

BUY

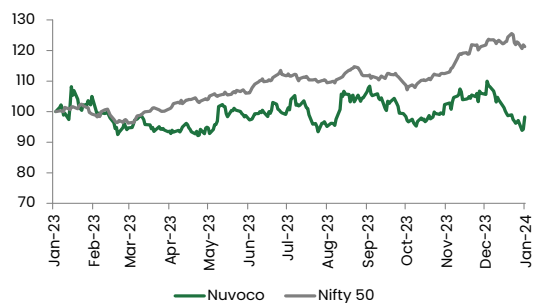
CMP (Rs)	355
Target Price (Rs)	455
Potential Upside	28.1%
Sensex	71,140
Nifty	21,522

Key Stock data

BSE Code	543334
NSE Code	NUVOCO
Bloomberg	NUVOCO:IN
Shares o/s, Cr (FV 10)	35.7
Market Cap (Rs Cr)	12,687
3M Avg Volume	365,973
52 week H/L	398/288

Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	71.8	71.8	71.8
FII	2.8	3.2	3.1
DII	20.6	19.9	20.0
Others	4.9	5.1	5.1

1 year relative price performance

1 year EV/EBITDA Forward (x)

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Mixed numbers with strong operating performance while muted volume growth

Q3FY24 Result Update | Sector: Cement | January 31, 2024

Subdued growth on top-line: Nuvoco reported Q3FY24 numbers wherein revenue growth was subdued, down by 7% YoY/5.9% QoQ to Rs 2,421cr because of de-growth in volumes by 10.7% YoY/QoQ to 4.02MT while realization improved by 4% YoY/5.3% QoQ to Rs 6,022/ton. Further, muted demand and low offtake in the state of Bihar, West Bengal & Jharkhand have impacted volume growth during the quarter.

Resilient performance continued at operating levels: The company gross profit declined by 11.5% YoY/5.9% QoQ to Rs 1,978.2cr with margins at 81.7%, decrease of 409bps YoY while remained flat sequentially as raw material cost was higher by 19.7% YoY. Further, its EBITDA witnessed significantly strong growth of 53% YoY/24.4% QoQ to Rs 410.4cr and margins stood at 17% which increased by 665bps YoY/413bps QoQ because of better realization, cost efficiency program as well as decline in power & fuel cost by 43.9% YoY/16.3% QoQ. So, EBITDA/ton grew significantly by 71.2% YoY/39.2% QoQ to Rs 1,021/ton led by decline in power & fuel/ton by 37.2% YoY/6.4% QoQ to Rs 1,118/ton as well as decline in total cost/ton by 3.7% YoY to Rs 5,001/ton. On the bottom-line, the company reported profit of Rs 31cr with 1.3% margin as against the marginal profit of Rs 1.6cr in Q2FY24 and loss of Rs 75.3cr in Q3FY23.

Key Highlights: 1) Nuvoco commissioned 1.2MTPA capacity at Haryana cement plant taking the overall cement capacity to 25MTPA. This new capacity will enable the company to cater to the demand in the Northern region. 2) They have good scope of growth in East & North with total capacity of 19MTPA & 6MTPA. 3) Railway sidings laying activity is under progress at Sonadih and Odisha. 4) Currently, the company has 56 plants of ready mix concrete and ahead it would increase to 80-100 plants. 5) Trade share at 73% in Q3FY24. 6) Premiumization stood at 36% of cement trade volumes. 7) It has one of the lowest carbon footprints in the industry with carbon emission at 4621 kg CO₂/ton. 8) In terms of prices, cement prices in the east improved just by 0.8% QoQ while pan-India prices increased by 2.1% QoQ. 9) Imported petcoke prices declined to ~USD 118/t at the end of Q3FY24 as against the ~USD 130/ton in Q2FY24. 10) Net debt reduced by Rs 632cr YoY to Rs 4,533cr. 11) Lead distance increased to 342km to Q3FY24 from 340 in Q2FY24. 12) New design has been launched for Nuvoco products which will drive stronger bond between the mother brand and sub-brands. 13) They recently launched a brand new marketing campaign for Duraguard Franchisee - Seedhi Baat Hai, Duraguard Khaas Hai.

