

**CMP: INR 122**

**Rating: Accumulate**

**Target Price: INR 140**

**Stock Info**

BSE	535754
NSE	ORIENTCEM
Bloomberg	ORCMNT IN
Reuters	ORCE.BO
Sector	Cement
Face Value (INR)	1
Equity Capital (INR mn)	205
Mkt Cap (INR mn)	25454
52w H/L (INR)	184/ 95

**Shareholding Pattern %**

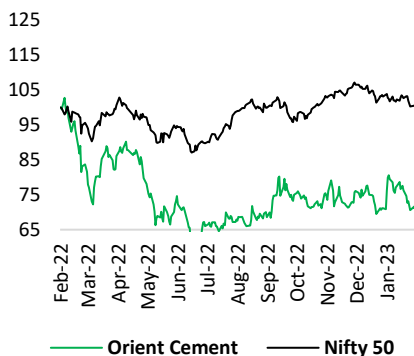
(As on Dec, 2022)

Promoters	37.90
Public & Others	62.10

**Stock Performance (%)**

	1m	3m	12m
Orient Cement	2.80	-3.22	-25.1
Nifty 50	-1.08	-1.30	3.29

**Orient Cement Vs Nifty 50**



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Source: Arihant Capital Research

Orient Cement reported good set of numbers in Q3FY23 sequentially but profitability YoY stays challenged as the input costs stay elevated, the results are in line with our expectations.

Volumes grew on account of good demand led by rise in infrastructure activity across markets.

**Key Highlights**

**Guidance:** The company guided to reach volumes of 5.8 million tonnes by the end of FY23. The company has also stated that looking at robust demand INR 1000 EBITDA/t can be achieved by the end of FY24.

**Demand:** The demand momentum seems good as the Government has given pro infra and cement industry budget. The GOI is planning investment in Railways, PM Awas Yojna and Infrastructure projects. Along with GOI push for the industry and the strong demand and traction, Q4FY23 looks good and the company is running at 70% capacity and can easily go up to 85% to meet the demands.

**Capex:** For FY23 the company had planned capex of INR 300cr but has trimmed it to INR 150 cr, for FY24 capex plans, the company will be able to give information by April 2023 as the things are still under planning.

**Margins:** The EBITDA margins have increased QoQ on account of increased volumes and controlled costs but have contracted YoY as expected, due to increased operating costs which is up by 35% YoY/+11.6% QoQ. Overall, the cost stay elevated with fuel up by 35% YoY/-4% QoQ, on QoQ basis profitability has grown led by volumes. EBITDA/t stood at INR 631 for Q3FY23 and the company is working towards achieving INR 750-800 EBITDA/t levels by end of FY23.

**B2B Business witnessed strong growth:** The B2 B witnessed strong growth which contribute 51% of total volumes, OPC contributed 47% of sales which was higher as compared to last quarter. In B2B the margins are lower as compared to B2C and the credit cycle is also longer. The company aspires to increase sale contribution from premium products like concrete and blended cement.

**Outlook and Valuations**

At a CMP of INR 122 stock is trading at an EV/EBIDTA multiple of 5.2(x) to its FY24E. Company delivered good set of numbers in Q3FY23 led by better volumes and strong demand. Going ahead volume are expected to be good as there will be increased infrastructure activities across markets in India. But taking price hike stays a concern in coming quarters too, The company is managing freight cost well with 300km+ lead time and the company is well on track on managing fuel costs. The company plans to push concrete and premium segment growth in coming quarters and aiming to achieve volumes of 5.8 million tonnes by the end of FY23.

