

Industry
Bloomberg
BSE CODE

Building Materials
TRCL IN
500260

Sluggish urban demand coupled with labor & supply chain issue will remain concern

RATING	NEUTRAL
CMP	645
Price Target	600
Potential Upside	-7%
Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	883/457
Mkt Capital (Rs Cr)	15188
Free float (%)	57%
Avg. Vol 1M (,000)	32
No. of Shares (Crs)	24
Promoters Pledged %	43%

4QFY20 Result Update

- The Company's revenue de-grew by 9.3% YoY to Rs. 1382 cr. with volume decline by 11% YoY to 2.93 MT impacted on account of nation-wide lockdown due to COVID-19.
- The Company's Gross margin expanded by 131 bps to 83% YoY led by benign raw material prices while EBITDA margin contracted by 113 bps to 20.1% YoY impacted by higher other expense while lower Freight and Power cost minimized the decline.
- Freight and Power & fuel cost declined by 67/87 bps to 21.9%/18.3% YoY led by benign fuel prices, reduction in lead distances, cost saving initiatives & supply chain efficiency measures undertaken by company.
- The Company's PAT stood at Rs. 146 cr. with PAT de-growth by 11.5% YoY and PAT margin at 10.5%.
- The Company has already commenced cement grinding unit near Vizag, AP from 0.95 MTPA to 2 MTPA in Mar-20 while other Grinding unit expansion plans in Odisha (0.9 MTPA) and Andhra Pradesh (1.05 MTPA) and new cement plant in Kolimigundla, Kurnool District, AP (3.25MTPA) are expected to be commissioned by Mar-21.

View and Valuation

In 4QFY20, RAMCOCEM numbers remained below expectation impacted on account of turbulence caused by COVID-19. Going forward, the company has started its operations at all plants except those which fall under containment zones. As of now the company is witnessing demand from rural India as the construction activity is getting resumed there. However, on pricing front the cement prices are expected to remain stable. In the expansion front, the ongoing capacity expansion will get delayed due to lockdown. On Margin front benign RM prices, supply chain efficiency coupled with cost saving measures will favor margin expansion. 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 as of now considering the prevailing scenario we expect volumes to remain impacted due to sluggish demand, disruption in supply chain, Labor unavailability will remain the concern. Thus, we maintain our NEUTRAL rating with a target price of Rs. 600.

Key Risks to our rating and target

- Continuation of slowdown in the economy due to lock down.
- Increase in price of fuel prices

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Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19	FY20
Net Sales	3573	3950	4406	5146	5368
EBITDA	1072	1195	1099	1037	1137
EBIT	767	910	807	738	821
PAT	542	649	556	506	601
EPS (Rs)	23	27	24	21	26
EPS growth (%)	124%	20%	-14%	-9%	19%
ROE (%)	18%	17%	14%	11%	12%
ROCE (%)	15%	15%	12%	9%	9%
BV	10	15	17	18	13
P/B (X)	3.1	4.5	4.3	3.8	2.5
P/E (x)	17.6	25.6	31.1	33.7	20.2

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4QFY20 Results Below Expectation

Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY%	QoQ%	FY19	FY20	YoY%
Net Sales	1532	1384	1317	1278	1390	-9.3%	8.8%	5146	5368	4.3%
Other Income	11	8	9	8	11	2.9%	34.6%	28	37	31%
COGS	280	201	200	237	236	-15.8%	-0.4%	847	874	3.2%
Gross Margin	82%	85%	85%	81%	83%	1.3%	1.6%	84%	84%	0.2%
Employee Cost	82	88	99	97	85	2.7%	-12.4%	329	368	11.7%
Other Expenses	205	188	182	199	232	12.8%	16.3%	688	801	16%
EBITDA	325	359	295	203	279	-14.1%	37.6%	1037	1137	9.7%
EBITDA%	21%	26%	22%	16%	20%	-1.1%	4.2%	20%	21%	1.0%
Depreciation	77	76	77	80	83	8.6%	4.5%	299	315	5.6%
EBIT	248	284	219	123	196	-21.1%	59.1%	738	821	11.3%
Interest	13	14	15	22	22	68%	0.0%	51	71	40%
PBT	247	278	213	110	186	-24.7%	68.7%	716	787	10.0%
Exceptional Item	-	-	-	-	-	-	-	-	-	-
Tax	81	86	45	15	40	-51.3%	158.0%	210	186	-11%
PAT	165	192	168	95	146	-11.5%	54.3%	506	601	18.8%
PAT Margin	11%	14%	13%	7%	11%	-0.3%	3.1%	10%	11%	1.4%

