

The Ramco Cements (Ramco)'s Q1FY25 EBITDA fell 7% YoY/23% QoQ to Rs3.2bn, broadly in line with consensus/our estimates. Blended EBITDA/t beat estimates, coming in at Rs733 (Emkay: Rs685) owing to higher than expected realization, on likely better States' sales mix. Ramco has increased its capacity target to 30mt by FY26 (26mt earlier), but retained its FY25 capex target of Rs12bn. Hence, high capex intensity will endure in FY26 too. The mgmt is looking to monetize non-core assets of ~Rs10bn within coming 12M – timely monetization will help Ramco fund growth capex/de-leverage its balance sheet; it will also be the key catalyst for a stock re-rating. Building-in lower realization, we cut FY25-26E EBITDA by 6-10% with unchanged Jun-25E TP of Rs865/sh based on 13x EV/E (earlier 12.5x), after quarterly roll-over. We retain ADD.

The Ramco Cements: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	81,573	93,764	94,617	104,035	116,505
EBITDA	11,856	15,646	15,528	19,218	23,198
Adj. PAT	3,145	3,599	3,107	5,341	8,257
Adj. EPS (Rs)	13.3	15.2	13.1	22.6	34.9
EBITDA margin (%)	14.5	16.7	16.4	18.5	19.9
EBITDA growth (%)	(8.1)	32.0	(0.8)	23.8	20.7
Adj. EPS growth (%)	(64.3)	14.4	(13.7)	71.9	54.6
RoE (%)	4.7	5.1	4.2	6.9	9.9
RoIC (%)	5.6	6.3	5.5	7.1	8.7
P/E (x)	60.2	52.6	60.9	35.4	22.9
EV/EBITDA (x)	19.6	15.2	15.5	12.5	10.2
P/B (x)	2.8	2.6	2.5	2.4	2.2
FCFF yield (%)	(1.5)	0.0	0.8	1.9	3.5

Source: Company, Emkay Research

Result Summary

Ramco posted muted volume growth of 1% YoY/decline of 21% QoQ to 4.29mt, implying utilization of 77% in Q1FY25 (fell by 200bps YoY/1,900bps QoQ). Blended realization surprised positively, with a decline of 8% YoY/1.6% QoQ to Rs4,792 (a decline of Rs76/t sequentially) vs our estimate of Rs4,722, owing to better States' sales mix. The company targets 30mt cement capacity by FY26 (vs 26mt earlier). Along with the ongoing clinker/cement capacity addition of 3.15mt/1.5mt for Kurnool line-2, Ramco has suggested de-bottlenecking the current facilities and adding grinding capacities at existing locations with minimal capex. FY25 capex guidance remains unchanged at Rs12bn (Q1 spend stood at Rs2.8bn). Accordingly, we expect high and back-ended capex in FY26E. Net debt increased by Rs2.8bn QoQ to ~Rs50bn as of Jun-24.

What we liked: Better than expected realization

What we did not like: Lower than industry volume growth; increase in net debt

Key catalyst: The company has taken effective steps to monetize certain non-core assets, worth ~Rs10bn, in the next 12 months. Timely monetization of non-core assets will help it fund growth capex/de-leverage its balance sheet and act as the key trigger for a stock re-rating. We have not factored non-core asset monetization in our estimates.

Key takeaways from Q1FY25 results: i) In Kolimigundla, TPP of 18MW was commissioned in Jul-24, and trials are being done. Railway siding will be commissioned during Sep-24. The company has started seeing synergies in the cost for usage of limestone mined from the lands purchased from Prism. 2) Line 2 in Kolimigundla comprising of 3.15mt clinker capacity and 1.5mt cement capacity with WHRS capacity of 15MW is scheduled for commissioning by 4QFY26. 3) The WHRS plant in Ramasamy Raja Nagar, with 10MW capacity, is up for commissioning by 4QFY25. 4) 50% of the mining land for the new project in Karnataka has been acquired so far.

