

CMP: INR 870

Rating: Buy

Target: INR 1023

Stock Info

BSE	500260
NSE	RAMCOCEM
Bloomberg	TRCL:IN
Sector	Cement
Face Value (INR)	1
Equity Capital (INR mn)	235.8
Mkt Cap (INR mn)	205,610
52w H/L (INR)	1,058 / 700
Avg Yearly Volume (in 000')	752

Shareholding Pattern %

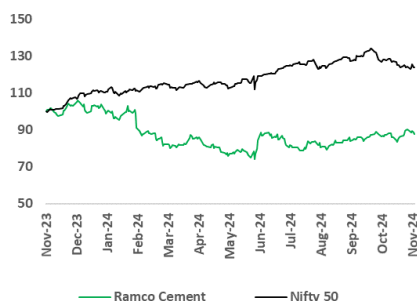
(As on September, 2024)

Promoters	42.3
DII	6.6
FII	34.3
Public & Others	16.9

Stock Performance (%) 1m 6m 12m

RAMCOCEM	1.3%	14.5%	-13.9%
NIFTY	-3.3%	9.2%	11.0%

RAMCOCEM vs Nifty



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Ramco Cement reported Q2FY25 which were muted and missed our estimates. Its revenue came in at INR 20,441 Mn, decline of 12.7% YoY/2.4% QoQ as against our expectation of INR 21,630 Mn. Sales Volume was at 4.49 MnT, decline of 2.6% YoY due to weak demand and seasonality but volume grew by 4.6% QoQ. Volume are marginally down as against expectation of 4.5 MnT. Realization stood at INR 4,553/T, decline of 10.3% YoY/decline of 6.7% QoQ, as against expectation of INR 4,806/T. Gross margin at 80.4%, decrease of 74bps YoY/226bps QoQ. EBITDA margin at 15.4%, decline of 194bps YoY/ marginal increase of 7bps QoQ. PAT margin came in at 1.2%, decline of 305bps YoY/decline of 42bps QoQ.

Weak prices impacted margins for Q2: The company's gross profit de-grew by 13.5% YoY/de-grew by 5% QoQ to INR 16,425 Mn. Further, despite power & fuel as well as other cost seen a decline, EBITDA too witnessed a de-growth of 22.5% YoY/de-growth of 1.9% QoQ to INR 3141Mn due to muted performance on volume and prices front. Thus, EBITDA margin was down by 194bps YoY but marginally higher by 7bps QoQ to 15.4%. Also, the bottom-line remain impacted due to increase in depreciation and interest expenses with commissioning of new manufacturing facilities. So, PAT declined by 74.8% YoY/declined by 27.2% QoQ to INR 253Mn while PAT margin came in at 1.2%, decreased by 305bps YoY/42bps QoQ.

Per ton cost as well as EBITDA/t seen a decline: Ramco Cement overall cost witnessed decline yet its EBITDA/t too remained subdued because of weak prices in South & East regions. Thus, fuel cost/t came in at INR 1,111/t which saw a decline of 18.1% YoY/decline of 15.6% QoQ, total cost/t was at 3,853/t, a decline of 8.2% YoY/decline of 6.8% QoQ. Further, EBITDA/t too declined by 20.4% YoY/decreased by 6.3% QoQ to INR 700/t.

Capacity expansion plan on track: With additional capacity added during the quarter, there was a drop-in utilization level thus it decreased to 75% in Q2FY25 as compared to 82% in Q2FY24. However, going ahead there are expectation that utilization is set to improve. Further, the capacity increased to 24MnT from 23 MnT because of de-bottlenecking in Kolimigundla Integrated Unit and Salem Grinding Unit with capex of INR 2630Mn which also includes maintenance capex. Further, its capex guidance for FY25 remains unchanged at INR 12,000Mn including maintenance capex and by FY26 its plan is to reach capacity of 30MnT.

Outlook & Valuation: Ramco Cements Q2FY25 results missed our estimates as volume and prices remain impacted. However, management anticipates in-line with industry expectation of seeing improvement in H2FY25. Further, government spending on infra along with demand for real-estate & housing is expected to improve demand. Additionally, management strategy of focusing on right products for right application coupled with adding premium product, improving utilization levels and increasing green energy usage will continue to aid overall growth. We have maintained a Buy rating with the target price of INR 1023.

