

## RESULT UPDATE

### LARGE CAP

#### Share Data

Reuters code	TRCE.BO
Bloomberg code	TRCL IN
Market cap. (US\$ mn)	2,545
6M avg. daily turnover (US\$ mn)	2.4
Issued shares (mn)	238
Target price (Rs)	827

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

Absolute	1	5	39
Relative	(3)	(3)	19

#### Valuation Ratios

Yr to 31 Mar	FY18E	FY19E
EPS (Rs)	31.5	41.3
+/- (%)	15.6	30.9
PER (x)	21.9	16.7
PBV (x)	3.8	3.2
Dividend/Yield (%)	0.6	0.7
EV/Sales (x)	3.9	3.2
EV/EBITDA (x)	12.8	10.1

#### Major Shareholders (%)

Promoters	42
GOI	3
FII's	15
MF's	16
BFSI's	3
Public & Others	21

#### Financial highlights

(Rs mn)	3QFY17	4QFY17	4QFY16	QoQ (%)	YoY (%)	FY16	FY17	YoY (%)	FY18E	YoY (%)	FY19E	YoY (%)
Net sales	9,308	10,132	9,616	8.9	5.4	35,073	38,568	10.0	43,909	13.9	52,346	19.2
EBITDA	2,748	2,525	3,131	(8.1)	(19.3)	10,716	11,764	9.8	13,392	13.8	16,704	24.7
EBITDA margin (%)	29.1	24.6	32.5	-	-	30.6	30.5	-	30.5	-	31.9	-
Other income	215	58	383	(73.2)	(84.9)	884	428	(51.6)	306	(28.4)	502	63.8
Interest	261	201	450	(23.0)	(55.3)	1,819	1,035	(43.1)	790	(23.7)	404	(48.8)
Depreciation	661	664	1,031	0.4	(35.6)	3,048	2,655	(12.9)	2,763	4.1	2,766	0.1
PBT	2,040	1,718	2,033	(15.8)	(15.5)	6,734	8,502	26.3	10,145	19.3	14,036	38.3
Tax	522	373	209	(28.5)	78.8	1,312	2,009	53.1	2,638	31.3	4,211	59.6
Reported PAT	1,519	1,345	1,824	(11.5)	(26.3)	5,422	6,493	19.8	7,507	15.6	9,825	30.9
Adjusted PAT	1,519	1,345	1,824	(11.5)	(26.3)	4,991	6,493	30.1	7,507	15.6	9,825	30.9
Adjusted EPS (Rs)	6.4	5.6	7.7	(11.5)	(26.3)	21.0	27.3	30.1	31.5	15.6	41.3	30.9

## The Ramco Cements

Maintain BUY

Price: Rs 691

BSE Index: 31,159

31 May 2017

### 4QFY17 Result – Well positioned for cyclical upturn!!!

**The Ramco Cements (TRCL) results were better than expected at topline but marginally below our estimates at operating level. Buoyed by strong volume growth (+10% YoY), net sales at ~Rs 10.1 bn (+5% YoY, +9% QoQ) was ~4% above our estimates. However, EBITDA at Rs 2.5 bn (-19% YoY, -8% QoQ) and EBITDA/tonne at Rs 1,052 (-30% YoY, -20% QoQ) were ~10%/7% below our estimates owing to subdued realisation and cost inflation. Consequently, reported PAT came in at Rs 1.3 bn (-26%YoY, -12% QoQ) was ~3% below our estimates.**

Cement sales volume at 2.28 mt (+10% YoY, +15% QoQ) was ~5% above our estimates primarily led by increasing penetration to eastern markets (primarily in Orissa and West Bengal). However, realisation at Rs 4,450/tonne (-4% YoY, -5% QoQ) was ~1% below our estimates due to subdued prices in southern region during 4QFY17.

