

CMP	: INR 340
Reco	: HOLD ↔
Target Price	: INR 390 ↓
Target Price Change	: -6%
Target 1HFY26 EV/EBITDA (x)	: 9
EBITDA Change FY24/ 25	: 0%/-6%

Krupal Maniar

+91 22 6911 3419
krupal.maniar@antiquelimited.com

Harshal Milan Mehta

+91 22 6911 3428
harshal.mehta@antiquelimited.com

Kartik Bhandari

+91 22 6911 3421
kartik.bhandari@antiquelimited.com

Market data

Sensex	:	63,875
Sector	:	Cement
Market Cap (INR bn)	:	121.6
Market Cap (USD bn)	:	1.460
O/S Shares (mn)	:	357.2
52-wk HI/LO (INR)	:	412/288
Avg. Daily Vol ('000)	:	134
Bloomberg	:	NUVOCO IN

Source: Bloomberg

Valuation

	FY24e	FY25e	FY26e
EPS (INR)	7.3	10.0	10.8
P/E (x)	46.8	34.1	31.5
P/BV (x)	1.3	1.3	1.2
EV/EBITDA (x)	8.7	8.2	7.9
Dividend Yield (%)	-	-	-

Source: Bloomberg

Returns (%)

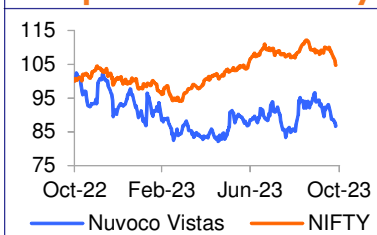
	1m	3m	6m	12m
Absolute	(8)	(9)	3	(14)
Relative	(6)	(5)	(1)	(18)

Source: Bloomberg

Shareholding pattern

Promoters	:	72%
Public	:	28%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg Indexed to 100

2QFY24 RESULT REVIEW

Nuvoco Vistas Corporation

Higher costs dent margins; leverage restricts growth

Nuvoco Vistas' (NUVOCO) 2Q EBITDA at INR 3.3 bn (up 72% YoY) was 6%/16% below consensus/ our estimates, mainly due to higher shutdown maintenance costs. Volume grew ~1% YoY and de-grew 11% QoQ to 4.45 MT. Cement realization increased 3% QoQ owing to sharp price hikes of >INR 40/bag effected in the East from Sep'23 (full impact to reflect in 3Q), while total costs/ton remained flat YoY/ increased ~5% QoQ. Accordingly, blended EBITDA/ton came in at INR 741/ton, up INR 304 YoY/ down INR 43 QoQ—lower than our estimate of INR 887/ton. Management expects demand to remain strong in FY24 with stable prices. We believe NUVOCO is likely to continue to straddle between growth and leverage over the next few years, given the relatively high net debt to EBITDA of ~2x. Factoring lower profitability, we decrease our FY25E EBITDA by 6%, thereby decreasing our target price to INR 390 (earlier INR 415) based on unchanged 9x 1HFY26E EV/EBITDA. Maintain HOLD. Key risks remain better demand/ pricing in the East.

2Q volume grew ~1% YoY; realization increased 3% QoQ

Consolidated revenue increased 7% YoY to INR 25.7 bn (vs. consensus/ Antique est.: INR 25 bn). Cement realization increased 3% QoQ owing to sharp price hikes of >INR 40/bag effected in the East from Sep'23 (full impact to reflect in 3Q). The share of premium products stood flat QoQ at 37%. Volume grew ~1% YoY/ declined 11% QoQ to 4.45 MT (Antique est.: 4.5 MT) vs. the industry average of ~10% YoY growth, as the company prioritized value over volume growth. Trade mix increased 100 bps QoQ to 74%. NUVOCO has extended premium cement variants 'Concreto Uno' and 'Duraguard F2F' to Jharkhand.

