

## RESULT UPDATE

### MID CAP

#### Share Data

Reuters code	TRCE.BO
Bloomberg code	TRCLIN
Market cap. (US\$ mn)	1,738
6M avg. daily turnover (US\$ mn)	1.6
Issued shares (mn)	238
Target price (Rs)	559

#### Performance (%) 1M 3M 12M

Absolute	5	33	67
Relative	7	25	84

#### Valuation Ratios

Yr to 31 Mar	FY17E	FY18E
EPS (Rs)	25.6	31.8
+/- (%)	18.5	24.1
PER (x)	19.2	15.5
PBV (x)	3.4	2.8
Dividend/Yield (%)	0.9	0.9
EV/Sales (x)	3.3	2.7
EV/EBITDA (x)	10.4	8.4

#### Major shareholders (%)

Promoters	42
GOI	3
FII's	12
MF's	20
BFSI's	3
Public & Others	20

#### Financial highlights

(Rs mn)	3QFY16	4QFY16	4QFY15	QoQ (%)	YoY (%)	FY15	FY16	YoY (%)	FY17E	YoY (%)	FY18E	YoY (%)
Net sales	8,119	9,788	9,614	20.6	1.8	36,449	35,872	(1.6)	39,950	11.4	45,802	14.6
EBITDA	2,537	3,454	2,743	36.2	25.9	7,727	11,414	47.7	12,558	10.0	14,597	16.2
EBITDA margin (%)	30.9	34.0	27.5			21.2	31.8		31.4		31.9	
Other income	18	28	21	52.2	35.3	274	89	(67.5)	318	256.6	318	0.2
Interest	418	444	473	6.3	(6.1)	1,938	1,802	(7.0)	1,359	(24.6)	869	(36.1)
Depreciation	679	652	622	(4.0)	4.9	2,499	2,670	6.9	2,670	(0.0)	2,655	(0.6)
PBT	1,458	2,386	1,669	63.7	42.9	3,564	7,030	97.2	8,847	25.8	11,392	28.8
Tax	280	342	735	22.2	(53.4)	1,141	1,448	26.9	2,743	89.4	3,816	39.1
Reported PAT	1,177	2,043	934	73.5	118.7	2,424	5,583	130.4	6,105	9.4	7,575	24.1
Adjusted PAT	1,059	1,868	934	76.4	99.9	2,424	5,152	112.6	6,105	18.5	7,575	24.1
Adjusted EPS (RS)	4.4	7.8	3.9	76.4	99.9	10.2	21.6	112.6	25.6	18.5	31.8	24.1

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Price: Rs 493

BSE Index: 25,302

20 May 2016

### 4QFY16 Result – Another impressive quarter!!

**TRCL reported another impressive quarter with healthy operating performance and reduction in borrowing. EBITDA at ~Rs 3.5 bn (up 25.9% YoY, 36.2% QoQ) was ~7% above our estimates primarily driven by sharp reduction in operating cost. Sales volume has shown trend reversal with growth of ~11% YoY to 2.09 mt after seven consecutive quarter of de-growth. TRCL continued to report improvement in its cost structure with ~16.8% YoY decline in total operating cost at Rs 3,211/tonne. Further, reduced the debt by Rs 5 bn during FY16 and Rs 1.5 bn till date in FY17.**

Net sales came in at ~Rs 9.8 bn (up 1.8% YoY, 20.6% QoQ) was ~6% below our estimates primarily due to lower realisation. Blended realisation has fallen by 8.6% YoY at Rs 4,695/tonne was ~5% below our estimates. But sharp fall in realisation offset by decline in all major cost components.

Total blended operating cost at Rs 3,211/tonne (down 16.8%/8.3% YoY/QoQ) was ~6% below our estimates. Power & fuel/freight/raw material costs were down by ~29%/16%/13% YoY, respectively.

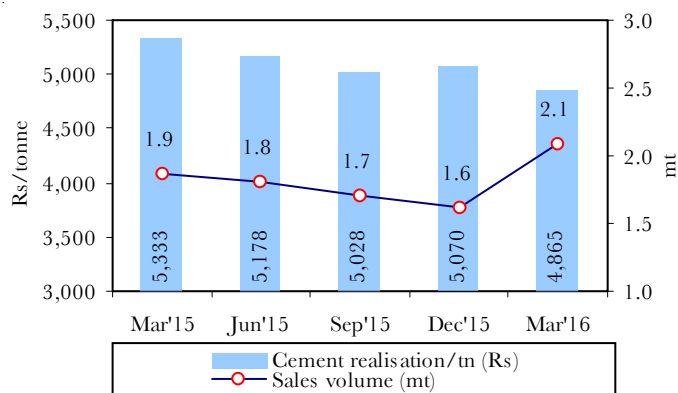
Blended EBITDA/tonne (excluding other operating income) at Rs 1,484 was in line with our estimates and EBITDA margin has reached to ~34% (improvement of 650 bps YoY).