Outlook & Valuations: Nuvoco reported mixed numbers with better operating performance while topline remained muted because of slow demand in certain eastern states. Going ahead, the management continues to adopt the strategy of prioritizing value over volume in the east and meanwhile innovation, premiumization, improving utilization and strengthening the brand recall will be its key focus. Besides, positive industry tailwinds of government spending on infrastructure & increasing housing demand as well as moderation in power & fuel cost and efficiency programs taken by the company will continue to aid growth. On the financial front, we have estimated its revenue/EBITDA to grow by 6%/23.6% over FY23-26E and maintain a **Buy** rating with a target price of **Rs 455**, valuing at EV/EBITDA of 8x on FY26E EBITDA.

Financial Summary - consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net revenue	10,586.2	10,874.4	11,978.3	12,828.7
EBITDA	1,210.4	1,674.1	1,995.2	2,283.9
EBITDAM (%)	11.4	15.4	16.7	17.8
APAT	15.9	181.8	568.2	772.0
APATM (%)	0.1	1.7	4.7	6.0
EPS (Rs)	0.4	5.1	15.9	21.6
EV/EBITDA	13.1	9.2	7.7	6.4
RoE (%)	0.2	2.0	5.9	7.5

Source : RBL Research

Net Sales de-grew by 7% YoY largely because of decline in volumes, down by 10.7% but realization improved by 4% YoY

EBITDA margins improved by 665bps YoY led by decline in power & fuel cost

EBITDA/ton increased significantly led by decrease in Fuel Cost/ton

P&L Account Quarterly – consolidated

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Net Sales	2,421.0	2,604.6	(7.0)	2,573.0	(5.9)
Cost of Raw Materials	370.3	468.8	(21.0)	441.0	(16.0)
Purchase of Finished Goods	56.6	10.6	434.2	10.8	423.9
(Increase) / Decrease In Stocks	15.9	(109.5)	-	18.4	(13.6)
Total Raw material cost	442.8	369.9	19.7	470.2	(5.8)
Gross Profit	1,978.2	2,234.7	(11.5)	2,102.8	(5.9)
Gross Margins %	81.7	85.8	-409bps	81.7	-1bps
Employee Cost	174.2	146.9	18.6	172.5	1.0
Power & Fuel Cost	449.4	800.7	(43.9)	537.2	(16.3)
Frieght & Forwarding	622.9	672.0	(7.3)	681.8	(8.6)
Other Expense	321.3	346.8	(7.4)	381.2	(15.7)
Total Expenditure	2,010.6	2,336.3	(13.9)	2,243.0	(10.4)
EBITDA	410.4	268.3	53.0	330.0	24.4
EBITDA Margins (%)	17.0	10.3	665bps	12.8	413bps
Depreciation	231.3	239.7	(3.5)	225.6	2.5
EBIT	179.2	28.6	525.6	104.4	71.7
Other Income	10.9	4.2	161.2	6.0	83.0
Interest	133.2	133.5	(0.2)	139.9	(4.8)
PBT	56.8	(100.7)	-	(29.6)	-
Tax	25.8	(25.4)	-	(31.1)	-
PAT	31.0	(75.3)	-	1.6	1,889
PAT Margin (%)	1.3	-	-	0.1	122bps
EPS (Rs)	0.9	-	-	0.0	1,889.1

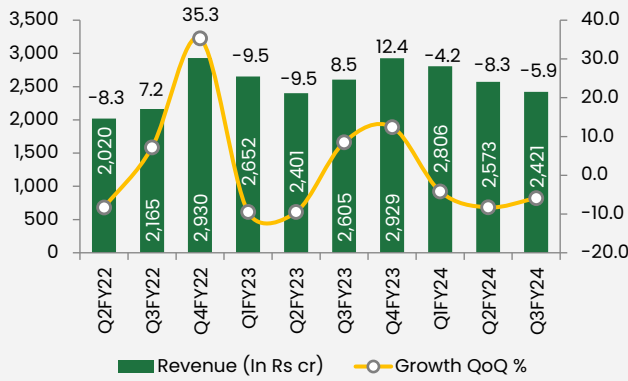
Source : RBL Research

Particulars	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Sales Volumes (MT)	4.0	4.5	(10.7)	4.5	(10.7)
Realization (Rs/ton)	6,022	5,788	4.0	5,718	5.3
EBITDA/Ton (Rs)	1,021	596	71.2	733	39.2
Total Cost/Ton (Rs)	5,001	5,192	(3.7)	4,984	0.3
Fuel Cost/Ton (Rs)	1,118	1,779	(37.2)	1,194	(6.4)
Frieght & Forwarding/Ton (Rs)	1,550	1,493	3.8	1,515	2.3

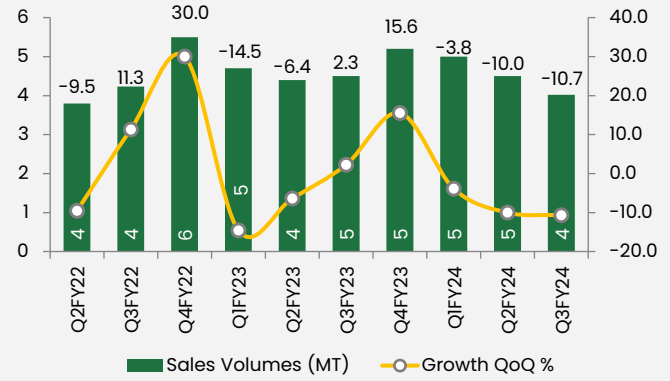
Source : RBL Research

Story in charts

Revenue declined by 7% YoY & 5.9% QoQ

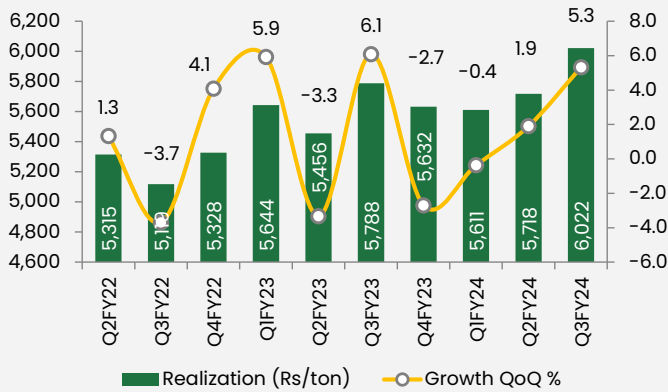


Sales Volumes declined by 10.7% each as compared last year & sequentially

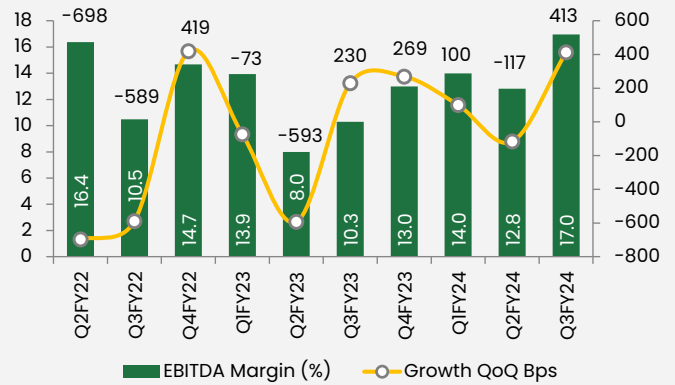


Source : RBL Research

Realization increased by 4.0% YoY and 5.3% QoQ

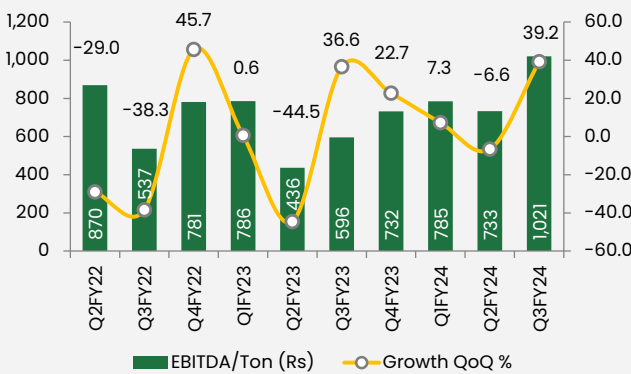


EBITDA Margin stood at 17.0% in Q3FY24

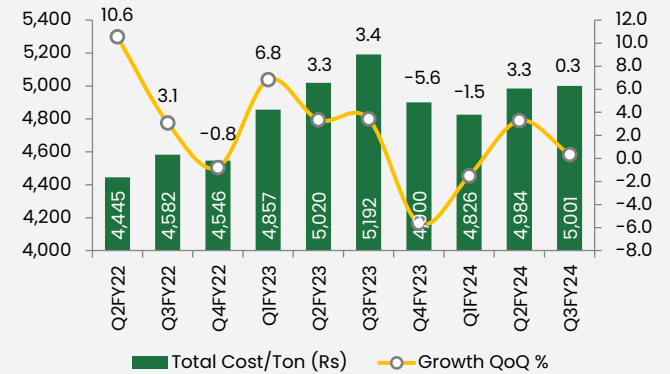


Source : RBL Research

EBITDA/ton increased by 71.2% YoY and 39.2% QoQ

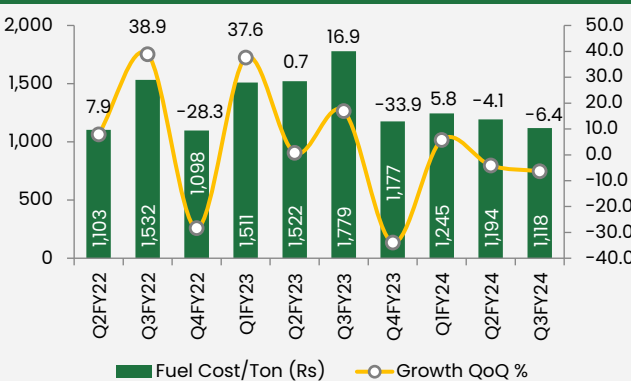


Total Cost/ton decreased by 3.7% YoY but was marginally up by 0.3% QoQ

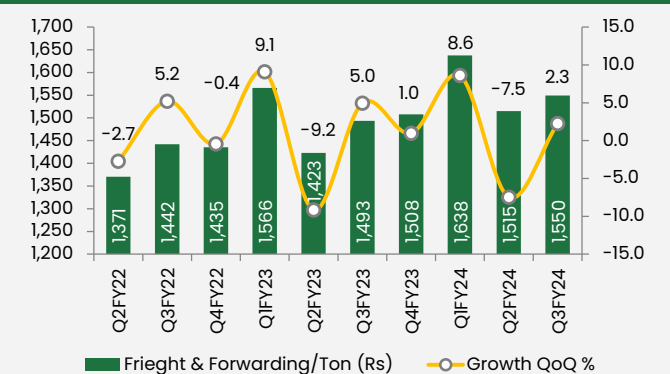


Source : RBL Research

Fuel Cost/Ton decreased by 37.2% YoY and 6.4% QoQ



Freight Cost increased by 3.8% YoY & 2.3% QoQ



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net sales	10,586.2	10,874.4	11,978.3	12,828.7
