



Better Outlook Ahead!

7th June, 2017

CMP: Rs. 698
Target Price: Rs. 768
Recommendation: HOLD

The Ramco Cement Ltd. for its Q4 FY17 results reported 26% decline in net profit at Rs 134 cr as compared to Rs 182 cr for Q4 FY 16.

Stock Info

BSE Group	A
BSE Code	500260
NSE Symbol	RAMCOCEM
Bloomberg	TRCL.IN
Reuters	TRCE.BO
BSE Sensex	31,190
NSE Nifty	9,637

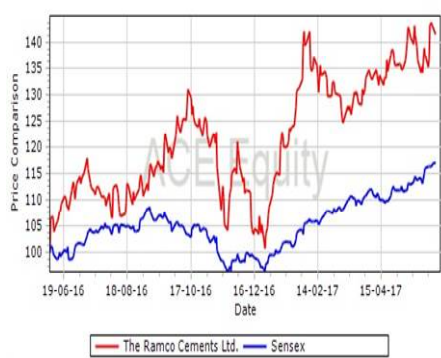
Market Info

Market Capital (cr.)	16,678
Equity Capital (cr.)	23.5
Avg. Trading Vol.	2,39,140
52 Wk High/ Low (Rs)	750/479
Face Value (Rs)	1.0

Shareholding Pattern (%) (March 2017)

Promoters	42.3
Domestic Institutions	22.2
Foreign Institutions	14.5
Public & Others	21.0

Price Chart:



For the quarter ended March, 2017, company reported a rise in revenue by 6.4% to Rs 1,190 cr vs. Rs 1,118 cr in the corresponding quarter of previous year. RCL continued to report robust growth in sales volume for fifth successive quarter. Meaningful demand up-tick in Southern states especially during Mar'17 and venturing into new markets led to 9.5% YoY and 14.5% QoQ growth in RCL's sales volume to 2.28mnT (including 0.03mnT exports). RCL's sales volume (including exports of 0.14mnT) grew by 19% YoY to 8.35mnT in FY17.

The company faced higher operating costs and higher transportation and handling expenses which resulted in lower EBITDA which came in at Rs 253 cr vs. Rs 313 cr as compared to corresponding quarter of previous year. EBITDA margin declined to 21.22% vs. 28% YoY. The company has sustained its efforts towards debt reduction resulting in lower interest expenses.

Wind power division for FY17 generated 27.47 crore units compared to 16.43 crore units 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 FY17 generated 4.51 crore units, with a revenue of Rs 17.81 cr. The subsidiary company has installed capacity of 39.83 MW, comprising of 127 wind electric generators.

Financial Snapshot

(Rs Cr)	2016	2017	2018E	2019E
Income from Operations	3,508	3,857	4,623	4,738
EBITDA	1006	1084	1433	1465
EBITDA margin %	29	28	31	30
Net Profit	501	649	908	926
EPS	21.0	27.3	38.5	39.3
ROE	17.5	19.2	22.1	18.6
P/E	32.7	25.2	19.9	19.5
EV/EBITDA	18.4	16.4	13.1	13.0

Source: - Ace Equity, Arianth Research



Quarterly Analysis					
Particulars	Q4 FY17	Q4 FY16	YoY %	Q3 FY17	QoQ %
Net Sales	1190	1118	6.4	1111	7.1
Total Expenditure	937	805	16.4	817	14.8
EBITDA	253	313	-19.3	294	-14.2
Other Income	6	38		2	
Interest	20	45		26	
Depreciation	66	103		66	
PBT	172	203	-16	204	-16
Tax	37	21		52	
PAT	134	182	-26	152	-11
EPS	5.6	7.7		6.4	

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 12.5(x) its FY19 estimates and have arrived at a fair value of Rs 768 per share. We have **HOLD** rating on the stock.

