



Steady Quarter!

8th Feb, 2017

CMP: Rs. 681
Target Price: Rs. 726
Recommendation: HOLD

Stock Info

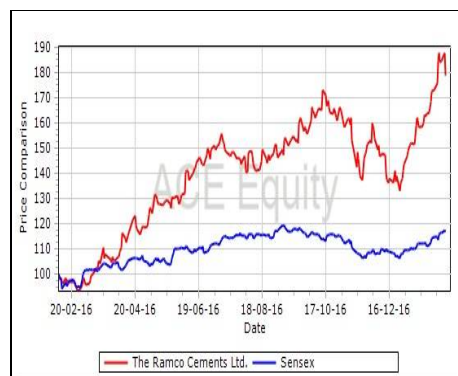
BSE Group	A
BSE Code	500260
NSE Symbol	RAMCOCEM
Bloomberg	TRCL.IN
Reuters	TRCE.BO
BSE Sensex	28,214
NSE Nifty	8,736

Market Info

Market Capital (cr.)	16,044
Equity Capital (cr.)	23.5
Avg. Trading Vol.	2,56,350
52 Wk High/ Low (Rs)	728/354
Face Value (Rs)	1.0

Shareholding Pattern (%)	(Dec 2016)
Promoters	42.3
Domestic Institutions	28.6
Foreign Institutions	14.4
Public & Others	14.6

Price Chart:



The Ramco Cement Ltd. for its Q3 FY17 results reported 29% higher net profit at Rs 152 cr as compared to Rs 118 cr for Q3 FY 16.

For the quarter ended Dec, 2016, company reported a rise in revenue by 35% to Rs 1,111 cr vs. Rs 821 cr in the corresponding quarter of previous year. Company reported sales volume at 19.88 lac tonnes vs. 16.26 lac tonnes registering an improvement in the off-take of cement by about 22% during the quarter under review, compared to the corresponding quarter of the previous year.

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 295 cr vs. Rs 254 cr as compared to corresponding quarter of previous year. EBITDA margin however stood lower at 26.5% vs. 30.9% YoY. The company reduced the borrowings further by Rs 530 cr out of internal accruals. The company has sustained its efforts towards debt reduction resulting in lower interest expenses.

Wind farm division for 9M FY17 generated 2549 lakh units compared to 1504 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. for 9M FY17 generated 425 lakh units, with a revenue of Rs 17.05 cr against 210 lakh units generated during the corresponding quarter of the previous year, with a revenue of Rs 7.89 cr.

Financial Snapshot

(Rs Cr)	2015	2016	2017E	2018E
Income from Operations	4,177	4,133	4,532	5,013
EBITDA	721	994	1302	1412
EBITDA margin %	17	24	29	28
Net Profit	244	559	771	859
EPS	10.2	23.5	32.7	36.5
ROE	9.6	19.6	23.0	21.4
P/E	29.8	17.0	20.8	18.7
EV/EBITDA	13.2	11.3	13.1	11.8

Source: - Ace Equity, Arianth Research



Quarterly Analysis					
Particulars	Q3 FY17	Q3 FY16	YoY %	Q2 FY17	QoQ %
Net Sales	1111	821	35.4	1172	-5.2
Total Expenditure	817	567	44.0	816	0.2
EBITDA	294	254	16.1	357	-17.4
EBITDA Margin %	26.5	30.9		30.4	
Interest	26	42		28	
Depreciation	66	68		67	
PBT	204	146	40	264	-23
Tax	52	28		57	
PAT	152	118	29	207	-27
EPS	6.4	4.9		8.7	

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 has helped the company to reduce interest costs. Further the company has announced buyback of shares up to 1.05% of the paid up equity shares. We are confident about the long term prospects of the company and modeled 10% and 11% 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 726 per share. At CMP of Rs 681 the stock is available at FY18E P/E(x) and EV/EBITDA(x) of 18.7(x) and 11.8(x) respectively. We have **HOLD** rating on the stock.

