

SELL
 TP: Rs 722 | ▼ 19%

THE RAMCO CEMENTS | Cement

08 February 2025

Challenges galore, early respite unlikely; maintain SELL

- Q3 revenue declined ~6%/3% YoY/QoQ as pricing pressures impacted realisations and profitability severely (down by 10%/5% YoY/QoQ)
- Lower cost structure, led by power and fuel, partially offset the dent in realisation, though EBITDA margin slipped below ~15%
- We lower our FY25/FY26/FY27 EBITDA estimates by 17%/6%/2%, apply 10x (no change) target multiple and cut our TP to Rs 722. Maintain SELL

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Weak demand impacts growth: TRCL's revenue fell by ~6%/3% YoY/QoQ to ~Rs 19.8bn in Q3FY25. This was driven by realisations falling steeply by ~14% YoY (flat QoQ) that offset volume gain of 9% YoY. Volumes for the southern and eastern India markets were at 79:21 (vs. 76:24 YoY) Premium products share was 26%/23% (fell/rose YoY) for the South/East India regions.

Cost savings driven by energy cost: The cost/tonne fell 9% YoY (+1% QoQ) to ~Rs 3,884/t, driven by lower energy cost (raw material-adjusted) that fell by 10% YoY. Fly-ash and gypsum cost inflation continue to put pressure on raw material prices. The logistics cost of flat/5% YoY/QoQ inflation was due to increased lead distance QoQ by 15km to 259km to chase higher volume in the eastern region as South India is traditionally weak due to the monsoon impact in Q3. The energy cost softened to Rs 1.45/kcal vs. Rs 1.64/kcal YoY and Rs 1.49/kcal QoQ due to a sharp decline in pet coke cost. EBITDA fell 30%/10% YoY/QoQ to ~Rs 2.8bn and EBITDA margin fell to 14.1% from 18.8%/15.3% YoY/QoQ due to weak realisations and limited cost savings. EBITDA/t fell to Rs 617 from Rs 963/Rs673 YoY/QoQ.

Expansion plans: TRCL remains on track to achieve 30mtpa of cement capacity by FY26 by commissioning the second line in Kolimigundla with some de-bottlenecking initiatives. Line-2 in Kolimigundla consists of a 3.15mtpa clinker and 1.5mtpa cement grinding unit with a 15MW waste heat recovery system which is expected to be commissioned by FY26.

EBITDA revised downwards; maintain SELL: We lower our FY25/FY26/FY27 EBITDA estimates by 17%/6%/2%, leading us to cut our EPS estimates to Rs 7.1/Rs 18.0/Rs 27.9 (by -57%/-17%/-4%). The aggressive capex drive has elevated TRCL's net debt to EBITDA to ~3x in FY25/FY26 and is likely to stay elevated in the medium term. TRCL's cost savings measures are commendable and offer respite to EBITDA margins. However, TRCL's current valuation of 11.0x FY27E EV/EBITDA is at a premium. We continue to apply an unchanged 10x target multiple and revise our TP to Rs 722 (previously Rs 726) implying a replacement cost of Rs 8.1bn/mnt – a 10% premium to the industry mean. Maintain SELL rating.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	TRCL IN/Rs 895
Market cap	US\$ 2.4bn
Free float	58%
3M ADV	US\$ 7.5mn
52wk high/low	Rs 1,060/Rs 700
Promoter/FPI/DII	42%/7%/32%

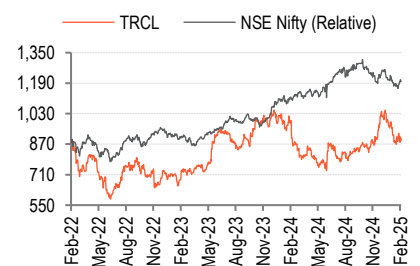
Source: NSE | Price as of 7 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	93,223	97,470	1,16,021
EBITDA (Rs mn)	15,250	13,986	18,760
Adj. net profit (Rs mn)	3,950	1,680	4,264
Adj. EPS (Rs)	16.7	7.1	18.0
Consensus EPS (Rs)	16.7	15.6	25.6
Adj. ROAE (%)	5.7	2.3	5.7
Adj. P/E (x)	53.5	125.8	49.6
EV/EBITDA (x)	16.7	18.5	13.9
Adj. EPS growth (%)	26.6	(57.5)	153.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Key metrics

