

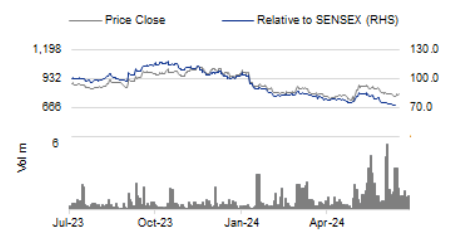
India

HOLD (no change)

Consensus ratings*: Buy 18 Hold 8 Sell 9	
Current price:	Rs801
Target price:	Rs870
Previous target:	Rs950
Up/downside:	8.6%
InCred Research / Consensus:	2.9%
Reuters:	TRCE.BO
Bloomberg:	TRCL IN
Market cap:	US\$2,261m
	Rs189,235m
Average daily turnover:	US\$9.7m
	Rs809.2m
Current shares o/s:	235.6m
Free float:	46.7%
*Source: Bloomberg	

Key changes in this note

- Cut EBITDA by 3% for FY25F-26F.
- Lower target price to Rs870 from Rs950 earlier.
- Introduce FY27F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(7.5)	0.4	(10.2)
Relative (%)	(9.0)	(7.5)	(25.1)

Major shareholders	% held
Promoter & Promoter Group	42.3
Kotak Equity Hybrid	6.4
LIC of India	7.1

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Ramco Cements Ltd

Volume upsets; focus on debt reduction

- In 1Q, TRCL's volume grew by 1.4% yoy to 4.4mt (~6% below our estimate) while EBITDA/t stood at ~Rs733, down 27% qoq and Rs62 yoy.
- Upgraded capacity expansion plan to ~30mtpa by FY26F. Monetization of non-core assets worth Rs10bn is the only key positive in the near term.
- We cut our FY25F-26F EBITDA estimates by ~3% to factor in near-term industry headwinds. Retain HOLD rating with a lower target price of Rs870.

Volume growth disappoints; price continues to be gloomy in Jul 2024

1QFY25 cement volume of The Ramco Cements (TRCL) grew by 1.4% yoy and declined by ~21% qoq to ~4.4mt (vs. our estimate of 4.65mt). The company highlighted that demand was affected due to general elections and the monsoon season in 1Q. Volume mix for the southern and eastern markets remained flat qoq at 76% and 24%, respectively. In South India, its B2C volume was flat while B2B volume fell yoy. In the eastern region, volumes of both B2B and B2C have grown (except B2C in West Bengal, which was flat). Capacity utilization fell to 77% vs. 79% yoy and 96% qoq. The company expects better demand from Andhra Pradesh in view of the new government there. Blended realization was down by ~2% qoq and 8% yoy due to price weakness in its key markets. We have factored in 7-8% volume CAGR over FY24-27F as we believe that TRCL remains prone to rising competition from top players in its markets due to the recent consolidation pacing up in its key market.

Blended EBITDA/t at Rs733; near-term challenges persist

Total operating costs/t were down by ~1% qoq and 8% yoy to Rs4,057, where a) P&F costs/t were down 26% yoy and up 15% qoq at Rs1,300 and blended fuel consumption stood at US\$137 in 1QFY25 vs. US\$141/t qoq, while on Kcal they were at Rs1.49 in 1Q vs. Rs1.65 qoq. b) Logistics costs/t decreased by ~10% qoq to Rs1,295, with the lead distance at 273km vs. 294km qoq. c) Fixed costs increased by ~12% qoq to Rs860/t on account of negative operating leverage. As a result, EBITDA/t stood at Rs733 during the quarter vs. Rs760 qoq. Green power share is expected to reach ~42% by FY25F vs. ~33% currently. We expect unit EBITDA to remain soft in 2QFY25F while TRCL is in a better position to recover margins in case of any price recovery in 2HFY25F.

