

25 February 2016

The Ramco Cements Limited

Postal Ballot (PB)

Company Profile

BSE: 500260 | NSE: RAMCOCEM
Industry: Cement
Index: S&P BSE200/NIFTY 500
Face Value: Re. 1
Fiscal Year End: March

Outcome Date:	26 March 2016, 11:30 AM
Receipt Deadline:	24 March 2016, 6:00 PM
E-voting Link:	www.evotingindia.com
E-voting Period:	24 February 2016, 9:00 AM to 24 March 2016, 6:00 PM
Registered Office:	"Ramamandiram", Rajapalayam-626 117
Notice Date:	6 November 2015

Agenda Items

#	Type ¹	Description of resolution	IiAS Recommendation See Legend
1	S	<p>Approve private placement of secured non-convertible debentures of up to Rs.5 bn</p> <p>The company's credit protection measures are at moderate levels with outstanding borrowing (standalone) of Rs. 27.1 bn as on 31 March 2015, which is 1.0x times the networth and 3.4x the EBIDTA. The company plans to use the funds raised for prepayment / substitution of borrowings, for meeting capital expenditure and general corporate purposes. The company's long term debt is rated ICRA AA denoting high degree of safety with respect to timely servicing of financial obligations. The proposed issue will be within the overall borrowing limit of Rs.50 bn.</p>	FOR

^[1] O/S: Ordinary/Special

Company Overview

The Ramco Cements Limited ('Ramco' or 'the company'), a part of US\$ 1 bn Ramco Group, is engaged in the manufacture of cement, ready mix concrete, wind farm and dry mortar products. The company operates in two segments- cement and power generation from windmills.

Promoters

P R Ramasubrahmaneya Rajha & family

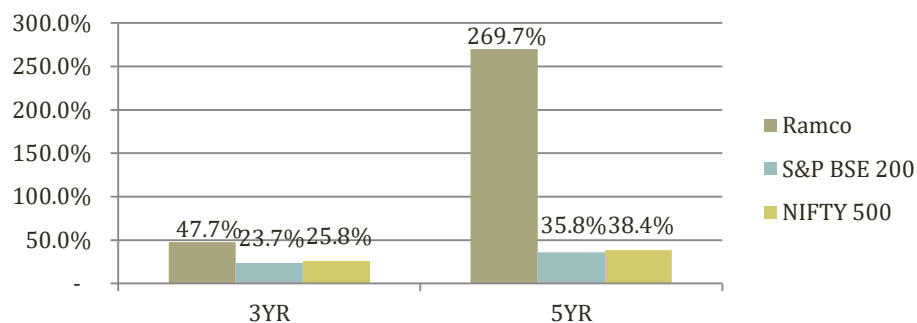
Market snapshot

Equity Capital (Rs bn):0.23
Networth (Rs bn):26.3
Mkt Price (Rs): 361.6
Mkt Cap (Rs bn): 85.2
52-week H-L (Rs): 405.5-270.0
Current P/E(x): 34.6
Current P/B (x): 3.2

Previous advisory

Ramco [AGM](#) - 6 August 2015
Ramco [AGM](#) - 28 July 2014
Ramco [AGM](#) -20 July 2013

Price Performance



Period ended 25 February 2016

(c) - consolidated

Financial performance

Year ended 31-Mar	(Rs bn)		
	2013	2014	2015
Total Income	39.2	37.5	37.3
EBITDA	10.5	6.5	8.0
EBITDA Margin (%)	26.7	17.3	21.4
PBT	5.9	1.5	3.6
PBT Margin (%)	15.0	4.1	9.5
PAT	4.0	1.3	2.4
PAT Margin (%)	10.2	3.4	6.5
EPS (Rs.)	17.0	5.8	10.2
ROANW (%)	18.1	5.2	9.4
ROACE (%)	9.4	2.8	5.0
Debt/EBIDTA (x)	1.9	3.5	2.8

Source: Moneycontrol

Trend in Shareholding Pattern (%)

As on	Promoter ¹	FII	DII	Others
31-Dec-15	42.3	11.6	23.5	22.6
30-Sep-15	42.3	13.7	24.5	19.5
30-Jun-15	42.3	15.5	23.0	19.2
31-Mar-15	42.3	16.9	21.0	19.8
31-Dec-14	42.3	18.0	19.2	20.5
30-Sep-14	42.3	18.9	18.3	20.5
31-Mar-13	42.3	18.7	18.1	20.8
31-Mar-12	42.0	21.3	6.5	30.2
31-Mar-11	42.0	21.2	7.6	29.2

¹ Pledged Shares: 4.5%

Top Public Shareholders as on 31 December 2015

No.	Name of the Shareholder	Shares held (million)	Holding as % of total
1	The Governor - Government of Tamil Nadu	8.00	3.36
2	Amrit Petroleums Pvt Ltd	6.00	2.52
3	Reliance Capital Trustee Co. Ltd	5.54	2.33
4	Aberdeen Global Asian Smaller Co.	5.05	2.12
5	Aberdeen Global Emerging Market	4.66	1.96
6	Franklin Templeton Investments	4.29	1.80
7	The New India Assurance Company	3.70	1.55
8	The Oriental Insurance Company	3.48	1.46
9	Kotak Select Focus Fund	2.95	1.24
10	SBI Blue Chip Fund	2.51	1.05
	Total	46.17	19.39