	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Deviation (%)
Volumes (million tonnes)	4.4	4.0	9.4	4.5	(2.7)	4.12	6.1
Cement realisations (Rs/t)	4,523	5,272	(14.2)	4,539	(0.4)	4,619	(2.1)
Operating costs (Rs/t)	3,884	4,282	(9.3)	3,844	1.0	3,811	1.9
EBITDA/t (Rs)	617	965	(36.1)	673	(8.4)	784	(21.4)

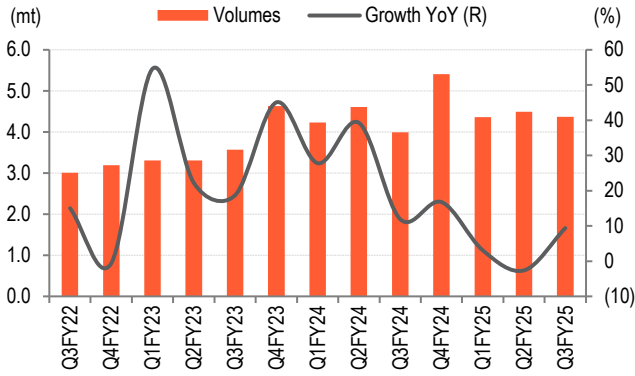
Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance

(Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Deviation (%)
Net Sales	19,766	21,061	(6.2)	20,382	(3.0)	19,032	3.9
Expenditure							
Change in stock	(154.5)	(596.1)	(74.1)	(41.1)	0.0	(244.0)	
Raw material	4,230	3,876	9.1	4,053	4.4	3,749	12.8
Purchased products	0	0	0.0	0	0	0	0
Power & fuel	4,632	5,536	(16.3)	5,031	(7.9)	4,577	1.2
Freight	4,660	4,293	8.6	4,571	2.0	4,124	13.0
Employee costs	1,316	1,368	(3.8)	1,360	(3.2)	1,345	(2.2)
Other exp	2,287	2,630	(13.1)	2,287	0.0	2,150	6.4
Total Operating Expenses	16,971	17,108	(0.8)	17,261	(1.7)	15,701	8.1
EBITDA	2,794	3,954	(29.3)	3,121	(10.5)	3,331	(16.1)
EBITDA margin (%)	14.1	18.8	(464bps)	15.3	(118bps)	17.5	(336bps)
Other Income	113	70	61.5	113	(0.3)	89	26.5
Interest	1,125	1,019	10.5	1,199	(6.1)	1,112	1.2
Depreciation	1,738	1,655	5.0	1,686	3.1	1,677	3.7
PBT	44	1,350	(96.8)	350	(87.6)	631	(93.1)
Non-recurring items	0	0	0.0	0	0.0	0	0.0
PBT (after non recurring items)	44	1,350	(96.8)	350	(87.6)	631	(93.1)
Tax	80	416	(80.7)	94	(14.5)	155	(48.0)
Reported PAT	3,253	934	248.4	256	1,171.8	476	583.0
Adjusted PAT	(37)	934	(103.9)	256	(114.4)	476	(107.7)
NPM (%)	(0.2)	4.4	(462bps)	1.3	(144bps)	2.5	(269bps)
Adjusted EPS (Rs)	(0.2)	4.0	(103.9)	1.1	(114.4)	2.0	(107.7)

