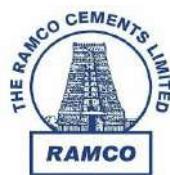


The Ramco Cements

BSE SENSEX 80,797 S&P CNX 24,461



Stock Info

Bloomberg	TRCL IN
Equity Shares (m)	236
M.Cap.(INRb)/(USDb)	223.7 / 2.7
52-Week Range (INR)	1060 / 700
1, 6, 12 Rel. Per (%)	-6/7/14
12M Avg Val (INR M)	708

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	87.0	97.1	107.2
EBITDA	13.6	18.2	21.2
Adj. PAT	1.9	5.0	7.0
EBITDA Margin (%)	15.6	18.7	19.8
Adj. EPS (INR)	7.9	21.3	29.5
EPS Gr. (%)	-52.8	169.2	38.6
BV/Sh. (INR)	321	338	363

Ratios

Net D:E	0.6	0.5	0.4
RoE (%)	2.5	6.5	8.4
RoCE (%)	5.0	6.5	7.9
Payout (%)	13.9	18.8	0.0

Valuations

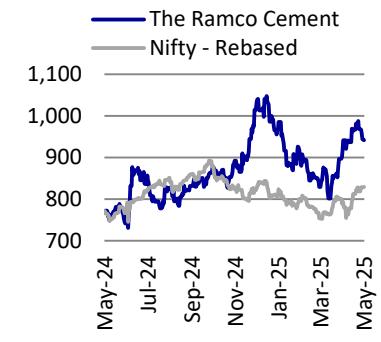
P/E (x)	120.0	44.6	32.2
P/BV (x)	3.0	2.8	2.6
EV/EBITDA(x)	18.8	14.1	12.1
EV/ton (USD)	126	119	102
Div. Yield (%)	0.3	0.4	0.0
FCF Yield (%)	1.3	4.6	3.8

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	42.6	42.8	42.3
DII	33.5	34.3	35.6
FII	7.3	6.9	7.4
Others	16.6	16.1	14.7

FII Includes depository receipts

Stock performance (one-year)



CMP: INR947

TP: INR1,030 (+9%)

Neutral

Price hikes in the South and debt reduction aid recovery

- The Ramco Cements (TRCL) is expected to benefit from the sharp price hikes in the southern region along with a higher pace of consolidation in the region. The average cement price in the South has increased MoM by INR33/bag (~10%) in Apr'25. TRCL has a higher exposure in the southern region, with 78-79% of its total volume being sold in the southern markets.
- The Tamil Nadu (TN) government has imposed an INR160/t mining tax on limestone mining. TRCL is estimated to be the most impacted given its higher clinker capacity in TN (~52% of its total capacity). However, the recent price hikes, improvement in the clinker-to-cement (C:C) ratio, and cost reduction measures are likely to more than offset the additional mineral tax burden.
- Further, management is committed to net debt reduction by monetizing non-core assets worth INR10.0b. The company has monetized assets worth INR4.6b by end-FY25. It also prioritized repayment of high-cost borrowings and is following a disciplined capex approach. This strategic decision will lead to a steady reduction in net debt (net debt is likely to decline to INR37.6b by FY27E from INR46.2b as of Dec'24) and improve the leverage ratio (the net debt-to-EBITDA ratio is likely to be 1.8x vs. 3.5x as of Dec'24 TTM).
- Given the recent price hikes in the company's core markets (South and East) and cost savings initiatives, we raise our EBITDA estimates by ~4%/2% for FY26/FY27. Further, we upgrade our EPS estimates by ~19%/20% for FY26/FY27, aided by lower interest outgo. Over FY25-26, TRCL's revenue/EBITDA/PAT CAGR is estimated at ~11%/25%/93%. **Key risks to our estimate:** 1) reversal of recent price hikes, and 2) lower-than-estimated demand growth.
- The stock is currently trading at 14x/12x FY26E/FY27E EV/EBITDA (vs. its long-term average of 15x) and USD119/USD102 EV/t (vs. long-term average of USD130). We value the stock at 13x (earlier 12x) FY27E EV/EBITDA to arrive at our revised TP of INR1,030 (vs. INR900). **Reiterate Neutral.**

