

Industry **Building Materials**  
 Bloomberg **TRCL IN**  
 BSE CODE **500260**

## Sluggish demand impacted volumes and realization

RATING	ACCUMULATE
CMP	809
Price Target	895
Potential Upside	11%
Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	883/553
Mkt Capital (Rs Cr)	19048
Free float (%)	57%
Avg. Vol 1M (,000)	20
No. of Shares (Crs)	24
Promoters Pledged %	43%

### RESEARCH ANALYST

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### 3QFY20 Result Update

- In 3QFY20, RAMCOCEM volumes increased by 3.5% YoY to 2.84 MT (vs. expect. of 2.97 MT) impacted on account of extended monsoon and muted demand in Southern markets.
- The Company's revenue stood at Rs. 1278 cr. with revenue growth at 5.6% YoY driven by higher exports while volumes as well as realization in domestic market remained impacted due sluggish demand scenario and pricing pressure in South.
- The Company's Gross margin contracted by 200 bps to 81.4% YoY led by increase in raw material prices while EBITDA margin contracted by 180 bps to 15.9% YoY largely driven by gross margin contraction.
- Decline in freight and Power & fuel cost by 88/213 bps led by cost saving initiatives & supply chain efficiency reduced the impact of increased other expense and employee cost (84/196 bps) thereby reducing EBITDA margin contraction.
- The Company's PAT stood at Rs. 95 cr. with PAT de-growth by 6.2% YoY and PAT margin at 7.4%.
- The Company has already commenced cement grinding unit-2 in Kolaghat, West Bengal in 26-Sep-19 and increased from 1 MTPA to 2 MTPA while the other Grinding unit expansion plans in Odisha (0.9 MTPA) and Andhra Pradesh (1.05 MTPA) is expected to be commissioned by Mar-20.

### View and Valuation

In 3QFY20, RAMCOCEM numbers remained below expectation. Domestic market remained subdued due to adverse macroeconomic scenario on account of reduced infrastructure activities, monsoon and demand slowdown. However, QoQ realization growth remained impacted due to pricing pressure prevailing in South. On Margin front, Increased RM prices impacted gross margin while, supply chain efficiency and cost saving measures reduced EBITDA margin contraction. Going forward, in long run we expect new capacity addition, new products in premium portfolio, higher exports, stabilization in cement demand & prices in Southern and eastern regions will drive volumes and value; while management continuous focus on cost saving measures and supply chain enhancement will favor margin. However, after considering prevailing demand scenario we have reduced our estimates for sales/PAT by 6%/18% for FY20 and have reiterated our rating from BUY to ACCUMULATE with a target price of Rs. 895.

### 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	5560	6388
EBITDA	1195	1099	1037	1183	1532
EBIT	910	807	738	893	1123
PAT	649	556	506	616	810
EPS (Rs)	27	24	21	26	34
EPS growth (%)	20%	-14%	-9%	22%	32%
ROE (%)	17%	14%	11%	12%	14%
ROCE (%)	15%	12%	9%	9%	11%
BV	15	17	18	18	14
P/B (X)	4.5	4.3	3.8	3.8	3.3
P/E (x)	25.6	31.1	33.7	30.9	23.5

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## 3QFY20 Results

Below estimates

Fig in Rs Cr

FINANCIALS	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY%	QoQ%	FY18	FY19	YoY%
Net Sales	1210	1532	1384	1317	1278	5.6%	-2.9%	4406	5146	16.8%
Other Income	7	11	8	9	8	28.8%	-8.4%	37	28	-22%
COGS	200	280	201	200	237	18.4%	18.7%	751	847	12.8%
Gross Margin	83%	82%	85%	85%	81%	-2.0%	-3.4%	83%	84%	0.6%
Employee Cost	81	82	88	99	97	18.8%	-2.2%	304	329	8.4%
Other Expenses	165	205	188	182	199	20.8%	9.4%	595	688	16%
EBITDA	214	325	359	295	203	-5.2%	-31.3%	1099	1037	-5.7%
EBITDA%	18%	21%	26%	22%	16%	-1.8%	-6.5%	25%	20%	-4.8%
Depreciation	76	77	76	77	80	5.4%	4.1%	292	299	2.2%
EBIT	138	248	284	219	123	-11.0%	-43.7%	807	738	-8.6%
Interest	13	13	14	15	22	59%	46.0%	59	51	-14%
PBT	131	247	278	213	110	-16.2%	-48.3%	785	716	-8.8%
Exceptional Item	-	-	-	-	-	-	-	-	-	-
Tax	30	81	86	45	15	-49.6%	-65.9%	229	210	-8.4%
PAT	101	165	192	168	95	-6.2%	-43.6%	556	506	-9.0%
PAT Margin	8%	11%	14%	13%	7%	-0.9%	-5.4%	13%	10%	-2.8%

