



Stronger Offtakes!

9th Nov, 2016

CMP: Rs. 605
Target Price: Rs. 675
Recommendation: ACCUMULATE

The Ramco Cement Ltd. for its Q2 FY17 results reported 46% higher net profit at Rs 207 cr as compared to Rs 142 cr for Q2 FY 16.

Stock Info

BSE Group	A
BSE Code	500260
NSE Symbol	RAMCOCEM
Bloomberg	TRCL.IN
Reuters	TRCE.BO
BSE Sensex	27,252
NSE Nifty	8,432

For the quarter ended Sep, 2016, company reported a rise in revenue by 14% to Rs 1172 cr vs. Rs 1029 cr in the corresponding quarter of previous year. Company reported sales volume at 20.34 lac tonnes vs. 17.11 lac tonnes registering an improvement in the off-take of cement by about 19% during the quarter under review, compared to the corresponding quarter of the previous year offsetting the decrease in realizations.

Market Info

Market Capital (cr.)	14,668
Equity Capital (cr.)	23.8
Avg. Trading Vol.	2,35,080
52 Wk High/ Low (Rs)	685/354
Face Value (Rs)	1.0

The Company continued to focus on cost reduction measures and reduced the operating costs significantly and is confident of sustaining it providing boost to EBITDA which came in at Rs 357 cr vs. Rs 295 cr as compared to corresponding quarter of previous year. EBITDA margin expanded to 30.4% vs. 27.1% YoY. The company reduced the borrowings by around Rs 350 cr out of internal accruals. The company has sustained its efforts towards debt reduction since last year resulting in lower interest cost.

Shareholding Pattern (%) (Sep 2016)

Promoters	42.3
Domestic Institutions	28.0
Foreign Institutions	15.5
Public & Others	14.2

Wind farm division for H1 FY17 generated 2212 lakh units compared to 1404 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.

Price Chart:



Subsidiary company Ramco Windfarms Ltd. for H1 FY17 generated 368 lakh units, with a revenue of Rs 14.8 cr against 195 lakh units generated during the corresponding quarter of the previous year, with a revenue of Rs 7.34 cr.

Financial Snapshot

(Rs Cr)	2015	2016	2017E	2018E
Income from Operations	4,177	4,133	4,550	4,947
EBITDA	721	994	1311	1373
EBITDA margin %	17	24	29	28
Net Profit	244	559	769	819
EPS	10.2	23.5	32.3	34.4
ROE	9.6	19.6	23.0	20.9
P/E	29.8	17.0	18.7	17.6
EV/EBITDA	13.2	11.3	11.9	11.3

Source: - Ace Equity, Arianth Research



Quarterly Analysis					
Particulars	Q2 FY17	Q2 FY16	YoY %	Q1 FY17	QoQ %
Net Sales	1172	1029	13.9	1122	4.5
Total Expenditure	816	735	11.0	818	-0.3
EBITDA	357	295	21.1	304	17.2
EBITDA Margin %	30.4	28.6		27.1	
Interest	28	46		29	
Depreciation	67	67		66	
PBT	264	184	43	211	25
Tax	57	42		55	
PAT	207	142	46	156	33
EPS	8.7	6.0		6.5	

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 and modeled 10% and 8.7% growth for FY 17 & FY 18 respectively.

We have valued stock on EV/EBITDA of 12.5(x) its FY18 estimates and have arrived at a fair value of Rs 675 per share. At CMP of Rs 605 the stock is available at FY18E P/E(x) and EV/EBITDA(x) of 17.6(x) and 11.3(x) respectively. We have **ACCUMULATE** rating on the stock.