MATRIX:

Fig in Rs Cr

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY%	QoQ%
Total sales (Rs. in cr.)	1,184	1,210	1,532	1,384	1,317	1,278	1,390	6%	-3%
Cement Vol (Mn Ton)	2.5	2.7	3.3	2.7	2.7	2.8	2.9	4%	4%
Realization.(Rs./Ton)	4,792	4,406	4,658	5,120	4,834	4,494	4,740	2%	-7%

Exhibit: Cement Volume trend

Volumes remained impacted on account of shut down of plants due to COVID-19.

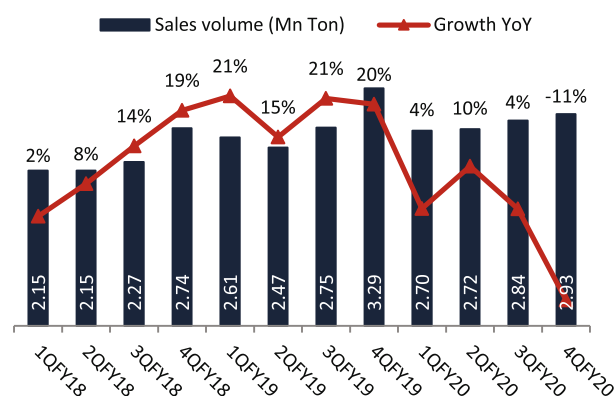


Exhibit: Cement realization trend

Realisation improvement led by product mix & higher cement prices (vs. corresponding previous quarter).

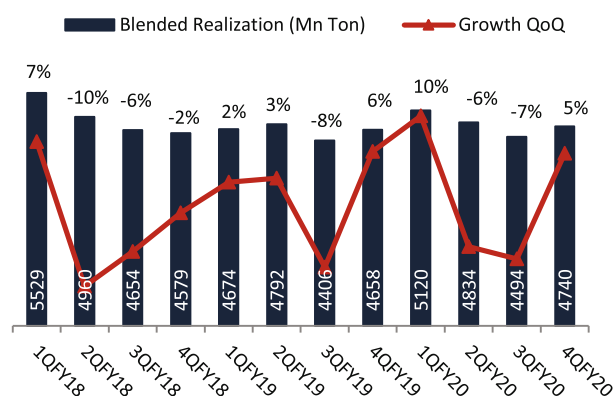


Exhibit: Revenue and revenue growth trend

Revenue de-growth led by lower volumes impacted due to COVID-19.

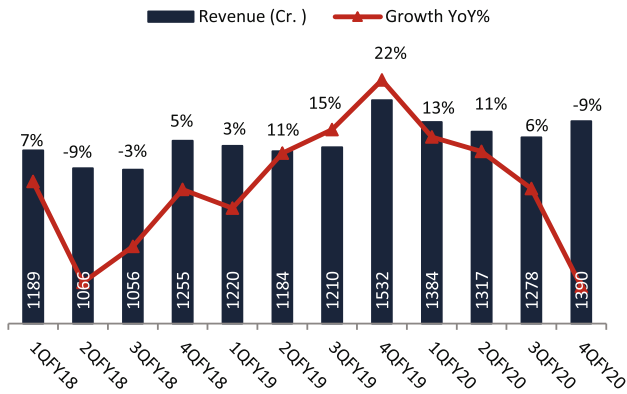


Exhibit: Power & Fuel cost trend

Power & fuel cost reduced on account of benign fuel prices.

