

**SELL****TP: Rs 752 | ▼ 34%****THE RAMCO CEMENTS**

Cement

08 August 2025

**Shift to realisation chase helps margin gain; maintain SELL**

- Q1 revenue declined ~1%/14% YoY/QoQ, as TRCL chased realisations that gained by 8%/12% while volume was down 7%/23%
- Lower utilisation leads to operating cost inflation, partially offsetting realisation gains as margins settle ~19%, EBITDA/ton at Rs969
- Maintain FY26E/FY27E EBITDA introduce FY28 earnings, apply 10x target multiple and revise TP to Rs 752 (earlier Rs699). Maintain SELL

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**Revenue muted as focus shifts to margins:** TRCL's revenue was down by ~1% YoY (-13.5% QoQ) at ~Rs 207bn in Q1FY26. Cement volume was down by 7%/23% YoY/QoQ as TRCL shifted focus to chasing realisations. Realisations were higher by 8%/12% YoY/QoQ as average cement prices improved by 5%/11%. Volume share of South and East stood at 79% and 21% respectively. Capacity utilization at 68%.

**Overall cost inflation offset by better realisations:** Cost/t inflated by 3%/5% YoY/QoQ to ~Rs 4,181/t, driven by higher raw material cost up ~10%/11% YoY/QoQ impacted by mineral mining tax by Tamil Nadu. Clinker conversion ratio improved from 1.41x in Q1FY25 to 1.45x, helping abate raw material inflation. Logistics cost was largely flat up by 0.5% YoY (-1.6% QoQ) as lead distance was down to 246km vs 273km/278kms in Q1FY25/Q4FY25. Energy cost inflated to Rs 1.55/kcal vs Rs 1.49/kcal YoY and Rs 1.5/kcal QoQ, as TRCL shifted to imported coal usage over pet-coke; however, higher usage of wind energy and WHRS alleviated the overall cost. This resulted in EBITDA increasing by 24.5%/24% YoY/QoQ to ~Rs 4bn; EBITDA margin rose to 19.2% from 15.3%/13.4% YoY/QoQ driven by realisation gains. EBITDA/t increased to Rs 969 from Rs 710/Rs598 YoY/QoQ.

**Expansion plans:** TRCL incurred capex spend of Rs 3.2bn in Q1FY26 and capex for FY26 is planned ~Rs12bn. TRCL has monetised Rs 5bn of non-core assets out of a targeted Rs 10bn, with the balance expected to be monetised by September 2025, due to delays in regulatory approvals. The company remains on track to achieving 30mtpa capacity by FY26 end.

**Earnings maintained; Retain SELL:** We retain our FY26/FY27 EBITDA /EPS estimates unchanged at Rs 14.0/ Rs 25.7. We introduce FY28 earnings penciling Revenue/EBITDA/PAT CAGR of 15%/23%/22%. The aggressive capex has kept TRCL's net debt to EBITDA elevated 3x in FY25/FY26 and is likely to stay elevated in the medium term. Cost inflation is clearly a concern to EBITDA margins. Current valuation of 14.0x 1YF EV/EBITDA is at a premium. We assign a 10x target multiple and revise our TP to Rs 752 (previously Rs 699) that implies a replacement cost of Rs 8.1bn/mnt – a 10% premium. Maintain SELL rating.

**Key changes**

Target	Rating
▲	◀ ▶

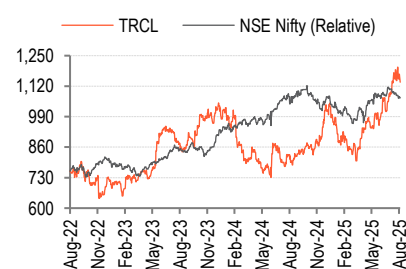
Ticker/Price	TRCL IN/Rs 1,137
Market cap	US\$ 3.1bn
Free float	58%
3M ADV	US\$ 7.5mn
52wk high/low	Rs 1,209/Rs 778
Promoter/FPI/DII	42%/7%/32%

