

Ramco Cements - Capex nearing completion; to start deleveraging - ICI Securities

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The Ramco Cements' (TRCL) Q3FY21 EBITDA increased 96% YoY to Rs4bn, broadly in-line with estimates. Realisation declined higher at 8% QoQ (vs our estimate of 6.4% QoQ decline) offset by lower cost/te. Volumes declined 8% YoY to 2.61mnte. Accordingly, cement EBITDA/te more than doubled YoY to Rs1,508/te (I-Sec: Rs1,453/te). TRCL's capacity addition by 40% would complete over next six months and company would start deleveraging from FY22E. The expansions would drive market share gain and provide enough levers to contain cost escalations, in our view. We maintain our FY22E-FY23E EBITDA; although raise our target price to Rs1,050/sh (earlier: Rs960) based on 13x FY23E EV/E on half-yearly rollover. Maintain BUY. Key risk: lower than expected demand/ prices.

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- Revenue increased 5% YoY to Rs13.3bn: Volumes declined 8% YoY to 2.61mnte (83% capacity utilisation) due to extended and above-normal monsoon in South; while it continues to witness strong growth in East markets. Management expects government focus on infra and housing segments would boost demand in coming years. Cement realisation declined 8% QoQ (still higher by sharp 13% YoY) to Rs5,068/te owing to lower volumes in company's core markets and higher growth in East. Trade sales stood at 90% with ~80% blended cement.

- Cement EBITDA/te doubled YoY to industry leading Rs1,508/te (I-Sec: Rs1,453/te). Cost/te declined 5% YoY to Rs3,561/te. Raw material plus power & fuel cost/te declined 6% YoY (increased 6% QoQ) owing to usage of low cost fuel inventory at US\$80. TRCL has sufficient low cost petcoke/ coal inventory till May'21. TRCL used 65% petcoke and 35% coal in Q3FY21 against 85% petcoke usage in FY20. Freight cost/te increased 1% YoY/ 3% QoQ on higher diesel prices and increased lead distance (350kms). Other expenses declined by 25% YoY owing to higher ad spends and premium products launch expenses in base quarter.

- TRCL incurred capex of ~Rs28bn (out of planned Rs33bn) till Dec'20-end. Additionally, maintenance capex would be at Rs1-1.2bn p.a. TRCL expects to commission 1.5mnte clinkerisation unit along with 9MW WHRS in



cement grinding facility, 12MW of WHRS and 18MW of TPP in Kurnool are expected to commission in FY22. Company expects to grow ahead of markets backed by 40% capacity expansion from H2FY22E.

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- Cost savings of Rs100/te to accrue from FY22E: New GUs are likely to provide logistics cost advantage of Rs200-300/te (Rs30-40/te at company level) while commissioning of 39MW WHRS will help reduce power costs. Overall, management estimates cost savings of Rs1.3bn (~Rs100/te) from FY22E. Net debt stood at Rs30bn as of Dec'20 and deleveraging of balance sheet may happen from H2FY22.

Shares of The Ramco Cements Limited was last trading in BSE at Rs.860.5 as compared to the previous close of Rs. 878.2. The total number of shares traded during the day was 228739 in over 5617 trades.

The stock hit an intraday high of Rs. 895 and intraday low of 851.85. The net turnover during the day was Rs. 198957813.

Source: **Equity Bulls**

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