

Cement

Nuvoco targets to reach 35mt capacity by FY27

Nuvoco Vistas (Nuvoco) has proposed to increase its cement capacity by 4mt in the East at a minimal capex of INR 2bn (~USD 6/tn) through internal accruals. Including the recent acquisition of Vadraj Cement (3.5mt clinker and 6mt cement), the company now targets to reach ~35mt capacity by FY27 (~40% capacity additions over FY25 base). The said capacity announcements are likely to address concerns over Nuvoco's volume growth/ market share, while capacity expansion at minimal investment should help to improve overall return ratios.

- **Proposed ~4mt cement capacity in East:** Nuvoco has proposed to increase its cement capacity by 4mt in the eastern region at a minimal capex of INR 2bn (~USD 6/tn). Including the recent acquisition of Vadraj Cement, the company now targets to reach ~35mt capacity by FY27 (~40% capacity additions over FY25 base). It will install a new grinding mill at the Arasmeta plant (Chhattisgarh), supported by equipment upgrades, process improvements, and internal debottlenecking initiatives, at Jojobera (Jharkhand), Panagarh (West Bengal), and Odisha plants in a phased manner. These each plants are likely to see capacity increase of ~1mt. With these expansions, the company's cement capacity in East will rise by over 20% from 19mt to 23mt by FY27.
- **Phased expansion over FY27:** The proposed 4mt capacity likely to be commissioned in a phased manner with i) 1mt by 3QFY26; ii) 2mt by FY26-end; and iii) 1mt by FY27.
- **Mode of financing:** The entire capex of INR 2bn will be funded through internal accruals. Out of INR 2bn, the company expects capex of INR 1.2bn for the Arasmeta plant while the rest is likely to be utilised for debottlenecking at Jojobera, Panagarh, and Odisha plants.
- **View: 1) Blending ratio need to improve in the East:** The company has clinker capacity of ~13.5mt (with 9.5mt in the East). Given no addition of clinker capacity, it has to improve its blending with a clinker to cement ratio at 2.4x (vs. 2.0x currently) in the East. **2) Addresses concerns on volume growth/ market share:** Given the company is already operating at high utilisation in some plants in the East, this expansion is likely to address concerns over Nuvoco's volume growth/ market share in the East over the coming years. **3) Minimal investment to boost return ratios:** Capacity expansion at minimal investment should generate significantly higher incremental return ratios and will help boost overall returns for the company. **4) Likely capacity mix:** Post expansion, the company's capacity mix likely to be 66% in the East and 17% each in the North and the West, respectively.

Exhibit 1. Nuvoco's regional capacity addition over FY25-27E

Capacity	Clinker (mt)		Cement (mt)		CC ratio (x)		Cement capacity share (%)	
Regions	FY25	FY27E	FY25	FY27E	FY25	FY27E	FY25	FY27E
North	4.0	4.0	6.1	6.1	1.5	1.5	24	17
East	9.5	9.5	18.9	22.9	2.0	2.4	76	66
West	-	3.5	-	6.0	-	1.7	-	17
Total	13.5	17.0	25.0	35.0	1.9	2.1	100	100

Source: Company, JM Financial

Dharmesh Shah

dharmesh.shah@jmfll.com | Tel: (91 22) 66303541

Shouvik Chakraborty

shouvik.chakraborty@jmfll.com | Tel: (91 22) 66301692

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Corporate Identity Number: U67100MH2017PLC296081

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: instcompliance@jmfl.com

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