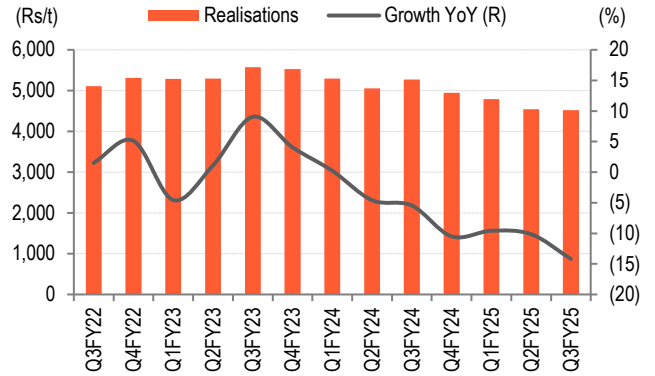
Source: Company, BOBCAPS Research

Fig 3 – Volume fall arrested by new capacities



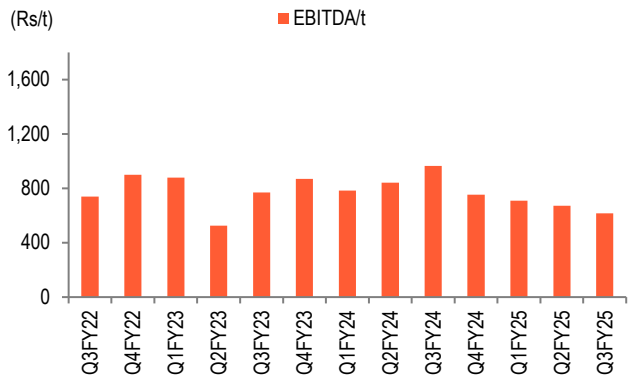
Source: Company, BOBCAPS Research

Fig 4 – Realisations fall steeply on intense competition, pricing revival unlikely in the short term



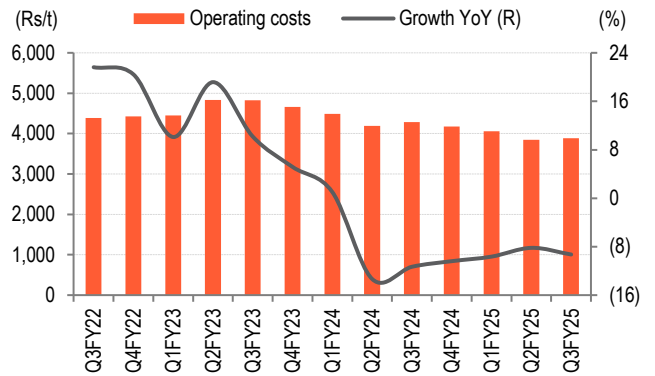
Source: Company, BOBCAPS Research

Fig 5 – EBITDA/t to be driven by cost savings



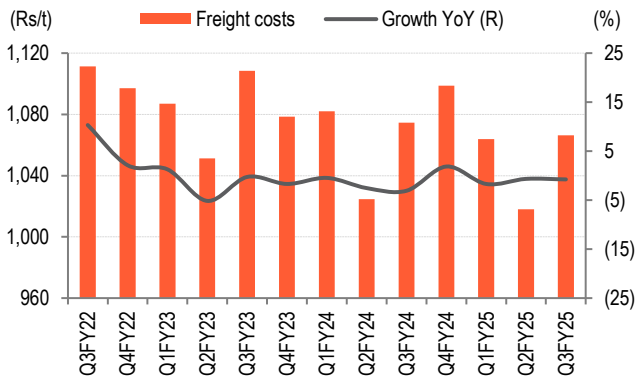
Source: Company, BOBCAPS Research

Fig 6 – Operating cost savings the only respite



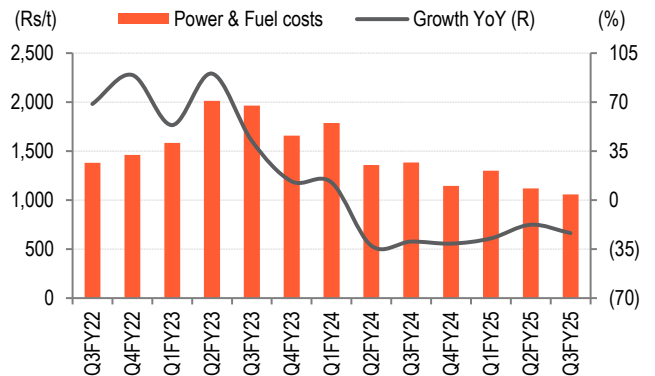
Source: Company, BOBCAPS Research

Fig 7 – Logistics cost elevated as new region in the east tapped



Source: Company, BOBCAPS Research

Fig 8 – Fuel cost savings signs of reaching bottom



Source: Company, BOBCAPS Research

Valuation methodology

We lower our FY25/FY26/FY27 EBITDA estimates by 17%/6%/2%, leading us to cut our EPS estimates to Rs 7.1/Rs 18.0/Rs 27.9 (by -57%/-17%/-4%). The aggressive capex drive has elevated TRCL's net debt to EBITDA to ~3x in FY25/FY26 and is likely to stay elevated in the medium term. TRCL's cost savings measures are commendable and offer respite to EBITDA margins.

The demand revival expected following new budget provisions will unfold only in FY26 and beyond, and more specifically in Andhra Pradesh. However we believe the supply overhang in the region can only rejuvenate volume but not propel margins expansion.

