



**Stronger Offtakes!**

3<sup>rd</sup> August, 2016

**CMP:** Rs. 536  
**Target Price:** Rs. 600  
**Recommendation:** ACCUMULATE

**Stock Info**

<b>BSE Group</b>	A
<b>BSE Code</b>	500260
<b>NSE Symbol</b>	RAMCOCEM
<b>Bloomberg</b>	TRCL.IN
<b>Reuters</b>	TRCE.BO
<b>BSE Sensex</b>	27,981
<b>NSE Nifty</b>	8,623

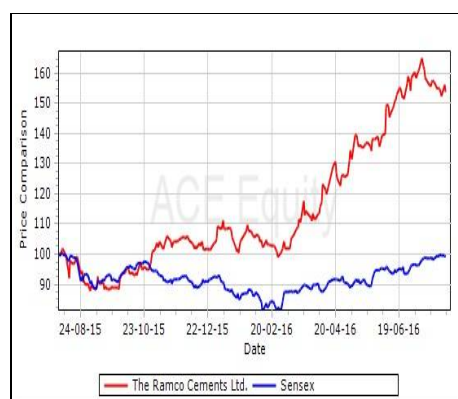
**Market Info**

<b>Market Capital (cr.)</b>	13,147
<b>Equity Capital (cr.)</b>	23.8
<b>Avg. Trading Vol.</b>	2,46,590
<b>52 Wk High/ Low (Rs)</b>	595/300
<b>Face Value (Rs)</b>	1.0

**Shareholding Pattern (%) (June 2016)**

<b>Promoters</b>	42.3
<b>Domestic Institutions</b>	24.8
<b>Foreign Institutions</b>	15.9
<b>Public &amp; Others</b>	17.0

**Price Chart:**



**The Ramco Cement Ltd. for its Q1 FY17 results reported 57% higher net profit at Rs 156 cr as compared to Rs 99 cr for Q4 FY 16.**

For the quarter ended June, 2016, company reported a rise in revenue by 4.3% to Rs 972 cr vs. Rs 947 cr in the corresponding quarter of previous year. Company reported sales volume at 20.76 lac tonnes vs. 18.13 lac tonnes registering an improvement in the off-take of cement by about 15% during the quarter under review, compared to the corresponding quarter of the previous year offsetting the decrease in realizations.

The Company continued to focus on cost reduction measures and reduced the operating and logistics costs significantly providing boost to EBITDA which came in at Rs 304 cr vs. Rs 254 cr as compared to corresponding quarter of previous year. EBITDA margin expanded to 31.3% vs. 26.8% YoY. The company reduced the borrowings by around Rs 312 cr out of internal accruals and reduction in working capital during the quarter under review leading to surge in profits.

Wind farm division generated 706 lakh units compared to 383 lakh units during the corresponding quarter of the previous year. The generation was higher due to the on-set of wind season as per schedule compared to delay in the on-set in the corresponding period of the previous year & better evacuation of power by Tamil Nadu Generation and Distribution corporation Limited (TANGEDCO), as against frequent backing down of Wind Electric Generators during the corresponding period of the previous year.

Subsidiary company Ramco Windfarms Ltd. generated 110 lakh units, with a revenue of Rs 4.41 cr against 57 lakh units generated during the corresponding quarter of the previous year, with a revenue of Rs 2.12 cr.

**Financial Snapshot**

(Rs Cr)	2014	2015	2016	2017E	2018E
<b>Income from Operations</b>	3,684	3,640	3,594	3,796	4,057
<b>EBITDA</b>	563	721	1057	1103	1186
<b>EBITDA margin %</b>	15	20	29	29	29
<b>Net Profit</b>	114	244	559	602	677
<b>EPS</b>	4.8	10.2	23.5	25.3	28.4
<b>ROE</b>	4.7	9.6	19.6	17.8	16.8
<b>P/E</b>	44.8	29.8	17.0	21.2	18.9
<b>EV/EBITDA</b>	13.0	13.2	10.6	12.8	11.7

