

Current	Previous
<b>CMP: Rs 789</b>	<b>CMP: Rs 749</b>
<b>Rating: Neutral</b>	<b>Rating: Accumulate</b>
<b>Target: Rs 822</b>	<b>Target: Rs 853</b>

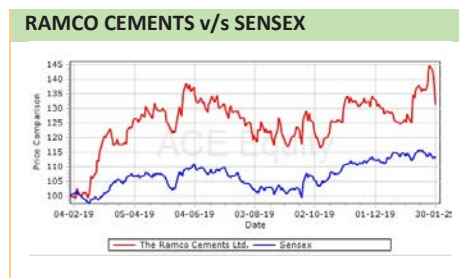
Stock Info	
INDEX	
BSE	500260
NSE	RAMCOCEM
Bloomberg	TRCL IN
Reuters	TRCE.BO
Sector	Cement
Face Value (Rs)	1
Equity Capital (Rs Mn)	236
Market Cap (Rs Mn)	185,669
52w H/L (Rs)	845/556
Avg Weekly Vol (BSE+NSE)	668,020

Shareholding Pattern	%
<b>(As on Sept, 2019)</b>	
Promoters	42.7
Public & Others	57.3

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
RAMCO CEMENTS	1.6	5.8	33.2
SENSEX	2.2	9.4	15.0

Source: ACE Equity, Arihant Research



Source: ACE Equity, Arihant Research

**Ramco Cement reported weak set of numbers in Q3FY20, far below our estimates. Topline growth was at 6% YoY to Rs 12,780 mn, driven by volume growth of 4% YoY. EBITDA for the quarter fell by 5% YoY to Rs 2,029 mn (estimate Rs 3,247 mn). EBITDA margin for the quarter contracted sharply by 655 bps, due to higher expenses and lower realisation. PAT for the quarter stood at Rs 948 mn which was far below than our estimate of Rs 1,600 mn, registering de-growth of 44% YoY/6% QoQ. Realisation for the quarter fell by 7% sequentially, reflecting that weak pricing in South and East markets. We downgrade our rating to Neutral from Accumulate with revised TP of Rs 822.**

### Q3FY20 Operational Highlights

- In Q3FY20, Ramco registered a volume growth of 4% YoY vs. (10% in Q2FY20) in its sales volume to 2.84 MT against 2.74 MT in Q3FY19. During the quarter margin contracted by 655bps YoY, on the back of higher cost.
- In its Wind Power division, Ramco generated 206.9 mn units in Q3FY20 against 220.7 mn units in Q3FY19. The revenue from wind power for 9MFY20 stood at Rs 536.3 mn against Rs 589.4 mn in 9MFY19.

### 9MFY20 performance

- Aided by 5% YoY volume growth in 9MFY20, company's net sales grew by 10% while EBITDA grew by 21% YoY over the same period. Cumulative PAT for 9MFY20 stood at Rs 4,549 mn, +34% YoY.

### Update on Capacity Expansion Plans

- New grinding unit in Haridaspur, Odisha with a capacity of 0.9 MTPA and expansion of grinding unit near Vizag, AP from 0.95 MTPA to 2 MTPA is expected to be commissioned by Mar'20. Expansion of clinkering capacity at the Jayanthipuram, AP from 3 MTPA to 4.50 MTPA is expected to be commissioned before Dec, 20.
- The company has indicated that as against the proposed capex of Rs 3,530 cr for the above capacity expansion programme, the company has so far incurred Rs 1,837 cr till Dec'2019.

### Outlook and Valuations

Due to sluggish demand and pricing pressure, the company has witnessed softer revenue growth while profit registered a de-growth during Q3FY20. The company is on track with capacity expansion which is expected to commence over next year. At CMP of Rs 787, Ramco is trading at an EV/EBITDA of 16.5x and 13.9x its FY20E and FY21E estimates respectively. We lower our target EV/EBITDA multiple to 14.5x from 15.0x earlier, factoring in weak result and rich valuations. Accordingly, we lower our target price to Rs 822 (Rs 853 earlier). We downgrade our rating to 'Neutral' from 'Accumulate'.

Q3FY20 and 9MFY20 Financial Performance

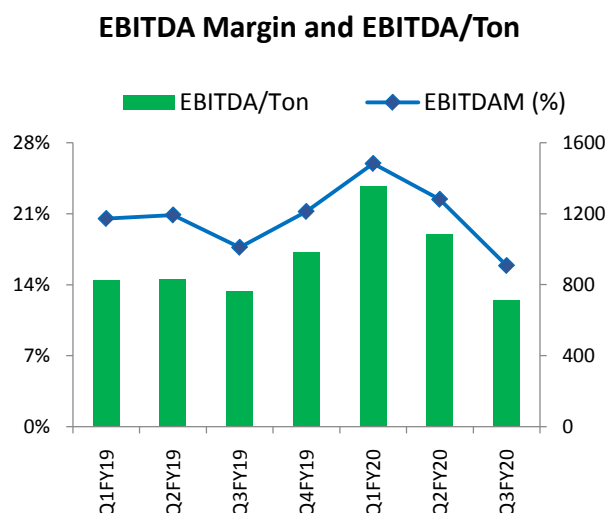
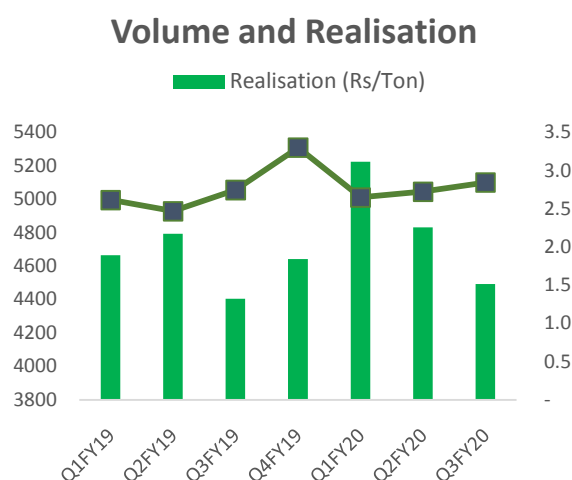
Rs Mn (standalone)	Q3FY20	Q2FY20	Q3FY19	Q-o-Q	Y-o-Y	9MFY20	9MFY19	Y-o-Y
<b>Net Revenue</b>	<b>12,780</b>	<b>13,167</b>	<b>12,104</b>	<b>-2.9%</b>	<b>5.6%</b>	<b>39,785</b>	<b>36,139</b>	<b>10.1%</b>
Material Cost	7,794	7,407	7,503	5.2%	3.9%	22,681	21,725	4.4%
Employee Cost	966	987	813	-2.2%	18.8%	2,836	2,472	14.8%
Other Expenses	1,992	1,821	1,649	9.4%	20.8%	5,694	4,828	17.9%
<b>EBITDA</b>	<b>2,029</b>	<b>2,952</b>	<b>2,140</b>	<b>-31.3%</b>	<b>-5.2%</b>	<b>8,574</b>	<b>7,114</b>	<b>20.5%</b>
<i>EBITDA Margin %</i>	<i>15.9%</i>	<i>22.4%</i>	<i>17.7%</i>	<i>-655bps</i>	<i>-180bps</i>	<i>21.6%</i>	<i>19.7%</i>	<i>+190bps</i>
Other Income	85	92	66	-8.4%	28.8%	258	174	48.5%
Depreciation	797	765	756	4.1%	5.4%	2,320	2,218	4.6%
<b>EBIT</b>	<b>1,316</b>	<b>2,279</b>	<b>1,450</b>	<b>-42.2%</b>	<b>-9.2%</b>	<b>6,512</b>	<b>5,070</b>	<b>28.5%</b>
Finance Cost	215	147	135	46.0%	59.5%	498	380	30.8%
Exceptional Item	-	-	-	-	-	-	-	-
<b>PBT</b>	<b>1,101</b>	<b>2,132</b>	<b>1,315</b>	<b>-48.3%</b>	<b>-16.2%</b>	<b>6,015</b>	<b>4,689</b>	<b>28.3%</b>
Tax Expense	153	450	304	-65.9%	-49.6%	1,466	1,284	14.1%
<i>Effective Tax Rate %</i>	<i>13.9%</i>	<i>21.1%</i>	<i>23.1%</i>	<i>-719bps</i>	<i>-921bps</i>	<i>24.4%</i>	<i>27.4%</i>	<i>-300bps</i>
<b>PAT</b>	<b>948</b>	<b>1,682</b>	<b>1,011</b>	<b>-43.6%</b>	<b>-6.2%</b>	<b>4,549</b>	<b>3,405</b>	<b>33.6%</b>
<i>PAT Margin %</i>	<i>7.4%</i>	<i>12.8%</i>	<i>8.3%</i>	<i>-535bps</i>	<i>-93bps</i>	<i>11.4%</i>	<i>9.4%</i>	<i>+200bps</i>
<b>EPS (Rs)</b>	<b>4.0</b>	<b>7.1</b>	<b>4.3</b>	<b>-43.6%</b>	<b>-6.2%</b>	<b>19.3</b>	<b>14.5</b>	<b>33.6%</b>