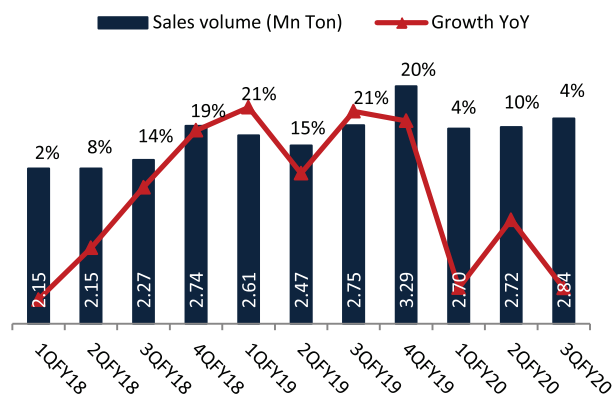
## MATRIX:

Fig in Rs Cr

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY%	QoQ%
Total sales (Rs. in cr.)	1,220	1,184	1,210	1,532	1,384	1,317	1,278	6%	-3%
Cement Vol (Mn Ton)	2.6	2.5	2.7	3.3	2.7	2.7	2.8	4%	4%
Realization.(Rs./Ton)	4,674	4,792	4,406	4,658	5,120	4,834	4,494	2%	-7%

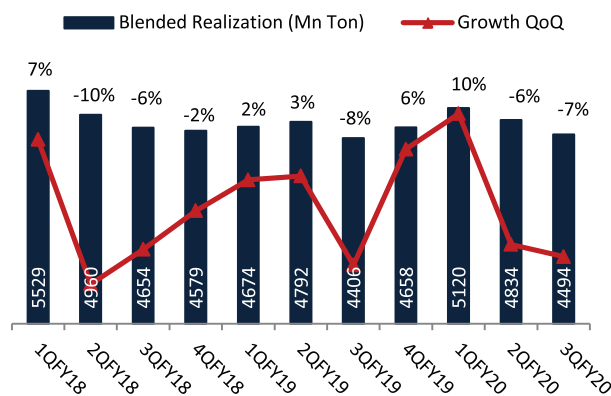
## Exhibit: Cement Volume trend

Volume growth led by higher exports while domestic vol. remained impacted led by sluggish demand in core markets.



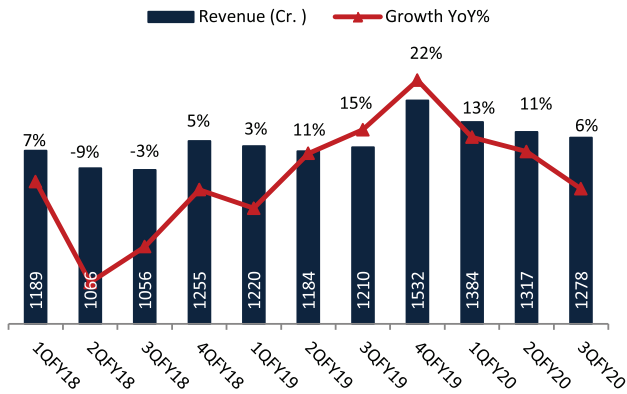
## Exhibit: Cement realization trend

Realization declined on QoQ basis driven by pricing pressure in South on account of extended monsoon.



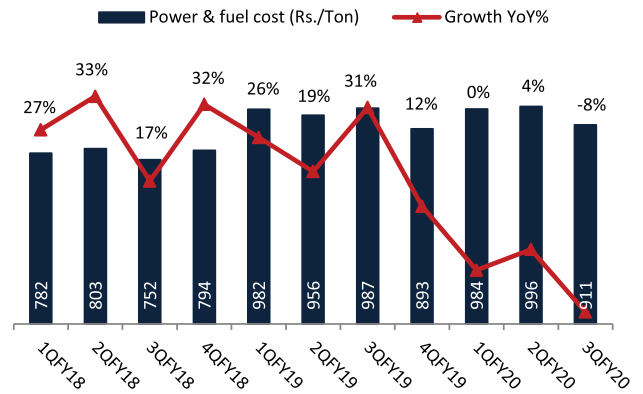
## Exhibit: Revenue and revenue growth trend

Sales growth on the back of higher exports while domestic market remained impacted due to sluggish demand.