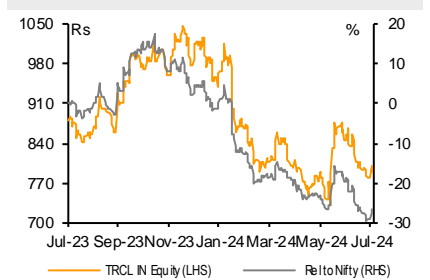
Target Price – 12M	Jun-25
Change in TP (%)	-
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	8.0
CMP (25-Jul-24) (Rs)	800.9

Stock Data	Ticker
52-week High (Rs)	1,058
52-week Low (Rs)	700
Shares outstanding (mn)	236.3
Market-cap (Rs bn)	189
Market-cap (USD mn)	2,261
Net-debt, FY25E (Rs mn)	50,843
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	1,017.4
ADTV-3M (USD mn)	12.2
Free float (%)	-
Nifty-50	24,406
INR/USD	83.7
Shareholding, Jun-24	
Promoters (%)	42.3
FPIs/MFs (%)	7.4/31.1

Price Performance

(%)	1M	3M	12M
Absolute	(5.9)	1.5	(10.8)
Rel. to Nifty	(8.6)	(6.2)	(28.1)

1-Year share price trend (Rs)



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Quarterly Analysis

Exhibit 1: Actual vs. Estimates (Q1FY25)

(Rs mn)	Actual	Estimates		Variation (%)		Comment
		Emkay	Consensus	Emkay	Consensus	
Net sales	20,884	21,259	21,590	(1.8)	(3.3)	
EBITDA	3,194	3,084	3,118	3.6	2.4	Broadly in-line quarter
PAT	355	371	480	(4.4)	(26.0)	
Volumes (mt)	4.4	4.5		(3.2)		
Blended realization (Rs/ton)	4,792	4,722		1.5		
EBITDA (Rs/ton)	733	685		7.0		

Source: Bloomberg, Emkay Research

Exhibit 2: Quarterly financial highlights

(Rs mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Revenue	22,411	23,293	21,061	26,733	20,884	(6.8)	(21.9)
Expenditure	18,996	19,307	17,108	22,562	17,690	(6.9)	(21.6)
Total RM cost	3,268	4,419	3,280	6,213	3,638	11.3	(41.5)
Power & Fuel cost	7,559	6,262	5,536	6,192	5,666	(25.0)	(8.5)
Freight cost	4,577	4,724	4,293	5,940	4,638	1.3	(21.9)
Staff cost	1,266	1,385	1,369	1,245	1,367	8.0	9.9
Other expenditure	2,327	2,517	2,629	2,973	2,381	2.3	(19.9)
EBITDA	3,415	3,986	3,954	4,171	3,194	(6.5)	(23.4)
Depreciation	1,479	1,574	1,655	1,651	1,667	12.7	1.0
EBIT	1,936	2,412	2,299	2,520	1,527	(21.1)	(39.4)
Other Income	79	135	70	140	85	7.7	(39.3)
Interest	934	1,165	1,019	1,038	1,131	21.1	9.0
PBT	1,081	1,382	1,350	1,623	482	(55.4)	(70.3)
Total Tax	292	369	416	409	127	(56.6)	(69.0)
Adjusted PAT	789	1,013	934	1,214	355	(55.0)	(70.8)
PAT after MI	789	1,013	934	1,214	355	(55.0)	(70.8)
Extra ordinary items	-	-	-	-	-	NA	NA
Reported PAT	789	1,013	934	1,214	355	(55.0)	(70.8)
Adjusted EPS (Rs)	3.3	4.3	4.0	5.1	1.5	(55.0)	(70.7)
(%)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (bps)	QoQ (bps)
EBITDAM	15.2	17.1	18.8	15.6	15.3	0.4	(2.0)
EBITM	8.6	10.4	10.9	9.4	7.3	(15.3)	(22.4)
EBTM	4.8	5.9	6.4	6.1	2.3	(52.2)	(62.0)
PATM	3.5	4.3	4.4	4.5	1.7	(51.7)	(62.6)
Effective Tax rate	27.0	26.7	30.8	25.2	26.3		