Valuation :	2015	2016	2017E	2018E
EV/EBITDA	13.2	11.3	13.1	12.5
EBITDA	721	994	1302	1412
EV	9484	11248	17096	17656
Cash & Bank	63	45	37	33
Debt	2281	1772	1089	588
Market Cap.	7266	9520	16044	17100
No. of Shares	23.81	23.81	23.56	23.56
Fair Value				726
CMP				681
Upside				7%

Source: - Ace Equity, Arihant Research



Profit and Loss Account				
Particulars (Rs crore)	2015	2016	2017E	2018E
Income from Operations	4,177	4,133	4,532	5,013
YoY%	-1.4	-1.1	9.7	10.6
Power & Fuel Cost	704	527	517	654
Raw Material Cost	677	584	607	670
Selling & Distribution Exp	893	672	722	797
Other Expenditure	1197	1375	1385	1479
Total Expenditure	3,457	3,139	3,231	3,601
EBITDA	721	994	1302	1412
EBITDA margin %	17	24	29	28
Depreciation	251	268	281	301
EBIT	469	726	1021	1112
Other Income	85	114	147	157
Interest	196	182	93	80
PBT before Excp Items	358	658	1075	1189
Extraordinary/ Excp	0	0	0	0
PBT	358	658	1075	1189
Tax Expense	115	145	304	331
Net Profit	244	559	771	859
YoY%	112.9	129.3	38.0	11.3

Balance Sheet				
Particulars (Rs crore)	2015	2016	2017E	2018E
Equity & Liabilities				
(a) Share capital	24	24	24	24
(b) Reserves and surplus	2602	3049	3600	4381
Shareholders' funds	2626	3073	3624	4404
Non-current liab & Prov	2951	2461	2070	1715
Current liabilities	1429	1490	1650	1511
Total - Equity and liabilities	7006	7024	7343	7631
Assets				
Non-current assets	5887	5720	5858	6109
Fixed assets	4882	4906	5017	5132
CWIP	263	174	125	188
Long Term Inv	358	367	383	402
Loans + Adv + Others	268	196	239	286
Other Non-current assets	116	78	94	100
Current assets	1118	1304	1485	1522
Cash	63	45	37	33
Other Current Assets	1056	1259	1447	1489
Total - Assets	7006	7024	7343	7631

Cash Flow Statement				
Particulars (Rs crore)	2015	2016	2017E	2018E
Operating Activities				
PBT	358	658	1,075	1,189
Add Depr	251	268	281	301
Others	140	110	90	75
Total	750	1,037	1,446	1,565
Changes in W.C	173	(81)	(29)	(179)
Cash Flow from Operations	923	956	1,418	1,385
Investing Activities				
Other investing activities	(34)	(73)	(75)	(73)
Capex	(474)	(560)	(488)	(559)
Cash Flow from Investing	(509)	(633)	(562)	(632)
Financing Activities				
Dividends + Taxes paid	(28)	(95)	-	(257)
Other financing activites	(369)	(240)	(863)	(500)
Cash Flow from Financing	(397)	(335)	(863)	(758)
Opening Cash	40	57	45	37
Changes during year	17	(13)	(8)	(4)
Closing Cash	57	45	37	33

Ratio Analysis				
	2015	2016	2017E	2018E
Profitability				
EBITDA%	17.3	24.1	28.7	28.2
EBIT%	11.2	17.6	22.5	22.2
PAT%	5.8	13.5	17.0	17.1
Du Pont ROE breakup				
PAT / Sales	5.8	13.5	17.0	17.1
Sales / Avg Total Assets	0.6	0.6	0.6	0.7
Avg Total Assets / Avg Eqty	2.7	2.5	2.1	1.9
ROE	9.6	19.6	23.0	21.4
Other Ratios				
Current Ratio	0.8	0.9	0.9	1.0
Debt / Equity	0.9	0.6	0.3	0.1
EPS	10.2	23.5	32.7	36.5
DPS	1.5	2.5	0.0	9.2
Valuation Ratios				
P/E	29.8	17.0	20.8	18.7
EV/EBITDA	13.2	11.3	13.1	11.8
P/BV	2.8	3.1	4.4	3.6

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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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