

**Weak set of numbers due to shutdown of a plant**

**CMP: INR 143**

**Rating: BUY**

**Target Price: INR 175**

**Stock Info**

BSE	535754
NSE	ORIENTCEM
Bloomberg	ORCMNT IN
Routers	ORCE.BO
Sector	Cement
Face Value (INR)	1
Equity Capital (INR mn)	204.9
Mkt Cap (INR mn)	29460
52W H/L (INR)	149/104

**Shareholding Pattern %**

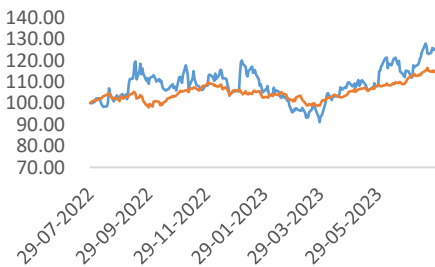
(As on June, 2023)

Promoters	37.90
Public & Others	62.1

**Stock**

Performance (%)	1m	3m	12m
Orient Cement Ltd.	9.92	13.8	22.34
Nifty 50	3.55	8.75	16.05

**Orient Cement VS Nifty**



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**OCL posted weak numbers in Q1FY24 led by shutdown in chittapur plant in the month of April, the costs were also on higher side as the company serviced their long term clients by sourcing clinker from longer distances.**

**Revenues** at INR 825 cr (against our estimates of INR 810cr) up by 15.6% YoY/-5.8% QoQ

**EDITDA** at INR 99cr (against our estimates of INR 121 cr) down by -3.8% YoY/28.8- QoQ margins stood at 12%

**Net profit** at INR 37 cr (against our estimates of INR 47 cr) down by -3.4% YoY/-44.5% QoQ

**Volumes** The volume in Q1FY24 were up by 15% YoY/-7% QoQ at 1.59mt, the volumes were largely impacted by plant shutdown at kiln in chittapur for maintenance purpose, it was done after 2 years. The benefits of it will flow in, in rest of the year. Demand was buoyant but due to shutdown, the availability was low.

**Margins and cost** The EBITDA margins stood at 12% which is weak as compared to industry levels, the margins contracted by -242 bps YoY/-389 bps QoQ. There was one time annual maintenance cost due to chittapur shutdown and also the company incurred the additional cost of procuring clinker to service the long-term customers. The logistics cost/t was impacted hugely as the company decided to service markets that are closer to chittapur plant from the Telangana plant. Due to all the reasons mentioned the company incurred an additional cost of INR 20-25cr in this quarter.

**Outlook** The company has reported a weak set of numbers, which is below our estimates. The volumes were subdued led by shutdown in chittapur plant for maintenance purpose. Orient is known for its prudent cost management but this quarter it proved otherwise, as there was additional clinker transport cost along with increased RM prices. We do not see additional capacity coming soon in near term, which will adversely affect the volumes going forward. The company might loose on the opportunity of robust demand as the clinker unit at chittapur is already running at high utilization levels. Going forward, we will see the benefit of the shutdown flowing in, also the company will be managing the costs well as major one time costs has been accounted for. **At a CMP of INR 143 stock is trading at a EV/EBIDTA multiple of 5.7(x) and 4.7(x) to its FY24E and FY25E. We value the stock at a EV/EBIDTA of 5.5(x) to its FY25E EBITDA of INR 7,885 mn with a BUY recommendation and a Target Price of INR 175/share, implying an upside of 22.1%.**

**Financial Performance**

In INR Mn	Net Sales	EBITDA	PAT	EBITAM	ROE	EPS	EV/EBIDTA (x)
<b>FY22</b>	27252	5909	2631	21.68%	17%	12.83	4.87
<b>FY23</b>	29375	3646	1229	12.41%	8%	6.00	8.04
<b>FY24E</b>	33579	6212	2913	18.50%	15%	14.21	5.7
<b>FY25E</b>	38466	7885	3705	20.50%	16%	18.07	4.7