**We value the stock at 5.9 (x) EV/EBIDTA to its FY24E EBIDTA of INR 5325 mn to arrive at a target price of INR 140 and maintain accumulate rating for this stock.**

**Q3FY23 Results**

## Income statement summary

Rs mn (Standalone)	Q3FY23	Q2FY23	Q3FY22	YOY	QOQ
<b>Net Revenue</b>	<b>7,322</b>	<b>6,152</b>	<b>6,175</b>	<b>18.6%</b>	<b>19.0%</b>
<b>Operating Costs</b>	<b>5,182</b>	<b>4,646</b>	<b>3,833</b>	<b>35.2%</b>	<b>11.6%</b>
Employee cost	426	433	416	2.4%	-1.7%
Other Expenses	811	749	751	8.0%	8.4%
<b>EBITDA</b>	<b>903</b>	<b>325</b>	<b>1,176</b>	<b>-23.2%</b>	<b>177.8%</b>
<i>EBITDA margin %</i>	12.3%	5.3%	19.0%	-671bps	705bps
Depreciation	370.9	369.2	368.3	0.7%	0.5%
<b>EBIT</b>	<b>532</b>	<b>-44</b>	<b>807</b>	<b>-34.1%</b>	
Other Income	11	48	25	-76.6%	-54.4%
Finance cost	97	105	158	-7.8%	-38.4%
Exceptional Item	-	-	-	-	-
<b>PBT</b>	<b>446</b>	<b>-101</b>	<b>674</b>	<b>-33.9%</b>	
Tax Expense	171	-6	237	-27.8%	
Effective tax rate %	38.4%	5.8%	35.2%	325bps	3263bps
<b>PAT</b>	<b>275</b>	<b>-96</b>	<b>437</b>	<b>-37.2%</b>	
<i>PAT margin %</i>	3.7%	-1.6%	7.1%	-333bps	530bps
<i>No of shares</i>	204.86	204.86	204.86		
<b>EPS (Rs)</b>	<b>1.34</b>	<b>-0.47</b>	<b>2.13</b>		

Source: Company Reports, Arihant Capital Research

**Q3FY23 Results**

Sales reported at INR 7,322 mn up by 18.6% YoY/19% QoQ, growth led by good volumes

Volumes at 1.43 Mn tonnes up by 17.4 YoY/15.3 QoQ led by better demand

EBITDA at INR 903 mn down by -23.2% YoY/+177.8% QoQ due to increased input cost and increase in B2B segment sales

EBITDAM at 12.3% contracted by -671 bps YoY/+705 QoQ as costs stay elevated YoY

EBIDTA/tonne at INR 631 down by -34.8% YoY/+141% QoQ

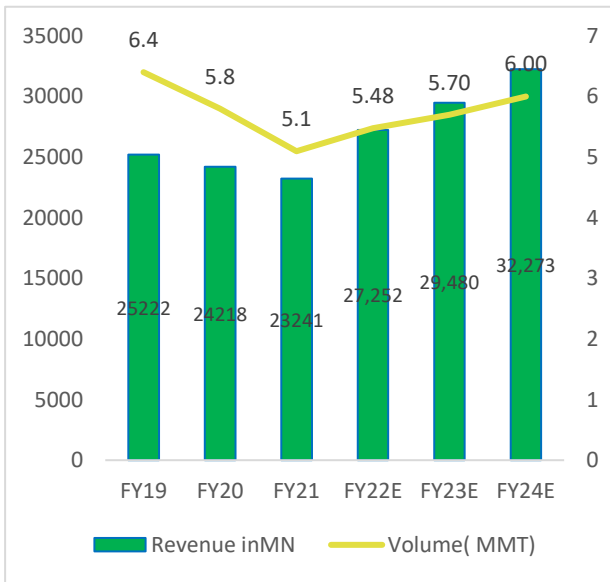
Realization/t at INR 5120 up by 1% YoY/+3.2% QoQ, the company is unable to take in sufficient price hikes

