

02 August 2024

India | Equity Research | Q1FY25 results review

Nuvoco Vistas Corporation

Cement

Little to cheer

Q1FY25 was an unexciting quarter for Nuvoco Vistas Corporation (Nuvoco) with EBITDA at INR 3.4bn (down 13% YoY/ 30% QoQ) being broadly in line with our expectation. While volumes slipped 4% QoQ (vs. our 3% drop estimate), realisations surprised being flat QoQ (vs. our expectation of a 2% drop). Factoring in the beat in realisations, we retain our FY25/FY26 earnings estimates. Though the stock's current valuation of ~7x FY26E EV/EBITDA appears attractive, we believe, it does not make for a compelling investment case given – 1) Nuvoco's loss of market share in east India; 2) sustained high leverage with odds of the company pursuing growth capex in the near term; and 3) low RoE. We maintain our **HOLD** rating with an unchanged TP of INR 345.

Unexciting quarter

Volumes continue to remain in the slow lane for Nuvoco, falling 4% YoY, being 100bps lower than our estimate. Realisation remained tepid, being flat QoQ/down 2.3% YoY. Revenue from its RMC business remained weak, falling 3% YoY/14% QoQ. While variable cost/t and staff cost inched up marginally, 'other expenses' disappointed, rising ~7% YoY (despite the volume drop) due to high maintenance cost. Overall, EBITDA/t, at INR 715, slipped ~9% YoY/23% QoQ. EBITDA margin, at 13%, stumbled 370bps QoQ/~100bps YoY. Nuvoco's net debt increased ~INR 3bn QoQ, owing to sequentially higher working capital requirement, though on a YoY-basis it reduced by ~INR 1.5bn.

Sticky concerns; maintain HOLD

Our concerns for Nuvoco appear sticky. These are: 1) Volume underperformance vis-à-vis the industry (implying loss of market share, mainly in east India). 2) Odds of sustained high leverage given the company's plan to pursue growth capex in the near term (net debt/EBITDA stood at ~2.5x in FY24). 3) Low RoE (2–5% range). 4) Our expectation of continued price volatility, which is likely to be an overhang on earnings estimates.

Factoring in these concerns, we continue to value Nuvoco at 8x FY26E EV/EBITDA. We maintain **HOLD** and our target price of INR 345.

Financial Summary

Y/E March (INR mn)	FY23A	FY24P	FY25E	FY26E
Net Revenue	1,05,862	1,07,329	1,11,645	1,20,389
EBITDA	12,104	16,237	17,914	19,998
EBITDA (%)	11.4	15.1	16.0	16.6
Net Profit	159	1,474	2,884	4,974
EPS (INR)	0.4	4.1	8.1	13.9
EPS % Chg YoY	(50.6)	-	95.7	72.4
P/E (x)	780.1	83.9	42.9	24.9
EV/EBITDA (x)	13.9	10.1	8.7	7.2
RoCE (%) (post-tax)	(3.5)	4.0	4.9	6.3
RoE (%)	0.2	1.7	3.2	5.2

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Market Data

Market Cap (INR)	124bn
Market Cap (USD)	1,477mn
Bloomberg Code	NUVOCO IN
Reuters Code	NUVO BO
52-week Range (INR)	399 /291
Free Float (%)	28.0
ADTV-3M (mn) (USD)	2.0

Price Performance (%)	3m	6m	12m
Absolute	2.3	(2.7)	(4.0)
Relative to Sensex	(7.6)	(17.0)	(27.2)

Earnings Revisions (%)	FY25E	FY26E
Revenue	-	-
EBITDA	-	-
EPS	-	-

Previous Reports

04-04-2024: [Q4FY24 results review](#)

31-01-2024: [Q3FY24 results review](#)

Conference call takeaways

Demand/volume:

- In Q1FY25, cement demand was muted due to Union and state elections, heat waves, labour shortages, and early monsoon in east India. As a result, industry demand grew 1–2% YoY.
- Nuvoco lost six production days in Apr'25 owing to SAP migration across the organisation. On adjusting for the production days loss, Nuvoco could have reported near flat YoY volume growth in Q1FY25.
- Going ahead, it aims to recoup the volume loss as the demand scenario potentially improves in H2FY25.
- In FY25, Nuvoco estimates volume growth in its core markets of Chhattisgarh, Bihar, Jharkhand and other markets such as Maharashtra and Madhya Pradesh. However, the company may witness growth challenges in West Bengal, owing to the state's overall demand slowdown.