Source: NSE | Price as of 7 Aug 2025

**Key financials**

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	84,951	99,865	1,17,758
EBITDA (Rs mn)	12,318	16,329	20,964
Adj. net profit (Rs mn)	775	3,304	6,069
Adj. EPS (Rs)	3.3	14.0	25.7
Consensus EPS (Rs)	3.3	22.3	32.1
Adj. ROAE (%)	1.5	4.3	7.6
Adj. P/E (x)	346.4	81.3	44.3
EV/EBITDA (x)	25.6	19.1	15.0
Adj. EPS growth (%)	(80.4)	326.0	83.7

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**

Source: NSE



**Fig 1 – Key metrics**

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Deviation (%)
Volumes (million tonnes)	4.0	4.4	(8.3)	5.2	(23.1)	4.80	(16.6)
Cement realisations (Rs/t)	5,175	4,790	8.0	4,598	12.6	4,798	7.9
Operating costs (Rs/t)	4,181	4,057	3.1	3,981	5.0	3,931	6.4
EBITDA/t (Rs)	969	710	36.6	598	62.2	847	14.4

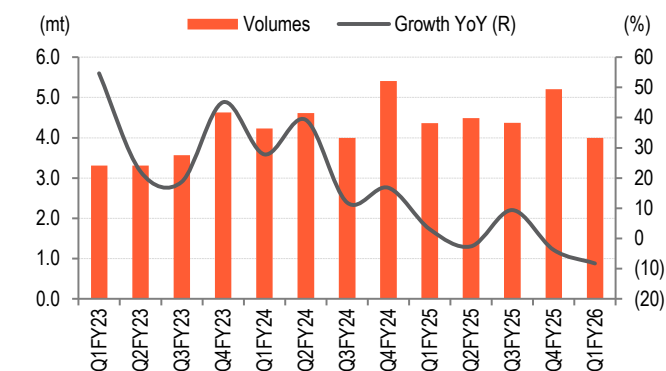
Source: Company, BOBCAPS Research

**Fig 2 – Quarterly performance**

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Deviation (%)
<b>Net Sales</b>	<b>20,701</b>	<b>20,884</b>	<b>(0.9)</b>	<b>23,920</b>	<b>(13.5)</b>	<b>23,012</b>	<b>(10.0)</b>
<b>Expenditure</b>							
Change in stock	(759.7)	(674.8)	12.6	400.0	0.0	(138.0)	
Raw material	4,348	4,312	0.8	5,091	(14.6)	4,724	(6.1)
Purchased products	0	0	0.0	0	0	0	0
Power & fuel	5,030	5,666	(11.2)	5,448	(7.7)	5,007	(6.8)
Freight	4,275	4,638	(7.8)	5,651	(24.3)	5,256	(2.8)
Employee costs	1,420	1,367	3.9	1,235	14.9	1,335	(6.7)
Other exp	2,412	2,381	1.3	2,886	(16.4)	2,666	11.8
Total Operating Expenses	16,725	17,690	(5.5)	20,711	(19.2)	18,851	(4.6)
<b>EBITDA</b>	<b>3,976</b>	<b>3,194</b>	<b>24.5</b>	<b>3,209</b>	<b>23.9</b>	<b>4,161</b>	<b>(20.6)</b>
EBITDA margin (%)	19.2	15.3	391bps	13.4	579bps	18.1	(228bps)
Other Income	65	85	(23.8)	130	(50.0)	118	12.6
Interest	1,047	1,131	(7.4)	1,133	(7.6)	1,155	(0.3)
Depreciation	1,829	1,667	9.7	1,821	0.5	1,831	3.6
PBT	1,165	482	141.8	384	203.1	1,293	(69.5)
Non-recurring items	0	0	0.0	(70)	0.0	(24)	0.0
PBT (after non recurring items)	1,165	482	141.8	455	156.2	1,317	(70.8)
Tax	305	127	140.6	183	66.8	317	(40.8)
Reported PAT	26	26	(13)	40	(1,401)	24	(67.4)
<b>Adjusted PAT</b>	<b>860</b>	<b>355</b>	<b>142.3</b>	<b>310</b>	<b>177.5</b>	<b>976</b>	<b>(78.8)</b>
NPM (%)	860	355	142.3	202	326.4	976	(285bps)
<b>Adjusted EPS (Rs)</b>	<b>4.2</b>	<b>1.7</b>	<b>245bps</b>	<b>0.8</b>	<b>331bps</b>	<b>4.2</b>	<b>(78.8)</b>