PAT at INR 275 mn against loss of INR -96 mn Q2FY23/+ INR 437 mn Q3FY22

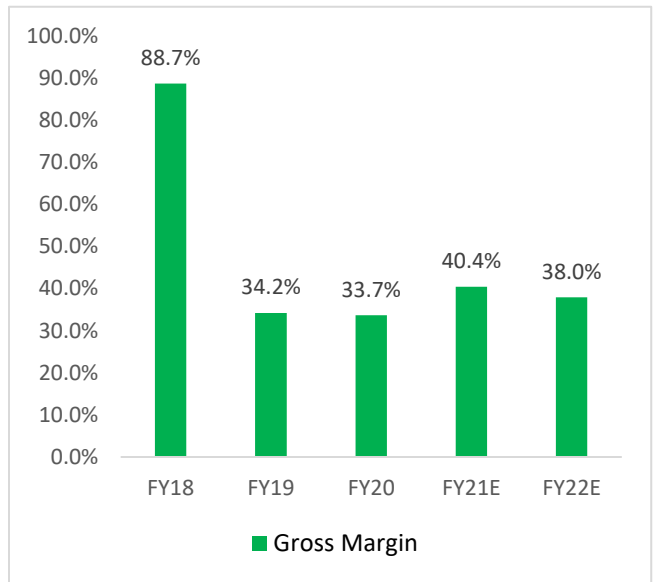
### Concall Highlights

- **Guidance:** The company expects to reach volumes of 5.8 mnt by the end of FY23.
- **Volumes:** The cement industry has grown by 10% YoY/8% QoQ and orient cement has shown a growth of 17% YoY/15% QoQ in Q3FY23. The volume grew on account of good demand in the last month of Q3FY23. The total volumes for 9MFY23 reported is 4.5 mntpa and the company expects to do volume of 5.8 mnt of sales by the end of FY23. The capacity utilization stands at 70% which is higher QoQ.
- **Demand:** The Government has passed pro infra and cement sector budget. The demand is currently is robust and expecting higher demands in coming quarters lead by increased infra activities.
- **B2B and B2C:** The company has done more business in B2B segment this quarter, about 51% vs 45% in Q2 FY23 from B2B segment. in B2B the margins are little lower and OPC selling happens more in this segment as compared to blended cement in B2C segment and the grade mix stood at 47% OPC and 53% blended cement for this quarter.
- **Market mix:** The growth mainly came in from west market as compared to south markets. The west market contributed 56% of total volumes.
- **Fuel mix:** Sitapur plant largely runs on petcoke and Telengana plant largely runs on domestic coal. Overall, the company is divided equally into domestic coal and petcoke and 17% AFR. AFR usage led to savings of INR 10 cr this quarter. The supply of petcoke in expected to fall in near future
- **Working capital** is to some extent under pressure as the company has done more volumes through B2B segment where the credit cycle is longer.
- Total debt stands at INR 403 cr including working capital which includes interest free loan as well.
- **EBIDTA/tonne** at INR 631 down by -34.8% YoY/+141% QoQ
- **Realization/t** at INR 5120 up by 1% YoY/+3.2% QoQ
- The **finance cost** has decreased by 38% YoY/-7.8% QoQ leading to increase in PBT margins QoQ.
- Board of Directors have considered and declared the Interim Dividend of INR 0.50/ (50%) per equity share of face value of INR 1 each for the financial year 2022-23, interim Dividend shall be paid within a period of 30 days from the date of declaration.
- **Capacity expansion:** The proposed expansion plan of Devapur facility was scheduled to be operational by the FY24 and the company is on schedule.