Upgrades expansion plan to 30mtpa; monetizing non-core assets

Net debt remained elevated at Rs49.75bn as of Jun 2024 vs. Rs48.22bn as of Mar 2024 due to the high intensity of capex. TRCL incurred Rs2.8bn in 1Q and retains FY25F capex at Rs12bn. TRCL plans to monetize its non-core assets worth Rs10bn over the next 12 months. We believe this could be used to reduce current debt level or fund ongoing expansions. TRCL's capacity addition at Kolimigundla having clinker and cement capacity of ~3.15mt and 1.5mt, respectively, (with 15MW of WHRS) is expected to be commissioned by 4QFY26F. TRCL aims to have ~30mtpa capacity by FY26F with minimal capex vs. ~26mtpa earlier.

Retain HOLD rating with a lower target price of Rs870

TRCL trades at EV/EBITDA multiple of 14.4/12.2x for FY25F/26F, respectively. We retain HOLD rating on it with a Sep 2025F lower target price of Rs870 (Rs950 earlier), set at 12x (unchanged) EV/EBITDA. **Downside risks:** Weak demand, pricing pressure, delay in capacity and a rise in input costs. **Upside risks:** Better demand and pricing growth in South & East India markets, sharp deleveraging and better-than-expected cost control.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	81,353	93,498	97,522	108,923	122,133
Operating EBITDA (Rsm)	11,820	15,525	16,682	19,648	22,933
Net Profit (Rsm)	3,435	3,950	4,365	6,275	8,417
Core EPS (Rs)	14.5	16.7	18.5	26.6	35.6
Core EPS Growth	(61.6%)	15.0%	10.5%	43.7%	34.1%
FD Core P/E (x)	55.09	47.91	43.35	30.16	22.48
DPS (Rs)	2.0	2.5	2.8	4.0	5.3
Dividend Yield	0.25%	0.31%	0.35%	0.50%	0.67%
EV/EBITDA (x)	19.66	15.27	14.29	12.18	10.41
P/FCFE (x)	63.74	45.04	13.69	12.37	11.82
Net Gearing	63.6%	66.9%	65.4%	62.4%	57.0%
P/BV (x)	2.79	2.65	2.52	2.36	2.17
ROE	5.2%	5.7%	6.0%	8.1%	10.1%
% Change In Core EPS Estimates			(0.61%)	(0.54%)	(0.48%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Volume upsets; focus on debt reduction

1QFY25 results review

Key operational highlights of the quarter

- **Volume:** Cement sales volume came in at 4.36mt, up ~1.4% yoy and down ~21% qoq (~6% below Incred/consensus estimates). Capacity utilization was down to 77% vs. 96% qoq and 79% yoy.
- **South:** Volume from B2C business remained flat while B2B volume fell yoy. Margins were down due to weak prices in all markets. The share of premium products stood at 27% vs. 29% yoy. Volume share in 1QFY25 was at 76%, same qoq vs. 79% yoy.
- **East:** Volume from B2C & B2B businesses have grown yoy in Odisha while volume from B2C was flat while B2B has grown yoy in West Bengal. Margins were down due to weak prices in West Bengal/Northeast. The share of premium products stood at 20% vs. 20% qoq and 18% yoy. Volume share in 1QFY25 was at 24%, same qoq vs. 21% yoy.
- TRCL highlighted that demand was impacted due to general elections and monsoon in its markets. Maintain positive outlook on Andhra Pradesh.
- Dry mortar sales stood at 67kt, flat yoy/ -21% qoq.
- **Blended realization** came in at Rs4,790/t, down ~2% qoq and ~8% yoy (1% above Incred estimate) due to soft pricing in its core market during the quarter and with a drop of 8% in cement prices. The share of premium products fell to 27% in 1QFY25 vs. 29% qoq.
- **Pricing:** It was down in all markets of South India and West Bengal and Northeast in East India.
- **Total operating costs/t** were down by ~1% qoq and 8% yoy to Rs4,057 (in line with Incred estimate), where a) P&F cost/t declined by 26% yoy and rose 15% qoq to Rs1,300 where the blended fuel consumption stood at US\$137/t in 1QFY25 vs. US\$141/t qoq, while on Kcal at Rs1.49 in 1QFY25 vs. Rs1.65 qoq. b) Logistics cost/t decreased by ~10% qoq to Rs1,295. c) Fixed costs increased by ~12% qoq to Rs860/t on account of negative operating leverage and in line with annual inflation.
- **Pet-coke** consumption stood at 58% in 1QFY25 vs. 52% yoy and 51% qoq. Current spot CIF prices of pet-coke are at US\$110.
- The overall green power usage increased to 33% in 1QFY25 vs. 29% yoy and 36% qoq. The green power share is likely to reach 42% in FY25F.
- **EBITDA/t:** EBITDA for the quarter was 1% above our estimate at ~Rs3.2bn, down 6% yoy and 24% qoq. EBITDA/t stood at Rs733 during the quarter (vs our estimate of Rs679/t) vs. Rs760 in 4QFY24 and Rs794 in 1QFY24.
- **TRCL's PAT** was down ~55% yoy and 71% qoq at ~Rs355m vs. our expectation of Rs362m. Interest costs increased by 21% yoy to Rs1.13bn due to commissioning of facilities in the last financial year.
- **Net debt stood** at ~Rs49.75bn as of Jun 2024 vs. Rs48.22bn qoq.

