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Issue Offer

Fresh Issue of 26,315,789 equity shares upto INR 1500Cr and OFS of 61,403,509 shares by Promoters group taking the total issue size at INR 5,000cr

Issue Summary

Price Band (INR)	560-570
Face Value (INR)	10
Implied Market Cap (INR Cr)	20,358
Market Lot	26
Issue Opens on	Aug,09, 2021
Issue Close on	Aug,11, 2021
No. of share pre-issue	330,840,364
No. of share post issue	357,156,153
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	50
NIB Portion	15
Retail Portion	35

Book Running Lead Managers

Axis Capital, ICICI Securities
HSBC Securities, J P Morgan India
SBI Capital Markets

Registrar

Link Intime India Pvt Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters & Promoters Group	95.24%	71.03%
Public & Others	4.76%	28.97%

Objects of the issue

- To repay/prepay/redeem borrowings availed by the firm fully or partially.
- General corporate purposes.

Nuvoco Vistas Corporation Limited ("NVCL") was incorporated on February 8, 1999. NVCL is promoted by Dr. Karsanbhai K. Patel, who is a successful entrepreneur and is associated with the Nirma Group. NVCL is the 5th largest cement company in India and the largest cement company in East India in terms of capacity. As of December 31, 2020, their cement production capacity constituted approximately 4.2% of total cement capacity in India, 17% of total cement capacity in East India and 5% of total cement capacity in North India, and they are one of the leading Ready-Mix Concrete ("RMX") manufacturers in India.

As of March 31, 2021, NVCL has 11 Cement Plants (8 in East India and 3 in North India). Company's Cement Plants are in the states of West Bengal, Bihar, Odisha, Chhattisgarh and Jharkhand in East India and Rajasthan and Haryana in North India, while their RMX Plants are located across India. As of March 31, 2021, their Cement Plants have an installed capacity of 22.32 MMTPA. 3 of their plants in East India are integrated units and 5 plants are grinding units. 2 of their plants in North India are integrated units and the third is a blending unit

As of March 31, 2021, NVCL operates 49 RMX Plants which are in key states in India, enhancing their pan-India presence.

NVCL is the fastest growing cement company in terms of capacity addition on percentage terms with installed capacity doubling over the last 5 years post the acquisition of NU Vista

NVCL operates through a range of distribution channels and direct sales to improve their reach to customers. As at March 31, 2021, they have 244 CFAs (162 in East India and 82 in North India) and 16,076 dealers in India (10,091 in East India and 5,985 in North India).

Outlook & Valuation :

At a Upper price band of INR 570 the issue is valued at EV/EBIDTA multiple of 17(x) to its FY21 EBIDTA of INR 1494 cr which is at premium if compared with other mid cap peers .NVCL has increased its capacity by 9x in the last 5 years led by two acquisitions. NVCL acquired 11mt Lafarge asset in FY17 and Emami asset of 8mtpa at in FY21. With the acquisitions, NVCL has strengthened its market leadership in the East region. In the last 4-5 years East Region demand has been highest versus other region and NVCL east asset utilization (FY21) at 79% can increase further. NVCL in FY21 has reported EBITDA margin of 20% (company EBITDA/t of INR 966). If compared with peers its EBITDA margin is low (FY21 peers avg. is 23-24%) and NVCL has guided to increase EBITDA/t by 20% in the next 2 years. This will be driven by streamlining the acquisition and internal efficiency. Thus we like the issue backed by company's market leadership in east region, Market-leading brands that establish and enhance the leadership as a building materials company and Extensive sales, marketing and distribution network with diversified product portfolio. Based on the above factors. we recommend SUBSCRIBE FOR LISTING GAINS to the issue.

Industry Overview

World's second-largest cement producer: India is the world's second-largest cement producer (after China) and accounts for over 8% of the global installed capacity. The cement industry is one of the key drivers of the Indian economy and employs over one million people. The industry plays a crucial role in the development of the housing and infrastructure sector of the economy.

One of the most technologically advanced industries globally: The Indian cement industry is one of the most technologically advanced industries with state-of-the-art plants that are at par with the global standards. The country has 144 integrated large cement plants 107 grinding units, 62 mini cement plants, and 5 clinkerisation units.