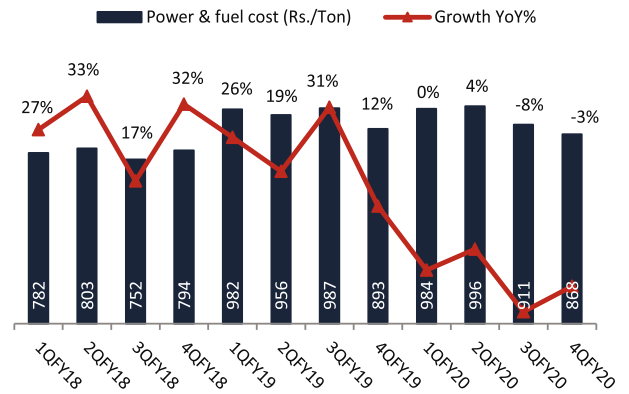


Exhibit: Freight cost trend

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

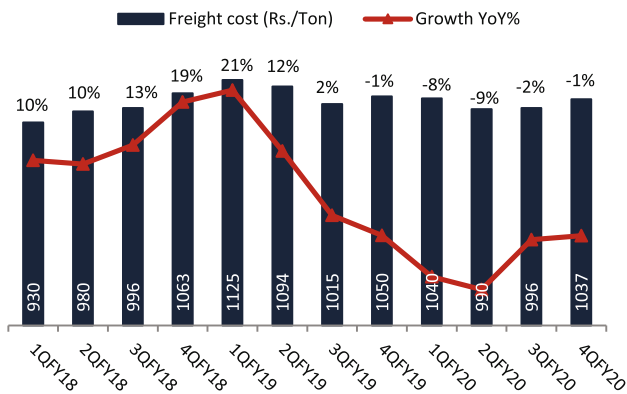


Exhibit: EBITDA margin trend

EBITDA deterioration led by higher other expense incurred by the company amidst COVID-19.

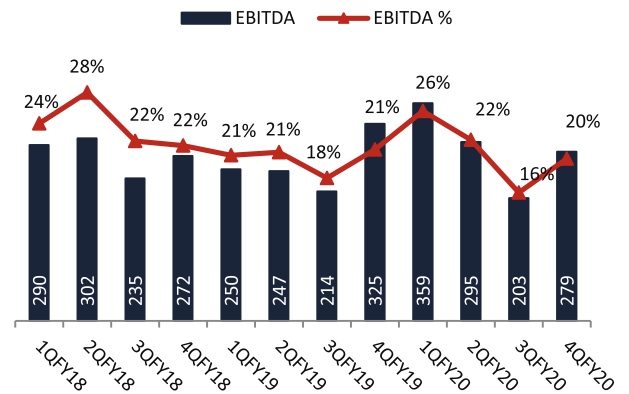


Exhibit: PAT and PAT growth trend

PAT decline led by lower volumes and EBITDA margin deterioration.

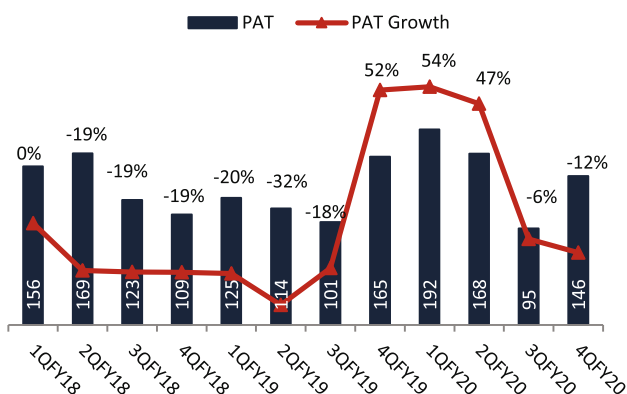
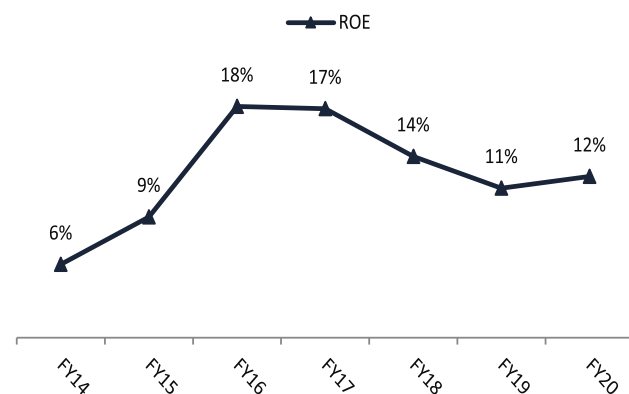