Other Updates

- **Capex:** The company will be spending Rs12bn on capex in FY25F. It has taken effective steps to monetize non-core assets worth Rs10bn in the next 12 months.
- **Capacity update:** TRCL is on track to achieve cement capacity of 30mtpa by Mar 2026F via the commissioning of the second line in Kolimigundla along with debottlenecking of existing facilities and adding grinding capacities in existing locations.
- TPP of 18MW commissioned in Jul 2024 and trials are being taken in Kolimigundla. Railway siding will be commissioned during Sep 2024F. The company has started seeing synergies in the cost for usage of limestone mined from the lands purchased from Prism Cement.

- **WHRS** plant with a capacity of 10 MW in Ramasamy Raja Nagar is scheduled to be commissioned by 4QFY25F.
- **Expansion of capacity of building products:** The unit in Andhra Pradesh was commissioned during 1QFY25 & the Odisha unit will be commissioned in Sep 2024F. 50% of mining land for the new project in Karnataka has been acquired so far.
- **Avg. lead distance** in 1Q stood at 273km vs. 274km yoy & 294km qoq. Rail co-efficient for cement despatches during 1Q was 8% vs. 7% yoy & 11% qoq.
- **AFR** mix was 1% in 1QFY25 vs. 8% qoq and 2 % yoy.
- **OPC** mix was 31% vs. 32% qoq and yoy. B2B sales were at a similar level of 35% for the period under consideration.
- **Thermal power** mix was 42% in 1QFY25 vs. 41% qoq and 44% yoy.