Source: Company Reports, Arihant Research

**Q1FY24 Results**

## Income statement summary

INR mn	Q1FY24	Q4FY23	Q1FY23	YOY	QOQ
<b>Net Revenue</b>	<b>8,251</b>	<b>8,760</b>	<b>7,139</b>	<b>15.6%</b>	<b>-5.8%</b>
<b>Operating Costs</b>	5,884	6,195	4,981	<b>18.1%</b>	<b>-5.0%</b>
Employee cost	471	372	429	<b>9.8%</b>	<b>26.6%</b>
Other Expenses	902	797	696	<b>29.6%</b>	<b>13.2%</b>
<b>EBITDA</b>	<b>994</b>	<b>1,396</b>	<b>1,033</b>	<b>-3.8%</b>	<b>-28.8%</b>
<i>EBITDA margin %</i>	<i>12.0%</i>	<i>15.9%</i>	<i>14.5%</i>	<i>-242bps</i>	<i>-389bps</i>
Depreciation	367	365	363	<b>1.1%</b>	<b>0.5%</b>
<b>EBIT</b>	<b>627</b>	<b>1,031</b>	<b>670</b>	<b>-39.2%</b>	<b>-6.4%</b>
Other Income	44	48	12	<b>266.7%</b>	<b>-8.3%</b>
Finance cost	96	95	79	<b>21.5%</b>	<b>1.1%</b>
Exceptional Item	-	-	-	<b>#DIV/0!</b>	<b>#DIV/0!</b>
<b>PBT</b>	<b>575</b>	<b>984</b>	<b>603</b>	<b>-41.6%</b>	<b>-4.6%</b>
Tax Expense	201	309	216	<b>-6.9%</b>	<b>-35.0%</b>
Effective tax rate %	35.0%	31.4%	35.8%	<i>355bps</i>	<i>-86bps</i>
<b>PAT</b>	<b>374</b>	<b>675</b>	<b>387</b>	<b>-3.4%</b>	<b>-44.6%</b>
<i>PAT margin %</i>	<i>4.5%</i>	<i>7.7%</i>	<i>5.4%</i>	<i>-89bps</i>	<i>-317bps</i>
<b>EPS (Rs)</b>	<b>1.83</b>	<b>1.83</b>	<b>3.57</b>	<b>-48.7%</b>	<b>0.0%</b>

Source: Company Reports, Arihant Research

**Q1FY24 other highlights**

**Fuel and Power cost** In case of Orient the company could not get too much benefit from decline in international coal prices as the devapur plant is totally dependent on domestic coal, the chittapur plant runs on the petcoke and chittapur plant was shut in April month.

**RM cost** RM cost has gone up due to an increase in the transport cost of clinker, as the landed price of RM is considered. The prices of fly ash and gypsum prices have also gone up YoY./ QoQ basis.

**Price** remained flattish QoQ inspite of robust demand. The realization stood at INR 5,200 per ton in Q1FY24 flattish YoY but on QoQ basis it was marginally high.

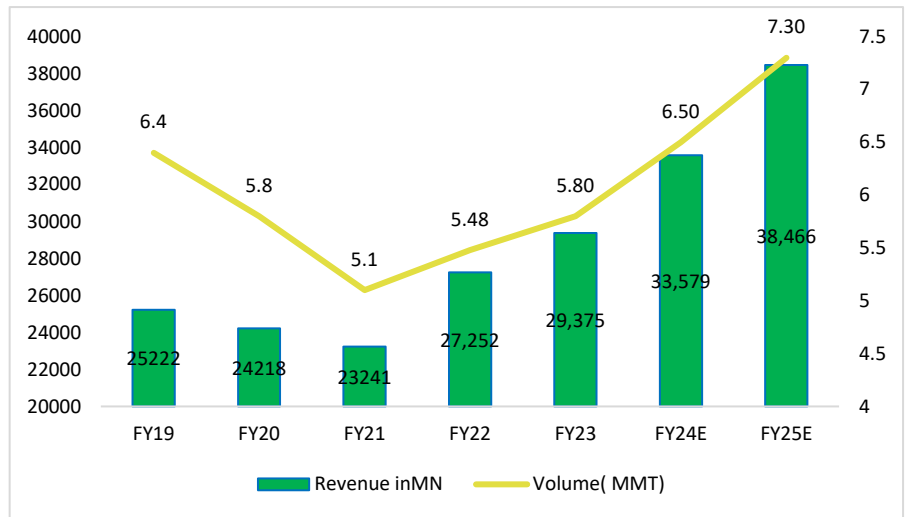
**Capacity and Capex** The company would need to add clinker capacity at Chitapur plant in order to accommodate increasing demand in B2B segment. The chitapur currently has a capacity of 3mtpa with additional kiln construction the capacity will go upto 6mtpa and an additional 2mt of clinker. The Devapur will not happen unless and until the grinding unit will go under construction. Regarding GU in MP the company will be setting up GU on someone else's premises on the basis on right to move on long term, the approvals from the third party board are awaited.

