Weekly Wealth

BP WEALTH

Stock Idea Note - The Ramco Cements Ltd.

Company Overview

Ramco Cements' journey began with a modest cement manufacturing capacity of 200 tonnes per day, flourishing into a powerhouse with 16 MTPA of clinker and 23 MTPA of cement manufacturing capacity today. The company's portfolio encompasses a wide range of cement products, ready-mix concrete, and dry mortar solutions, supported by an extensive network of dealers and sub-dealers across markets. Its enduring relationships with customers and supply chain partners represent a focus on excellence. The company has successfully established a strong presence in the cement industry, expanding its scale and operations in strategic locations across South and East India. This expansion enables the company to get closer to customers, allowing it to address evolving market demands with precision and efficiency. With ambitious expansion programs underway, the company continues to lead in meeting growing demand and strengthening its market position. The company has also evolved from a single-unit entity into a cement manufacturing powerhouse with five state-of-the-art integrated cement plants and six cement grinding units complemented by associated infrastructure and modern technologies. The company's robust manufacturing setup ensures world-class standards in safety, sustainability, operational excellence, and cost efficiency, solidifying its position as a large-scale producer with a substantial regional reach. The company is further investing in scaling operations and redefining operational benchmarks to strengthen competitive positioning.

Investment Rationale

Monetization of non-core assets to strengthen its financial performance

The company's strategic focus on monetizing non-core assets, with an estimated value of Rs, 1,000 crores, over the next year reflects its proactive approach to optimizing its asset base and strengthening its balance sheet. As part of the monetization plan, the company has already realized Rs. 460 crores from these assets, with the remaining expected by July 2025. The company's decision should help reduce its debt and provide capital expenditure for the next set of expansions. We believe the allocation of these cash proceeds would be a key monitorable in the future. Ramco Cements has outlined a robust capex strategy aimed at achieving a total capacity of 30 MTPA by March 2026 through the commissioning of its second line at Kolimigundla, debottlenecking existing facilities, and expanding grinding capacities. With Rs. 1,000 crores of capex incurred in FY25 and Rs. 1,200 crores planned for FY26, this expansion is expected to enhance operational efficiency, reduce costs per tonne, and capture incremental demand recovery, particularly as cement prices begin to recover in the southern market. The effective allocation of funds from asset monetization and the disciplined execution of capital expenditure should not only unlock value but also position Ramco Cements for long-term growth visibility.

Expanding market footprint, favorable demand prospects and price recovery to drive performance

The company has been strategically expanding its footprint in the eastern markets of Odisha and West Bengal by establishing grinding units near key demand centers. While these initiatives are gradually expanding the company's market reach, ~75% of its revenues are still generated from the southern states, exposing it to region-specific demand risks and, more recently, the impact of the Tamil Nadu mining tax. However, the company's planned expansion into newer markets, such as Maharashtra, over the medium term is expected to aid in revenue diversification and further strengthen its market position. The company's performance is integrally linked to cement demand and pricing dynamics, which are influenced by cyclical economic factors and capacity expansions within the sector. Notably, in April-May 2025, cement prices rose by Rs. 30-35/bag in the trade segment and Rs. 60-70/bag in the non-trade segment in the southern markets, while prices in the east remained flat or saw modest gains. The company anticipates that price levels will remain steady, supported by increased capacity additions and industry consolidation in the southern region. While the demand was slightly subdued during FY25 due to factors such as the general elections, heat waves, and extended monsoons, the long-term demand outlook remains robust due to sustained momentum in the housing and infrastructure sectors, which is expected to support mid-teen revenue growth in FY26. Overall, the combination of favorable demand prospects, price recovery in key markets, and strategic capacity expansion positions Ramco Cements for sustained growth and improved profitability over the long term.