Source: BSE

Category: Borrowings

#	Type	Description of resolution	IiAS Recommendation	Indicator See Legend
1	S	Approve private placement of secured non-convertible debentures of up to Rs.5 bn	FOR	

Discussion

In its AGM held in July 2014, shareholders had approved the borrowing limit of Rs.50 bn. In the August 2015 AGM, shareholders had approved issue of securities upto Rs.5 bn. Of this amount, the company has issued debentures worth Rs.3 bn at an interest rate of 8.55% per annum. The issuance of the remaining amount of Rs.2 bn is underway. The debentures are rated ICRA AA.

Ramco Cements proposes to borrow an additional Rs.5 bn (within the current borrowing limit of Rs. 50 bn) via secured non-convertible debentures, subordinated bonds or other debt instruments on a private placement basis. The company has mentioned that the funds raised would be used for prepayment / substitution of borrowings, for meeting capital expenditure and general corporate purposes.

Box 1: Regulation snapshot: Section 42 of Companies Act, 2013

"A company shall not make a private placement of its securities unless -

(a) the proposed offer of securities or invitation to subscribe securities has been previously approved by the shareholders of the company, by a Special Resolution, for each of the Offers or Invitations.

Provided further that in case of offer or invitation for non- convertible debentures, it shall be sufficient if the company passes a previous special resolution only once in a year for all the offers or invitation for such debentures during the year."

Table 1: Debt Ratios (borrowings and networth as on 31 March of the corresponding financial year)

Particulars	FY14		FY15	
	Standalone	Consolidated	Standalone	Consolidated
Total income	37.7	37.5	37.3	37.4
EBIDTA	6.5	6.3	8.0	8.0
PAT	1.4	1.1	2.4	2.5
Networth	24.8	24.6	26.5	26.3
Borrowings	29.1	29.1	27.1	27.3
Debt to Networth (x)	1.2	1.2	1.0	1.0
Debt to EBIDTA (x)	4.5	4.7	3.4	3.4

The company's credit protection measures are at moderate levels with outstanding borrowing (standalone) of Rs 27.1 bn as on 31 March 2015, which is 1.0x times the networth and 3.4x the EBIDTA. If the company raises additional debt of Rs. 5 bn, its credit protection measures would deteriorate from present levels but continue to remain at moderate levels.

The company's long term debt is rated ICRA AA denoting high degree of safety with respect to timely servicing of financial obligations. These instruments carry very low credit risk. The issuance of securities will be within the overall borrowing limit.

IiAS recommends voting **FOR** the resolution.

Legend

IiAS publishes voting recommendations on shareholder resolutions. These recommendations are non-binding in nature. Investors may have their own voting parameters which may, on aspects, differ from those of IiAS. On such occasions, investors should use these recommendations as a guiding tool.

The data and regulations reviewed while arriving at a recommendation are disclosed to the investors. This gives the investor clarity regarding the basis for our recommendations.

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Indicator	Meaning	Description	Common Examples
G	Governance Issue	This symbol is used for resolutions which indicate poor corporate governance practices or non-compliance with the regulatory provisions. Consequently, they are usually accompanied with an AGAINST recommendation. IiAS may also include measures/best practices which the company can adopt to improve its governance record.	Managerial remuneration, Auditor appointments
M	Minority shareholder impact	This symbol is used for resolutions which negatively affect the minority shareholders of the company. IiAS usually recommends voting AGAINST such resolutions as they benefit the controlling or a class of shareholders at the expense of others.	Preferential warrants, Differential rights
R	Moderate - High Risk	This symbol is used for operating decisions taken by the company management and IiAS will usually recommend voting FOR such resolutions. However, they carry an element of risk which may subsequently have a negative impact on the financials. Investors are therefore advised to review the risk factors highlighted by IiAS in its analysis before voting.	Any resolution
S	Strategic	Indicates a strategic decision of the company, the long term impact of which cannot be accurately ascertained at the time of proposal. These may be accompanied with a FOR or AGAINST recommendation based on a preliminary review of data provided to investors. IiAS recommendations on such strategic decisions are dependent primarily on short-term indicators like market reaction, analyst opinions, valuation impact, etc. Investors may choose to support a resolution in expectation of higher returns.	Mergers, Amalgamations, Hive-offs, Entering new lines of business
T	Transparency Issue	Indicates lack of adequate information. Even though IiAS provides both FOR and AGAINST recommendations on such resolutions (based on available data), investors are advised to seek further clarifications from the company. Investors should take into account any additional information received from the company before voting.	Any resolution
V	Valuation	Refers to a valuation impact on the company's financials. These resolutions are likely to impact the company's margins and long term profitability. IiAS typically will recommend voting AGAINST such a resolution. Investors are advised to critically review the company's proposal in such cases. However, they may choose to support a resolution in expectation of higher returns.	Increase in borrowings. Related party transactions, Excessive dilution

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