Exhibit: Return On Equity

ROE is expected to be at 12% for FY20.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Share Capital	24	24	24	24	24	24	24	24
Reserves	2347	2458	2621	3070	3718	4019	4437	4895
Networth	2371	2482	2645	3093	3742	4042	4460	4919
Debt	1981	2244	2264	1678	1138	999	1415	2632
Total Capital Employed	3764	4002	4355	4141	4245	4458	5161	6751
Net Fixed Assets (incl CWIP)	4751	4995	5138	5275	5303	5473	6229	7867
Non Current Investments	266	283	356	25	27	27	27	26
Other Non Current Assets	305	486	495	576	589	606	809	908
Non Current Assets	5322	5764	5989	5877	5919	6106	7064	8801
Inventory	595	686	521	549	575	560	560	645
Debtors	301	304	380	472	555	442	490	527
Cash & Bank	54	45	62	91	118	119	93	91
Other Current Assets	289	215	154	221	170	177	233	304
Current Assets	1239	1250	1116	1332	1419	1298	1376	1568
Creditors	143	176	229	215	256	267	257	341
Provisions	147	64	79	37	47	48	25	29
Other Current Liabilities	734	741	561	1147	1084	953	1052	1163
Curr Liabilities	1024	981	870	1398	1386	1268	1334	1534
Net Current Assets	215	268	246	-66	33	30	42	34
Total Assets	6471	6869	7002	6894	7009	7090	8108	10047

Income Statement

Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Revenue from Operation	3,831	3,684	3,645	3,573	3,950	4,406	5,146	5,368
Change (%)	18%	-4%	-1%	-2%	11%	12%	17%	4%
Other Income	42	86	87	88	44	37	28	37
EBITDA	1020	563	713	1072	1195	1099	1037	1137
Change (%)	9%	-45%	27%	50%	11%	-8%	-6%	10%
Margin (%)	27%	15%	20%	30%	30%	25%	20%	21%
Depr & Amor.	281	306	250	305	284	292	299	315
EBIT	740	257	463	767	910	807	738	821
Int. & other fin. Cost	179	188	194	182	104	59	51	-
EBT	603	154	356	673	850	785	716	787
Exp Item	-	-	-	-	0	0	0	-
Tax	185	17	114	131	201	229	210	186
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	418	138	242	542	649	556	506	601
Adjusted PAT	418	138	242	542	649	556	506	601
Change (%)	9%	-67%	76%	124%	20%	-14%	-9%	19%
Margin(%)	11%	4%	7%	15%	16%	13%	10%	11%

Financial Details

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
ROE	18%	6%	9%	18%	17%	14%	11%	12%
ROCE	14%	7%	9%	15%	15%	12%	9%	9%
Asset Turnover	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.5
Debtor Days	29	30	38	48	51	37	35	36
Inv Days	57	68	52	56	53	46	40	44
Payable Days	17	23	22	24	22	18	23	23
Int Coverage	4	1	2	4	9	14	15	12
P/E	12	37	30	18	26	31	34	20
Price / Book Value	2.2	2.1	2.7	3.1	4.5	4.3	3.8	2.5
EV/EBITDA	7	13	13	10	15	17	18	13
FCF per Share	296	307	397	467	742	771	779	622
Div Yield	1.2%	0.5%	0.5%	0.7%	0.4%	0.4%	0.4%	1.1%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
PBT	588	154	356	673	850	785	716	787
(inc)/Dec in Working Capital	-228	-106	213	93	85	156	-93	-292
Non Cash Op Exp	281	306	250	325	284	292	299	315
Int Paid (+)	165	178	192	182	104	59	51	71
Tax Paid	-115	-40	-69	-148	-189	-171	-158	-138
others	11	-14	14	-40	-28	-8	-23	-4
CF from Op. Activities	701	479	956	1085	1105	1113	790	740
(inc)/Dec in FA & CWIP	-399	-557	-439	-277	-304	-494	-1202	-1919
Free Cashflow	302	-78	518	808	801	619	-411	-1179
(Pur)/Sale of Inv	0	0	-58	20	-3	-10	-15	-15
others	17	16	15	-6	31	21	26	2
CF from Inv. Activities	-383	-541	-482	-263	-276	-483	-1191	-1932
inc/(dec) in NW	0	0	0	0	0	-168	0	0
inc/(dec) in Debt	-55	259	-198	-652	-550	-468	775	1427
Int. Paid	-165	-178	-231	-162	-109	-66	-48	-58
Div Paid (inc tax)	-69	-28	-28	-129	-	-85	-85	-156
CF from Fin. Activities	-289	53	-457	-943	-659	-787	643	1213
Inc(Dec) in Cash	30	-10	17	-121	171	-157	242	20
Add: Opening Balance	20	50	40	-64	-185	-14	-171	71
Closing Balance	50	40	57	-185	-14	-171	71	91

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