EBITDA grew 72% YoY; blended EBITDA/ton at INR 741

2Q consolidated EBITDA came in at INR 3.3 bn, grew 72% YoY/ declined 16% QoQ (vs. consensus est.: INR 3.5 bn; Antique est.: INR 3.9 bn). Overall costs/ton remained flat YoY/ increased ~5% QoQ. PF + RM cost increased 5% QoQ owing to higher raw material prices led by a rise in slag prices, clinker purchases, and lower power generation from CPP/ WHRS due to maintenance shutdown. Management mentioned of tightness in slag availability. NUVOCO continues to be in a better place due to long-term slag contract despite the spot rate increasing by ~5% QoQ. Freight cost/ton increased by 8% YoY/ declined by 6% QoQ owing to lower clinker road movement and the absence of busy season surcharge on rail freight in Aug'23 and Sep'23. On an absolute basis, employee costs rose 17% YoY/ declined ~1% QoQ, while other expenses increased 25% YoY/ 11% QoQ due to maintenance shutdown.

Net debt rose by INR 3 bn QoQ to INR 47 bn; targeting <INR 40 bn by FY24-end

NUVOCO completed debottlenecking at Risda and Nimbal and has enhanced capacity to 12,000 tpd/ 6,000 tpd respectively. The company has completed no-load trials at 1.2 MT expansion at Haryana and is expected to be commissioned in 3QFY24, which will increase the company's cement capacity to 25 MT. Track laying activity at Sonadih and Odisha is proceeding as planned and railway siding is expected to be operational from 4QFY24. Management remains focused on deleveraging and targets to reduce net debt to ~INR 35-40 bn in the short-term from the current INR 47 bn before embarking on a large growth capex. Net debt increased by INR 3 bn QoQ to INR 47 bn as of Sep'23 owing to working capital requirement. For 1HFY24, NVCL generated a negative OCF of INR 231 mn. FCF generation stood at negative INR 3.1 bn post w/cap blockage of INR 4.6 bn and capex of INR 2.9 bn.

Investment Summary

We factor 5% volume CAGR over FY23–26E and expect blended EBITDA/ton to improve from INR 644/ton in FY23 to INR 926 in FY26E led by lower fuel costs, better costs efficiencies, and higher realization. We maintain HOLD rating on the stock with a revised target price of INR 390 (earlier INR 415) based on 9x 1HFY26E EV/EBITDA. The stock currently trades at 8x EV/EBITDA and ~USD 75 EV/ton based on 1HFY26 EBITDA estimates.

Quarterly performance

Actual vs estimated performance

(INR mn)	Actual	Estimated	% Variance	Consensus	% Variance
Net sales	25,730	25,158	2.3	25,313	1.6
EBITDA	3,300	3,946	(16.4)	3,502	(5.8)
EBITDA margin (%)	12.8	15.7	-286bps	13.8	-101bps
Adj net income	15	175	(91.3)	(233)	(106.6)

Source: Company, Antique

Quarterly financials

(INR mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	YTD FY24	YTD FY23	YoY (%)
Sales	25,730	24,006	7.2	28,055	(8.3)	25,730	24,006	7.2
Cost of Material Consumed	16,893	17,557	(3.8)	18,956	(10.9)	16,893	17,557	(3.8)
% of sales	65.7	73.1	-748bps	67.6	-191bps	65.7	73.1	-748bps
Employee cost	1,725	1,476	16.9	1,736	(0.6)	1,725	1,476	16.9
% of sales	6.7	6.1	56bps	6.2	(0.0)	6.7	6.1	56bps
Other expenses	3,812	3,053	24.9	3,438	10.9	3,812	3,053	24.9
% of sales	14.8	12.7	210bps	12.3	256bps	14.8	12.7	210bps
Total Exp	22,430	22,086	1.6	24,130	(7.0)	22,430	22,086	1.6
EBIDTA	3,300	1,920	71.8	3,925	(15.9)	3,300	1,920	71.8
Margin %	12.8	8.0	482bps	14.0	-117bps	12.8	8.0	482bps
Other income	60	19	209.9	95	(37.2)	60	19	209.9
Depreciation	2,256	2,395	(5.8)	2,437	(7.4)	2,256	2,395	(5.8)
Interest expenses	1,399	1,243	12.6	1,346	3.9	1,399	1,243	12.6
Profit Before Tax	(296)	(1,698)	(82.6)	237	(225.0)	(296)	(1,698)	(82.6)
PBT after exceptional	(296)	(1,698)	(82.6)	237	(225.0)	(296)	(1,698)	(82.6)
Tax	(311)	(394)	NA	93	(436.6)	(311)	(394)	(21.0)
Tax Rate %	105.2	23.2	8194bps	39.0	6612bps	105.2	23.2	8194bps
Reported Net Profit	15	(1,304)	(101.2)	144	(89.4)	15	(1,304)	(101.2)
Adjusted Net Profit	15	(1,304)	(101.2)	144	(89.4)	15	(1,304)	(101.2)
EPS (INR)	0.0	(3.7)	(101.2)	0.4	(89.4)	0.0	(3.7)	(101.2)

