

**Better YoY numbers but muted sequential numbers**

Q2FY24 Result Update | Sector: Cement | November 06, 2023

**BUY**

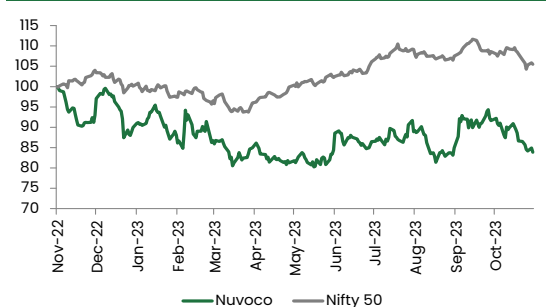
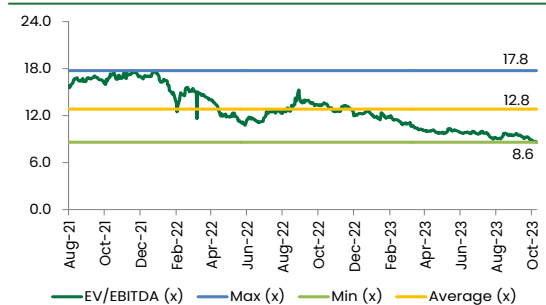
<b>CMP (Rs)</b>	<b>343</b>
<b>Target Price (Rs)</b>	<b>455</b>
<b>Potential Upside</b>	<b>32.7%</b>
<b>Sensex</b>	64,726
<b>Nifty</b>	19,341

**Key Stock data**

<b>BSE Code</b>	543334
<b>NSE Code</b>	NUVOCO
<b>Bloomberg</b>	NUVOCO:IN
<b>Shares o/s, Cr (FV 10)</b>	35.7
<b>Market Cap (Rs Cr)</b>	12,264
<b>3M Avg Volume</b>	3,34,673
<b>52 week H/L</b>	412/288

**Shareholding Pattern**

(%)	Mar-23	Jun-23	Sep-23
<b>Promoter</b>	71.8	71.8	71.8
<b>FII</b>	3.1	2.8	3.2
<b>DII</b>	20.4	20.6	19.9
<b>Others</b>	4.6	4.9	5.1

**1 Year relative price performance**

**1 year EV/EBITDA Forward (x)**

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**Mixed top-line growth:** Nuvoco reported mixed Q2FY24 with revenue at Rs 2,573cr, up by 7.2% YoY driven by a mix of volume/realization which grew by 2.3%/4.8% YoY to 4.5Mn ton/ Rs 5,718/ton. Sequentially numbers were muted because of seasonality so revenue saw de-growth of 8.3% to Rs 2,805.5cr, on the back of de-growth in volumes by 10% QoQ but increase in realization by 1.9% QoQ.

**Healthy improvement in EBITDA margin:** The company's gross profit increased by 8.4% YoY to Rs 2,103cr while margins improved by 88bps YoY. Also, its EBITDA saw strong improvement of 71.8% YoY to Rs 330cr with margin improvement of 483bps YoY at 12.8%. The growth in gross & EBITDA profits/margins was because of improvement in realizations & better volume YoY, decline in raw materials as well as power & fuel cost. Further, PAT reported profit of Rs 1.6cr as against loss of Rs 130.4cr in the same period last year. Besides, its quarterly performance was muted as well as demand & volumes were impacted due to seasonality and so gross profit/EBITDA was down by 10.6%/ 15.9% QoQ while margins declined by 208bps/117bps QoQ.

**Key highlights:** 1) Nuvoco capacity to increase to 25MTPA in FY24, post completion of 1.2MTPA expansion at Haryana in Q3FY24. 2) Railway sidings at Sonadih and Odisha operation to commence from Q4FY24. 3) Higher trade share of 74%. 4) Premiumization stood at 37% of cement trade volumes. 5) Value added product mix at 34.4% of total sales volume in Q2FY24. 6) Imported petcoke prices at ~USD 130/ton at the end of Q2 FY24. 7) Demand in North was strong, followed by East but in West demand remained subdued. 8) Net debt reduction remains the top priority. 9) The company has completed its debottlenecking projects at the Risda and Nimbol plants, enhancing the clinker production capacity by 2,000 TPD.