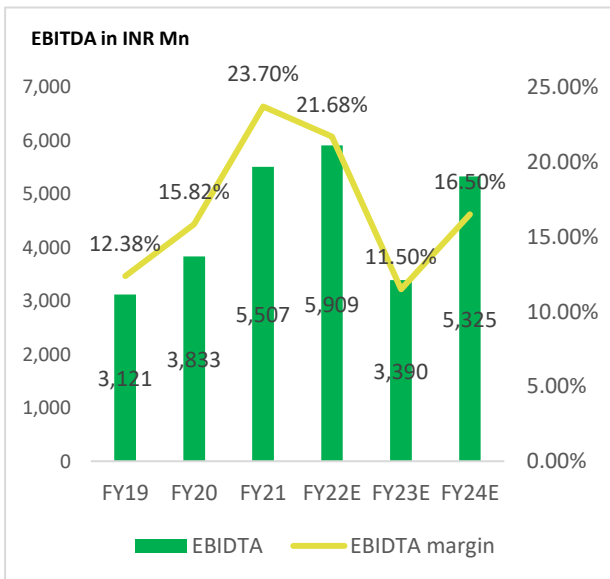
**Story in charts YoY**



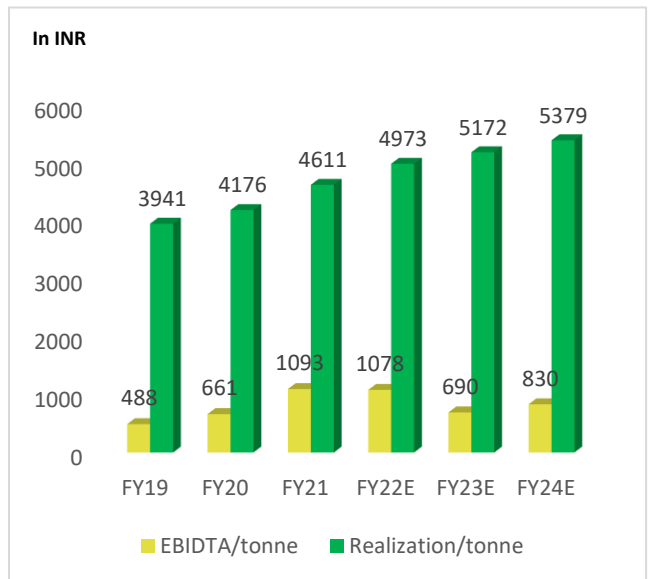
Source: Company Reports, Arihant Capital Research



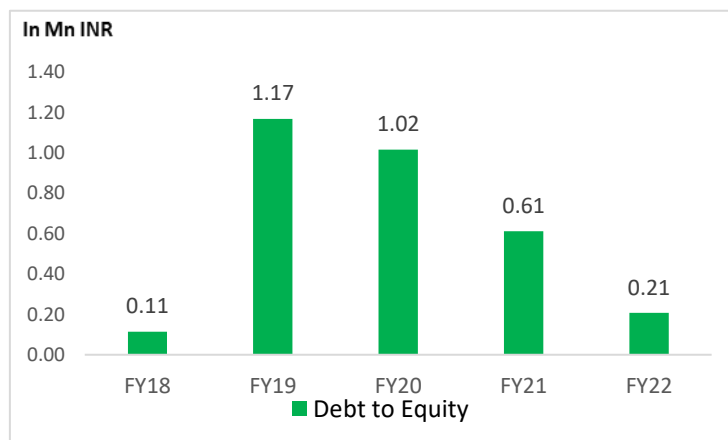
Source: Company Reports, Arihant Capital Research



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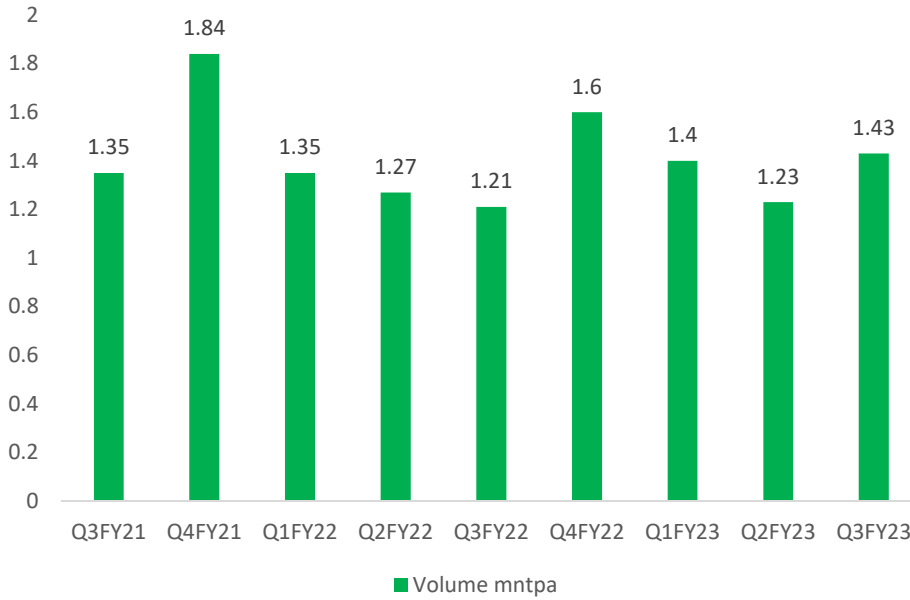