Source: - Company data Ace Equity, Arihant Research



Quarterly Analysis					
Particulars	Q1 FY17	Q1 FY16	YoY %	Q4 FY16	QoQ %
Net Sales	972	947	4.3	1015	-3.7
Total Expenditure	668	694	-3.7	670	-0.3
EBITDA	275	210	30.7	309	-11.1
EBITDA Margin %	31.3	26.8		34.0	
Interest	29	49		45	
Depreciation	66	67		66	
PBT	211	140	51	238	-11
Tax	55	40		34	
PAT	156	99	57	203	-23
EPS	6.6	4.2		8.7	

\*Figures of Q4 FY 16 are as per Indian GAAP and have not been restated as per Ind As.

#### Valuation:

The company has continued to show a strong focus on its cost reduction & looks confident of sustaining it in the coming quarters also. The efforts in repayment of borrowings & replacement of bank borrowings by debentures has helped the company to reduce interest costs. We are confident about the long term prospects of the company. We have valued stock on EV/EBITDA of 13(x) its FY18 estimates and have arrived at a fair value of Rs 600 per share. At CMP of Rs 536 the stock is available at FY18E P/E(x) and EV/EBITDA(x) of 18.9(x) and 11.7(x) respectively. We have **ACCUMULATE** rating on the stock.

Valuation :	2014	2015	2016	2017E	2018E
EV/EBITDA	13.0	13.2	10.6	12.8	13.0
EBITDA	563	721	1057	1103	1186
EV	7323	9484	11201	14142	15422
Cash & Bank	45	63	91	111	167
Debt	2244	2281	1772	1482	1305
Market Cap.	5124	7266	9520	12772	14284
No. of Shares	23.8	23.81	23.81	23.81	23.81
Fair Value					<b>600</b>
CMP					536
Upside					12%

Source: - Company data Ace Equity, Arihant Research



Profit and Loss Account					
Particulars (Rs crore)	2014	2015	2016	2017E	2018E
<b>Income from Operations</b>	<b>3,684</b>	<b>3,640</b>	<b>3,594</b>	<b>3,796</b>	<b>4,057</b>
YoY%	-3.8	-1.2	-1.3	5.6	6.9
Power & Fuel Cost	832	704	527	651	689
Raw Material Cost	670	677	584	549	608
Selling & Distribution Expenses	932	893	672	756	805
Other Expenditure	687	660	774	736	768
<b>Total Expenditure</b>	<b>3,120</b>	<b>2,920</b>	<b>2,537</b>	<b>2,692</b>	<b>2,871</b>
<b>EBITDA</b>	<b>563</b>	<b>721</b>	<b>1057</b>	<b>1103</b>	<b>1186</b>
EBITDA margin %	15	20	29	29	29
Depreciation	306	251	268	281	302
EBIT	257	469	789	822	884
Other Income	63	85	98	107	119
Interest	189	196	182	126	104
<b>PBT before Excp Items</b>	<b>131</b>	<b>358</b>	<b>705</b>	<b>802</b>	<b>898</b>
Extraordinary/ Excp	0	0	0	0	0
<b>PBT</b>	<b>131</b>	<b>358</b>	<b>705</b>	<b>802</b>	<b>898</b>
Tax Expense	17	115	145	201	221
<b>Net Profit</b>	<b>114</b>	<b>244</b>	<b>559</b>	<b>602</b>	<b>677</b>
YoY%		112.9	129.3	7.7	12.5