**Outlook & Valuations:** Nuvoco reported mixed numbers with better YoY performance but muted performance sequentially. Going ahead, management plans and priority is to reduce debt and then add capacity. Meanwhile they would drive growth by focusing on increasing share of premium products, innovating more products, increasing trade share and also optimizing cost. Besides, positive industry tailwinds and better realization will continue to add growth for the cement companies. On the financial front, we have estimated its revenue/EBITDA to grow by 11.4%/22.5% over FY23-25E and maintain a **Buy** rating and a target price of **Rs 455**, valuing at EV/EBITDA of 10x on FY25E EBITDA.

**Financial Summary - consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	9,318.0	10,586.2	11,419.5	13,141.3
EBITDA	1,501.6	1,210.4	1,487.4	1,816.8
EBITDAM (%)	16.1	11.4	13.0	13.8
APAT	32.1	15.9	97.2	352.7
APATM (%)	0.3	0.1	0.9	2.7
EPS (Rs)	0.9	0.4	2.7	9.9
EV/EBITDA (x)	11.0	12.7	10.2	7.9
RoE (%)	0.4	0.2	1.1	3.8

Source : RBL Research

Net Sales grew by 7.2% YoY because of mix of volume & realization

EBITDA and EBITDA margin improved as there was not much increase in raw material prices and also power & fuel cost decreased

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

**P&L Account Quarterly - consolidated**

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
<b>Net Sales</b>	<b>2,573.0</b>	<b>2,400.6</b>	<b>7.2</b>	<b>2,805.5</b>	<b>(8.3)</b>
Cost of Raw Materials	441.0	418.1	5.5	487.0	(9.5)
Purchase of Finished Goods	10.8	10.5	3.1	11.2	(3.3)
(Increase) / Decrease In Stocks	18.4	31.3	(41.3)	(43.8)	-
<b>Total Raw material cost</b>	<b>470.2</b>	<b>459.9</b>	<b>2.2</b>	<b>454.4</b>	<b>3.5</b>
<b>Gross Profit</b>	<b>2,102.8</b>	<b>1,940.7</b>	<b>8.4</b>	<b>2,351.1</b>	<b>(10.6)</b>
Gross Margins (%)	81.7	80.8	88bps	83.8	-208bps
Employee Cost	172.5	147.6	16.9	173.6	(0.6)
Power & Fuel Cost	537.2	669.7	(19.8)	622.3	(13.7)
Frieght & Forwarding	681.8	626.0	8.9	818.9	(16.7)
Other Expense	381.2	305.3	24.9	343.8	10.9
<b>Total Expenditure</b>	<b>2,243.0</b>	<b>2,208.6</b>	<b>1.6</b>	<b>2,413.0</b>	<b>(7.0)</b>
<b>EBITDA</b>	<b>330.0</b>	<b>192.0</b>	<b>71.8</b>	<b>392.5</b>	<b>(15.9)</b>
EBITDA Margins (%)	12.8	8.0	483bps	14.0	-117bps
Depreciation	225.6	239.5	(5.8)	243.7	(7.4)
EBIT	104.4	(47.5)	-	148.9	-
Other Income	6.0	1.9	209.9	9.5	(37.2)
Interest	139.9	124.3	12.6	134.6	3.9
PBT	(29.6)	(169.8)	-	23.7	-
Tax	(31.1)	(39.4)	-	9.3	-
<b>PAT</b>	<b>1.6</b>	<b>(130.4)</b>	<b>-</b>	<b>14.5</b>	<b>(89.2)</b>
PAT Margin (%)	0.1	(5.4)	-	0.5	-45bps
EPS (Rs)	0.0	-	-	0.5	(89.2)