FY24 capex is expected to be ~INR 1000cr which will include capex of INR 600cr for chittapur, INR 150cr forest deposit for devapur, INR 100cr for land acquisition for greenfield project ad rest for maintenance. In fy25 the company plans to do a capex of INR 1500-1700cr.

**WHRS** By the end of FY24 the entire 10mw will be available which will bring in cost savings of INR 3cr/month.

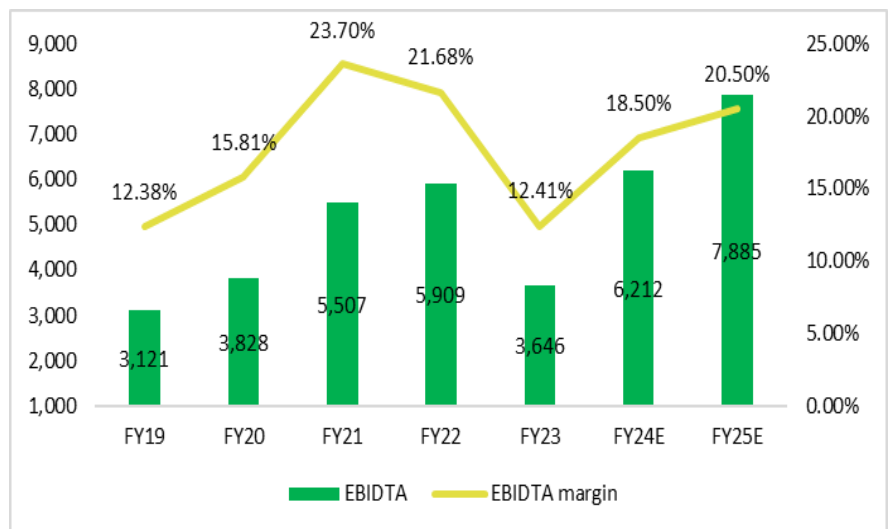
**Other highlights** The Premium products sale stood at 20% of trade sales, the company launched orient green in H2FY23 which is ~INR20 less than the strong crete in pricing but the positioning is more sustainable. The lead distance stood at 300km which was bit higher due to clinker transport, rail contribution was 15% and rest was road transport. West contributed 63% of sales which is up by 10% YoY. The OPC sales were 45% of sales rest was PPC.

