

Industry	Building Materials
Bloomberg	TRCL IN
BSE CODE	500260

## Profitability led by volumes and cost saving initiatives

RATING	ACCUMULATE
CMP	776
Price Target	855
Potential Upside	10%

Rating Change	↔
Estimate Change	↔
Target Change	↔

### Stock Info

52wk Range H/L	853/698
Mkt Capital (Rs Cr)	18270
Free float (%)	57%
Avg. Vol 1M (,000)	13
No. of Shares (Cr)	24
Promoters Pledged %	43%

### Research Analyst

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### 2QFY20 Result Update

- ❑ In 2QFY20, RAMCOCEM volumes increased by 10.3% YoY to 2.72 MT (vs. expect. of 2.47 MT) despite extended monsoon, slowdown in infrastructure activities and floods in some southern states where company has significant exposure.
- ❑ The Company's revenue remained in line with our expectation at Rs. 1317 cr. (vs. expect. of Rs. 1290 cr.) with sales growth of 11.2% YoY driven by volumes and higher exports. However, realization remained impacted due to lower cement prices in South India.
- ❑ The Company has launched various premium product variant like SUPERCRETE in Tamilnadu, Kerala, Karnataka and Andhra Pradesh markets and have received positive response. Thus will continue focusing on Premiumization.
- ❑ The Company's Gross margin improved by 50 bps to 84.8% YoY led by benign raw material prices while EBITDA margin improved by 154 bps to 22.4% YoY largely on account of company's cost reduction initiatives in supply chain.
- ❑ The Company's PAT remained better than expectation at Rs. 168 cr. with PAT growth of 46.9% YoY and PAT margin at 12.8 % YoY.
- ❑ The Company has commenced cement grinding unit-2 in Kolaghat, West Bengal in 26-Sep-19 and increased from 1 MTPA to 2 MTPA. Thus, the completion of remaining ongoing capacity is delayed due to extended monsoon.

### View and valuation:

In 2QFY20, RAMCOCEM has posted volume driven growth despite extended monsoon with sales growth of 11.2% YoY to Rs.1317 cr. However, QoQ realization growth remained impacted due to lower cement prices. On Margin front, benign RM prices, supply chain efficiency and cost saving measures supported margin expansion. Going forward, we expect new capacity addition, new products in premium portfolio, higher exports, stabilization in cement demand & prices will drive volumes and value; while management continuous focus on cost saving measures and supply chain enhancement will ensure margin expansion. Thus, after considering positive volumes despite prevailing macroeconomic scenario company continued to perform well. On pricing front, cement prices in south India is expected to stabilize in coming quarter led by demand and post rehabilitation work in various parts of flood affected region in South. Hence, considering above statements we continue to remain positive on stock with estimates unchanged and maintain ACCUMULATE rating.

**We continue to value the stock at 14x FY21e EV/EBITDA with target price of Rs. 855/share.**

### Key Risks to our rating and target

- ❑ Further decline in the cement prices in Southern states
- ❑ Increase in price of fuel prices

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	3950	4406	5146	5911	6681
EBITDA	1195	1099	1037	1343	1522
EBIT	910	807	738	1046	1127
PAT	649	556	506	715	825
EPS (Rs)	27	24	21	30	35
EPS growth (%)	20%	-14%	-9%	41%	15%
ROE (%)	17%	14%	11%	14%	14%
ROCE (%)	15%	12%	9%	11%	12%
EV/EBITDA	15	17	18	15	13
P/B (X)	4.5	4.3	3.8	3.6	3.1
P/E (x)	25.6	31.1	33.7	25.6	22.1

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## 2QFY20 Results

### Mixed numbers

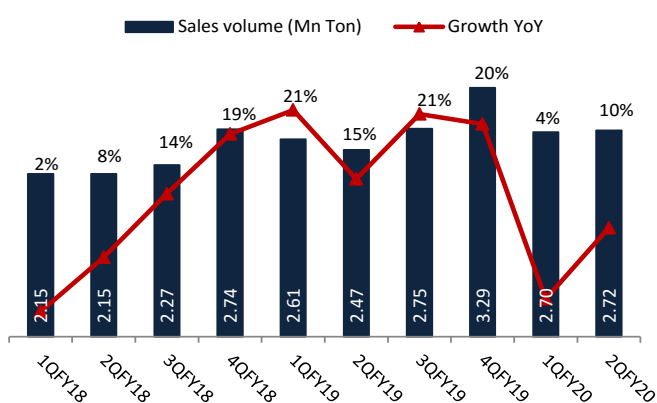
Financials	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	1184	1210	1532	1384	1317	11.2%	-4.9%	4406	5146	16.8%
Other Income	6	7	11	8	9	56.0%	13.0%	37	28	-22%
COGS	185	200	280	201	200	7.7%	-0.6%	751	847	12.8%
Gross Margin	84%	83%	82%	85%	85%	0.5%	-0.7%	83%	84%	0.6%
Employee Cost	84	81	82	88	99	17.6%	11.7%	304	329	8.4%
Other Expenses	161	165	205	188	182	13.2%	-3.3%	595	688	16%
EBITDA	247	214	325	359	295	19.4%	-17.8%	1099	1037	-5.7%
EBITDA%	21%	18%	21%	26%	22%	1.5%	-3.5%	25%	20%	-4.8%
Depreciation	73	76	77	76	77	5.1%	1.0%	292	299	2.2%
EBIT	174	138	248	284	219	25.4%	-22.9%	807	738	-8.6%
Interest	13	13	13	14	15	12%	8.9%	59	51	-14%
PBT	167	131	247	278	213	27.5%	-23.4%	785	716	-8.8%
Exceptional	-	-	-	-	-	-	-	-	-	-
Tax	53	30	81	86	45	-14.5%	-47.8%	229	210	-8.4%
PAT	114	101	165	192	168	46.9%	-12.4%	556	506	-9.0%
PAT Margin	10%	8%	11%	14%	13%	3.1%	-1.1%	13%	10%	-2.8%

### MATRIX:

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ %
Total sales (Rs. in cr.)	1,255	1,220	1,184	1,210	1,532	1,384	1,317	11%	-5%
Cement Vol (Mn Ton)	2.7	2.6	2.5	2.7	3.3	2.7	2.7	10%	1%
Realization.(Rs./Ton)	4,579	4,674	4,792	4,406	4,658	5,120	4,834	1%	-6%

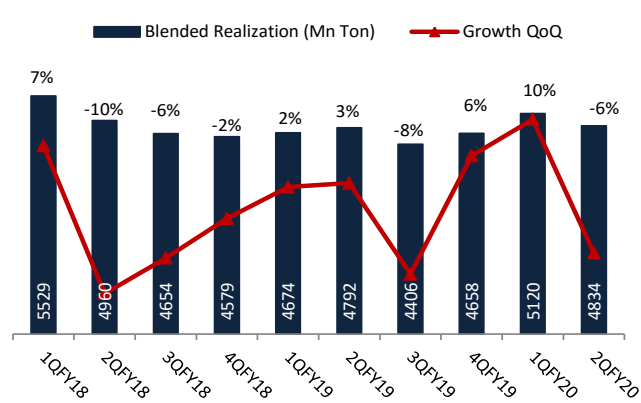
#### Exhibit: Cement Volume trend

Cement volumes has increased led by higher exports.



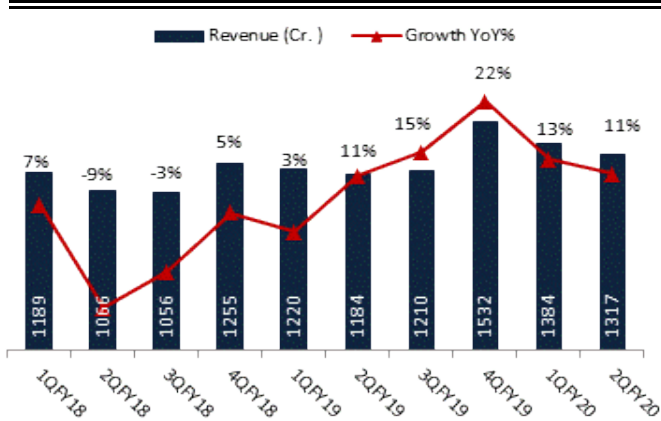
#### Exhibit: Cement realization trend

Cement realization declined on QoQ basis driven by decline in cement prices in South India.