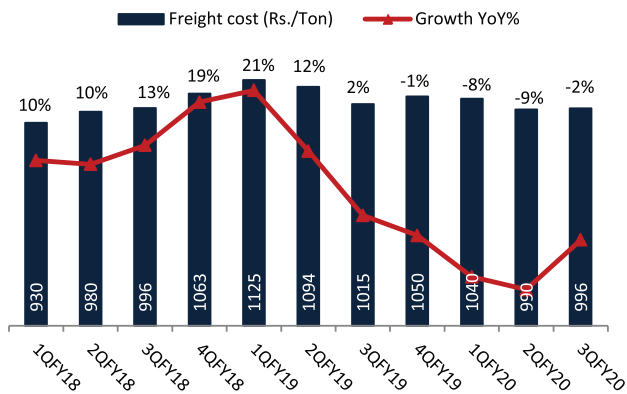
## Exhibit: Power & Fuel cost trend

Power & fuel cost reduced on account of favorable input prices and cost reduction initiatives.



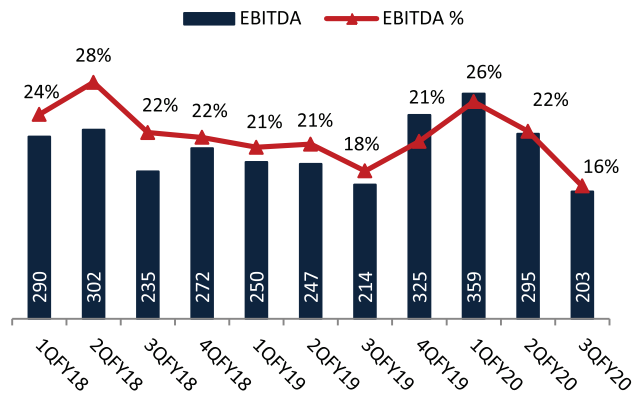
## Exhibit: Freight cost trend

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



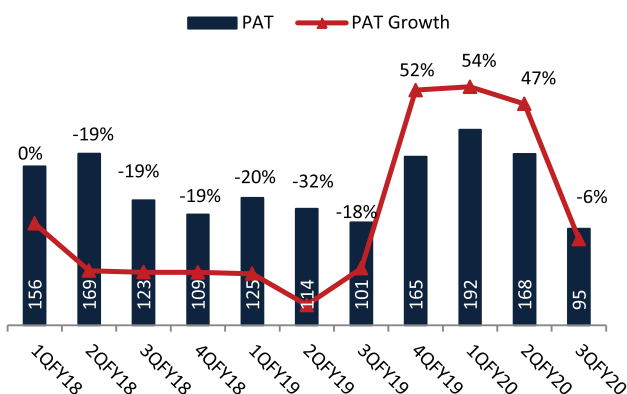
## Exhibit: EBITDA margin trend

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



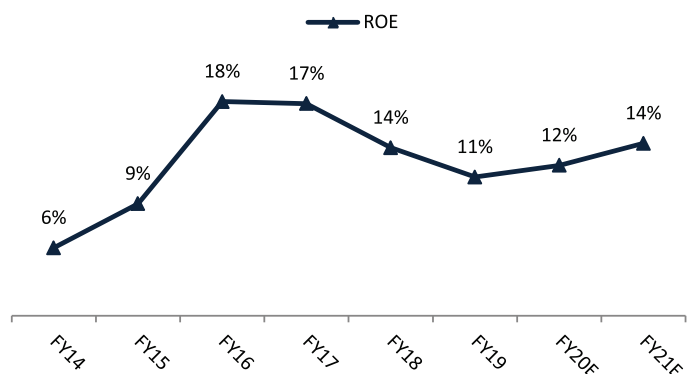
## Exhibit: PAT and PAT growth trend

PAT improvement led by higher EBITDA and lower tax.



## Exhibit: Return On Equity

ROE is expected to be at 14% for FY21.



## 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	4982	5721
<b>Networth</b>	<b>2482</b>	<b>2645</b>	<b>3093</b>	<b>3742</b>	<b>4042</b>	<b>4460</b>	<b>5005</b>	<b>5745</b>
Debt	2244	2264	1678	1138	999	1415	2679	2500
Total Capital Employed	4002	4355	4141	4245	4458	5161	6669	7545
<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>8178</b>	<b>8657</b>
Non Current Investments	283	356	25	27	27	27	27	27
Other Non Current Assets	486	495	576	589	606	809	797	809
Non Current Assets	5764	5989	5877	5919	6106	7064	9003	9493
<b>Inventory</b>	<b>686</b>	<b>521</b>	<b>549</b>	<b>575</b>	<b>560</b>	<b>560</b>	<b>605</b>	<b>695</b>
Debtors	304	380	472	555	442	490	529	608
Cash & Bank	45	62	91	118	119	93	147	595
Other Current Assets	215	154	221	170	177	233	297	341
Current Assets	1250	1116	1332	1419	1298	1376	1578	2240
<b>Creditors</b>	<b>176</b>	<b>229</b>	<b>215</b>	<b>256</b>	<b>267</b>	<b>257</b>	<b>305</b>	<b>350</b>
Provisions	64	79	37	47	48	25	56	64
Other Current Liabilities	741	561	1147	1084	953	1052	1136	1663
Curr Liabilities	981	870	1398	1386	1268	1334	1496	2076
<b>Net Current Assets</b>	<b>268</b>	<b>246</b>	<b>-66</b>	<b>33</b>	<b>30</b>	<b>42</b>	<b>82</b>	<b>163</b>
<b>Total Assets</b>	<b>6869</b>	<b>7002</b>	<b>6894</b>	<b>7009</b>	<b>7090</b>	<b>8108</b>	<b>10266</b>	<b>11406</b>