Source: Company Reports, Arihant Capital Research

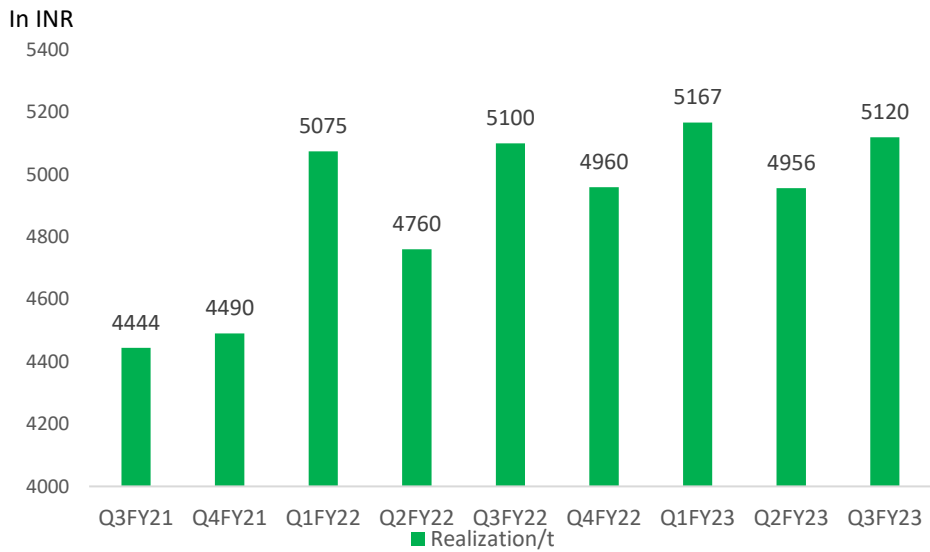


Source: Company Reports, Arihant Capital Research

Story in charts QoQ



Source: Company Reports, Arihant Capital Research



Source: Company Reports, Arihant Capital Research

## Financial Statement

## Income Statement

Y/E March (Rs Mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenues</b>	<b>22,222</b>	<b>25,222</b>	<b>24,222</b>	<b>23,240</b>	<b>27,252</b>	<b>29,480</b>	<b>32,273</b>
Change (%)	#REF!	13.5%	-4.0%	-4.1%	17.3%	8.2%	9.5%
Cost of Goods Sold	2,513	16,586	16,056	13,842	16,907	19,752	20,332
Employee costs	269	1,550	1,549	1,525	1,524	1,621	1,775
<b>Other expenses</b>	<b>873</b>	<b>3,965</b>	<b>2,784</b>	<b>2,366</b>	<b>2,912</b>	<b>4,717</b>	<b>4,841</b>
Total operating Expense	<b>3,655</b>	<b>22,101</b>	<b>20,389</b>	<b>17,733</b>	<b>21,343</b>	<b>26,090</b>	<b>26,948</b>
<b>EBITDA</b>	<b>18,567</b>	<b>3,121</b>	<b>3,833</b>	<b>5,507</b>	<b>5,909</b>	<b>3,390</b>	<b>5,325</b>
Other Income	64	140	177	183	96	118	129
Depreciation	229	1,327	1,409	1,419	1,452	1,244	1,286
Interest	107	1,185	1,223	936	514	228	228
<b>PBT</b>	<b>18,295</b>	<b>749</b>	<b>1,378</b>	<b>3,335</b>	<b>4,039</b>	<b>2,036</b>	<b>3,940</b>
Extra-ordinary	0	0	0	0	0	0	0
<b>PBT after ext-ord.</b>	<b>18,295</b>	<b>749</b>	<b>1,378</b>	<b>3,335</b>	<b>4,039</b>	<b>2,036</b>	<b>3,940</b>
Tax	73	272	508	1,194	1,408	710	1,374
Rate (%)	0.4%	36.3%	36.9%	35.8%	34.9%	34.9%	34.9%
<b>PAT</b>	<b>18,222</b>	<b>477</b>	<b>870</b>	<b>2,141</b>	<b>2,631</b>	<b>1,326</b>	<b>2,567</b>
Change (%)		-97.4%	82.2%	146.1%	22.9%	-49.6%	93.5%

Source: Company, Arihant Research