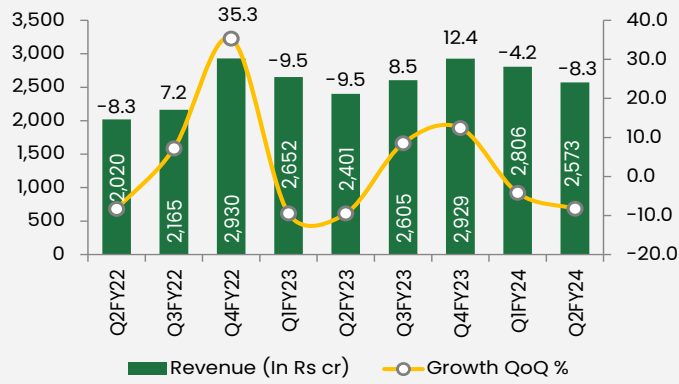
Source : RBL Research

Particulars	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
Sales Volumes (MT)	4.5	4.4	2.3	5.0	(10.0)
Realization (Rs/ton)	5,718	5,456	4.8	5,611	1.9
EBITDA/Ton (Rs)	733	436	68.0	785	(6.6)
Total Cost/Ton (Rs)	4,984	5,020	(0.7)	4,826	3.3
Fuel Cost/Ton (Rs)	1,194	1,522	(21.6)	1,245	(4.1)
Frieght & Forwarding/Ton (Rs)	1,515	1,423	6.5	1,638	(7.5)

