

Shubh Nivesh



Strong volume growth to continue...

About the stock: The Ramco Cement, a south based cement manufacturer, is primarily engaged in manufacturing of cement, Ready Mix Concrete & Dry Mortar Cement

- As of Dec 2023, company's cement capacity stands at 22 mtpa with 16 mtpa of clinker capacity & 218 MW of power capacity. Of the total 22 mtpa, TN has 11.7 mtpa followed by AP (7.2 mtpa), WB (2 mtpa), Odisha (0.9 mtpa) & Karnataka (0.3 mtpa).
- South contributes ~75% of total sales while balance ~25% is contributed by East region (including North-East).

Investment Rationale:

- Timely capacity additions to drive volume growth:** As on Dec-23, company's cement capacity stands at 22 mtpa, & the company is in the process of expanding this to 26 mtpa by FY26E with expansion of 1 mtpa though debottlenecking exercise, 1mtpa in Odisha Unit & 2 mtpa in south unit. Going ahead, we expect volume growth of 12.61% CAGR to 21 mtpa (~14.9 mtpa in FY23) over FY23-26E on account of timely capacity additions & pick-up in demand in its selling markets like Tamil Nadu, Karnataka, Andhra Pradesh, Telangana, Orrisa, West Bengal etc. We expect that capacity expansion majorly in south region, where they have significance presence, will help them to gain market share in this region.
- EBITDA/ton to improve going forward:** The company has witnessed a fall in EBITDA per ton in the last two years (~₹ 800-900/ton) after seeing a peak level of ₹ 1553/ton in FY21, mainly led by rise in power & fuel cost. However, we expect EBITDA/ton to improve going ahead gradually from ₹ 794/ton in FY23 to ₹ 1061/ton by FY26E, primarily led by focus on operational efficiencies and positive operating leverage. We believe that, company will continue to benefit from benign fuel prices with increasing share of renewable power (110 MW by FY26E from 85 MW). The company aims to increase its green power usage to 42% by 2025 (vs ~36% at present). Also, company's focus on increasing share of blended cement and expanding premium product portfolio will also help company in better realisations. Moreover, strong volume growth would kick-in positive operating leverage and thus help in overall improvement in EBITDA/ton.

Rating and Target Price

- We believe that The Ramco Cement is strongly placed backed by strong volume growth (led by timely capacity additions) and considerable margin improvement over FY23-26E.
- We expect Revenue/EBITDA/PAT to grow at 11.6%/24%/31% over FY23 to FY26. Valuation at 10.6x EV/EBITDA on FY26E basis looks attractive considering strong capacity expansion plans and margin improvement. We recommend BUY on The Ramco Cement with target price of ₹ 1000 per share (based on 12.5x FY26E EV/EBITDA)



Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	19,282
FY23 Gross Debt (₹ Crore)	4,487
FY23 Cash (₹ Crore)	170
EV (₹ Crore)	23,599
52 Week H/L (₹)	1058/715
Equity Capital	23.6
Face Value	1.0

Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	42.3%	42.1%	42.1%	42.1%
FII	7.6%	8.0%	7.9%	7.9%
DII	32.5%	32.4%	33.4%	32.9%
Others	17.7%	17.5%	16.7%	17.0%

Price Chart



Key risks

- (i) Slowdown in demand (ii) Delay in capacity expansion (iii) Increase in commodity prices (iv) High competition

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Key Financial Summary

(₹ crore)	FY21	FY22	FY23	2 yr CAGR (FY21-23)	FY24E	FY25E	FY26E	3 yr CAGR (FY23-26E)
Revenues	5268.4	5980.0	8157.3	24.4%	9257.9	10219.7	11343.4	11.6%
EBITDA	1548.0	1283.8	1185.6	-12.5%	1600.4	1870.9	2262.5	24.0%
EBITDA margin (%)	29.4	21.5	14.5		17.3	18.3	19.9	
Net Profit	761.1	892.7	342.0	-33.0%	380.2	514.5	767.7	30.9%
EPS (₹)	32.3	37.8	14.5		16.1	21.8	32.5	
P/E (x)	25.3	21.6	56.4		50.7	37.5	25.1	
EV/EBITDA (x)	14.3	17.9	19.8		15.1	13.1	10.6	
RoCE (%)	13.9	9.5	5.1		6.5	7.3	8.7	
RoE (%)	13.3	8.9	5.0		5.2	6.5	8.9	

RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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