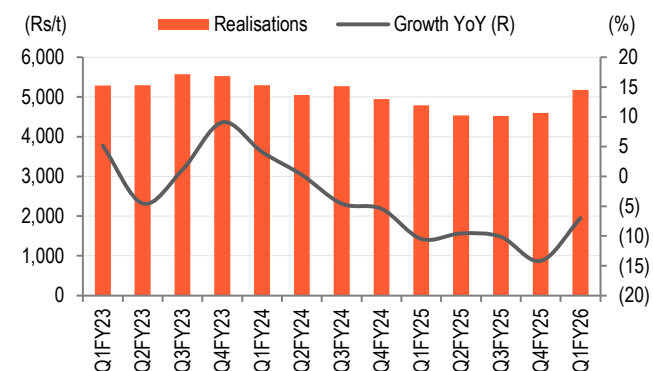
Source: Company, BOBCAPS Research

**Fig 3 – Volume fall as drive to chase volume ahead of market share**



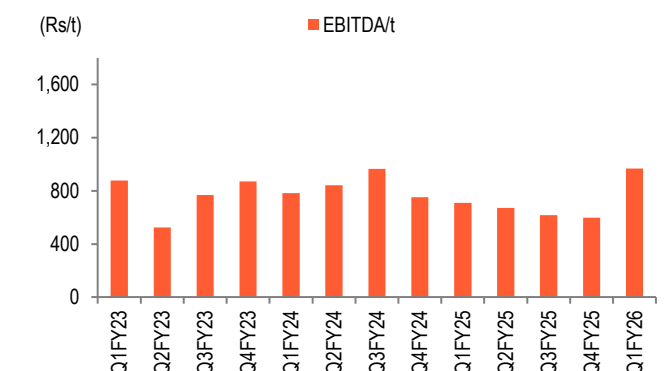
Source: Company, BOBCAPS Research

**Fig 4 – Realisations gain robust, backed by price hikes in southern region**



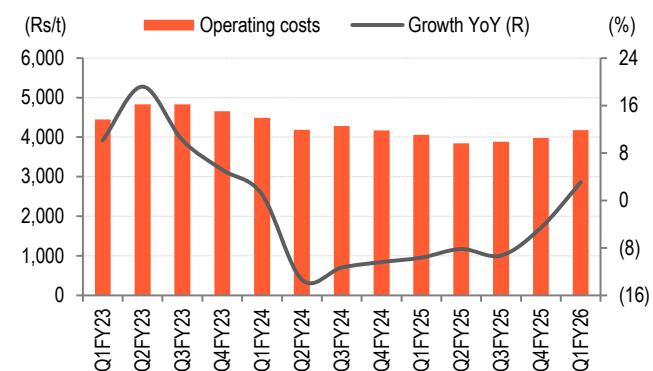
Source: Company, BOBCAPS Research

**Fig 5 – EBITDA/t to be driven by realisation gains as cost escalates**



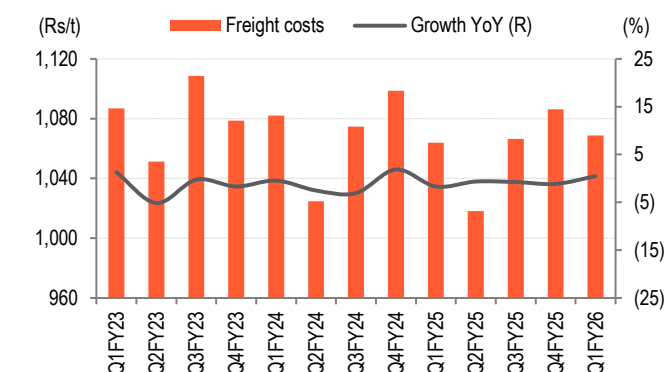
Source: Company, BOBCAPS Research

**Fig 6 – Operating cost inflation pushed by lower cement capacity utilisation at 68%**



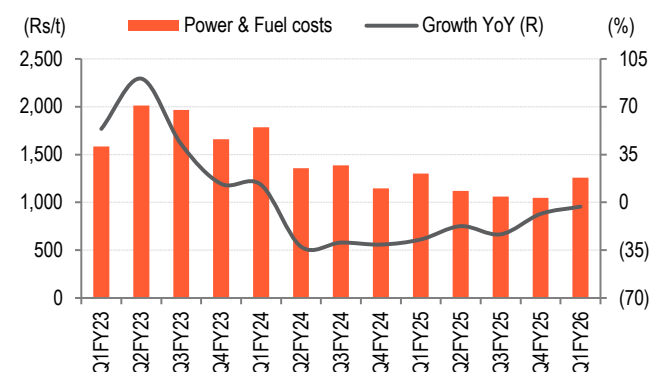
Source: Company, BOBCAPS Research

**Fig 7 – Logistic cost savings on higher rail mix and lower lead distance**



Source: Company, BOBCAPS Research

**Fig 8 – Fuel cost escalation due to higher imported coal and power cost rise, due to lower WHRS usage**



Source: Company, BOBCAPS Research

## Valuation Methodology

We retain our FY26/FY27 EBITDA /EPS estimates unchanged at Rs 14.0/ Rs 25.7. We introduce FY28 earnings penciling Revenue/EBITDA/PAT CAGR of 15%/23%/22%.

The aggressive capex has kept TRCL's net debt to EBITDA elevated 3x in FY25/FY26 and is likely to stay elevated in the medium term. However, it is indicated that TRCL will focus on improving capacity utilisation and take a pause in capex