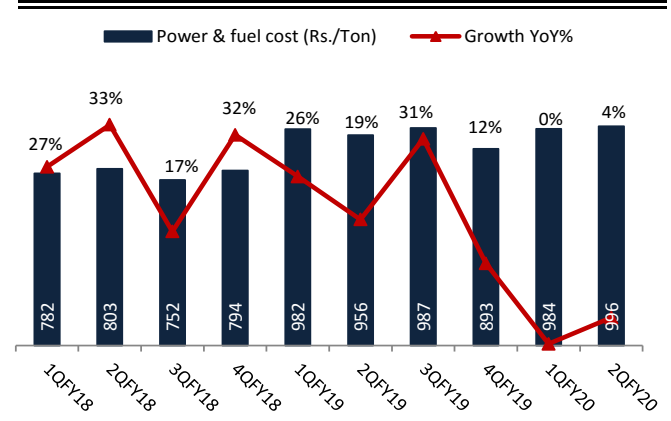
## Exhibit: Revenue and revenue growth trend

Sales growth on the back of higher volumes despite extended monsoon and floods in some southern states.



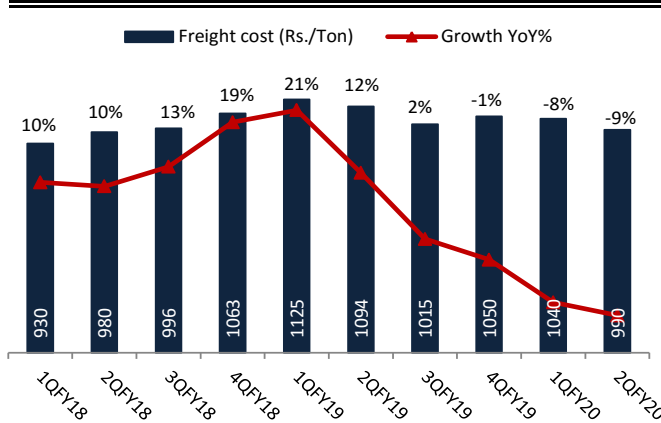
## Exhibit: Power & Fuel cost trend

Power & fuel cost increased on account on YoY basis while remained almost flat in QoQ basis.



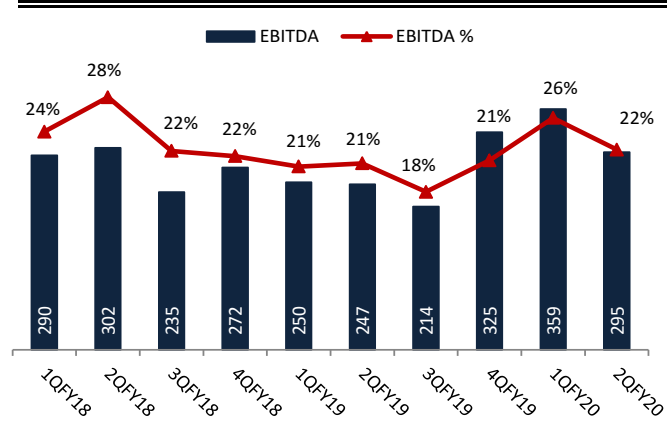
## Exhibit: Freight cost trend

Freight cost reduction led by company's continuous focus on supply chain efficiency.



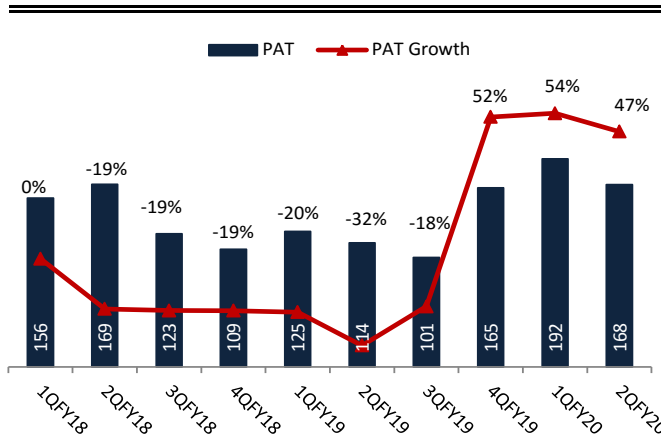
## Exhibit: EBITDA margin trend

EBITDA improvement led by cost saving measures undertaken by the company.