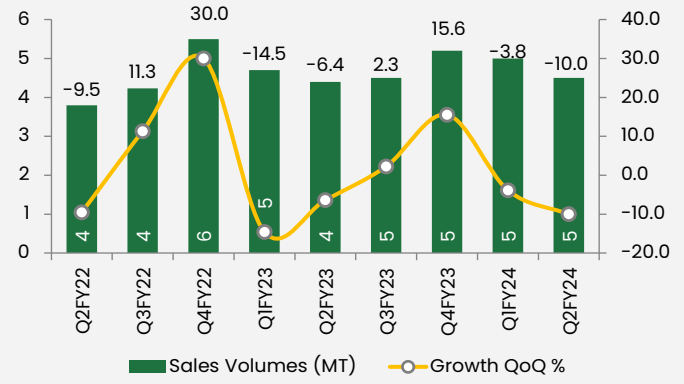
Source : RBL Research

Story in charts

Revenue grew by 7.2% YoY but declined by 8.3% QoQ

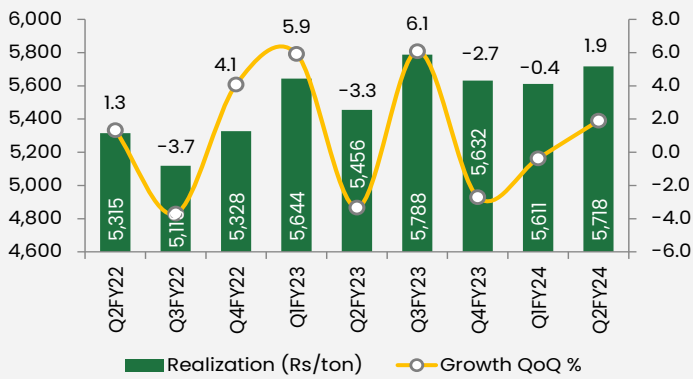


Sales Volumes grew by 2.3% YoY but declined by 10% QoQ

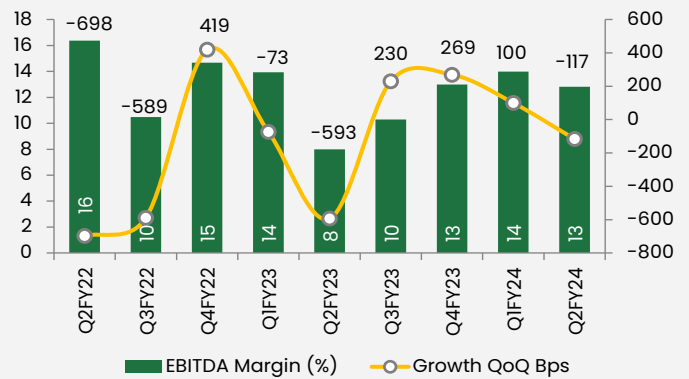


Source : RBL Research

Realization increased by 4.8% YoY and 1.9% QoQ

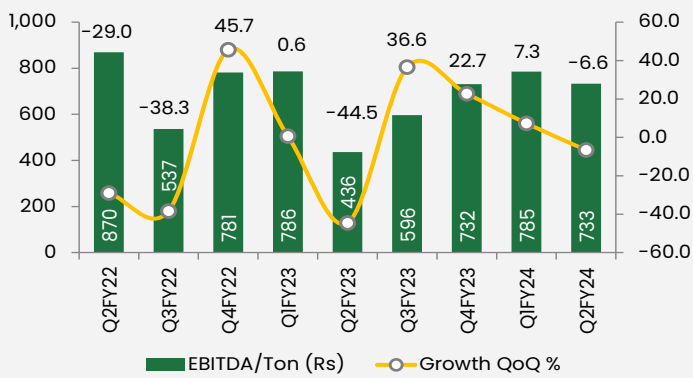


EBITDA Margin stood at 12.8% in Q2FY24

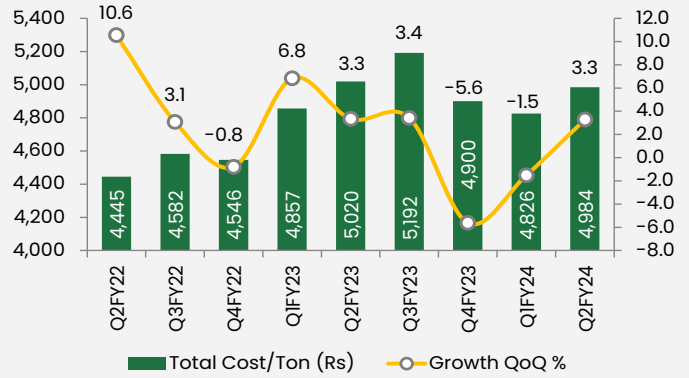


Source : RBL Research

EBITDA/ton increased by 68% YoY but declined by 6.6% QoQ

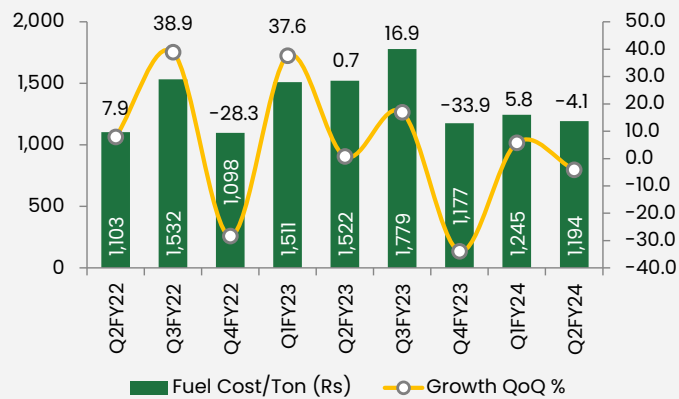


Total Cost/ton decreased by 0.7% YoY but was higher by 3.3% QoQ

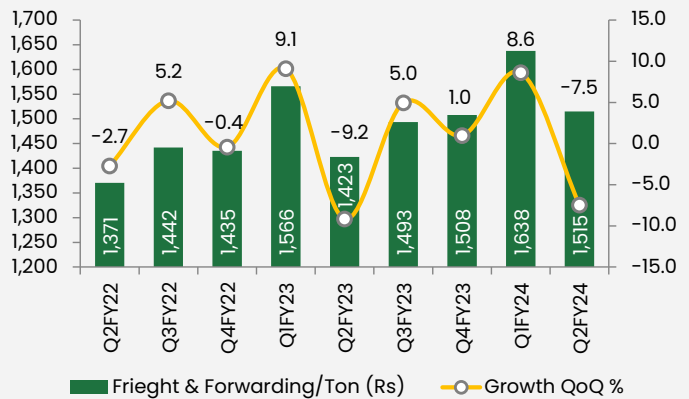


Source : RBL Research

Fuel Cost/Ton decreased by 21.6% YoY and 4.1% QoQ



Frieght Cost increased by 6.5% YoY but decreased by 7.5% QoQ



Source : RBL Research

**P&L Account – consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
<b>Net sales</b>	<b>9,318.0</b>	<b>10,586.2</b>	<b>11,419.5</b>	<b>13,141.3</b>
<b>Expenditure</b>				
Cost of materials	1,505.9	1,765.0	1,850.0	2,089.5
Purchase of stock in trade	42.0	44.3	47.8	55.0
(Increase) / Decrease In Stocks	(174.0)	(23.6)	(25.4)	(29.3)
<b>Total raw materials</b>	<b>1,373.9</b>	<b>1,785.7</b>	<b>1,872.3</b>	<b>2,115.2</b>
<b>Gross Profit</b>	<b>7,944.1</b>	<b>8,800.5</b>	<b>9,547.2</b>	<b>11,026.1</b>
Employee cost	578.3	605.5	628.1	709.6
Advertisements cost	2,100.8	2,792.3	2,969.1	3,390.4
Other expenses	1,251.4	1,374.0	1,482.2	1,705.6
<b>Total expenditure</b>	<b>7,816.5</b>	<b>9,375.8</b>	<b>9,932.2</b>	<b>11,324.5</b>
<b>EBITDA</b>	<b>1,501.6</b>	<b>1,210.4</b>	<b>1,487.4</b>	<b>1,816.8</b>
EBITDAM (%)	16.1	11.4	13.0	13.8
Depreciation	918.0	951.1	936.4	959.3
EBIT	583.6	259.3	551.0	857.5
Other income	37.2	13.2	14.2	16.4
Interest expenses	569.9	511.9	415.7	331.2
PBT	50.9	(239.4)	149.6	542.7
Tax	18.8	(661.1)	52.3	189.9