Underpenetrated in terms of per capita consumption: The current capacity of the Indian cement industry is ~500 mntpa and the average capacity utilization ranges between 65-70%. India's cement demand is expected to reach 550-600 Million Tonnes per annum by 2025. The three most common cement types produced in India are OPC, PPC, and PSC. Per-capita cement consumption in India stands ~230 kg, much lower than the global average of 530 kg, indicating significant growth potential for the industry in the coming years. We expect the industry to grow at a CAGR of 9% between FY21-FY23.

Acts as a supporting pillar for the country's economic growth: The Indian cement sector has a strong linkage to other sectors such as infrastructure, construction, housing, transportation, coal, power, and steel, among others. The industry plays a pivotal role in implementing various government schemes such as Housing for All, Smart Cities, Concrete Highways, Dedicated Freight Corridors, Clean India Mission, Ultra Mega Power Projects, and Waterways, to name a few.

Positive outlook: The housing or real estate sector accounts for ~66% of cement consumption in India followed by public infrastructure (22%) and industrial development (12%). The outlook for the cement industry continues to remain favourable with expected demand from the housing sector; primarily from rural and affordable housing, and improved government focus on infrastructure segments; mainly roads, railway, and irrigation projects.

Region	Production Capacity	Capacity Utilization
East	35%	35%
West	14%	14%
North	20%	20%
South	18%	18%
Central	13%	13%

Source: ICRA, RHP, Aриhant Capital Research

Business Overview

Nuvoco Vistas Corporation Limited (“NVCL”) is the 5th largest cement company in India and the largest cement company in East India in terms of capacity. As of December 31, 2020, their cement production capacity constituted approximately 4.2% of total cement capacity in India, 17% of total cement capacity in East India and 5% of total cement capacity in North India, and they are one of the leading ready-mix concrete manufacturers in India

As of March 31, 2021, NVCL has 11 Cement Plants (8 in East India and 3 in North India). Company’s Cement Plants are in the states of West Bengal, Bihar, Odisha, Chhattisgarh and Jharkhand in East India and Rajasthan and Haryana in North India, while their RMX Plants are located across India. As of March 31, 2021, their Cement Plants have an installed capacity of 22.32 MMTPA. 3 of their plants in East India are integrated units and 5 plants are grinding units. 2 of their plants in North India are integrated units and the third is a blending unit. They have waste heat recovery systems at all their integrated plants with a total capacity of 44.7 MW, solar power plants with a total capacity of 1.5 MW and captive power plants with generation capacity of 105 MW. As of March 31, 2021, these generated 50.43% (on a proforma basis) of their total power requirements.

NVCL is the fastest growing cement company in terms of capacity addition on percentage terms with installed capacity doubling over the last 5 years post the acquisition of NU Vista. According to CRISIL, they were one of the players to increase market share in the last 2 years. For the Fiscals 2021, 2020 and 2019, the total capacity utilisation of their plants in North India, calculated on the basis of total production capacity, was 72.67%, 83.79% and 85.59% respectively.

During the same periods, the total capacity utilisation of their plants in East India, calculated based on total production capacity, was 79.16%, 93.39% and 97.12% respectively. For the Fiscals 2021, 2020 and 2019, the total capacity utilisation of all their plants across India, calculated based on total production capacity, was 77.57%, 90.05% and 92.99% respectively. During the same periods, their total cement-to-clinker ratio across all units was 1.73, 1.73 and 1.72 respectively.

They have developed strong relationships with their channel partners over the years and built a loyal base of customers across their operational markets with the aim to achieve both their customers’ and their own growth objectives. NVCL operates through a range of distribution channels and direct sales to improve their reach to customers. As at March 31, 2021, they have 244 CFAs (162 in East India and 82 in North India) and 16,076 dealers in India (10,091 in East India and 5,985 in North India). Their institutional and corporate clients undertake bulk and large volume purchases. In Fiscal 2021, based on their proforma financials, their sales from the Trade Segment of the market constituted 73% (East India – 76%, North India – 56%, Central India – 79%) of total cement sales volume, whilst sales from the Non-trade Segment constituted 27% (East India – 24%, North India – 44% and Central India – 21%) of total cement sales volume. NVCL offers a range of over 50 products across cement, RMX and modern building materials.