Pricing:

- Currently, cement prices are trending weaker and improvement in the same is expected H2FY25 onwards.
- Nuvoco has started accounting incentive income based on realisation basis (vs. accrual-basis earlier) from Q1FY25.
- In Q1FY25, premium cement share stood at an all-time high of 40% (of trade volumes) vs. 38% QoQ.
- Trade share in Q1FY25 stood at 73% vs. 74% QoQ; while, cement-to-clinker (CC) ratio was 1.75x in Q1FY25 vs. 1.74x QoQ.

Cost:

- Nuvoco undertook annual maintenance shutdown of plants during Q1FY25, which resulted in higher operational costs in Q1FY25.
- In Q1FY25, fuel consumption cost stood at INR 1.57/'000kcal vs. INR 1.63/'000kcal QoQ and INR1.94/'000kcal YoY.
- The company aims to reduce the fuel consumption cost to INR 1.5/'000kcal on the back of: 1) optimal utilisation of WHR units; 2) coal despatches from Chhattisgarh, Maharashtra and West Bengal collieries (which is at INR 1.4–4.45/'000kcal); and 3) improving AFR usage to 16–17%, from 9% currently.
- Fuel mix in Q1FY25 were as – linkage coal at 23%, non-linkage coal at 18%, imported coal at ~1%, pet coke at ~49% and AFR share stood at ~9%.
- The company is on-track to deliver ~INR 50/t (from FY24 levels) cost savings under Project BRIDGE 2.0 in FY25.
- In Q1FY25, lead distance stood at 332kms (down 8kms QoQ). Road:Rail ratio stood at 60:40 in Q1FY25.

Capex:

- Nuvoco maintains its FY25 capex guidance at INR 3–4bn (including the residual capex of FY24) and has spent ~INR 1bn in Q1FY25.
- Annual maintenance capex is ~INR 2bn.
- The company shall announce fresh capacity expansion projects by FY25-end.
- Nuvoco shall prioritise Chittorgarh (Rajasthan) brownfield expansion at a capex of ~INR 7bn against tentative capacity of 2–2.5mtpa clinker line and split grinding units.
- Accordingly, FY26 capex guidance stands at INR 9–10bn.

Others:

- RMX volumes stood at 58k cu.mt in Q1FY25.
- Net debt stood at INR 43.58bn in Q1FY25 vs. INR 45.06bn in Q1FY24 and INR 40.3bn in Q4FY24.

Exhibit 1: Q1FY25 result review – consolidated

(INR mn)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Q1FY25E	Variance
Volume Sales (mt)	4.80	5.00	(4.0)	5.30	(9.4)	4.85	(1.0)
Cement realisations (INR/t)	5,008	5,127	(2.3)	5,014	(0.1)	4,914	1.9
Net Sales	26,365	28,055	(6.0)	29,334	(10.1)	26,496	(0.5)
Raw Materials	5,249	4,544	15.5	5,863	(10.5)	5,364	(2.2)
Personnel Cost	1,762	1,736	1.5	1,614	9.2	1,858	(5.2)
Power fuel costs	5,148	6,223	(17.3)	5,312	(3.1)	5,005	2.9
Freight	7,104	8,189	(13.3)	8,049	(11.8)	7,367	(3.6)
Other Expenses	3,670	3,438	6.7	3,588	2.3	3,372	8.8
Total Expenses	22,931	24,130	(5.0)	24,426	(6.1)	22,966	(0.2)
EBITDA	3,434	3,925	(12.5)	4,908	(30.0)	3,530	(2.7)
EBITDA / t (INR)	715	785	(8.9)	926	(22.8)	728	(1.7)
Interest	1,266	1,346	(6.0)	1,249	1.4	1,259	0.6
Depreciation	2,162	2,437	(11.3)	2,181	(0.9)	2,186	(1.1)
Other Income	45	95	(52.3)	72	(37.0)	77	(41.1)
Recurring pre-tax income	51	237	(78.5)	1,550	(96.7)	162	(68.6)
Extraordinary inc/(exp)	-	-	NA	-	NA	-	NA
Taxation	23	93	(75.7)	547	(95.9)	41	(45.6)
Reported Net Income	28	145	(80.4)	1,004	(97.2)	121	(76.5)
Recurring Net Income	28	145	(80.4)	1,004	(97.2)	121	(76.5)
Ratios (%)							
EBITDA margins	13.0	14.0		16.7		13.3	
Net profit margins	0.1	0.5		3.4		0.5	