Key Financials:

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Net revenue	81,573	93,764	91,895	97,408
EBITDA	11,856	15,641	15,321	17,900
EBITDAM (%)	14.5	16.7	16.7	18.4
APAT	3,420	3,930	3,185	5,910
APATM (%)	4.2	4.2	3.5	6.1
EPS (Rs)	14.5	16.7	13.5	25.1
EV/EBITDA (x)	21.0	16.2	16.5	14.0
RoE (%)	4.6	4.9	3.8	6.9

Source: Arihant Research, Company Filings

Q2FY25 - Quarterly Performance (Consolidated)

Particulars	Q2FY25	Q2FY24	Q1FY25	Y-o-Y %	Q-o-Q %
Net Sales	20,441	23,406	20,936	-12.7	-2.4
Cost of Raw Materials	4,053	4,137	4,315	-2.0	-6.1
Purchase of Finished Goods	4	6	-	-36.7	-
(Increase) / Decrease In Stocks	-41	282	-675	-114.6	-
Total raw material expense	4,016	4,425	3,640	-9.2	10.3
Gross Profit	16,425	18,981	17,296	-13.5	-5.0
Gross Margins %	80.4	81.1	82.6	-74bps	-226bps
Employee Cost	1,429	1,452	1,425	-1.6	0.3
Power & Fuel	4,989	6,254	5,647	-20.2	-11.7
Other Expense	6,867	7,224	7,022	-4.9	-2.2
Total Expenditure	17,301	19,355	17,734	-10.6	-2.4
EBITDA	3,141	4,050	3,202	-22.5	-1.9
EBITDA Margins (%)	15.4	17.3	15.3	-194bps	7bps
Depreciation	1,695	1,628	1,677	4.2	1.1
EBIT	1,446	2,423	1,525	-40.3	-5.2
Other Income	98	115	81	-14.8	21.1
Interest	1,199	1,165	1,131	2.9	6.0
PBT	345	1,373	476	-74.9	-27.5
Tax	92	370	128	-75.2	-28.4
PAT	253	1,003	348	-74.8	-27.2
PAT Margin (%)	1.2	4.3	1.7	-305bps	-42bps
EPS	1.1	4.2	1.5	-74.7	-27.2

Source: Arihant Research, Company Filings

Key metrics	Q2FY25	Q2FY24	Q1FY25	Y-o-Y	Q-o-Q
Cement Volume (Mn ton)	4.5	4.6	4.3	-2.6	4.6
Realizations/Ton (Rs)	4,553	5,077	4,879	-10.3	-6.7
Fuel Cost/Ton (Rs)	1,111	1,357	1,316	-18.1	-15.6
Total Cost/Ton (Rs)	3,853	4,199	4,133	-8.2	-6.8
EBITDA/Ton (Rs)	700	879	746	-20.4	-6.3

Source: Arihant Research, Company Filings

Key Highlights for Q2FY25: 1) Share of premium products in Q2FY25 for South was 27% (30% YoY) and for East was 23% (20% YoY). 2) Volume share was 82% & 18% for South & East. 3) CC ratio at 1.25x as compared to 1.39x in Q2FY24. 4) Its cost of debt is 7.96% as against 7.80% in Q2FY24. 5) Their plan is to dispose of non-core assets and the targeted value of it is ~INR 10,000Mn and out of them ~INR 3,760Mn is monetized. 6) Average cement price declined by 4-5% QoQ in South & North regions while there was dip of 2-3% in East & West regions. 7) Lead distance in Q2 was at 244kms vs 259kms in Q2Fy24 and 273kms Q1FY25. 8) Blended Fuel cost per Kcal is ar 1.6 in Q2FY25 as compared to 1.75 in last quarter. 9) Share of green power was 39% in Q2FY25 and is expected to reach 42% by FY25.

Profit & Loss Statement (Consolidated)

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Net Revenue	81,573	93,764	91,895	97,408
Raw materials cost	13,432	17,195	17,360	16,680
Gross Profit	68,141	76,569	74,534	80,729
Employee cost	4,687	5,506	5,986	5,844
Power & Fuel Cost	26,616	25,504	23,449	26,105
Other expenses	24,983	29,918	29,779	30,878
Total expenditure	69,717	78,123	76,573	79,508
EBITDA	11,856	15,641	15,321	17,900
Depreciation	5,060	6,463	6,922	6,234
EBIT	6,796	9,177	8,399	11,666
Other income	329	389	381	404
Interest Exp.	2,405	4,155	4,429	3,974
PBT	4,720	5,411	4,351	8,096
Tax	1,300	1,481	1,166	2,186
PAT	3,420	3,930	3,185	5,910
Exceptional Item	-	-	-	-
Reported PAT	3,420	3,930	3,185	5,910
EPS (Rs)	14.5	16.7	13.5	25.1

