

FIRST LIGHT

RESEARCH

THE RAMCO CEMENTS | TARGET: Rs 763 | -3% | HOLD

Steady quarter, aggressive capex plans; upgrade to HOLD

SUN PHARMA | TARGET: Rs 1,530 | -1% | HOLD

Gearing for higher R&D spend

SUMMARY

THE RAMCO CEMENTS

- Q4 revenue growth muted at 4% YoY as weak demand in key operating regions continues; pricing pressure dampens realisations
- Lower fuel cost helps retain EBITDA margin YoY at ~16% but earnings weak on high depreciation and interest charge
- Maintain FY25E/FY26E EBITDA but revise PAT; TP raised to Rs 763 (vs. Rs 728); negatives priced into current valuations. Upgrade to HOLD

[Click here for the full report.](#)

SUN PHARMA

- SUNP missed consensus EBITDA estimate by 4% as higher R&D spend offset gross margin gains; higher other income & low tax aided PAT
- Management guided for further pickup in R&D spend in FY25, believing it to be the investment phase for most of SUNP's businesses
- We pare our FY25-FY26 EBITDA estimates by 3% each and cut TP to Rs 1,530 (from Rs 1,550) on an unchanged multiple. Maintain HOLD

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Daily macro indicators

Indicator	20-May	21-May	Chg (%)
US 10Y yield (%)	4.44	4.41	(3bps)
India 10Y yield (%)	7.09	7.08	(1bps)
USD/INR	83.33	83.31	0.0
Brent Crude (US\$/bbl)	83.7	82.9	(1.0)
Dow	39,807	39,873	0.2
Hang Seng	19,636	19,221	(2.1)
Sensex	74,006	73,953	(0.1)
India FII (US\$ mn)	16-May	17-May	Chg (\$ mn)
FII-D	109.7	107.6	(2.2)
FII-E	(74.5)	261.2	335.8

Source: Bank of Baroda Economics Research



HOLD
 TP: Rs 763 | ▼ 3%

THE RAMCO CEMENTS | Cement

23 May 2024

Steady quarter, aggressive capex plans; upgrade to HOLD

- Q4 revenue growth muted at 4% YoY as weak demand in key operating regions continues; pricing pressure dampens realisations
- Lower fuel cost helps retain EBITDA margin YoY at ~16% but earnings weak on high depreciation and interest charge
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Revenue muted: TRCL’s Q4FY24 revenue growth was muted at 4% YoY to Rs 26.7bn as volumes grew by a strong 17% YoY to 5.4mt to compete for market share in key operating markets. Volume mix of southern and eastern India markets was maintained at 76:24. Realisations fell 11% YoY to Rs 4,945/t due to pricing pressure in both regions. Share of premium products was 29%/20% in South/East.

Cost savings guard margins: Operating cost/t declined ~10% YoY (-2% QoQ) to Rs 4,174/t as raw material-adjusted energy cost fell 18% YoY (+5% QoQ) to Rs 2,295/t due to lower fuel cost and captive use of wind power. Logistics cost was up 2% YoY/QoQ at Rs 1,099/t as the benefit of lower lead distance was offset by the impact of busy season railway surcharge. EBITDA was flat YoY (+5% QoQ) to Rs 4.2bn and margin was guarded at ~16% YoY. EBITDA/t fell 14% YoY to Rs 753.

Expansion plans: TRCL continues with its plans to reach 26mt/19mt of cement/clinker capacities by FY26, indicating that its aggressive capex mode continues unabated. Clinker capacity in Kolimigundala will add to 6.3mt and cement capacity to 3mt with additional WHRS capacity of 15MW at capex of Rs 12.5bn by Q4FY26. Further, an 18MW thermal power plant (TPP) will be commissioned in Q1FY25 and railway siding in Q2FY25.

EBITDA retained; earnings revised, upgrade to HOLD: Factoring in the FY24 performance, we retain our FY25/FY26 EBITDA estimates, but rationalise depreciation and interest leading to EPS revision to Rs 24.1/Rs 30.0 (earlier Rs 22.3/Rs 27.5). The aggressive capex drive has elevated TRCL’s net debt to EBITDA to 3.0x FY24-end and with leveraged capex plans it is unlikely to get relief in the medium term. Cost-savings measures are commendable and offer respite to EBITDA margins. However, despite concerns the stock’s current valuations at 10.5x FY26E EV/EBITDA restrict further major downside. We continue to apply an unchanged 10x target multiple and raise our TP to Rs 763 (previously Rs 728). This implies a replacement cost of Rs 8.1bn/mnt – a 10% premium to the industry mean. Given limited downside we upgrade the stock to HOLD from SELL.

