

**Healthy capital position and ongoing capex to stay ready when normalcy resumes**

**CMP: Rs 622**

**Rating: HOLD**

**Target Price: Rs 660**

**Stock Info**

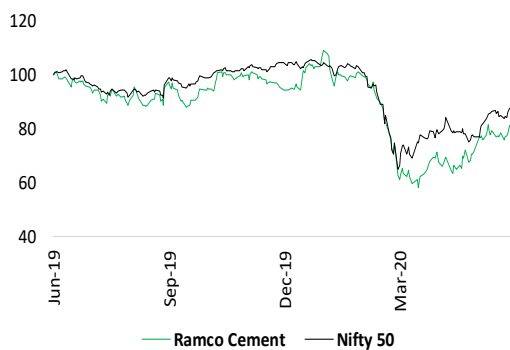
BSE	500260
NSE	RAMCOCEM
Bloomberg	TRCL IN
Reuters	TRCE.BO
Sector	Cement
Face Value (Rs)	1
Equity Capital (Rs Cr)	23.6
Mkt Cap (Rs Cr)	15,212
52w H/L (Rs)	884 / 455
Avg. Yearly Vol (in 000')	505

**Shareholding Pattern %**

(As on March, 2020)

Promoters	42.7
FII	9.0
DII	27.8
Public & Others	20.6

**Ramco Cement Vs Nifty**



Source: Arihant Research, NSE

*Ramco Cement reported weak set of numbers in Q4FY20 with fallen annual figures but a solid growth sequentially. The standalone topline degrowth was at -9.3% YoY/8.8% QoQ to Rs 13,899 mn, EBITDA for the quarter fell by -14.1% YoY/37.6% QoQ to Rs 2,792 mn and Net Profit stayed at Rs 1,462 mn, down 11.6% YoY/up 54.2% QoQ. EBITDA margin for the quarter contracted sharply by 113 bps at 20.1% for Q4FY20, primarily due to higher sales and promotion expenses incurred by the company during the quarter and negative operating leverage caused by the COVID-19-led shutdown that marred sales during the last week of March. Realisation for the quarter went up by 5.5% sequentially, on account of fallen raw material prices, pet coke and cost of fuel in comparison to previous year. We maintain our HOLD rating with revised TP of Rs 660 owing to the company's strong fundamentals, healthy reserves to ride through the pandemic and an expected V-shaped recovery in demand in H1 FY21.*

**Q4FY20 Operational Highlights**

In Q4FY20, Ramco registered a volume degrowth of 11.2% YoY vs. (3.5% in Q3FY20) to 2.93 MT against 3.3 MT in Q4FY19. During the quarter margin contracted by 113 bps YoY.

In its Wind Power division, Ramco generated 226.8 mn units in Q4FY20 against 242.6 mn units in Q4FY19. The revenue from wind power for FY20 stood at Rs 580.7 mn against Rs 617.5 mn in FY19.

**FY20 Performance:** With macro economic slowdown making volume growth in FY20 at 0.7%, company's net sales grew by 4.4% for FY20 and EBITDA grew by 9.9% YoY.

**Update on Capacity Expansion Plans:** Expansion of grinding unit near Vizag, AP from 0.95 MTPA to 2 MTPA was commissioned in March 2020, new grinding unit in Haridaspur, Odisha with 1 MTPA capacity is expected to be commissioned by August 2020, clinkering at Jayanthipuram, AP from 3 MTPA to 4.50 MTPA along with WHRS capacity of 27 MW before March 2021. New cement plant in Kolimigundla, Kurnool District, AP with clinkering capacity of 2.25 MTPA and cement 1 MTPA is expected to be commissioned before March 2021.

