

CMP: INR 349

Rating: Buy

Target Price: INR 444

Stock Info

| | |
|-------------------------|-----------|
| BSE | 54334 |
| NSE | NUVOCO |
| Bloomberg | Nuvoco IN |
| Routers | Nuvoco.BO |
| Sector | Cement |
| Face Value (INR) | 10 |
| Equity Capital (INR mn) | 357 |
| Mkt Cap (INR mn) | 124,004 |
| 52W H/L (INR) | 475/303 |

Shareholding Pattern %

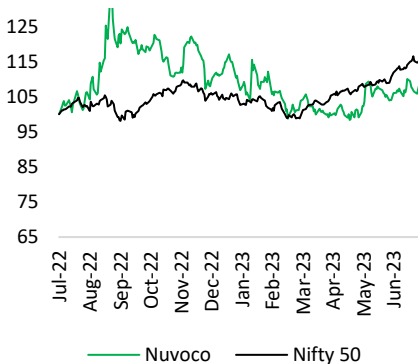
(As on June 2023)

| | |
|-----------------|-------|
| Promoters | 71.79 |
| Public & Others | 28.21 |

Stock Performance (%)

| | 1m | 3m | 12m |
|----------|------|------|-------|
| Nuvoco | -1 | 5.09 | 5.18 |
| Nifty 50 | 3.55 | 8.75 | 16.05 |

Nuvoco Vs Nifty Chart



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Nuvoco posted decent results, in line with our estimates. Premium products continue to remain a major thrust area for the Company and have contributed significantly, with a 37% share of the company's cement trade volumes in Q1FY24. The company maintains its commitment towards net debt reduction and targets to reach to the levels of INR 35,000-40,000 mn levels in 9-12 months time.

Key Highlights:

The company reported revenues at INR 2805cr (against our estimates of ~INR 2829 cr) up by 6% YoY/-4.2% QoQ; Volumes at 5mt up by 7% YoY

EBITDA at INR 393 cr (against our estimates of ~INR 401 cr) up by 7% YoY/+3.4% QoQ; margins at 14% expanded by 100 bps QoQ. Near-term margins are expected to be favorable due to the consumption of low-cost pet coke and coal inventory. The company is also targeting to take premium product share from 37% to 40%. Other margin effort the company is taking is increasing sales in high realisation markets like Bihar Megaworld Chuck Haryana and Gujarat which will improve its margin profile.

Realisations East cement prices were on a decline till the mid of the quarter which eventually started recovering as the quarter progressed Pan-India prices marginally reduced by 0.7% QoQ.

Demand Cement demand in East and North witnessed strong growth on YoY basis Demand was primarily driven by government initiatives in the infrastructure and housing segments expected to moderate in near term due to monsoons and expected to go up post monsoons. East Bihar and Jharkhand witnessed strong growth by demand in West Bengal continues to remain depressed.

Cost scenario: Power and fuel cost at INR 1219/t down by 10% YoY/12% QoQ led by a reduction in Power & fuel cost on account of softening in pet coke and coal prices.

RM cost at INR 636/t up by 13% YoY, raw material costs have increased led by rise in slag prices.

Distribution cost at INR 1575/t up by 4% YoY due to the busy season surcharge on rail freight

Valuation and Outlook

At CMP of INR 349, the stock is trading at EV/EBITDA multiple of 10.3(x) and 8.4(x) to its FY24E & FY25E which we feel is an attractive valuation considering its strong brand, size, and position in East India. Going forward, macroeconomic indicators exhibited a positive outlook due to strong housing demand and government-led infrastructure development projects. The company's focus on internal levers and operational efficiency coupled with stabilizing fuel costs will help in margin improvement. Further, the company's capacity expansion plan and optimum capacity utilization at the company's facilities will also help serve incremental demand. Declining finance costs led by debt repayments should support profitability. We expect EBITDA/t to increase by more than INR 130/t on a full-year basis for FY24. **We value the stock at an EV/EBITDA multiple of 10.2(x) to its FY25E EBITDA to arrive at a target price of INR 444, an upside of 27.1%, and maintain buy rating on the stock.**

Source: Arihant Research, Company filings

Q1FY24 Result Con call Highlights

Slag prices The slag prices have gone up but Nuvoco is procuring slag at a blended cost of markets slag as well as the long-term. The company has 2.5 million tonnes of contracting with Tata Steel due to which Nuvoco was trending at about INR1100 per tonne, which currently is trending at about INR1450 per ton and that is why the company's blended rate is lower at about INR 1400/t.