Valuation :				
	2015	2016	2017E	2018E
EV/EBITDA	13.2	11.3	11.9	12.5
EBITDA	721	994	1311	1373
EV	9484	11248	15605	17157
Cash & Bank	63	45	66	150
Debt	2281	1772	1266	1235
Market Cap.	7266	9520	14405	16071
No. of Shares	23.81	23.81	23.81	23.81
Fair Value				675
CMP				605
Upside				12%

Source: - Ace Equity, Arihant Research



Profit and Loss Account				
Particulars (Rs crore)	2015	2016	2017E	2018E
Income from Operations	4,177	4,133	4,550	4,947
YoY%	-1.4	-1.1	10.1	8.7
Power & Fuel Cost	704	527	517	654
Raw Material Cost	677	584	610	662
Selling & Distribution Exp	893	672	726	787
Other Expenditure	1197	1375	1387	1472
Total Expenditure	3,457	3,139	3,239	3,574
EBITDA	721	994	1311	1373
EBITDA margin %	17	24	29	28
Depreciation	251	268	280	299
EBIT	469	726	1031	1074
Other Income	85	114	148	155
Interest	196	182	108	105
PBT before Excp Items	358	658	1071	1124
Extraordinary/ Excp	0	0	0	0
PBT	358	658	1071	1124
Tax Expense	115	145	303	305
Net Profit	244	559	769	819
YoY%	112.9	129.3	37.6	6.6

Cash Flow Statement				
Particulars (Rs crore)	2015	2016	2017E	2018E
Operating Activities				
PBT	358	658	1,071	1,124
Add Depr	251	268	280	299
Others	140	110	95	70
Total	750	1,037	1,446	1,493
Changes in Working Capit	173	(81)	(338)	(49)
Cash Flow from Operations	923	956	1,108	1,444
Investing Activities				
Other investing activities	(34)	(73)	(102)	(145)
Capex	(474)	(560)	(450)	(550)
Cash Flow from Investing	(509)	(633)	(552)	(695)
Financing Activities				
Dividends + Taxes paid	(28)	(95)	(185)	(216)
Other financing activites	(369)	(240)	(350)	(450)
Cash Flow from Financing	(397)	(335)	(535)	(666)
Opening Cash	40	57	45	66
Changes during year	17	(13)	21	83
Closing Cash	57	45	66	150

Balance Sheet				
Particulars (Rs crore)	2015	2016	2017E	2018E
Equity & Liabilities				
(a) Share capital	24	24	24	24
(b) Reserves and surplus	2602	3049	3594	4196
Shareholders' funds	2626	3073	3617	4220
Non-current liab & Prov	2951	2461	1664	1513
Current liabilities	1429	1490	2025	2263
Total - Equity and liabilities	7006	7024	7306	7996
Assets				
Non-current assets	5887	5720	5783	6200
Fixed assets	4882	4906	4981	5089
CWIP	263	174	116	144
Long Term Inv	358	367	280	440
Loans + Adv + Others	268	196	291	385
other Non-current assets	116	78	115	143
Current assets	1118	1304	1523	1796
Cash	63	45	66	150
Other Current Assets	1056	1259	1456	1646
Total - Assets	7006	7024	7306	7996

Ratio Analysis				
	2015	2016	2017E	2018E
Profitability				
EBITDA%	17.3	24.1	28.8	27.7
EBIT%	11.2	17.6	22.7	21.7
PAT%	5.8	13.5	16.9	16.6
Du Pont ROE breakup				
PAT / Sales	5.8	13.5	16.9	16.6
Sales / Avg Total Assets	0.6	0.6	0.6	0.6
Avg Total Assets / Avg Eqty	2.7	2.5	2.1	2.0
ROE	9.6	19.6	23.0	20.9
Other Ratios				
Current Ratio	0.8	0.9	0.8	0.8
Debt / Equity	0.9	0.6	0.4	0.3
EPS	10.2	23.5	32.3	34.4
DPS	1.5	2.5	6.5	7.8
Valuation Ratios				
P/E	29.8	17.0	18.7	17.6
EV/EBITDA	13.2	11.3	11.9	11.3
P/BV	2.8	3.1	4.0	3.4

**Arihant Research Desk**

E. research@arihantcapital.com
T. 022-42254800

Head Office

#1011, Solitaire Corporate park,
Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road,
Chakala, Andheri (E).
Mumbai - 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Stock Rating Scale

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

Research Analyst Registration No.**Contact****Website****Email Id**

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.comresearch@arihantcapital.com**Disclaimer:**

This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.