Stock Rating

BUY	HOLD	SELL
■		
> 15%	-5% to 15%	< -5%

Sector Outlook Positive

Stock

CMP (INR)	970
Target Price (INR)	1,125
NSE Symbol	RAMCOCEM
BSE Code	500260
Bloomberg	TRCL.IN
Reuters	TRCE.BO

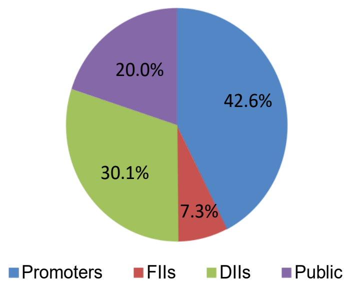
Key Data

Nifty	24,751
52WeekH/L(INR)	1,060/700
O/s Shares (Mn)	236
Market Cap (INR bn)	229.8
Face Value (INR)	1

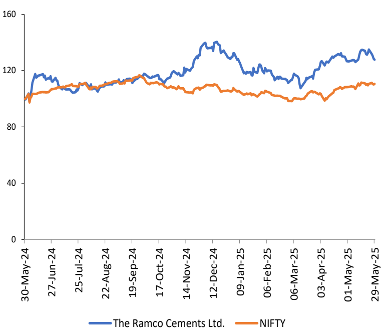
Average volume

3 months	801,500
6 months	663,200
1 year	858,330

Share Holding Pattern (%)



Relative Price Chart



Valuation and Outlook

Ramco Cements, backed by a healthy market share in South India, derives approximately 75% of its revenues from five southern states. However, this regional concentration exposes the company to region-specific demand risks. To mitigate this, the company is increasing its penetration in eastern markets. It plans to foray into newer markets, such as Maharashtra, over the medium term, which is likely to aid in diversification. As we advance, Ramco Cements is poised for volume growth driven by its planned capacity expansion to 30 MTPA by FY26, aided by brownfield projects and debottlenecking initiatives. Margin recovery is anticipated, though realization gains may be constrained by competitive pricing pressures in the South and the imposition of a new mineral-bearing land tax in Tamil Nadu. However, higher sales of premium products, improved fuel mix with increased use of green energy, and operational efficiencies are projected to drive operational margins. The company's leverage is expected to reduce, with net debt projected to decline as cash flows strengthen through operational improvements and monetization of non-core assets. Overall, the company's outlook remains optimistic, buoyed by capacity additions, efficiency gains, deleveraging and recovering demand. Thus, we give the stock a "Buy" rating based on the above factors. **On the valuation front, we value the company based on 53 times FY26e earnings and arrive at a target price of Rs. 1,125 (16% upside from the current market price) with a 12-month investment horizon.**

Key Financials						
YE March (INR. Mn)	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Revenue	**60,037**	**81,573**	**93,764**	**85,184**	**95,872**	**108,754**
Revenue Growth (Y-oY)	*13.5%*	*35.9%*	*14.9%*	*(9.2%)*	*12.5%*	*13.4%*
EBIDTA	**12,910**	**11,860**	**15,650**	**12,330**	**16,707**	**21,203**
EBIDTA Growth (Y-o-Y)	*(17.1%)*	*(8.1%)*	*32.0%*	*(21.2%)*	*35.5%*	*26.9%*
Net Profit	**8,820**	**3,148**	**3,565**	**2,696**	**4,935**	**7,203**
Net Profit Growth (Y-o-Y)	*12.4%*	*(64.3%)*	*13.3%*	*(24.4%)*	*83.1%*	*46.0%*
Diluted EPS	**38.6**	**13.8**	**15.8**	**11.4**	**20.9**	**30.5**
Diluted EPS Growth (Y-o-Y)	*13.4%*	*(64.3%)*	*14.6%*	*(27.6%)*	*83.1%*	*46.0%*
Key Ratios						
EBIDTA margin (%)	**21.5%**	**14.5%**	**16.7%**	**14.5%**	**17.4%**	**19.5%**
NPM (%)	14.7%	3.9%	3.8%	3.2%	5.1%	6.6%
RoE (%)	**13.3%**	**4.6%**	**4.9%**	**3.6%**	**6.2%**	**8.3%**
RoCE (%)	8.4%	6.0%	7.6%	4.4%	7.4%	10.9%
Valuation Ratios						
P/E (x)	**25.2x**	**70.5x**	**61.5x**	**84.9x**	**45.7x**	**31.8x**
EV/EBITDA	20.4x	22.7x	17.5x	21.9x	16.1x	12.6x
P/BV (x)	**3.5x**	**3.3x**	**3.2x**	**3.1x**	**2.9x**	**2.6x**
Market Cap. / Sales (x)	3.8x	2.8x	2.4x	2.7x	2.4x	2.1x

Source: Bloomberg, BP Equities Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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