

Q1 a miss but expecting better prospects ahead

QIFY25 Result Update | Sector: I Cement | August 02, 2024

BUY

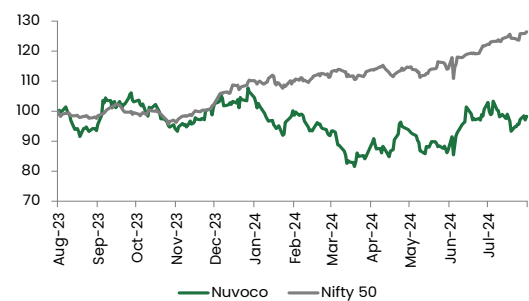
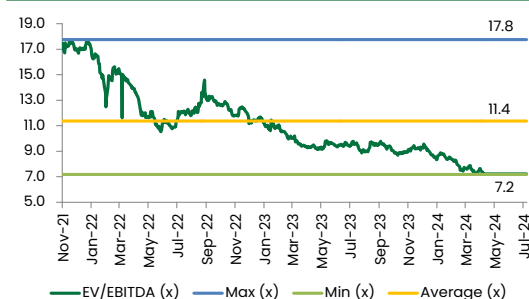
CMP (Rs)	340
Target Price (Rs)	450
Potential Upside	32.2%
Sensex	81,230
Nifty	24,809

Key Stock data

BSE Code	543334
NSE Code	NUVOCO
Bloomberg	NUVOCO:IN
Shares o/s, Cr (FV 10)	35.7
Market Cap (Rs Cr)	12,143
3M Avg Volume	4,54,361
52 week H/L	399/291

Shareholding Pattern

(%)	Dec-23	Mar-24	Jun-24
Promoter	71.8	72.0	72.0
FII	3.1	3.4	3.5
DII	20.0	18.6	18.5
Others	5.1	6.0	6.0

1 year relative price performance

1 year Forward EV/EBITDA (x)

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Subdued growth on top-line: Nuvoco reported its QIFY25 results, showing a subdued revenue growth with a decline of 6% YoY and 10.1% QoQ to Rs 2,636.5 crore. This was due to a 4% YoY and 9.4% QoQ drop in volumes to 4.08 MT, coupled with muted realizations, which decreased by 2.1% YoY and 0.8% QoQ to Rs 5,493 per ton. Management cited cement demand was muted due to Union & State elections, extreme heatwaves, labor shortages, and early monsoon.

Margins remain under pressure: Due to declining volume growth and lower realizations, the company's profitability metrics remained under pressure. Gross profit declined by 10% YoY and QoQ to Rs 2,111.6 crore, with margins falling to 80.1%, down by 371 bps YoY. Despite a reduction in power and fuel costs by 17.3% YoY and 3.1% QoQ, and a decrease in freight and forwarding costs by 13.3% YoY and 11.8% QoQ, EBITDA margins remained muted at 13%, showing a decline of 97 bps QoQ and 371 bps YoY. Profit after tax (PAT) also fell by 55.8% YoY and 73.3% QoQ, impacting PAT margins, which stood at 1.7%, down by 184 bps YoY and 320 bps QoQ. On a per ton basis, EBITDA per ton decreased by 8.9% YoY and 22.8% QoQ to Rs 715.

Key highlights: 1) Companies current capacity stands at 25MnTPA with 6MnT in North and 19MnT in East apart from this they have 56 ready mix-concrete plants. 2) Company increasing the share of premium products in overall mix, with premiumisation reaching a record high of 40% of trade volume. 3) Cement demand remained muted due to Union & State elections, extreme heatwaves, labor shortages, and early monsoon, while management remains confident that increased spending on infrastructure and housing would drive the demand ahead. 4) During Q1 FY25, pan-India prices declined by 1% QoQ whereas north and east saw a decline in price by 2.0% and 2.4% respectively. 5) Imported petcoke prices at USD 108/ton at the end of QIFY25. 6) For future capacity expansion, the company first aims to reduce net debt levels to a range of 3500 to 4000 crores. Management expects to achieve this by the end of the fiscal year, which will simultaneously allow for further expansion. 7) Trade share at 73% in QIFY25. 8) Distribution cost during the quarter fell 4% QoQ due to improvement in lead distance. 9) Seeing demand for premium products across West Bengal they launched new premium cement composite, branded as "Concrete UNO". 10) During the quarter they successfully completed the SAP up gradation across organisation to facilitate co.'s digital transformation journey. 11) Bengal which is their major market saw softness in demand during quarter, while other markets like Bihar, Chattisgarh and Jharkhand performed relatively better.