Capacity Utilisation (%)	FY2019	FY2020	FY2021
Cement	92.99%	90.05%	77.57%
Clinker	89.56%	90.27%	83.30%

	Risda Cement Plant		Panagarh Cement Plant	Jajpur Cement Plant	Bhabua Cement Plant
	Cement	Clinker	Cement	Cement	Cement
Installed/Production Capacity (MMTPA)	2.15	2.29	1.79	1.43	0.57
Production (Million MT)	1.79	2.39	1.45	0.64	0.46
Capacity Utilisation (%)	83.54%	104.51%	81.22%	44.45%	79.97%

Key Strengths

Largest cement manufacturing company in East India in terms of total capacity : The location of their plants allows them to maintain their leadership position in East India while growing their business in North India. In addition, their Cement Plants in Chhattisgarh and Rajasthan are ideally placed to serve the adjacent markets of Uttar Pradesh and Madhya Pradesh in Central India and Maharashtra in West India respectively. They also have a third-party procurement agreement for manufacturing and packaging certain cement products in the State of Uttar Pradesh, thereby establishing a presence in the high growth market of Central India.

NVCL has an extensive portfolio of cement, RMX and modern building materials to cater to the needs of their customers. As of March 31, 2021, their ratio of Trade Segment sales to Non-trade Segment sales in East India was 76:24, in Central India was 79.21 and in North India was 56.44, which allows them to achieve higher sales volumes and improved margins. Their sales to the Trade Segment allow them to achieve high volume sales, thereby ensuring high capacity utilisation of their plants and ensuring steady cash flows. They also have steady Non-trade Segment sales and revenues which allow them to secure volume-based sales orders and improved margins. They sold 17.26 million MT (“MMT”) of cement in India in Fiscal 2021 (based on their Proforma financial Statements). Of this figure, they sold 13.47 MMT in East India, 2.66 MMT in North India and 1.13 MMT in Central India.

Additionally, they are one of the leading industry players in the RMX industry. Their position in the RMX industry allows them to access key markets in India, particularly in areas where their cement products are not readily available.

Market-leading brands : Company’s established record of strong performance and reputation for quality products in cement, RMX and modern building materials has helped them build reputable brands in the building materials industry in India. They have a comprehensive suite of brands across all these segments. Their brands have differentiated characteristics and qualities which fulfil diverse customer needs and thereby attract new customers as well as retaining and increasing demand from existing customers.

Company’s modern building material products are a key differentiator for them. Their suite of products under this category include a range of construction chemicals, adhesives, wall putty, dry plaster, cover blocks and dry concrete

Their Modern Building Material products and brands are an important value-added business for them. NVCL market these products to meet the requirements of their customers, such as providing a product that provides an immediate solution to their construction requirements or by offering a product as an alternative to their usual requirements

Strategically located cement production facilities : Company’s Cement Plants are located at various strategic locations in East and North India. These locations allow them to effectively sell and market their products in East and North India as well as access to select key markets in Central India. They have 3 integrated units and 5 grinding units located in East India, and 2 integrated units and 1 blending unit located in North India. They are also in the process of enhancing their cement capacity in their existing grinding units in Jobbera Cement Plant and Bhabua Cement Plant in East India. The connectivity to raw materials and their customers allows them to manufacture and sell their cement products to customers in a cost-efficient manner.

Extensive sales, marketing and distribution network with diversified product portfolio : NVCL has strong sales, marketing and distribution capabilities in East and North India, and strategic access to some key markets in Central India. This distribution network allows them to effectively target and drive sales within the Trade Segment. As at March 31, 2021, they have 244 CFAs (162 in East India and 82 in North India) and 16,076 dealers in India (10,091 in East India and 5,985 in North India). Their extensive network of warehouses, logistics partners and dealers in East and North India gives them a competitive advantage in their operating regions

Key Strategies

Consolidate and grow the market share : NVCL intends to leverage their existing manufacturing facilities and distribution network to capitalise on the expected demand for cement products from their customers. Further, with the acquisition of NU Vista and the merger of Nimbol Cement Plant in East and North India respectively, they now have access to high-growth markets like Uttar Pradesh, Maharashtra and Gujarat. Their Cement Plants in Chhattisgarh and Rajasthan are ideally placed to serve the adjacent markets of Uttar Pradesh and Madhya Pradesh in Central India and Maharashtra in West India respectively. They also have a third-party procurement agreement in the State of Uttar Pradesh for manufacturing and packaging certain cement products, thereby establishing a presence in the high growth market of Central India. These regions are within the range of their existing manufacturing units that would allow them to distribute and sell cement at cost-effective and competitive prices. Their additional grinding capacity in West Bengal will target demand from the high-growth markets in the North East region of India.

