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### Q4FY21 result review and earnings revision

## Cement

Target price: Rs1,120

### Earnings revision

(%)	FY22E	FY23E
Sales	↑ 1.7	↑ 2.5
EBITDA	↑ 5.0	↑ 4.8
PAT	↑ 7.1	↑ 6.6

### Target price revision

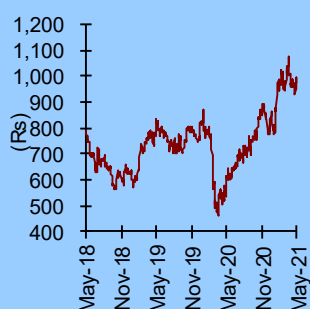
Rs1,120 from Rs1,050

### Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	42.6	42.6	42.5
Institutional investors	31.2	30.0	31.5
MFs and Others	23.6	22.0	23.2
FIs/Bank/Ins.	0.0	0.0	0.0
FII	7.6	8.0	8.3
Others	26.2	26.4	26.0

Source: CMIE

### Price chart



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# Ramco Cements

**BUY**

**Maintained**

**Rs973**

## Volume growth to accelerate

The Ramco Cements' (TRCL) Q4FY21 EBITDA at Rs4.5bn (up 61% YoY) was broadly in-line with consensus estimates. Realisation remained flat QoQ, while costs/te increased 2% QoQ resulting in EBITDA/te declining 8% QoQ to Rs1,399/te (still up 47% YoY). On a YoY basis, realisation was up 7%, while costs/te was down 3%. TRCL's capacity addition of 1.5mnte clinker unit in Jayanthipuram and 2.25mnte clinker unit in Kurnool has been delayed by a quarter owing to covid resurgence and is now expected to be commissioned during Q1FY22 and Q2FY22, respectively. Hence, TRCL is expected to report strong volume growth over FY22-23E. Factoring in better realisation, we increase our FY22-23E EBITDA by 5% and raise our target price to Rs1,120/sh (earlier Rs1,050/sh). Maintain BUY. Key risk: Lower than expected demand/ prices.

- **Revenue increased 17% YoY to Rs16.3bn:** Volumes grew 9.5% YoY / 23% QoQ to 3.21mnte (92% clinker utilisation) despite extended monsoon in South markets. Cement realisation remained flat QoQ (up 7% YoY) to Rs5,058/te owing to higher prices in the South market. Trade sales for FY21 stood at 76% with overall improvement in blending ratio by 300bps YoY. Management stated the company operated at 90% utilisation levels in Apr'21 and due to the lockdown being imposed in various states 10<sup>th</sup> May'21 onwards, capacity utilisation fell down to 65%. The management remains positive on demand to bounce back once the lockdown is lifted.
- **Cement EBITDA/te grew 48% YoY to Rs1,417/te (I-Sec: Rs1,525/te).** Cost/te declined 3% YoY / increased 2% QoQ to Rs3,681/te. Raw material plus power & fuel cost/te rose only 2% YoY and 4% QoQ despite 0.15mnte external clinker purchase, due to low cost fuel inventory and increased usage of relatively lower priced fuel viz. imported coal and alternate fuels, despite significantly higher input prices. Petcoke usage was down to 23% in Q4FY21 against 57% in Q4FY20. Freight cost/te increased 5% YoY/ 7% QoQ on higher diesel prices and increased lead distance of (341kms in Q4FY21 vs 301kms in Q4FY20). Other expenses/te increased 5% QoQ due to higher packing bag costs. Windmill segment reported EBITDA loss of Rs58mn.
- **TRCL incurred capex of ~Rs17.7bn in FY21** of which Rs6bn was incurred in Q4FY21. The company plans to incur capex of Rs5-6bn in FY22E. With the current phase of expansion nearing completion, TRCL may announce its next phase of expansion soon. Balance 9MW of WHRS out of the planned 27MW (18MW commissioned in FY21) is expected to be commissioned in FY22. 1mnte grinding unit, 12MW WHRS and 18MW TPP in Kurnool are expected to commission during FY23.
- **OCF generation in FY21 was strong at Rs18.4bn** aided by working capital release of Rs5.1bn. Net debt broadly stood flat YoY at Rs29.9bn as of Mar'21. The average cost of interest-bearing borrowings in FY21 reduced to 6.1% from 6.71% in FY20.