Figure 1: Standalone quarterly performance

Particulars (Rs m)	1QFY25	1QFY25F	4QFY24	1QFY24	% Change		
					1QFY25F	4QFY24	1QFY24
Net Sales	20,884	21,963	26,733	22,411	-5%	-22%	-7%
Raw Materials Consumed	2,629	3,172	4,221	2,350	-17%	-38%	12%
Freight and Forwarding Expenses	5,647	6,127	7,932	5,496	-8%	-29%	3%
Power and Fuel Costs	5,666	5,518	6,192	7,559	3%	-8%	-25%
Employee Costs	1,367	1,293	1,245	1,266	6%	10%	8%
Other Expenses	2,381	2,700	2,973	2,327	-12%	-20%	2%
Total Expenditure	17,690	18,810	22,562	18,996	-6%	-22%	-7%
EBITDA	3,194	3,153	4,171	3,415	1%	-23%	-6%
Depreciation	1,667	1,674	1,651	1,479	0%	1%	13%
EBIT	1,527	1,479	2,520	1,936	3%	-39%	-21%
Interest	1,131	1,067	1,038	934	6%	9%	21%
Other Income	85	99	140	79	-14%	-39%	8%
PBT	482	510	1,623	1,081	-6%	-70%	-55%
Tax	127	148	409	292	-14%	-69%	-57%
Recurring PAT	355	362	1,214	789	-2%	-71%	-55%
Extraordinary Items	0	0	0	0			
Reported PAT	355	362	1,214	789	-2%	-71%	-55%
EPS (Rs)	1.5	1.5	5.1	3.3	-2%	-71%	-55%
Gross Margin	33.2%	32.5%	31.4%	31.3%	71 bp	186 bp	197 bp
EBITDA Margin	15.3%	14.4%	15.6%	15.2%	94 bp	-31 bp	6 bp
EBIT Margin	7.3%	6.7%	9.4%	8.6%	58 bp	-212 bp	-132 bp
PBT Margin	2.3%	2.3%	6.1%	4.8%	-2 bp	-376 bp	-252 bp
PAT Margin	1.7%	1.6%	4.5%	3.5%	5 bp	-284 bp	-182 bp
Tax Rate	26.3%	29.0%	25.2%	27.0%			
Cost Items as a % of Sales							
RM	67%	67%	69%	69%	-71 bp	-186 bp	-197 bp
Employee Costs	7%	6%	5%	6%	66 bp	189 bp	90 bp
Other Expenses	11%	12%	11%	10%	-89 bp	28 bp	101 bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

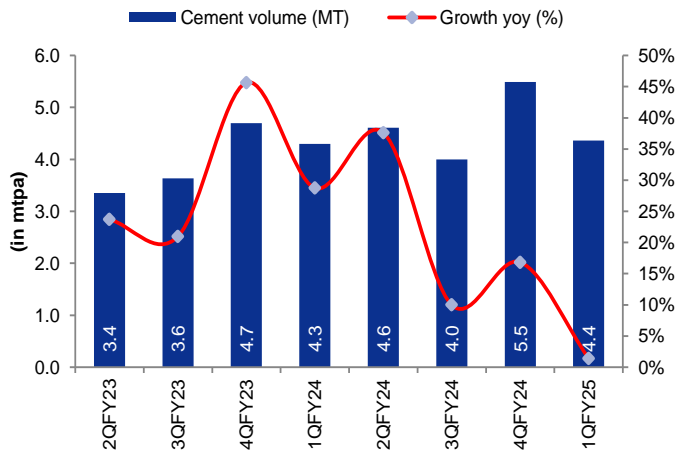
Figure 2: 1QFY25 results on per tonne analysis

Per tonne analysis	1QFY25	1QFY25F	4QFY24	1QFY24	% Change		
					1QFY25F	4QFY24	1QFY24
Sales volume (cement + clinker)	4.36	4.65	5.49	4.30	-6%	-21%	1.4%
Realization	4,790	4,727	4,869	5,212	1%	-1.6%	-8%
EBITDA/t	733	679	760	794	8%	-4%	-8%
RM Costs/t	603	683	769	546	-12%	-22%	10%
P&F Costs/t	1,300	1,188	1,128	1,758	9%	15%	-26%
Freight Costs/t	1,295	1,319	1,445	1,278	-2%	-10%	1%
Employee Costs/t	314	278	227	294	13%	38%	7%
Other Expenses/t	546	581	541	541	-6%	1%	1%
Total Costs/t	4,057	4,048	4,109	4,418	0%	-1%	-8%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

