

Profitability up on better pricing; volumes contract

Nuvoco reported good set of numbers for 3Q as the company's policy of value over volumes resulted in sharper volume contraction but overall EBITDA/mt was better than expectations. Company's core markets in the east witnessed weak demand which led to volume contraction. The company commissioned its 1.2mn mt Grinding unit at Bhiwani (Haryana) which is expected to bring better volume growth for the company. The management emphasized that it would continue to focus on volume thrust in the north and value in the eastern region by enhancing its premiumisation and geo mix. Company is prioritizing debt reduction over capacity addition and would plan its next set of capex after achieving net debt target of Rs35-40bn. We are building in debt repayment of Rs15bn over FY23-25 for the company, resulting in debt:EBITDA ratio going below 2x by FY25. We have slightly tweaked our EBITDA estimates downward for FY25/FY26 by 2.5%/1.5%. We maintain our Buy rating on the stock with TP of Rs430 (earlier Rs441) based on 9x Sep25 EV/EBITDA.

3QFY24 result highlights

Volumes contracted by 11% YoY at 4mn mt (centrum estimate of 4.37mn mt) whereas blended realizations improved by 5% QoQ (4.5 % ahead of our estimate). Overall revenue at Rs24bn is down 7% YoY and 4% below our estimate. Operating costs were flat on QoQ basis as reduction in power & fuel cost was offset by higher RM and freight costs. Absolute EBITDA came in at Rs4.1bn (11.8% ahead of our estimate) predominantly due to higher than expected realizations. EBITDA/mt came in at Rs1021 which is a 10 quarter high for the company. Given the subsequent decline in prices in Eastern region, we believe that maintaining this EBITDA/mt streak will be difficult going forward.

Deleveraging remains a priority

Nuvoco reported net debt of Rs45bn up from Rs44bn as on March23. The management would announce next set of greenfield capex once leverage comes down to Rs35-40bn as the focus would remain on balance sheet improvement which would result in better leverage parameters for the company in the near term. Company has spent a total capex of Rs 4.5bn for 9MFY24 and it will spend Rs1.5bn in 4QFY24. Capex for FY25 is pegged at Rs 6bn.

1.2mn mt Bhiwani GU commissioned; recently completed projects to aid volume growth

Nuvoco has completed its debottlenecking exercise at Risda (Chhattisgarh) and Nimbol (Rajasthan) which has added close to 2000tpd of additional clinker capacity. With Haryana grinding unit of 1.2 mn mt also completed, we expect volume growth to be better for FY25.

Valuation and outlook

We expect NVCL to deliver 6% revenue and 27% EBITDA CAGR over FY23-25. We value the stock based on 9x Sep25 EV/EBITDA (unchanged) to arrive at our target price of Rs430. We like NVCL given its 1) scale of operations with ~25mn mt of capacity, 2) focus on improving cement to clinker ratio and premiumization, 3) multiple cost mitigating measures and 4) attractive valuation. Delay in deleveraging and announcement of next set of capex pose key downside risks.

Financial and valuation summary

YE Mar (Rs mn)	3QFY24A	3QFY23A	YoY (%)	2QFY24A	QoQ (%)	FY24E	FY25E	FY26E
Revenues	24,210	26,046	(7.0)	25,730	(5.9)	1,09,448	1,20,032	1,32,227
EBITDA	4,104	2,683	53.0	3,300	24.4	17,538	19,442	22,047
EBITDA margin (%)	17.0	10.3	64.6	12.8	32.2	16.0	16.2	16.7
Adj. Net profit	310	(753)	(141.2)	15	1928.1	2,896	4,308	6,489
Adj. EPS (Rs)	0.9	(2.1)	(141.2)	0.0	1928.1	8.1	12.1	18.2
EPS growth (%)						(31.3)	48.7	50.6
PE (x)						43.8	29.4	19.5
EV/EBITDA (x)						9.5	8.0	6.5
PBV (x)						1.4	1.4	1.3
RoE (%)						3.2	4.7	6.7
RoCE (%)						4.3	5.1	6.6

Source: Company, Centrum Broking

Result Update

India I Cement

31 January, 2024

BUY

Price: Rs355

Target Price: Rs430

Forecast return: 21%

Institutional Research

Market Data

Bloomberg:	NUVOCO IN
52 week H/L:	399/288
Market cap:	Rs126.9bn
Shares Outstanding:	357.2mn
Free float:	28.2%
Avg. daily vol. 3mth:	4,09,734