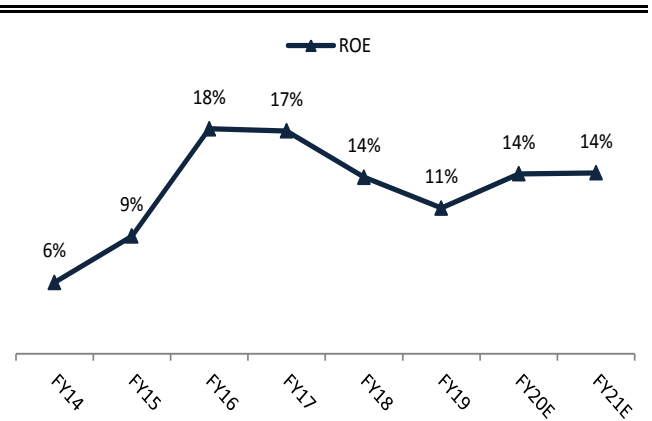
## Exhibit: PAT and PAT growth trend

PAT improvement led by higher EBITDA and lower tax.



## Exhibit: Return On Equity

ROE is expected to be at 14% for both FY20e/FY21e.



## Financial Details

### Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	24	24	24	24	24	24	24	24
Reserves	2458	2621	3070	3718	4019	4437	5081	5836
<b>Networth</b>	<b>2482</b>	<b>2645</b>	<b>3093</b>	<b>3742</b>	<b>4042</b>	<b>4460</b>	<b>5104</b>	<b>5859</b>
Debt	2244	2264	1678	1138	999	1415	2553	2278
Total Capital Employed	4002	4355	4141	4245	4458	5161	6768	7197
<b>Net Fixed Assets (incl CWIP)</b>	<b>4995</b>	<b>5138</b>	<b>5275</b>	<b>5303</b>	<b>5473</b>	<b>6229</b>	<b>8010</b>	<b>8338</b>
Non Current Investments	283	356	25	27	27	27	27	27
Other Non Current Assets	486	495	576	589	606	809	644	656
Non Current Assets	5764	5989	5877	5919	6106	7064	8681	9020
<b>Inventory</b>	<b>686</b>	<b>521</b>	<b>549</b>	<b>575</b>	<b>560</b>	<b>560</b>	<b>643</b>	<b>727</b>
Debtors	304	380	472	555	442	490	534	604
Cash & Bank	45	62	91	118	119	93	284	982
Other Current Assets	215	154	221	170	177	233	262	296
Current Assets	1250	1116	1332	1419	1298	1376	1723	2608
<b>Creditors</b>	<b>176</b>	<b>229</b>	<b>215</b>	<b>256</b>	<b>267</b>	<b>257</b>	<b>295</b>	<b>494</b>
Provisions	64	79	37	47	48	25	29	33
Other Current Liabilities	741	561	1147	1084	953	1052	1208	1739
Curr Liabilities	981	870	1398	1386	1268	1334	1532	2266
<b>Net Current Assets</b>	<b>268</b>	<b>246</b>	<b>-66</b>	<b>33</b>	<b>30</b>	<b>42</b>	<b>191</b>	<b>343</b>
<b>Total Assets</b>	<b>6869</b>	<b>7002</b>	<b>6894</b>	<b>7009</b>	<b>7090</b>	<b>8108</b>	<b>10089</b>	<b>11302</b>