<b>Reported PAT</b>	<b>32.1</b>	<b>421.7</b>	<b>97.2</b>	<b>352.7</b>
Exceptional Income / Expenses	0.0	-405.8	0.0	0.0
PAT (after Exceptional)	32.1	15.9	97.2	352.7
PAT Margin (%)	0.3	0.1	0.9	2.7
EPS (Rs)	0.9	0.4	2.7	9.9

Source : RBL Research

**Balance Sheet – consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	357.2	357.2	357.2	357.2
Reserves & Surplus	8,464.1	8,481.8	8,579.1	8,931.8
<b>Total Shareholder's Fund</b>	<b>8,821.2</b>	<b>8,839.0</b>	<b>8,936.2</b>	<b>9,289.0</b>
Long term borrowings	4,183.4	3,325.4	2,969.1	2,365.4
Short term borrowing	170.5	-	-	-
Total Debt	4,353.8	3,325.4	2,969.1	2,365.4
Deferred tax liabilities	1,854.0	1,189.9	1,370.3	1,577.0
Long term provision	89.9	182.2	196.5	226.1
Other long term liabilities	173.4	183.2	197.6	227.4
<b>Total</b>	<b>6,300.7</b>	<b>4,880.7</b>	<b>4,733.5</b>	<b>4,395.9</b>
<b>Current Liabilities</b>				
Trade payables	1,192.5	1,702.6	1,836.7	2,113.6
Short term provisions	494.5	547.2	590.2	679.2
Other current liabilities	2,635.5	3,018.2	3,311.7	3,942.4
<b>Total</b>	<b>4,492.9</b>	<b>5,268.0</b>	<b>5,738.6</b>	<b>6,735.2</b>
<b>Total liabilities</b>	<b>19,614.8</b>	<b>18,987.7</b>	<b>19,408.3</b>	<b>20,420.0</b>
<b>Application of Assets</b>				
Net Block	15,409.6	14,963.7	15,262.9	15,568.1
Current work in process	398.8	594.1	594.1	594.1
Long term loans and	507.2	522.5	563.7	648.6
Other non-current assets	706.6	383.6	413.8	473.1
<b>Total</b>	<b>17,022.2</b>	<b>16,463.9</b>	<b>16,834.4</b>	<b>17,283.9</b>
<b>Current Assets</b>				
Current investments	185.5	-	-	-
Inventories	1,068.3	1,050.0	1,132.7	1,303.5
Trade receivables	570.9	601.2	648.5	746.3
Cash balance	103.4	192.7	60.1	239.0
Bank balance	45.7	10.4	10.4	10.4
Short term loans and	259.4	217.6	234.7	276.0
Other current assets	359.4	451.9	487.5	561.0
<b>Total</b>	<b>2,592.6</b>	<b>2,523.8</b>	<b>2,573.9</b>	<b>3,136.2</b>
<b>Total assets</b>	<b>19,614.8</b>	<b>18,987.7</b>	<b>19,408.3</b>	<b>20,420.0</b>