Increase the portfolio of premium products and profit margins : NVCL will continue to consolidate their market position in the building materials industry through the following initiatives:

- Focus on enhancing the sales and penetration of their existing brands with particularly premium brands such as “Concrete”;
- Identify gaps in the industry and in their portfolio and introduce new products, particularly targeting the premium segments;
- Extend the range of modern building materials to provide a comprehensive product/solution set for their distribution channels and based on customer demands

Focus on enhancing the range of value-added products in the RMX business.: The company had focused on the reduction of electricity and heat consumption to reduce their production costs and to lessen the environmental impact of their operations. They are focused on the reduction of power consumption in their clinker and grinding units, as well as heat consumption in integrated units. They have installed waste heat recovery systems across all their integrated Cement Plants.

They are also setting up captive power plants at some of their units to further help in cost reduction and operational efficiency of their units by ensuring uninterrupted electricity supply. As of March 31, 2021, their captive power plant capacity is 105 MW, and 29.25% of the total power demand of their units is serviced by captive power plants. The company is in the process of implementing clinker debottlenecking at their integrated cement units located at Risda, Nimbol and Sonadih. Additionally, they are undertaking capacity expansion exercises at their Jojobera Cement Plant, to increase its capacity to 6.45 MTPA and at their Bhabua Cement Plant, to increase its capacity to 2 MTPA. They also have the option to undertake expansion in West India by utilising their limestone reserves in Chittapur, Gulbarga in Karnataka

Strengthen the brand and expand their distribution network : Nucovo has an extensive brand portfolio for their key product segments. They aim to continue to undertake brand awareness and brand building measures targeted at their customers and in key geographies to increase their market share and revenues from sales of their products. They have undertaken corporate and brand-specific advertising, such as their sponsorship of the Royal Challengers Bangalore, a professional cricket team in the Indian Premier League. Company’s expansion strategy is based on a calibrated and systematic evaluation of the market size, customer demand, competition and economic factors for the sale of their products in a particular location.

Key Strategies

Growth through expanding operations and through acquisitions

Through the merger of the Nimbol Cement Plant and the acquisition of NU Vista, Nuvoco has enhanced their business operations, growth and prospects. They are also well- positioned to undertake both core and value-add acquisition opportunities in the future given their pan-India presence, knowledge of local markets, proven management capabilities and deep customer relationships.

As of March 31, 2021, they have a strong balance sheet, resulting in high capital structure flexibility. As of March 31, 2021, their net debt is ₹ 6,730.06 crore. Further, the use of the proceeds from the Fresh Issue will further reduce their total indebtedness. The reduction in the total borrowings will de-lever the balance sheet and will enable them to undertake future acquisitions.

Focus on operational efficiencies and synergies:

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Key Risks

- Concentration of revenue profile in the east region
- Increase in fuel cost with no commensurate increase in the selling price
- Debt and leverage in the books
- Low Return ratio's

Peer Comparison

Company (in Cr.)	CMP	Revenue	EBITDA	EBITDA M (%)	PAT	D/E	EPS	RoE (%)	EV/EBIDTA
Nuvoco Vistas Corporation Ltd [^]	570	7,489	1,494	20.0%	-26	1.10	-0.8	-0.4%	17.0
Shree Cement	28,413	13,476	4,051	30.1%	2286	0.14	633.5	14.8%	23.9
Ultratech Cement	7,527	44,726	11,542	25.8%	5463	0.40	189.3	14.0%	17.3
ACC Limited	2,340	13,785	2,354	17.1%	1430	0.00	73.3	11.9%	8.2
Heidelberg Cement India Limited	254	2,117	507	23.9%	315	0.20	36.0	20.8%	9.9
Orient Cement Limited	169	2,324	551	23.7%	214	0.70	10.0	16.4%	4.8

