

Pick of the Day (Short Term Delivery Call)

Company Name: The Ramco Cements Ltd

NSE code	RAMCOCEM
BSE code	500260
Market Cap (Rs Cr)	20,222
Promotor holding (%)	42.1
PE(x) 2026E	24
Industry PE (x) TTM	33.8
EV/EBITDA (x) TTM	15.8
P/PB (x)	5.1

CMP (Rs): 859 | Buy Range: 850-860 | Target Price: 990 | Upside: 15%

Duration of recommendation: 1 to 3 months

The Ramco Cements is engaged in manufacture of cement, Ready Mix Concrete (RMC) and Dry mortar products. It primarily caters to the domestic market of India. Southern parts of India contribute 75% of total sales while rest 25% is contributed by East region (including North-East). As of December 2023, the company's cement production capability is 22 mtpa.

Investment Rationale

Capacity addition will drive the volume growth: Company's current cement capacity is 22 mtpa as of December 2023 and is set to expand to 26 mtpa by FY26E. This expansion includes increasing capacity by 1 mtpa through debottlenecking, 1 mtpa in the Odisha unit, and 2 mtpa in the southern unit. Projected volume growth is expected to grow at 13% CAGR. This growth is attributed to timely capacity additions and increased demand in key markets such as Tamil Nadu, Karnataka, Andhra Pradesh, Telangana, Odisha, and West Bengal. The focus on expanding capacity in the southern region, where the company has a significant presence, is anticipated to boost its market share in that area.

EBITDA/ton to witness improvement: Going forward, there's anticipated improvement in EBITDA per ton. Over the past two years, the company experienced a decline in EBITDA per ton (from a peak of ₹1553/ton in FY21 to ₹800-900/ton), primarily due to increased power and fuel costs. Nevertheless, we foresee a gradual recovery in EBITDA per ton from ₹794/ton in FY23 to ₹1060/ton by FY26E. This improvement will be driven by a focus on operational efficiencies and positive operating leverage.

Industry outlook is promising: Interim Budget for FY25 proposed three corridors, including a corridor for energy, mineral, and cement to improve operations of passenger trains, decongest logistics. Manufacturing sector gained strength with easing input cost pressures, pick up in demand conditions and rabi food grains production. Despite the short-term setbacks caused by unprecedented historic rainfall in TN / AP, the upcoming quarters holds promise for heightened cement demand, driven by post-disaster reconstruction activities.

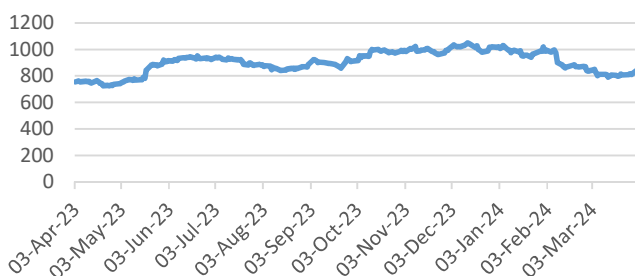
Q3FY24 Financial Results:

- ❖ Consolidated Revenue/EBITDA/PAT increasing by 5%/39%/39% YoY to Rs. 2106/395/93 crores respectively.
- ❖ EBITDA margins improved by 460 bps to 18.8% from 14.2% YoY.
- ❖ On QoQ basis, Revenue/EBITDA/PAT reduced by -9.6%/-0.8%/-8% respectively.

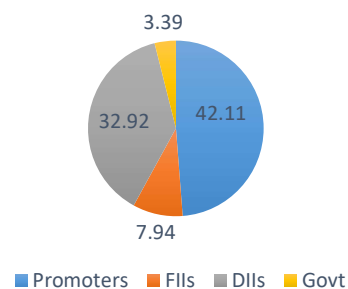
Reasonable Valuation: Stock is currently trading at 11.1x EV/EBITDA on FY26E which looks attractive considering strong capacity expansion plans and margin improvement. We recommend BUY on The Ramco Cement with target price of ₹ 990.

Key risks: (i) Slowdown in demand (ii) Delay in capacity expansion (iii) Increase in commodity prices.

Price Performance



Shareholding Pattern %



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