**Revenue**



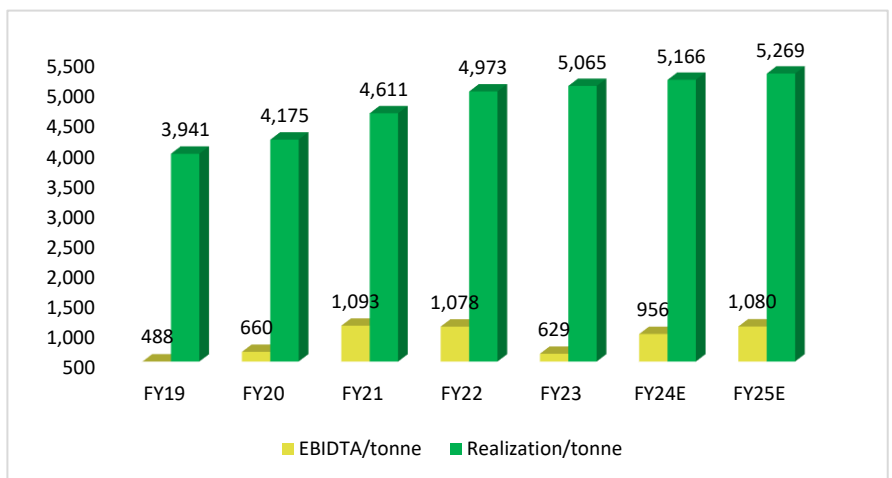
Source: Company, Aриhant Research

**EBITDA and EBIDTA margins**



Source: Company, Aриhant Research

**EBITDA/t and realisations**



Source: Company, Aриhant Research

**Financial Statement**
**Income Statement**

Y/E March (INR Mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Revenues</b>	<b>25,222</b>	<b>24,217</b>	<b>23,240</b>	<b>27,252</b>	<b>29,375</b>	<b>33,579</b>	<b>38,466</b>
Cost of Goods Sold	16,586	16,056	13,842	16,907	21,015	21,826	24,233
Employee costs	1,550	1,549	1,525	1,524	1,661	1,847	2,116
<b>Other expenses</b>	<b>3,965</b>	<b>2,784</b>	<b>2,366</b>	<b>2,912</b>	<b>3,053</b>	<b>3,694</b>	<b>4,231</b>
Total operating Expense	<b>22,101</b>	<b>20,389</b>	<b>17,733</b>	<b>21,343</b>	<b>25,729</b>	<b>27,367</b>	<b>30,580</b>
<b>EBITDA</b>	<b>3,121</b>	<b>3,828</b>	<b>5,507</b>	<b>5,909</b>	<b>3,646</b>	<b>6,212</b>	<b>7,885</b>
Other Income	140	177	183	96	120	168	154
Depreciation	1,327	1,409	1,419	1,452	1,468	1,481	1,777
Interest	1,185	1,223	936	514	378	427	574
<b>PBT</b>	<b>749</b>	<b>1,373</b>	<b>3,335</b>	<b>4,039</b>	<b>1,920</b>	<b>4,472</b>	<b>5,688</b>
<b>PBT after ext-ord.</b>	<b>749</b>	<b>1,373</b>	<b>3,335</b>	<b>4,039</b>	<b>1,920</b>	<b>4,472</b>	<b>5,688</b>
Tax	272	508	1,194	1,408	691	1,559	1,983
Rate (%)	36.3%	37.0%	35.8%	34.9%	36.0%	34.9%	34.9%
<b>PAT</b>	<b>477</b>	<b>865</b>	<b>2,141</b>	<b>2,631</b>	<b>1,229</b>	<b>2,913</b>	<b>3,705</b>
Change (%)	-97.4%	81.2%	147.5%	22.9%	-53.3%	137.0%	27.2%

Source: Company, Arihant Research

**Balance Sheet**

Y/E March (INR Mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Sources of Funds</b>							
Share Capital	205	205	205	205	205	205	205
Reserves & Surplus	10,330	10,979	12,854	15,049	15,832	18,745	22,450
<b>Net Worth</b>	<b>10,535</b>	<b>11,184</b>	<b>13,059</b>	<b>15,254</b>	<b>16,037</b>	<b>18,950</b>	<b>22,655</b>
Long term debt	12262	11354	7838	1519	1018	3518	5618
Short term debt	45	3	141	1,637	2,964	2,964	2,964
<b>Total Debt</b>	<b>12,307</b>	<b>11,357</b>	<b>7,979</b>	<b>3,156</b>	<b>3,982</b>	<b>6,482</b>	<b>8,582</b>
Deffered Tax Liability	961	1,219	1,811	2,517	2,869	2,862	2,862
Other Long term Liability	430	399	572	479	514	514	514
Trade Payable	1,865	1,764	1,845	2,310	2,147	2,230	2,476
Other current Liability	2,853	2,643	2,523	2,466	1,175	1,175	1,175
Short Term Provision	313	419	331	314	1,751	1,751	1,751
<b>Capital Employed</b>	<b>29,268</b>	<b>28,998</b>	<b>28,120</b>	<b>26,496</b>	<b>28,767</b>	<b>34,256</b>	<b>40,307</b>
<b>Application of Funds</b>							
Net Block	22,932	22,098	21,460	20,502	19,435	24,682	29,619
Other Non-Current Assets	1,780	2,053	1,806	1,665	2,633	2,633	2,633
<b>Non Current Assets</b>	<b>24,712</b>	<b>24,151</b>	<b>23,266</b>	<b>22,167</b>	<b>22,075</b>	<b>27,316</b>	<b>32,252</b>
Debtors	1,795	1,618	1,102	1,273	1,689	1,931	2,212
Inventories	1,860	2,366	1,705	1,866	3,509	3,644	4,046
Cash & bank balance	287	360	362	438	701	572	1,004
Loans & advances & other CA	614	503	1,685	752	793	793	793
<b>Total current assets</b>	<b>4,556</b>	<b>4,847</b>	<b>4,854</b>	<b>4,329</b>	<b>6,692</b>	<b>6,940</b>	<b>8,055</b>
<b>Total Assets</b>	<b>29,268</b>	<b>28,998</b>	<b>28,120</b>	<b>26,496</b>	<b>28,767</b>	<b>34,256</b>	<b>40,307</b>

