



Steady Outlook Ahead!

4th August, 2017

CMP: Rs. 688
Target Price: Rs. 746
Recommendation: HOLD

The Ramco Cement Ltd. for its Q1 FY18 results reported stood steady with net profit at Rs 156 cr as compared to Q1 FY17 and increased by 16% compared to 134 cr in Q4 FY17.

Stock Info

BSE Group	A
BSE Code	500260
NSE Symbol	RAMCOCEM
Bloomberg	TRCL.IN
Reuters	TRCE.BO
BSE Sensex	32,238
NSE Nifty	10,014

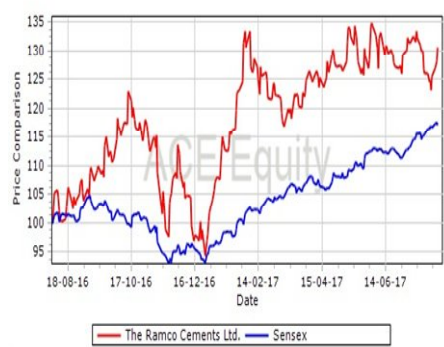
Market Info

Market Capital (cr.)	16,390
Equity Capital (cr.)	23.6
Avg. Trading Vol.	7,14,990
52 Wk High/ Low (Rs)	770/473
Face Value (Rs)	1.0

Shareholding Pattern (%) (June 2017)

Promoters	42.6
Domestic Institutions	21.8
Foreign Institutions	14.5
Public & Others	21.0

Price Chart:



For the quarter ended June, 2017, company reported a rise in revenue by 6% to Rs 1,189 cr vs. Rs 1,122 cr in the corresponding quarter of previous year. RCL continued to report robust growth in sales volume for sixth successive quarter. The sale of cement has increased by 4% during the current quarter compared to corresponding previous period. During the quarter, cement demand in Tamil Nadu witnessed significant slowdown due to effects of severe drought & shortage of river sand. RCL's sales volume came in at 2.15mnT (including 0.02mnT exports) vs. 2.06mnT (including 0.03mnT exports) in the corresponding quarter of previous year.

The company continues to strive for achieving better operating efficiencies through various cost reduction initiatives in areas of power & fuel and logistics which resulted in higher EBITDA which came in at Rs 290 cr vs. Rs 253 cr as compared to previous quarter. Interest cost has come down due to repayment of borrowings in earlier periods. Credit rating upgrade to A1+ for short term borrowings and AA+ for long term borrowings will help company access cheaper sources of funds.

Wind power division for Q1 FY18 generated 935 lakhs units compared to 706 lakhs units during corresponding quarter of the previous year. The generation was higher due to earlier start of wind season 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).

Subsidiary company Ramco Windfarms Ltd. for Q1 FY18 generated 159 lakh units, with a revenue of Rs 6.83 cr as against 4.41 cr on YoY basis.

Financial Snapshot

(Rs Cr)	2017	2018E	2019E
Income from Operations	3,857	4,674	4,791
EBITDA	1084	1449	1465
EBITDA margin %	28	31	31
Net Profit	649	846	936
EPS	27.3	35.5	39.3
ROE	19.2	20.2	18.9
P/E	25.2	21.6	19.5
EV/EBITDA	16.4	13.0	12.4



Quarterly Analysis					
Particulars	Q1 FY18	Q1 FY17	YoY %	Q4 FY17	QoQ %
Net Sales	1189	1122	5.9	1190	-0.1
Total Expenditure	898	818	9.8	937	-4.2
EBITDA	290	304	-4.5	253	15.0
Other Income	5	2		6	
Interest	15	29		20	
Depreciation	72	66		66	
PBT	208	211	-1	172	21
Tax	52	55		37	
PAT	156	156	0	134	16
EPS	6.6	6.5		5.6	

Valuation:

The company has continued to show a strong focus on increasing sales & looks confident of sustaining it in the coming quarters also. The efforts in repayment of borrowings 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 12.3(x) its FY19 estimates and have arrived at a fair value of Rs 746 per share. We have **HOLD** rating on the stock.