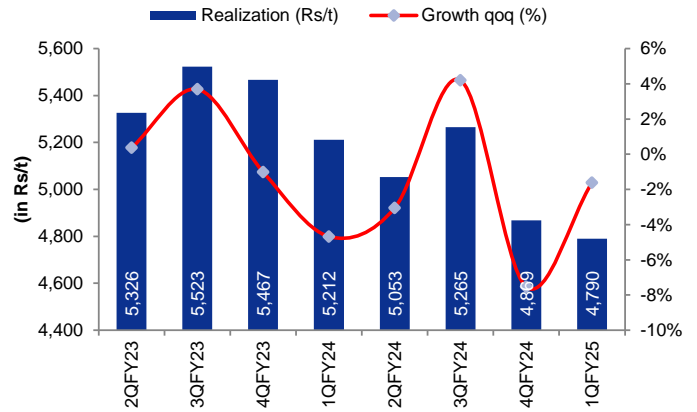
Key charts ➤

Figure 3: Cement sales volume grew by ~1.4% yoy and decline ~21% qoq to 4.4mt



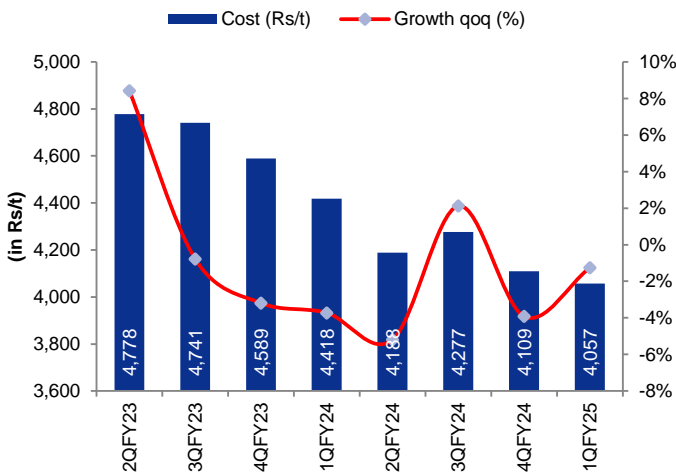
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Blended realization was down ~8% yoy and ~2% qoq



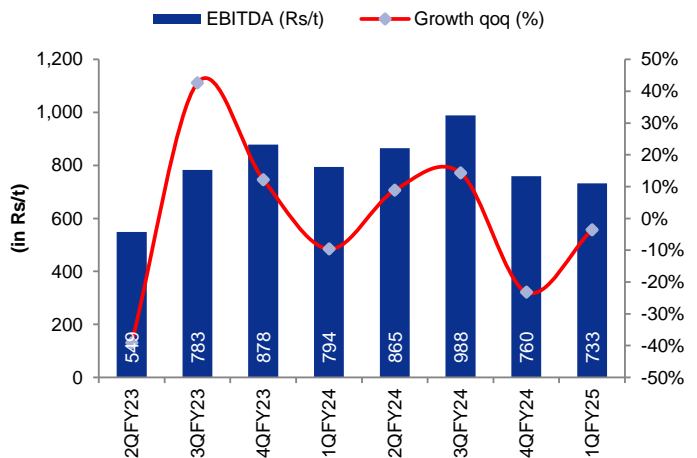
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Costs/t decline by ~8% yoy and ~1.3% qoq



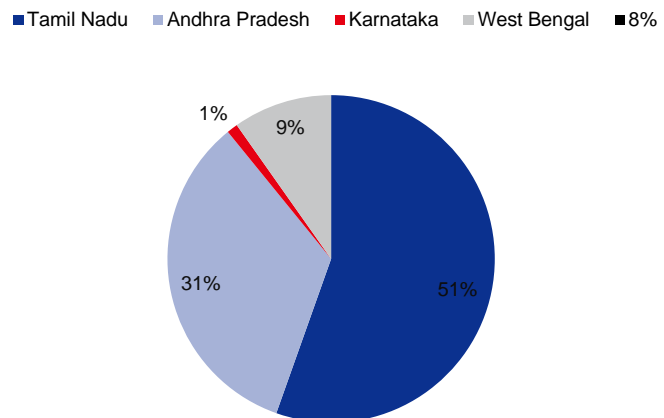
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Unit EBITDA fell by Rs27 qoq and Rs61 yoy to Rs733/t



