The Ramco Cements | HOLD

JM FINANCIAL

On the mend

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We recently met S Vaithiyanathan, CFO of The Ramco Cements (Ramco), for a business update. The key takeaways are: 1) Average cement prices have risen by INR 30-35/bag in trade and INR 60-70/bag in non-trade in the South from exit of Mar'25. The sustenance of prices should augur well for profitability in the coming quarter (>INR 300/tn sequentially), in our view; 2) The management expects overall cost increase of ~INR 100/tn from FY26 owing to implementation of Tamil Nadu Mineral Bearing Land Tax Act, 2024 (link); 3) It aims to increase current clinker capacity from 16mt to 19mt and cement capacity from 24mt to 30mt by FY26E; a majority of the addition is likely through de-bottlenecking at various locations at a minimal capex of USD 10-15/tn; 4) It remains committed to the sale of INR 10bn of non-core assets (has realised INR 4.6bn so far) by Jul'25 as committed earlier to meet capex/ keep leverage in check; 5) Targeting 2x-3x revenue growth (additional revenue stream) in the construction chemicals business (revenue of ~INR 2.2bn in FY25) over the next couple years. Recent price hikes and ongoing deleveraging are near-term catalysts for stock performance. But a durable re-rating hinges on sustained profitability along with market share gains and controlled leverage. We maintain HOLD with Jun'26 TP of INR 1,000 (post quarterly-rollover) based on 13x Jun'27 EV/EBITDA.

- **Cement price recovery in South to support profitability:** After a couple of years of margin pressure due to rising competition and weak profitability, cement prices in the South (~75-80% of the company's volume mix) have recovered sharply, rising by INR 30–35/bag in trade and INR 60–70/bag in non-trade segment since end-Mar'25. Prices in the East (~20-25% of vols. mix) have risen by INR 10/bag in non-trade segment. Additionally, the new mineral tax of INR 160/tn on limestone mining in Tamil Nadu (w.e.f. Apr'25) is likely to increase costs by ~INR 100/tn from FY26. The sustenance of prices should also augur well for profitability in the coming quarter (>INR 300/tn sequentially), in our view.
- **Timely non-core asset monetisation to support capex/ keep leverage in check:** Ramco is on track to reach 30mt cement capacity, with 3.2mt clinker and 1.5mt cement capacity at Kurnool (INR 12.5bn capex) and ~4.5mt through low-cost debottlenecking in the South (USD 10–15/ton). Its FY26E capex guidance is INR 12bn. It remains committed to divesting INR 10bn of non-core assets (INR 4.6bn already realised) by Jul'25 as committed earlier. We estimate total potential to sell non-core assets of INR 15bn–17bn (excluding group investments, having market value of INR 6.3bn). Supported by improved profitability and asset sales, we expect net debt to fall by INR 10bn to INR 35bn by FY28, factoring in total capex of INR 32bn over FY25–28E.
- **Better cost structure, higher revenue from construction chemicals to support profitability:** The company's better cost structure is led by proximity to market, improving blending ratio and higher operating leverage. Besides, it aims to boost revenue (~INR 2.2bn in FY25) from construction chemicals by 2x-3x over the next couple of years to support revenue growth (additional revenue stream). The construction chemicals business generates EBITDA margin of 20-25%. But with high brand promotion expenses, margin may lie in the lower end of the band in the near term.

Recommendation and Price Target	
Current Reco.	HOLD
Previous Reco.	HOLD
Current Price Target (12M)	1,000
Upside/(Downside)	-4.9%
Previous Price Target	960
Change	4.1%

Key Data – TRCL IN	
Current Market Price	INR1,051
Market cap (bn)	INR248.3/US$2.9
Free Float	45%
Shares in issue (mn)	236.3
Diluted share (mn)	236.3
3-mon avg daily val (mn)	INR808.4/US$9.4
52-week range	1,080/765
Sensex/Nifty	81,692/24,888
INR/US$	85.6

Price Performance			
%	1M	6M	12M
Absolute	10.4	5.3	22.2
Relative*	9.6	5.9	14.9

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	93,764	85,184	97,519	1,07,807	1,15,930
Sales Growth (%)	14.9	-9.2	14.5	10.6	7.5
EBITDA	15,646	12,325	18,048	20,922	23,553
EBITDA Margin (%)	16.7	14.5	18.5	19.4	20.3
Adjusted Net Profit	3,599	732	5,118	6,927	8,621
Diluted EPS (INR)	15.2	3.1	21.7	29.3	36.5
Diluted EPS Growth (%)	14.4	-79.7	598.8	35.4	24.5
ROIC (%)	5.9	2.7	6.7	8.0	9.2
ROE (%)	5.1	1.0	6.7	8.4	9.7
P/E (x)	69.0	339.1	48.5	35.9	28.8
P/B (x)	3.4	3.3	3.1	2.9	2.7
EV/EBITDA (x)	18.9	23.8	16.2	13.8	12.0
Dividend Yield (%)	0.2	0.2	0.2	0.3	0.3