Outlook & Valuation: Nuvoco Vistas results were below our expectations. Volume growth and operating margins were impacted by factors like Elections, heatwave and early monsoon. Going ahead, we believe cement companies would benefit from industry tailwinds along with that Nuvoco plans to continue with its strategy to focus on right products for right application, increasing share of premium products and higher usage of green power. We expect revival from Q3 onwards driven by demand and pickup in volumes. On the financial front, we have estimated its revenue/EBITDA to grow by 10.4%/17.6% CAGR over FY24-26E while EBITDA margins to improve to 17.1% levels in FY26E. Further, we are anticipating better growth prospects from medium to long term perspective and have maintained a **Buy** rating with a target price of **Rs 450**.

Financial Summary - consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net revenue	10,586.2	10,732.9	12,112.5	13,090.0
EBITDA	1,210.4	1,623.7	1,908.0	2,244.0
EBITDAM (%)	11.4	15.1	15.8	17.1
APAT	15.9	147.4	250.0	437.2
APATM (%)	0.1	1.4	2.1	3.3
EPS (Rs)	0.4	4.1	7.0	12.2
EV/EBITDA	13.7	10.0	8.4	7.0
RoE (%)	0.2	1.6	2.7	4.5

Source : RBL Research

Net Sales was impacted by lower volumes and realizations

P&L Account Quarterly – consolidated

Particulars, Rs cr	Q1FY25	Q1FY24	Y-o-Y (%)	Q4FY24	Q-o-Q (%)
Net Sales	2,636.5	2,805.5	(6.0)	2,933.4	(10.1)
Cost of Raw Materials	481.8	487.0	(1.1)	443.1	8.7
Purchase of Finished Goods	56.3	11.2	403.1	67.0	(16.0)
(Increase) / Decrease In Stocks	(13.2)	(43.8)	-	76.3	(117.3)
Total Raw material cost	524.9	454.4	15.5	586.3	(10.5)
Gross Profit	2,111.6	2,351.1	(10.2)	2,347.1	(10.0)
Gross Margins %	80.1	83.8	-371bps	80.0	8bps
Employee Cost	176.2	173.6	1.5	161.4	9.2
Power & Fuel Cost	514.8	622.3	(17.3)	531.2	(3.1)
Freight & Forwarding	710.4	818.9	(13.3)	804.9	(11.8)
Other Expense	367.0	343.8	6.7	358.8	2.3
Total Expenditure	2,293.1	2,413.0	(5.0)	2,442.6	(6.1)
EBITDA	343.4	392.5	(12.5)	490.8	(30.0)
EBITDA Margins (%)	13.0	14.0	-97bps	16.7	-371bps
Depreciation	216.2	243.7	(11.3)	218.1	(0.9)
EBIT	127.2	148.9	(14.6)	272.7	(53.4)
Other Income	4.5	9.5	(52.3)	7.2	(37.0)
Interest	126.6	134.6	(6.0)	124.9	1.4
PBT	5.1	23.7	-	155.0	-
Exceptional	-	-	-	-	-
PBT	5.1	23.7	(78.5)	155.0	(96.7)
Tax	2.3	9.3	(75.7)	54.7	(95.9)
PAT	2.8	14.5	(80.4)	100.4	(97)
PAT Margin (%)	0.1	0.5	-41bps	3.4	-331bps
EPS	0.1	0.4	(80.4)	2.8	(97.2)

Source : RBL Research

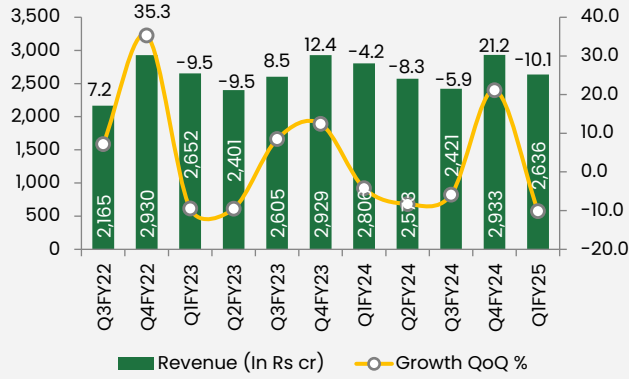
Lower volume growth affected margins despite decline in overall cost