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: TRCL's capacity share state-wise as of FY24-end



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Our revised earnings estimates

Rs.m	New		Old		Change (%)	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Sales	97,522	1,08,923	99,799	1,11,567	-2%	-2%
EBITDA	16,681	19,648	17,150	20,276	-3%	-3%
PAT	4,365	6,275	4,615	6,681	-6%	-6%
EPS (Rs.)	18.5	26.6	20	28	-6%	-6%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 9: Changes in our estimates vs. Bloomberg consensus estimates

Rs.m	Incred			Consensus			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	
Sales	97,522	1,08,923	1,22,133	99,809	1,10,128	1,18,088	-2%	-1%	3%
EBITDA	16,681	19,648	22,932	17,694	20,880	22,584	-6%	-6%	2%
PAT	4,365	6,275	8,416	5,087	7,441	8,491	-14%	-16%	-1%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 10: Key assumptions

	FY23	FY24	FY25F	FY26F	FY27F
Volume (mtpa)	15	18	20	21	23
yoy	36%	23%	6%	10%	10%
Realisation (per tonne)	5,416	5,081	5,000	5,100	5,223
yoy	0%	-6%	-2%	2%	2%
Cost (per tonne)	4,629	4,238	4,145	4,180	4,242
yoy	9%	-8%	-2%	1%	1%
EBITDA (per tonne)	787	844	855	920	981
yoy	-32%	7%	1%	8%	7%
EBITDA (Rs m)	11,818	15,525	16,681	19,648	22,932
yoy	-8%	31%	7%	18%	17%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 11: Maintain HOLD rating with a Sep 2025F target price of Rs870, set at 12x (unchanged) EV/EBITDA

Valuation	TP
Target EV/EBITDA (x)	12.0
Target EV (Rs m)	2,54,416
Net debt / (cash) (Rs m)	49,529
No. of shares (m)	236
Fair value per share (Rs)	870

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 12: TRCL's shareholding pattern (as of Jun 2024-end)