Source: Arianth Research, Company Filings

Balance Sheet (Consolidated)

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Share Capital	236	236	236	236
Reserves & Surplus	68374	72143	74484	79551
Net worth	68610	72379	74720	79787
Minority Interest	70	36	36	36
Debt	44874	49168	48704	46756
Deferred tax liabilities	9284	10338	10338	10338
Advances, Provisions & Liabilities	915	1027	1006	1067
Total	10199	11364	11344	11404
Current Liabilities				
Trade payables	6386	9933	9693	10275
Short term provisions	410	452	443	470
Other current liabilities	15398	19392	19298	19969
Total	22193	29778	29434	30713
Total liabilities	145947	162725	164238	168696
Assets				
Net Block	102547	121024	125681	130162
Current work in process	19271	13292	9700	8801
Non current investment	2727	3189	3492	3896
Tax assets	29	32	31	33
Long term loans	150	184	180	191
Other non-current assets	2359	2506	2456	2603
Total	127083	140227	141540	145686
Current Assets				
Inventories	8836	9835	9567	9074
Trade receivables	4651	8557	8386	8890
Cash & Bank	1703	1369	2063	2204
Short term loans	128	155	152	161
Other current assets	3545	2582	2530	2682
Total	18863	22498	22698	23010
Total assets	145947	162725	164238	168696

Source: Arianth Research, Company Filings

Cash Flow Statement (consolidated)

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Profit before tax	4,720	5,411	4,351	8,096
Add: Depreciation	5,060	6,463	6,922	6,234
Add: Interest cost	2,405	4,155	4,429	3,974
Less: Other Income	(102)	(117)	(114)	(121)
Others	(151)	(88)	-	-
Operating profit before working capital changes	11,932	15,825	15,588	18,183
Add/(Less) Changes in WC	2,510	3,658	182	1,011
Cash from Operations	14,442	19,483	15,770	19,194
Less: Taxes	(327)	(428)	(543)	(509)
Cash flow from Operations	14,115	19,055	15,227	18,685
Cash flow from investing	(16,941)	(19,109)	(8,175)	(10,099)
Cash flow from Financing	2745.4	-280.3	-5366.4	-6395.5
Net cash Inflow/Outflow	-80.9	-334.2	1685.7	2190.0
Opening cash	1784.3	1703.4	1369.2	3054.9
Closing Cash & Bank	1703.4	1369.2	3054.9	5245.0
Others	0.0	0.0	-992.0	-3041.0
Cash Trf to B/S	1703.4	1369.2	2062.9	2204.0

Source: Arianth Research, Company Filings

Ratio Analysis

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Per Share Data				
EPS (Rs)	14.5	16.7	13.5	25.1
Book value per share (Rs)	291.0	306.9	316.9	338.4
Dividend per share (Rs)	3.0	2.0	2.0	2.0
Dividend Yield (%)	22.6	13.3	16.8	8.5
Dividend Payout (%)	0.3	0.2	0.2	0.2
Margins & Returns (%)				
EBITDA Margin(%)	14.5	16.7	16.7	18.4
PBT Margin (%)	5.8	5.8	4.7	8.3
PAT Margin(%)	4.2	4.2	3.5	6.1
RoE (%)	4.6	4.9	3.8	6.9
RoCE (%)	6.0	7.6	6.8	9.2
Efficiency Data				
Debt-Equity Ratio (x)	0.7	0.7	0.7	0.6
Interest Cover Ratio (x)	3.0	2.3	2.0	3.0
Fixed Asset Ratio (x)	1.3	1.3	1.4	1.3
Debtors (Days)	20.8	33.3	33.3	33.3
Inventory (Days)	39.5	38.3	38.0	34.0
Payable (Days)	28.6	38.7	38.5	38.5
WC (Days)	31.8	32.9	32.8	28.8
Valuation (x)				
P/E (x)	60.0	52.2	64.4	34.7
P/BV (x)	3.0	2.8	2.7	2.6
EV/EBITDA (x)	21.0	16.2	16.5	14.0
EV/Sales (x)	3.0	2.7	2.7	2.6

Source: Arianth Research, Company Filings

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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% to -12%
SELL	<-12%

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