

CMP: INR 846

Rating: Accumulate

Target Price: INR 979

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 bn)	199
52w H/L (INR)	953/634

Shareholding Pattern %

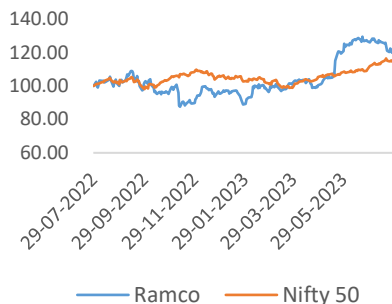
(As on June, 2023)

Promoters	42.11
Public & Others	57.89

Stock Performance (%)

	1m	3m	12m
Ramco Cement	-5.69	19.61	22.30
Nifty 50	3.55	8.75	16.05

Ramco Cement Vs Nifty 50



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Ramco cements posted muted numbers which are below our estimates, the volumes were lost due to the unavailability of sand and the realizations were also on the flattish side.

Volumes were impacted due to the non-availability of sand in Kerala, supply disruption due to rail accidents in Orissa and West Bengal and active monsoon in NE, the growth in sale volume could have been better for the current quarter.

Revenues reported at INR 2249 cr (against our estimates of INR 2395cr) up by 26% YoY/-13% QoQ; in Q1FY24, the sale volume was higher by 29% YoY/-9% QoQ stood at 4.23 mnt. Clinker production was higher by 8% in 1QFY24 compared to 4QFY23 while cement sale volume was down by 9%. The share of premium products improved to 27% in 1QFY24.

EBITDA at INR 341 cr up by 13.8% YoY/-17.1% QoQ (against our estimates of INR 389cr); **EBITDAM** at 15.2% contracted by -170 bps YoY/-80 bps QoQ **PAT** at INR 79 cr (against our estimates of INR 112 cr) down by -30% YoY/-48% QoQ and margins at 5.9%.

EBITDA/t was down by -11% YoY/-9.5% QoQ at INR 807/t due to increased cost and flattish realization, the fixed cost absorption was comparatively better along with robust volumes.

RM stood at INR 911/t increase by 6% YoY/-4% QoQ, there was decrease in diesel price by 4%, continued levy of Busy season surcharge by railways since Oct'22. The Impact is around ` 30/ T for inward material movements. There was an Inflationary impact on the cost of other raw materials viz. Fly ash, Slag & Gypsum.

Power and fuel cost increased by +188 / T YoY. Even though fuel prices have softened for a brief period, the full effect of price reduction is expected to reflect from Q2FY24, in view of the high base inventory during the current quarter. Blended Fuel cost per Kcal: 1QFY24: 2.03; 1QFY23: 1.87; 4QFY23: 2.21

Blended Fuel consumption (incl. TPP) per T of material: 1QFY24: \$ 170; 1QFY23: \$ 157; 4QFY23: \$ 17

Fixed cost absorption was comparatively better due to improved operating leverage

Logistics cost Levy of Busy season surcharge re-imposed by railways w.e.f Oct'22. The impact is around INR 60/t for Q1FY24. Avg. lead distance for Q1FY24 is 274 KMs vs 301 KMs in Q1FY23 & 310 KMs in Q4FY23. The effect of 15% levy of Busy Season Surcharge is offset by a reduction in lead distance.

Outlook The Ramco Cement has posted muted results, volumes were impacted due to the non-availability of sand in Kerala and overall cost has increased, the company could not avail full benefit of fuel and power cost due to the high base inventory left to be utilized affecting the margins adversely. Going forward, we believe the company will be able to avail P&F cost benefit, with better volumes, though the realizations are expected to be muted. **At a CMP of INR 846 stock is trading at a EV/EBITDA multiple of 14.5(x) and 12.1(x) to its FY24E and FY25E. We value the stock at a EV/EBITDA of 13.7(x) to its FY25E EBITDA to arrive to a TP of INR 979 an upside of 15.7%, maintain accumulate rating.**