Post-FY25 slump, cement prices in South India rebound strongly

- According to our channel checks, the average cement price in the southern region rose sharply by INR33/bag in Apr'25, marking a robust ~10% MoM rise. This is notably higher than the INR17/bag (~5%) MoM increase in the eastern region and a modest INR3-5/bag MoM (~1%) increase in the northern, central, and western regions. This sharp uptick in the southern region follows a period of underperformance in FY25, during which the average price dipped ~9% YoY.
- TRCL, given its higher exposure in the southern region (sold ~78-79% of its total volume across southern markets), is estimated to benefit the most from increased pricing in the region. Further, increased consolidation in the region and positive commentary by industry players (focusing on balancing out volume growth and profitability at their South India plants) are key positive triggers. This provides a case for upward revision in earnings estimates for the company.

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Research analyst - Mudit Agarwal (Mudit.Agarwal@MotilalOswal.com) | **Abhishek Sheth** (abhishek.sheth@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

MotilalOswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- In the South, we estimate cement capacity additions of 10mtpa/13mtpa in FY26/FY27 by the industry. Of these, ~6.0mtpa (3.0mtpa in FY26/FY27 each) will be added by TRCL. The company is expanding its clinker/grinding capacities at Kurnool, Andhra Pradesh (brownfield expansion), by 3.2mtpa/ 3.8mtpa, to be completed in FY26-27. Apart from that, TRCL is adding a grinding capacity of 2.0mtpa through debottlenecking of existing facilities in the South at a minimal capex. We estimate improving demand/supply equilibrium in the region (incremental demand CAGR at ~8% to surpass the incremental supply of ~6% over FY25-27E) to help sustain the price hikes over the medium-to-longer term.

Limestone tax raises cost pressure, but efficiency steps to offer partial relief

- The TN government has imposed an INR160/t mining tax on limestone mining effective from 4th Apr'25. For TRCL, the tax is estimated to increase its production costs for limestone by INR80/t due to its significant clinker capacity concentration in the state (accounting for ~52% of its total clinker capacity).
- The company's C:C ratio declined to 1.27x during FY22-24, compared to its long-term average of above 1.33x during FY12-21. The company's C:C ratio has improved to 1.4x in 9MFY25, showcasing better operational efficiency. Despite this, there is still room for further reduction in raw material costs by optimizing the use of beneficiation and flotation plants, which helps in enhancing limestone recovery. Moreover, the company can reduce raw material costs by optimizing clinker sourcing strategies for its eastern grinding units.
- Further, TRCL's initiatives towards increasing its 1) green power share to ~40% (from ~37% in 9MFY25) and 2) alternative fuel share to +7% (vs. ~2% in 9MFY25 and ~6% in FY24) are estimated to help in an overall reduction in opex/t. We estimate the company's EBITDA/t to improve to INR900/INR970 in FY26/FY27 from INR720 in FY25E (average at INR820/t over FY23-24).