Source: Company, Aриhant Research

Per Ton Analysis

Particulars	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Volumes (MT)	2.6	2.5	2.7	3.3	2.6	2.7	2.8
Realisation (Rs/Ton)	4667	4794	4406	4644	5226	4834	4494
Growth (%)	1.8%	2.7%	-8.1%	5.4%	12.5%	-7.5%	-7.0%
EBITDA Margin (%)	20.5%	20.9%	17.7%	21.2%	26.0%	22.4%	15.9%
EBITDA (Rs/Ton)	828	830	765	985	1357	1084	713

Volume, Realisation, EBITDA Margin and EBITDA/Ton metrics of Ramco Cements over the quarters



Source: Company, Aриhant Research

## Valuations

Rs Mn	FY19	FY20E	FY21E
EV/EBITDA (x)	19.0	16.5	14.5
EBITDA	10445	12138	14493
EV	198774	200492	210148
Debt	14305	15805	17305
Cash	948	731	848
Market Cap	185417	185417	193691
No of Shares	236	236	236
CMP (Rs)	787	787	789
Target (Rs)			822
<b>Upside (%)</b>			<b>4.2%</b>

\*EV on basis of target EV/EBITDA multiple of 14.5x

## Consolidated Financials

## Income Statement

Y/E March (Rs Mn)	FY18	FY19	FY20E	FY21E
<b>Revenues</b>	44,238	51,623	58,076	66,788
<i>Change (%)</i>	11.5%	16.7%	12.5%	15.0%
<b>Total Expenses</b>	33,109	41,179	45,938	52,295
<b>EBITDA</b>	11,129	10,445	12,138	14,493
Other Income	327	250	290	334
Depreciation	2,935	3,000	3,317	3,545
Interest	608	514	569	623
<b>PBT</b>	<b>7,913</b>	<b>7,181</b>	<b>8,543</b>	<b>10,659</b>
Extra-ordinary	0	0	0	0
<b>PBT after ext-ord.</b>	7,913	7,181	8,543	10,659
Tax	2,311	2,106	2,563	3,198
<i>Rate (%)</i>	29.2%	29.3%	30.0%	30.0%
<b>PAT</b>	<b>5,602</b>	<b>5,075</b>	<b>5,980</b>	<b>7,461</b>
<b>MI &amp; Associates</b>	<b>35</b>	<b>33</b>	<b>0</b>	<b>0</b>
<b>Consolidated PAT</b>	<b>5,638</b>	<b>5,107</b>	<b>5,980</b>	<b>7,461</b>
<i>Change (%)</i>	-14.9%	-9.4%	17.1%	24.8%