We feel TRCL's current valuation of 11.0x FY27E EV/EBITDA is at a premium. We continue to apply an unchanged 10x target multiple and revise our TP to Rs 722 (previously Rs 726) implying a replacement cost of Rs 8.1bn/mnt – a 10% premium to the industry mean. Maintain SELL rating.

Fig 9 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	97,470	1,16,021	1,29,705	1,00,461	1,17,247	1,30,124	(3.0)	(1.0)	(0.3)
EBITDA	13,986	18,760	23,168	16,977	19,985	23,587	(17.6)	(6.1)	(1.8)
Adj PAT	1,680	4,264	6,599	3,879	5,159	6,905	(56.7)	(17.3)	(4.4)
Adj EPS (Rs)	7.1	18.0	27.9	16.4	21.8	29.2	(56.6)	(17.2)	(4.4)

Source: BOBCAPS Research

Fig 10 – Key assumptions

	FY24	FY25E	FY26E	FY27E
Volumes (mt)	17.6	19.0	22.0	24.1
Realisations (Rs/t)	5,240	5,044	5,210	5,315
Operating costs (Rs/t)	5,413	5,240	5,292	5,329
EBITDA/t (Rs/t)	866	735	854	961

Source: Company, BOBCAPS Research

Fig 11 – Valuation summary

(Rs mn)	FY27E
Target EV/EBITDA (x)	10.0
EBITDA	23,168
Target EV	241,874
Total EV	241,874
Net debt	60,698
Target market capitalisation	1,81,176
Target price (Rs/sh)	722
Weighted average shares (mn)	236

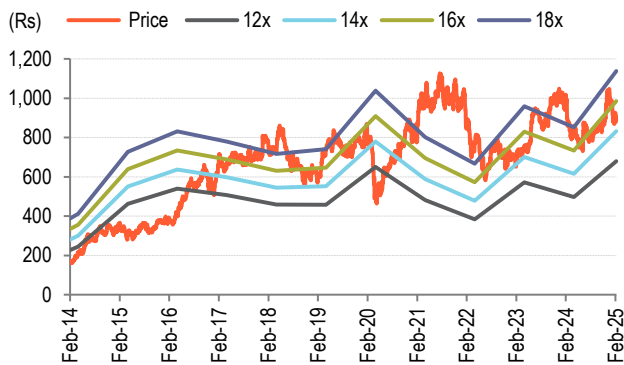
Source: BOBCAPS Research| Note: Valuations based on 1-year forward (Dec-26)

Fig 12 – Peer comparison

Ticker	Rating	TP (Rs)	EV/EBITDA (x)			EV/tonne (US\$)			ROE (%)			ROCE (%)		
			FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
TRCL IN	SELL	722	18.5	13.9	11.6	123	112	113	5.3	6.7	8.4	5.4	8.1	10.1
JKCE IN	HOLD	4,511	23.2	13.4	10.9	246	193	156	13.8	17.2	18.0	13.1	16.0	17.8
DALBHARA IN	SELL	1,689	15.4	11.0	8.8	97.0	97.0	99.0	2.3	5.7	8.4	5.0	6.3	7.6