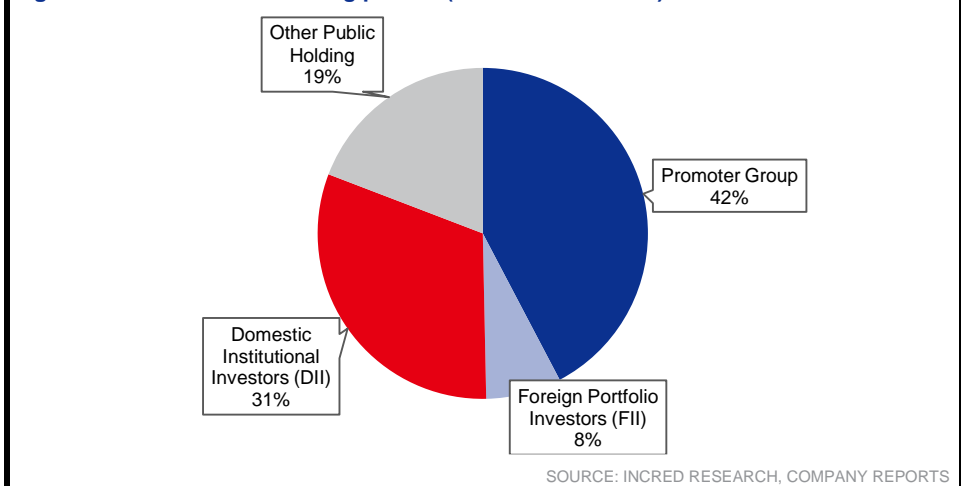
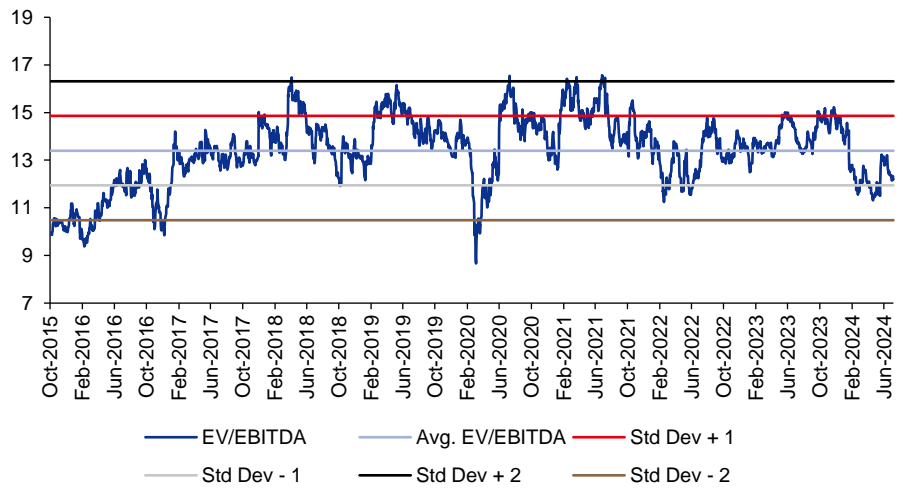
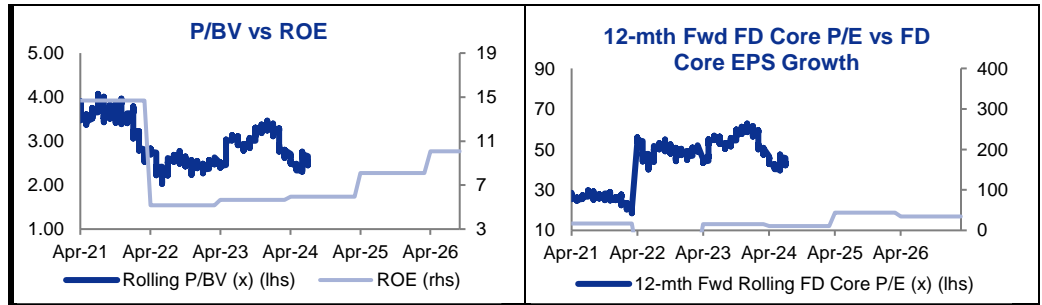


Figure 13: TRCL one-year forward EV/EBITDA trades close to -1 SD



SOURCE: INCRED RESEARCH, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	81,353	93,498	97,522	108,923	122,133
Gross Profit	81,353	93,498	97,522	108,923	122,133
Operating EBITDA	11,820	15,525	16,682	19,648	22,933
Depreciation And Amortisation	(5,044)	(6,359)	(6,867)	(7,348)	(7,789)
Operating EBIT	6,775	9,167	9,814	12,300	15,144
Financial Income/(Expense)	(2,405)	(4,155)	(4,322)	(4,235)	(4,193)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	367	423	406	415	423
Profit Before Tax (pre-EI)	4,737	5,435	5,899	8,480	11,374
Exceptional Items					
Pre-tax Profit	4,737	5,435	5,899	8,480	11,374
Taxation	(1,302)	(1,485)	(1,534)	(2,205)	(2,957)
Exceptional Income - post-tax					
Profit After Tax	3,435	3,950	4,365	6,275	8,417
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	3,435	3,950	4,365	6,275	8,417
Recurring Net Profit	3,435	3,950	4,365	6,275	8,417
Fully Diluted Recurring Net Profit	3,435	3,950	4,365	6,275	8,417