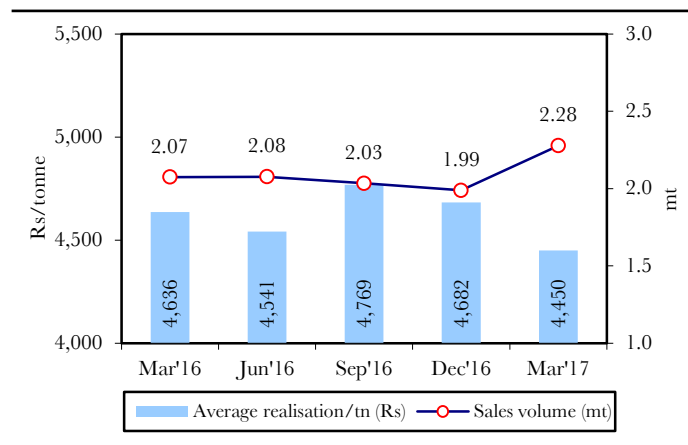
Operating cost on per tonne basis at Rs 3,398 (+8% YoY, +1% QoQ) was ~1% above our estimates primarily due to higher raw material cost and other expenses. Raw material cost at Rs 862/tonne (+16% YoY, +4% QoQ) was ~7% above our estimates due to higher inter-unit freight, whereas other expenses at Rs 722/tonne (+27% YoY, +12% QoQ) were ~10% above our estimates due to higher advertisement and sales promotion expenses coupled with impairment of assets. Consequently, EBITDA/tonne at Rs 1,052 (-30% YoY, -20% QoQ) was ~7% below our estimates.

**The company has repaid ~Rs 6.9 bn in FY17 and finance cost has declined by 115 bps, leading to declining trend in finance cost. Finance cost declined further during the quarter by ~55% YoY (-23% QoQ) to Rs 201 mn (~17% below our estimates).**

**Outlook and valuation:** Over the period of last two years, TRCL has outperformed industry in terms of superior profitability and significant improvement in balance sheet. Going forward, we expect the company is well placed with surplus capacity to tap the robust demand growth potential in its core market coupled with changing geographical mix. Further, recent sharp increase in cement prices during the month of April is expected

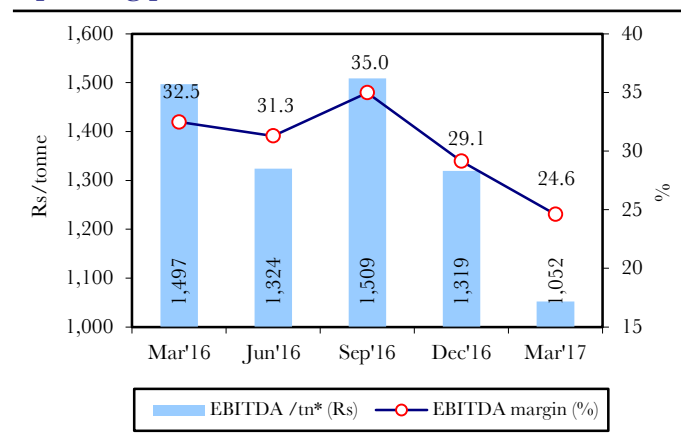
to sustain at higher level given cost inflation and growth potential. Therefore, given strong volume growth, steady realisations at higher level and deleveraging balance sheet, we believe TRCL is well set to report robust profitability on sustainable basis. Hence, we reiterate our Buy rating on the stock with a target price of Rs 827. Currently, the stock is trading at an EV/EBITDA of 10.1x and EV/tonne of US\$ 162 on FY19E.

### Realisation and sales volume trend



Source: Company, B&K Research

### Operating performance trend



\*Excluding other operating income

### Operating cost trend

Cost/tonne (Rs)	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17	QoQ (%)	YoY (%)
Raw material cost	743	807	777	830	862	3.9	15.9
Employee cost	304	340	344	351	295	(15.8)	(2.9)
Power & fuel cost	628	623	591	645	617	(4.4)	(1.6)
Freight cost	896	853	879	891	901	1.2	0.6
Other expenses	569	594	669	645	722	11.9	27.0
<b>Total operating cost</b>	<b>3,139</b>	<b>3,217</b>	<b>3,260</b>	<b>3,362</b>	<b>3,398</b>	<b>1.1</b>	<b>8.2</b>

