

The Ramco Cements

Estimate change	
TP change	
Rating change	

Bloomberg	TRCL IN
Equity Shares (m)	236
M.Cap.(INRb)/(USDb)	182.9 / 2.2
52-Week Range (INR)	1058 / 743
1, 6, 12 Rel. Per (%)	-4/-34/-35
12M Avg Val (INR M)	498

Financial Snapshot (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	93.5	102.5	111.3
EBITDA	15.5	18.7	21.5
Adj. PAT	3.9	5.8	7.7
EBITDA Margin (%)	16.6	18.3	19.3
Adj. EPS (INR)	16.7	24.6	32.6
EPS Gr. (%)	15.0	47.5	32.2
BV/Sh. (INR)	302	323	353
Ratios			
Net D:E	0.7	0.7	0.6
RoE (%)	5.7	7.9	9.6
RoCE (%)	6.0	7.2	8.0
Payout (%)	15.0	14.2	10.7
Valuations			
P/E (x)	46.3	31.4	23.7
P/BV (x)	2.6	2.4	2.2
EV/EBITDA(x)	13.9	12.1	10.4
EV/ton (USD)	114	115	105
Div. Yield (%)	0.3	0.5	0.5
FCF Yield (%)	-0.5	-0.1	2.0

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	42.3	42.1	42.3
DII	35.6	36.3	35.9
FII	7.4	7.9	7.6
Others	14.7	13.6	14.3

FII Includes depository receipts

CMP: INR774	TP: INR870 (+12%)	Neutral
EBITDA in line; weak pricing an overhang		

Reduces capex guidance to INR12b in FY25 from INR17b previously

- The Ramco Cements (TRCL)'s 4QFY24 EBITDA was in line with our estimates, as higher-than-estimated volume offset lower-than-estimated realization. Its EBITDA grew 1% YoY to INR4.2b (est. INR4.0b). EBITDA/t stood at INR760 vs. estimated INR794. OPM was down 50bp YoY to 15.6% (est. 16.1%). PAT was at INR1.2b vs. our estimate of INR1.1b due to lower-than-estimated depreciation and tax rates.
- Management has reduced its capex guidance by INR5b to INR12b for FY25. Its capacity utilization stood at ~96% in 4QFY24 aided by strong demand in both eastern and southern regions. It is expanding its clinker/grinding capacities at its Kurnool, Andhra Pradesh plant by 3.15mt/1.5mtpa at a capex of INR12.5b. Its net debt declined INR2b sequentially to INR48b and net debt-to-EBITDA was 3.0x in FY24.
- We cut our EPS estimates by 5% (each) for FY25/FY26. **We value TRCL at 12x FY26E EV/EBITDA to arrive at our revised TP of INR870 (earlier INR940).** We reiterate our **Neutral** rating on the stock.

Volume rises 17% YoY; EBITDA/t at INR760 (est. INR794)

- Revenue/EBITDA/PAT stood at INR26.7b/INR4.2b/INR1.2b (up 5%/up 1%/down 20% YoY and 8%/4%/14% above our estimates) in 4QFY24. Sales volume at 5.5mt grew 17% YoY (9% above our estimate). The realization at INR4,869/t (down 11% YoY and 8% QoQ) was 1% below our estimate.
- Opex/t declined 14% YoY, due to an 18% decline in variable costs and a 6% decline in employee expenses. Conversely, freight costs/other expenses increased 2%/4% YoY. OPM was down 50bp YoY to 15.6%, and EBITDA/t was down 14% YoY to INR760.
- In FY24**, TRCL's revenue rose 15% YoY, driven by 23% volume growth and a 7% decline in realization. EBITDA grew 31% YoY to INR15.5b. EBITDA/t was up 7% YoY to INR844. OPM surged 2pp YoY to 16.6%. PAT grew 15% YoY to INR3.95b. Its OCF increased 35% YoY to INR19b. Capex stood at INR19.2b vs. INR17.7b in FY23, resulting in an FCF outflow of INR279m vs. INR3.6b in FY23.

Highlights from the management commentary

- Cement volume is expected to recover post-elections, supported by robust demand from housing and commercial segments. Cement prices are under pressure in TRCL's key markets (except Odisha).
- Blended fuel consumption cost was USD141/t (INR1.65/kcal) vs. USD178 (INR2.1/kcal) in 4QFY23.
- Management reduced its FY25 capex guidance to INR12b vs. INR17b earlier.