Market Cap	Rs230bn/US\$3.1bn
Reuters/Bloomberg	RAMC.BO/TRCL IN
Shares Outstanding (mn)	235.9
52-week Range (Rs)	1079/603
Free Float (%)	55.0
FII (%)	8.3
Daily Volume (US\$'000)	9,244
Absolute Return 3m (%)	1.4
Absolute Return 12m (%)	70.9
Sensex Return 3m (%)	(0.2)
Sensex Return 12m (%)	66.9

Year to Mar	2020	2021	2022E	2023E
Revenue (Rs mn)	53,893	52,910	63,719	73,303
EBITDA (Rs mn)	11,474	15,573	18,009	20,802
Net Income (Rs mn)	6,041	7,836	9,454	11,559
% Chg YoY	13.4	29.7	20.6	22.3
P/E (x)	37.9	29.3	24.3	19.9
CEPS (Rs)	39.1	48.3	57.2	67.6
EV/E (x)	21.9	16.3	13.7	11.4
Dividend Yield	0.3	0.3	0.3	0.4
RoCE (%)	8.2	8.9	10.6	12.1
RoE (%)	12.7	14.6	15.3	16.2

**Table 1: Q4FY21 result review***(Rs mn, year ending March 31)*

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	I-Sec	% Variance
Volumes (mnte)	3.21	2.93	9.5	2.61	22.8	3.15	1.9
Cement realisation (Rs/te)	5,058	4,713	7.3	5,068	(0.2)	5,140	(1.6)
<b>Net sales</b>	<b>16,263</b>	<b>13,862</b>	<b>17.3</b>	<b>13,334</b>	<b>22.0</b>	<b>16,178</b>	<b>0.5</b>
Other operating income	43	37	16.1	57	(23.9)	35	24.7
Raw material costs	3,004	2,361	27.2	2,149	39.8	2,442	23.0
Personnel costs	947	846	12.0	998	(5.1)	998	(5.1)
Power and fuel costs	2,476	2,544	(3)	2,137	15.9	2,991	(17.2)
Freight expenses	3,448	3,039	13.4	2,633	30.9	3,256	5.9
Other expenses	1,941	2,317	(16.2)	1,503	29.1	1,721	12.8
<b>Total expenses</b>	<b>11,816</b>	<b>11,107</b>	<b>6.4</b>	<b>9,421</b>	<b>25.4</b>	<b>11,408</b>	<b>3.6</b>
<b>EBITDA</b>	<b>4,490</b>	<b>2,792</b>	<b>60.8</b>	<b>3,970</b>	<b>13.1</b>	<b>4,805</b>	<b>(6.5)</b>
<b>EBITDA/te incl. windmill (Rs/te)</b>	<b>1,399</b>	<b>952</b>	<b>46.9</b>	<b>1,519</b>	<b>(7.9)</b>	<b>1,525</b>	<b>(8.3)</b>
Interest	152	216	(29.7)	160	(5.1)	157	(3.2)
Depreciation	958	833	15.1	896	6.9	915	4.7
Other income	99	114	(13.1)	64	55.6	87	13.0
<b>Recurring pre-tax income</b>	<b>3,479</b>	<b>1,857</b>	<b>87.3</b>	<b>2,977</b>	<b>16.9</b>	<b>3,821</b>	<b>(8.9)</b>
Extraordinary items	-	-	-	-	-	-	-
Taxation	1,336	396	237.5	964	38.6	1,188	12.4
<b>Reported net income</b>	<b>2,144</b>	<b>1,462</b>	<b>46.7</b>	<b>2,014</b>	<b>6.5</b>	<b>2,632</b>	<b>(18.6)</b>
<b>Recurring net income</b>	<b>2,144</b>	<b>1,462</b>	<b>46.7</b>	<b>2,014</b>	<b>6.5</b>	<b>2,632</b>	<b>(18.6)</b>
<b>Ratios (%)</b>							
EBITDA margins	27.6	20.1		29.8		29.7	
Net profit margins	13.2	10.5		15.1		16.3	

