

# Pick of the Week

- In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.
  - **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
  - **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP	Target Price *	Potential Upside (%)	Reco
The Ramco Cements	14,735	626	710	13%	Buy

\* Note: Investment horizon Approx. 6-9 months., CMP as on 4<sup>th</sup> Jan, 2019.

CMP	Target
626	710

## MARKET DATA

No. of Shares	: 23.54 cr
Market Cap	: Rs 14,735 Cr
52-week High / Low	: Rs 879/546
BSE Code	: 500260
NSE Code	: RAMCOCEM

## Investment Rationale

- Growth in Volumes:** In Q2FY19 the volumes grew 15% YoY to 2.5 mnt, driven mainly by strong demand in the eastern region where the company has made strong in roads.
- Expansion projects:** Ramco is expanding its satellite grinding facilities by 3.1 mnt to 7.1 mnt. Expansion will be through two brownfield (expanding Vizag and Kolaghat grinding unit by 1.1 mnt each) and one greenfield (at Odisha of 0.9 mnt) projects, which are expected to complete through FY20. This will help Ramco continue volume growth momentum in the eastern region. Accordingly, Ramco is putting up Line 3 at the existing Jayathipuram plant with an additional clinkerization capacity of 1.5 mnt along with 27MW WHRS.
- Good performance despite challenging environment:** EBITDA stood at 2.5 bn (down 16% y-o-y) better than consensus estimates of Rs 2 bn. The performance was good as (1) industry witnessed declining EBITDA/t trend and (2) Ramco's sales suffered due to flood in Kerala. Cement realization was up Rs 85/t QoQ at Rs 4,620/ton due to better prices in Odisha and Kerala.
- We maintain a BUY with a target of Rs 710.**

## Financial Summary

Y/E	Sales (Rs Cr)	EBITDA (Rs Cr)	Adj. PAT (Rs Cr)	EPS (Rs)	RoE (%)
March					
FY18	4,276	1,099	582	25	15
FY19E	4,853	1,080	575	24	13
FY20E	5,786	1,299	720	31	15

Source: Axis Securities, Capitaline

No of Stocks Matrix		
No of Stocks	< 9m	>9m
Met Target	12	-
Not Met Target	28	-

Performance Matrix		
% Return	< 9m	>9m
Met Target	10.99%	-
Not Met Target	(12.52%)	-

Benchmark Performance Matrix		
% Return	< 9m	>9m
Met Target	2.53%	-
Not Met Target	(0.02%)	-

Note : performance of the pick of the week is calculated for stocks recommended Apr-18 to Dec-18

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DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

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