

**SELL**

TP: Rs 699 | ▼ 31%

**THE RAMCO CEMENTS**

Cement

23 May 2025

## No respite from competitive intensity; maintain SELL

- Q4 revenue declined ~11%/21% YoY/QoQ, as price pressure impacted realisations by 4% and profitability severely (down by 83% YoY)
- Lower cost structure led by power and fuel, partially offset the dent in realisations, though EBITDA margin slipped below ~15% to ~13%
- We lower our FY26/FY27 EBITDA estimates by 13%/10%, apply 10x target multiple and cut our TP to Rs 699 (earlier Rs722). Maintain SELL

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**Increased competition impacts revenue:** TRCL's revenue fell by ~11%/21% YoY/QoQ to ~Rs 23.9bn in Q4FY25. This was driven by realisations falling steeply by ~7% YoY (+2% QoQ), despite cement volume fall of ~4% YoY. Volumes for the southern and eastern India markets were at 75:25 (vs 76:24 YoY) Premium products share was 27%/23% (vs 29%/20% YoY) for the South/East India regions.

**Overall cost structure provides respite:** Cost/tonne fell 4.6% YoY (+2.5% QoQ) to ~Rs 3,981/t, driven by lower energy cost (raw material-adjusted) that fell by 8% YoY. Higher clinker conversion ratio at 1.42x vs 1.3x YoY helped raw material cost savings by 4% to Rs979/tn. Logistics cost of flat/2% YoY/QoQ inflation came on lower lead distance YoY by 16km to 278km and higher rail mix. Energy cost softened to Rs 1.5/kcal vs Rs 1.65/kcal YoY and Rs 1.45/kcal QoQ, due to a sharp decline in pet coke cost. This arrested the EBITDA fall to 23% YoY (+15% QoQ) to ~Rs 3.2bn; EBITDA margin fell to 13.4% from 15.6%/15.7% YoY/QoQ and combated weak realisations. EBITDA/t fell to Rs 598 from Rs 753/Rs617 YoY/QoQ.

**Expansion plans:** TRCL remains on track to achieve 30mtpa of cement capacity in the medium term by commissioning the second line in Kolimigundla with some de-bottlenecking initiatives. In Kolimigundla, construction of railway siding is completed and is expected to be used from 1QFY26 alongside a 15MW waste heat recovery system, expected to be commissioned by FY26-end. Further, an 10MW WHRS system will be commissioned by 2QFY26 in RR Nagar unit.

**EBITDA revised downwards; maintain SELL:** We lower our FY26/FY27 EBITDA estimates by 13%/10% and cut our EPS estimates to Rs 14.0/ Rs 25.4 (-23%/-9%). The aggressive capex drive has elevated TRCL's net debt to EBITDA to ~3.4x in FY25/FY26 and is likely to stay elevated in the medium term. Cost saving measures are only offering respite to EBITDA margins. TRCL's current valuation of 14.0x FY27E EV/EBITDA is at a premium. We apply a 10x (unchanged) target multiple and revise our TP to Rs 699 (previously Rs 722) that implies 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 1,006
Market cap	US\$ 2.8bn
Free float	58%
3M ADV	US\$ 8.1mn
52wk high/low	Rs 1,060/Rs 700
Promoter/FPI/DII	42%/7%/32%

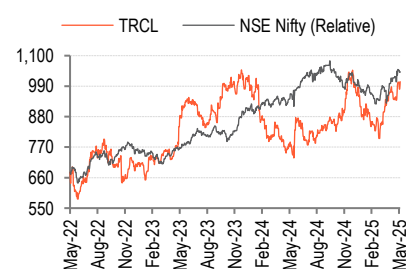
Source: NSE | Price as of 23 May 2025

## Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	84,951	1,06,755	1,22,312
EBITDA (Rs mn)	12,318	16,320	20,872
Adj. net profit (Rs mn)	775	3,297	6,001
Adj. EPS (Rs)	3.3	14.0	25.4
Consensus EPS (Rs)	3.3	21.0	30.6
Adj. ROAE (%)	1.5	4.3	7.5
Adj. P/E (x)	306.6	72.1	39.6
EV/EBITDA (x)	23.1	17.2	13.6
Adj. EPS growth (%)	(80.4)	325.1	82.0