Debt reduction to support lower leverage going forward

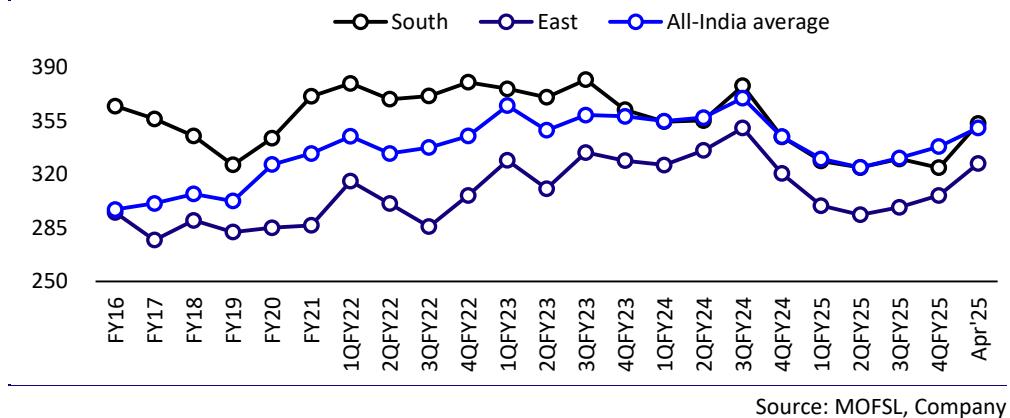
- Following investors' concerns over the continuous rise in net debt, the company has taken effective steps to reduce leverage. It has committed to monetizing non-core assets worth INR10.0b over the 12 months starting Jul'24, as part of its broader strategy to strengthen the balance sheet. The company has monetized assets worth INR4.6b as of end-FY25, and the balance will be monetized in the next few months. We estimate its net debt to decline to INR37.6b by FY27 from INR46.2b as of Dec'24. The net debt-to-EBITDA ratio is likely to decline to 1.8x in FY27 from 3.5x as of Dec'24 (TTM).
- It also prioritized repayment of high-cost borrowing (issuing debentures having a lower coupon rate as compared to term loans from banks) to reduce finance costs. We estimate a 7% YoY reduction in finance costs to INR4.2b in FY26 and a further reduction of ~5% YoY to INR4.0b in FY27.
- Further, it has adopted a disciplined approach to capital expenditure, reducing its capex guidance to INR12.0b p.a. for FY25-26, down from an average of INR18.6b p.a. during FY20-24.

Earnings upgrade due to positive near-term outlook

- Given the recent price hikes in the company's core markets (South and East) and cost savings initiatives, we raise our EBITDA estimates by ~4%/2% for FY26/FY27. Further, we raise our EPS estimates by ~19%/20% for FY26/FY27, aided by lower interest outgo. Over FY25-26, TRCL's revenue/EBITDA/PAT CAGR is estimated at ~11%/25%/93%.
- We estimate the company's cumulative OCF at INR49.1b over FY25-27 vs. INR47.7b over FY22-24. We estimate a cumulative capex of INR27.2b (net of fixed assets sold) over FY25-27 vs. a cumulative capex of INR56.7b over FY22-24. As a result, the company's cumulative FCF stood at INR21.9b over FY25-27E as compared to a cumulative cash outflow of INR9.0b over FY22-24.
- We believe that recent price hikes and ongoing balance sheet deleveraging are key near-term catalysts that could support the stocks' performance. However, we remain watchful on the longer-term turnaround story, where sustained profitability, disciplined capital allocation, and meaningful market share gains will be critical structural drivers for a more durable re-rating.
- The stock is currently trading at 14x/12x FY26E/FY27E EV/EBITDA (vs. its long-term average of 15x) and USD119/USD102 EV/t (vs. long-term average of USD130). We value the stock at 13x (earlier 12x) FY27E EV/EBITDA to arrive at our revised TP of INR1,030 (vs. INR900). **Reiterate Neutral.**

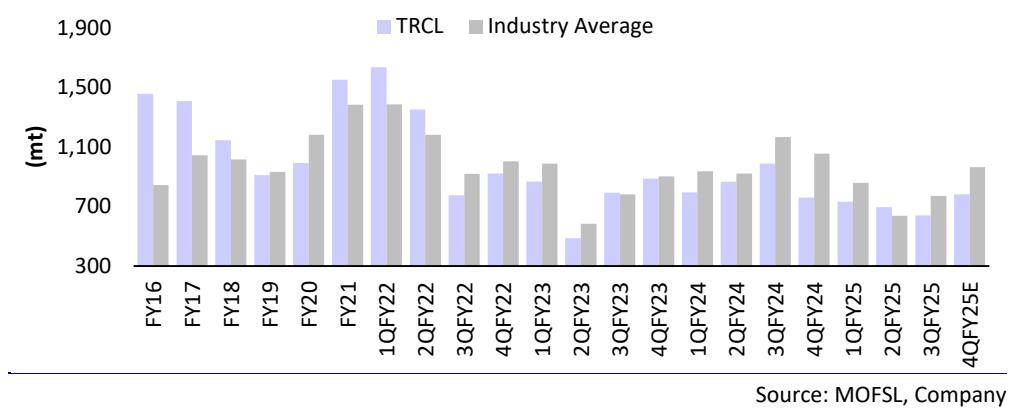
Story in charts

Exhibit 1: Southern cement prices historically at a premium, but in the last few quarters prices corrected to the industry average or below