Net debt at INR 4506cr up by INR 92cr QoQ and by INR 283cr YoY due to working capital requirement and seasonality of the business. The company is targeting to reduce debt levels and get to the level of INR 3500-4000cr in 8-12 months.

The company's **trade share** stood at 73% up by 1% Yoy, **premium products** contributed significantly, with a 37% share of the company's cement trade volumes in Q1 FY24 up by 3% YoY.

The Company achieved an **alternate fuel rate** of 11.2% in Q1 FY24, an improvement of 5.2% YoY

Cement-to-clinker ratio at 1.83 during the quarter, amongst the best in the industry.

New launches The company launched 1. 'Duraguard F2F' in West Bengal - a premium composite cement that strengthen the construction from foundation to finish; 2. RMX Specialized RMX Concrete solution meticulously designed for column construction; 3. Flooring solution which offers high abrasion resistance and a variety of color options when used with floor hardener.

Expansion the debottlenecking at the Risda Cement Plant has been completed during the quarter, while the cement expansion at Haryana Plant and debottlenecking at Nimbol Cement Plant are scheduled to be completed by September 2023 which will help to establish a stronger presence in the North. Expansion at Haryana of 1.2 MMTPA is on schedule for commissioning in Sep' 23, which will take the Company's cement capacity to 25 MMTPA. Railway sidings at Odisha and Sonadih is proceeding as planned; operations to commence from Q4 FY24. Gulbarga green field project will happen once the company achieves its debt reduction targets.

Capex : The capex plans for FY24 is INR 580cr which includes brownfield expansions in Nimbol Bhiwani so siding and Josh coincide and in addition to that routine Capex and RMX expansion, out of which the company has already spend INR 120cr in this quarter.

RMX : Commissioned 3 RMX plants in Q1 FY24. Currently, 54 operational plants across India; Continuous thrust to improve premiumisation - value added product mix at 34% of total sales volume in Q1 FY24 vs 25% in Q1 FY23;

MBM: Construction chemicals and tile adhesive segments continue to witness sales improvement.

Demand drivers The scheme of INR 8,000 Cr. for the Smart Cities Mission and INR 19,518 Cr. for metro projects allocated by the Government for FY24 will bring in lot of incremental demand. Road projects under Bharatmala Pariyojana Phase 1 - 66% of the total 34,800 km targeted for award by FY24 to FY25 and Phase 2 - Tender for 5,000 km costing 3 lakh Cr. expected to begin within FY24 will bring in lot of institutional demand.

Source: Company, Arihant Research

Q1FY24 Result

| INR mn | Q1FY24 | Q4FY23 | Q1FY23 | YOY | QOQ |
|------------------------|---------------|---------------|---------------|---------------|--------------|
| Net Revenue | 28,055 | 29,285 | 26,524 | 5.8% | -4.2% |
| Operating Costs | 24,130 | 25,481 | 22,829 | 5.7% | -5.3% |
| Employee cost | 1,736 | 1,571 | 1,538 | 12.9% | 10.5% |
| Other Expenses | 3,437 | 3,538 | 3,679 | -6.6% | -2.9% |
| EBITDA | 3,925 | 3,804 | 3,695 | 6.2% | 3.2% |
| EBITDA margin % | 14.0% | 13.0% | 13.9% | 6bps | 100bps |
| Depreciation | 2436 | 2391 | 2328 | 4.6% | 1.9% |
| EBIT | 1,489 | 1,413 | 1,367 | 8.9% | |
| Other Income | 95 | 25 | 47 | 285.4% | 103.4% |
| Finance cost | 1,346 | 1,374 | 1,166 | -2.0% | 15.4% |
| Exceptional Item | | 4,058 | | - | - |
| PBT | 238 | -3,994 | 248 | -4.0% | |
| Tax Expense | 92 | -6,005 | 42 | 119.0% | |
| Effective tax rate % | 38.7% | 150.3% | 17.0% | 2173bps | 11165bps |
| PAT | 146 | 2,011 | 206 | -29.1% | |
| PAT margin % | 0.5% | 6.9% | 0.8% | | |
| No of shares | 204.86 | 204.86 | 204.86 | | |
| EPS (Rs) | 0.71 | 9.81 | 1.00 | | |