View and valuation

- We estimate the company's volume growth to moderate to ~8% CAGR over FY24-26 vs. ~29% over FY22-24. Pricing pressure in its key markets, higher leverage, and low return ratios (RoE/ROCE estimated in high single digits in FY25) will remain an overhang on the stock.
- At CMP, the stock trades fairly at 12x/10x FY25E/FY26E EV/EBITDA. **We value TRCL at 12x FY26E EV/EBITDA and reiterate our Neutral rating with a revised TP of INR870 (vs. INR940 earlier).**

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Quarterly Performance (INR b)												
Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Sales volume (m ton)	3.31	3.35	3.64	4.70	4.30	4.61	4.00	5.49	15.02	18.40	5.04	9
YoY Change (%)	54.6	23.5	21.1	45.5	29.9	37.7	9.9	16.8	34.8	22.5	7.2	
Realization (INR/ton)	5,298	5,253	5,515	5,464	5,212	5,053	5,265	4,869	5,384	5,081	4,932	(1)
YoY Change (%)	(6.2)	(2.5)	7.3	3.4	(1.6)	(3.8)	(4.5)	(10.9)	1.3	(5.6)	(9.7)	
QoQ Change (%)	0.3	(0.9)	5.0	(0.9)	(4.6)	(3.1)	4.2	(7.5)			(6.3)	
Net Sales	17.7	17.8	20.1	25.7	22.4	23.3	21.1	26.7	81.4	93.5	24.9	8
YoY Change (%)	44.3	19.5	29.7	50.3	26.4	30.5	4.8	4.0	36.0	14.9	(3.3)	
Total Expenditure	14.7	16.0	17.2	21.6	19.0	19.3	17.1	22.6	69.5	78.0	20.8	8
EBITDA	3.0	1.8	2.8	4.1	3.4	4.0	4.0	4.2	11.8	15.5	4.0	4
Margins (%)	17.0	10.3	14.2	16.1	15.2	17.1	18.8	15.6	14.5	16.6	16.1	
Depreciation	1.1	1.2	1.4	1.4	1.5	1.6	1.7	1.7	5.0	6.4	1.7	(1)
Interest	0.5	0.6	0.6	0.8	0.9	1.2	1.0	1.0	2.4	4.2	1.0	0
Other Income	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.4	0.2	(14)
PBT before EO expense	1.5	0.2	1.0	2.1	1.1	1.4	1.3	1.6	4.7	5.4	1.5	11
PBT	1.5	0.2	1.0	2.1	1.1	1.4	1.3	1.6	4.7	5.4	1.5	11
Tax	0.4	0.0	0.3	0.5	0.3	0.4	0.4	0.4	1.3	1.5	0.4	
Prior year tax	-	-	-	-	-	-	-	-	-	-	-	
Rate (%)	27.0	28.4	30.7	26.3	27.0	26.7	30.8	25.2	27.5	27.3	27.4	
Reported PAT	1.1	0.1	0.7	1.5	0.8	1.0	0.9	1.2	3.4	3.9	1.1	14
Adj PAT	1.1	0.1	0.7	1.5	0.8	1.0	0.9	1.2	3.4	3.9	1.1	14
YoY Change (%)	(33.6)	(94.7)	(18.4)	23.7	(29.7)	783.2	38.6	(20.4)	(41.8)	15.0	(30.4)	
Margins (%)	6.3	0.6	3.4	5.9	3.5	4.3	4.4	4.5	4.2	4.2	4.3	

Per ton analysis (incl. Dry mortar) (INR/t)												
Net realization	5,355	5,331	5,519	5,467	5,212	5,053	5,265	4,869	5,416	5,081	4,932	(1)
RM Cost	798	806	764	1,130	760	959	820	1,132	894	934	1,008	12
Employee Expenses	327	335	310	241	294	300	342	227	306	286	273	(17)
Power, Oil & Fuel	1,584	1,991	1,929	1,635	1,758	1,358	1,384	1,128	1,772	1,389	1,240	(9)
Freight cost	1,087	1,040	1,087	1,063	1,064	1,025	1,073	1,082	1,067	1,062	1,066	2
Other Expenses	650	610	646	521	541	546	658	541	590	567	550	(2)
Total Expenses	4,447	4,782	4,737	4,589	4,418	4,188	4,277	4,110	4,629	4,238	4,137	(1)
EBITDA	908	549	782	878	794	865	988	760	787	844	794	(4)