in the medium term. This, along with the focus on reducing debt, will be assisting the company to improve balance sheet and reduce stress. In the near term, cost inflation is clearly a concern to EBITDA margins, in case of realisation reversing.

TRCL hinges heavily on the expected demand revival, following new budget provisions that will unfold only in FY26 and beyond, more specifically in Andhra Pradesh. However, we believe supply overhang in the region can only rejuvenate volume but not propel margins expansion meaningfully.

Cost inflation is clearly a concern to EBITDA margins. TRCL's current valuation of 14.0x 1YF EV/EBITDA is at a premium. We assign a 10x target multiple and revise our TP to Rs 752 (previously Rs 699) that implies a replacement cost of Rs 8.1bn/mnt – a 10% premium. Maintain SELL.

**Fig 9 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E*	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	99,865	1,17,758	1,28,790	1,06,755	1,22,312		-6.5	-3.7	
EBITDA	16,329	20,964	23,020	16,320	20,872		0.1	0.4	
Adj PAT	3,304	6,069	7,570	3,297	6,001		0.2	0.0	
Adj EPS (Rs)	14.0	25.7	32.0	14.0	25.40		-0.1	0.0	

Source: BOBCAPS Research

**Fig 10 – Key assumptions**

	FY25	FY26E	FY27E	FY28E
Volumes (mt)	19.0	19.3	22.5	24.3
Realisations (Rs/t)	5,044	5,106	5,170	5,235
Operating costs (Rs/t)	4,279	4,448	4,421	4,488
EBITDA/t (Rs/t)	647	848	933	948