Key changes

Target	Rating
▲	▲

Ticker/Price	TRCL IN/Rs 788
Market cap	US\$ 2.3bn
Free float	58%
3M ADV	US\$ 6.6mn
52wk high/low	Rs 1,058/Rs 743
Promoter/FPI/DII	42%/7%/32%

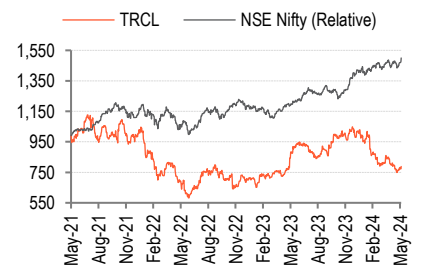
Source: NSE | Price as of 23 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	93,498	1,06,694	1,23,402
EBITDA (Rs mn)	15,525	18,838	22,004
Adj. net profit (Rs mn)	3,950	5,695	7,084
Adj. EPS (Rs)	16.7	24.1	30.0
Consensus EPS (Rs)	16.7	25.5	32.7
Adj. ROAE (%)	5.7	7.7	8.9
Adj. P/E (x)	47.2	32.7	26.3
EV/EBITDA (x)	14.7	12.4	10.5
Adj. EPS growth (%)	15.0	44.2	24.4

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



HOLD
 TP: Rs 1,530 | ▼ 1%

SUN PHARMA

| Pharmaceuticals

| 23 May 2024

Gearing for higher R&D spend

- **SUNP missed consensus EBITDA estimate by 4% as higher R&D spend offset gross margin gains; higher other income & low tax aided PAT**
- **Management guided for further pickup in R&D spend in FY25, believing it to be the investment phase for most of SUNP’s businesses**
- **We pare our FY25-FY26 EBITDA estimates by 3% each and cut TP to Rs 1,530 (from Rs 1,550) on an unchanged multiple. Maintain HOLD**

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Strong growth in global specialty and India businesses: SUNP’s performance in Q4FY24 was slightly below Bloomberg consensus estimates. Revenue/EBITDA rose +10%/+9% YoY to Rs 120bn/Rs 31bn but missed Bloomberg consensus estimates slightly by 2%/4%, respectively. Revenue growth was led by 11% YoY growth in the US to US\$ 476mn and industry-beating growth in the domestic business. SUNP expects FY25 revenue to grow in the high single digits.

Specialty and Taro businesses record double-digit growth: US growth was led by double-digit revenue growth in the Taro and specialty businesses, while the US generics business grew in the mid-single digit as the company launched only two products in the US during the quarter at ex-Taro level.

Outperformed IPM in domestic market: India sales grew by 10% in Q4FY24, outperforming the Indian Pharma Market (IPM), on the back of 9 new launches in Q4FY24. The company aims to grow in line with or outperform the Indian Pharma Market in FY25. It is also focusing more on in-house manufacturing.

FY25 to be investment year; guides for higher R&D spend: Gross margin improved 70bps/200bps YoY/QoQ to 80.1% in Q4 due to better product and geographic mix. R&D expenditure for the quarter stood at 7.5% of sales (6.7%/6.1% in Q3FY24/Q4FY23) resulting in flat EBITDA margin at 25.8% (-130bps QoQ). Management has guided for a higher R&D spend of ~200bps for FY25 to 8-10% of sales now as management has highlighted that FY25 would be an investment phase for most of its businesses.

Maintain HOLD, revise TP to Rs 1,530: We pare our FY25-FY26 EBITDA estimates by 3% each to capture higher R&D guidance and build in an EBITDA/PAT CAGR of 13%/11% over FY24-FY26E. We keep our target FY26E EV/EBITDA unchanged at 21x, an implied P/E of 30x, and reduce our TP to Rs 1,530 (from Rs 1,550). Given the limited upside potential, we maintain our HOLD rating.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	SUNP IN/Rs 1,539
Market cap	US\$ 44.9bn
Free float	45%
3M ADV	US\$ 46.3mn
52wk high/low	Rs 1,639/Rs 929
Promoter/FPI/DII	54%/16%/20%

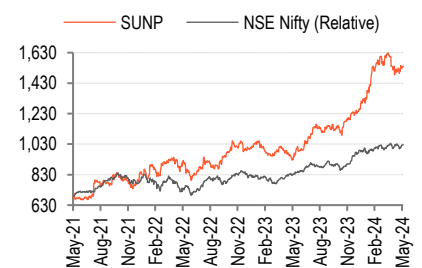
Source: NSE | Price as of 22 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	484,969	535,924	589,335
EBITDA (Rs mn)	129,884	146,831	164,411
Adj. net profit (Rs mn)	100,359	108,640	123,554
Adj. EPS (Rs)	41.8	45.3	51.5
Consensus EPS (Rs)	41.8	46.8	53.9
Adj. ROAE (%)	15.9	15.2	15.2
Adj. P/E (x)	36.8	34.0	29.9
EV/EBITDA (x)	27.3	23.9	20.9
Adj. EPS growth (%)	17.2	8.3	13.7

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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