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	11,820	15,525	16,682	19,648	22,933
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(3,224)	(3,652)	406	(1,108)	1,915
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	367	423	406	415	423
Other Operating Cashflow	8,794	12,289	13,289	14,289	14,789
Net Interest (Paid)/Received	(2,405)	(4,155)	(4,322)	(4,235)	(4,193)
Tax Paid	(1,302)	(1,485)	(1,534)	(2,205)	(2,957)
Cashflow From Operations	14,050	18,945	24,928	26,804	32,910
Capex	(17,628)	(19,141)	(12,200)	(10,500)	(15,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	759	142	(400)	(2,000)	(900)
Cash Flow From Investing	(16,869)	(18,999)	(12,600)	(12,500)	(16,400)
Debt Raised/(repaid)	5,788	4,256	1,500	1,000	(500)
Proceeds From Issue Of Shares			(790)	(1,136)	(1,523)
Shares Repurchased					
Dividends Paid	(473)	(591)	(790)	(1,136)	(1,523)
Preferred Dividends					
Other Financing Cashflow	(2,571)	(3,945)	(11,999)	(12,953)	(13,066)
Cash Flow From Financing	2,745	(280)	(12,079)	(14,225)	(16,613)
Total Cash Generated	(75)	(334)	248	79	(102)
Free Cashflow To Equity	2,969	4,202	13,828	15,304	16,010
Free Cashflow To Firm	(414)	4,102	16,649	18,539	20,703

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	1,686	1,352	1,600	1,679	1,576
Total Debtors	4,650	8,522	7,481	8,356	9,034
Inventories	8,823	9,823	9,886	11,041	12,046
Total Other Current Assets	3,715	2,750	3,023	3,268	3,603
Total Current Assets	18,874	22,446	21,990	24,344	26,260
Fixed Assets	99,557	118,266	123,399	126,051	133,262
Total Investments	4,209	4,397	4,597	5,597	6,097
Intangible Assets	19,873	13,784	13,984	14,984	15,384
Total Other Non-Current Assets	2,656	2,789	2,989	3,489	3,989
Total Non-current Assets	126,295	139,237	144,970	150,122	158,733
Short-term Debt	8,653	9,896	10,396	10,896	10,896
Current Portion of Long-Term Debt					
Total Creditors	6,373	9,910	8,770	9,262	10,485
Other Current Liabilities	15,812	19,833	20,675	21,349	24,060
Total Current Liabilities	30,837	39,639	39,841	41,507	45,441
Total Long-term Debt	36,222	39,272	40,272	40,772	40,272
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	10,175	11,331	11,831	12,031	12,231
Total Non-current Liabilities	46,397	50,603	52,103	52,803	52,503
Total Provisions					
Total Liabilities	77,234	90,242	91,944	94,310	97,944
Shareholders Equity	67,935	71,441	75,016	80,155	87,048
Minority Interests					
Total Equity	67,935	71,441	75,016	80,155	87,048

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	36.0%	14.9%	4.3%	11.7%	12.1%
Operating EBITDA Growth	(7.9%)	31.4%	7.4%	17.8%	16.7%
Operating EBITDA Margin	14.5%	16.6%	17.1%	18.0%	18.8%
Net Cash Per Share (Rs)	(182.77)	(202.35)	(207.65)	(211.55)	(209.87)
BVPS (Rs)	287.50	302.33	317.46	339.21	368.38
Gross Interest Cover	2.82	2.21	2.27	2.90	3.61
Effective Tax Rate	27.5%	27.3%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	13.8%	15.0%	15.0%	15.0%	15.0%
Accounts Receivables Days	18.28	25.71	29.95	26.53	25.99
Inventory Days	38.49	36.40	36.88	35.06	34.50
Accounts Payables Days	29.57	38.11	42.17	36.86	36.33
ROIC (%)	5.8%	7.3%	7.5%	9.0%	10.6%
ROCE (%)	6.2%	7.9%	8.0%	9.6%	11.2%
Return On Average Assets	4.2%	5.3%	5.3%	6.2%	7.0%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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