Source: Company, Emkay Research

Exhibit 3: Quarterly analysis on a per-ton basis

(Rs/ton)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Total volumes (mt)	4.3	4.6	4.0	5.5	4.4	1.3	(20.6)
Blended Realization	5,212	5,053	5,272	4,869	4,792	(8.1)	(1.6)
Raw Material cost	760	959	821	1,132	835	9.8	(26.2)
Power & Fuel cost	1,758	1,358	1,386	1,128	1,300	(26.0)	15.3
Freight cost	1,064	1,025	1,075	1,082	1,064	(0.0)	(1.6)
Staff cost	294	300	343	227	314	6.6	38.4
Other expenditure	541	546	658	541	546	0.9	0.9
Operating cost	4,418	4,188	4,282	4,109	4,059	(8.1)	(1.2)
Blended EBITDA	794	865	990	760	733	(7.7)	(3.5)

Source: Company, Emkay Research

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Exhibit 4: We cut our EBITDA estimates by 6-11% for FY25-26

Earnings revision	FY25E			FY26E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue (Rs mn)	100,377	94,617	(5.7)	110,044	104,035	(5.5)
EBITDA (Rs mn)	17,426	15,528	(10.9)	20,370	19,218	(5.7)
PAT (Rs mn)	4,554	3,107	(31.8)	6,218	5,341	(14.1)

Source: Emkay Research

Exhibit 5: We maintain our ADD rating on Ramco, with unchanged TP of Rs865/share, based on Jun-26E EV/E of 13x

EV/E valuation	
Jun-26E EBITDA (Rs bn)	19.6
EV/E (x)	13.0
Enterprise Value (Rs bn)	255
Net debt (Jun-25E; Rs bn)	51
Equity value (Rs bn)	204
No. of shares (mn)	236
Jun-25E Target Price (Rs/share)	865

Source: Emkay Research

Exhibit 6: Annual Analysis

Key Assumptions	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR (%)	
										FY19-24	FY24-27E
Capacity (mt)	16.7	18.8	19.4	19.4	22.0	23.0	24.0	25.5	30.0	6.6	9.3
Volumes (mt)	11.1	11.2	10.0	11.0	14.8	18.4	19.4	20.8	22.6	10.6	7.2
Utilization (%)	67	60	51	57	67	80	81	81	75		
Blended Realization (Rs/ton)	4,619	4,788	5,278	5,392	5,465	5,097	4,875	5,010	5,147	2.0	0.3
EBITDA/ton (Rs)	959	1,024	1,560	1,168	800	851	800	925	1,025	(2.4)	6.4
P&L (Rs bn)											
Revenue	52	54	53	60	82	94	95	104	117	12.7	7.5
EBITDA	11	11	16	13	12	16	16	19	21	8.0	10.1
Adj. Net Profit	5	6	8	9	3	4	3	5	8	(7.5)	31.9
Balance Sheet (Rs bn)											
Equity	45	50	57	66	69	72	75	80	87		
Net Debt	15	29	30	38	44	48	51	51	48		
Net Debt:EBITDA (x)	1.4	2.6	1.9	2.9	3.7	3.1	3.3	2.7	2.3		
Net Debt:Equity (x)	0.3	0.6	0.5	0.6	0.6	0.7	0.7	0.6	0.6		
Cash Flow (Rs bn)											
OCF before WC change	9	10	13	10	10	11	10	13	16		
Change in WC	(1)	(3)	5	(0)	3	4	(0)	(0)	(0)		
Capex	(12)	(19)	(18)	(18)	(18)	(19)	(12)	(12)	(12)		
FCF	(4)	(12)	1	(8)	(5)	(4)	(2)	0	4		
Return ratios (%)											
RoE	12.3	12.7	15.0	14.3	4.7	5.1	4.2	6.9	9.9		
RoCE	8.7	8.2	9.1	9.4	4.1	5.2	4.8	6.3	8.0		
RoIC	10.4	10.8	12.4	13.7	5.9	6.6	5.8	7.3	8.9		
Valuations (x)											
PER							60.9	35.4	22.9		
EV/EBITDA							15.4	12.6	10.4		
EV/ton (US\$)							120	113	95		

