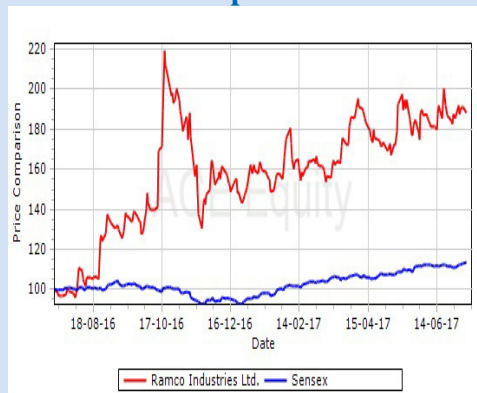


Company Details

CMP:	Rs.242.30
Face value:	Re.1.00
Market cap:	Rs.2099.85 Crs.
EPS	Rs.31.25
52 week high:	Rs.287.90
52 week low:	Rs.120.05
BSE Code:	532369
NSE Code:	RAMCOIND
Sector	Construction

Financial Highlights (YoY)

Rs. in crores			
	FY17	FY16	% Var
Net Sales	953.99	942.21	1.25
Total Expenditure	836.86	863.03	(3.03)
PBDIT	117.13	79.18	47.93
Op.Profit	128.24	110.41	16.15
OPM (%)	13.44	11.72	14.71
PBT	79.45	57.47	38.25
PAT	55.31	57.48	(3.78)
Cons. Net Profit	204.35	191.82	6.53
EPS (Rs.)	31.25	29.33	6.53
Equity	6.54	6.54	-

Share Price Graph**Research Analyst**

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Company Background

Ramco Industries Ltd., a south-based Company incorporated in 1965, is engaged in the manufacture of fibre cement sheets, pressure pipes, calcium silicate boards, cement and plastic storage containers. It has also diversified into the textile and power segments. Its building factories are located in Tamil-Nadu, Karnataka, West Bengal, Rajasthan, MP, Gujarat, AP & Silvasa and textile factory is located in Tamil Nadu.

Consolidated Financial Performance

The net sales and consolidated net profit of the Company at Rs.953.99 crores and Rs.204.35 crores during FY17 are up by 1.3% and 6.5%, respectively, compared to those during FY16. Its operating profit margin has improved from 11.7% during FY16 to 13.4% during FY17. The EPS, on face value of Rs.1, has increased from Rs.29.33 for FY16 to Rs.31.25 for FY17. The board has recommended dividend of 50%, i.e., Re.0.50 per share for FY17 as well as FY16.

Investment Rationale

- **The Net sales and PAT of the Company have grown at a CAGR of 2.7% and 23.6%, respectively, during FY15-17** and are further expected to see better growth in the coming years on the back of growing demand for its products.
- The sales of Fibre Cement (FC) Sheets have grown on revival in the demand. However, the volumes were affected for nearly 3-4 months due to demonetization but Government's initiatives on rural development, good monsoon and Prime Minister's Swachh Bharat Abhiyan scheme are likely to boost the demand for fibre cement products in the coming years.
- The Calcium Silicate Boards (CSBs) production has been increased during FY17 compared to the previous year. The demand in this segment is likely to improve as new variants have been well received in the market and lot of marketing initiatives such as Meets and TV Commercials done to create awareness of the various product ranges. However, Cement Clinker Grinding (CCG) Plant at Kharagpur, West Bengal and Fibre Cement Pressure Pipes continued to be under pressure owing to the sluggish market. The Union Government's infrastructure initiatives are expected to revive the sale of products in these segments too.
- During FY17, the Wind energy division has reported good growth of 43% compared to previous year. The total installed capacity of wind mills is 16.73 MW and the Company generated 308 lakh units compared to 214 lakh units in FY17. The total income earned from generation and sale of power during FY17 was Rs.17.28 crores compared to Rs.11.98 crores during FY16.
- The performance of the Cotton yarn division was good due to reduction in yarn selling price that was partially offset by the reduction in cotton price. With the moderation in cotton prices & stability in yarn prices, the Company is hopeful in achieving satisfactory results in FY18.
- Its overseas subsidiaries (Sri Ramco Lanka (private) Ltd. and Sri Ramco Roofings Lanka (private) Ltd., Sri Lanka) have reported improved performance during FY17.
- **The Company has reduced its debt burden from Rs.372.68 crores at the end of FY13 to Rs.298.63 crores at the end of FY17. Its Debt:Equity ratio stands at 0.1:1 at the end of FY17.**
- **It has quoted investment in associate companies having value of Rs.3768.60 crores as on today that works out to Rs.434 per share on current equity capital of the Company. It shows that the Company is trading at huge discount.**
- The Company has continuously paid dividend since 1999 and has recommended dividend of Re.0.50 for FY17. The share will become ex-dividend from July 27, 2017.
- The promoters hold 53.9% equity capital of the Company, followed by institutions and non-promoter corporates that hold 4.4% and 2.9% and the balance 38.8% shares are held by the public.

Concerns

Increase in input costs and competition from other players are some of the concerns.

Valuation

The share of the Company is trading at an attractively lower P/E of 7.7x against that of sector at 36x. Keeping in view the positive outlook for building materials and textiles sectors, improved performance of the Company during FY17, increasing demand for its products, improved margins, sizeable investment and returns from associate companies and lower PE ratio, we recommend a buy on the share of this Company with an expected price appreciation of about 30% over the next 12 months.

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