Source: Company, B&K Research

## Income Statement

Period end (Rs mn)	Mar 16	Mar 17P	Mar 18E	Mar 19E
<b>Net sales</b>	<b>35,073</b>	<b>38,568</b>	<b>43,909</b>	<b>52,346</b>
Growth (%)	(0.9)	10.0	13.9	19.2
Operating expenses	(25,017)	(27,731)	(31,646)	(36,818)
<b>Operating profit</b>	<b>10,056</b>	<b>10,836</b>	<b>12,263</b>	<b>15,528</b>
Other operating income	660	928	1,128	1,176
<b>EBITDA</b>	<b>10,716</b>	<b>11,764</b>	<b>13,392</b>	<b>16,704</b>
Growth (%)	38.7	9.8	13.8	24.7
Depreciation	(3,048)	(2,655)	(2,763)	(2,766)
Other income	884	428	306	502
<b>EBIT</b>	<b>8,552</b>	<b>9,537</b>	<b>10,935</b>	<b>14,440</b>
Finance cost	(1,819)	(1,035)	(790)	(404)
Profit before tax	6,734	8,502	10,145	14,036
Tax (current + deferred)	(1,312)	(2,009)	(2,638)	(4,211)
Profit/(Loss) for the period	5,422	6,493	7,507	9,825
Reported Profit/(Loss)	5,422	6,493	7,507	9,825
Adjusted net profit	4,991	6,493	7,507	9,825
Growth (%)	105.9	30.1	15.6	30.9

## Balance Sheet

Period end (Rs mn)	Mar 16	Mar 17P	Mar 18E	Mar 19E
Share capital	238	238	238	238
Reserves & surplus	30,697	37,177	43,538	51,930
<b>Shareholders' funds</b>	<b>30,935</b>	<b>37,415</b>	<b>43,776</b>	<b>52,168</b>
<b>Non-current liabilities</b>	<b>17,720</b>	<b>12,469</b>	<b>12,336</b>	<b>10,935</b>
Long-term borrowings	10,471	5,036	4,372	2,942
Other non-current liabilities	7,249	7,432	7,964	7,993
<b>Current liabilities</b>	<b>20,287</b>	<b>20,205</b>	<b>17,136</b>	<b>17,240</b>
ST borrowings, Curr maturity	10,759	9,212	5,727	4,142
Other current liabilities	9,528	10,994	11,409	13,098
<b>Total (Equity and Liab.)</b>	<b>68,942</b>	<b>70,089</b>	<b>73,248</b>	<b>80,343</b>
<b>Non-current assets</b>	<b>55,617</b>	<b>55,903</b>	<b>55,193</b>	<b>59,178</b>
Fixed assets (Net block)	52,754	53,033	52,276	56,210
Non-current Investments	1,442	1,483	1,483	1,483
Long-term loans and advances	454	463	509	560
Other non-current assets	968	924	924	924
<b>Current assets</b>	<b>13,325</b>	<b>14,186</b>	<b>18,056</b>	<b>21,166</b>
Cash & current investment	908	1,181	2,985	3,649
Other current assets	12,417	13,005	15,071	17,517
<b>Total (Assets)</b>	<b>68,942</b>	<b>70,089</b>	<b>73,248</b>	<b>80,343</b>
Total debt	21,230	14,248	10,099	7,084
Capital employed	59,414	59,096	61,839	67,245