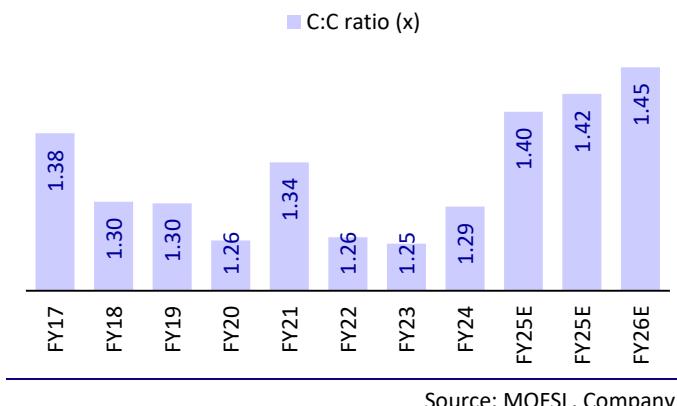
Source: MOFSL, Company

Exhibit 2: Premium South pricing drove TRCL's EBITDA/t outperformance, while profitability contracted post-correction



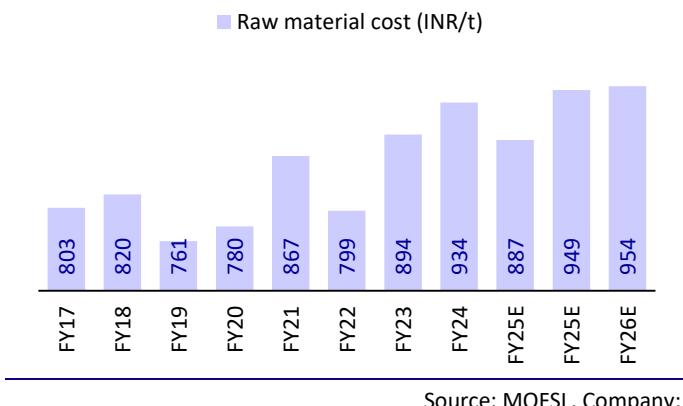
Source: MOFSL, Company

Exhibit 3: TRCL's C:C ratio is estimated to increase further...



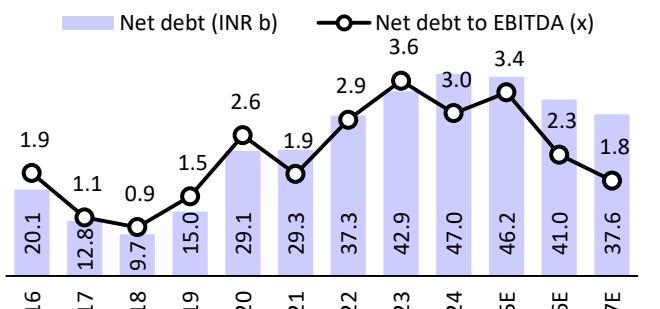
Source: MOFSL, Company;

Exhibit 4: ...that will reduce the net cost increase due to the additional tax on limestone mining



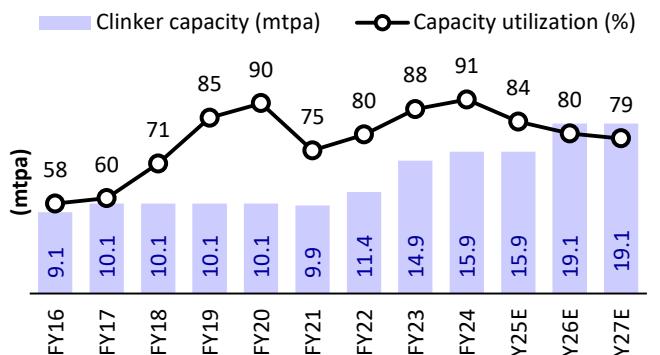
Source: MOFSL, Company;

Exhibit 5: Deleveraging balance sheet through non-core asset monetization



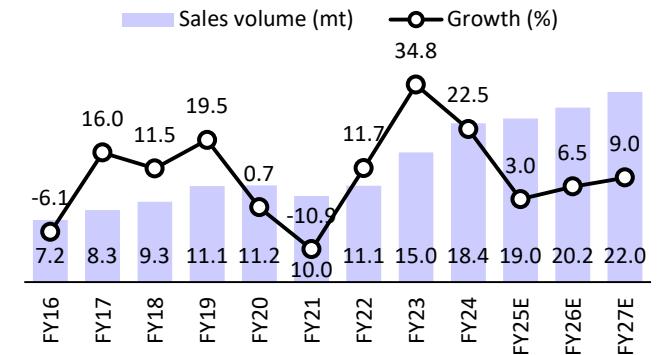
Source: MOFSL, Company

Exhibit 7: Optimization of clinker capacity utilization...



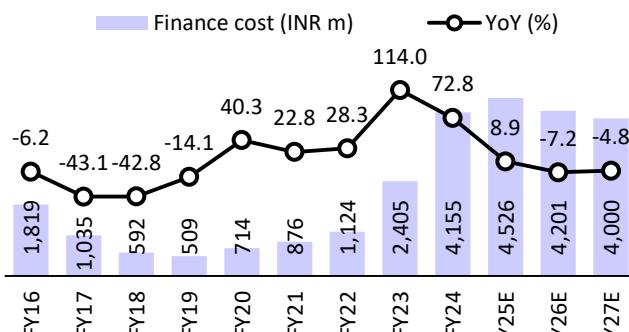
Source: MOFSL, Company

Exhibit 9: Estimate volume CAGR of ~8% over FY25-27



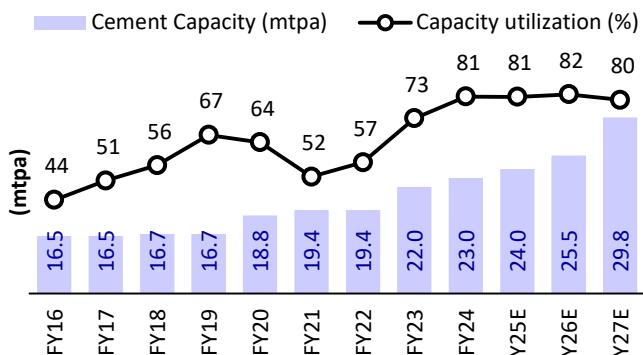
Source: MOFSL, Company

Exhibit 6: Interest expenses to decline with deleveraging and cost-efficient repayments



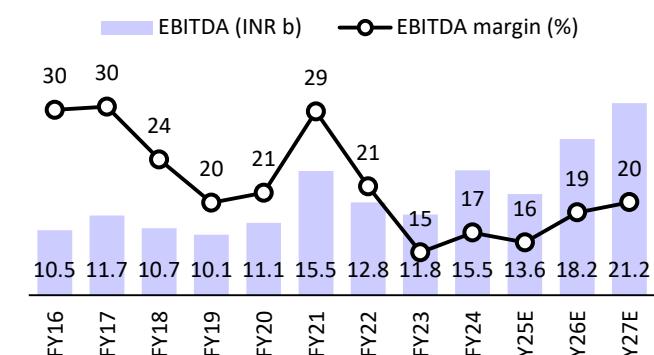
Source: MOFSL, Company

Exhibit 8: ...while cement capacity utilization to remain stable



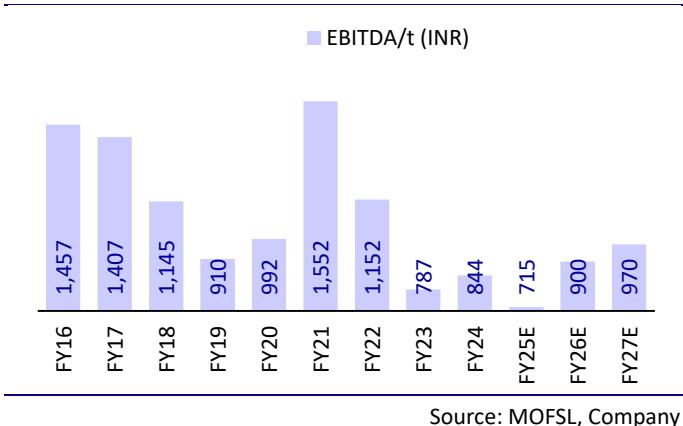
Source: MOFSL, Company

Exhibit 10: Estimate EBITDA CAGR of ~25% over FY25-27



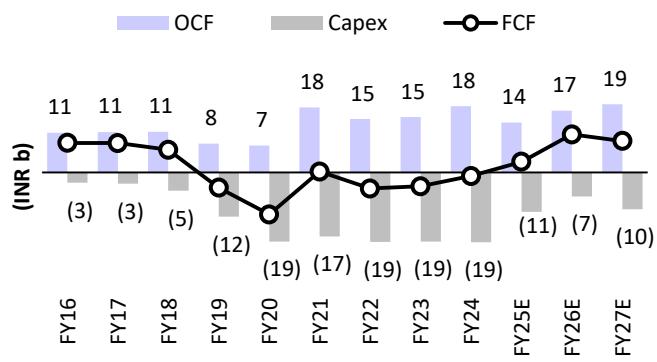
Source: MOFSL, Company

Exhibit 11: TRCL's EBITDA/t trend



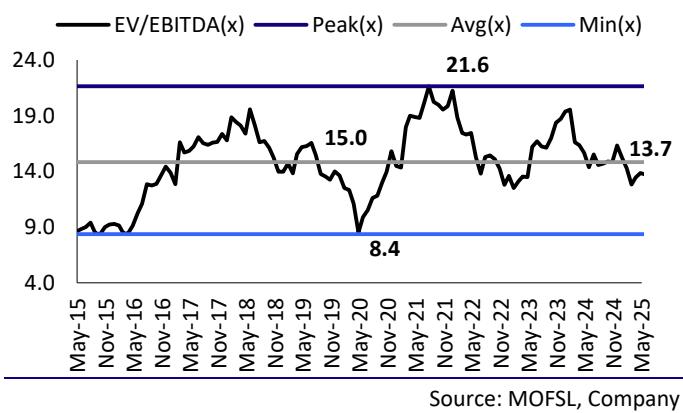
Source: MOFSL, Company

Exhibit 12: Capex intensity reduced over FY25-27E, leading to FCF generation



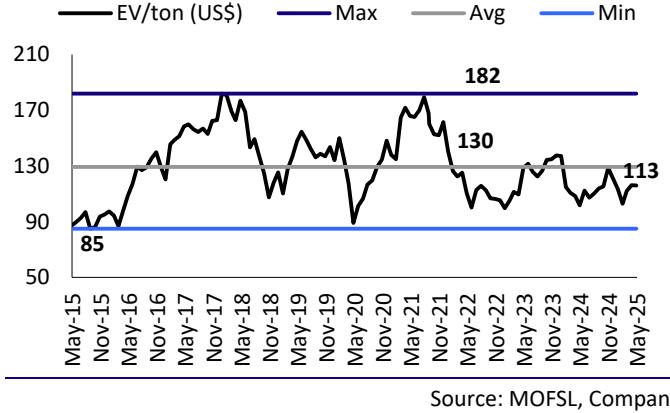
Source: MOFSL, Company; Note: Capex net of fixed assets sold