Source: Bloomberg

Changes in the report

Rating:	Buy, Unchanged
Target price:	-3%, from Rs441 to Rs430
EBITDA:	FY24E: +2.2%; FY25E: -2.5%

Source: Centrum Broking

Shareholding pattern

	Dec-23	Sep-23	Jun-23	Mar-23
Promoter	71.8	71.8	71.8	71.8
FIs	3.1	3.2	2.8	3.1
DIs	20.0	20.0	20.6	20.4
Public/other	5.2	5.1	4.9	4.6

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q3FY24	Actual Q3FY24	Variance (%)
Revenue	25,157	24,210	-3.8
EBITDA	3,672	4,104	11.8
EBITDA margin %	14.6	17.0	(236) bps
Adj. PAT	72	310	333.8
EPS (Rs)	0.2	0.9	333.8

Source: Bloomberg, Centrum Broking



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Cement

Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY24E New	FY24E Old	% chg	FY25E New	FY25E Old	% chg
Revenue	1,09,448	1,12,114	-2.4	1,20,032	1,23,009	-2.4
EBITDA	17,538	17,154	2.2	19,442	19,943	-2.5
EBITDA margin %	16.0	15.3	72 bps	16.2	16.2	(2) bps
Adj. PAT	2,896	2,648	9.4	4,308	4,701	-8.4
Diluted EPS (Rs)	8.1	7	9.4	12.1	13	-8.4

Source: Centrum Broking

Nuvoco Vistas versus NIFTY Midcap 100

	1m	6m	1 year
NUVOCO IN	(7.1)	(3.4)	(0.9)
NIFTY Midcap 100	3.5	27.9	58.3

Source: Bloomberg, NSE

Key assumptions

Y/E Mar	FY24E	FY25E
Capacity (mn mt)	25.0	25.0
Volumes (mn mt)	19.0	20.5
Realizations (Rs/mt)	5,764	5,853
Operating expense (Rs/mt)	4,840	4,905
EBITDA/mt (Rs)	924	948
Capex	-4,779	-3,753
Net Debt	40,020	29,234

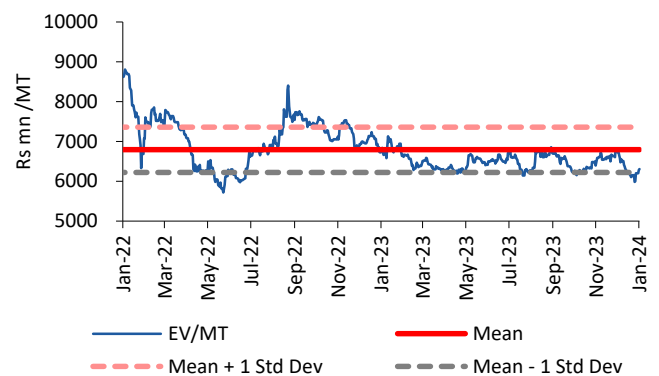
Source: Centrum Broking

Valuations

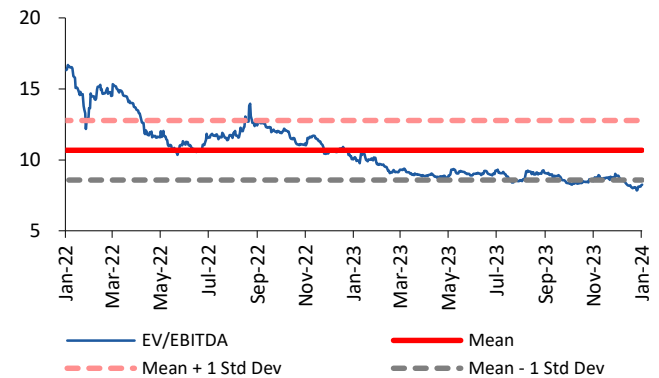
We have slightly tweaked our EBITDA estimates downward for FY25/FY26 by 2.5%/1.5%. We maintain our Buy rating on the stock with TP of Rs430 (earlier Rs441) based on 9x Sep25 EV/EBITDA