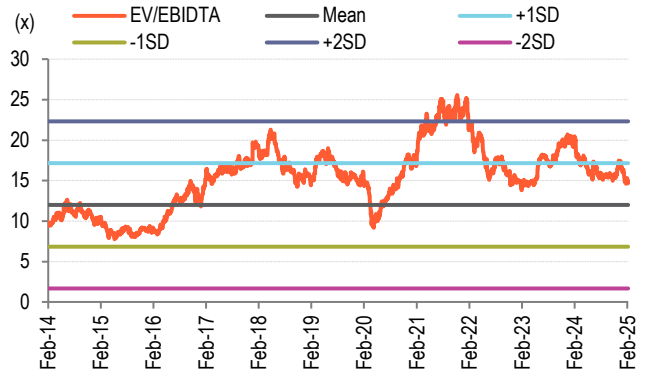
Source: BOBCAPS Research

Fig 13 – Current valuations leave limited room for healthy upside



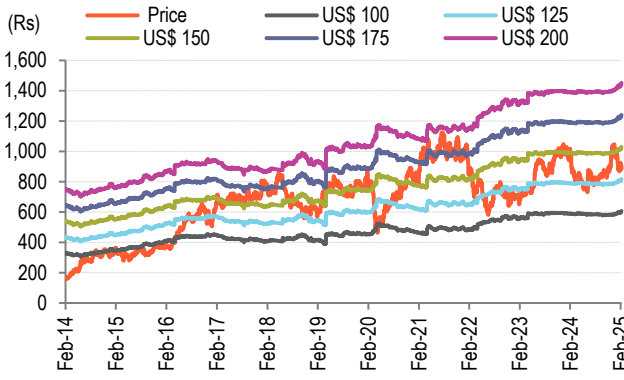
Source: Bloomberg, BOBCAPS Research

Fig 14 – Valuations may moderate further in the short term



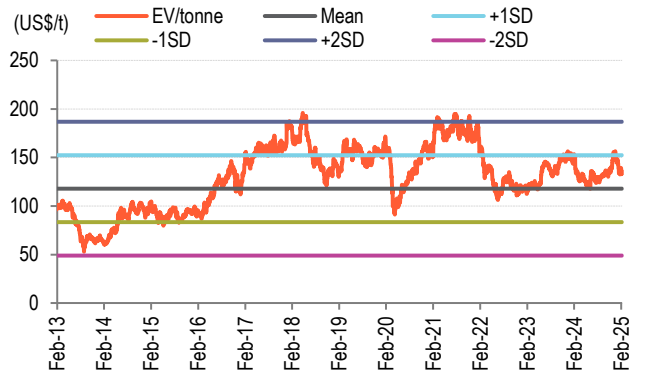
Source: Bloomberg, BOBCAPS Research

Fig 15 – Replacement cost moderation reflecting performance weakness



Source: Bloomberg, BOBCAPS Research

Fig 16 – Replacement cost reverting to the mean



Source: Bloomberg, BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- faster-than-estimated recovery in demand, especially in TRCL’s key operating markets;
- change in management strategy with preference given to deleverage the balance sheet; and
- faster respite in fuel and logistics costs.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	81,004	93,223	97,470	1,16,021	1,29,705
EBITDA	11,156	15,250	13,986	18,760	23,168
Depreciation	(5,044)	(6,359)	(7,523)	(8,068)	(8,675)
EBIT	6,827	9,590	7,202	11,465	15,302
Net interest inc./(exp.)	(2,405)	(4,155)	(4,804)	(5,511)	(6,150)
Other inc./(exp.)	716	699	739	773	809
Exceptional items	0	0	0	0	0
EBT	4,422	5,435	2,398	5,953	9,152
Income taxes	(1,302)	(1,485)	(717)	(1,689)	(2,553)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	3,121	3,950	1,680	4,264	6,599
Adjustments	0	0	0	0	0
Adjusted net profit	3,121	3,950	1,680	4,264	6,599

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	6,373	9,910	7,090	8,261	9,048
Other current liabilities	16,389	20,166	21,823	23,334	24,965
Provisions	533	694	380	380	380
Debt funds	44,874	49,168	53,314	57,849	62,810
Other liabilities	9,285	10,304	10,820	11,360	11,929
Equity capital	236	236	236	236	236
Reserves & surplus	67,699	71,204	72,188	75,756	81,659
Shareholders' fund	67,881	71,388	72,424	75,992	81,895
Total liab. and equities	1,45,336	1,61,630	1,65,851	1,77,176	1,91,027
Cash and cash eq.	1,686	1,352	3,003	606	2,112
Accounts receivables	4,650	8,522	5,875	7,152	7,996
Inventories	8,823	9,823	12,551	14,622	16,346
Other current assets	6,604	5,539	7,684	9,834	11,489
Investments	1,957	2,178	2,404	2,404	2,404
Net fixed assets	1,01,022	1,19,705	1,24,598	1,33,305	1,41,413
CWIP	19,873	13,784	9,000	8,500	8,500
Intangible assets	721	728	738	753	768
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	1,45,336	1,61,630	1,65,851	1,77,176	1,91,027

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	13,139	14,175	5,612	9,976	13,952
Capital expenditures	(18,385)	(18,179)	(7,494)	(16,211)	(16,711)
Change in investments	0	(220)	(226)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(18,385)	(18,400)	(7,719)	(16,211)	(16,711)
Equities issued/Others	(690)	2	52	0	0
Debt raised/repaid	5,575	4,294	4,146	4,534	4,962
Interest expenses	0	0	0	0	0
Dividends paid	(723)	(159)	(440)	(696)	(696)
Other financing cash flows	1,010	(247)	0	0	0
Cash flow from financing	5,172	3,890	3,758	3,838	4,265
Chg in cash & cash eq.	(74)	(334)	1,651	(2,396)	1,506
Closing cash & cash eq.	1,686	1,352	3,002	606	2,112