Financials are as on FY21; [^] at upper price band

CMP as on 06-08-2021
ACC follows calendar year

Management

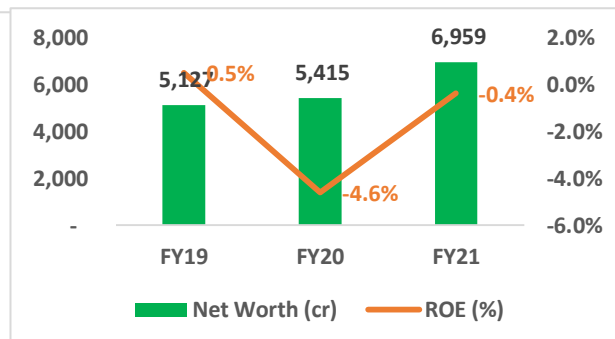
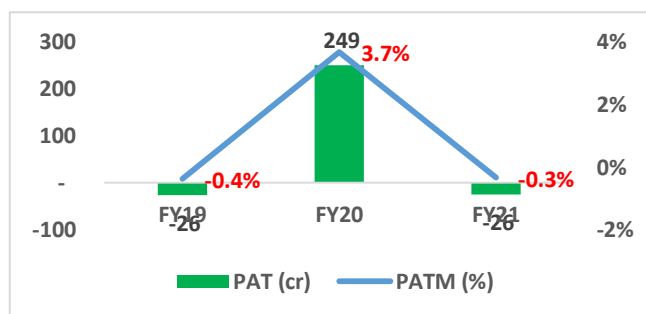
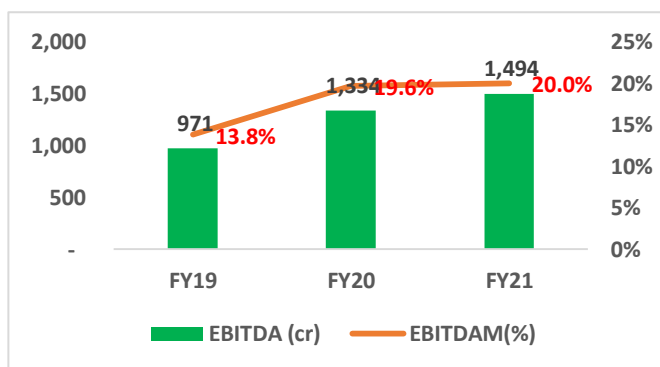
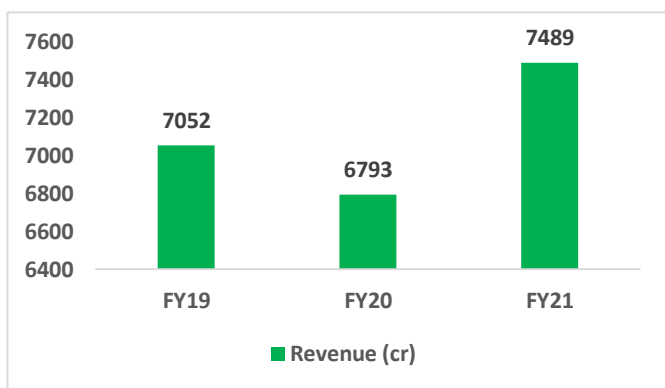
Key Person	Description
Hiren Patel	Hiren Patel is the Chairman and the Non-executive Director of the company. He has been on the Board since November 11, 2017. He has been associated with the Nirma group since the year 1997. He has experience in the cement, consumer goods, chemicals and health care industry. He is presently the managing director of Nirma Ltd.
Jayakumar Krishnaswamy	Jayakumar Krishnaswamy is the Managing Director of the company. He has been on the Board since September 17, 2018. He is responsible for the cement, RMX and modern building materials divisions of the company. He has experience across FMCG and paint and coating industry.
Kaushikbhai Patel	Kaushikbhai Patel is the Non-executive Director of the company. He has been on the Board since November 9, 2017. He has experience in strategy, financial planning, mergers and acquisitions, direct tax and capital markets. He has been associated with Nirma Ltd since 2002.

Financial Performance

Particulars (in cr.)	FY19	FY20	FY21
Revenue	7,052	6,793	7,489
EBITDA	971	1,334	1,494
EBITDAM(%)	13.8%	19.6%	20.0%
PAT	-26	249	-26
PATM (%)	-0.4%	3.7%	-0.3%
EPS (as reported)	-1.1	10.3	-0.8
Net Worth	5,127	5,415	6,959
Total Debt	4,626	4,463	7,642
Total Assets	13,262	13,444	19,908
ROE (%)	0.5%	-4.6%	-0.4%

Source: RHP, Arianth Capital Research

Charts



Source: RHP, Arianth Capital 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%

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