Source: Company, Arihant Research

**Financial Statement**
**Cash Flow Statement**

Y/E March (INR Mn)	FY19	FY20	FY21	FY22	FY23	F24E	F25E
<b>PBT</b>	<b>749</b>	<b>1,373</b>	<b>3,335</b>	<b>4,039</b>	<b>1,920</b>	<b>4,472</b>	<b>5,688</b>
Depreciation	1,327	1,409	1,419	1,452	1,468	1,481	1,777
Interest & others	1,114	1,077	813	461	328	427	574
Cash flow before WC changes	3,191	3,859	5,567	5,952	3,714	6,380	8,039
<b>(Inc)/dec in working capital</b>	<b>-211</b>	<b>-634</b>	<b>2,163</b>	<b>-55</b>	<b>-2,267</b>	<b>-294</b>	<b>-437</b>
Operating CF after WC changes	2,980	3,225	7,730	5,897	1,447	6,086	7,602
Less: Taxes	-167	-307	-590	-658	-336	-1,559	-1,983
<b>Operating cash flow</b>	<b>2,813</b>	<b>2,918</b>	<b>7,140</b>	<b>5,239</b>	<b>1,111</b>	<b>4,527</b>	<b>5,619</b>
(Inc)/dec in F.A + CWIP	-1,212	-766	-507	-525	-1,293	-5,247	-4,936
(Pur)/sale of investment and other activities		13	34	-1,109	1,227	95	0
<b>Cash flow from investing</b>	<b>-1,199</b>	<b>-732</b>	<b>-1,616</b>	<b>702</b>	<b>-1,198</b>	<b>-6,728</b>	<b>-6,714</b>
<b>Free cash flow (FCF)</b>	<b>1,589</b>	<b>2,134</b>	<b>6,626</b>	<b>4,908</b>	<b>-87</b>	<b>-721</b>	<b>683</b>
Loan raised/(repaid)	962	-600	-4,306	-4,910	1,100	2,500	2,100
Equity raised	0	0	0	0	0	0	0
Interest & others	-1,279	-1,206	-932	-465	-288	0	0
Dividend	0	-185	-256	-461	-461	0	0
Others	-1,397	-68	-27	-25			
<b>Cash flow from financing activities</b>	<b>-1,714</b>	<b>-2,059</b>	<b>-5,521</b>	<b>-5,861</b>	<b>351</b>	<b>2,073</b>	<b>1,526</b>
<b>Net inc /(dec) in cash</b>	<b>-100</b>	<b>126</b>	<b>3</b>	<b>80</b>	<b>264</b>	<b>-129</b>	<b>432</b>
Opening balance of cash	320	220	347	350	430	694	565
Closing balance of cash	220	346	350	430	694	565	997

Source: Company, Arihant Research

**Key Ratios**

Y/E March (INR Mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Per share (INR)</b>							
EPS	2.3	4.2	10.4	12.8	6.0	14.2	18.1
CEPS	8.8	11.1	17.4	19.9	13.2	21.4	26.7
BVPS	51.4	54.6	63.7	74.4	78.2	92.4	110.5
DPS							
<b>Valuation (x)</b>							
P/E			13.7	11.1	23.9	10.1	7.9
P/CEPS	13.9	11.0	7.0	6.1	9.3	5.7	4.6
P/BV	2.8	2.6	2.2	1.9	1.8	1.5	1.3
EV/EBITDA	13.2	10.5	6.7	5.4	8.9	5.7	4.7
<b>Return Ratios (%)</b>							
Gross Margin	34.2%	33.7%	40.4%	38.0%	28.5%	35.0%	37.0%
EBIDTA Margin	12.4%	15.8%	23.7%	21.7%	12.4%	18.5%	20.5%
PAT Margin	1.9%	3.6%	9.2%	9.7%	4.2%	8.7%	9.6%
ROE	4.5%	7.7%	16.4%	17.2%	7.7%	15.4%	16.4%
ROCE	6.9%	9.9%	22.5%	58.1%	25.1%	34.6%	34.2%
<b>Leverage Ratio (%)</b>							
Total D/E	1.2	1.0	0.6	0.2	0.2	0.3	0.4
<b>Turnover Ratios</b>							
Asset Turnover (x)	0.9	0.8	0.8	1.0	1.0	1.0	1.0

Source: Company Reports, Arihant Research

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### Stock Rating Scale

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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