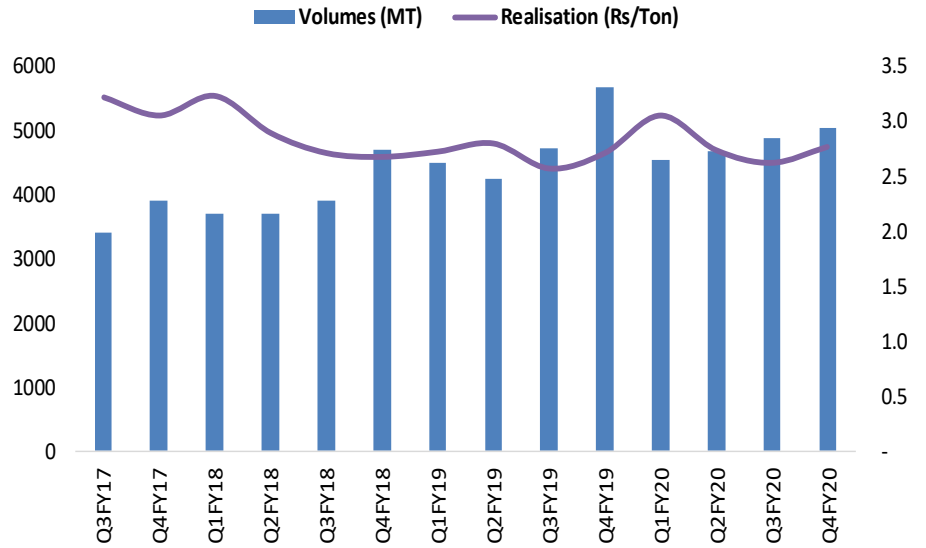
Capex spent during FY20 stood at Rs 1,920 Cr and balance Rs 1,380 Cr will be spent for ongoing capex.

**Covid-19 Impact:** The company has mentioned that the Covid-19 pandemic has affected its business significantly on account of shut/lock down of factories, sales offices, dealer shops, etc. The management refrained from providing any numeric guidance on the impacts, but we do not expect demand picking up to any encouraging levels before H2FY21.

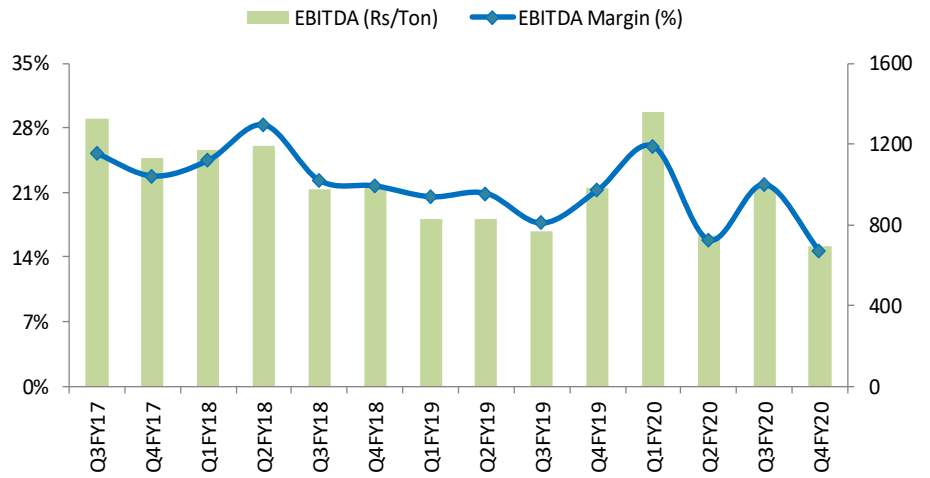
**Outlook and Valuations**

Due to sluggish demand across construction sector, the company will witness demand disappearance in the near term attributed coronavirus pandemic. However, at the capital strength they are sitting on currently with less than Rs ~20,000 Mn of Net Debt, we don't doubt its ability to steer through the pandemic but are questioning its profitability and market demand. At CMP of Rs 622, Ramco is trading at an EV/EBITDA of 16.2x and 14.3x its FY21E/22E estimates respectively. We maintain our target EV/EBITDA multiple at 15.0x, factoring in weak demand in near term. Accordingly, we lower our target price to Rs 660 (Rs 822 earlier) and maintain our **HOLD** rating despite its beaten down valuations.