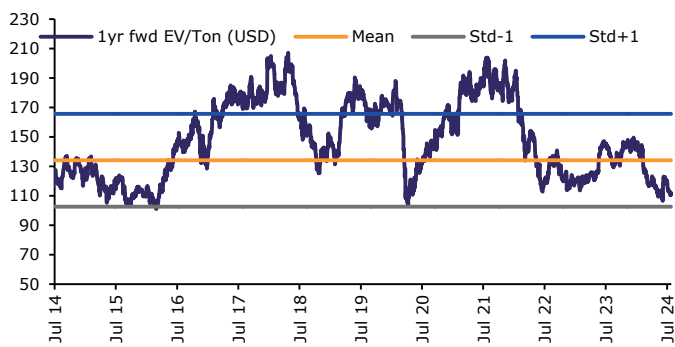
Source: Company, Emkay Research

Exhibit 7: Annual analysis on a per-ton basis

(Rs/ton)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Blended realization	4,619	4,788	5,278	5,392	5,465	5,097	4,875	5,010	5,147
YoY (%)	(2.3)	3.7	10.2	2.1	1.4	(6.7)	(4.3)	2.8	2.7
Raw material costs	761	780	867	806	906	934	913	919	939
Power & fuel costs	950	938	796	1,257	1,796	1,386	1,237	1,222	1,238
Freight costs	1,068	1,016	1,028	1,099	1,081	1,062	1,070	1,081	1,086
Staff costs	304	340	420	394	326	300	298	304	304
Other expenses	599	713	630	711	595	564	557	559	555
Operating Costs	3,682	3,786	3,741	4,266	4,704	4,246	4,075	4,084	4,122
YoY (%)	3.1	2.8	(1.2)	14.0	10.3	(9.7)	(4.0)	0.2	0.9
Blended EBITDA	959	1,024	1,560	1,168	800	851	800	925	1,025
YoY (%)	(18.8)	6.8	52.4	(25.2)	(31.5)	6.3	(5.9)	15.7	10.7

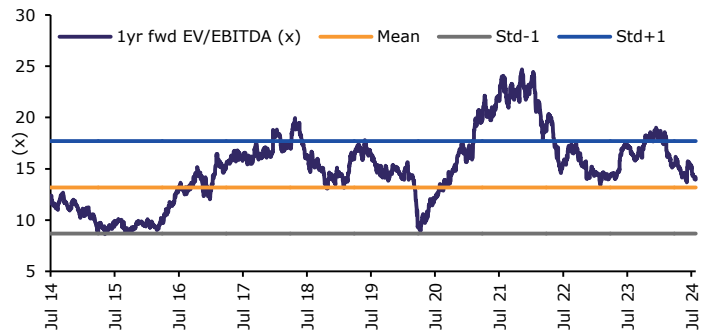
Source: Company, Emkay Research

Exhibit 8: One-year forward EV/ton



Source: Bloomberg, Emkay Research

Exhibit 9: One-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

The Ramco Cements: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	81,573	93,764	94,617	104,035	116,505
Revenue growth (%)	35.9	14.9	0.9	10.0	12.0
EBITDA	11,856	15,646	15,528	19,218	23,198
EBITDA growth (%)	(8.1)	32.0	(0.8)	23.8	20.7
Depreciation & Amortization	5,060	6,463	6,772	7,305	7,820
EBIT	6,796	9,183	8,756	11,913	15,378
EBIT growth (%)	(23.5)	35.1	(4.6)	36.1	29.1
Other operating income	569	0	0	0	0
Other income	329	389	393	401	409
Financial expense	2,405	4,155	4,497	4,643	4,676
PBT	4,720	5,417	4,653	7,671	11,111
Extraordinary items	0	0	0	0	0
Taxes	1,300	1,481	1,210	1,995	2,889
Minority interest	2	(35)	(35)	(35)	(35)
Income from JV/Associates	(272)	(370)	(370)	(370)	0
Reported PAT	3,145	3,599	3,107	5,341	8,257
PAT growth (%)	(64.3)	14.4	(13.7)	71.9	54.6
Adjusted PAT	3,145	3,599	3,107	5,341	8,257
Diluted EPS (Rs)	13.3	15.2	13.1	22.6	34.9
Diluted EPS growth (%)	(64.3)	14.4	(13.7)	71.9	54.6
DPS (Rs)	2.0	2.5	1.6	2.8	4.4
Dividend payout (%)	15.0	16.4	12.5	12.5	12.5
EBITDA margin (%)	14.5	16.7	16.4	18.5	19.9
EBIT margin (%)	8.3	9.8	9.3	11.5	13.2
Effective tax rate (%)	27.5	27.3	26.0	26.0	26.0
NOPLAT (pre-IndAS)	4,924	6,671	6,479	8,816	11,380
Shares outstanding (mn)	236.3	236.3	236.3	236.3	236.3