Particulars, Rs cr	Q1FY25	Q1FY24	Y-o-Y (%)	Q4FY24	Q-o-Q (%)
Sales Volumes (MT)	4.8	5	(4.0)	5.3	(9.4)
Realization (Rs/ton)	5,493	5,611	(2.1)	5,535	(0.8)
EBITDA/Ton (Rs)	715	785	(8.9)	926	(22.8)
Total Cost/Ton (Rs)	4,777	4,826	(1.0)	4,609	3.7
Fuel Cost/Ton (Rs)	1,072	1,245	(13.8)	1,002	7.0
Freight & Forwarding/Ton (Rs)	1,480	1,638	(9.6)	1,519	(2.6)

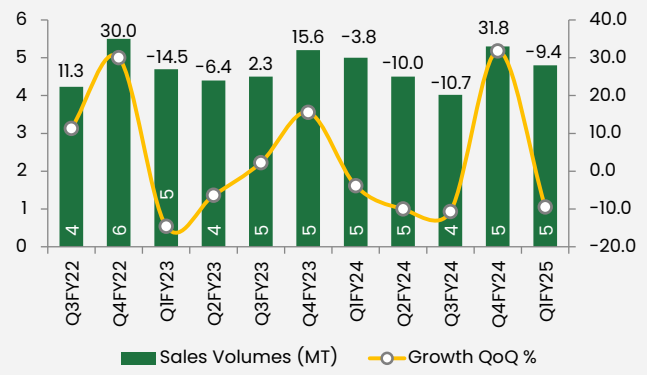
Source : RBL Research

Story in charts

Revenue declined on QoQ/YoY by 10%/6%.

