

Muted quarter; recovery going ahead...

About the stock: The Ramco Cements is primarily a southern region based cement manufacturer with a manufacturing capacity of 24 million tonnes (mtpa)

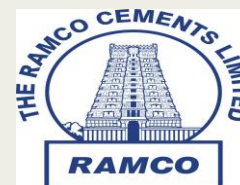
- 20.1 mtpa of cement capacity (~84% of total) is primarily located in south region states like Tamil Nadu (12.7 mtpa), Andhra Pradesh (7.2 mtpa). Balance 3.9 mtpa of capacity is located in East region states with 2 mtpa in West Bengal and 1.9 mtpa in Odisha

Investment Rationale:

- Volume growth to recover going ahead led by demand pick-up and timely capacity additions:** Company's volume growth impacted during H1FY25 (-0.6% YoY) due to elections, monsoon, extended heatwave and pressure on cement prices. However, we expect company's sales volume to pick-up in H2FY25, led by timely capacity additions and improvement in demand in its selling markets like Tamil Nadu, Karnataka, Andhra Pradesh, Telangana, Orrisa, West Bengal etc. After adding 4.6 mtpa capacity during FY23-H1FY25, company's capacity has reached to 24 mtpa and further in process of expanding it to 30 mtpa by FY26E (through brownfield additions at existing locations). We estimate company's sales volume to grow at a CAGR of 7.8% over FY24-27E to 23 mtpa in FY27E (from 18.4 mtpa in FY24). We believe that company's focus on expanding capacities at existing locations would help in gaining market share in south and east regions
- Continuous focus on operational efficiencies to drive EBITDA/ton:** Company's EBITDA/ton declined by ~15% YoY in H1FY25, mainly due to lower realisations. Cost structure remained benign at ₹ 3960/ton in H1FY25 (-8% YoY) led by cost optimisation measures. Going ahead, we expect EBITDA/ton to improve in 2HFY25E and FY26E/27E, driven by improvement in realisations and continuous focus on cost optimisation (through better fuel & freight cost management and transitions to green energy) and positive operating leverage. Company targets to increase its share of green power consumption to 42% in FY25E (from 36% in H1FY25). We estimate EBITDA/ton to improve to ₹ 1022/ton in FY26E (from ₹ 814/ton in FY25E)

Rating and Target Price

- Operational performance to improve substantially over H2FY25E and FY26E/27E, led by increase in volumes, continuous focus on cost optimisation. Additionally, monetisation of non-core assets (₹ 376 crores monetised during Sept-Oct 2024 out of ₹ 1000 crore target) would help in debt reduction and ongoing capex (₹ 1200 crore capex planned in FY25). Thus, we estimate revenue CAGR of ~12% over FY25E-27E while EBITDA & PAT CAGR of ~23% & ~64% over the same period
- We maintain BUY on Ramco Cements with a revised target price of ₹ 1130 (based on 13x EV/EBITDA on FY27E)



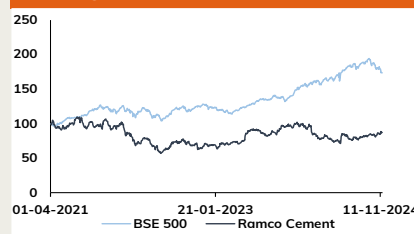
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	22,699
FY24 Gross Debt (Rs Crore)	4,931
FY24 Cash (Rs Crore)	137
EV (Rs Crore)	27,493
52 Week H/L (Rs)	1058/700
Equity Capital	23.6
Face Value	2.0

Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	42.1	42.3	42.3	42.3
FII	7.9	7.4	7.4	6.6
DII	32.9	32.2	31.1	30.9
Others	17.0	18.0	19.2	20.2

Price Chart



Key risks

- (i) Slowdown in demand (ii) Delay in capacity expansion (iii) Increase in commodity prices (iv) High competition

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Key Financial Summary

(Year-end March)	FY22	FY23	FY24	3 Year CAGR (FY21-24) [^]	FY25E	FY26E	FY27E	3 Year CAGR (FY24-27E)
Revenues	6,004	8,157	9,376	21.0%	9,009	9,773	11,333	12.2%
EBITDA	1,290	1,186	1,565	0.2%	1,553	1,820	2,350	23.0%
EBITDA margin (%)	21.5	14.5	16.7		17.2	18.6	20.7	
Net Profit	881	315	360	-22.8%	333	480	895	63.9%
EPS (Rs)	36.7	13.1	15.0		14.1	20.3	37.9	
P/E (x)	26.2	73.3	64.0		68.1	47.3	25.4	
EV/EBITDA (x)	20.5	22.8	17.6		17.7	15.1	11.3	
EV/Ton (USD)	162	147	144		137	109	105	
RoCE (%)	8.7	6.3	7.9		7.3	8.7	12.6	
RoE (%)	13.3	4.6	5.0		4.4	6.1	10.3	