Source: Company, MOFSL Estimates



Highlights from the management commentary

Capex and project update

- A brownfield expansion of clinker/cement capacity of 3.15mtpa/1.5mtpa will be carried out at its Kurnool (Andhra Pradesh) plant (including 15MW of WHRS), at an estimated capex of INR12.5b. It is likely to be completed by 4QFY26. In FY24, capex stood at INR19b. Capex is pegged at INR12b in FY25 reduced from earlier estimate of INR17b.
- Expansion of the Dry Mortar Plant 2 units (capacity of 80t/hour for each plant) in Andhra Pradesh and Odisha will be commissioned in Jun'24 (earlier estimated in Mar'24). It has acquired 660 acres of mining land (500 acres acquired until Dec'23) in the states of Karnataka for a greenfield project.
- The thermal power plant of 18MW will be commissioned in Jun'24 (earlier estimate Mar'24) and the railway siding will be commissioned during Sep'24 (earlier estimate Jun'24).

Cement demand trend and volume guidance

- Cement capacity utilization stood at 96% vs. 85%/74% in 4QFY23/ 3QFY24, respectively. Dry-motor sale volume grew 18% YoY and 9% QoQ in 4QFY24. In FY24, capacity utilization stood at 83% vs. 73% in FY23. Dry-motor sale volume grew 51% YoY in FY24.
- Cement volume is expected to recover post-election supported by robust demand from housing and commercial segments.

Operational highlights

- The share of premium products was 29% vs. 28% in 4QFY23 in the South region. In the East region, the share of premium products was 20% vs. 16% in 4QFY23. Overall premium product share stood at 28% in 4QFY24/FY24.
- OPC share was ~32% of total volumes in 4QFY24 vs. 33% in 4QFY23/3QFY24 (each). OPC share stood at 32% in FY24 vs. 30% in FY23.
- Blended coal consumption cost was USD141/t (INR1.65/kcal) vs. USD178/t (INR2.1/kcal) in 4QFY23. It used 51% petcoke vs. 56%/51% in 4QFY23/3QFY24.
- Green energy contributed 36% of power requirements vs. 23%/36% in 4QFY23/ 3QFY24. Green power share is likely to reach 42% in FY25 and 48% in FY26, post-commissioning of WHRS of 10MW at the Tamil Nadu plant by 4QFY25.

Debt and other highlights

- Net debt (including working capital borrowings) stood at INR48b vs. INR43b/ INR50b as of Mar'23/Dec'23. Net debt-to-EBITDA was 3.0x vs. 3.6x in FY23. The average cost of borrowings increased to 7.70% for FY24 from 6.35% in FY23 due to an increase in market rates.

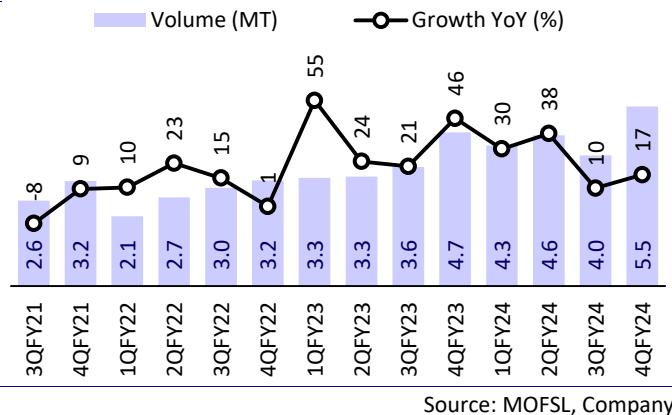
Exhibit 1: Revisions to our estimates

(INR b)	Revised		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	102.5	111.3	101.0	110.2	1.5%	1.0%
EBITDA	18.7	21.5	19.2	22.3	-2.8%	-3.6%
PAT	5.8	7.7	6.1	8.1	-5.2%	-5.2%
EPS (INR)	24.6	32.6	26.0	34.4	-5.2%	-5.2%

Source: Company, MOFSL

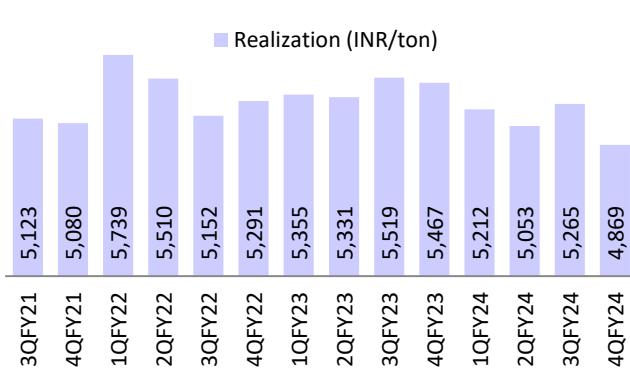
Story in charts

Exhibit 2: Sales volume up 17% YoY



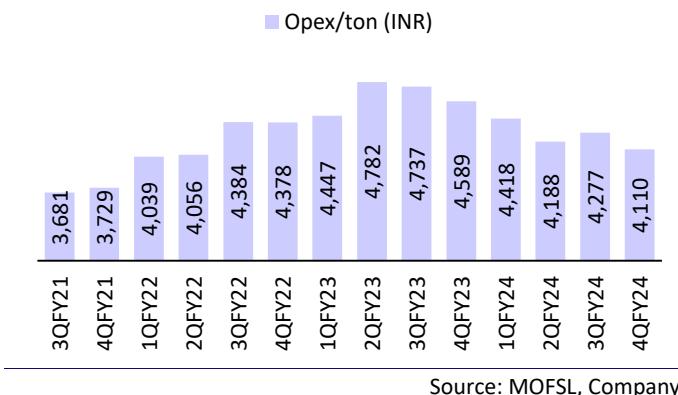
Source: MOFSL, Company

Exhibit 3: Realization down 11% YoY and 8% QoQ



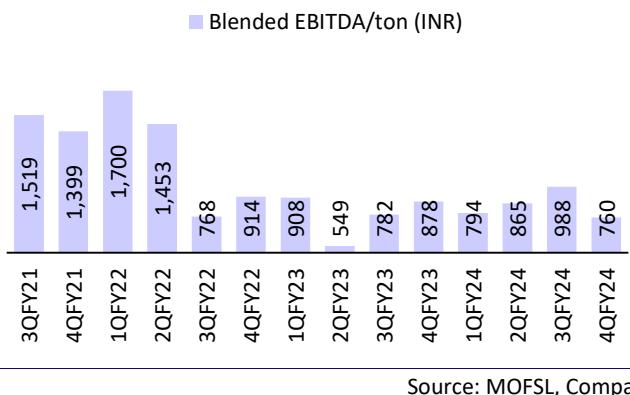
Source: MOFSL, Company

Exhibit 4: Opex/t declined 10% YoY and 4% QoQ



Source: MOFSL, Company

Exhibit 5: EBITDA/t declined 14% YoY/23% QoQ



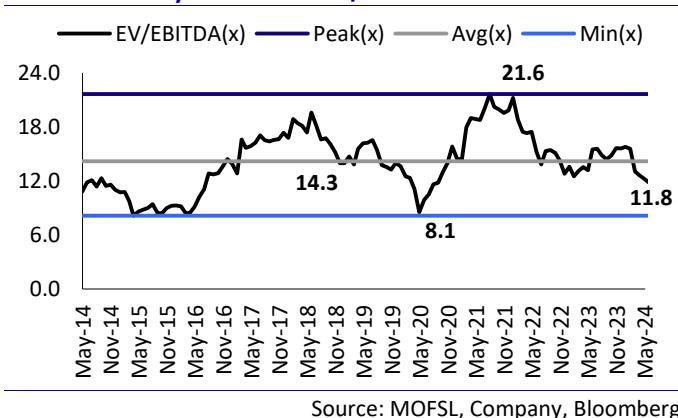
Source: MOFSL, Company

Exhibit 6: Key performance indicators – per ton analysis

INR/t	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Net realization	4,869	5,467	(10.9)	5,265	(7.5)
RM Cost	1,132	1,130	0.2	820	38.0
Employee Expenses	227	241	(5.8)	342	(33.7)
Power, Oil & Fuel	1,128	1,635	(31.0)	1,384	(18.5)
Freight and Handling Outward	1,082	1,063	1.8	1,073	0.8
Other Expenses	541	521	4.0	658	(17.7)
Total Expenses	4,110	4,589	(10.4)	4,277	(3.9)
EBITDA	760	878	(13.5)	988	(23.1)