Source: Company, Arianth Research

| | Q1FY24 | Q4FY23 | Q1FY23 | YOY | QOQ |
|---------------------------------|---------------|---------------|---------------|--------------|--------------|
| Sales Volume (Mn tonne) | 5 | 5.2 | 4.6 | 8.7% | -3.8% |
| Sales in INR Mn | 28,055 | 29,285 | 26,524 | 5.8% | -4.2% |
| Realization/tonne | 5611 | 5632 | 5766 | -2.7% | -0.4% |
| EBIDTA in INR Mn | 3,925 | 3,804 | 3,695 | 6.2% | 3.2% |
| EBIDTA/tonne | 785 | 732 | 803 | -2.3% | 7.3% |

Source: Company, Arianth Research

Nuvoco Vista Corporation Limited key assumptions

| Particulars | FY23 | FY24E | FY25E |
|----------------------------|----------|----------|----------|
| Installed Capacity (MTPA) | 23.8 | 25 | 25 |
| Effective Utilization | 86.90% | 92.00% | 92.00% |
| Sales Volumes (MTPA) | 18.80 | 20.49 | 21.93 |
| Sales (INR in mn) | 1,05,860 | 1,20,003 | 1,33,539 |
| Realization (INR/mt) | 5,631 | 5,856 | 6,090 |
| EBIDTA (INR mn) | 12,103 | 15,924 | 18,939 |
| Total Debt | 46,177 | 41,177 | 36,177 |
| Net Debt | 44,146 | 39,934 | 34,776 |

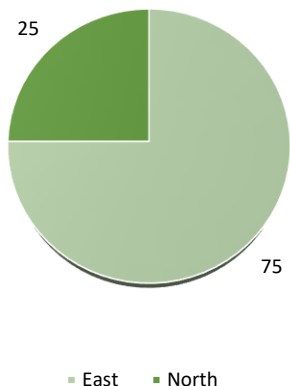
Source: Company, Aриhant Research

| Per ton analysis (INR/t) | FY23 | FY24E | FY25E |
|--------------------------|-------|-------|-------|
| RM | 950 | 988 | 1027 |
| Employee cost | 322 | 381 | 384 |
| Power and Fuel | 1485 | 1390 | 1402 |
| Freight | 1499 | 1559 | 1621 |
| Manufacturing cost | 3,934 | 3,937 | 4,051 |
| Operating cost | 4,987 | 5,079 | 5,227 |
| EBIDTA/t | 644 | 777 | 864 |