Valuations	Rs/share
Sep25E EBITDA	20,745
Target multiple (x)	9.0
Enterprise value	1,86,702
Less: Net debt - CWIP	33,627
Equity value	1,53,075
No of shares (mn)	357.2
Target Price (Rs)	430

EV/MT mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap (Rs bn)	CAGR (FY23-25E)			EV/EBITDA (x)			EV/mt (US\$)			FY25E	
		Sales	EBITDA	EPS	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	RoE (%)	ROCE (%)
ACC	473	-0.9%	33.2%	53.9%	23.1	15.9	11.9	147.7	128.0	123.8	13%	16%
Ambuja Cement	1,414	0.3%	8.5%	-0.9%	41.3	35.8	32.5	516.4	393.9	292.5	5%	7%
Birla Corporation	118	10.8%	49.3%	315.2%	20.0	10.0	8.4	92.2	91.3	80.7	10%	9%
Heidelberg Cement	54	6.6%	18.3%	31.0%	16.6	12.3	11.1	96.9	93.6	90.8	15%	17%
JK Cement	334	20.2%	37.0%	55.1%	27.2	17.0	14.7	186.0	172.5	163.0	22%	15%
JK Lakshmi Cement	107	10.4%	19.3%	21.7%	13.9	11.7	10.1	100.8	104.4	88.1	16%	14%
Nuvoco Vistas	127	6.5%	26.7%	422.3%	14.1	9.5	8.0	87.0	80.8	75.6	5%	8%
Sagar Cements	35	24.3%	79.1%	160.7%	30.8	14.7	10.4	69.4	62.8	55.3	7%	8%
Shree Cements	1,011	12.6%	25.8%	22.2%	33.7	24.7	21.3	259.1	227.5	178.1	10%	17%
Star Cements	74	17.5%	24.0%	27.9%	15.3	14.9	10.5	152.9	120.5	94.9	14%	16%
The Ramco Cements	231	15.2%	32.5%	57.6%	23.2	16.2	13.0	151.2	148.4	143.3	11%	11%
Ultratech Cements	2,874	11.4%	20.9%	31.5%	27.3	22.2	18.6	265.0	265.3	226.7	14%	15%

Source: Company, Centrum Broking

Exhibit 1: 3QFY24 results summary

Y/E March (Rsmm)	3QFY23	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY23	9MFY24	YoY (%)
Net Sales	26,046	25,730	24,210	(7.0)	(5.9)	76,577	77,995	1.9
Expenditure								
Chg. in stock	(1,095)	184	159	(114.5)	(13.6)	(2,109)	(96)	(95.5)
RM consumption	4,688	4,410	3,703	(21.0)	(16.0)	13,190	12,983	(1.6)
Purchase of traded goods	106	108	566	434.2	423.9	332	786	137.1
Employee costs	1,469	1,725	1,742	18.6	1.0	4,483	5,204	16.1
Freight Costs	6,720	6,818	6,229	(7.3)	(8.6)	20,465	21,236	3.8
Power and fuel	8,007	5,372	4,494	(43.9)	(16.3)	21,880	16,090	(26.5)
Other exp	3,468	3,812	3,213	(7.4)	(15.7)	10,123	10,463	3.4
Total Operating Expenses	23,363	22,430	20,106	(13.9)	(10.4)	68,364	66,666	(2.5)
EBITDA	2,683	3,300	4,104	53.0	24.4	8,213	11,329	37.9
EBITDA Margin (%)	10.3%	12.8%	17.0%	665bps	413bps	10.7%	14.5%	380bps
Other Income	42	60	109	161.2	83.0	194	263	35.5
Finance Costs	1,335	1,399	1,332	(0.2)	(4.8)	3,745	4,077	8.9
Depreciation	2,397	2,256	2,313	(3.5)	2.5	7,120	7,006	(1.6)
PBT	(1,007)	(296)	568	NA	NA	(2,458)	509	NA
Tax	(254)	(311)	258	NA	NA	(606)	39	NA
Reported PAT	(753)	15	310	NA	NA	(1,852)	470	NA
Exceptional Items	-	-	-	NA	NA	-	-	NA
Adjusted PAT	(753)	(207)	310	NA	NA	(1,852)	470	NA
NPM(%)	-2.9%	-0.8%	1.3%	NA	NA	-2.4%	0.6%	NA
EPS (Rs.)	(2.1)	0.0	0.9	NA	NA	(5.2)	1.3	NA