Source: I-Sec research, Company data

Exhibit 2: Historical quarterly analysis – Per tonne basis

(INR/t)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Blended realisations	5,493	5,611	-2.1%	5,535	-0.8%
Raw materials	1,093	909	20.3%	1,106	-1.2%
Power & fuel costs	1,072	1,245	-13.8%	1,002	7.0%
Outward freight	1,480	1,638	-9.6%	1,519	-2.6%
Staff costs	367	347	5.7%	305	20.5%
Other expenditure	764	688	11.2%	677	12.9%
Total cost	4,777	4,826	-1.0%	4,609	3.7%
EBITDA-blended	715	785	-8.9%	926	-22.8%

Source: I-Sec research, Company data

Exhibit 3: Performance trend and assumptions

	FY21	FY22	FY23	FY24	FY25E	FY26E
Capacity (mtpa)	22.3	23.8	23.8	25.0	25.0	25.0
Production (mt)	16.0	17.8	18.8	18.8	19.6	20.7
Capacity utilisation (%)	72	75	79	75	78	83
Volume (mt)	16.0	17.8	18.8	18.8	19.6	20.7
Growth (%)		11.5	5.4	0.1	4.2	6.0
Realisation Blended (INR/t)	4,689	5,235	5,640	5,714	5,705	5,803
Growth (%)		11.6	7.7	1.3	-0.2	1.7

Source: I-Sec research, Company data

Exhibit 4: Per-Tonne Estimates

(INR/t)	FY21	FY22	FY23	FY24	FY25E	FY26E
Blended realisation	4,689	5,235	5,640	5,714	5,705	5,803
YoY change (%)		11.6	7.7	1.3	-0.2	1.7
Raw material consumed	756	773	951	1,040	1,106	1,106
Power and fuel	849	1,182	1,488	1,139	1,042	1,058
Employee expenses	302	326	323	363	376	383
Freight and forwarding	1,271	1,421	1,508	1,559	1,527	1,557
Other Expenses	597	692	732	748	738	735
Total Operating Expenses	3,775	4,394	5,002	4,850	4,789	4,839
YoY change (%)		16.4	13.8	-3.0	-1.3	1.0
EBITDA	915	841	638	865	915	964
YoY change (%)		-8.1	-24.1	35.5	5.9	5.3

Source: I-Sec research, Company data

Exhibit 5: Valuations based on 8x Mar'26E EV/E

Particulars	FY26E
Target EV/ EBITDA multiple (x)	8.0
Target EV (INR mn)	1,59,986
Net debt / (cash) (INR mn)	36,811
Target value (INR mn)	1,23,175
No. of shares (mn)	357
Target price per share (INR)	345

Source: I-Sec research, Company data

Key risks: Sharp uptick in cement prices and/or a major decline in fuel cost are key upside earnings risk.

Sharp fall in cement prices and/or major surge in fuel prices are key downside risks.

Exhibit 6: Earnings revision

(INR mn)	FY25E			FY26E		
	Revised	Earlier	% chg	Revised	Earlier	% chg
Revenues	1,11,645	1,11,645	-	1,20,389	1,20,389	-
EBITDA	17,914	17,914	-	19,998	19,998	-
PAT	2,884	2,884	-	4,974	4,974	-

Source: I-Sec research, Company data

Exhibit 7: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	71.8	72.0	72.0
Institutional investors	23.0	22.0	21.9
MFs and others	15.2	14.5	14.6
FIs/Banks	0.0	0.0	0.0
Insurance	1.3	0.5	0.3
FIIIs	6.5	7.0	7.0
Others	5.2	6.0	6.1

Source: Bloomberg

Exhibit 8: Price chart



Source: Bloomberg

Financial Summary (consolidated)

Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24P	FY25E	FY26E
Net Sales	1,05,862	1,07,329	1,11,645	1,20,389
Operating Expenses	75,901	71,555	72,085	77,446
EBITDA	12,104	16,237	17,914	19,998
EBITDA Margin (%)	11.4	15.1	16.0	16.6
Depreciation & Amortization	9,511	9,186	9,564	9,763
EBIT	2,593	7,051	8,351	10,235
Interest expenditure	5,119	5,326	4,784	4,424
Other Non-operating Income	132	335	305	866
Recurring PBT	(2,394)	2,060	3,872	6,676
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	(6,611)	586	987	1,702
PAT	4,217	1,474	2,884	4,974
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	159	1,474	2,884	4,974
Net Income (Adjusted)	159	1,474	2,884	4,974