## Balance Sheet

Y/E March (Rs Mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Sources of Funds</b>						
Share Capital	205	205	205	205	205	205
Share Warrant	0		0	0	0	
Reserves & Surplus	10,330	10,979	12,854	15,049	16,016	18,224
<b>Net Worth</b>	<b>10,535</b>	<b>11,184</b>	<b>13,059</b>	<b>15,254</b>	<b>16,221</b>	<b>18,429</b>
Long term debt	12262	11354	7838	1519	1519	1519
Short term debt	45	3	141	1,637	1,647	1,647
<b>Total Debt</b>	<b>12,307</b>	<b>11,357</b>	<b>7,979</b>	<b>3,156</b>	<b>3,166</b>	<b>3,166</b>
Deffered Tax Liability	961	1,219	1,811	2,517	2,517	2,517
Long term Provision	430	399	572	479	479	479
Other Long term Liability	4	13	0	0	7	0
Trade Payable	1,865	1,764	1,845	2,310	2,700	3,300
Other current Liability	2,853	2,643	2,523	2,466	2,465	2,466
Short Term Provision	313	419	331	314	314	314
<b>Capital Employed</b>	<b>29,268</b>	<b>28,998</b>	<b>28,120</b>	<b>26,496</b>	<b>27,869</b>	<b>30,671</b>
<b>Application of Funds</b>						
Net Block	22,932	22,098	21,460	20,502	20,732	21,432
Deffered Tax Asset	0	0	0		0	0
Other Non-Current Assets	1,780	2,053	1,806	2,286	1,686	1,659
<b>Non Currebt Assets</b>	<b>24,712</b>	<b>24,151</b>	<b>23,266</b>	<b>22,788</b>	<b>22,418</b>	<b>23,091</b>
<b>Investments</b>						
Debtors	1,795	1,618	1,102	1,273	1,398	1,530
Inventories	1,860	2,366	1,705	1,866	2,922	3,008
Cash & bank balance	287	360	362	438	379	390
Loans & advances & other CA	614	503	1,685	752	752	2,652
<b>Total current assets</b>	<b>4,556</b>	<b>4,847</b>	<b>4,854</b>	<b>3,708</b>	<b>5,451</b>	<b>7,580</b>
<b>Total Assets</b>	<b>29,268</b>	<b>28,998</b>	<b>28,120</b>	<b>26,496</b>	<b>27,869</b>	<b>30,671</b>