Source: Company, ICICI Direct Research

Q2FY25 Highlights:

- Consolidated revenue declined by 12.7% YoY (-2.4% QoQ) to ₹ 2044.1 crores, led by decline in sales realisation by 10.4% YoY (-5.2% QoQ) coupled with volume decline by 2.5% YoY. However, volume grew by 3% QoQ to 4.5 million tonnes
- EBITDA for the quarter stood at ₹ 314.1 crores (-22.6% YoY, -1.9% QoQ)
- EBITDA/ton stood at ₹ 700/ton (-20.6% YoY, -4.7% QoQ), primarily led by lower realisation
- Total cost/ton stood at ₹ 3855/ton (-8.3% YoY, -5.3% QoQ), primarily driven by lower power & fuel cost & freight cost/ton
- PAT declined by 64.1% YoY (-29.5% QoQ) to ₹ 25.8 crores
- For H1FY25, revenue is down 9.8% YoY to ₹ 4137.7 crore, led by 9.2% YoY decline in realisation and 0.6% YoY decline in sales volume
- H1FY25 EBITDA/ton stands at ₹ 717/ton (vs ₹ 841/ton in H1FY24)
- Demand was impacted during H1FY25 as the demand remained weak due to election, extended heat waves and monsoon
- Capacity utilisation stood at 75% in Q2FY25 (vs 82% in Q2FY24) with OPC contributed 30% of total sales. For H1FY25, capacity utilisation stands at 76% (vs 80% in H1FY24)
- South region contributed 82% to total sales volume while east region contributed 18%. Share of premium products was ~26% of total sales volumes
- Blended Fuel consumption cost (including TPP) stood at \$130/ton in 2QFY25 and \$ 133/ton in H1FY25 (vs \$148/ton in 2QFY24 and \$158/ton in H1FY24)
- Average lead distance for cement despatches: 1HFY25 is 249 km (vs 266 km in 1HFY24)
- Capex Update: The company is on track to achieve cement capacity of 30 mtpa by FY26E end with the commissioning of 2nd line in Kolimigundla along with de-bottlenecking of existing facilities/adding grinding capacities in existing locations with minimal capex. The estimated capex for FY25E is ₹ 1200 crores
- The Company has monetized ₹ 376 crores (₹ 50 crore in Sep 2024 and ₹ 326 crore in Oct 2024). Company is on track to achieve the non-core assets monetisation target of ₹ 1000 crores. Further, the Company has entered into a sale agreement for disposal of lands worth ₹ 74 crore, which is expected to be realized during 3QFY25

Exhibit 1: Quarterly Analysis (₹ crore)

	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comments
Revenue	2,044.1	2,340.6	-12.7	2,093.6	-2.4	Revenue declined due to lower sales realisation
Other income	9.8	11.5	-14.8	8.1	21.1	
Total Revenue	2,053.9	2,352.1	-12.7	2,101.7	-2.3	
Raw materials costs	401.6	330.8	21.4	364.0	10.3	
Employees Expenses	142.9	145.2	-1.6	142.5	0.3	
Other Expenses	238.4	231.0	3.2	296.2	-19.5	
Total Expenditure	1,730.1	1,935.0	-10.6	1,773.4	-2.4	
EBITDA	314.1	405.6	-22.6	320.2	-1.9	Despite lower cots, EBITDA/ton
EBITDA margins (%)	15.4	17.3	-196 bps	15.3	7 bps	declined due to lower sales realization
Interest	119.9	116.5		113.1		
Depreciation	169.5	162.8	4.2	167.7	1.1	
Tax	9.2	37.0	-75.2	12.8	-28.4	
PAT	25.8	71.9	-64.1	36.6	-29.5	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Revenue	9,376	9,009	9,773	11,333
% Growth	14.9	(3.9)	8.5	16.0
Other income	39	38	42	46
Total Revenue	9,376	9,009	9,773	11,333
% Growth	14.9	(3.9)	8.5	16.0
Total Raw Material Costs	1,710	1,688	1,795	2,039
Employee Expenses	551	578	636	713
Other expenses	5,551	5,190	5,521	6,232
Total Operating Expenditure	7,812	7,456	7,952	8,983
Operating Profit (EBITDA)	1,565	1,553	1,820	2,350
% Growth	32.0	(0.7)	17.2	29.1
Interest	416	457	462	387
PBDT	1,188	1,134	1,400	2,008
Depreciation	646	677	743	782
PBT before Exceptional Items	542	457	657	1,226
Total Tax	148	123	177	331
PAT before MI	394	333	480	895
PAT	360	333	480	895
% Growth	14.5	(7.4)	43.9	86.6
EPS	15.2	14.1	20.3	37.9