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY23A	FY24P	FY25E	FY26E
Total Current Assets	25,238	24,813	31,327	40,654
of which cash & cash eqv.	2,032	1,071	6,559	15,080
Total Current Liabilities & Provisions	39,757	39,521	39,588	40,177
Net Current Assets	(14,519)	(14,708)	(8,260)	477
Investments	1	1	1	1
Net Fixed Assets	97,243	95,056	88,993	82,730
ROU Assets	-	-	-	-
Capital Work-in-Progress	5,941	4,751	4,251	3,751
Total Intangible Assets	52,394	52,394	52,394	52,394
Other assets	9,046	9,046	9,046	9,046
Deferred Tax assets	-	-	-	-
Total Assets	1,50,120	1,46,554	1,46,439	1,48,413
Liabilities				
Borrowings	46,177	41,370	38,370	35,370
Deferred Tax Liability	11,899	11,899	11,899	11,899
provisions	1,822	1,822	1,822	1,822
other Liabilities	1,832	1,832	1,832	1,832
Equity Share Capital	3,572	3,572	3,572	3,572
Reserves & Surplus	84,818	86,060	88,944	93,918
Total Net Worth	88,390	89,631	92,516	97,490
Minority Interest	-	-	-	-
Total Liabilities	1,50,120	1,46,554	1,46,439	1,48,413

Source Company data, I-Sec research

Exhibit 11: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	25,730	24,210	29,334	26,365
% growth (YoY)	7.2	-7.0	0.2	-6.0
EBITDA	3,300	4,104	4,908	3,434
Margin %	12.8	17.0	16.7	13.0
Other Income	60	109	72	45
Extraordinaries	-	-	-	-
Adjusted Net Profit	15	310	1,004	28

Source Company data, I-Sec research, Consolidated nos.

Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24P	FY25E	FY26E
Operating Cashflow	12,499	16,572	18,220	20,864
Working Capital Changes	4,777	883	(959)	(216)
Capital Commitments	(4,863)	(5,810)	(3,000)	(3,000)
Free Cashflow	21,977	22,680	19,273	21,945
Other investing cashflow	2,260	-	-	-
Cashflow from Investing Activities	(2,604)	(5,810)	(3,000)	(3,000)
Issue of Share Capital	-	-	-	-
Interest Cost	(5,891)	(5,326)	(4,784)	(4,424)
Inc (Dec) in Borrowings	(7,726)	(4,807)	(3,000)	(3,000)
Dividend paid	-	-	-	-
Others	-	-	-	-
Cash flow from Financing Activities	(13,617)	(10,133)	(7,784)	(7,424)
Chg. in Cash & Bank balance	894	927	5,488	8,521
Closing cash & balance	1,927	2,854	8,343	16,863

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY23A	FY24P	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	0.4	4.1	8.1	13.9
Adjusted EPS (Diluted)	0.4	4.1	8.1	13.9
Cash EPS	27.1	29.8	34.9	41.3
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	247.5	251.0	259.0	273.0
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	13.6	1.4	4.0	7.8
EBITDA	(19.1)	34.1	10.3	11.6
EPS (INR)	(50.6)	-	95.7	72.4
Valuation Ratios (x)				
P/E	780.1	83.9	42.9	24.9
P/CEPS	12.8	11.6	9.9	8.4
P/BV	1.4	1.4	1.3	1.3
EV / EBITDA	13.9	10.1	8.7	7.2
EV / t (USD)	96.5	80.9	74.8	69.3
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	83.1	81.8	80.6	80.9
EBITDA Margins (%)	11.4	15.1	16.0	16.6
Effective Tax Rate (%)	276.1	28.4	25.5	25.5
Net Profit Margins (%)	4.0	1.4	2.6	4.1
NWC / Total Assets (%)	(9.7)	(10.0)	(5.6)	0.3
Net Debt / Equity (x)	0.5	0.4	0.3	0.2
Net Debt / EBITDA (x)	3.6	2.5	1.8	1.0
Profitability Ratios				
RoCE (%) (Post Tax)	(3.5)	4.0	4.9	6.3
RoE (%)	0.2	1.7	3.2	5.2
RoIC (%)	(3.5)	4.0	5.1	6.8
Fixed Asset Turnover (x)	1.1	1.1	1.2	1.4
Inventory Turnover Days	52	52	50	49
Receivables Days	20	20	20	20
Payables Days	71	88	85	81

Source Company data, I-Sec research

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