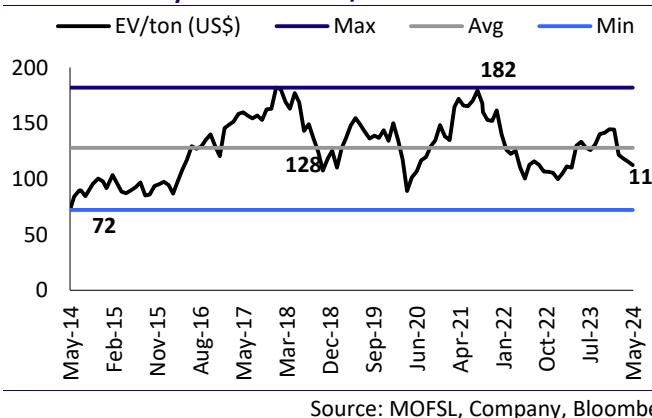
Source: MOFSL, Company

Exhibit 7: One-year forward EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

Exhibit 8: One-year forward EV/ton chart



Source: MOFSL, Company, Bloomberg

Financials and valuations

Income Statement								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	51,220	53,435	52,684	59,800	81,353	93,498	1,02,515	1,11,300
Change (%)	16.8	4.3	-1.4	13.5	36.0	14.9	9.6	8.6
EBITDA	10,123	11,117	15,480	12,838	11,820	15,525	18,714	21,535
Margin (%)	19.8	20.8	29.4	21.5	14.5	16.6	18.3	19.3
Depreciation	2,985	3,153	3,553	4,008	5,044	6,359	6,719	7,035
EBIT	7,138	7,964	11,927	8,830	6,775	9,167	11,995	14,499
Int. and Finance Charges	509	714	876	1,124	2,405	4,155	4,392	4,358
Other Income - Rec.	527	622	346	306	367	423	430	476
PBT bef. EO Exp.	7,156	7,872	11,397	8,012	4,737	5,435	8,033	10,617
EO Expense/(Income)	30	0	0	0	0	0	0	0
PBT after EO Exp.	7,126	7,872	11,397	8,012	4,737	5,435	8,033	10,617
Current Tax	1,846	1,393	2,440	1,768	257	409	2,209	2,920
Deferred Tax	221	469	1,346	-2,682	1,045	1,076	0	0
Tax Rate (%)	29.0	23.6	33.2	-11.4	27.5	27.3	27.5	27.5
Reported PAT	5,059	6,011	7,611	8,927	3,435	3,950	5,824	7,698
PAT Adj for EO items	5,089	6,011	7,611	5,899	3,435	3,950	5,824	7,698
Change (%)	-9.8	18.1	26.6	-22.5	-41.8	15.0	47.5	32.2
Margin (%)	9.9	11.2	14.4	9.9	4.2	4.2	5.7	6.9

Balance Sheet								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	236	236	236	236	236	236	236	236
Total Reserves	44,366	48,950	56,032	65,012	67,699	71,205	76,202	83,073
Net Worth	44,601	49,186	56,268	65,249	67,935	71,441	76,438	83,309
Deferred Liabilities	8,704	9,172	10,877	8,240	9,285	10,304	10,304	10,304
Total Loans	16,187	30,241	31,017	39,300	44,874	49,168	54,168	56,168
Capital Employed	69,493	88,599	98,162	1,12,789	1,22,095	1,30,914	1,40,911	1,49,781
Gross Block	84,945	93,901	1,06,223	1,18,037	1,47,329	1,72,397	1,92,182	2,04,182
Less: Accum. Deprn.	33,514	35,757	38,720	42,728	47,772	54,131	60,850	67,886
Net Fixed Assets	51,431	58,144	67,503	75,309	99,557	1,18,266	1,31,331	1,36,296
Capital WIP	8,308	18,143	23,255	30,340	19,873	13,784	8,000	12,000
Total Investments	4,294	4,275	4,369	4,220	4,209	4,397	4,397	4,397
Curr. Assets, Loans&Adv.	17,049	19,908	18,331	20,687	21,530	25,235	30,458	33,446
Inventory	5,597	6,453	5,979	8,333	8,823	9,823	12,639	13,722
Account Receivables	4,900	5,269	3,752	3,498	4,650	8,522	8,426	9,148
Cash and Bank Balance	928	914	1,419	1,760	1,686	1,352	968	1,428
Loans and Advances	5,625	7,273	7,181	7,095	6,371	5,539	8,426	9,148
Curr. Liability & Prov.	11,589	11,871	15,296	17,767	23,074	30,770	33,276	36,358
Account Payables	11,179	11,341	14,655	16,985	22,141	29,635	32,299	35,067
Provisions	410	531	641	782	933	1,135	977	1,291
Net Current Assets	5,461	8,037	3,035	2,920	-1,545	-5,535	-2,818	-2,912
Appl. of Funds	69,493	88,599	98,162	1,12,789	1,22,095	1,30,914	1,40,911	1,49,781

