the Q1 of FY23, the company has incurred Rs.482 cr towards capex, including for the above-mentioned ongoing capacity expansion programme.
- Share off premium product have increased to 24% in Q1FY23 as compared to Q1FY22.
- The Capacity utilization stood at 68% in Q1FY23 as compared to 44% in Q1FY22.

Q1 FY23 - Quarterly Performance

(in INR Mn)

Particulars (INR Mn)	Q1FY23	Q4FY22	Q1FY22	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>17,725</b>	<b>17,091</b>	<b>12,287</b>	<b>3.7%</b>	<b>44.3%</b>
Material Cost	11,483	10,868	5,995	5.7%	91.5%
Employee Cost	1,082	943	1,050	14.7%	3.0%
Other Expenses	2,153	2,330	1,602	-7.6%	34.4%
<b>EBITDA</b>	<b>3,007</b>	<b>2,950</b>	<b>3,640</b>	<b>1.9%</b>	<b>-17.4%</b>
<i>EBITDA Margin %</i>	<i>17.0%</i>	<i>17.3%</i>	<i>29.6%</i>	<i>-30bps</i>	<i>-1266bps</i>
Other Income	69	99	60	-30.3%	15.0%
Depreciation	1,064	1,075	956	-1.0%	11.3%
<b>EBIT</b>	<b>2,012</b>	<b>1,974</b>	<b>2,744</b>	<b>1.9%</b>	<b>-26.7%</b>
Finance Cost	475	334	243	42.2%	95.5%
Exceptional Item	-	-	-	-	-
<b>PBT</b>	<b>1,537</b>	<b>1,640</b>	<b>2,501</b>	<b>-6.3%</b>	<b>-38.5%</b>
Tax Expense	414	400	811	3.5%	-49.0%
<i>Effective Tax Rate %</i>	<i>26.9%</i>	<i>24.4%</i>	<i>32.4%</i>	<i>255bps</i>	<i>-549bps</i>
<b>PAT</b>	<b>1,123</b>	<b>1,240</b>	<b>1,690</b>	<b>-9.4%</b>	<b>-33.6%</b>
<i>PAT Margin %</i>	<i>6.3%</i>	<i>7.3%</i>	<i>13.8%</i>	<i>-92bps</i>	<i>-580.00</i>
<b>EPS (Rs)</b>	<b>5.0</b>	<b>6.0</b>	<b>7.0</b>	<b>-16.7%</b>	<b>-28.6%</b>

Source: Company Filings, Arianth Research

Valuations

INR Mn	FY24E
EV/EBITDA (x)	10.7
EBITDA	20991
EV	224599
Debt	41299
Cash	18338
Market Cap	201638
No shares	236
CMP (INR)	752
Target (INR)	856
<b>Upside (%)</b>	<b>13.8%</b>

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

**Key Financials**

**Income Statement**

Y/E March (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
<b>Revenues</b>	53,893	52,910	60,036	72,334	82,316
<i>Change (%)</i>	4.4%	-1.8%	13.5%	20.5%	13.8%
<b>Total Expenses</b>	42,419	37,337	47,136	53,888	61,325
<b>EBITDA</b>	11,474	15,573	12,900	18,445	20,991
Other Income	335	304	280	362	412
Depreciation	3,165	3,566	4,022	4,367	4,817
Interest	721	876	1,124	1,209	1,239
<b>PBT</b>	<b>7,922</b>	<b>11,435</b>	<b>8,034</b>	<b>13,230</b>	<b>15,346</b>
Extra-ordinary	0	0	0	0	0
<b>PBT after ext-ord.</b>	7,922	11,435	8,034	13,230	15,346
Tax	1,879	3,799	-894	3,969	4,604
<i>Rate (%)</i>	23.7%	20.0%	30.0%	30.0%	30.0%
<b>PAT</b>	<b>6,044</b>	<b>7,636</b>	<b>8,928</b>	<b>9,261</b>	<b>10,742</b>
<b>MI &amp; Associates</b>	<b>-3</b>	<b>201</b>	<b>-114</b>	<b>0</b>	<b>0</b>
<b>Consolidated PAT</b>	<b>6,041</b>	<b>7,837</b>	<b>8,814</b>	<b>9,261</b>	<b>10,742</b>
<i>Change (%)</i>	18.3%	29.7%	12.5%	5.1%	16.0%