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	4,720	5,417	4,653	7,671	11,111
Others (non-cash items)	(253)	(209)	0	0	0
Taxes paid	(327)	(428)	(1,210)	(1,995)	(2,889)
Change in NWC	2,510	3,657	(118)	(238)	(89)
Operating cash flow	14,114	19,055	13,865	16,650	20,255
Capital expenditure	(17,635)	(19,143)	(12,000)	(12,000)	(12,000)
Acquisition of business	523	(175)	0	0	0
Interest & dividend income	74	92	393	401	409
Investing cash flow	(16,940)	(19,109)	(11,607)	(11,599)	(11,591)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	5,790	4,258	1,318	1,928	(1,189)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(2,335)	(4,065)	(4,497)	(4,643)	(4,676)
Dividend paid (incl tax)	(710)	(473)	(388)	(668)	(1,032)
Others	0	0	0	0	0
Financing cash flow	2,745	(280)	(3,567)	(3,383)	(6,897)
Net chg in Cash	(81)	(334)	(1,309)	1,668	1,767
OCF	14,114	19,055	13,865	16,650	20,255
Adj. OCF (w/o NWC chg.)	11,604	15,398	13,983	16,887	20,343
FCFF	(3,521)	(87)	1,865	4,649	8,255
FCFE	2,269	4,170	3,183	6,577	7,066
OCF/EBITDA (%)	119.0	121.8	89.3	86.6	87.3
FCFE/PAT (%)	72.1	115.9	102.4	123.1	85.6
FCFF/NOPLAT (%)	(71.5)	(1.3)	28.8	52.7	72.5

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	236	236	236	236	236
Reserves & Surplus	68,374	72,143	74,861	79,535	86,759
Net worth	68,611	72,379	75,098	79,771	86,996
Minority interests	70	36	36	36	36
Deferred tax liability (net)	9,250	10,268	10,268	10,268	10,268
Total debt	45,213	49,585	50,902	52,830	51,641
Total liabilities & equity	123,144	132,268	136,304	142,905	148,941
Net tangible fixed assets	100,383	118,859	126,745	133,568	139,449
Net intangible assets	670	670	670	670	670
Net ROU assets	209	219	219	219	219
Capital WIP	19,269	13,292	10,634	8,507	6,806
Goodwill	0	0	0	0	0
Investments [JV/Associates]	4,016	4,467	4,467	4,467	4,467
Cash & equivalents	1,703	1,369	60	1,727	3,494
Current assets (ex-cash)	19,675	23,820	22,884	25,259	29,195
Current Liab. & Prov.	22,779	30,428	29,375	31,511	35,359
NWC (ex-cash)	(3,105)	(6,608)	(6,490)	(6,252)	(6,164)
Total assets	123,144	132,268	136,304	142,905	148,941
Net debt	43,510	48,216	50,843	51,103	48,147
Capital employed	123,144	132,268	136,304	142,905	148,941
Invested capital	98,156	113,140	121,143	128,204	134,174
BVPS (Rs)	290.4	306.3	317.8	337.6	368.2
Net Debt/Equity (x)	0.6	0.7	0.7	0.6	0.6
Net Debt/EBITDA (x)	3.7	3.1	3.3	2.7	2.1
Interest coverage (x)	3.0	2.3	2.0	2.7	3.4
RoCE (%)	6.0	7.5	6.8	8.8	10.8