Source: Company, Antique

Quarterly per-tonne analysis

(INR/ton)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)
Volumes (mn ton)	4.45	4.40	1.2%	5.01	-11.0%
Raw material costs	1,056	1,045	10	907	148
Power & Fuel Cost	1,206	1,522	-316	1,243	-37
Freight Cost	1,531	1,423	108	1,635	-105
Staff Cost	387	335	52	347	41
Other Cost	856	694	1,724	687	-2,325
Total Cost/ton	5,036	5,020	0.3%	4,819	4.5%
realization/ton	5,777	5,456	5.9%	5,603	3.1%
EBITDA/ton	741	436	304	784	-43

Source: Company, Antique

We have deducted FY26 EBITDA by 6%

Change in estimates	FY24E			FY25E		
	Old	New	% Chg	Old	New	% Chg
Revenue (INR mn)	1,13,047	1,14,648	1	1,20,902	1,22,402	1
EBITDA (INR mn)	18,141	18,189	0	20,339	19,183	-6
EBITDA margin (%)	16.0	15.9	-18bps	16.8	15.7	-115bps
Net profit (INR mn)	2,601	2,594	0	4,395	3,561	-19
EPS (INR)	7.3	7.3	0	12.3	10.0	-19

Source: Company, Antique

Our FY24 EBITDA is 6% ahead of consensus

INR bn	Consensus		Antique		Difference	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales	114.0	122.5	113.5	121.3	-0.4	-1.0
EBITDA	17.2	19.6	18.2	19.2	6.0	-2.3
PAT	2.3	4.2	2.6	3.6	11.5	-15.0

Source: Company, Antique

Key Assumptions

	FY19	FY20	FY21	FY22	FY23	FY24e	FY25e	FY26e
Capacity (MTPA)	14.0	14.0	22.4	23.8	23.8	25.0	25.0	25.0
utilization (%)	87.3	87.3	71.4	74.7	79.0	78.8	82.4	86.0
Volume (mn ton)	12.2	12.2	16.0	17.8	18.8	19.7	20.6	21.5
Volume growth (%)	(2.5)	(2.5)	30.5	11.3	5.8	4.8	4.6	4.4
Realization/ton (INR)	5,482	5,482	4,576	5,120	5,530	5,762	5,889	5,977
YoY realization (%)	0.0	0.0	(16.5)	11.9	8.0	4.2	2.2	1.5
Cost/ton (INR)	4,490	4,490	3,775	4,401	5,032	4,896	5,011	5,105
RM Cost/ton (INR)	1,005	1,005	756	775	829	995	1,004	1,015
Employee Cost/ton (INR)	331	331	302	326	313	354	365	376
Power Cost/ton (INR)	1,001	1,001	849	1,184	1,640	1,214	1,299	1,364
Freight Cost/ton (INR)	1,451	1,451	1,271	1,423	1,501	1,601	1,617	1,633
Other Cost/ton (INR)	702	702	597	693	748	733	726	719
EBITDA/ton (INR)	938	938	915	842	644	923	931	926
Capex (INR bn)	5.7	5.7	5.5	4.1	4.9	4.7	10.7	13.7
Net Debt (INR bn)	39.5	39.5	67.3	50.6	44.1	36.8	35.8	36.3

Source: Company, Antique

Maintain HOLD with target price of INR 390

EV/E method	Sep-25E
Sep25E EBITDA (INR bn)	19.5
EV/E multiple (x)	9.0
EV (INR bn)	176
Net debt (Sep25E)	36
Equity value	140
No. of shares (mn)	357
Sep'24 Target Price (INR)	390