Expenditure				
Cost of materials	1,765.0	1,765.0	1,904.5	2,026.9
Purchase of stock in trade	44.3	151.9	167.4	179.2
(Increase) / Decrease In Stocks	(23.6)	10.0	11.0	(38.5)
Total raw materials	1,785.7	1,927.0	2,082.9	2,167.7
Gross Profit	8,800.5	8,947.4	9,895.3	10,661.0
Employee cost	605.5	741.8	790.6	833.9
Advertisements cost	2,792.3	2,171.7	2,359.7	2,501.6
Other expenses	1,374.0	1,452.2	1,599.6	1,706.2
Total expenditure	9,375.8	9,200.3	9,983.1	10,544.8
EBITDA	1,210.4	1,674.1	1,995.2	2,283.9
EBITDAM (%)	11.4	15.4	16.7	17.8
Depreciation	951.1	936.6	874.4	936.5
EBIT	259.3	737.5	1,120.8	1,347.4
Other income	13.2	38.6	42.5	45.6
Interest expenses	511.9	532.7	402.5	359.2
PBT	(239.4)	243.4	760.8	1,033.7
Tax	(661.1)	61.6	192.7	261.8
Reported PAT	421.7	181.8	568.2	772.0
Exceptional Income / Expenses	-405.8	0.0	0.0	0.0
PAT (after Exceptional)	15.9	181.8	568.2	772.0
PAT Margin %	0.1	1.7	4.7	6.0
EPS (Rs)	0.4	5.1	15.9	21.6