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

## Stock performance



Source: NSE



**Fig 1 – Key metrics**

	Q4FY25	Q3FY24	YoY (%)	Q3FY25	QoQ (%)	Q4FY25E	Deviation (%)
Volumes (million tonnes)	5.2	5.4	(3.8)	4.4	19.0	5.57	(6.6)
Cement realisations (Rs/t)	4,598	4,945	(7.0)	4,523	1.7	4,623	(0.5)
Operating costs (Rs/t)	3,981	4,174	(4.6)	3,884	2.5	3,898	2.1
EBITDA/t (Rs)	598	753	(20.6)	617	(3.1)	708	(15.5)

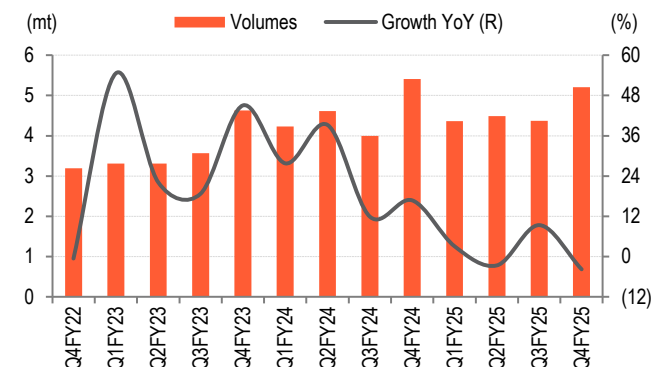
Source: Company, BOBCAPS Research

**Fig 2 – Quarterly performance**

(Rs mn)	Q4FY25	Q3FY24	YoY (%)	Q3FY25	QoQ (%)	Q4FY25E	Deviation (%)
<b>Net Sales</b>	<b>23,920</b>	<b>26,733</b>	<b>(10.5)</b>	<b>19,766</b>	<b>21.0</b>	<b>25,742</b>	<b>(7.1)</b>
<b>Expenditure</b>							
Change in stock	400.0	694.5	(42.4)	(154.5)	0.0	715.0	
Raw material	5,091	5,519	(7.7)	4,230	20.4	5,423	(6.1)
Purchased products	0	0	0.0	0	0	0	0
Power & fuel	5,448	6,192	(12.0)	4,632	17.6	5,847	(6.8)
Freight	5,651	5,940	(4.9)	4,660	21.2	5,813	(2.8)
Employee costs	1,235	1,245	(0.7)	1,316	(6.1)	1,324	(6.7)
Other exp	2,886	2,973	(2.9)	2,287	26.2	2,580	11.8
Total Operating Expenses	20,711	22,562	(8.2)	16,971	22.0	21,702	(4.6)
<b>EBITDA</b>	<b>3,209</b>	<b>4,171</b>	<b>(23.1)</b>	<b>2,794</b>	<b>14.8</b>	<b>4,040</b>	<b>(20.6)</b>
EBITDA margin (%)	13.4	15.6	(219bps)	14.1	(72bps)	15.7	(228bps)
Other Income	130	140	(7.5)	113	15.0	115	12.6
Interest	1,133	1,038	9.2	1,125	0.7	1,137	(0.3)
Depreciation	1,821	1,651	10.3	1,738	4.8	1,758	3.6
PBT	384	1,623	(76.3)	44	783.4	1,260	(69.5)
Non-recurring items	0	0	0.0	0	0.0	(55)	0.0
PBT (after non recurring items)	384	1,623	(76.3)	44	783.4	1,315	(70.8)
Tax	183	409	(55.3)	80	127.4	309	(40.8)
Reported PAT	310	1,214	(74.5)	3,253	(90.5)	951	(67.4)
<b>Adjusted PAT</b>	<b>202</b>	<b>1,214</b>	<b>(83.4)</b>	<b>(37)</b>	<b>(648.1)</b>	<b>951</b>	<b>(78.8)</b>
NPM (%)	0.8	4.5	(370bps)	(0.2)	103bps	3.7	(285bps)
<b>Adjusted EPS (Rs)</b>	<b>0.9</b>	<b>5.2</b>	<b>(83.4)</b>	<b>(0.2)</b>	<b>(648.1)</b>	<b>4.0</b>	<b>(78.8)</b>