Source: Company, Arihant Research

**Cash Flow Statement**

Y/E March (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
<b>PBT</b>	<b>7,922</b>	<b>11,435</b>	<b>8,034</b>	<b>13,230</b>	<b>15,346</b>
Depreciation	3,165	3,566	4,022	4,367	4,817
Interest & others	389	371	958	847	827
Cash flow before WC changes	11,477	15,943	13,098	18,445	20,991
<b>(Inc)/dec in working capital</b>	<b>916</b>	<b>5,068</b>	<b>-2,643</b>	<b>-649</b>	<b>455</b>
Operating CF after WC changes	12,393	21,011	10,455	17,796	21,445
Less: Taxes	-1,879	-2,087	894	-3,969	-4,604
<b>Operating Cash Flow</b>	<b>10,514</b>	<b>18,924</b>	<b>11,349</b>	<b>13,827</b>	<b>16,841</b>
(Inc)/dec in F.A + CWIP	-17,508	-17,476	-18,255	-15,000	-15,000
(Pur)/sale of investment	-168	-315	99	0	0
<b>Cash Flow from Investing</b>	<b>-17,676</b>	<b>-17,790</b>	<b>-18,156</b>	<b>-15,000</b>	<b>-15,000</b>
<b>Free Cash Flow (FCF)</b>	<b>-5,858</b>	<b>1,265</b>	<b>-3,651</b>	<b>-1,173</b>	<b>1,841</b>
Loan raised/(repaid)	12,019	4,693	8,282	1,000	1,000
Equity raised	0	0	0	0	0
Interest & others	-567	-10,350	-421	6,502	8,796
Dividend	-589	-707	-707	-707	-707
<b>Cash Flow from Financing Activities</b>	<b>10,862</b>	<b>-6,364</b>	<b>7,154</b>	<b>6,795</b>	<b>9,089</b>
<b>Net inc/(dec) in cash</b>	<b>-7</b>	<b>496</b>	<b>346</b>	<b>5,622</b>	<b>10,931</b>
Opening balance of cash	948	942	1,438	1,785	7,407
Closing balance of cash	941	1,438	1,784	7,407	18,338

Source: Company, Arihant Research

**Balance Sheet**

Y/E March (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
<b>Sources of Funds</b>					
Share Capital	236	236	236	236	236
Reserves & Surplus	49,778	57,081	65,950	73,743	83,778
<b>Net Worth</b>	<b>50,014</b>	<b>57,317</b>	<b>66,185</b>	<b>73,978</b>	<b>84,014</b>
<b>Loan Funds</b>	<b>26,324</b>	<b>31,017</b>	<b>39,299</b>	<b>40,299</b>	<b>41,299</b>
MI, Deferred Tax & other Liabilities	9,307	11,012	8,391	8,391	8,391
<b>Capital Employed</b>	<b>85,725</b>	<b>99,425</b>	<b>1,14,076</b>	<b>1,42,461</b>	<b>1,52,899</b>
<b>Application of Funds</b>					
Net Block	59,934	69,211	77,059	99,211	99,211
CWIP	18,964	24,125	31,011	31,011	31,011
Other Non-current Assets	3,915	3,552	3,463	3,463	3,463
Deferred Tax Assets	4	4	11	11	11
<b>Net Fixed Assets</b>	<b>82,816</b>	<b>96,891</b>	<b>1,11,544</b>	<b>1,33,696</b>	<b>1,33,696</b>
<b>Investments</b>	<b>2,755</b>	<b>3,070</b>	<b>2,971</b>	<b>2,971</b>	<b>2,971</b>
Debtors	5,276	3,759	3,507	4,162	4,736
Inventories	6,469	5,993	8,345	9,503	10,815
Cash & Bank Balance	942	1,438	1,785	7,407	18,338
Loans & Advances & other CA	3,071	3,398	3,437	5,821	6,355
<b>Total Current Assets</b>	<b>15,757</b>	<b>14,589</b>	<b>17,074</b>	<b>26,894</b>	<b>40,244</b>
Current Liabilities	15,070	14,479	16,725	20,150	22,931
Provisions	533	0	0	0	0
<b>Net Current Assets</b>	<b>154</b>	<b>-535</b>	<b>-439</b>	<b>5,794</b>	<b>16,232</b>
<b>Total Assets</b>	<b>85,725</b>	<b>99,425</b>	<b>1,14,076</b>	<b>1,42,461</b>	<b>1,52,899</b>

**Key Ratios**

Y/E March	FY20	FY21	FY22	FY23E	FY24E
<b>Per share (INR)</b>					
EPS	25.6	33.3	37.4	39.3	45.6
CEPS	39.1	48.4	54.5	57.8	66.0
BVPS	212.3	243.3	280.9	314.0	356.6
DPS	2.5	3.0	3.0	3.0	3.0
Div. Payout (%)	9.7%	9.0%	8.0%	7.6%	6.6%
<b>Valuation (x)</b>					
P/E	29.3	22.6	20.1	19.1	16.5
P/CEPS	19.2	15.5	13.8	13.0	11.4
P/BV	3.5	3.1	2.7	2.4	2.1
EV/EBITDA	17.7	13.3	16.6	11.4	9.5
Dividend Yield (%)	0.3%	0.4%	0.4%	0.4%	0.4%
<b>Return Ratio (%)</b>					
EBITDA Margin	21.3%	29.4%	21.5%	25.5%	25.5%
PAT Margin	11.2%	14.8%	14.7%	12.8%	13.0%
ROE	12.1%	13.7%	13.3%	12.5%	12.8%
ROCE	9.7%	12.1%	7.8%	9.9%	10.6%
<b>Leverage Ratio (x)</b>					
Total D/E	0.5	0.5	0.6	0.5	0.5
Net D/E	0.5	0.5	0.6	0.4	0.3
<b>Turnover Ratios</b>					
Asset Turnover (x)	0.6	0.5	0.5	0.5	0.5
Receivable Days	36	26	21	21	21
Payable days	102	100	102	102	102

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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