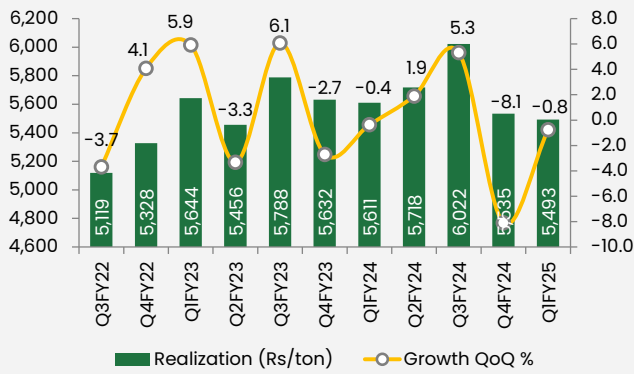


Sales Volumes decreased by 9.4% QoQ and 4% QoQ

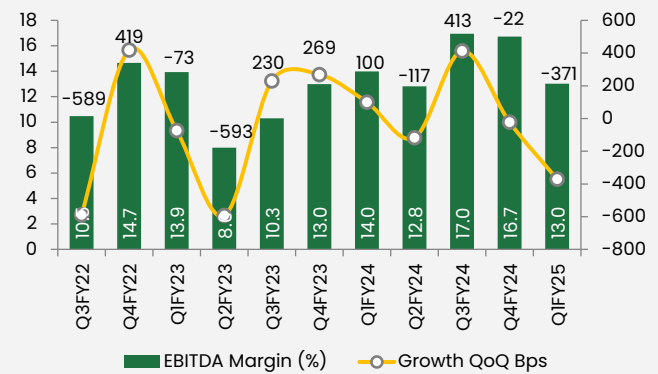


Source : RBL Research

Realization were flat QoQ while decreasing by 2.1% YoY

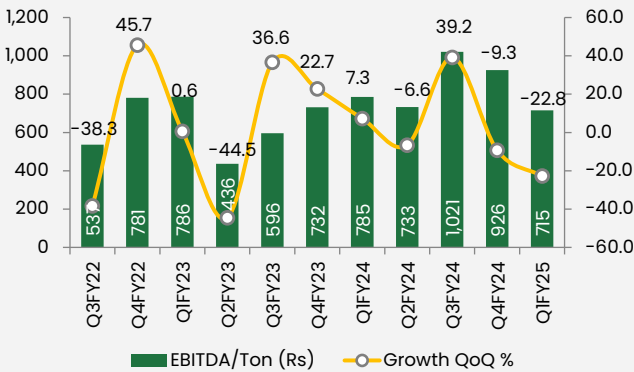


EBITDA Margin stood at 13% in Q1FY25

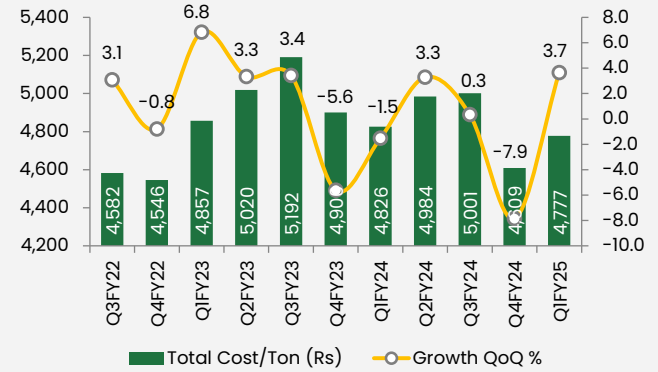


Source : RBL Research

EBITDA/Ton decreased by 9% YoY and 22.8% QoQ

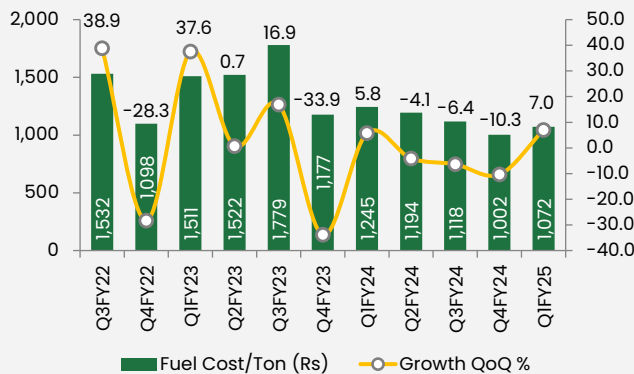


Total Cost/Ton decreased by 1% YoY while increasing by 3.7% QoQ

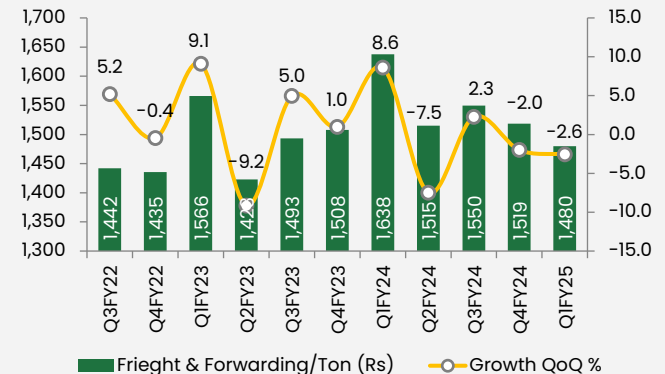


Source : RBL Research

Fuel Cost/Ton decreased by 14% YoY while increased by 7% QoQ



Freight Cost decreased by 10% YoY and 2.6% QoQ



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net sales	10,586.2	10,732.9	12,112.5	13,090.0
Expenditure				
Cost of materials	1,765.0	1,741.4	1,962.2	2,094.4
Purchase of stock in trade	44.3	145.6	164.3	177.6
(Increase) / Decrease In Stocks	(23.6)	66.7	36.3	26.2
Total raw materials	1,785.7	1,953.7	2,162.9	2,298.2
Gross Profit	8,800.5	8,779.2	9,949.6	10,791.8
Employee cost	605.5	681.8	775.2	837.8
Power and fuel cost	2,792.3	2,140.2	2,410.4	2,526.4
Other expenses	1,374.0	1,405.0	1,585.6	1,701.7
Total expenditure	9,375.8	9,109.2	10,204.5	10,846.0
EBITDA	1,210.4	1,623.7	1,908.0	2,244.0
EBITDAM (%)	11.4	15.1	15.8	17.1
Depreciation	951.1	918.6	1,029.6	1,112.7
EBIT	259.3	705.1	878.5	1,131.4
Other income	13.2	33.5	37.8	40.8
Interest expenses	511.9	532.6	566.9	561.3
PBT	(239.4)	206.0	349.4	610.9
Tax	(661.1)	58.6	99.3	173.7
Reported PAT	421.7	147.4	250.0	437.2
Exceptional Income / Expenses	-405.8	0.0	0.0	0.0
PAT (after Exceptional)	15.9	147.4	250.0	437.2
PAT Margin %	0.1	1.4	2.1	3.3
EPS	0.4	4.1	7.0	12.2