**Volume (MT) & Realization (Rs/ton)**



**EBITDA Margin and EBITDA/Ton**



## Q4 FY20 - Quarterly Performance (Standalone)

(in Rs Mn)

Particulars (Rs Mn)	Q4FY20	Q3FY20	Q4FY19	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>13,899</b>	<b>12,780</b>	<b>15,324</b>	<b>8.8%</b>	<b>-9.3%</b>
Material Cost	7,945	7,794	9,197	1.9%	-13.6%
Employee Cost	846	966	823	-12.4%	2.7%
Other Expenses	2,317	1,992	2,053	16.3%	12.8%
<b>EBITDA</b>	<b>2,792</b>	<b>2,029</b>	<b>3,251</b>	<b>37.6%</b>	<b>-14.1%</b>
<i>EBITDA Margin %</i>	<i>20.1%</i>	<i>15.9%</i>	<i>21.2%</i>	<i>421bps</i>	<i>-113bps</i>
Other Income	114	85	111	34.6%	2.9%
Depreciation	833	797	767	4.5%	8.6%
<b>EBIT</b>	<b>2,073</b>	<b>1,316</b>	<b>2,595</b>	<b>57.5%</b>	<b>-20.1%</b>
Finance Cost	216	215	128	0.5%	68.4%
Exceptional Item	-	-	-	-	-
<b>PBT</b>	<b>1,857</b>	<b>1,101</b>	<b>2,467</b>	<b>68.6%</b>	<b>-24.7%</b>
Tax Expense	396	153	813	158.0%	-51.3%
<i>Effective Tax Rate %</i>	<i>21.3%</i>	<i>13.9%</i>	<i>33.0%</i>	<i>738bps</i>	<i>-1165bps</i>
<b>PAT</b>	<b>1,462</b>	<b>948</b>	<b>1,654</b>	<b>54.2%</b>	<b>-11.6%</b>
<i>PAT Margin %</i>	<i>10.5%</i>	<i>7.4%</i>	<i>10.8%</i>	<i>310bps</i>	<i>-27bps</i>
<b>EPS (Rs)</b>	<b>6.2</b>	<b>4.0</b>	<b>7.0</b>	<b>54.2%</b>	<b>-11.6%</b>

Source: Company Filings, Arianth Research

## Valuations

Rs Mn	FY22E
EV/EBITDA (x)	15.0
EBITDA	12091
EV	181372
Debt	27824
Cash	2498
Market Cap	156046
No shares	237
CMP (Rs)	622.3
Target (Rs)	660
<b>Upside (%)</b>	<b>6.0%</b>

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

## Key Financials

### Income Statement

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
<b>Revenues</b>	51,623	53,893	48,504	55,779
<i>Change (%)</i>	16.7%	4.4%	-10.0%	15.0%
<b>Total Expenses</b>	41,179	42,419	37,989	43,688
<b>EBITDA</b>	10,445	11,474	10,514	12,091
Other Income	250	335	243	279
Depreciation	3,000	3,165	3,652	4,162
Interest	514	721	948	1,002
<b>PBT</b>	<b>7,181</b>	<b>7,922</b>	<b>6,157</b>	<b>7,206</b>
Extra-ordinary	0	0	0	0
<b>PBT after ext-ord.</b>	<b>7,181</b>	<b>7,922</b>	<b>6,157</b>	<b>7,206</b>
Tax	2,106	1,879	1,847	2,162
<i>Rate (%)</i>	29.3%	23.7%	30.0%	30.0%
<b>PAT</b>	<b>5,075</b>	<b>6,044</b>	<b>4,310</b>	<b>5,045</b>
<b>MI &amp; Associates</b>	<b>33</b>	<b>-3</b>	<b>0</b>	<b>0</b>
<b>Consolidated PAT</b>	<b>5,107</b>	<b>6,041</b>	<b>4,310</b>	<b>5,045</b>
<i>Change (%)</i>	-9.4%	18.3%	-28.7%	17.0%