Source: Company data, JM Financial. Note: Valuations as of 12/Jun/2025

Exhibit 1. Annual analysis

										CAGR	
Key Assumptions	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY20-25	FY25-28E
Capacity (mt)	18.8	19.4	19.4	22.0	23.0	24.0	25.5	30.0	34.5	5.0	12.9
Volumes (mt)	11.2	10.0	11.0	14.8	18.4	18.5	19.6	21.6	23.1	10.6	7.7
Utilisation (%)	60	51	57	67	80	77	77	72	67		
Blended Realisation (INR/tn)	4,788	5,278	5,392	5,465	5,097	4,605	4,973	4,998	5,023	(0.8)	2.9
EBITDA/tn (INR/tn)	**1,024**	**1,560**	**1,168**	**800**	**851**	**666**	**920**	**970**	**1,020**	**(8.2)**	**15.3**
P&L (INR bn)											
Revenue	54	53	60	82	94	85	98	108	116	9.6	10.8
EBITDA	**11**	**16**	**13**	**12**	**16**	**12**	**18**	**21**	**24**	**1.4**	**24.1**
Adj. Net Profit	6	8	9	3	4	1	5	7	9	(34.4)	127.5
Balance Sheet (INR bn)											
Equity	50	57	66	69	72	74	79	85	93		
Net Debt	**29**	**30**	**38**	**44**	**48**	**45**	**45**	**41**	**35**		
Net Debt/EBITDA (x)	2.6	1.9	2.9	3.7	3.1	3.6	2.5	2.0	1.5		
Net Debt/Equity (x)	0.6	0.5	0.6	0.6	0.7	0.6	0.6	0.5	0.4		
Cash Flow (INR bn)											
OCF before WC change	10	13	10	10	11	12	13	15	17		
Change in WC	(3)	5	(0)	3	4	2	(0)	(0)	(0)		
Capex	(19)	(18)	(18)	(18)	(19)	(9)	(12)	(10)	(10)		
FCF	**(12)**	**1**	**(8)**	**(5)**	**(4)**	**4**	**1**	**5**	**7**		
Return ratios (%)											
RoE	12.7	15.0	14.3	4.7	5.1	1.0	6.7	8.4	9.7		
RoCE	8.2	9.1	9.4	4.1	5.2	2.5	6.1	7.2	8.0		
RoIC	**10.8**	**12.4**	**13.7**	**5.9**	**6.6**	**2.9**	**7.1**	**8.2**	**9.2**		
Valuations (x)											
PE							48.5	35.9	28.8		
EV/EBITDA							**16.3**	**14.1**	**12.4**		
EV/tn							135	113	96		

Source: Company, JM Financial

Exhibit 2. Annual analysis on a per-tonne basis

INR/tonne	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Blended Realisation	**4,788**	**5,278**	**5,392**	**5,465**	**5,097**	**4,605**	**4,973**	**4,998**	**5,023**
% YoY	3.7	10.2	2.1	1.4	(6.7)	(9.7)	8.0	0.5	0.5
Raw materials consumed	780	867	806	906	934	932	1,035	1,035	1,038
Power & fuel costs	938	796	1,257	1,796	1,386	1,119	1,144	1,117	1,077
Freight costs	1,016	1,028	1,099	1,081	1,062	1,055	1,041	1,051	1,056
Staff costs	340	420	394	326	299	297	306	303	309
Other expenses	713	630	711	595	565	535	527	522	522
Operating Cost	**3,786**	**3,741**	**4,266**	**4,704**	**4,246**	**3,938**	**4,053**	**4,028**	**4,002**
% YoY	2.8	(1.2)	14.0	10.3	(9.7)	(7.3)	2.9	(0.6)	(0.6)
Blended EBITDA	**1,024**	**1,560**	**1,168**	**800**	**851**	**666**	**920**	**970**	**1,020**
% YoY	6.8	52.4	(25.2)	(31.5)	6.3	(21.7)	38.1	5.4	5.2

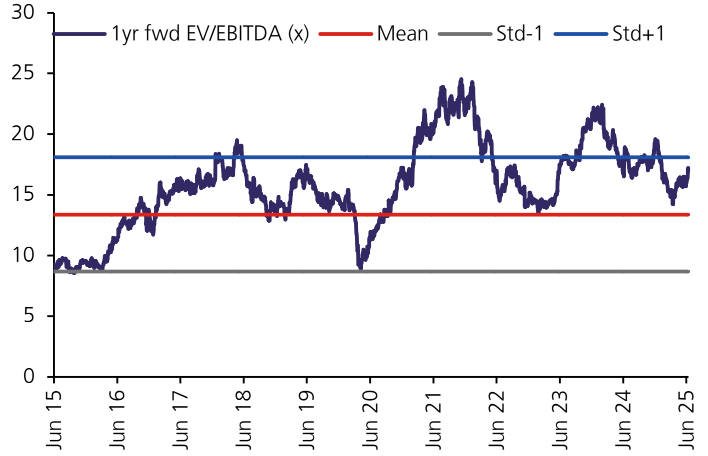
Source: Company, JM Financial

Exhibit 3. We maintain HOLD with a revised TP of INR 1,000 based on 13x Jun'27E EV/E