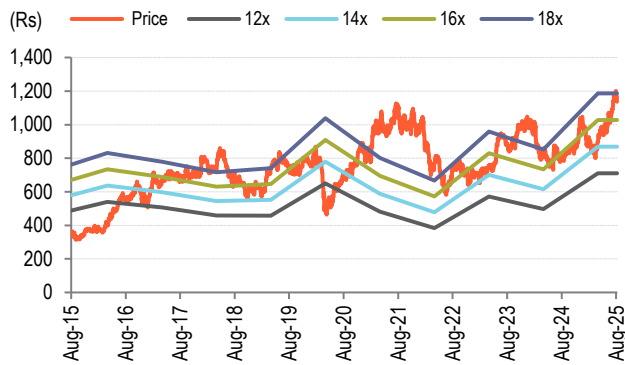
Source: Company, BOBCAPS Research

**Fig 11 – Valuation summary**

(Rs mn)	FY27E
Target EV/EBITDA (x)	10.0
EBITDA	20,964
Target EV	218,868
Total EV	218,868
Net debt	47,948
Target market capitalisation	1,70,921
<b>Target price (Rs/sh)</b>	<b>752</b>
Weighted average shares (mn)	236

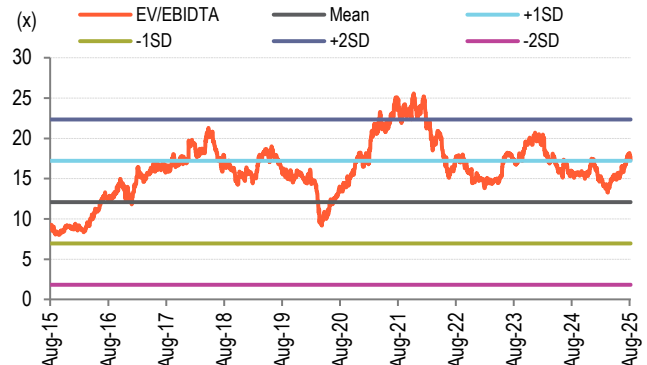
Source: BOBCAPS Research| Note: Valuations based on 1-year forward (Jun-27)

**Fig 12 – Current valuations are well ahead of the earnings**



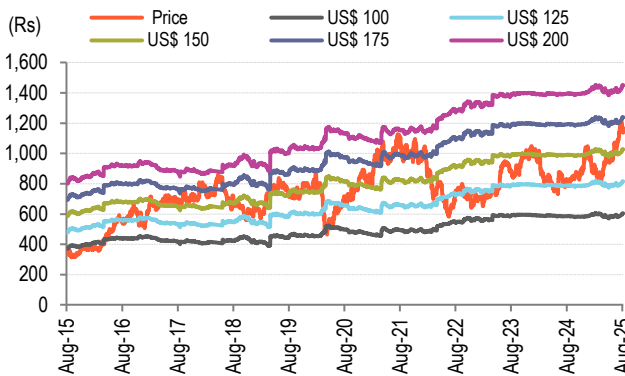
Source: Bloomberg, BOBCAPS Research

**Fig 13 – Valuations will moderate in the medium term**



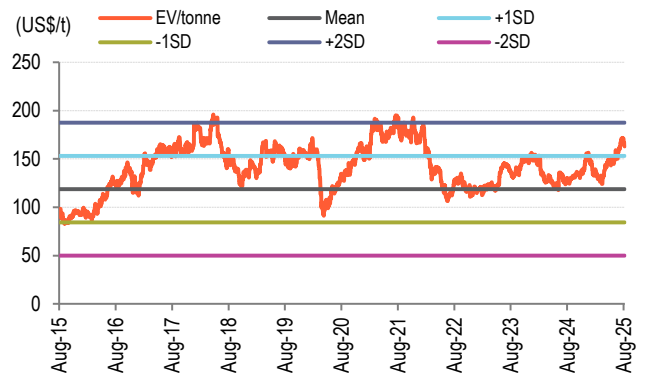
Source: Bloomberg, BOBCAPS Research

**Fig 14 – Replacement cost moderation too will follow**



Source: Bloomberg, BOBCAPS Research

**Fig 15 – Replacement cost will revert to the mean**



Source: Bloomberg, BOBCAPS Research

## Key Risks

Key upside risks to our estimates:

- faster-than-estimated recovery in demand, especially in TRCL's key operating markets
- change in management strategy with preference for deleveraging balance sheet
- faster respite in fuel and logistics costs pose upwards risk to our earnings.