Q1FY24 Results

INR cr	Q1FY24	Q1FY23	Q4FY22	YOY	QOQ
Net Revenue	2,241	1,772	2,569	26.5%	-12.8%
Operating costs	1,900	1,472	2,157	29.1%	-11.9%
Employee cost	126	116	113	11.5%	8.6%
Other Expenses	232	207	244	-4.9%	12.1%
EBITDA	341	300	412	13.8%	-17.1%
<i>EBITDA margin %</i>	<i>15.2%</i>	<i>16.9%</i>	<i>16.0%</i>	<i>-170bps</i>	<i>-80bps</i>
Depreciation	147	106	140	5.0%	38.7%
EBIT	194	194	272	0.2%	-28.5%
Other Income	8	7	12		
Finance cost	93	47	77	21.3%	98.7%
PBT	109	154	207	-47.3%	-29.2%
Tax Expense	29	41	54	-46.3%	-29.3%
PAT	80	113	153	-29.2%	-47.6%
<i>PAT margin %</i>	<i>3.6%</i>	<i>6.4%</i>	<i>5.9%</i>	<i>-281bps</i>	<i>-238bps</i>
EPS (Rs)	3.15	4.61	6.38	-50.6%	-31.7%
Sales Volume cement (Mt)	4.23	3.31	4.62	27.8%	-8.4%
Volume dry mortar (Mt)	0.67	0.3	0.72	123.3%	-6.9%
Sales in cr	2,241	1,772	2,569	26.5%	-12.8%
Realization/t	5298	5353	5561	-1.0%	-4.7%
EBIDTA in cr	341	300	412	13.8%	-17.1%
EBIDTA/tonne	807.1	906.3	891.8	-11.0%	-9.5%

Cost of raw material per ton stood at INR 911/t, increased by 6% YoY/-4% QoQ. There was drop in cost sequentially as diesel prices dropped by 4% and the company could benefit partially from decline in fuel costs. On YoY basis, the costs increased as continued levy of Busy season surcharge by railways since Oct'22. The Impact is around INR 30/ T for inward material movements along with inflationary impact on cost of other raw materials viz. Fly ash, Slag & Gypsum was witnessed in this quarter.

Cost measures Wind energy capacity of 133 MW shifted from 'Sale to Grid' to 'Captive use' in a phased manner during Q1FY24. This will lead to a reduction on cement cost by ` 70 to ` 80 per ton at the company level in the coming quarters.

Employee cost The employee cost reduced by 16% YoY and increased by 22% QoQ stood at 294/t led by improved operating leverage.

Finance cost increased due to commissioning of units in JPM Line-3, Kolimigundla, R R Nagar Line III and Dry Mortar Plants and stood at INR 93 cr in Q1FY24 from INR 47cr in Q1FY23.

Capacity expansion and capex Expansion of Dry Mortar Plant: 2 units in AP & Odisha will be commissioned during FY24. Odisha Grinding Unit Line II with a cement capacity of 0.9 MTPA is expected to commission before end of FY24. Expansion of Dry Mortar Plant: 2 units in AP & Odisha will be commissioned during FY24. The capacity utilization of Kurnool Integrated Unit ramped upto 97% and RR Nagar Line III Clinker Capacity Utilization ramped to 100% in Q1FY24.

Debt The company has reported INR 4405 cr of net debt as on 30th June 2023

WHRS capacity 3 MW of WHRS will be commissioned in 2QFY24 and TPP of 18 MW and railway siding will be commissioned before end of FY24 in Kurnool.

The fuel mix for Q1FY24 stood at 52% petcoke, coal 40% and AFR 8%. The share of green power increased from 19% in Q1FY23 to 29% on Q1FY24, is expected to increase further to 40% by the end of FY24.

Land acquisition for Bommanahalli project is under progress.

Financial Statements

Income Statement	FY22	FY23	FY24E	FY24E
Y/E March (Rs Mn)	FY22	FY23	FY24E	FY25E
Revenues	60,037	81,573	96,797	1,09,594
<i>Change (%)</i>	13.5%	35.9%	18.7%	13.2%
Total Expenses	47,136	69,717	80,191	89,757
EBITDA	12,901	11,856	16,606	19,837
Other Income	280	329	484	548
Depreciation	4,022	5,060	3,561	3,918
Interest	1,124	2,405	1,316	1,286
PBT	8,035	4,720	12,212	15,181
Extra-ordinary	0	0	0	0
PBT after ext-ord.	8,035	4,720	12,212	15,181
Tax	-894	1,300	3,053	3,795
<i>Rate (%)</i>	-11.1%	27.5%	25.0%	25.0%
PAT	8,929	3,420	9,159	11,386
MI & Associates	-114	-282	0	0
Consolidated PAT	8,815	3,138	9,159	11,386
<i>Change (%)</i>	12.5%	-64.4%	191.9%	24.3%