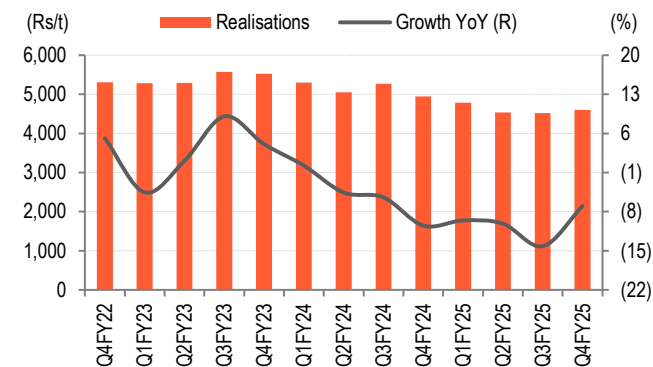
Source: Company, BOBCAPS Research

**Fig 3 – Volume fall contrary to industry growth due to intense competitive pressure**



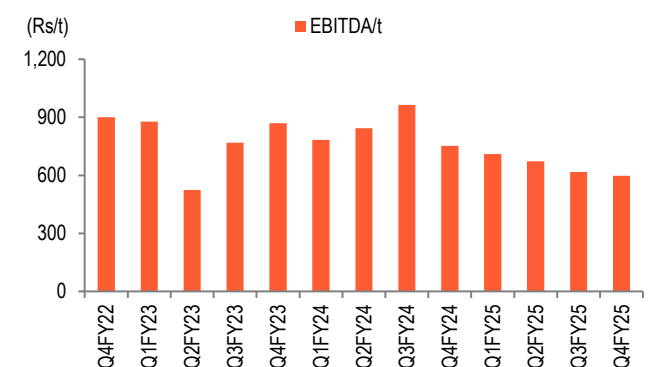
Source: Company, BOBCAPS Research

**Fig 4 – Realisations too fall steeply on intense competition**



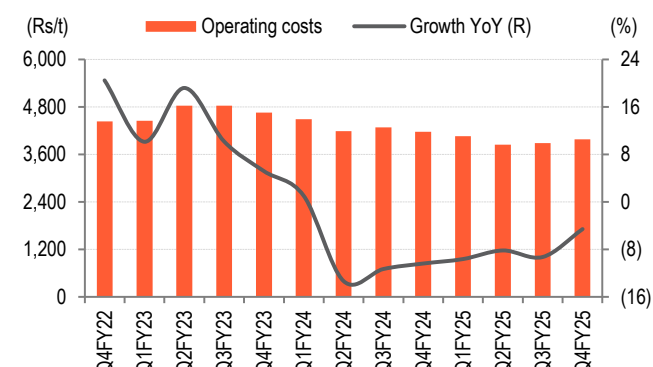
Source: Company, BOBCAPS Research

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



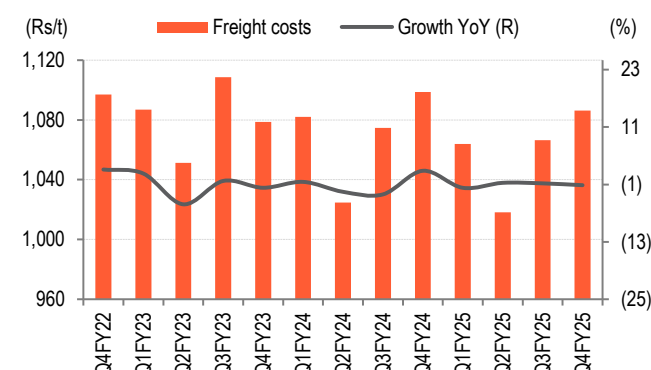
Source: Company, BOBCAPS Research

**Fig 6 – Operating cost savings the only respite**



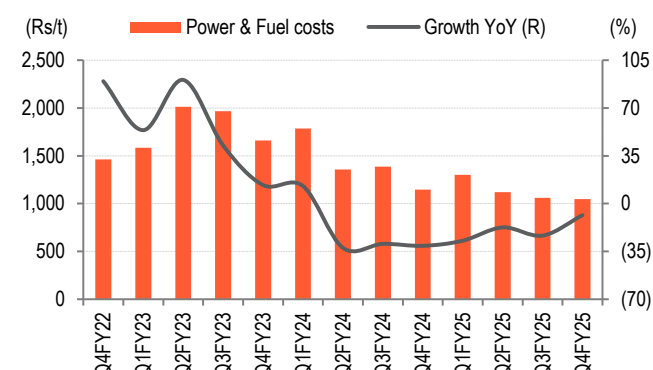
Source: Company, BOBCAPS Research

**Fig 7 – Logistic cost savings on higher rail mix and lower lead distance**



Source: Company, BOBCAPS Research

**Fig 8 – Fuel cost savings in the medium term from WHRS at the southern units**



Source: Company, BOBCAPS Research

## Valuation Methodology

We lower our FY26/FY27 EBITDA estimates by 13%/10% and cut our EPS estimates to Rs 14.0/ Rs 25.4 (-23%/-9%). The aggressive capex drive has elevated TRCL's net debt to EBITDA to ~3.4x in FY25/FY26 and is likely to stay elevated in the medium term.

TRCL's cost savings measures are only offering respite to EBITDA margins. The expected demand revival, following new budget provisions, will unfold only in FY26 and beyond; more specifically in Andhra Pradesh. However, we believe the supply overhang in the region can only rejuvenate volume but not propel margins expansion meaningfully.