Source: Company, MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	21.6	25.5	32.3	25.0	14.5	16.7	24.6	32.6
Cash EPS	34.3	38.9	47.3	41.9	35.9	43.6	53.1	62.3
BV/Share	189.3	208.8	238.5	276.1	287.5	302.3	323.5	352.6
DPS	3.0	2.5	3.0	3.0	2.0	2.5	3.5	3.5
Payout (%)	16.8	11.8	9.3	7.9	13.8	15.0	14.2	10.7
Valuation (x)								
P/E	35.8	30.3	24.0	31.0	53.2	46.3	31.4	23.7
Cash P/E	22.6	19.9	16.3	18.5	21.6	17.7	14.6	12.4
P/BV	4.1	3.7	3.2	2.8	2.7	2.6	2.4	2.2
EV/Sales	3.7	3.6	3.6	3.2	2.5	2.3	2.2	2.0
EV/EBITDA	18.7	17.4	12.2	14.8	17.4	13.9	12.1	10.4
EV/Ton (USD)	137	125	118	118	113	114	115	105
Dividend Yield (%)	0.4	0.3	0.4	0.4	0.3	0.3	0.5	0.5
Return Ratios (%)								
RoIC	9.3	10.0	11.9	13.5	5.7	6.4	7.3	8.1
RoE	12.0	12.8	14.4	9.7	5.2	5.7	7.9	9.6
RoCE	9.7	9.4	9.8	10.6	4.8	6.0	7.2	8.0
Working Capital Ratios								
Asset Turnover (x)	0.7	0.6	0.5	0.5	0.7	0.7	0.7	0.7
Inventory (Days)	39.9	44.1	41.4	50.9	39.6	38.3	45.0	45.0
Debtor (Days)	34.9	36.0	26.0	21.3	20.9	33.3	30.0	30.0
Creditor (Days)	79.7	77.5	101.5	103.7	99.3	115.7	115.0	115.0
Leverage Ratio (x)								
Current Ratio	34.3	38.9	47.3	41.9	35.9	43.6	53.1	62.3
Debt/Equity	189.3	208.8	238.5	276.1	287.5	302.3	323.5	352.6

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
(INR m)								
OP/(Loss) before Tax	7,156	7,872	11,397	8,012	4,737	5,435	8,033	10,617
Depreciation	2,985	3,153	3,553	4,008	5,044	6,359	6,719	7,035
Interest & Finance Charges	404	714	876	1,124	2,405	4,155	4,392	4,358
Direct Taxes Paid	-1,584	-1,861	-3,786	915	-1,302	-1,485	-2,209	-2,920
(Inc)/Dec in WC	-929	-2,590	5,507	457	4,390	3,656	-3,101	555
CF from Operations								
	8,032	7,287	17,547	14,516	15,275	18,120	13,834	19,646
Others	-127	100	143	30	-166	-88	0	0
CF from Operating incl EO								
	7,904	7,387	17,690	14,546	15,109	18,032	13,834	19,646
(Inc)/Dec in FA	-12,018	-18,791	-17,434	-18,900	-18,826	-18,979	-14,000	-16,000
Free Cash Flow								
	-4,114	-11,404	256	-4,354	-3,717	-948	-166	3,646
(Pur)/Sale of Investments	9	19	-94	150	11	-189	0	0
Others	-2,588	-1,257	1,150	-1,904	935	1,254	0	0
CF from Investments								
	-14,597	-20,029	-16,378	-20,654	-17,880	-17,914	-14,000	-16,000
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	7,755	14,054	776	8,282	5,575	4,294	5,000	2,000
Interest Paid	-476	-714	-876	-1,124	-2,405	-4,155	-4,392	-4,358
Dividend Paid	-853	-711	-708	-709	-473	-591	-827	-827
Others	0	0	0	0	0	0	0	0
CF from Fin. Activity								
	6,426	12,630	-808	6,450	2,697	-452	-219	-3,185
Inc/Dec of Cash								
	-266	-13	504	342	-74	-334	-384	461
Opening Balance	1,194	927	915	1,419	1,761	1,686	1,352	968
Closing Balance								
	927	915	1,419	1,761	1,686	1,352	968	1,428

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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