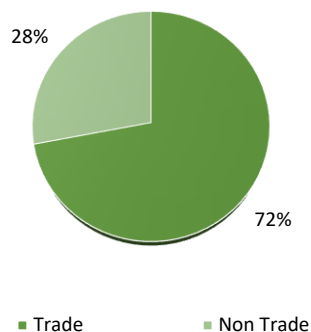
Source: Company, Aриhant Research

Nuvoco FY23

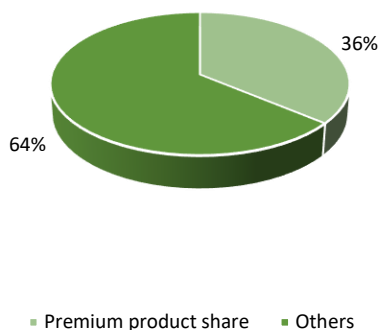
Regional revenue mix in %



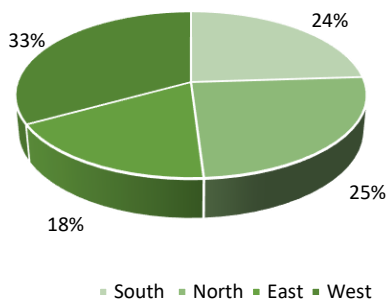
Segment Mix FY23



Trade Mix FY23



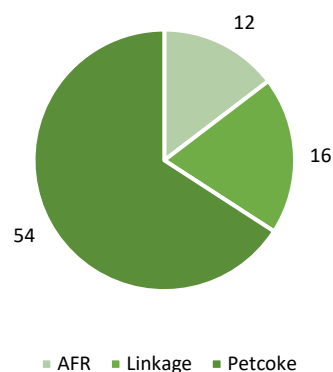
Nuvoco's RMC plants



Company Info

| | |
|--|------|
| Cement Plants | 11 |
| Ready-Mix Concrete Plants | 50+ |
| Captive Power Plants MW | 150 |
| ("wHRS") Capacity MW | 44.7 |
| Solar Power Plant Capacity MW | 1.5 |
| trade % | 72 |
| Share of premium prod in trade volumes % | 36 |

Fuel Mix in %



Financial Statement

Income Statement

| Y/E March (INR Mn) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|
| Revenues | 70,521 | 67,932 | 74,888 | 93,180 | 1,05,860 | 1,20,003 | 1,33,539 |
| <i>Change (%)</i> | 2.9% | -3.7% | 10.2% | 24.4% | 13.6% | 13.4% | 11.3% |
| Cost of Goods Sold | 28,471 | 42,317 | 45,925 | 60,099 | 73,962 | 80,678 | 88,827 |
| Employee costs | 1,550 | 4,046 | 4,820 | 5,800 | 6,055 | 7,800 | 8,413 |
| Other expenses | 3,965 | 8,597 | 9,538 | 12,314 | 13,740 | 15,600 | 17,360 |
| Total operating Expense | 61,340 | 54,960 | 60,283 | 78,213 | 93,757 | 1,04,079 | 1,14,600 |
| EBITDA | 9,181 | 12,972 | 14,605 | 14,967 | 12,103 | 15,924 | 18,939 |
| Other Income | 540 | 367 | 339 | 420 | 132 | 480 | 534 |
| Depreciation | 4,980 | 5,279 | 7,938 | 9,179 | 9,511 | 9,370 | 9,746 |
| Interest | 4,570 | 4,192 | 6,640 | 5,699 | 5,119 | 3,706 | 3,256 |
| PBT | 171 | 3,868 | 366 | 509 | -2,395 | 3,328 | 6,471 |
| Extra-ordinary | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PBT after ext-ord. | 171 | 3,868 | 366 | 509 | -2,395 | 3,328 | 6,471 |
| Tax | 430 | 1,375 | 625 | 188 | -6,611 | 1,165 | 2,265 |
| <i>Rate (%)</i> | 251.5% | 35.5% | 170.8% | 36.9% | 276.0% | 35.0% | 35.0% |
| PAT | -259 | 2,493 | -259 | 321 | 158 | 2,163 | 4,206 |
| <i>Change (%)</i> | -129.5% | -1062.5% | -110.4% | -223.8% | -50.8% | 1269.1% | 94.4% |