Source: Company, Arianth Research

### Cash Flow Statement

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
<b>PBT</b>	<b>7,181</b>	<b>7,922</b>	<b>6,157</b>	<b>7,206</b>
Depreciation	3,000	3,165	3,652	4,162
Interest & others	232	389	705	723
Cash flow before WC changes	10,412	11,477	10,514	12,091
<b>(Inc)/dec in working capital</b>	<b>741</b>	<b>447</b>	<b>803</b>	<b>428</b>
Operating CF after WC changes	11,153	11,924	11,317	12,519
Less: Taxes	(2,106)	(1,879)	(1,847)	(2,162)
<b>Operating Cash Flow</b>	<b>9,047</b>	<b>10,045</b>	<b>9,470</b>	<b>10,357</b>
(Inc)/dec in F.A + CWIP	(9,310)	(17,038)	(9,500)	(15,000)
(Pur)/sale of investment	(307)	(168)	0	0
<b>Cash Flow from Investing</b>	<b>(9,616)</b>	<b>(17,206)</b>	<b>(9,500)</b>	<b>(15,000)</b>
<b>Free Cash Flow (FCF)</b>	<b>1,495</b>	<b>(6,327)</b>	<b>(30)</b>	<b>(4,643)</b>
Loan raised/(repaid)	4,291	12,019	0	1,500
Equity raised	0	0	0	0
Interest & others	(3,266)	(567)	2,695	3,333
Dividend	(707)	(589)	(589)	(710)
<b>Cash Flow from Financing Activities</b>	<b>318</b>	<b>10,862</b>	<b>2,106</b>	<b>4,123</b>
<b>Net inc /(dec) in cash</b>	<b>(251)</b>	<b>(7)</b>	<b>2,076</b>	<b>(519)</b>
Opening balance of cash	1,199	948	942	3,017
Closing balance of cash	948	942	3,017	2,498

Source: Company, Arianth Research

### Balance Sheet

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
<b>Sources of Funds</b>				
Share Capital	236	236	236	236
Reserves & Surplus	45,134	49,778	53,499	57,833
<b>Net Worth</b>	<b>45,370</b>	<b>50,014</b>	<b>53,734</b>	<b>58,069</b>
<b>Loan Funds</b>	<b>14,305</b>	<b>26,324</b>	<b>26,324</b>	<b>27,824</b>
MI, Deferred Tax & other Liabilities	8,824	9,307	9,307	9,307
<b>Capital Employed</b>	<b>68,499</b>	<b>85,725</b>	<b>82,846</b>	<b>88,736</b>
<b>Application of Funds</b>				
Net Block	54,000	60,494	66,342	73,179
CWIP	8,526	18,404	8,404	8,404
Other Non-current Assets	2,779	3,445	3,445	3,445
Deferred Tax Assets	4	4	4	4
<b>Net Fixed Assets</b>	<b>65,308</b>	<b>82,346</b>	<b>78,194</b>	<b>85,032</b>
<b>Investments</b>	<b>2,587</b>	<b>2,755</b>	<b>2,755</b>	<b>2,755</b>
Debtors	4,901	5,276	4,651	5,349
Inventories	5,611	6,469	5,822	6,695
Cash & Bank Balance	948	942	3,017	2,498
Loans & Advances & other CA	2,683	3,540	4,917	5,395
<b>Total Current Assets</b>	<b>14,143</b>	<b>16,226</b>	<b>18,407</b>	<b>19,937</b>
Current Liabilities	13,128	15,070	15,946	18,338
Provisions	412	533	0	0
<b>Net Current Assets</b>	<b>604</b>	<b>624</b>	<b>1,897</b>	<b>950</b>
<b>Total Assets</b>	<b>68,499</b>	<b>85,725</b>	<b>82,846</b>	<b>88,736</b>

### Key Ratios

Y/E March	FY19	FY20	FY21E	FY22E
<b>Per share (Rs)</b>				
EPS	21.7	25.6	18.3	21.3
CEPS	34.4	39.1	33.8	38.9
BVPS	192.6	212.3	228.1	245.4
DPS	3.0	2.5	2.5	3.0
Div. Payout (%)	13.8%	9.7%	13.7%	14.1%
<b>Valuation (x)</b>				
P/E	29.2	24.7	34.6	29.7
P/CEPS	18.4	16.2	18.7	16.3
P/BV	3.3	3.0	2.8	2.6
EV/EBITDA	15.3	15.0	16.2	14.3
Dividend Yield (%)	0.5%	0.4%	0.4%	0.5%
<b>Return Ratio (%)</b>				
EBITDA Margin	20.2%	21.3%	21.7%	21.7%
PAT Margin	9.9%	11.2%	8.9%	9.0%
ROE	11.3%	12.1%	8.0%	8.7%
ROCE	10.9%	9.7%	8.3%	8.9%
<b>Leverage Ratio (x)</b>				
Total D/E	0.3	0.5	0.5	0.5
Net D/E	0.3	0.5	0.4	0.4
<b>Turnover Ratios</b>				
Asset Turnover (x)	0.8	0.6	0.6	0.6
Receivable Days	35	36	35	35
Payable days	96	102	120	120

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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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