Source: Company, Arianth Research

**Balance Sheet**

Y/E March (Rs Mn)	FY18	FY19	FY20E	FY21E
<b>Sources of Funds</b>				
Share Capital	236	236	236	236
Reserves & Surplus	40,815	45,134	48,381	53,059
<b>Net Worth</b>	<b>41,051</b>	<b>45,370</b>	<b>48,616</b>	<b>53,295</b>
<b>Loan Funds</b>				
MI, Deferred Tax & other Liabilities	7,691	8,824	8,824	8,824
<b>Capital Employed</b>	<b>58,756</b>	<b>68,499</b>	<b>73,245</b>	<b>79,423</b>
<b>Application of Funds</b>				
Net Block	53,224	54,004	57,187	63,142
CWIP	1,749	8,526	8,526	8,526
Other Non-current Assets	1,025	2,779	2,779	2,779
Deferred Tax Assets	0	0	4	4
<b>Net Fixed Assets</b>	<b>55,999</b>	<b>65,308</b>	<b>68,496</b>	<b>74,451</b>
<b>Investments</b>				
Debtors	4,423	4,901	5,569	6,404
Inventories	5,613	5,611	6,205	7,026
Cash & Bank Balance	1,199	948	731	848
Loans & Advances & other CA	2,067	2,683	3,182	3,660
<b>Total Current Assets</b>	<b>13,302</b>	<b>14,143</b>	<b>15,687</b>	<b>17,938</b>
Current Liabilities	12,254	13,128	13,525	15,553
Provisions	571	412	0	0
<b>Net Current Assets</b>	<b>477</b>	<b>604</b>	<b>2,163</b>	<b>2,385</b>
<b>Total Assets</b>	<b>58,756</b>	<b>68,499</b>	<b>73,245</b>	<b>79,423</b>

Source: Company, Arianth Research

**Cash Flow Statement**

Y/E March (Rs Mn)	FY18	FY19	FY20E	FY21E
<b>PBT</b>	<b>7,913</b>	<b>7,181</b>	<b>8,543</b>	<b>10,659</b>
Depreciation	2,935	3,000	3,317	3,545
Interest & others	246	232	279	289
Cash flow before WC changes	11,094	10,412	12,138	14,493
<b>(Inc)/dec in working capital</b>	<b>372</b>	<b>741</b>	<b>-1,777</b>	<b>-105</b>
Operating CF after WC changes	11,466	11,153	10,361	14,388
Less: Taxes	-2,311	-2,106	-2,563	-3,198
<b>Operating Cash Flow</b>	<b>9,155</b>	<b>9,047</b>	<b>7,799</b>	<b>11,190</b>
(Inc)/dec in F.A + CWIP	-1,864	-9,310	-6,504	-9,500
(Pur)/sale of investment	-176	-307	0	0
<b>Cash Flow from Investing</b>	<b>-2,039</b>	<b>-9,616</b>	<b>-6,504</b>	<b>-9,500</b>
<b>Free Cash Flow (FCF)</b>	<b>7,491</b>	<b>1,491</b>	<b>1,299</b>	<b>1,690</b>
Loan raised/(repaid)	-1,441	4,291	1,500	1,500
Equity raised	-3	0	0	0
Interest & others	-4,819	-3,266	-2,188	-2,130
Dividend	-852	-707	-825	-942
<b>Cash Flow from Financing Activities</b>	<b>-7,114</b>	<b>318</b>	<b>-1,512</b>	<b>-1,573</b>
<b>Net inc /(dec) in cash</b>	<b>2</b>	<b>-251</b>	<b>-218</b>	<b>118</b>
Opening balance of cash	1,198	1,199	948	731
Closing balance of cash	1,199	948	731	848

Source: Company, Arianth Research

**Key Ratios**

Y/E March	FY18	FY19	FY20E	FY21E
<b>Per share (Rs)</b>				
EPS	23.9	21.7	25.4	31.7
CEPS	36.4	34.4	39.5	46.7
BVPS	174.2	192.6	206.4	226.2
DPS	3.6	3.0	3.5	4.0
Div. Payout (%)	15.1%	13.8%	13.8%	12.6%
<b>Valuation (x)</b>				
P/E	33.0	36.4	31.1	24.9
P/CEPS	21.7	22.9	20.0	16.9
P/BV	4.5	4.1	3.8	3.5
EV/EBITDA	17.5	19.0	16.5	13.9
Dividend Yield (%)	0.5%	0.4%	0.4%	0.5%
<b>Return Ratio (%)</b>				
EBIDTA Margin	25.2%	20.2%	20.9%	21.7%
PAT Margin	12.7%	9.9%	10.3%	11.2%
ROE	13.7%	11.3%	12.3%	14.0%
ROCE	13.9%	10.9%	12.0%	13.8%
<b>Leverage Ratio (x)</b>				
Total D/E	0.2	0.3	0.3	0.3
Net D/E	0.2	0.3	0.3	0.3
<b>Turnover Ratios</b>				
Asset Turnover (x)	0.8	0.8	0.8	0.8
Receivable Days	36	35	35	35
Payable days	106	96	85	85

Source: Company, Aриhant Research

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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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