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	3,684	3,645	3,573	3,950	4,406	5,146	5,911	6,681
Change (%)	-4%	-1%	-2%	11%	12%	17%	15%	13%
Other Income	86	87	88	44	37	28	37	128
<b>EBITDA</b>	<b>563</b>	<b>713</b>	<b>1072</b>	<b>1195</b>	<b>1099</b>	<b>1037</b>	<b>1343</b>	<b>1522</b>
Change (%)	-45%	27%	50%	11%	-8%	-6%	30%	13%
Margin (%)	15%	20%	30%	30%	25%	20%	23%	23%
Depr & Amor.	306	250	305	284	292	299	297	395
<b>EBIT</b>	<b>257</b>	<b>463</b>	<b>767</b>	<b>910</b>	<b>807</b>	<b>738</b>	<b>1046</b>	<b>1127</b>
Int. & other fin. Cost	188	194	182	104	59	51	127	151
<b>EBT</b>	<b>154</b>	<b>356</b>	<b>673</b>	<b>850</b>	<b>785</b>	<b>716</b>	<b>955</b>	<b>1103</b>
Exp Item	-	-	-	0	0	0	0	-
Tax	17	114	131	201	229	210	240	278
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	138	242	542	649	556	506	715	825
<b>Adjusted PAT</b>	<b>138</b>	<b>242</b>	<b>542</b>	<b>649</b>	<b>556</b>	<b>506</b>	<b>715</b>	<b>825</b>
Change (%)	-67%	76%	124%	20%	-14%	-9%	41%	15%
Margin(%)	4%	7%	15%	16%	13%	10%	12%	12%

## Financial Details

### Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	6%	9%	18%	17%	14%	11%	14%	14%
ROCE	7%	9%	15%	15%	12%	9%	11%	12%
Asset Turnover	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Debtor Days	30	38	48	51	37	35	33	33
Inv Days	68	52	56	53	46	40	40	40
Payable Days	23	22	24	22	18	18	27	-
Int Coverage	1	2	4	9	14	15	8	7
P/E	37	30	18	26	31	34	26	22
Price / Book Value	2.1	2.7	3.1	4.5	4.3	3.8	3.6	3.1
EV/EBITDA	13	13	10	15	17	18	15	13
FCF per Share	307	397	467	742	771	779	872	831
Div Yield	0.5%	0.5%	0.7%	0.4%	0.4%	0.4%	0.4%	0.4%

### Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	154	356	673	850	785	716	955	1103
(inc)/Dec in Working Capital	-106	213	93	85	156	-93	37	546
Non Cash Op Exp	306	250	325	284	292	299	297	395
Int Paid (+)	178	192	182	104	59	51	127	151
Tax Paid	-40	-69	-148	-189	-171	-158	-240	-278
others	-14	14	-40	-28	-8	-23	0	0
<b>CF from Op. Activities</b>	<b>479</b>	<b>956</b>	<b>1085</b>	<b>1105</b>	<b>1113</b>	<b>790</b>	<b>1176</b>	<b>1918</b>
(inc)/Dec in FA & CWIP	-557	-439	-277	-304	-494	-1202	-2079	-722
Free Cashflow	-78	518	808	801	619	-411	-903	1195
(Pur)/Sale of Inv	0	-58	20	-3	-10	-15	0	0
others	16	15	-6	31	21	26	0	0
<b>CF from Inv. Activities</b>	<b>-541</b>	<b>-482</b>	<b>-263</b>	<b>-276</b>	<b>-483</b>	<b>-1191</b>	<b>-2079</b>	<b>-722</b>
inc/(dec) in NW	0	0	0	0	-168	0	0	0
inc/(dec) in Debt	259	-198	-652	-550	-468	775	1139	-276
Int. Paid	-178	-231	-162	-109	-66	-48	-127	-151
Div Paid (inc tax)	-28	-28	-129	-	-85	-85	-71	-71
<b>CF from Fin. Activities</b>	<b>53</b>	<b>-457</b>	<b>-943</b>	<b>-659</b>	<b>-787</b>	<b>643</b>	<b>941</b>	<b>-498</b>
Inc(Dec) in Cash	-10	17	-121	171	-157	242	38	698
<b>Add: Opening Balance</b>	<b>50</b>	<b>40</b>	<b>-64</b>	<b>-185</b>	<b>-14</b>	<b>-171</b>	<b>93</b>	<b>284</b>
Closing Balance	40	57	-185	-14	-171	71	131	982

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