## Cash Flow Statement

Period end (Rs mn)	Mar 16	Mar 17P	Mar 18E	Mar 19E
Profit before tax	6,734	8,502	10,145	14,036
Depreciation	3,048	2,655	2,763	2,766
Change in working capital	7,399	888	(1,214)	(830)
Total tax paid	(2,746)	(1,882)	(2,638)	(4,211)
Others	1,819	1,035	790	404
<b>Cash flow from oper. (a)</b>	<b>16,253</b>	<b>11,197</b>	<b>9,846</b>	<b>12,166</b>
Capital expenditure	(4,317)	(2,934)	(2,006)	(6,700)
Change in investments	2,117	(42)	0	0
Others	(947)	44	0	0
<b>Cash flow from inv. (b)</b>	<b>(3,148)</b>	<b>(2,932)</b>	<b>(2,006)</b>	<b>(6,700)</b>
<b>Free cash flow (a+b)</b>	<b>13,105</b>	<b>8,265</b>	<b>7,840</b>	<b>5,466</b>
Debt raised/(repaid)	(5,889)	(6,982)	(4,149)	(3,015)
Dividend (incl. tax)	(1,291)	(714)	(1,146)	(1,433)
Others	(5,637)	(296)	(740)	(354)
<b>Cash flow from fin. (c)</b>	<b>(12,816)</b>	<b>(7,992)</b>	<b>(6,035)</b>	<b>(4,802)</b>
<b>Net chg. in cash (a+b+c)</b>	<b>289</b>	<b>273</b>	<b>1,804</b>	<b>663</b>

## Key ratios

Period end (%)	Mar 16	Mar 17P	Mar 18E	Mar 19E
Adjusted EPS (Rs)	21.0	27.3	31.5	41.3
Growth	105.9	30.1	15.6	30.9
CEPS (Rs)	33.8	38.4	43.1	52.9
Book NAV/share (Rs)	129.9	157.1	183.9	219.1
Dividend/share (Rs)	3.0	3.0	4.0	5.0
Dividend payout ratio	15.9	11.0	15.3	14.6
EBITDA margin	30.6	30.5	30.5	31.9
EBIT margin	24.4	24.7	24.9	27.6
Tax rate	25.9	23.6	26.0	30.0
RoCE	13.7	16.1	18.1	22.4
Total debt/Equity (x)	0.7	0.4	0.2	0.1
Net debt/Equity (x)	0.7	0.3	0.2	0.1
<b>Du Pont Analysis - ROE</b>				
Net margin	14.2	16.8	17.1	18.8
Asset turnover (x)	0.5	0.6	0.6	0.7
Leverage factor (x)	2.4	2.0	1.8	1.6
Return on equity	17.4	19.0	18.5	20.5

## Valuations

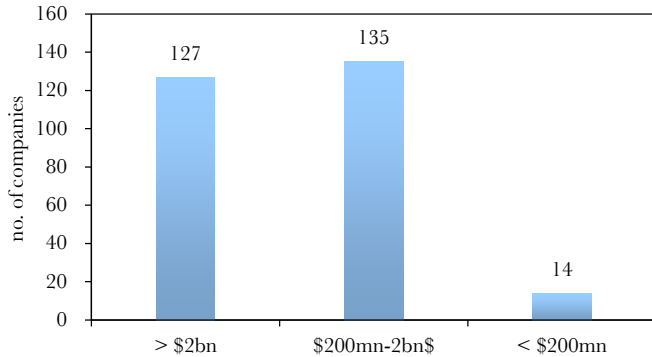
Period end (x)	Mar 16	Mar 17P	Mar 18E	Mar 19E
PER	19.1	24.7	21.9	16.7
PCE	11.8	17.5	16.0	13.1
Price/Book	3.1	4.3	3.8	3.2
Yield (%)	0.8	0.4	0.6	0.7
EV/EBITDA	10.8	14.7	12.8	10.1

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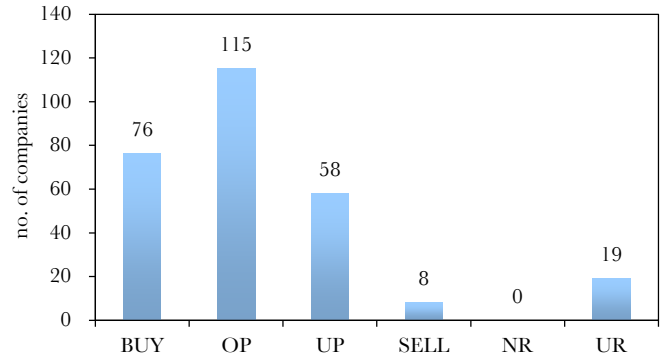
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## B&K Universe Profile

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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