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Share Capital	357.2	357.2	357.2	357.2
Reserves & Surplus	8,481.8	8,663.6	9,231.8	10,003.8
Total Shareholder's Fund	8,839.0	9,020.8	9,589.0	10,360.9
Total Debt	3,325.4	2,936.1	2,874.8	2,565.7
Deferred tax liabilities	1,189.9	1,250.6	1,317.6	1,411.2
Long term provision	182.2	187.1	206.1	220.8
Other long term liabilities	183.2	188.2	207.3	222.0
Total	4,880.7	4,561.9	4,605.8	4,419.6
Current Liabilities				
Trade payables	1,702.6	1,748.8	1,910.0	2,038.5
Short term provisions	547.2	562.1	619.1	663.1
Other current liabilities	3,018.2	3,262.3	3,353.9	3,592.0
Total	5,268.0	5,573.2	5,883.0	6,293.6
Total liabilities	18,987.7	19,155.9	20,077.7	21,074.2
Application of Assets				
Net Block	14,963.7	15,113.3	15,566.6	16,033.5
Current work in process	594.1	594.1	594.1	594.1
Long term loans and advances	522.5	536.7	591.2	633.2
Other non-current assets	383.6	369.7	431.2	461.8
Total	16,463.9	16,613.8	17,183.1	17,722.6
Current Assets				
Inventories	1,050.0	1,072.5	1,214.2	1,300.4
Trade receivables	601.2	610.8	689.2	738.1
Cash balance	192.7	190.0	250.1	520.1
Bank balance	10.4	10.4	10.4	10.4
Short term loans and advances	217.6	223.5	251.5	269.4
Other current assets	451.9	435.0	479.1	513.1
Total	2,523.8	2,542.1	2,894.6	3,351.6
Total assets	18,987.7	19,155.9	20,077.7	21,074.2

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Profit before tax	(645.2)	243.4	760.8	1,033.7
Add: Depreciation	951.1	936.6	874.4	936.5
Add: Interest cost	511.9	532.7	402.5	359.2
Less: Other Income	(5.3)	(38.6)	(42.5)	(45.6)
Others	437.4	-	-	-
Operating profit before working capital changes	1,249.9	1,674.1	1,995.2	2,283.9
Changes in working capital	477.7	354.4	6.6	274.0
Cash from Operations	1,727.6	2,028.5	2,001.8	2,557.8
Less: Taxes	(16.2)	(61.6)	(192.7)	(261.8)
Cash flow from Operations	1,711.4	1,966.9	1,809.1	2,296.1
Net cash used in Investing				
Purchase of fixed assets	(486.3)	(1,086.2)	(1,327.7)	(1,403.4)
Purchase & Sales of Investments	222.4	-	-	-
Dividend Income	3.5	38.6	42.5	45.6
Cash flow from investing	(260.4)	(1,047.6)	(1,285.2)	(1,357.8)
Cash flow from Financing				
Purchase/Sales of borrowings	(602.2)	(389.3)	(61.3)	(309.0)
Interest cost	(470.7)	(532.7)	(402.5)	(359.2)
Others	(288.8)	-	-	-
Cash flow from Financing	(1,361.7)	(922.1)	(463.8)	(668.2)
Net cash Inflow/Outflow	89.4	(2.8)	60.2	270.0
Opening cash	103.4	192.7	190.0	250.1
Closing Cash	192.7	190.0	250.1	520.1

Source : RBL Research

Key ratios – consolidated

Particulars	FY23	FY24E	FY25E	FY26E
Per share Data				
EPS (Rs)	0.4	5.1	15.9	21.6
Book value per share (Rs)	247.5	252.6	268.5	290.1
Profitability Ratios				
EBITDAM(%)	11.4	15.4	16.7	17.8
PBTM (%)	-2.3	2.2	6.4	8.1
NPM (%)	0.1	1.7	4.7	6.0
RoE (%)	0.2	2.0	5.9	7.5
RoCE (%)	2.1	6.2	9.0	10.4
Efficiency Data				
Debt-Equity Ratio	0.4	0.3	0.3	0.2
Interest Cover Ratio	0.5	1.4	2.8	3.8
Fixed Asset Ratio	1.4	1.4	1.3	1.2
Debtors (Days)	20.7	20.5	21.0	21.0
Inventory (Days)	36.2	36.0	37.0	37.0
Payable (Days)	58.7	58.7	58.2	58.0
WC (Days)	-1.8	-2.2	-0.2	0.0
Valuation				
P/E (x)	799.4	69.7	22.3	16.4
P/BV	1.4	1.4	1.3	1.2
EV/EBITDA	13.1	9.2	7.7	6.4
EV/Sales	1.5	1.4	1.3	1.1

Source : RBL Research

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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