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Revenue from Operation</b>	<b>3,684</b>	<b>3,645</b>	<b>3,573</b>	<b>3,950</b>	<b>4,406</b>	<b>5,146</b>	<b>5,560</b>	<b>6,388</b>
Change (%)	-4%	-1%	-2%	11%	12%	17%	8%	15%
Other Income	86	87	88	44	37	28	37	60
<b>EBITDA</b>	<b>563</b>	<b>713</b>	<b>1072</b>	<b>1195</b>	<b>1099</b>	<b>1037</b>	<b>1183</b>	<b>1532</b>
Change (%)	-45%	27%	50%	11%	-8%	-6%	14%	30%
Margin (%)	15%	20%	30%	30%	25%	20%	21%	24%
Depr & Amor.	306	250	305	284	292	299	289	409
<b>EBIT</b>	<b>257</b>	<b>463</b>	<b>767</b>	<b>910</b>	<b>807</b>	<b>738</b>	<b>893</b>	<b>1123</b>
Int. & other fin. Cost	188	194	182	104	59	51	107	100
<b>EBT</b>	<b>154</b>	<b>356</b>	<b>673</b>	<b>850</b>	<b>785</b>	<b>716</b>	<b>823</b>	<b>1083</b>
Exp Item	-	-	-	0	0	0	0	-
Tax	17	114	131	201	229	210	207	272
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	138	242	542	649	556	506	616	810
<b>Adjusted PAT</b>	<b>138</b>	<b>242</b>	<b>542</b>	<b>649</b>	<b>556</b>	<b>506</b>	<b>616</b>	<b>810</b>
Change (%)	-67%	76%	124%	20%	-14%	-9%	22%	32%
Margin(%)	4%	7%	15%	16%	13%	10%	11%	13%

## Financial Details

### Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	6%	9%	18%	17%	14%	11%	12%	14%
ROCE	7%	9%	15%	15%	12%	9%	9%	11%
Asset Turnover	0.5	0.5	0.5	0.6	0.6	0.6	0.5	0.6
Debtor Days	30	38	48	51	37	35	35	35
Inv Days	68	52	56	53	46	40	40	40
Payable Days	23	22	24	22	18	20	20	-
Int Coverage	1	2	4	9	14	15	8	11
P/E	37	30	18	26	31	34	31	26
Price / Book Value	2.1	2.7	3.1	4.5	4.3	3.8	3.8	3.7
EV/EBITDA	13	13	10	15	17	18	18	15
FCF per Share	307	397	467	742	771	779	919	976
Div Yield	0.5%	0.5%	0.7%	0.4%	0.4%	0.4%	0.4%	0.3%

### 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	823	1083
(inc)/Dec in Working Capital	-106	213	93	85	156	-93	9	367
Non Cash Op Exp	306	250	325	284	292	299	289	409
Int Paid (+)	178	192	182	104	59	51	107	100
Tax Paid	-40	-69	-148	-189	-171	-158	-207	-272
others	-14	14	-40	-28	-8	-23	180	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>1200</b>	<b>1686</b>
(inc)/Dec in FA & CWIP	-557	-439	-277	-304	-494	-1202	-2239	-887
Free Cashflow	-78	518	808	801	619	-411	-1039	798
(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>-2239</b>	<b>-887</b>
<b>inc/(dec) in NW</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-168</b>	<b>0</b>	<b>0</b>	<b>0</b>
inc/(dec) in Debt	259	-198	-652	-550	-468	775	1265	-179
Int. Paid	-178	-231	-162	-109	-66	-48	-107	-100
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>1087</b>	<b>-350</b>
Inc(Dec) in Cash	-10	17	-121	171	-157	242	48	448
<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>147</b>
Closing Balance	40	57	-185	-14	-171	71	141	596

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