Source: Centrum Broking, Company Data

Exhibit 2: Operational data

Operational Data	3QFY23	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY23	9MFY24	YoY (%)
Volume (mn mt)	4.5	4.5	4.0	(10.7)	(10.3)	13.62	13.50	(0.9)
Cement Realisation (Rs/mt)	5,788	5,743	6,022	4.0	4.9	5,622	5,777	2.8
Operating Costs (Rs/mt)	5,192	5,007	5,001	(3.7)	(0.1)	5,019	4,938	(1.6)
EBITDA (Rs/mt)	596	736	1,021	71.2	38.6	603	839	39.2

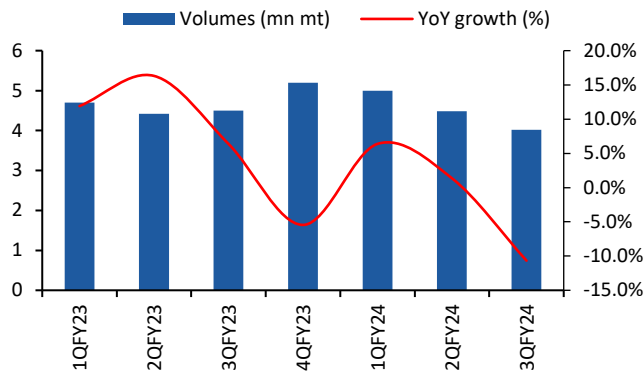
Source: Centrum Broking, Company Data

Exhibit 3: Trend in operating costs per tonne

Costs/mt (Rs)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	YoY (%)	QoQ (%)
RM consumption	598	1,085	663	1,041	822	1,233	909	1,050	1,101	34.0	4.9
Employee cost	358	253	327	334	326	302	347	385	433	32.7	12.5
Freight Cost	1,437	1,452	1,593	1,416	1,493	1,508	1,638	1,522	1,550	3.8	1.8
Power and fuel	1,532	1,105	1,527	1,515	1,779	1,177	1,245	1,199	1,118	(37.2)	(6.8)
Other exp	658	660	766	691	771	681	688	851	799	3.7	(6.1)
Op exp /mt	4,582	4,555	4,876	4,997	5,192	4,900	4,826	5,007	5,001	(3.7)	(0.1)
EBITDA/mt	537	773	768	434	596	732	785	736	1,021	71.2	38.6