EV/E method	
Jun'27E EBITDA (INR bn)	21.6
EV/E multiple (x)	13
EV (INR bn)	**280**
Jun'26E Net debt (INR bn)	44
Equity value	**236**
No. of shares (mn)	236
Jun'26 Target Price (INR)	**1,000**

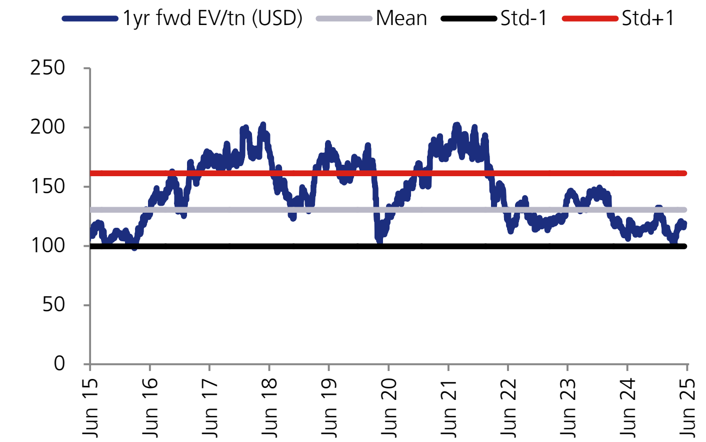
Source: Company, JM Financial

Exhibit 4. One-year forward EV/EBITDA



Source: Bloomberg, JM Financial

Exhibit 5. One-year forward EV/tn



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	93,764	85,184	97,519	1,07,807	1,15,930
Sales Growth	14.9%	-9.2%	14.5%	10.6%	7.5%
Other Operating Income	0	0	0	0	0
Total Revenue	**93,764**	**85,184**	**97,519**	**1,07,807**	**1,15,930**
Cost of Goods Sold/Op. Exp	17,190	17,246	20,299	22,318	23,958
Personnel Cost	5,497	5,500	5,995	6,535	7,123
Other Expenses	55,431	50,113	53,177	58,032	61,295
EBITDA	**15,646**	**12,325**	**18,048**	**20,922**	**23,553**
EBITDA Margin	16.7%	14.5%	18.5%	19.4%	20.3%
EBITDA Growth	32.0%	-21.2%	46.4%	15.9%	12.6%
Depn. & Amort.	6,463	6,951	7,392	7,807	8,261
EBIT	9,183	5,375	10,656	13,115	15,293
Other Income	389	412	420	428	437
Finance Cost	4,155	4,588	4,285	4,331	4,249
PBT before Excep. & Forex	5,417	1,199	6,791	9,213	11,481
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	5,417	1,199	6,791	9,213	11,481
Taxes	1,481	512	1,718	2,331	2,905
Extraordinary Inc./Loss(-)	0	1,994	0	0	0
Assoc. Profit/Min. Int.(-)	-405	-17	-17	-17	-17
Reported Net Profit	3,599	2,726	5,118	6,927	8,621
Adjusted Net Profit	**3,599**	**732**	**5,118**	**6,927**	**8,621**
Net Margin	3.8%	0.9%	5.2%	6.4%	7.4%
Diluted Share Cap. (mn)	236.3	236.3	236.3	236.3	236.3
Diluted EPS (INR)	**15.2**	**3.1**	**21.7**	**29.3**	**36.5**
Diluted EPS Growth	14.4%	-79.7%	598.8%	35.4%	24.5%
Total Dividend + Tax	591	473	512	693	862
Dividend Per Share (INR)	2.5	2.0	2.2	2.9	3.6