Source: Arian Research, Company Filings

Balance Sheet

Y/E March (Rs Mn)	FY22	FY23	FY24E	FY25E
Sources of Funds				
Share Capital	236	236	236	236
Reserves & Surplus	65,950	68,374	77,534	88,919
Net Worth	66,185	68,610	77,769	89,155
Loan Funds	39,300	44,874	43,874	42,874
Current Liabilities	17,100	22,228	22,759	23,630
Capital Employed	1,31,585	1,45,947	1,54,637	1,65,894
Application of Funds				
Net Block	75,755	99,760	1,18,715	1,30,586
CWIP	31,011	20,769	20,769	20,769
Other Non-current Assets	2,510	1,993	1,993	1,993
Deferred Tax Assets	11	23	23	23
Net Fixed Assets	1,09,286	1,22,546	1,41,500	1,53,372
Investments	1,304	1,289	1,289	1,289
Debtors	3,507	4,651	940	739
Inventories	8,345	8,836	1,148	1,258
Cash & Bank Balance	1,462	1,377	2,374	1,816
Loans & Advances & other CA	1,717	2,291	2,428	2,463
Total Current Assets	17,072	18,869	8,604	7,990
Total Assets	1,31,585	1,45,947	1,54,636	1,65,894

Source: Company, Arian Research

Cash Flow Statement

Y/E March (Rs Mn)	FY22	FY23	FY24E	FY24E
PBT	8,024	4,720	12,212	15,181
Depreciation	4,022	5,060	7,123	7,835
Interest & others	1,124	2,405	1,316	1,286
Cash flow before WC changes	13,099	11,933	20,651	24,303
(Inc)/dec in working capital	-163	2,510	11,792	927
Operating CF after WC changes	12,936	14,443	32,444	25,230
Less: Taxes	-1,587	-327	-3,053	-3,795
Operating Cash Flow	11,349	14,116	29,391	21,434
(Inc)/dec in F.A + CWIP	-18,028	-17,561	-26,077	-19,707
(Pur)/sale of investment	-129	619	0	0
Cash Flow from Investing	-18,157	-16,941	-26,077	-19,707
Free Cash Flow (FCF)	-6,757	-3,519	3,313	1,728
Loan raised/(repaid)	17,660	16,593	-1,000	-1,000
Equity raised	#REF!	23	0	0
Interest & others	-9,403	-10,803	-1,316	-1,286
Dividend	0	0	0	0
Cash Flow from Financing Activities	7,154	2,745	-2,316	-2,286
Net inc /(dec) in cash	346	-81	997	-558
Opening balance of cash	1,438	1,462	1,377	2,374
Closing balance of cash	1,785	1,381	2,374	1,816

Source: Company, Arianth Research

Key Ratios

Y/E March	FY22	FY23	FY24E	FY25E
Per share (Rs)				
EPS	37.4	13.3	38.9	48.3
CEPS	54.5	34.8	54.0	65.0
BVPS	280.9	291.2	330.1	378.4
DPS	3.0	3.0	3.0	3.0
Div. Payout (%)	8.0%	22.5%	7.7%	6.2%
Valuation (x)				
P/E	20.1	56.5	19.3	15.6
P/CEPS	13.8	21.6	13.9	11.6
P/BV	2.7	2.6	2.3	2.0
EV/EBITDA	18.4	20.5	14.5	12.1
Return Ratio (%)				
EBIDTA Margin	21.5%	14.5%	17.2%	18.1%
PAT Margin	14.7%	3.8%	9.5%	10.4%
ROE	13.3%	4.6%	11.8%	12.8%
ROCE	6.7%	4.7%	8.4%	9.6%
Leverage Ratio (x)				
Total D/E	0.6	0.7	0.6	0.5
Net D/E	0.6	0.6	0.5	0.5
Turnover Ratios				
Asset Turnover (x)	0.5	0.6	0.6	0.7
EV/t		21289	17344	14958
EV/t \$		258	210	181

Source: Arianth Research, Company Filings

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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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