Source: Company, Arianth Research

Balance Sheet

| Y/E March (INR Mn) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Sources of Funds | | | | | | | |
| Share Capital | 2,000 | 2,424 | 3,151 | 3,572 | 3,572 | 3,572 | 3,572 |
| Reserves & Surplus | 47,882 | 50,369 | 70,086 | 84,641 | 84,818 | 86,981 | 91,187 |
| Net Worth | 49,882 | 52,793 | 73,237 | 88,213 | 88,390 | 90,553 | 94,759 |
| Long term debt | 33183 | 29312 | 55612 | 41834 | 33254 | 28254 | 23254 |
| Short term debt | 0 | 6,613 | 20,807 | 12,154 | 12,923 | 12,923 | 12,923 |
| Total Debt | 46,259 | 44,632 | 76,419 | 53,988 | 46,177 | 41,177 | 36,177 |
| Deferred Tax Liability | 0 | 14,418 | 18,809 | 18,540 | 11,899 | 11,899 | 11,899 |
| Long term Provision | 14,895 | 704 | 814 | 899 | 1,822 | 1,822 | 1,822 |
| Other Long term Liability | 610 | 864 | 1,538 | 1,734 | 1,831 | 1,831 | 1,831 |
| Trade Payable | 7,694 | 7,873 | 8,703 | 11,925 | 17,026 | 18,567 | 20,442 |
| Other current Liability | 26,350 | 18,664 | 14,884 | 15,902 | 17,261 | 17,261 | 17,261 |
| Short Term Provision | 0 | 3,202 | 4,669 | 4,945 | 5,472 | 5,472 | 5,472 |
| Capital Employed | 1,32,614 | 1,34,444 | 1,99,074 | 1,96,147 | 1,89,879 | 1,88,583 | 1,89,664 |
| Application of Funds | | | | | | | |
| Net Block | 60,645 | 62,208 | 93,242 | 97,851 | 93,872 | 93,597 | 93,967 |
| Other Non-Current Assets | 51,924 | 52,167 | 80,709 | 72,371 | 70,768 | 68,651 | 66,534 |
| Non Current Assets | 1,12,569 | 1,14,375 | 1,73,951 | 1,70,222 | 1,64,640 | 1,62,248 | 1,60,501 |
| Investments | | | | | | | |
| Debtors | 4,998 | 5,110 | 4,539 | 5,709 | 6,012 | 6,904 | 7,683 |
| Inventories | 5,846 | 6,030 | 7,124 | 10,683 | 10,500 | 11,494 | 13,385 |
| Cash & bank balance | 1,246 | 5,109 | 5,278 | 1,492 | 2,031 | 1,243 | 1,401 |
| Loans & advances & other CA | 7,956 | 3,820 | 8,182 | 8,041 | 6,695 | 6,695 | 6,695 |
| Total current assets | 20,046 | 20,069 | 25,123 | 25,925 | 25,238 | 26,336 | 29,164 |
| Total Assets | 1,32,615 | 1,34,444 | 1,99,074 | 1,96,147 | 1,89,879 | 1,88,583 | 1,89,664 |

Source: Company, Arianth Research

Financial Statement

Cash Flow Statement

| Y/E March (INR Mn) | FY19 | FY20 | FY21 | FY22 | FY23 | F24E | F25E |
|--|---------------|---------------|----------------|----------------|----------------|---------------|---------------|
| PBT | 171 | 3,868 | 366 | 509 | -2,395 | 3,328 | 6,471 |
| Depreciation | 4,980 | 5,279 | 7,938 | 9,179 | 9,511 | 9,370 | 9,746 |
| Interest & others | 4,499 | 4,112 | 6,277 | 5,774 | 5,119 | 3,706 | 3,256 |
| Cash flow before WC changes | 9,650 | 13,259 | 14,581 | 15,462 | 12,498 | 16,404 | 19,473 |
| (Inc)/dec in working capital | -1,090 | -2,009 | 2,985 | -2,534 | 4,777 | -345 | -794 |
| Operating CF after WC changes | 8,560 | 11,250 | 17,566 | 12,928 | 17,275 | 16,059 | 18,678 |
| Less: Taxes | -167 | -1,002 | -393 | -720 | -162 | -1,165 | -2,265 |
| Operating cash flow | 8,600 | 10,248 | 17,173 | 12,208 | 17,113 | 14,894 | 16,414 |
| Proceeds from long term loans | 33,222 | -8 | -15 | 2 | 0 | 0 | 0 |
| Interest Received | 145 | 147 | 146 | 244 | 37 | 0 | 0 |
| MF Investment | -29,040 | 4,755 | -3,799 | 2,032 | 1,878 | 0 | 0 |
| Others | -5 | -2,300 | -20,099 | -87 | 345 | 0 | 0 |
| Cash flow from investing | -1,486 | -3,101 | -29,240 | -1,903 | -2,604 | -6,978 | -8,000 |
| Free cash flow (FCF) | 2,660 | 4,546 | 11,685 | 8,116 | 12,250 | 15,170 | 16,043 |
| Loan raised/(repaid) | 962 | -2,200 | 88 | -22,260 | -6,022 | -5,000 | -5,000 |
| Equity raised | 0 | -9 | 16,000 | 15,000 | 0 | 0 | 0 |
| Interest & others | -1,279 | -3,580 | -1,747 | -5,683 | -4,707 | -3,706 | -3,256 |
| Others | -1,397 | 197 | 4,615 | -1,611 | -2,887 | 0 | 0 |
| Cash flow from financing activities | -6,468 | -5,592 | 14,197 | -14,202 | -13,616 | -8,706 | -8,256 |
| Net inc /(dec) in cash | 646 | 1,556 | 2,130 | -3,897 | 894 | -789 | 158 |
| Opening balance of cash | 336 | 983 | 2,539 | 4,932 | 1,035 | 1,929 | 1,139 |
| Closing balance of cash | 982 | 2,539 | 4,932 | 1,035 | 1,929 | 1,139 | 1,297 |