Valuation :				
	2016	2017	2018E	2019E
EV/EBITDA	11.2	16.1	12.5	12.5
EBITDA	1006	1084	1433	1465
EV	11248	17479	17914	18313
Cash & Bank	45	54	33	142
Debt	1772	1089	647	353
Market Cap.	9520	16445	17299	18101
No. of Shares	23.81	23.56	23.56	23.56
Fair Value			734	768
CMP			698	698
Upside			5%	10%

Source: - Ace Equity, Arianth Research



Profit and Loss Account				
Particulars (Rs crore)	2016	2017	2018E	2019E
Income from Operations	4,133	3,857	4,623	4,738
YoY%	-1.1	-6.7	19.9	2.5
Power & Fuel Cost	527	503	578	602
Raw Material Cost	584	632	555	616
Selling & Distribution Expenses	672	617	878	900
Other Expenditure	1375	1021	1179	1208
Total Expenditure	3,139	2,773	3,190	3,326
EBITDA	994	1084	1433	1412
EBITDA margin %	24	28	31	30
Depreciation	268	265	301	324
EBIT	726	819	1133	1088
Other Income	114	135	157	177
Interest	182	103	80	30
PBT before Excp Items	658	851	1210	1234
Extraordinary/ Excp	0	0	0	0
PBT	658	851	1210	1234
Tax Expense	145	202	303	309
Net Profit	559	649	908	926
YoY%	129.3	16.2	39.8	2.0

Cash Flow Statement				
Particulars (Rs crore)	2016	2017E	2018E	2019E
Operating Activities				
PBT	658	1,075	1,210	1,234
Add Depr	268	281	301	324
Others	110	90	70	50
Total	1,037	1,446	1,581	1,509
Changes in W.C	(81)	(29)	(254)	(77)
Cash Flow from Operations	956	1,417	1,326	1,432
Investing Activities				
Other investing activities	(73)	(75)	(92)	(61)
Capex	(560)	(488)	(559)	(684)
Cash Flow from Investing	(633)	(562)	(651)	(745)
Financing Activities				
Dividends + Taxes paid	(95)	(182)	(131)	(133)
Other financing activities	(240)	(663)	(567)	(444)
Cash Flow from Financing	(335)	(845)	(697)	(577)
Opening Cash	57	45	54	33
Changes during year	(13)	10	(22)	109
Closing Cash	45	54	33	142

Balance Sheet				
Particulars (Rs crore)	2016	2017E	2018E	2019E
Equity & Liabilities				
(a) Share capital	24	24	24	24
(b) Reserves and surplus	3049	3600	4556	5347
Shareholders' funds	3073	3623	4579	5371
Non-current liab & Prov	2461	2073	1873	1758
Current liabilities	1490	1665	1393	1356
Total - Equity and liabilities	7024	7360	7846	8485
Assets				
Non-current assets	5720	5858	6128	6618
Fixed assets	4906	5017	5132	5567
CWIP	174	125	188	182
Long Term Inv	367	383	422	464
Loans + Adv + Others	196	239	286	300
Other Non-current assets	78	94	100	105
Current assets	1304	1502	1717	1867
Cash	45	54	33	142
Other Current Assets	1259	1447	1685	1725
Total - Assets	7024	7360	7846	8485

Ratio Analysis				
	2016	2017E	2018E	2019E
Profitability				
EBITDA%	24.1	28.1	31.0	29.8
EBIT%	17.6	21.2	24.5	23.0
PAT%	13.5	16.8	19.6	19.5
Du Pont ROE breakup				
PAT / Sales	13.5	16.8	19.6	19.5
Sales / Avg Total Assets	0.6	0.5	0.6	0.6
Avg Total Assets / Avg Eqty	2.5	2.1	1.9	1.6
ROE	19.6	19.4	22.1	18.6
Other Ratios				
Current Ratio	0.9	0.9	1.2	1.4
Debt / Equity	0.6	0.3	0.1	0.1
EPS	23.5	27.5	38.5	39.3
DPS	2.5	6.1	4.6	4.7
Valuation Ratios				
P/E	17.0	25.3	19.9	19.5
EV/EBITDA	11.3	16.1	13.1	13.0
P/BV	3.1	4.5	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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