Balance Sheet					
Particulars (Rs crore)	2014	2015	2016	2017E	2018E
<b>Equity &amp; Liabilities</b>					
(a) Share capital	24	24	24	24	24
(b) Reserves and surplus	2435	2602	3049	3681	4326
<b>Shareholders' funds</b>	<b>2459</b>	<b>2626</b>	<b>3073</b>	<b>3704</b>	<b>4350</b>
<b>Non-current liab &amp; Prov</b>	<b>2682</b>	<b>2951</b>	<b>2461</b>	<b>2204</b>	<b>2233</b>
<b>Current liabilities</b>	<b>1705</b>	<b>1429</b>	<b>1490</b>	<b>1333</b>	<b>1034</b>
<b>Total - Equity and liabilities</b>	<b>6846</b>	<b>7006</b>	<b>7024</b>	<b>7242</b>	<b>7616</b>
<b>Assets</b>					
<b>Non-current assets</b>	<b>5627</b>	<b>5887</b>	<b>5720</b>	<b>5929</b>	<b>6180</b>
Fixed assets	4650	4882	4906	5029	5183
CWIP	350	263	174	116	149
Long Term Inv	283	358	367	375	385
Loans + Adv + Others	219	268	196	293	342
other Non-current assets	126	116	78	115	120
<b>Current assets</b>	<b>1219</b>	<b>1118</b>	<b>1304</b>	<b>1313</b>	<b>1436</b>
Cash	45	63	91	111	167
Other Current Assets	1174	1056	1213	1202	1269
<b>Total - Assets</b>	<b>6846</b>	<b>7006</b>	<b>7024</b>	<b>7242</b>	<b>7616</b>

Cash Flow Statement					
Particulars (Rs crore)	2014	2015	2016	2017E	2018E
<b>Operating Activities</b>					
<b>PBT</b>	<b>131</b>	<b>358</b>	<b>705</b>	<b>802</b>	<b>898</b>
Add Depr	306	251	268	281	302
Others	148	140	110	105	135
<b>Total</b>	<b>585</b>	<b>750</b>	<b>1,083</b>	<b>1,189</b>	<b>1,336</b>
Changes in Working Capital	(76)	173	(81)	(120)	(130)
<b>Cash Flow from Operations</b>	<b>509</b>	<b>923</b>	<b>1,002</b>	<b>1,069</b>	<b>1,206</b>
<b>Investing Activities</b>					
Other investing activities	(1)	(34)	(73)	(102)	(124)
Capex	(570)	(474)	(560)	(620)	(680)
<b>Cash Flow from Investing</b>	<b>(571)</b>	<b>(509)</b>	<b>(633)</b>	<b>(722)</b>	<b>(804)</b>
<b>Financing Activities</b>					
Dividends + Taxes paid	(28)	(28)	(95)	(136)	(169)
Other financing activities	81	(369)	(240)	(191)	(177)
<b>Cash Flow from Financing</b>	<b>53</b>	<b>(397)</b>	<b>(335)</b>	<b>(327)</b>	<b>(346)</b>
Opening Cash	50	40	57	91	111
Changes during year	(9)	17	34	20	56
<b>Closing Cash</b>	<b>40</b>	<b>57</b>	<b>91</b>	<b>111</b>	<b>167</b>

Ratio Analysis					
	2014	2015	2016	2017E	2018E
<b>Profitability</b>					
EBITDA%	15.3	19.8	29.4	29.1	29.2
EBIT%	7.0	12.9	21.9	21.7	21.8
<b>PAT%</b>	<b>3.1</b>	<b>6.7</b>	<b>15.5</b>	<b>15.9</b>	<b>16.7</b>
<b>Du Pont ROE breakup</b>					
PAT / Sales	3.1	6.7	15.5	15.9	16.7
Sales / Avg Total Assets	0.5	0.5	0.5	0.5	0.5
Avg Total Assets / Avg Eqty	2.8	2.7	2.5	2.1	1.8
ROE	4.7	9.6	19.6	17.8	16.8
<b>Other Ratios</b>					
Current Ratio	0.7	0.8	0.9	1.0	1.4
Debt / Equity	0.9	0.9	0.6	0.4	0.3
EPS	4.8	10.2	23.5	25.3	28.4
DPS	1.0	1.5	3.1	4.6	5.9
<b>Valuation Ratios</b>					
P/E	44.8	29.8	17.0	21.2	18.9
EV/EBITDA	13.0	13.2	10.6	12.8	11.7
P/BV	2.1	2.8	3.1	3.4	2.9

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**Stock Rating Scale**

	<b>Absolute Return</b>
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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