Source: Company, Arianth Research

Key Ratios

| Y/E March (INR Mn) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|---------------------------|-------|-------|--------|-------|-------|-------|-------|
| Per share (Rs) | | | | | | | |
| EPS | -0.1 | 10.3 | -0.8 | 0.9 | 0.4 | 6.1 | 11.8 |
| CEPS | 2.4 | 32.1 | 24.4 | 26.6 | 27.1 | 32.3 | 39.1 |
| BVPS | 249.4 | 217.8 | 232.4 | 247.0 | 247.5 | 253.5 | 265.3 |
| DPS | | | | | | | |
| Valuation (x) | | | | | | | |
| P/E | | 34.9 | -437.3 | 400.4 | 813.4 | 57.6 | 29.6 |
| P/CEPS | 152.5 | 11.2 | 14.8 | 13.5 | 13.3 | 11.1 | 9.2 |
| P/BV | 1.4 | 1.7 | 1.5 | 1.5 | 1.5 | 1.4 | 1.3 |
| EV/EBITDA | 13.0 | 10.0 | 12.7 | 12.1 | 14.3 | 10.3 | 8.4 |
| Return Ratios (%) | | | | | | | |
| Gross Margin | 59.6% | 37.7% | 38.7% | 35.5% | 30.1% | 32.8% | 33.5% |
| EBIDTA Margin | 13.0% | 19.1% | 19.5% | 16.1% | 11.4% | 13.3% | 14.2% |
| PAT Margin | -0.4% | 3.7% | -0.3% | 0.3% | 0.1% | 1.8% | 3.1% |
| ROE | -0.5% | 4.7% | -0.4% | 0.4% | 0.2% | 2.4% | 4.4% |
| ROCE | 5.1% | 8.7% | 4.5% | 4.1% | 1.9% | 5.0% | 7.0% |
| Leverage Ratio (%) | | | | | | | |
| Interest Coverage ratio | 0.9 | 1.8 | 1.0 | 1.0 | 0.5 | 1.8 | 2.8 |
| Total D/E | 0.7 | 0.7 | 1.0 | 0.6 | 0.5 | 0.5 | 0.4 |
| Turnover Ratios | | | | | | | |
| Asset Turnover (x) | 0.5 | 0.5 | 0.4 | 0.5 | 0.6 | 0.6 | 0.7 |

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| Stock Rating Scale | Absolute Return |
|--------------------|-----------------|
| BUY | >20% |
| ACCUMULATE | 12% to 20% |
| HOLD | 5% to 12% |
| NEUTRAL | -5% to 5% |
| REDUCE | -5% to -12% |
| SELL | <-12% |

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