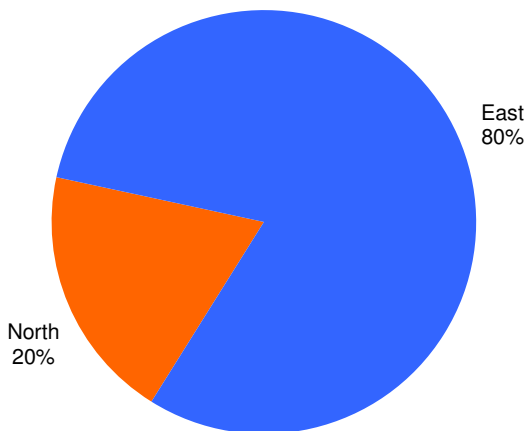
Source: Company, Antique

Balance Sheet

	FY21	FY22	1HFY23	FY23	1HFY24
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipments	93,242	97,851	95,218	94,872	91,886
Capital work-in-progress (net of provision)	12,358	3,988	4,991	5,940	6,908
Investment property	6	10	10	10	9
Goodwill	32,785	32,785	32,785	32,784	32,784
Other intangible assets	21,091	19,946	19,338	19,590	19,455
Right of use asset	3,293	3,502	3,171	3,361	4,168
Intangible assets under development	44	3	5	18	25
Financial assets					
(1) Investments	1	1	1	1	1
(2) Loans	15	14	8	15	12
(3) Other non-current financial assets	7,875	8,605	9,165	5,444	5,562
Income tax assets (net)	1,332	1,627	1,719	1,763	1,796
Other non-current assets	1,913	1,893	1,867	1,838	1,850
Total Non current Assets	1,73,953	1,70,222	1,68,277	1,65,635	1,64,454
CURRENT ASSETS					
Inventories	7,124	10,683	13,632	10,500	11,651
Financial assets					
(1) Investments	3,842	1,855	-	-	200
(2) Trade receivables	4,539	5,709	5,942	6,011	7,158
(3) Cash and cash equivalents	4,931	1,034	520	1,927	1,166
(4) Bank balance	347	457	424	104	87
(5) Loans	27	26	31	26	29
(6) Other current financial assets	2,102	3,115	3,826	4,126	4,372
Income tax asset (net)	16	-	-	-	-
Other current assets	2,197	3,047	3,282	2,542	2,359
Total current Assets	25,122	25,926	27,656	25,236	27,022
TOTAL ASSETS	1,99,075	1,96,148	1,95,933	1,90,871	1,91,476
EQUITY AND LIABILITIES					
EQUITY					
Equity share capital	3,151	3,572	3,572	3,572	3,572
Other equity	70,086	84,641	83,535	84,818	84,978
Shareholders funds	73,237	88,212	87,106	88,390	88,550
LIABILITIES					
NON-CURRENT LIABILITIES					
Financial liabilities					
(1) Borrowings	55,612	41,834	37,079	33,254	31,407
(2) Other non-current financial liabilities	625	589	580	559	567
(3) Lease liabilities	891	944	859	930	1,511
Provisions	814	899	970	1,821	1,859
Deferred tax liabilities (net)	18,810	18,540	18,124	11,899	11,514
Other non current liabilities	21	200	352	341	332
Total Non-current liabilities	76,773	63,007	57,964	48,804	47,190
Current Liabilities					
Financial liabilities					
(1) Borrowings	1,978	12,155	16,694	12,922	17,388
(2) Trade payables	9,076	11,925	14,809	18,025	17,156
(3) Other current financial liabilities	27,354	8,780	9,904	9,713	10,273
(4) Lease liabilities	606	819	618	743	934
Other current liabilities	5,740	6,306	3,793	6,802	4,622
Provisions	4,312	4,945	5,045	5,471	5,364
Total Current Liabilities	49,065	44,929	50,862	53,676	55,737
TOTAL EQUITY AND LIABILITIES	1,99,075	1,96,148	1,95,933	1,90,870	1,91,477

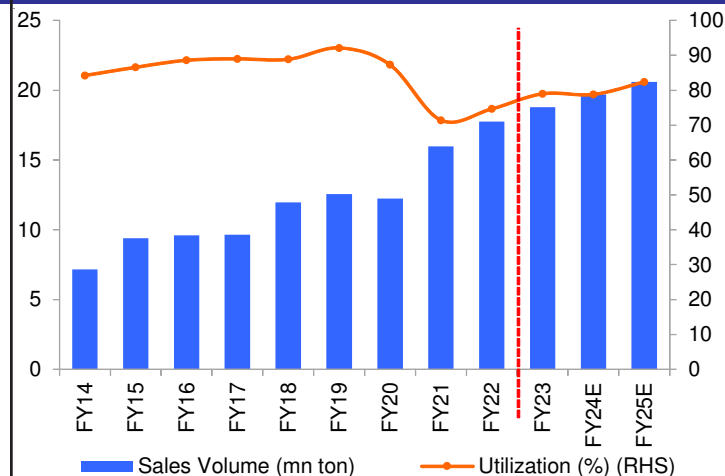
Capacity to grow at 2% CAGR over FY23-26E

Regionwise Capacity Split FY23E (%)



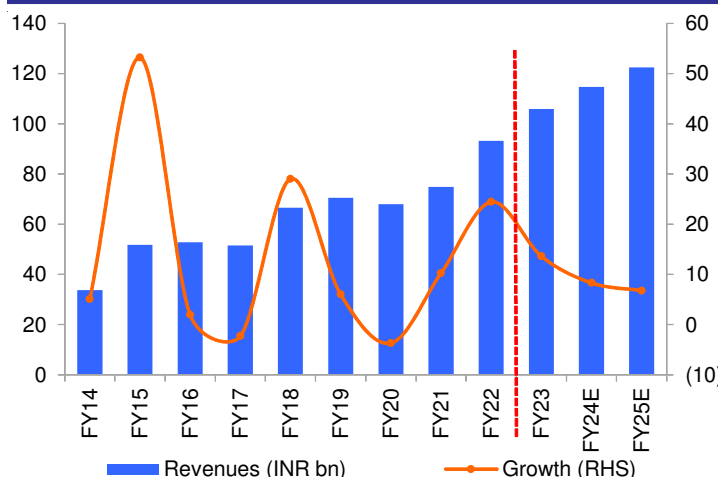
Source: Company, Antique

Volume to grow at 5% CAGR over FY23-26E



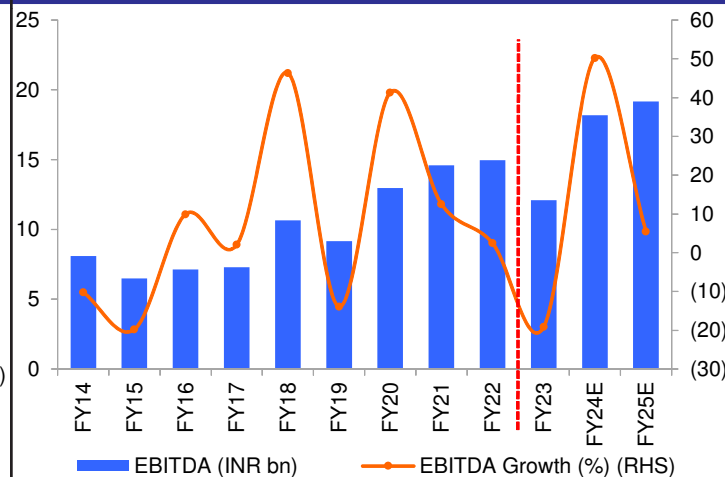
Source: Company, Antique

Revenue to grow at 7% CAGR over FY23-26E



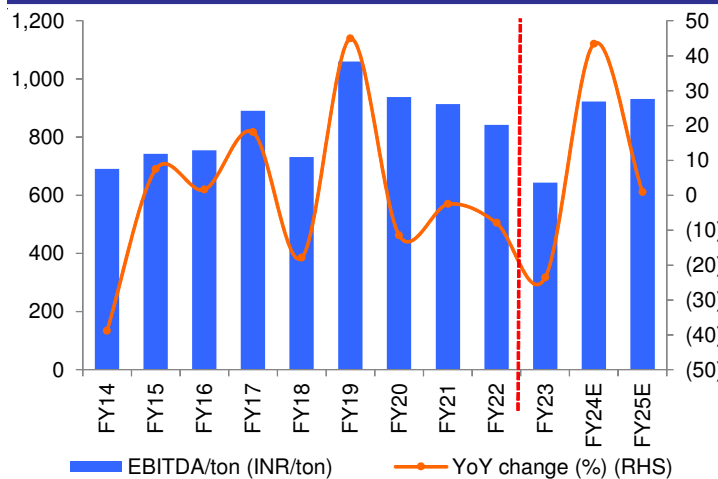
Source: Company, Antique

EBITDA to grow at 18% CAGR over FY23-26E



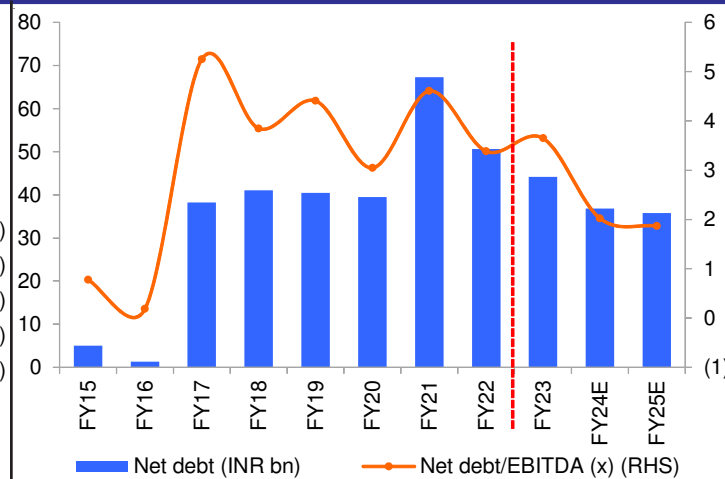
Source: Company, Antique

EBITDA/t to improve to INR 926 by FY26E



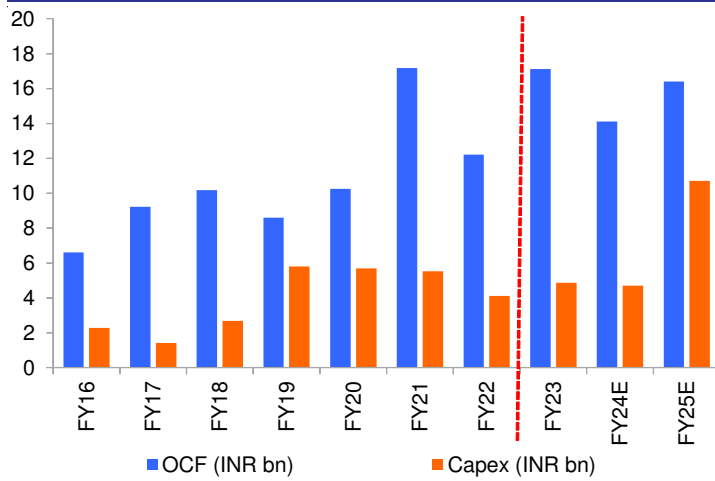
Source: Company, Antique

Net debt to remain flat over FY24-26E



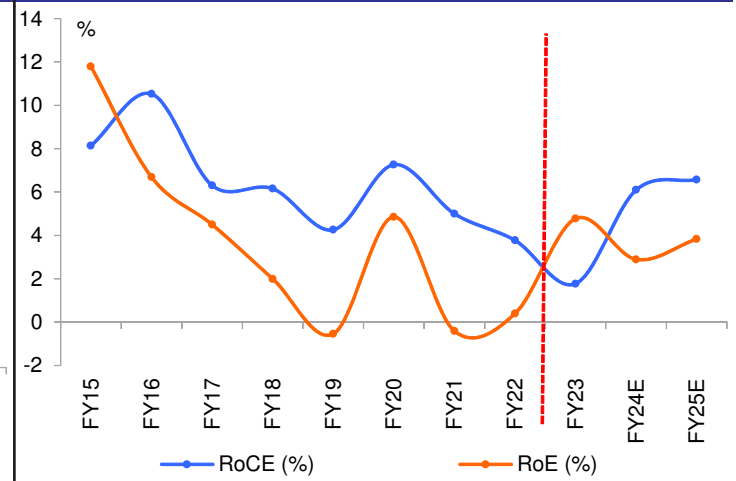
Source: Company, Antique

Capex of INR 29 bn over FY24-26E



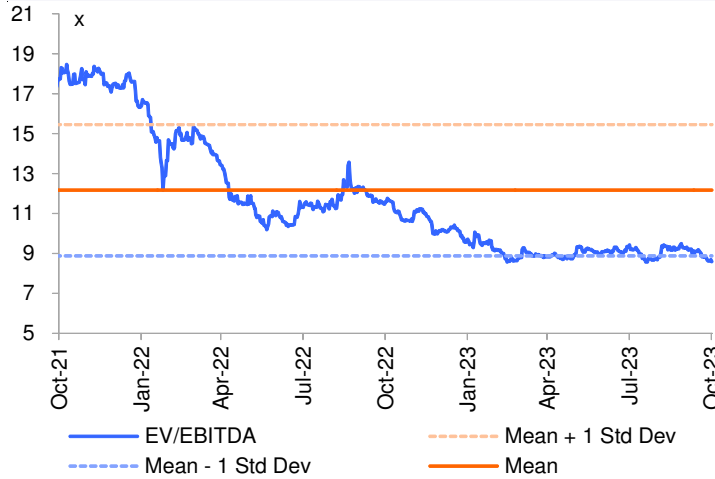
Source: Company, Antique

RoE, RoCE to improve to mid single digits



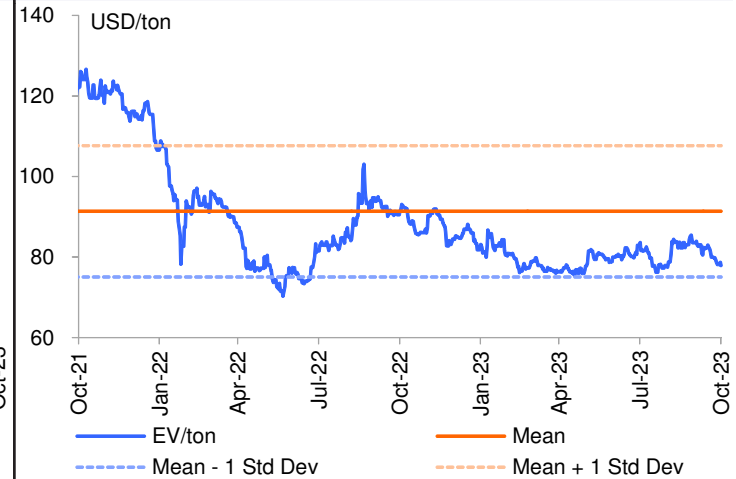
Source: Company, Antique

EV/EBITDA 1-yr forward



Source: Company, Antique

EV/ton 1-yr forward



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	93,180	1,05,861	1,14,648	1,22,402	1,29,666
Op. Expenses	78,213	93,757	96,459	1,03,219	1,09,767
EBITDA	14,967	12,104	18,189	19,183	19,899
Depreciation	9,180	9,511	9,661	10,013	10,547
EBIT	5,787	2,593	8,528	9,171	9,352
Other income	421	132	265	278	292
Interest Exp.	5,699	5,119	5,335	4,701	4,505
Extra Ordinary Items -gain/(loss)	-	4,058	-	-	-
Reported PBT	509	(2,394)	3,459	4,748	5,139
Tax	188	(6,611)	865	1,187	1,285
Reported PAT	321	159	2,594	3,561	3,855
Net Profit	321	159	2,594	3,561	3,855
Adjusted PAT	321	4,217	2,594	3,561	3,855
Adjusted EPS (INR)	0.9	11.8	7.3	10.0	10.8

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	3,572	3,572	3,572	3,572	3,572
Reserves & Surplus	84,641	84,818	87,412	90,973	94,828
Networth	88,212	88,390	90,984	94,545	98,399
Debt	53,988	46,176	39,176	39,176	39,176
Net deferred Tax liabilities	18,540	11,899	11,899	11,899	11,899
Capital Employed	1,60,741	1,46,465	1,42,059	1,45,620	1,49,474
Gross Fixed Assets	2,15,803	2,21,858	2,22,993	2,31,393	2,42,793
Accumulated Depreciation	61,708	71,225	80,885	90,898	1,01,445
Capital work in progress	3,988	5,940	6,240	8,540	10,840
Net Fixed Assets	1,54,095	1,50,634	1,42,108	1,40,495	1,41,349
Investments	1,856	-	-	-	-
Current Investments	1,856	-	-	-	-
Current Assets, Loans & Adv.	36,209	34,296	37,763	42,917	45,891
Inventory	10,683	10,500	11,307	12,831	14,176
Debtors	5,709	6,011	6,910	7,713	8,526
Cash & Bank balance	1,491	2,031	2,377	3,376	2,905
Loans & advances and others	18,326	15,754	17,169	18,997	20,285
Current Liabilities & Provisions	35,407	44,405	44,053	46,333	48,605
Liabilities	29,563	37,113	36,432	38,484	40,521
Provisions	5,844	7,292	7,620	7,849	8,084
Net Current Assets	802	(10,109)	(6,289)	(3,415)	(2,714)
Application of Funds	1,60,741	1,46,464	1,42,059	1,45,620	1,49,474

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	357	357	357	357	357
Diluted no. of shares (mn)	357	357	357	357	357
BVPS (INR)	247.0	247.5	254.7	264.7	275.5
CEPS (INR)	26.6	27.1	34.3	38.0	40.3

Source: Company, Antique

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	509	(6,452)	3,459	4,748	5,139
Depreciation & amortization	9,180	9,511	9,661	10,013	10,547
Interest expense	5,740	5,119	5,335	4,701	4,505
(Inc)/Dec in working capital	(2,534)	4,778	(3,474)	(1,872)	(1,170)
Tax paid	(719)	(161)	(865)	(1,187)	(1,285)
Less: Interest/Div. Income Recd.	(220)	(53)	-	-	-
Other operating Cash Flow	254	4,373	-	0	-
CF from operating activities	12,209	17,115	14,115	16,403	17,737
Capital expenditure	(4,106)	(4,863)	(4,700)	(10,700)	(13,700)
Inc/(Dec) in investments	1,959	2,225	-	(3)	(3)
Add: Interest/Div. Income Recd.	244	35	-	-	-
CF from investing activities	(1,903)	(2,603)	(4,700)	(10,703)	(13,703)
Inc/(Dec) in share capital	14,648	-	-	-	-
Inc/(Dec) in debt	(22,531)	(7,725)	(7,000)	-	-
Others	(6,320)	(5,894)	(5,335)	(4,701)	(4,505)
CF from financing activities	(14,202)	(13,619)	(12,335)	(4,701)	(4,505)
Net cash flow	(3,897)	893	(2,919)	999	(472)
Opening balance	4,931	1,033	1,926	(993)	6
Closing balance	1,034	1,926	(993)	6	(465)

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	24.4	13.6	8.3	6.8	5.9
EBITDA	2.5	(19.1)	50.3	5.5	3.7
Adj PAT	nm	1214.5	(38.5)	37.3	8.2
Adj EPS	nm	1214.5	(38.5)	37.3	8.2

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	378.5	28.8	46.8	34.1	31.5
P/BV (x)	1.4	1.4	1.3	1.3	1.2
EV/EBITDA (x)	11.5	13.7	8.7	8.2	7.9
EV/Sales (x)	1.8	1.6	1.4	1.3	1.2
Dividend Yield (%)	-	-	-	-	-

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	0.4	4.8	2.9	3.8	4.0
RoCE (%)	3.8	1.8	6.1	6.6	6.5
Asset/T.O (x)	0.6	0.7	0.8	0.9	0.9
Net Debt/Equity (x)	2.0	1.9	1.7	1.7	1.6
EBIT/Interest (x)	1.1	0.5	1.6	2.0	2.1

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	16.1	11.4	15.9	15.7	15.3
EBIT Margin (%)	6.2	2.4	7.4	7.5	7.2
PAT Margin (%)	0.3	4.0	2.3	2.9	3.0

Source: Company Antique

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**Antique Stock Broking Limited**

ITI House
36, Dr. R.K. Shirodkar Marg
Parel (East), Mumbai 400012
Tel. : +91 22 6911 3300 / +91 22 6909 3600
www.antiquelimited.com

Jayshree Thakkar