Effectively, current valuation of ~14.0x FY27E EV/EBITDA is clearly at a premium in our view. We apply a 10x (unchanged) target multiple and revise our TP to Rs 699 (previously Rs 722) that implies a replacement cost of Rs 8.1bn/mnt – a 10% premium to the industry mean. Maintain SELL.

**Fig 9 – Revised estimates**

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	1,06,755	1,22,312	1,16,021	1,29,705	(8.0)	(5.7)
EBITDA	16,320	20,872	18,760	23,168	(13.0)	(9.9)
Adj PAT	3,297	6,001	4,264	6,599	(22.7)	(9.1)
Adj EPS (Rs)	14.0	25.4	18.0	27.9	(22.5)	(9.0)

Source: BOBCAPS Research

**Fig 10 – Key assumptions**

	FY24	FY25P	FY26E	FY27E
Volumes (mt)	17.6	19.0	21.3	24.0
Realisations (Rs/t)	5,240	5,044	4,950	5,036
Operating costs (Rs/t)	4,682	4,279	4,365	4,385
EBITDA/t (Rs/t)	866	647	768	871

Source: Company, BOBCAPS Research

**Fig 11 – Valuation summary**

(Rs mn)	FY27E
Target EV/EBITDA (x)	10.0
EBITDA	20,872
Target EV	213,521
Total EV	213,521
Net debt	48,436
Target market capitalisation	1,65,086
<b>Target price (Rs/sh)</b>	<b>699</b>
Weighted average shares (mn)	236

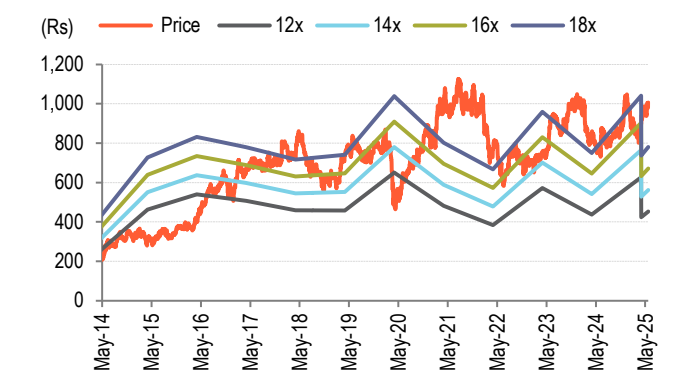
Source: BOBCAPS Research| Note: Valuations based on 1-year forward (Dec-26)