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	72,379	74,417	79,022	85,257	93,016
Share Capital	236	236	236	236	236
Reserves & Surplus	72,143	74,180	78,786	85,020	92,779
Preference Share Capital	0	0	0	0	0
Minority Interest	36	5	5	5	5
Total Loans	49,585	46,905	48,891	47,911	47,079
Def. Tax Liab. / Assets (-)	10,268	10,751	10,751	10,751	10,751
Total - Equity & Liab.	**1,32,268**	**1,32,077**	**1,38,669**	**1,43,924**	**1,50,851**
Net Fixed Assets	1,33,040	1,35,266	1,39,875	1,42,068	1,43,808
Gross Fixed Assets	1,75,704	1,84,646	1,99,352	2,11,516	2,23,248
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	55,957	62,907	70,299	78,105	86,366
Capital WIP	13,292	13,527	10,822	8,657	6,926
Investments	4,467	2,938	2,938	2,938	2,938
Current Assets	25,189	25,087	30,083	37,005	45,273
Inventories	9,835	10,162	11,235	13,591	15,382
Sundry Debtors	8,557	7,296	8,269	9,050	9,634
Cash & Bank Balances	1,369	2,092	4,080	6,913	11,920
Loans & Advances	2,848	3,039	4,001	4,953	5,838
Other Current Assets	2,581	2,499	2,499	2,499	2,499
Current Liab. & Prov.	30,428	31,214	34,227	38,088	41,169
Current Liabilities	9,933	9,394	10,309	11,494	12,417
Provisions & Others	20,495	21,820	23,918	26,594	28,752
Net Current Assets	-5,239	-6,128	-4,144	-1,083	4,105
Total – Assets	**1,32,268**	**1,32,077**	**1,38,669**	**1,43,924**	**1,50,851**

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	5,417	1,199	6,791	9,213	11,481
Depn. & Amort.	6,463	6,951	7,392	7,807	8,261
Net Interest Exp. / Inc. (-)	4,155	4,588	4,285	4,331	4,249
Inc (-) / Dec in WCap.	3,657	1,749	5	-228	-180
Others	-209	1,826	-375	-383	-392
Taxes Paid	-428	-206	-1,718	-2,331	-2,905
Operating Cash Flow	**19,055**	**16,106**	**16,380**	**18,407**	**20,514**
Capex	-19,143	-9,412	-12,000	-10,000	-10,000
Free Cash Flow	-87	6,693	4,380	8,407	10,514
Inc (-) / Dec in Investments	-175	0	0	0	0
Others	208	1,848	420	428	437
Investing Cash Flow	**-19,109**	**-7,564**	**-11,580**	**-9,572**	**-9,563**
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-473	-591	-512	-693	-862
Inc / Dec (-) in Loans	4,258	-2,708	1,986	-979	-832
Others	-4,065	-4,520	-4,285	-4,331	-4,249
Financing Cash Flow	**-280**	**-7,819**	**-2,811**	**-6,003**	**-5,944**
Inc / Dec (-) in Cash	**-334**	**722**	**1,988**	**2,833**	**5,007**
Opening Cash Balance	1,703	1,369	2,092	4,080	6,913
Closing Cash Balance	1,369	2,092	4,080	6,913	11,920

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	3.8%	0.9%	5.2%	6.4%	7.4%
Asset Turnover (x)	0.7	0.6	0.7	0.8	0.8
Leverage Factor (x)	1.8	1.8	1.8	1.7	1.7
RoE	5.1%	1.0%	6.7%	8.4%	9.7%

Key Ratios

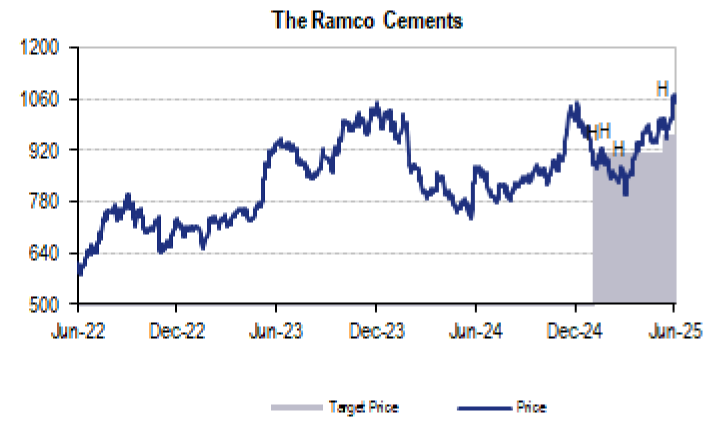
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	306.3	314.9	334.4	360.8	393.6
ROIC	5.9%	2.7%	6.7%	8.0%	9.2%
ROE	5.1%	1.0%	6.7%	8.4%	9.7%
Net Debt/Equity (x)	0.7	0.6	0.6	0.5	0.4
P/E (x)	69.0	339.1	48.5	35.9	28.8
P/B (x)	3.4	3.3	3.1	2.9	2.7
EV/EBITDA (x)	18.9	23.8	16.2	13.8	12.0
EV/Sales (x)	3.2	3.4	3.0	2.7	2.4
Debtor days	33	31	31	31	30
Inventory days	38	44	42	46	48
Creditor days	46	47	47	48	49

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
14-Jan-25	Hold	915	
6-Feb-25	Hold	915	-0.1
3-Mar-25	Hold	915	0.0
23-May-25	Hold	960	5.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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