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	357.2	357.2	357.2	357.2
Reserves & Surplus	8,481.8	8,626.4	8,876.4	9,313.6
Total Shareholder's Fund	8,839.0	8,983.5	9,233.6	9,670.8
Minority Interest	-	-	-	-
Long term borrowings	3,325.4	2,878.3	2,907.0	2,618.0
Short term borrowing	1,292.3	1,258.8	1,453.5	1,570.8
Total Debt	4,617.7	4,137.0	4,360.5	4,188.8
Deferred tax liabilities	1,189.9	1,173.6	1,332.4	1,439.9
Loans & advances	-	-	-	-
Long term provision	182.2	188.7	213.0	230.1
Other long term liabilities	183.2	239.1	269.8	291.6
Total	1,555.3	1,601.4	1,815.2	1,961.6
Current Liabilities				
Trade payables	1,702.6	1,686.0	1,902.7	2,056.2
Short term provisions	547.2	450.0	507.8	548.8
Other current liabilities	1,726.0	1,852.0	2,059.1	2,225.3
Total	3,975.7	3,988.0	4,469.6	4,830.4
Total liabilities	18,987.7	18,709.9	19,878.9	20,651.6
Application of Assets				
Net Block	14,963.7	15,044.2	15,438.3	15,844.2
Tax assets	176.3	171.6	193.6	209.3
Long term loans and advances	1.5	1.3	1.4	1.5
Other non-current assets	728.3	666.8	726.8	785.4
Total	16,463.9	16,354.6	16,830.8	17,311.1
Current Assets				
Inventories	1,050.0	946.7	1,068.4	1,154.6
Trade receivables	601.2	590.7	666.6	720.8
Cash balance	192.7	97.8	512.1	600.2
Bank balance	10.4	9.2	9.2	9.2
Short term loans and advances	2.6	3.9	4.4	4.8
Other current assets	666.9	707.1	787.3	850.9
Total	2,523.8	2,355.3	3,048.0	3,340.5
Total assets	18,987.7	18,709.9	19,878.9	20,651.6

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Profit before tax	(645.2)	206.0	349.4	610.9
Add: Depreciation	951.1	918.6	1,029.6	1,112.7
Add: Interest cost	511.9	532.6	566.9	561.3
Less: Other Income	(5.3)	(15.9)	(37.8)	(40.8)
Others	437.4	8.0	-	-
Operating profit before working capital changes	1,249.9	1,649.3	1,908.0	2,244.0
Changes in working capital	477.7	(16.5)	334.9	228.5
Cash from Operations	1,727.6	1,632.8	2,242.9	2,472.5
Less: Taxes	(16.2)	(40.3)	(99.3)	(173.7)
Cash flow from Operations	1,711.4	1,592.5	2,143.6	2,298.8
Net cash used in Investing				
Purchase of fixed assets	(486.3)	(581.4)	(1,423.6)	(1,518.5)
Purchase & Sales of Investments	222.4	5.0	-	-
Dividend Income	3.5	3.3	37.8	40.8
Cash flow from investing	(260.4)	(573.4)	(1,385.8)	(1,477.7)
Cash flow from Financing				
Purchase/Sales of borrowings	(602.2)	(465.6)	223.5	(171.7)
Interest cost	(470.7)	(498.5)	(566.9)	(561.3)
Others	(288.8)	(150.0)	-	-
Cash flow from Financing	(1,361.7)	(1,114.1)	(343.4)	(733.0)
Net cash Inflow/Outflow	89.4	(94.9)	414.3	88.1
Opening cash	103.4	192.7	97.8	512.1
Closing Cash	192.7	97.8	512.1	600.2

Source : RBL Research

Key ratios – consolidated

Particulars	FY23	FY24	FY25E	FY26E
Per share Data				
EPS (Rs)	0.4	4.1	7.0	12.2
Book value per share (Rs)	247.5	251.5	258.5	270.8
Profitability Ratios				
EBITDAM(%)	11.4	15.1	15.8	17.1
PBTM (%)	-2.3	1.9	2.9	4.7
NPM (%)	0.1	1.4	2.1	3.3
RoE (%)	0.2	1.6	2.7	4.5
RoCE (%)	1.9	5.4	6.5	8.2
Efficiency Data				
Debt-Equity Ratio	0.5	0.5	0.5	0.4
Interest Cover Ratio	0.5	1.3	1.5	2.0
Fixed Asset Ratio	1.4	1.4	1.3	1.2
Debtors (Days)	20.7	20.1	20.1	20.1
Inventory (Days)	36.2	32.2	32.2	32.2
Payable (Days)	58.7	57.3	57.3	57.3
WC (Days)	-1.8	-5.1	-5.1	-5.0
Valuation				
P/E (x)	765.7	82.4	48.6	27.8
P/BV	1.4	1.4	1.3	1.3
EV/EBITDA	13.7	10.0	8.4	7.0
EV/Sales	1.6	1.5	1.3	1.2

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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