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>93,223</b>	<b>84,951</b>	<b>99,865</b>	<b>1,17,758</b>	<b>1,28,790</b>
EBITDA	15,250	12,318	16,329	20,964	23,020
Depreciation	(6,359)	(6,912)	(7,976)	(8,539)	(9,090)
EBIT	9,590	5,847	9,092	13,199	14,739
Net interest inc./(exp.)	(4,155)	(4,588)	(4,454)	(4,773)	(4,256)
Other inc./(exp.)	699	440	739	773	809
Exceptional items	0	3,398	0	0	0
EBT	5,435	4,657	4,638	8,426	10,483
Income taxes	(1,485)	(484)	(1,334)	(2,357)	(2,912)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>3,950</b>	<b>4,174</b>	<b>3,304</b>	<b>6,069</b>	<b>7,570</b>
Adjustments	0	(3,398)	0	0	0
<b>Adjusted net profit</b>	<b>3,950</b>	<b>775</b>	<b>3,304</b>	<b>6,069</b>	<b>7,570</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	9,910	6,169	7,095	8,221	8,983
Other current liabilities	20,166	24,546	23,932	26,250	28,798
Provisions	694	669	380	380	380
Debt funds	49,168	46,521	49,488	50,244	44,805
Other liabilities	10,304	10,759	11,297	11,862	12,455
Equity capital	236	236	236	236	236
Reserves & surplus	71,204	74,840	77,448	82,821	89,695
Shareholders' fund	71,388	75,077	77,684	83,057	89,931
<b>Total liab. and equities</b>	<b>1,61,630</b>	<b>1,63,740</b>	<b>1,69,876</b>	<b>1,80,013</b>	<b>1,85,352</b>
Cash and cash eq.	1,352	2,073	2,352	2,296	2,232
Accounts receivables	8,522	7,219	6,156	7,259	7,939
Inventories	9,823	10,150	12,039	14,195	15,525
Other current assets	5,539	6,019	7,334	7,989	8,650
Investments	2,178	1,036	1,346	1,368	1,389
Net fixed assets	1,19,705	1,24,598	1,31,396	1,38,638	1,45,334
CWIP	13,784	11,908	8,500	7,500	3,500
Intangible assets	728	738	753	768	783
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>1,61,630</b>	<b>1,63,740</b>	<b>1,69,876</b>	<b>1,80,013</b>	<b>1,85,352</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>14,175</b>	<b>12,996</b>	<b>9,483</b>	<b>14,617</b>	<b>17,803</b>
Capital expenditures	(18,179)	(10,402)	(11,303)	(14,711)	(11,711)
Change in investments	(220)	1,142	(311)	(21)	(22)
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(18,400)</b>	<b>(9,259)</b>	<b>(11,614)</b>	<b>(14,732)</b>	<b>(11,733)</b>
Equities issued/Others	2	52	0	0	0
Debt raised/repaid	4,294	(2,648)	2,967	756	(5,439)
Interest expenses	0	0	0	0	0
Dividends paid	(159)	(440)	(557)	(696)	(696)
Other financing cash flows	(247)	20	0	0	0
<b>Cash flow from financing</b>	<b>3,890</b>	<b>(3,016)</b>	<b>2,410</b>	<b>60</b>	<b>(6,135)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(334)</b>	<b>721</b>	<b>279</b>	<b>(55)</b>	<b>(64)</b>
<b>Closing cash &amp; cash eq.</b>	<b>1,352</b>	<b>2,073</b>	<b>2,352</b>	<b>2,296</b>	<b>2,232</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	16.7	17.7	14.0	25.7	32.0
Adjusted EPS	16.7	3.3	14.0	25.7	32.0
Dividend per share	2.0	2.0	2.5	2.5	2.5
Book value per share	302.1	317.7	328.8	351.5	380.6