Source: Company data, I-Sec research

**Table 2: Historical quarterly analysis on per-tonne basis***(Rs/te)*

	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
<b>Sales realisation - only cement</b>	<b>4,713</b>	<b>5,283</b>	<b>5,498</b>	<b>5,068</b>	<b>5,058</b>
Raw materials	805	974	730	822	936
Power & fuel	868	780	823	818	771
Freight	1,020	1,042	977	1,007	1,074
Staff	288	503	498	382	295
Other expenditure	790	738	655	575	605
<b>Total cost</b>	<b>3,772</b>	<b>4,036</b>	<b>3,683</b>	<b>3,604</b>	<b>3,681</b>
Other operating income	13	9	52	22	13
<b>EBITDA/te - cement*</b>	<b>955</b>	<b>1,285</b>	<b>1,892</b>	<b>1,508</b>	<b>1,417</b>

Source: Company data, I-Sec research

**Table 3: Per-tonne estimates**

<i>(Rs /te)</i>	FY19	FY20	FY21	FY22E	FY23E
<b>Net realisations - cement</b>	<b>4,563</b>	<b>4,736</b>	<b>5,199</b>	<b>5,225</b>	<b>5,277</b>
YoY (%)	(1.6)	3.8	9.8	0.5	1.0
Raw material consumed	761	780	867	883	891
Power and fuel	950	938	796	877	915
Freight	1,068	1,016	1,028	1,049	1,064
Others	903	1,053	1,050	1,009	975
<b>Total operating expenses</b>	<b>3,682</b>	<b>3,786</b>	<b>3,741</b>	<b>3,817</b>	<b>3,845</b>
YoY (%)	3.1	2.8	(1.2)	2.0	0.8
<b>EBITDA/te incl. windmill</b>	<b>959</b>	<b>1,024</b>	<b>1,560</b>	<b>1,529</b>	<b>1,546</b>
YoY (%)	(18.8)	6.8	52.4	(2.0)	1.1
<b>EBITDA/te - cement only</b>	<b>921</b>	<b>991</b>	<b>1,529</b>	<b>1,475</b>	<b>1,496</b>
YoY (%)	(18.4)	7.6	54.3	(3.5)	1.4

Source: Company data, I-Sec research

**Table 4: Performance trend and assumptions**

	FY19	FY20	FY21	FY22E	FY23E
Capacity	15,490	16,040	17,590	19,590	19,590
Capacity utilisation (%)	72	70	57	61	70
Sales	11,124	11,203	9,980	11,976	13,653
Growth (%)	19.5	0.7	(10.9)	20.0	14.0
Realisation (Rs/te)	4,563	4,736	5,199	5,225	5,277
Growth (%)	(1.6)	3.8	9.8	0.5	1.0

Source: Company data, I-Sec research

**Table 5: Valuations based on 13x FY23E EV/E**

(Rs.mn)

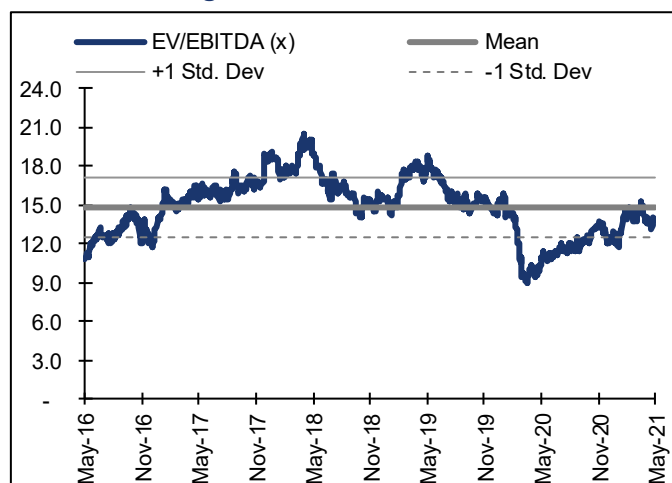
Target EV/ EBITDA multiple (x)	<b>13</b>
Target EV (Rs mn)	274,379
Net debt / (cash) (Rs mn)	<b>10,382</b>
<b>Target value (Rs mn)</b>	263,997
<b>No. of shares (mn)</b>	236
<b>Target price per share (Rs)</b>	<b>1120</b>

Source: I-Sec research

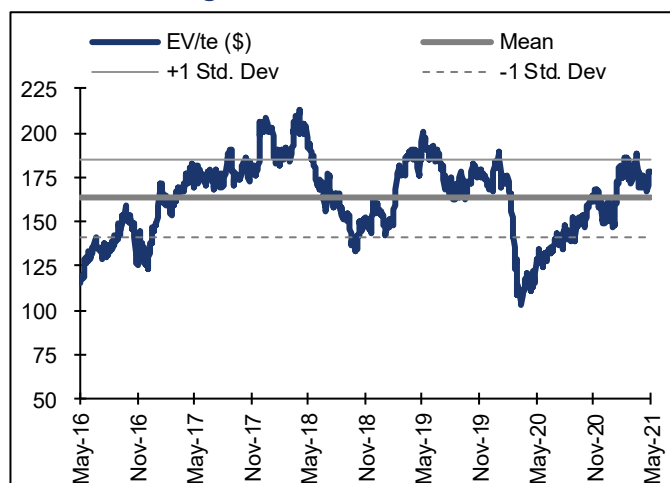
**Table 6: Earnings revision**

(Rs mn)	FY22E			FY23E		
	Revised	Earlier	% chg	Revised	Earlier	% chg
Revenues	63,719	62,654	1.7	73,303	71,533	2.5
EBITDA	18,009	17,148	5.0	20,802	19,849	4.8
PAT	9,454	8,828	7.1	11,559	10,844	6.6

Source: Company data, I-Sec research

**Chart 1: Rolling EV/EBITDA**

Source: I-Sec research

**Chart 2: Rolling EV/te**

Source: I-Sec research

## Financial summary (consolidated)

Table 7: Profit and loss statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Operating Income (Sales)</b>	<b>53,643</b>	<b>52,582</b>	<b>63,375</b>	<b>72,873</b>
Other operating income	250	328	344	431
<b>Operating Expenses</b>	<b>42,419</b>	<b>37,337</b>	<b>45,710</b>	<b>52,501</b>
<b>EBITDA</b>	<b>11,474</b>	<b>15,573</b>	<b>18,009</b>	<b>20,802</b>
% margin	21.4	29.6	28.4	28.5
Depreciation & Amortisation	3,165	3,566	4,038	4,394
Gross Interest	721	876	1,489	1,082
Other Income	335	304	304	304
<b>Recurring PBT</b>	<b>7,922</b>	<b>11,435</b>	<b>12,785</b>	<b>15,630</b>
Add: Extraordinaries	-	-	-	-
Less: Taxes	1,879	3,799	3,324	4,064
- Current tax	1,401	2,446	3,324	4,064
- Deferred tax	477	1,353	-	-
<b>Net Income (Reported)</b>	<b>6,041</b>	<b>7,836</b>	<b>9,454</b>	<b>11,559</b>
<b>Recurring Net Income</b>	<b>6,041</b>	<b>7,836</b>	<b>9,454</b>	<b>11,559</b>

Source: Company data, I-Sec research

Table 8: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	17,299	16,534	18,343	23,171
Current Liab. & Prov.	11,895	15,317	16,807	19,396
<b>Net Current Assets</b>	<b>5,404</b>	<b>1,217</b>	<b>1,536</b>	<b>3,776</b>
<b>Investments of which</b>	<b>4,225</b>	<b>4,519</b>	<b>4,519</b>	<b>4,519</b>
Strategic/Group	4,225	4,519	4,519	4,519
Marketable	-	-	-	-
<b>Net Fixed Assets*</b>	<b>79,800</b>	<b>93,492</b>	<b>94,454</b>	<b>95,059</b>
of which				
Capital Work-in-Progress	20,515	24,861	24,861	24,861
<b>Goodwill</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>89,429</b>	<b>99,228</b>	<b>1,00,509</b>	<b>1,03,355</b>
of which cash & cash equi.	942	1,438	1,795	5,430
<b>Liabilities</b>				
<b>Borrowings</b>	<b>30,241</b>	<b>31,017</b>	<b>23,600</b>	<b>15,811</b>
<b>Deferred Tax Liability</b>	<b>9,118</b>	<b>10,831</b>	<b>10,831</b>	<b>10,831</b>
Minority Interest	56	63	63	4
Equity Share Capital	236	236	236	236
Face value per share (Rs)	1	1	1	1
Reserves & Surplus	49,778	57,081	65,779	76,413
<b>Net Worth</b>	<b>50,014</b>	<b>57,317</b>	<b>66,015</b>	<b>76,649</b>
<b>Total Liabilities</b>	<b>89,429</b>	<b>99,228</b>	<b>1,00,509</b>	<b>1,03,355</b>