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	13.2	16.7	7.1	18.0	27.9
Adjusted EPS	13.2	16.7	7.1	18.0	27.9
Dividend per share	3.0	2.0	2.5	2.5	2.5
Book value per share	287.3	302.1	306.5	321.6	346.6

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	3.1	2.7	2.7	2.3	2.1
EV/EBITDA	22.3	16.7	18.5	13.9	11.6
Adjusted P/E	67.8	53.5	125.8	49.6	32.0
P/BV	3.1	3.0	2.9	2.8	2.6

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	70.6	72.7	70.1	71.6	72.1
Interest burden (PBT/EBIT)	64.8	56.7	33.3	51.9	59.8
EBIT margin (EBIT/Revenue)	8.4	10.3	7.4	9.9	11.8
Asset turnover (Rev./Avg TA)	58.7	60.7	59.5	67.6	70.5
Leverage (Avg TA/Avg Equity)	2.1	2.2	2.3	2.3	2.3
Adjusted ROAE	4.7	5.7	2.3	5.7	8.4

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	36.0	15.1	4.6	19.0	11.8
EBITDA	(11.5)	36.7	(8.3)	34.1	23.5
Adjusted EPS	(65.1)	26.6	(57.5)	153.7	54.8
Profitability & Return ratios (%)					
EBITDA margin	13.8	16.4	14.3	16.2	17.9
EBIT margin	8.4	10.3	7.4	9.9	11.8
Adjusted profit margin	3.9	4.2	1.7	3.7	5.1
Adjusted ROAE	4.7	5.7	2.3	5.7	8.4
ROCE	5.8	7.6	5.4	8.1	10.1
Working capital days (days)					
Receivables	21	33	22	23	23
Inventory	40	38	47	46	46
Payables	33	46	31	31	31
Ratios (x)					
Gross asset turnover	0.5	0.5	0.5	0.6	0.6
Current ratio	0.9	0.8	1.0	1.0	1.1
Net interest coverage ratio	2.8	2.3	1.5	2.1	2.5
Adjusted debt/equity	0.7	0.7	0.7	0.8	0.8

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

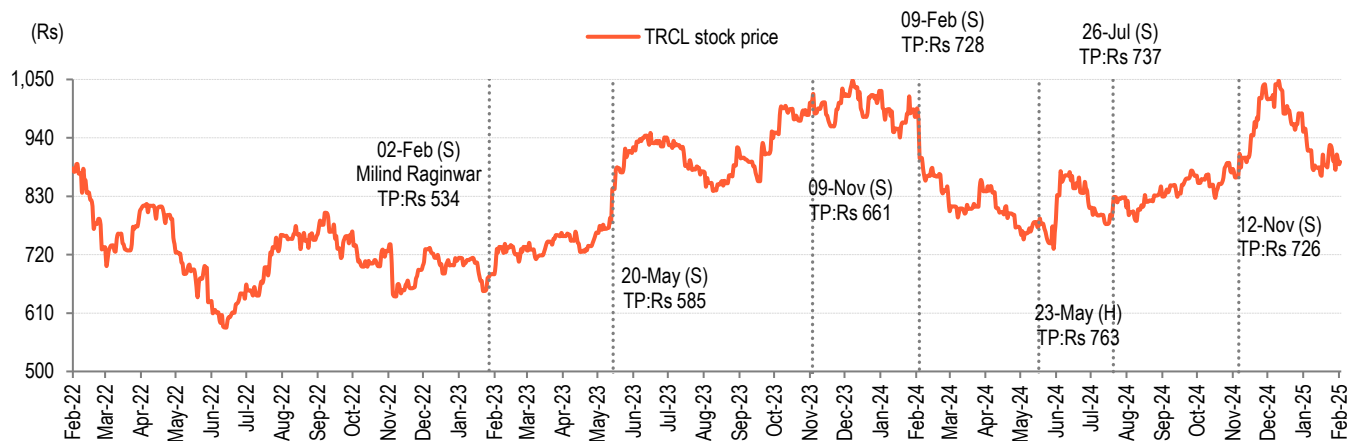
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): THE RAMCO CEMENTS (TRCL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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