Source: Company Reports, Arihant Capital Research

## Financial Statement

## Cash Flow Statement

Y/E March (Rs Mn)	FY19	FY20	FY21	FY22E	FY23E	F24E
<b>PBT</b>	<b>749</b>	<b>1,378</b>	<b>3,335</b>	<b>4,039</b>	<b>2,036</b>	<b>3,940</b>
Depreciation	1,327	1,409	1,419	1,452	1,244	1,286
Interest & others	1,157	1,178	904	498	214	214
Cash flow before WC changes	3,191	3,864	5,567	5,950	3,494	5,440
<b>(Inc)/dec in working capital</b>	<b>-211</b>	<b>-635</b>	<b>2,163</b>	<b>-55</b>	<b>-55</b>	<b>-55</b>
Operating CF after WC changes	2,980	3,229	7,730	5,895	3,439	5,385
Less: Taxes	-167	-307	-590	-658	-710	-1,374
<b>Operating cash flow</b>	<b>2,813</b>	<b>2,922</b>	<b>7,140</b>	<b>5,237</b>	<b>2,729</b>	<b>4,011</b>
(Inc)/dec in F.A + CWIP	-1,212	-766	-507	-525	-230	-700
(Pur)/sale of investment	0	0	0	0	0	0
<b>Cash flow from investing</b>	<b>-1,199</b>	<b>-732</b>	<b>-1,616</b>	<b>702</b>	<b>-198</b>	<b>-668</b>
<b>Free cash flow (FCF)</b>	<b>1,589</b>	<b>2,138</b>	<b>6,626</b>	<b>4,906</b>	<b>2,499</b>	<b>3,311</b>
Loan raised/(repaid)	962	-600	-4,306	-4,910	-2,000	-3,000
Equity raised	0	0	0	0	0	0
Interest & others	-1,279	-1,206	-932	-465	-228	-228
Dividend	0	0	-212	-284	-284	-284
<b>Cash flow from financing activities</b>	<b>-1,714</b>	<b>-2,059</b>	<b>-5,521</b>	<b>-5,854</b>	<b>-2,587</b>	<b>-3,587</b>
<b>Net inc /(dec) in cash</b>	<b>-100</b>	<b>130</b>	<b>3</b>	<b>85</b>	<b>-56</b>	<b>-243</b>
Opening balance of cash	320	220	347	350	435	633
Closing balance of cash	220	350	350	435	379	390

Source: Company, Arihant Research

## Key Ratios

Y/E March (Rs Mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Per share (Rs)</b>							
EPS	128.9	2.3	4.2	10.4	12.8	6.5	12.5
CEPS	130.5	8.8	11.1	17.4	19.9	12.5	18.8
BVPS	15.5	513.9	545.6	637.0	744.1	791.3	899.0
DPS							
<b>Valuation (x)</b>							
P/E	0.9	52.4	28.7	11.7	9.5	18.9	9.7
P/CEPS	0.9	13.9	11.0	7.0	6.1	9.7	6.5
P/BV	7.9	0.2	0.2	0.2	0.2	0.2	0.1
EV/EBITDA	0.9	11.9	9.4	5.9	4.7	8.1	5.2
<b>Return Ratios (%)</b>							
Gross Margin	88.7%	34.2%	33.7%	40.4%	38.0%	33.0%	37.0%
EBIDTA Margin	83.6%	12.4%	15.8%	23.7%	21.7%	11.5%	16.5%
PAT Margin	82.0%	1.9%	3.6%	9.2%	9.7%	4.5%	8.0%
ROE	833.8%	4.5%	7.8%	16.4%	17.2%	8.2%	13.9%
ROCE	753.0%	7.9%	10.8%	19.4%	24.2%	11.1%	18.7%
<b>Leverage Ratio (%)</b>							
Total D/E	0.1	1.2	1.0	0.6	0.2	0.2	0.2
<b>Turnover Ratios</b>							
Asset Turnover (x)	6.3	0.9	0.8	0.8	1.0	1.1	1.1
Inventory Days	64	41	54	45	40	54	54
Receivable Days	2	26	24	17	17	17	17
Payable days	9	27	27	29	31	33	37

Source: Company, Arihant Research

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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%

Research Analyst Registration No.	Contact	Website	Email Id
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