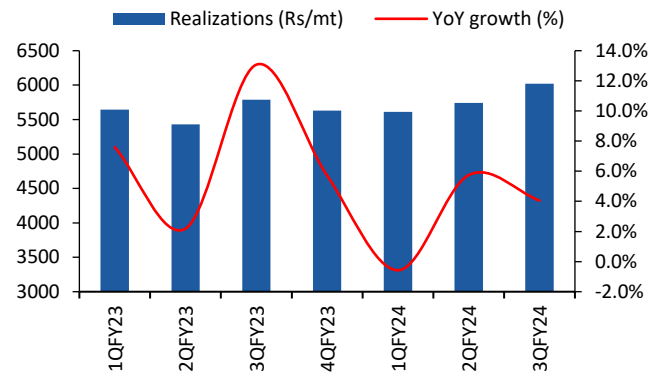
Source: Centrum Broking, Company Data

Exhibit 4: Volume de-growth of 10.7% YoY



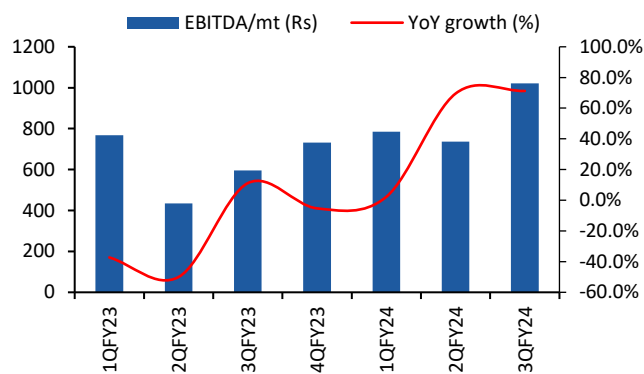
Source: Centrum Broking, Company Data

Exhibit 5: Realizations up 4.9% QoQ



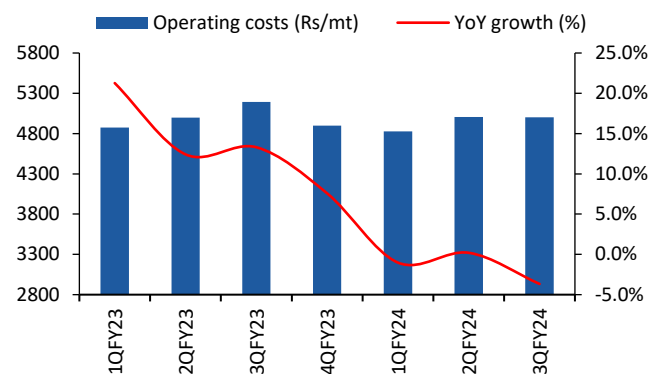
Source: Centrum Broking, Company Data

Exhibit 6: EBITDA/mt at Rs1,021



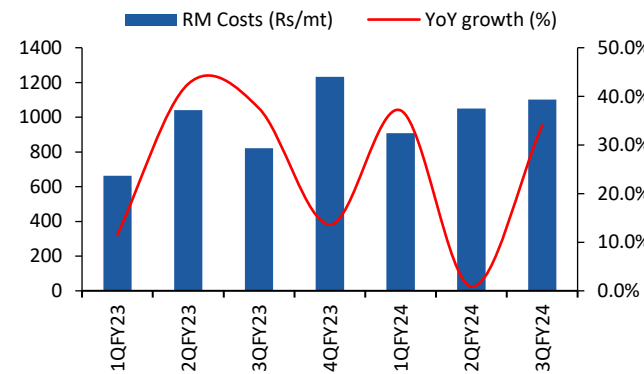
Source: Centrum Broking, Company Data

Exhibit 7: Operating costs down 3.7% YoY basis



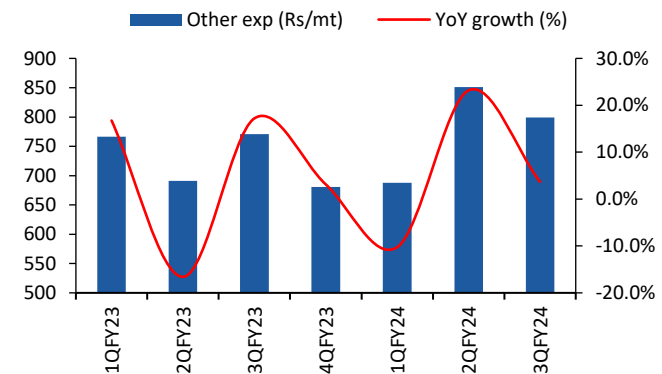
Source: Centrum Broking, Company Data

Exhibit 8: RM costs up at 34% YoY



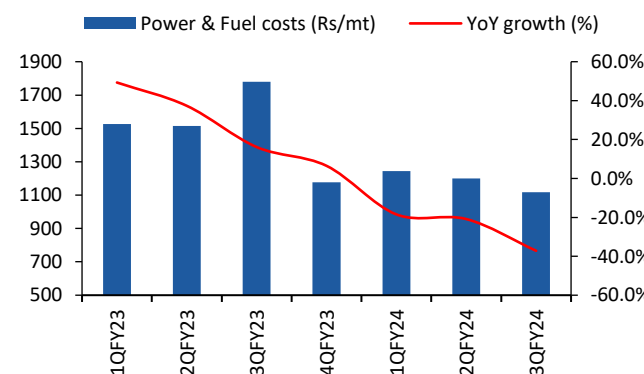
Source: Centrum Broking, Company Data

Exhibit 9: Other expenses flat on YoY basis



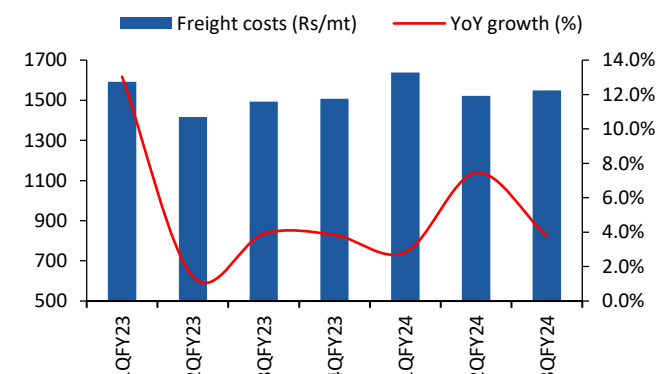
Source: Centrum Broking, Company Data

Exhibit 10: P&F costs down 37% YoY



Source: Centrum Broking, Company Data

Exhibit 11: Freight costs up 3.8% YoY



Source: Centrum Broking, Company Data

Exhibit 12: Exhibit 19: Key changes to our estimates and assumptions

YE Mar (Rs mn)	FY24E		% chg	FY25E		% chg
	New	Old		New	Old	
Revenue	1,09,448	1,12,114	-2.4	1,20,032	1,23,009	-2.4
EBITDA	17,538	17,154	2.2	19,442	19,943	-2.5
EBITDA margin	16.0	15.3	72 bps	16.2	16.2	(2) bps
Adj. PAT	2,896	2,648	9.4	4,308	4,701	-8.4
Diluted EPS (Rs)	8.1	7	9.4	12.1	13	-8.4

YE Mar	FY24E		% chg	FY25E		% chg
	New	Old		New	Old	
Volumes (mn mt)	19.0	19.7	-3.8	20.5	21.3	-3.8
Realization (Rs/mt)	5,764	5,680	1.5	5,853	5,770	1.4
Operating exp/mt	4,840	4,811	0.6	4,905	4,834	1.5
EBITDA/mt	924	869	6.3	948	935	1.3

Source: Centrum Broking, Company Data

Exhibit 13: Valuation summary

Particulars	(Rs mn)
Sep25E EBITDA	20,745
Target multiple (x)	9.0
Enterprise value	1,86,702
Less: Net debt - CWIP	33,627
Equity value	1,53,075
No of shares (mn)	357.2
Target Price (Rs)	430

Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	93,180	1,05,861	1,09,448	1,20,032	1,32,227
Operating Expense	59,795	73,963	70,787	78,225	86,448
Employee cost	5,800	6,055	6,600	6,798	7,002
Others	12,570	13,740	14,522	15,566	16,730
EBITDA	15,016	12,103	17,538	19,442	22,047
Depreciation & Amortisation	9,180	9,511	9,549	10,028	10,358
EBIT	5,836	2,592	7,989	9,414	11,689
Interest expenses	5,699	5,119	3,997	3,419	2,595
Other income	372	132	145	160	176
PBT	509	(2,395)	4,138	6,154	9,270
Taxes	188	(6,611)	1,241	1,846	2,781
Effective tax rate (%)	37.0	276.0	30.0	30.0	30.0
PAT	321	4,216	2,896	4,308	6,489
Minority/Associates	0	0	0	0	0
Recurring PAT	321	4,216	2,896	4,308	6,489
Extraordinary items	0	(4,058)	0	0	0
Reported PAT	321	158	2,896	4,308	6,489

Ratios					
YE Mar	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (%)					
Revenue	24.4	13.6	3.4	9.7	10.2
EBITDA	2.8	(19.4)	44.9	10.9	13.4
Adj. EPS	nm	1,213.8	(31.3)	48.7	50.6
Margins (%)					
Gross	85.2	83.1	82.2	82.1	82.1
EBITDA	16.1	11.4	16.0	16.2	16.7
EBIT	6.3	2.4	7.3	7.8	8.8
Adjusted PAT	0.3	0.1	2.6	3.6	4.9
Returns (%)					
ROE	0.4	4.8	3.2	4.7	6.7
ROCE	2.7	(3.5)	4.3	5.1	6.6
ROIC	2.3	(3.1)	3.8	4.7	6.2
Turnover (days)					
Gross block turnover ratio (x)	0.5	0.6	0.6	0.6	0.7
Debtors	20	20	21	21	20
Inventory	236	217	194	177	166
Creditors	274	296	297	265	271
Net working capital	(27)	(50)	(37)	(32)	(20)
Solvency (x)					
Net debt-equity	0.6	0.5	0.4	0.3	0.2
Interest coverage ratio	2.6	2.4	4.4	5.7	8.5
Net debt/EBITDA	3.4	3.6	2.3	1.5	0.7
Per share (Rs)					
Adjusted EPS	0.9	11.8	8.1	12.1	18.2
BVPS	247.0	247.5	253.6	262.7	277.8
CEPS	26.6	38.4	34.8	40.1	47.2
DPS	0.0	0.0	2.0	3.0	3.0
Dividend payout (%)	0.0	0.0	24.7	24.9	16.5
Valuation (x)					
P/E	395.1	30.1	43.8	29.4	19.5
P/BV	1.4	1.4	1.4	1.4	1.3
EV/EBITDA	11.8	14.1	9.5	8.0	6.5
Dividend yield (%)	0.0	0.0	0.6	0.8	0.8