Source: Company data, I-Sec research

Table 9: Quarterly trend

(Rs mn, year ending March 31)

	Jun-20	Sep-20	Dec-20	Mar-21
<b>Net sales</b>	<b>10,418</b>	<b>12,570</b>	<b>13,391</b>	<b>16,306</b>
% growth (YoY)	(24.7)	(4.5)	4.8	17.3
<b>Recurring EBITDA</b>	<b>2,600</b>	<b>4,420</b>	<b>3,970</b>	<b>4,490</b>
Margin (%)	25.0	35.2	29.6	27.5
Other income	101	83	64	99
Extraordinaries Inc / (Loss)	-	-	-	-
<b>Recurring Net Income</b>	<b>1,096</b>	<b>2,358</b>	<b>2,014</b>	<b>2,144</b>

Source: Company data

Table 10: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Operating Cashflow</b>	<b>10,059</b>	<b>13,337</b>	<b>13,321</b>	<b>15,766</b>
Working Capital changes	(2,934)	5,068	(95)	1,278
Capital Commitments	(19,195)	(17,659)	(5,000)	(5,000)
<b>Net Operating FCF</b>	<b>(12,070)</b>	<b>746</b>	<b>8,226</b>	<b>12,045</b>
<b>Investing Activities</b>	<b>(246)</b>	<b>(310)</b>	<b>304</b>	<b>304</b>
Issue of Share Capital	-	16	-	-
Buyback of shares	-	-	-	-
Inc(Dec) in Borrowings	14,088	754	(7,417)	(7,789)
Dividend paid	(1,564)	(708)	(756)	(925)
Others	-	-	(0)	(0)
Extraordinary Items	-	-	-	-
<b>Chg. in Cash &amp; Bank</b>	<b>208</b>	<b>497</b>	<b>356</b>	<b>3,635</b>

Source: Company data, I-Sec research

Table 11: Key ratios

(Year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Per Share Data (Rs)</b>				
EPS(Basic)	25.6	33.2	40.1	49.0
Diluted Recurring EPS	25.6	33.2	40.1	49.0
Diluted Recurring CEPS	39.1	48.3	57.2	67.6
Dividend per share	2.5	3.0	3.2	3.9
Book Value	212	243	280	325
<b>Growth Ratios (% YoY)</b>				
Operating Income	4.4	(2.0)	20.5	15.0
EBITDA	7.6	35.7	15.6	15.5
Recurring Net Income	13.4	29.7	20.6	22.3
Diluted Recurring EPS	13.4	29.5	20.6	22.3
Diluted Recurring CEPS	10.6	23.7	18.3	18.2
<b>Valuation Ratios (x)</b>				
P/E	37.9	29.3	24.3	19.9
P/CEPS	24.9	20.1	17.0	14.4
P/BV	4.6	4.0	3.5	3.0
EV / EBITDA	21.9	16.3	13.7	11.4
EV / te (US\$)	212	193	173	165
EV / Operating Income	4.8	4.9	4.0	3.3
EV / Operating FCF	37.7	15.1	19.0	14.1
<b>Operating Ratios (%)</b>				
Raw Material / Sales	16.3	16.5	16.7	16.7
Other expenses / Sales	62.8	54.5	55.4	55.3
Other Income / PBT	4.2	2.7	2.4	1.9
Effective Tax Rate	23.7	33.2	26.0	26.0
NWC / Total Assets	0.0	(0.0)	(0.0)	(0.0)
Inventory (x)	3.7	3.2	4.0	4
Receivables (days)	35	31	25	25
Payable (days)	26	35	30	29
D/E Ratio (x)	0.8	0.7	0.5	0.3
<b>Profitability Ratios (%)</b>				
Rec. Net Income Margins	11.2	14.8	14.8	15.8
RoCE	8.2	8.9	10.6	12.1
RoNW	12.7	14.6	15.3	16.2
Dividend Payout	9.7	9.0	8.0	8.0

Source: Company data, I-Sec research

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*BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return*

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