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	60.2	52.6	60.9	35.4	22.9
P/CE(x)	23.1	18.8	19.2	15.0	11.8
P/B (x)	2.8	2.6	2.5	2.4	2.2
EV/Sales (x)	2.9	2.5	2.5	2.3	2.0
EV/EBITDA (x)	19.6	15.2	15.5	12.5	10.2
EV/EBIT(x)	34.2	25.9	27.4	20.2	15.4
EV/IC (x)	2.4	2.1	2.0	1.9	1.8
FCFF yield (%)	(1.5)	0.0	0.8	1.9	3.5
FCFE yield (%)	1.0	1.8	1.3	2.7	3.0
Dividend yield (%)	0.2	0.3	0.2	0.4	0.5
DuPont-RoE split					
Net profit margin (%)	3.9	3.8	3.3	5.1	7.1
Total asset turnover (x)	0.7	0.7	0.7	0.7	0.8
Assets/Equity (x)	1.8	1.8	1.8	1.8	1.8
RoE (%)	4.7	5.1	4.2	6.9	9.9
DuPont-RoIC					
NOPLAT margin (%)	6.0	7.1	6.8	8.5	9.8
IC turnover (x)	0.9	0.9	0.8	0.8	0.9
RoIC (%)	5.6	6.3	5.5	7.1	8.7
Operating metrics					
Core NWC days	(13.9)	(25.7)	(25.0)	(21.9)	(19.3)
Total NWC days	(13.9)	(25.7)	(25.0)	(21.9)	(19.3)
Fixed asset turnover	0.6	0.6	0.5	0.5	0.6
Opex-to-revenue (%)	69.0	65.0	64.9	63.2	61.8

Source: Company, Emkay Research

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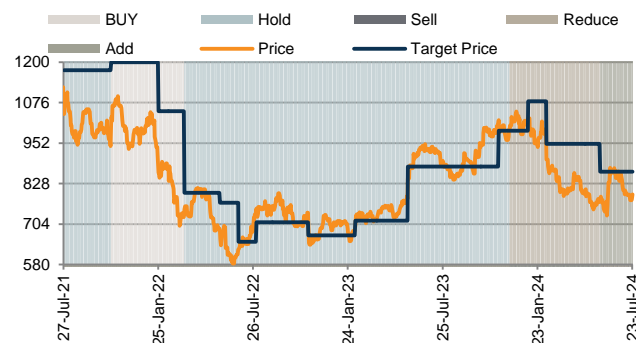
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
01-Jul-24	857	865	Add	Dharmesh Shah
10-Jun-24	877	865	Add	Dharmesh Shah
01-Jun-24	742	865	Add	Dharmesh Shah
22-May-24	774	865	Add	Dharmesh Shah
01-Apr-24	846	950	Reduce	Dharmesh Shah
04-Mar-24	848	950	Reduce	Dharmesh Shah
09-Feb-24	902	950	Reduce	Dharmesh Shah
05-Jan-24	1,028	1,080	Reduce	Dharmesh Shah
30-Nov-23	994	990	Reduce	Dharmesh Shah
30-Nov-23	994	990	Hold	Dharmesh Shah
09-Nov-23	1,022	990	Hold	Dharmesh Shah
28-Sep-23	909	880	Hold	Dharmesh Shah
18-Sep-23	886	880	Hold	Dharmesh Shah
07-Aug-23	874	880	Hold	Dharmesh Shah
03-Jun-23	915	880	Hold	Dharmesh Shah
19-May-23	844	880	Hold	Dharmesh Shah
04-May-23	754	715	Hold	Dharmesh Shah
02-Mar-23	726	715	Hold	Dharmesh Shah
07-Feb-23	701	715	Hold	Dharmesh Shah
05-Feb-23	683	670	Hold	Dharmesh Shah
29-Dec-22	700	670	Hold	Dharmesh Shah
05-Dec-22	692	670	Hold	Dharmesh Shah
09-Nov-22	704	670	Hold	Dharmesh Shah
05-Nov-22	727	710	Hold	Dharmesh Shah
04-Oct-22	757	710	Hold	Dharmesh Shah
04-Sep-22	748	710	Hold	Dharmesh Shah
01-Aug-22	752	710	Hold	Dharmesh Shah
04-Jul-22	645	650	Hold	Dharmesh Shah
28-Jun-22	628	650	Hold	Dharmesh Shah
23-May-22	680	770	Hold	Dharmesh Shah
16-Mar-22	750	800	Hold	Dharmesh Shah
25-Jan-22	861	1,050	Buy	Dharmesh Shah
31-Dec-21	1,004	1,200	Buy	Dharmesh Shah
02-Dec-21	951	1,200	Buy	Dharmesh Shah
26-Oct-21	1,015	1,200	Buy	Dharmesh Shah
05-Sep-21	1,047	1,175	Hold	Dharmesh Shah
28-Jul-21	1,041	1,175	Hold	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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REDUCE	5% upside to 15% downside
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