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity share capital	3,572	3,572	3,572	3,572	3,572
Reserves & surplus	84,641	84,818	87,000	90,237	95,655
Shareholders fund	88,212	88,390	90,572	93,809	99,226
Minority Interest	0	0	0	0	0
Total debt	53,988	46,177	42,638	33,346	24,312
Non Current Liabilities	2,633	3,654	3,874	4,109	4,361
Def tax liab. (net)	18,540	11,899	11,899	11,899	11,899
Total liabilities	1,63,373	1,50,120	1,48,984	1,43,163	1,39,800
Gross block	1,77,590	1,81,358	1,91,317	1,97,317	2,02,317
Less: acc. Depreciation	(59,793)	(67,895)	(78,665)	(89,940)	(1,01,535)
Net block	1,17,796	1,13,463	1,12,652	1,07,377	1,00,782
Capital WIP	3,991	5,959	2,000	1,000	1,000
Net fixed assets	1,58,074	1,55,568	1,50,798	1,44,523	1,37,928
Non Current Assets	10,511	7,298	7,378	7,428	7,449
Investments	10	10	10	10	10
Inventories	10,683	10,500	10,256	10,591	10,942
Sundry debtors	5,709	6,012	6,518	7,106	7,737
Cash & Cash Equivalents	3,346	2,032	2,619	4,112	8,543
Loans & advances	26	26	26	26	26
Other current assets	6,162	6,669	8,091	9,111	10,126
Trade payables	11,925	17,026	14,661	16,553	18,571
Other current liab.	15,905	17,260	18,069	18,921	19,819
Provisions	4,945	5,472	5,745	6,032	6,334
Net current assets	(6,849)	(14,519)	(10,965)	(10,561)	(7,350)
Total assets	1,63,373	1,50,120	1,48,984	1,43,163	1,39,800

Cashflow					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Profit Before Tax	509	(6,453)	4,138	6,154	9,270
Depreciation & Amortisation	9,180	9,511	9,549	10,028	10,358
Net Interest	5,699	5,119	3,997	3,419	2,595
Net Change – WC	(2,333)	5,829	(3,241)	802	919
Direct taxes	(188)	6,611	(1,241)	(1,846)	(2,781)
Net cash from operations	12,866	20,617	13,202	18,558	20,361
Capital expenditure	(4,445)	(7,005)	(4,779)	(3,753)	(3,763)
Acquisitions, net	0	0	0	0	0
Investments	1,986	1,855	(500)	(1,500)	(1,500)
Others	(1,006)	3,077	(80)	(51)	(20)
Net cash from investing	(3,464)	(2,073)	(5,359)	(5,304)	(5,284)
FCF	9,402	18,544	7,843	13,254	15,077
Issue of share capital	15,158	0	0	0	0
Increase/(decrease) in debt	(22,432)	(7,811)	(3,539)	(9,292)	(9,034)
Dividend paid	0	0	(714)	(1,071)	(1,071)
Interest paid	(5,699)	(5,119)	(3,997)	(3,419)	(2,595)
Others	(215)	(5,073)	494	523	554
Net cash from financing	(13,189)	(18,004)	(7,756)	(13,260)	(12,146)
Net change in Cash	(3,787)	541	87	(7)	2,931

Source: Company, Centrum Broking

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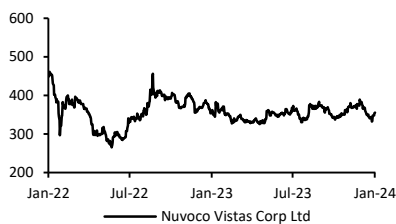
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Nuvoco Vistas



Source: Bloomberg

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