Exhibit 13: One-year forward EV/EBITDA



Source: MOFSL, Company

Exhibit 14: One-year forward EV/t



Source: MOFSL, Company

Financials and valuations

Income Statement									(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	
Net Sales	53,435	52,684	59,800	81,353	93,498	87,017	97,113	1,07,174	
Change (%)	4.3	-1.4	13.5	36.0	14.9	-6.9	11.6	10.4	
EBITDA	11,117	15,480	12,838	11,820	15,525	13,552	18,183	21,221	
Margin (%)	20.8	29.4	21.5	14.5	16.6	15.6	18.7	19.8	
Depreciation	3,153	3,553	4,008	5,044	6,359	6,889	7,474	8,066	
EBIT	7,964	11,927	8,830	6,775	9,167	6,663	10,709	13,155	
Int. and Finance Charges	714	876	1,124	2,405	4,155	4,526	4,201	4,000	
Other Income - Rec.	622	346	306	367	423	430	420	445	
PBT bef. EO Exp.	7,872	11,397	8,012	4,737	5,435	2,567	6,928	9,600	
EO Expense/(Income)	0	0	0	0	0	-3,290	0	0	
PBT after EO Exp.	7,872	11,397	8,012	4,737	5,435	5,857	6,928	9,600	
Current Tax	1,393	2,440	1,768	257	409	770	1,905	2,640	
Deferred Tax	469	1,346	-2,682	1,045	1,076	0	0	0	
Tax Rate (%)	23.6	33.2	-11.4	27.5	27.3	13.1	27.5	27.5	
Reported PAT	6,011	7,611	8,927	3,435	3,950	5,087	5,023	6,960	
PAT Adj for EO items	6,011	7,611	5,899	3,435	3,950	1,866	5,023	6,960	
Change (%)	18.1	26.6	-22.5	-41.8	15.0	-52.8	169.2	38.6	
Margin (%)	11.2	14.4	9.9	4.2	4.2	2.1	5.2	6.5	

Balance Sheet									(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	
Equity Share Capital	236	236	236	236	236	236	236	236	236
Total Reserves	48,950	56,032	65,012	67,699	71,205	72,293	76,371	82,149	
Net Worth	49,186	56,268	65,249	67,935	71,441	72,529	76,607	82,385	
Deferred Liabilities	9,172	10,877	8,240	9,285	10,304	10,304	10,304	10,304	
Total Loans	30,241	31,017	39,300	44,874	49,168	48,168	43,168	40,168	
Capital Employed	88,599	98,162	1,12,789	1,22,095	1,30,914	1,31,002	1,30,079	1,32,858	
Gross Block	93,901	1,06,223	1,18,037	1,47,329	1,72,397	1,80,897	1,94,897	2,08,397	
Less: Accum. Deprn.	35,757	38,720	42,728	47,772	54,131	61,020	68,494	76,560	
Net Fixed Assets	58,144	67,503	75,309	99,557	1,18,266	1,19,877	1,26,403	1,31,837	
Capital WIP	18,143	23,255	30,340	19,873	13,784	16,000	8,500	5,000	
Total Investments	4,275	4,369	4,220	4,209	4,397	1,347	1,347	1,347	
Curr. Assets, Loans&Adv.	19,908	18,331	20,687	21,530	25,235	21,534	25,268	28,139	
Inventory	6,453	5,979	8,333	8,823	9,823	9,142	10,203	11,260	
Account Receivables	5,269	3,752	3,498	4,650	8,522	7,152	7,982	8,809	
Cash and Bank Balance	914	1,419	1,760	1,686	1,352	1,085	1,331	1,722	
Loans and Advances	7,273	7,181	7,095	6,371	5,539	4,155	5,753	6,349	
Curr. Liability & Prov.	11,871	15,296	17,767	23,074	30,770	27,757	31,438	33,466	
Account Payables	11,341	14,655	16,985	22,141	29,635	27,416	30,597	32,299	
Provisions	531	641	782	933	1,135	341	840	1,167	
Net Current Assets	8,037	3,035	2,920	-1,545	-5,535	-6,222	-6,169	-5,327	
Appl. of Funds	88,599	98,162	1,12,789	1,22,095	1,30,914	1,31,002	1,30,079	1,32,858	

