

RAMCO CEMENTS LTD.

CMP: 170

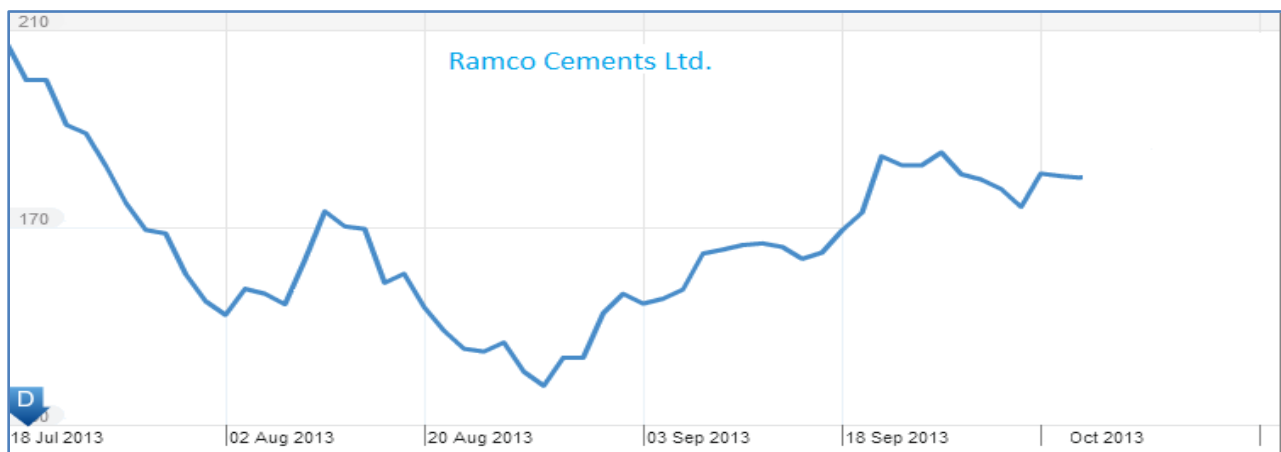
01/10/2013

COMPANY PROFILE

SECTOR: CEMENT - MAJOR

The Ramco Cements Limited, formerly Madras Cements Ltd., is an India-based company that is principally engaged in the manufacture of cement, ready mix concrete, wind farm and dry mortar products. The Company operates in two segments: cement and power generation from windmills. The Company's products include ordinary portland cement, Portland pozzolana cement and wind power. During the fiscal year ended March 31, 2012, the Company's cement production was 7.522 million tons; ready mix concrete division had produced 59,589 cubic meters of concrete; dry mortar division had produced 26,558 tons of dry mortar, and wind farm division had generated 357200000 kilowatts hour.

PRICE PERFORMANCE



(Stock Price performance for 3 Months)

Source: Bloomberg, in.reuters and Moneycontrol

FINANCIALS

Balance Sheet				
Y/E Mar (Rsmn)	FY12A	FY13A	FY14E	FY15E
Equity share capital	238	238	238	238
Reserves & surplus	20,266	23,470	26,635	30,868
Net worth	20,504	23,708	26,873	31,105
Minority Interest	0	0	0	0
Secured Loans	19,919	19,075	15,993	13,019
Unsecured Loans	7,185	7,596	7,204	6,740
Loan Funds	27,104	26,671	23,197	19,759
Net deferred tax liability	6,492	7,164	7,164	7,164
Total Liabilities	54,100	57,542	57,234	58,028
Gross Block	58,564	66,227	68,088	73,213
Less: Depreciation	15,583	18,431	21,520	24,912
Net block	42,981	47,796	46,568	48,301
Capital work in progress	5,440	1,663	3,300	1,500
Investment	887	888	888	888
Current Assets	11,274	14,368	14,704	16,508
Inventories	4,911	5,948	6,353	7,296
Sundry debtors	2,111	3,043	3,114	3,466
Cash & bank balance	475	540	400	909
Loans & advances	3,778	4,837	4,837	4,837
Other current assets	0	0	0	0
Current lia & Prov	6,483	7,172	8,226	9,169
Current liabilities	4,892	5,299	6,353	7,296
Provisions	1,591	1,873	1,873	1,873
Net current assets	4,792	7,196	6,478	7,339

Current P/E Ratio (ttm)	10.272
Estimated P/E(03/2014)	8.571
Relative P/E vs. <u>SENSEX</u>	0.6012
Earnings Per Share (ttm)	16.9387
Est. EPS (03/2014)	20.3
Est. PEG Ratio	.5176
Market Cap (M INR)	41406.78
Shares Outstanding (M)	237.97
30 Day Average Volume	116,994
Price/Book (mrq)	1.747
Price/Sale (ttm)	1.0824
Dividend Indicated Gross Yield	0.54%
Cash Dividend (INR)	1.0000
Last Dividend	07/19/2013
5 Year Dividend Growth	14.87%
Next Earnings Announcement	21/10/2013

FORECAST

- Net sales up by 1.7% YOY – Volumes grew 0.5% YOY to 2.2 MT.
- FY13 volume growth of 10.7% with dispatches of 8.4MT.
- Compounded Annual Growth Rate at 7.7%.
- The company is to set up 1mtpa grinding unit at Vizag.
- Cut FY14 EPS estimates by 9.1% due to lower cement realisations, lower interests and other costs.
- PAT down by 35% YOY due to effective tax rates and lower interests and depreciation.

As results are below expectations, the rest of FY14 is expected to be better and would enable the company to deliver superior results.

VALUATIONS

At the CMP of INR170 and market capitalization of 4140.6 crores, the stock is trading at the P/E of 10.9 of its FY14E earnings. We recommend **BUY** rating on the stock based on discounted free cash flow approach with a target price of INR 250/- in 5-7 months.

Disclaimer: This document prepared does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable but do not represent that it is accurate or complete and it should not be relied on as such. Readers/recipients of this report are strongly advised to do their strict due diligence, and should be aware that the value of investments can go down as well as up. The author shall not be liable for any direct or indirect losses arising from the use of the contents of this report, and readers are therefore cautioned to use the information contained herein at their own risk. **Growyourmoney.in** or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision.