

Nuvoco Vistas Corp (NUVOCO)

Cements | February NBIE Group Investor Conference

BUY

CMP: Rs321 | Target Price (TP): Rs416 | Upside: 29%

February 21, 2025

Strong sales; positive sentiments

Key Points

- We hosted the management of Nuvoco Vistas at the NBIE Virtual Investor Conference. Mr. Bishnu Sharma (Head IR) represented the company to offer insights into the company's current business prospects.
- Government spending on infrastructure and rural housing is expected to boost cement consumption. Continuous demand improvements will enable sustainable pricing.
- The acquisition of Vardraj Cement (3.5 MTPA clinker facility in Kutch and a 6 MTPA GU near Surat) is set to be completed in 8-9 months, adding considerable cement and clinker capacity. Production is expected to begin in Q3 FY27. The acquisition is likely to help the company grow its foothold in the western regions and become the third largest player in Gujarat and Maharashtra markets. This will free up much-needed capacity from its Rajasthan operations to fulfill the expanding demands of the northern markets, improving the company's competitive position in both regions.
- Planned expansion to 31 MTPA cement capacity by Q3 FY27.
- Continued deleveraging to decrease net debt below Rs. 40 billion.
- Nuvoco intends to optimize its domestic presence, expand regional reach, increase revenue through product premiumization, and prioritize cost-cutting activities. The company aims to reach 31 MTPA cement capacity by Q3 FY27 and decrease net debt below Rs. 40 billion. The company is trading at 6.3x FY27E EV/EBITDA, lower than the four-year Average of 10.4x (after listing on August 23, 2021). We maintain our "BUY" recommendation, valuing the company on 8x December FY27E EV/EBITDA and setting a revised target price (TP) of Rs 416.

Industry Volume and Demand: The industry witnessed a slowdown in the H1FY25 period, which has now come to an end, and the industry is seeing improvement concerning the execution of the projects, especially in the infrastructure sector and housing sites. Additionally, the fund flow from the government has started. So overall, in 3QFY25, on an average, the industry has delivered close to around a 5 -6% growth rate. Demand is expected to close around 7-8% in the next few quarters. In the last two years, the Eastern region saw subdued demand, which, from the current quarter, has begun to pick up momentum. The company's volume guidance stands at 8% for 4QFY25

Pricing: In terms of pricing, the 1Q and 2QFY25 was unsatisfactory across India. In October and November of FY25, prices fell below their five-year lows. However, prices began to gain traction since mid-December FY25. Prices for January and February FY25 appear stable, the remaining at the same level as in December. Demand is also improving. 3QFY25 exit prices were 6% higher than the average 3QFY25 price.

Acquisition update: The Vardraj Cement acquisition will give the company a 3.5MTPA clinker capacity and a 6MTPA grinding unit; production is planned to begin in Q3FY27. This project will cost Rs18 bn, with investments ranging from Rs 9 to 12 bn. This acquisition will allow Nuvoco to increase its presence in the West. Following the acquisition, the overall capacity will rise to 31MTPA, with 19MTPA in the east and 6MTPA in the north and west. The budgeted capex for Q4FY25 will likely range between Rs 500 and 600 mn.

The capacity mix for Nuvoco post the acquisition will be 60% in the East, 20% in the North and 20% in the West which earlier was 75% in East and 25% in North

Pet coke imports will be received at Kandla thereby reducing the procurement cost of pet coke

This plant will cater to Gujarat and Maharashtra. These are not new markets for Nuvoco as it sells roughly 1MnT in these markets from its Chittorgarh plant; therefore the company will be expanding its footprint in these regions by the time this plant gets commissioned in FY27.

Est Change	Maintain
TP Change	Maintain
Rating Change	Maintain

Company Data and Valuation Summary

Reuters	NUVO.BO
Bloomberg	NUVOCO IN
Market Cap (Rsbn / US\$bn)	114.7 / 1.3
52 Wk H / L (Rs)	386 / 291
ADTV-3M (mn) (Rs / US\$)	71.5 / 0.8
Stock performance (%) 1M/6M/1yr	(8.9) / (4.9) / (6.9)
Nifty 50 performance (%) 1M/6M/1yr	(0.5) / (5.6) / 3.9

Shareholding	1QFY25	2QFY25	3QFY25
Promoters	72.0	72.0	72.0
DII's	18.5	18.9	19.3
FII's	3.5	3.2	3.4
Others	6.0	5.9	5.4
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25E	FY26E	FY27E
Net Sales	1,07,329	1,07,990	1,19,350	1,35,287
Growth YoY%	1.4	0.6	10.5	13.4
EBITDA	16,237	14,609	22,259	22,317
EBITDA margin %	15.1	13.5	18.7	16.5
Adj PAT	1,474	945	5,132	5,119
Growth YoY%	830.4	(35.9)	443.0	(0.3)
Adj EPS	4.1	2.6	14.4	14.3
RoE	1.7	1.0	5.5	5.2
EV/EBITDA	9.7	10.3	6.3	5.9
EV/mt (\$)	72.5	69.3	64.5	60.2
P/E(x)	78.0	121.7	22.4	22.5

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links :

[3QFY25 Investor PPT](#)

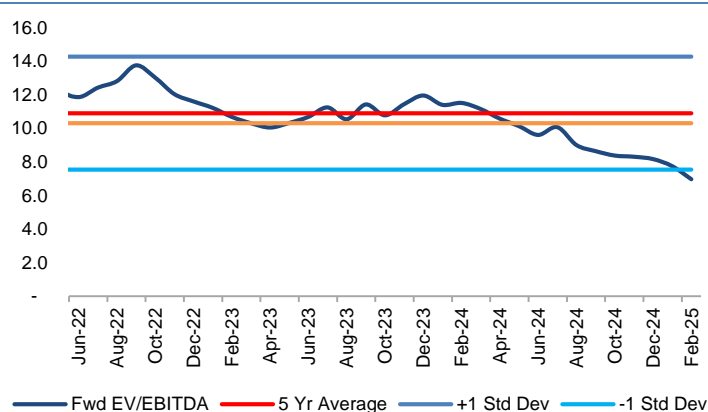
Please refer to the disclaimer towards the end of the document.

- **Focus on Premiumization**
 - Despite poor 2Q performance, the company's premium product share for 9MFY25 was close to 43%
- **Cost**
 - The company's fly ash cost for 3QFY25 was Rs270-277/T, down from Rs 290/T in 3QFY25.
 - Fuel cost/T decreased from Rs 1,118/T in 3QFY24 to Rs 1,086/T in 3QFY25 due to improved fuel mix with coal, petcoke, and AFR.
 - Petcoke costs have increased to \$117/T from \$110/T in the near term, but yet remain reasonable. As petcoke prices continue to rise, the company plans to increase its coal mix.
 - The company plans to increase the share of AFR in its fuel mix to 13-14%, from its current 10%.
 - After commissioning the railway siding at the Jajpur factory, the firm expects cost reductions.
- **Demand Revival in East Region**
 - The company is witnessing demand revival in the eastern region. The government has announced multiple projects for Bihar, which are anticipated to drive demand in the region in the near future. Chhattisgarh also saw high double-digit growth in 3QFY25
 - If the demand in the region sustains at the growth of 7-8% on a QoQ basis, companies are expected to see positive traction in prices
- **Trade-Non Trade Prices**
 - As per the management, on a blended basis, the price gap between trade and nontrade will be closer to around Rs35 to Rs40/bag. As we advance, the gap will witness a wider gap because there will be some more incremental improvement in the trade prices (on an average basis, historically, it had been close to. Rs55-60/bag)

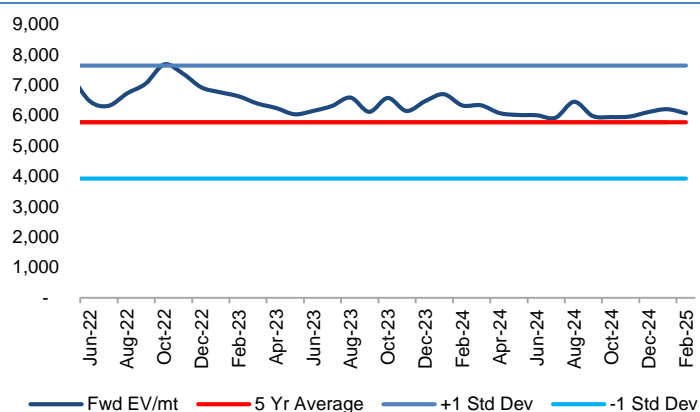
Exhibit 1: Valuation summary

Particulars	(Rs mn)
Dec 26E EBITDA	21,689
Target multiple (x)	8.0
Enterprise value	1,73,516
Less: Net debt	25,109
Equity value	1,48,407
No of shares (mn)	357
Value per share (Rs)	416
CMP (Rs)	321
Upside / (downside) %	29%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Rolling valuation charts


Source: Company, Nirmal Bang Institutional Equities Research



Source: Company, Nirmal Bang Institutional Equities Research

Financial statement

Exhibit 3: Income statement

YE March, Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	1,05,862	1,07,329	1,07,990	1,19,350	1,35,287
Raw Material Consumed	17,823	19,537	19,623	20,085	23,251
Power & Fuel Cost	27,998	21,402	23,916	29,133	34,359
Employee Cost	6,055	6,818	7,048	6,360	7,461
Freight and Forwarding	28,307	29,285	27,631	28,314	32,538
Other expenses	13,661	14,050	15,164	13,199	15,362
Total Expenditure	93,845	91,092	93,381	97,091	1,12,970
Operating profit	12,017	16,237	14,609	22,259	22,317
Operating profit margin (%)	11.4%	15.1%	13.5%	18.7%	16.5%
Other Income	219	335	153	153	158
Interest	5,119	5,326	4,854	5,526	5,422
Depreciation	9,512	9,186	8,939	10,229	10,229
PBT	(2,395)	2,059	968	6,657	6,825
Exceptional items	(4,058)	-	-	-	-
PBT post exc items	(6,453)	2,059	968	6,657	6,825
Tax	(6,611)	586	23	1,525	1,706
Tax rate (%)	102%	28%	2%	23%	25%
PAT	158	1,474	945	5,132	5,119
EPS (Rs)	0.4	4.1	2.6	14.4	14.3

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Balance Sheet

YE March, Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Equity Capital	3,572	3,572	3,572	3,572	3,572
Reserves and Surplus	84,799	86,273	87,218	92,350	97,468
Networth	88,371	89,844	90,789	95,921	1,01,040
Total Debt	46,182	48,182	42,075	35,215	28,571
Deferred tax liability	11,904	11,904	11,904	11,904	11,904
Other non current liabilities	3,654	3,874	4,109	4,361	4,631
Trade Payables	17,031	10,436	9,770	8,610	11,594
Other Current Liabilities	22,736	23,746	24,813	25,934	27,114
Total Current Liabilities	52,690	51,570	50,233	48,629	51,384
Total liabilities	1,89,878	1,87,986	1,83,461	1,81,947	1,84,854
Net Block	1,49,627	1,47,515	1,43,351	1,39,275	1,34,282
CWIP	5,941	5,000	5,000	5,000	5,000
Investment	1	1	1	1	1
Other non current assets	9,071	9,150	9,201	9,221	9,375
Inventories	10,500	8,822	8,070	7,331	9,846
Sundry Debtors	6,012	4,920	4,419	4,074	5,452
Cash and Bank	2,032	5,723	6,519	10,106	12,941
Other current assets	6,695	6,856	6,901	6,939	7,957
Total Current Assets	25,238	26,320	25,909	28,450	36,196
Total Assets	1,89,878	1,87,986	1,83,461	1,81,947	1,84,854

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Cash flow statement

YE March, Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	(6,453)	2,059	968	6,657	6,825
Add : Depreciation	9,512	9,186	8,939	10,229	10,229
Add: Interest Exp	5,119	5,326	4,854	5,526	5,422
Cash flow from ops before WC changes	8,178	16,572	14,761	22,412	22,475
Net change in Working capital	5,839	(3,250)	1,322	706	(1,066)
Tax paid	6,611	(586)	(23)	(1,525)	(1,706)
Net cash from operations	20,627	12,737	16,060	21,593	19,703
Capital expenditure	(6,987)	(6,152)	(4,774)	(6,153)	(5,235)
Sale of investments	1,855	-	-	-	-
Net cash from investing	(2,065)	(6,214)	(4,825)	(6,174)	(5,390)
Issue of shares	0	0	0	-	-
Increase in debt	(6,266)	2,494	(5,584)	(6,306)	(6,058)
Dividends paid incl. tax	(6,636)	-	-	-	-
Interest paid	(5,119)	(5,326)	(4,854)	(5,526)	(5,422)
Net cash from financing	(18,021)	(2,833)	(10,439)	(11,832)	(11,480)
Net Cash	541	3,691	797	3,587	2,834
Opening Cash	1,491	2,032	5,723	6,519	10,106
Closing Cash	2,032	5,722	6,519	10,106	12,941

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Key ratios

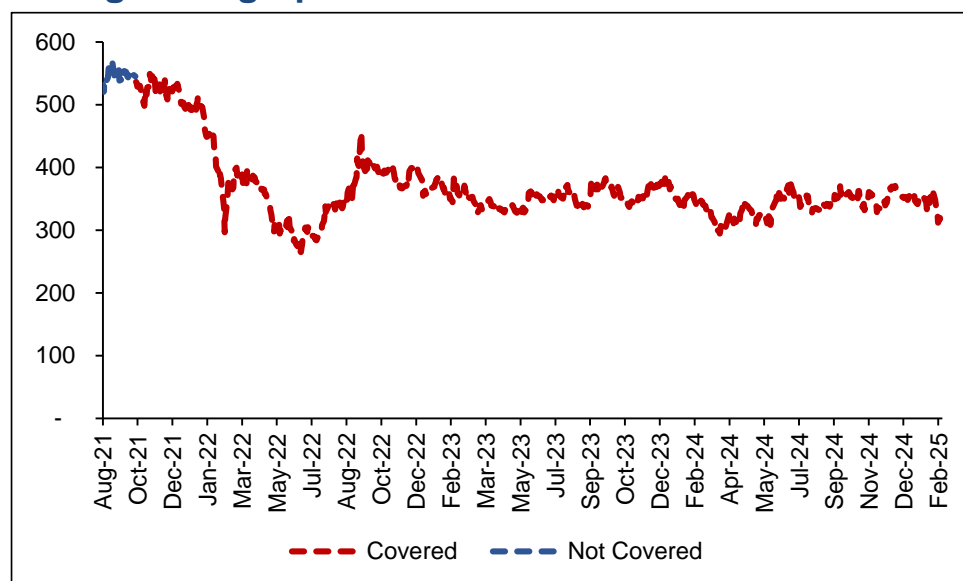
YE March	FY23	FY24	FY25E	FY26E	FY27E
Growth (%)					
Sales	13.6	1.4	0.6	10.5	13.4
Operating Profits	(19.7)	35.1	(10.0)	52.4	0.3
Net Profits	(50.6)	830.4	(35.9)	443.0	(0.3)
Leverage (x)					
Net Debt:Equity	0.5	0.5	0.4	0.3	0.2
Interest Cover(x)	0.5	1.3	1.2	2.2	2.2
Total Debt/EBITDA	3.8	3.0	2.9	1.6	1.3
Profitability (%)					
OPM	11.4	15.1	13.5	18.7	16.5
NPM	0.1	1.4	0.9	4.3	3.8
ROE	0.2	1.7	1.0	5.5	5.2
ROCE	4.9	8.2	7.3	12.7	12.8
Turnover ratios (x)					
GFAT	0.6	0.6	0.6	0.6	0.7
Debtors Turnover(x)	18	20	23	28	28
WC days	1	-3	5	2	3
Valuation (x)					
P/E	726.0	78.0	121.7	22.4	22.5
P/B	1.3	1.3	1.3	1.2	1.1
EV/EBITDA	13.2	9.7	10.3	6.3	5.9
EV/mt (\$)	82.5	72.5	69.3	64.5	60.2

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
12 October 2021	HOLD	550	606
12 November 2021	HOLD	522	606
11 February 2022	Buy	425	565
23 February 2022	BUY	350	535
25 May 2022	BUY	296	444
13 June 2022	BUY	287	356
11 August 2022	HOLD	338	356
14 September 2022	BUY	382	509
11 November 2022	BUY	381	509
12 January 2023	HOLD	376	404
8 February 2023	HOLD	363	404
22 March 2023	HOLD	333	371
10 May 2023	HOLD	334	371
13 August 2023	BUY	349	402
1 November 2023	BUY	338	414
31 January 2024	BUY	355	432
2 May 2024	BUY	335	442
1 August 2024	BUY	346	455
27 August 2024	BUY	338	402
25 October 2024	BUY	342	425
13 January 2025	BUY	342	416
22 January 2025	BUY	353	416
21 February 2025	BUY	321	416

Rating track graph



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Stock Ratings Absolute Returns

BUY > 15%

HOLD -5% to 14%

SELL < -5%

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