**Fig 12 – Peer comparison**

Ticker	Rating	TP (Rs)	EV/EBITDA (x)			EV/tonne (US\$)			ROE (%)			ROCE (%)		
			FY25P	FY26E	FY27E	FY25P	FY26E	FY27E	FY25P	FY26E	FY27E	FY25P	FY26E	FY27E
TRCL IN	SELL	699	23.1	17.2	13.6	145	129	130	1.5	4.3	7.5	4.4	6.7	9.2
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	1,742	16.9	12.4	9.9	97.0	97.4	99.3	4.6	4.7	6.5	5.5	6.0	7.5

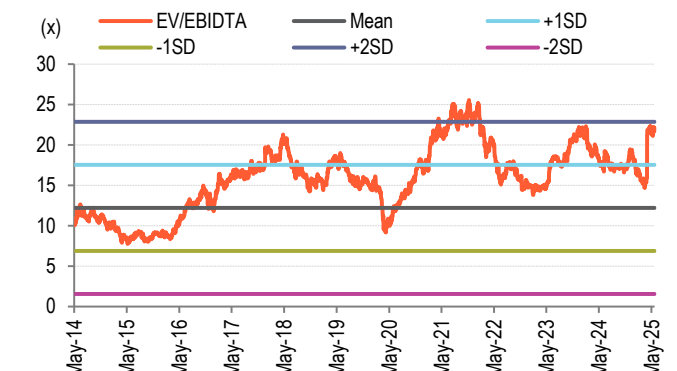
Source: BOBCAPS Research

**Fig 13 – Current valuations are well ahead of the earnings**



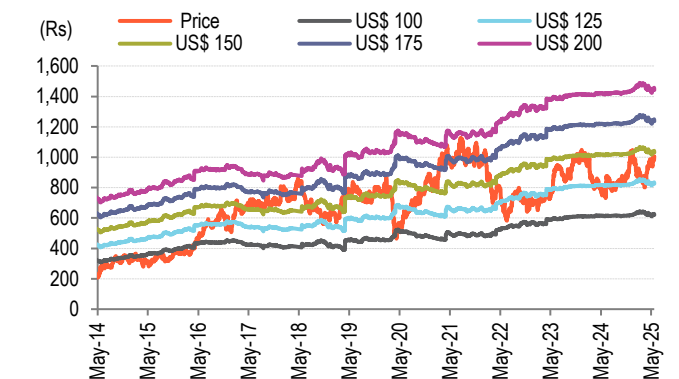
Source: Bloomberg, BOBCAPS Research

**Fig 14 – Valuations will moderate in the medium term**



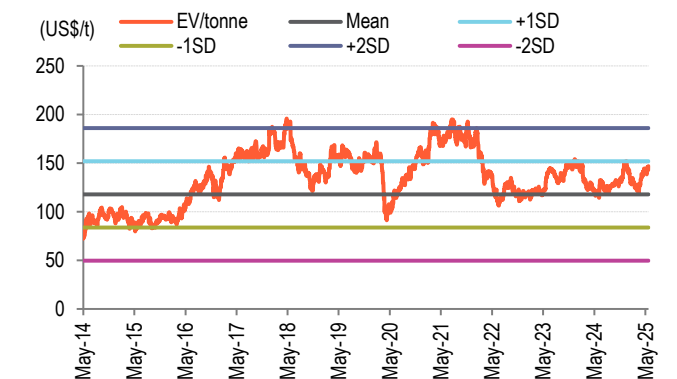
Source: Bloomberg, BOBCAPS Research

**Fig 15 – Replacement cost moderation too will follow**



Source: Bloomberg, BOBCAPS Research

**Fig 16 – Replacement cost will revert to the mean**



Source: Bloomberg, BOBCAPS Research

## Key Risks

Key upside risks to our estimates:

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

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
<b>Total revenue</b>	<b>81,004</b>	<b>93,223</b>	<b>84,951</b>	<b>1,06,755</b>	<b>1,22,312</b>
EBITDA	11,156	15,250	12,318	16,320	20,872
Depreciation	(5,044)	(6,359)	(6,912)	(7,976)	(8,539)
EBIT	6,827	9,590	5,847	9,082	13,107
Net interest inc./(exp.)	(2,405)	(4,155)	(4,588)	(4,454)	(4,773)
Other inc./(exp.)	716	699	440	739	773
Exceptional items	0	0	3,398	0	0
EBT	4,422	5,435	4,657	4,628	8,333
Income taxes	(1,302)	(1,485)	(484)	(1,332)	(2,332)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>3,121</b>	<b>3,950</b>	<b>4,174</b>	<b>3,297</b>	<b>6,001</b>
Adjustments	0	0	(3,398)	0	0
<b>Adjusted net profit</b>	<b>3,121</b>	<b>3,950</b>	<b>775</b>	<b>3,297</b>	<b>6,001</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Accounts payables	6,373	9,910	6,169	7,681	8,615
Other current liabilities	16,389	20,166	24,546	23,932	26,250
Provisions	533	694	669	380	380
Debt funds	44,874	49,168	46,521	49,488	50,244
Other liabilities	9,285	10,304	10,759	11,297	11,862
Equity capital	236	236	236	236	236
Reserves & surplus	67,699	71,204	74,840	77,441	82,746
Shareholders' fund	67,881	71,388	75,077	77,677	82,983
<b>Total liab. and equities</b>	<b>1,45,336</b>	<b>1,61,630</b>	<b>1,63,740</b>	<b>1,70,455</b>	<b>1,80,334</b>
Cash and cash eq.	1,686	1,352	2,073	1,675	1,808
Accounts receivables	4,650	8,522	7,219	6,581	7,540
Inventories	8,823	9,823	10,150	12,869	14,744
Other current assets	6,604	5,539	6,019	7,334	7,989
Investments	1,957	2,178	1,036	1,346	1,346
Net fixed assets	1,01,022	1,19,705	1,24,598	1,31,396	1,38,638
CWIP	19,873	13,784	11,908	8,500	7,500
Intangible assets	721	728	738	753	768
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>1,45,336</b>	<b>1,61,630</b>	<b>1,63,740</b>	<b>1,70,455</b>	<b>1,80,334</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
<b>Cash flow from operations</b>	<b>13,139</b>	<b>14,175</b>	<b>12,996</b>	<b>8,806</b>	<b>14,783</b>
Capital expenditures	(18,385)	(18,179)	(10,402)	(11,303)	(14,711)
Change in investments	0	(220)	1,142	(311)	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(18,385)</b>	<b>(18,400)</b>	<b>(9,259)</b>	<b>(11,614)</b>	<b>(14,711)</b>
Equities issued/Others	(690)	2	52	0	0
Debt raised/repaid	5,575	4,294	(2,648)	2,967	756
Interest expenses	0	0	0	0	0
Dividends paid	(723)	(159)	(440)	(557)	(696)
Other financing cash flows	1,010	(247)	20	0	0
<b>Cash flow from financing</b>	<b>5,172</b>	<b>3,890</b>	<b>(3,016)</b>	<b>2,410</b>	<b>60</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(74)</b>	<b>(334)</b>	<b>721</b>	<b>(398)</b>	<b>132</b>
<b>Closing cash &amp; cash eq.</b>	<b>1,686</b>	<b>1,352</b>	<b>2,073</b>	<b>1,675</b>	<b>1,808</b>

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25P	FY26E	FY27E
Reported EPS	13.2	16.7	17.7	14.0	25.4
Adjusted EPS	13.2	16.7	3.3	14.0	25.4
Dividend per share	3.0	2.0	2.0	2.5	2.5
Book value per share	287.3	302.1	317.7	328.7	351.2