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Profit after Tax	360	333	480	895
Depreciation	646	677	743	782
Interest	416	457	462	387
Cash Flow before WC changes	1,422	1,468	1,685	2,065
Changes in inventory	(100)	(127)	(94)	(99)
Changes in debtors	(391)	189	(3)	(107)
Changes in loans & Advances	(2)	-	-	-
Changes in other current assets	(16)	(17)	(15)	(30)
Net Increase in Current Assets	(397)	41	(116)	(256)
Changes in creditors	355	(55)	80	162
Changes in provisions	4	6	(0)	11
Net Inc in Current Liabilities	759	(46)	105	226
Net CF from Operating activities	1,784	1,463	1,673	2,035
Changes in deferred tax assets	-	-	-	-
(Purchase)/Sale of Fixed Assets	(1,897)	(1,200)	(1,200)	(500)
Net CF from Investing activities	(1,846)	(1,004)	(1,061)	(567)
Dividend and Dividend Tax	(47)	(47)	(78)	(137)
Net CF from Financing Activities	28	(467)	(592)	(1,324)
Net Cash flow	(34)	(9)	21	143
Opening Cash/Cash Equivalent	170	137	128	149
Closing Cash/ Cash Equivalent	137	128	149	292

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Equity Capital	24	24	24	24
Reserve and Surplus	7,214	7,500	7,900	8,659
Total Shareholders funds	7,238	7,524	7,924	8,682
Total Debt	4,931	4,968	4,918	4,118
Total Liabilities	13,291	13,614	13,964	13,922
Gross Block	14,445	18,020	19,720	20,620
Acc: Depreciation	4,959	5,636	6,379	7,161
Net Block	11,532	12,384	13,341	13,459
Capital WIP	1,329	1,000	500	100
Total Fixed Assets	13,304	13,827	14,284	14,002
Non Current Assets	719	523	384	451
Inventory	983	1,111	1,205	1,304
Debtors	856	666	669	776
Other Current Assets	154	171	186	215
Cash	137	128	149	292
Total Current Assets	2,250	2,200	2,337	2,737
Current Liabilities	993	938	1,017	1,180
Provisions	69	90	91	92
Total Current Liabilities	2,982	2,936	3,041	3,267
Net Current Assets	(732)	(736)	(704)	(530)
Total Assets	13,291	13,614	13,964	13,922

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY24	FY25E	FY26E	FY27E
EPS	15.0	14.1	20.3	37.9
Cash per Share	5.7	5.4	6.3	12.4
DPS	14.0	14.0	15.0	16.0
BV	301.6	318.5	335.5	367.6
EBITDA Margin	16.7	17.2	18.6	20.7
PAT Margin	3.8	3.7	4.9	7.9
RoE	5.0	4.4	6.1	10.3
RoCE	7.9	7.3	8.7	12.6
RoIC	7.6	7.1	8.5	12.5
EV / EBITDA	17.6	17.7	15.1	11.3
P/E	64.0	68.1	47.3	25.4
EV / Net Sales	2.9	3.1	2.8	2.3
Sales / Equity	1.3	1.2	1.2	1.3
Market Cap / Sales	2.4	2.5	2.3	2.0
Price to Book Value	3.2	3.0	2.9	2.6
Asset turnover	0.8	0.7	0.8	0.9
Debtors Turnover Ratio	14.2	11.8	14.6	15.7
Creditors Turnover Ratio	11.5	9.3	10.0	10.3
Debt / Equity	0.7	0.7	0.6	0.5
Current Ratio	0.7	0.7	0.8	0.8
Quick Ratio	0.4	0.3	0.3	0.3

Source: Company, ICICI Direct Research

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