Reported net profit at Rs 2.04 bn was ~47% above our estimates primarily led by improved operating performance, higher other operating income and lower tax provisioning. Other operating income of Rs 361 mn (includes Rs 175.3 mn of proceeds from sale of equity investments) and effective tax rate was 14.4% (against 24% for 9MFY16).

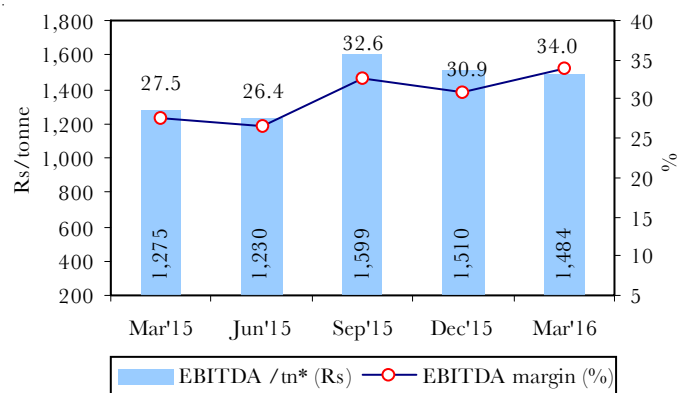
**Outlook and valuation:** TRCL has continued to report impressive performance coupled with de-leveraging of balance sheet over the last one year. We believe momentum would be maintained given trend reversal in volume growth (de-growth to growth), possibility of further improvement in cost structure factoring positive operating leverage and reduction in finance

cost (reducing debt and lower interest rate). Hence, we maintain our Buy rating on the stock with revised target price of Rs 559 (led by revision in target multiple to 9.5x of EV/EBITDA from 8.5x). At our target price, TRCL will trade at an EV/tonne of US\$ 133 closure to replacement cost.

### Realisation and sales volume trend



### Operating performance trend



Source: Company, B&K Research. \*Excluding other operating income.

### Operating cost trend

Cost/tonne (Rs)	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	QoQ (%)	YoY (%)
Raw material cost	881	1,009	654	863	766	(11.2)	(13.1)
Employee cost	322	342	398	394	313	(20.4)	(2.7)
Power & fuel cost	875	804	794	712	624	(12.3)	(28.6)
Freight cost	1,055	1,010	909	911	891	(2.2)	(15.6)
Other expenses	728	693	754	623	617	(1.0)	(15.2)
<b>Total operating cost</b>	<b>3,861</b>	<b>3,859</b>	<b>3,509</b>	<b>3,502</b>	<b>3,211</b>	<b>(8.3)</b>	<b>(16.8)</b>

Source: Company, B&K Research

### Segment-wise performance

(Rs mn)	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	QoQ (%)	YoY (%)
Cement	9,984	9,388	8,603	8,213	10,144	23.5	1.6
Windmill	27	138	354	37	47	27.4	76.7
Less: Inter-segment	39	17	42	41	43	4.9	7.9
<b>Total Net sales</b>	<b>9,971</b>	<b>9,509</b>	<b>8,915</b>	<b>8,209</b>	<b>10,149</b>	<b>23.6</b>	<b>1.8</b>
Cement	2,425	2,032	2,374	2,275	2,952	29.7	21.8
Windmill	(103)	19	234	(83)	(67)	-	-
<b>EBIT</b>	<b>2,322</b>	<b>2,051</b>	<b>2,609</b>	<b>2,192</b>	<b>2,885</b>	<b>31.6</b>	<b>24.3</b>
Interest	473	488	453	418	444	6.3	(6.1)
Unallocable (Net)	180	187	345	316	56	(82.4)	(69.0)
<b>PBT</b>	<b>1,669</b>	<b>1,377</b>	<b>1,811</b>	<b>1,458</b>	<b>2,386</b>	<b>63.7</b>	<b>42.9</b>