Source: Company, MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	25.5	32.3	25.0	14.5	16.7	7.9	21.3	29.5
Cash EPS	38.9	47.3	41.9	35.9	43.6	37.1	52.9	63.6
BV/Share	208.8	238.5	276.1	287.5	302.3	306.9	324.2	348.6
DPS	2.5	3.0	3.0	2.0	2.5	3.0	4.0	0.0
Payout (%)	11.8	9.3	7.9	13.8	15.0	13.9	18.8	0.0
Valuation (x)								
P/E	37.1	29.4	38.0	65.2	56.7	120.0	44.6	32.2
Cash P/E	24.4	20.0	22.6	26.4	21.7	25.6	17.9	14.9
P/BV	4.5	4.0	3.4	3.3	3.1	3.1	2.9	2.7
EV/Sales	4.4	4.4	3.9	3.0	2.7	2.9	2.6	2.4
EV/EBITDA	21.1	14.9	18.0	20.9	16.6	18.8	14.1	12.1
EV/Ton (USD)	148	141	141	133	133	126	119	102
Dividend Yield (%)	0.3	0.3	0.3	0.2	0.3	0.3	0.4	0.0
Return Ratios (%)								
RoIC	10.0	11.9	13.5	5.7	6.4	5.2	6.7	7.8
RoE	12.8	14.4	9.7	5.2	5.7	2.6	6.7	8.8
RoCE	9.4	9.8	10.6	4.8	6.0	5.1	6.7	8.1
Working Capital Ratios								
Asset Turnover (x)	0.6	0.5	0.5	0.7	0.7	0.7	0.7	0.8
Inventory (Days)	44.1	41.4	50.9	39.6	38.3	38.3	38.3	38.3
Debtor (Days)	36.0	26.0	21.3	20.9	33.3	30.0	30.0	30.0
Creditor (Days)	77.5	101.5	103.7	99.3	115.7	115.0	115.0	110.0
Leverage Ratio (x)								
Current Ratio	1.7	1.2	1.2	0.9	0.8	0.8	0.8	0.8
Debt/Equity	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.5

Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	7,872	11,397	8,012	4,737	5,435	5,857	6,928	9,600
Depreciation	3,153	3,553	4,008	5,044	6,359	6,889	7,474	8,066
Interest & Finance Charges	714	876	1,124	2,405	4,155	4,526	4,201	4,000
Direct Taxes Paid	-1,861	-3,786	915	-1,302	-1,485	-770	-1,905	-2,640
(Inc)/Dec in WC	-2,590	5,507	457	4,390	3,656	421	194	-453
CF from Operations	7,287	17,547	14,516	15,275	18,120	16,924	16,892	18,573
Others	100	143	30	-166	-88	-3,290	0	0
CF from Operating incl EO	7,387	17,690	14,546	15,109	18,032	13,634	16,892	18,573
(Inc)/Dec in FA	-18,791	-17,434	-18,900	-18,826	-18,979	-10,716	-6,500	-10,000
Free Cash Flow	-11,404	256	-4,354	-3,717	-948	2,918	10,392	8,573
(Pur)/Sale of Investments	19	-94	150	11	-189	3,050	0	0
Others	-1,257	1,150	-1,904	935	1,254	0	0	0
CF from Investments	-20,029	-16,378	-20,654	-17,880	-17,914	-7,666	-6,500	-10,000
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	14,054	776	8,282	5,575	4,294	-1,000	-5,000	-3,000
Interest Paid	-714	-876	-1,124	-2,405	-4,155	-4,526	-4,201	-4,000
Dividend Paid	-711	-708	-709	-473	-591	-709	-945	-1,182
Others	0	0	0	0	0	0	0	0
CF from Fin. Activity	12,630	-808	6,450	2,697	-452	-6,235	-10,147	-8,182
Inc/Dec of Cash	-13	504	342	-74	-334	-267	245	391
Opening Balance	927	915	1,419	1,761	1,686	1,352	1,085	1,331
Closing Balance	915	1,419	1,761	1,686	1,352	1,085	1,331	1,722

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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