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25P	FY26E	FY27E
EV/Sales	3.4	3.0	3.4	2.6	2.3
EV/EBITDA	24.6	18.4	23.1	17.2	13.6
Adjusted P/E	76.2	60.2	306.6	72.1	39.6
P/BV	3.5	3.3	3.2	3.1	2.9

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25P	FY26E	FY27E
Tax burden (Net profit/PBT)	70.6	72.7	89.6	71.2	72.0
Interest burden (PBT/EBIT)	64.8	56.7	21.5	51.0	63.6
EBIT margin (EBIT/Revenue)	8.4	10.3	6.9	8.5	10.7
Asset turnover (Rev./Avg TA)	58.7	60.7	52.2	63.9	69.7
Leverage (Avg TA/Avg Equity)	2.1	2.2	2.2	2.2	2.2
Adjusted ROAE	4.7	5.7	1.5	4.3	7.5

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25P	FY26E	FY27E
<b>YoY growth (%)</b>					
Revenue	36.0	15.1	(8.9)	25.7	14.6
EBITDA	(11.5)	36.7	(19.2)	32.5	27.9
Adjusted EPS	(65.1)	26.6	(80.4)	325.1	82.0

### Profitability & Return ratios (%)

EBITDA margin	13.8	16.4	14.5	15.3	17.1
EBIT margin	8.4	10.3	6.9	8.5	10.7
Adjusted profit margin	3.9	4.2	0.9	3.1	4.9
Adjusted ROAE	4.7	5.7	1.5	4.3	7.5
ROCE	5.8	7.6	4.4	6.7	9.2

### Working capital days (days)

Receivables	21	33	31	23	23
Inventory	40	38	44	44	44
Payables	33	46	31	31	31

### Ratios (x)

Gross asset turnover	0.5	0.5	0.5	0.5	0.6
Current ratio	0.9	0.8	0.8	0.9	0.9
Net interest coverage ratio	2.8	2.3	1.3	2.0	2.7
Adjusted debt/equity	0.7	0.7	0.6	0.6	0.6

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

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SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

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**BUY** – Expected return >+15%

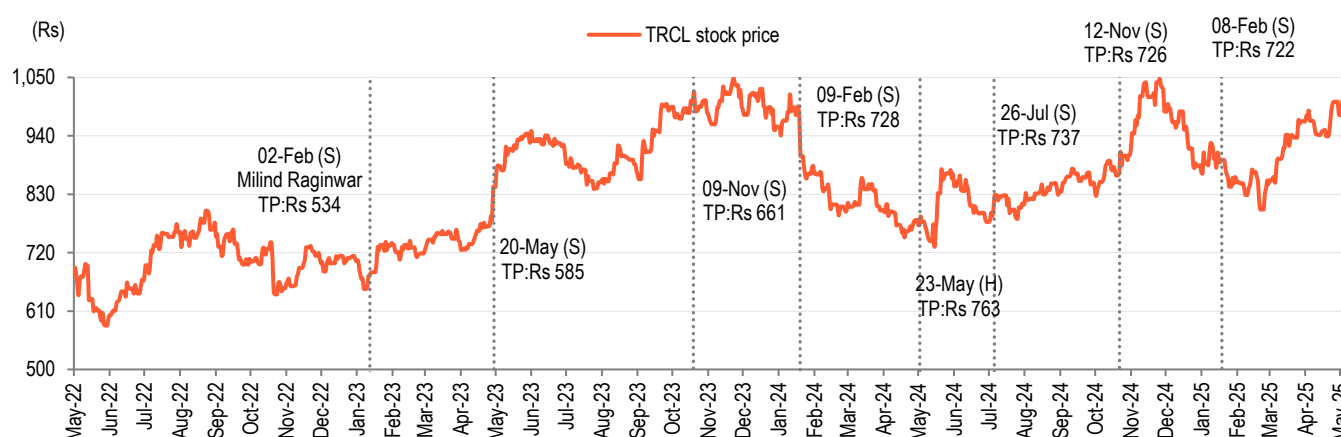
**HOLD** – Expected return from -6% to +15%

**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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