## Income Statement

Period end (Rs mn)	Mar 15	Mar 16	Mar 17E	Mar 18E
<b>Net sales</b>	<b>36,449</b>	<b>35,872</b>	<b>39,950</b>	<b>45,802</b>
Growth (%)	(1.0)	(1.6)	11.4	14.6
Operating expenses	(29,317)	(25,368)	(28,028)	(31,714)
<b>Operating profit</b>	<b>7,132</b>	<b>10,504</b>	<b>11,922</b>	<b>14,088</b>
Other operating income	594	910	637	509
<b>EBITDA</b>	<b>7,727</b>	<b>11,414</b>	<b>12,558</b>	<b>14,597</b>
Growth (%)	29.0	47.7	10.0	16.2
Depreciation	(2,499)	(2,670)	(2,670)	(2,655)
Other income	274	89	318	318
<b>EBIT</b>	<b>5,502</b>	<b>8,833</b>	<b>10,206</b>	<b>12,260</b>
Finance cost	(1,938)	(1,802)	(1,359)	(869)
Profit before tax	3,564	7,030	8,847	11,392
Tax (current + deferred)	(1,141)	(1,448)	(2,743)	(3,816)
Profit / (Loss) for the period	2,424	5,583	6,105	7,575
Reported Profit / (Loss)	2,424	5,583	6,105	7,575
<b>Adjusted net profit</b>	<b>2,424</b>	<b>5,152</b>	<b>6,105</b>	<b>7,575</b>
Growth (%)	76.0	112.6	18.5	24.1

## Balance Sheet

Period end (Rs mn)	Mar 15	Mar 16P	Mar 17E	Mar 18E
Share capital	238	238	238	238
Reserves & surplus	26,214	30,688	34,199	42,120
<b>Shareholders' funds</b>	<b>26,452</b>	<b>30,926</b>	<b>34,437</b>	<b>42,358</b>
<b>Non-current liabilities</b>	<b>29,819</b>	<b>24,482</b>	<b>22,879</b>	<b>18,949</b>
Long-term borrowings	17,100	10,586	9,821	6,431
Other non-current liabilities	12,719	13,896	13,059	12,518
<b>Current liabilities</b>	<b>14,432</b>	<b>14,844</b>	<b>14,562</b>	<b>14,126</b>
ST borrowings, Curr maturity	10,019	11,470	5,736	5,087
Other current liabilities	4,413	3,374	8,826	9,039
<b>Total (Equity and Liab.)</b>	<b>70,702</b>	<b>70,252</b>	<b>71,878</b>	<b>75,433</b>
<b>Non-current assets</b>	<b>58,706</b>	<b>57,231</b>	<b>56,321</b>	<b>56,141</b>
Fixed assets (Net block)	51,382	50,517	48,296	47,740
Non-current Investments	3,558	3,654	3,679	3,704
Long-term loans and adv.	3,745	3,024	4,310	4,660
Other non-current assets	21	36	36	36
<b>Current assets</b>	<b>11,997</b>	<b>13,021</b>	<b>15,557</b>	<b>19,291</b>
Cash & current investment	619	908	2,520	5,997
Other current assets	11,378	12,113	13,037	13,294
<b>Total (Assets)</b>	<b>70,703</b>	<b>70,252</b>	<b>71,878</b>	<b>75,432</b>
Total debt	27,119	22,056	15,557	11,518
Capital employed	66,289	66,878	63,052	66,394

## Cash Flow Statement

Period end (Rs mn)	Mar 15	Mar 16P	Mar 17E	Mar 18E
Profit before tax	3,564	7,030	8,847	11,392
Depreciation	2,499	2,670	2,670	2,655
Change in working capital	980	(220)	1,579	(1,174)
Total tax paid	182	(1,947)	(250)	(2,993)
Others	1,938	1,802	1,359	869
<b>Cash flow from oper. (a)</b>	<b>9,164</b>	<b>9,336</b>	<b>14,205</b>	<b>10,749</b>
Capital expenditure	(3,729)	(1,685)	(1,719)	(2,450)
Change in investments	(724)	(95)	(25)	(25)
Others	(4)	(16)	0	0
<b>Cash flow from inv. (b)</b>	<b>(4,458)</b>	<b>(1,796)</b>	<b>(1,744)</b>	<b>(2,475)</b>
<b>Free cash flow (a+b)</b>	<b>4,706</b>	<b>7,540</b>	<b>12,461</b>	<b>8,274</b>
Debt raised/(repaid)	(2,169)	(5,063)	(6,499)	(4,039)
Dividend (incl. tax)	(279)	(1,266)	(696)	(1,253)
Others	(2,086)	(921)	(3,653)	496
<b>Cash flow from fin. (c)</b>	<b>(4,534)</b>	<b>(7,250)</b>	<b>(10,849)</b>	<b>(4,796)</b>
<b>Net chg. in cash (a+b+c)</b>	<b>172</b>	<b>290</b>	<b>1,613</b>	<b>3,478</b>