Valuation :			
	2017	2018E	2019E
EV/EBITDA	16.3	12.3	12.3
EBITDA	1084	1449	1465
EV	17639	17821	18020
Cash & Bank	69	84	95
Debt	1089	647	353
Market Cap.	16619	17258	17762
No. of Shares	23.81	23.81	23.81
Fair Value		725	746
CMP		688	688
Upside		5%	8%

Source: - Ace Equity, Aриhant Research



Profit and Loss Account			
Particulars (Rs crore)	2017	2018E	2019E
Income from Operations	4,582	4,674	4,791
YoY%	10.9	2.0	2.5
Power & Fuel Cost	518	584	608
Raw Material Cost	641	561	575
Selling & Distribution Exp	738	888	910
Other Expenditure	1495	1192	1198
Total Expenditure	3,393	3,225	3,291
EBITDA	1189	1449	1499
EBITDA margin %	26	31	31
Depreciation	267	284	307
EBIT	922	1165	1193
Other Income	39	43	85
Interest	105	80	30
PBT before Excp Items	857	1128	1248
Extraordinary/ Excp	0	0	0
PBT	857	1128	1248
Tax Expense	203	282	312
Net Profit	654	846	936
YoY%	17.1	29.3	10.7

Cash Flow Statement			
Particulars (Rs crore)	2017	2018E	2019E
Operating Activities			
PBT	857	1,128	1,248
Add Depr	284	284	307
Others	69	70	50
Total	1,210	1,482	1,505
Changes in W.C	81	(440)	(77)
Cash Flow from Operations	1,291	1,042	1,427
Investing Activities			
Other investing activities	31	(147)	(171)
Capex	(307)	(528)	(646)
Cash Flow from Investing	(276)	(676)	(817)
Financing Activities			
Dividends + Taxes paid	(186)	(122)	(135)
Other financing activities	(659)	(567)	(444)
Cash Flow from Financing	(845)	(688)	(579)
Opening Cash	(185)	(14)	(336)
Changes during year	171	(322)	31
Closing Cash	(14)	(336)	(305)

Balance Sheet			
Particulars (Rs crore)	2017	2018E	2019E
Equity & Liabilities			
(a) Share capital	24	24	24
(b) Reserves and surplus	3810	4533	5333
Shareholders' funds	3834	4557	5357
Non-current liab & Prov	1247	1873	1758
Current liabilities	2036	1393	1356
Total - Equity and liabilities	7116	7823	8471
Assets			
Non-current assets	5811	6245	6699
Fixed assets	4906	5012	5337
CWIP	147	190	286
Long Term Inv	401	469	560
Loans + Adv + Others	261	286	330
Other Non-current assets	96	150	185
Current assets	1306	1578	1772
Cash	69	84	95
Other Current Assets	1237	1494	1677
Total - Assets	7116	7823	8471

Ratio Analysis			
	2017	2018E	2019E
Profitability			
EBITDA%	26.0	31.0	31.3
EBIT%	20.1	24.9	24.9
PAT%	14.3	18.1	19.5
Du Pont ROE breakup			
PAT / Sales	14.3	18.1	19.5
Sales / Avg Total Assets	0.7	0.6	0.6
Avg Total Assets / Avg Eqty	2.0	1.8	1.6
ROE	18.9	20.2	18.9
Other Ratios			
Current Ratio	0.6	1.1	1.3
Debt / Equity	0.3	0.1	0.1
EPS	27.5	35.5	39.3
DPS	5.0	4.3	4.7
Valuation Ratios			
P/E	25.4	21.6	19.5
EV/EBITDA	14.8	13.0	12.4
P/BV	4.3	4.0	3.4

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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%

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