Source : RBL Research

**Cashflow – consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Profit before tax	50.9	(645.2)	149.6	542.7
Add: Depreciation	918.0	951.1	936.4	959.3
Add: Interest cost	569.9	511.9	415.7	331.2
Less: Other Income /Interest Rec	(22.0)	(5.3)	-	-
Others	29.4	437.4	-	-
<b>Operating profit before working capital changes</b>	<b>1,546.2</b>	<b>1,249.9</b>	<b>1,501.6</b>	<b>1,833.2</b>
Changes in working capital	(253.4)	477.7	425.7	735.1
Cash from Operations	1,292.8	1,727.6	1,927.3	2,568.2
Less: Taxes	(71.9)	(16.2)	(52.3)	(189.9)
<b>Cash flow from Operations</b>	<b>1,220.9</b>	<b>1,711.4</b>	<b>1,875.0</b>	<b>2,378.3</b>
<b>Net cash used in Investing</b>				
Purchase of fixed assets	(410.6)	(486.3)	(1,235.6)	(1,264.5)
Purchase of investments	(3,229.8)	(2,386.1)	-	-
Sales of fixed assets	1.2	-	-	-
Sales of investments	3,424.2	2,608.7	-	-
Dividend Income	24.4	3.5	-	-
Others	0.2	(0.2)	-	-
<b>Cash flow from investing</b>	<b>(190.3)</b>	<b>(260.4)</b>	<b>(1,235.6)</b>	<b>(1,264.5)</b>
<b>Cash flow from Financing</b>				
Proceeds from Equity shares	1,500.0	-	-	-
Proceeds of borrowings	1,551.4	350.0	(356.3)	(603.7)
Sales of borrowings	(3,777.4)	(952.2)	-	-
Interest cost	(533.1)	(470.7)	(415.7)	(331.2)
Others	(161.1)	(288.8)	-	-
<b>Cash flow from Financing</b>	<b>(1,420.2)</b>	<b>(1,361.7)</b>	<b>(772.0)</b>	<b>(934.8)</b>
<b>Net cash Inflow/Outflow</b>	<b>(389.7)</b>	<b>89.4</b>	<b>(132.7)</b>	<b>179.0</b>
Opening cash	493.1	103.4	192.7	60.1
<b>Closing Cash</b>	<b>103.4</b>	<b>192.7</b>	<b>60.1</b>	<b>239.0</b>

Source : RBL Research

**Key ratios – consolidated**

Particulars	FY22	FY23	FY24E	FY25E
<b>Per share Data</b>				
EPS (Rs)	0.9	0.4	2.7	9.9
Book value per share (Rs)	247.0	247.5	250.2	260.1
Dividend per share (Rs)	0.0	0.0	0.0	0.0
Dividend Payout %	0.0	0.0	0.0	0.0
Dividend Yield %	0.0	0.0	0.0	0.0
<b>Profitability Ratios</b>				
EBITDAM(%)	16.1	11.4	13.0	13.8
PBTM (%)	0.5	-2.3	1.3	4.1
NPM (%)	0.3	0.1	0.9	2.7
RoE (%)	0.4	0.2	1.1	3.8
RoCE (%)	4.4	2.1	4.6	7.4
<b>Efficiency Data</b>				
Debt-Equity Ratio	0.5	0.4	0.3	0.3
Interest Cover Ratio	1.0	0.5	1.3	2.6
Fixed Asset Ratio	1.7	1.4	1.3	1.2
Debtors (Days)	22.4	20.7	20.7	20.7
Inventory (Days)	41.8	36.2	36.2	36.2
Payable (Days)	46.7	58.7	58.7	58.7
WC (Days)	17.5	-1.8	-1.8	-1.8
<b>Valuation</b>				
P/E (x)	381.9	772.4	126.0	34.7
P/BV	1.4	1.4	1.4	1.3
EV/EBITDA	11.0	12.7	10.2	7.9
EV/Sales	1.8	1.5	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? <b>[If answer is yes, nature of Interest is given below this table]</b>		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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