## Key Ratios

Period end (%)	Mar 15	Mar 16P	Mar 17E	Mar 18E
Adjusted EPS (Rs)	10.2	21.6	25.6	31.8
Growth	76.0	112.6	18.5	24.1
CEPS (Rs)	20.7	32.9	36.9	43.0
Book NAV/share (Rs)	111.1	129.9	144.7	178.0
Dividend/share (Rs)	1.5	3.0	4.5	4.5
Dividend payout ratio	17.8	15.0	20.5	16.5
EBITDA margin	21.2	31.8	31.4	31.9
EBIT margin	15.1	24.6	25.5	26.8
Tax rate	32.0	26.7	31.0	33.5
RoCE	8.3	13.3	15.7	18.9
Total debt/Equity (x)	1.0	0.7	0.5	0.3
Net debt/Equity (x)	1.0	0.7	0.4	0.1
<b>Du Pont Analysis - ROE</b>				
Net margin	6.6	14.4	15.3	16.5
Asset turnover (x)	0.5	0.5	0.6	0.6
Leverage factor (x)	2.7	2.5	2.2	1.9
Return on equity	9.5	18.0	18.7	19.7

## Valuations

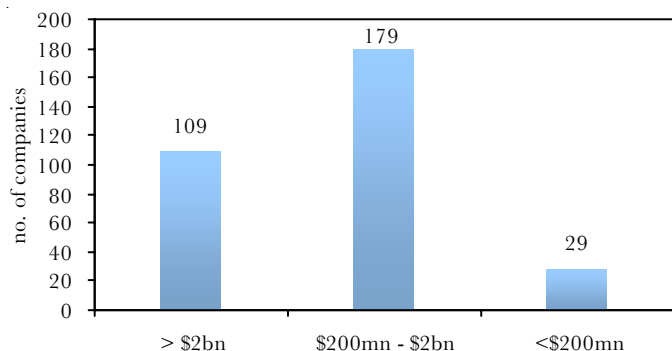
Period end (x)	Mar 15	Mar 16P	Mar 17E	Mar 18E
PER	30.0	18.5	19.2	15.5
PCE	14.8	12.2	13.4	11.5
Price/Book	2.7	3.1	3.4	2.8
Yield (%)	0.5	0.8	0.9	0.9
EV/EBITDA	12.8	10.2	10.4	8.4

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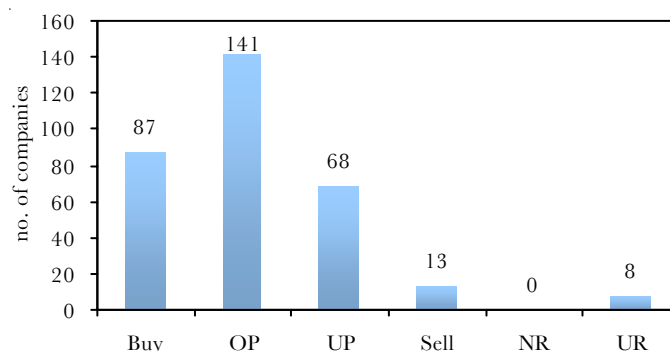
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## B&K Universe Profile

### By Market Cap (US\$ mn)



### By Recommendation



**B&K Securities is the trading name of Batlivala & Karani Securities India Pvt. Ltd.**

### B&K Investment Ratings.

	<b>LARGE CAP</b> (Market Cap > USD 2 bn)	<b>MID CAP</b> (Market Cap of USD 200 mn to USD 2 bn)	<b>SMALL CAP</b> (Market Cap <USD 200 mn)
<b>BUY</b>	>+20% (absolute returns)	>+25% (absolute returns)	>+30% (absolute returns)
<b>OUTPERFORMER</b>	+10% to +20%	+15% to +25%	+20% to +30%
<b>UNDERPERFORMER</b>	+10% to -10%	+15% to -15%	+20% to -20%
<b>SELL</b>	<-10% (absolute returns)	<-15% (absolute returns)	<-20% (absolute returns)

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