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.3	3.7	3.1	2.7	2.5
EV/EBITDA	20.4	25.6	19.1	15.0	13.7
Adjusted P/E	68.0	346.4	81.3	44.3	35.5
P/BV	3.8	3.6	3.5	3.2	3.0

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	72.7	89.6	71.2	72.0	72.2
Interest burden (PBT/EBIT)	56.7	21.5	51.0	63.8	71.1
EBIT margin (EBIT/Revenue)	10.3	6.9	9.1	11.2	11.4
Asset turnover (Rev./Avg TA)	60.7	52.2	59.9	67.3	70.5
Leverage (Avg TA/Avg Equity)	2.2	2.2	2.2	2.2	2.1
Adjusted ROAE	5.7	1.5	4.3	7.6	8.8

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	15.1	(8.9)	17.6	17.9	9.4
EBITDA	36.7	(19.2)	32.6	28.4	9.8
Adjusted EPS	26.6	(80.4)	326.0	83.7	24.7
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	16.4	14.5	16.4	17.8	17.9
EBIT margin	10.3	6.9	9.1	11.2	11.4
Adjusted profit margin	4.2	0.9	3.3	5.2	5.9
Adjusted ROAE	5.7	1.5	4.3	7.6	8.8
ROCE	7.6	4.4	6.7	9.3	10.1

### Working capital days (days)

Receivables	33	31	23	23	23
Inventory	38	44	44	44	44
Payables	46	31	31	31	31

### Ratios (x)

Gross asset turnover	0.5	0.5	0.5	0.5	0.6
Current ratio	0.8	0.8	0.9	0.9	0.9
Net interest coverage ratio	2.3	1.3	2.0	2.8	3.5
Adjusted debt/equity	0.7	0.6	0.6	0.6	0.5

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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SEBI Research Analyst Registration No: **INH0000000040 valid till 03 February 2025**

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**BUY** – Expected return >+15%

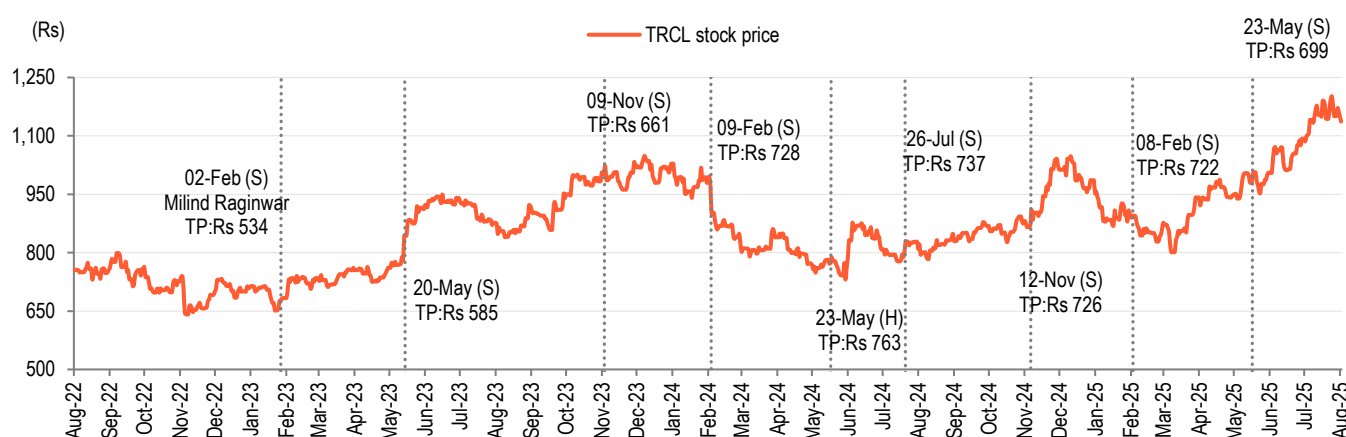
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): THE RAMCO CEMENTS (TRCL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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