

25 October 2024

India | Equity Research | Q2FY25 results review

Nuvoco Vistas Corporation

Cement

Ambling along

A casualty of the weak sectoral trend, Q2FY25 was yet another unexciting quarter for Nuvoco Vistas Corporation (Nuvoco). As the company continued to prioritise 'value over volume', its sales quantity slipped 6% YoY, being the second consecutive quarter of volume decline. With realisation coming off 2.6% QoQ and little respite from costs, EBITDA plunged 34% YoY, being 5% below expectation. Calibrating for H1FY25's performance and the underlying competitive intensity, we chop our FY25E EBITDA by 20%. But given the low base of FY25 and odds of demand/price recovery going ahead, we keep FY26E largely unchanged. While our concerns – 1) market share loss in east India; 2) high leverage; and 3) low RoE – are sticky, they appear largely factored-in at the stock's current valuations of 7.5x FY26E EV/EBITDA. Maintain **HOLD**; TP revised to INR 329 (INR 345 earlier; valued at 8x FY26E EV/EBITDA).

Volume pangs continue

Nuvoco's volumes remain in the slow lane, even falling 6% YoY versus our estimate of overall industry growth being flattish. Tracking the low demand, realisation too remained tepid, falling 2.6% QoQ/7% YoY. Revenue from its RMC business remained weak, slipping 3% YoY/7.6% QoQ. While variable cost/t inched up ~1% QoQ, Nuvoco held a tight leash on fixed cost. Staff cost eased 4% YoY/6% QoQ while 'other expenses' fell 11% YoY/7% QoQ. Overall, EBITDA/t. at INR 521, dipped 30% YoY/27% QoQ – being 2% below estimates. EBITDA margins, at 10%, stumbled >300bps, both on a QoQ and YoY-basis. Net debt swelled by INR 1.4bn QoQ owing to higher working capital requirement; albeit on a YoY-basis, it reduced by INR 2.3bn.

Concerns priced-in; maintain HOLD

Calibrating for H1FY25's performance and our expectation of competitive intensity persisting, we chop our FY25E EBITDA by 20%. However, factoring in recovery in demand/prices and also the benefit of a low base, we keep our FY26E EBITDA largely unchanged. Our concerns for Nuvoco, essentially loss of market share in east India, sustained high leverage (net debt/EBITDA stood at ~2.5x in FY24) and low RoE, appear sticky. However, its current valuation of 7.5x FY26E EV/EBITDA and the stock's underperformance (vis-à-vis the sector as well as broader markets) suggest that these are largely priced-in. Hence, we continue to maintain **HOLD** with a revised target price of INR 329 (INR 345 earlier – being valued at 8x FY26E EV/EBITDA).

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	1,05,862	1,07,329	1,04,788	1,17,401
EBITDA	12,104	16,237	14,376	19,589
EBITDA (%)	11.4	15.1	13.7	16.7
Net Profit	159	1,474	576	4,967
EPS (INR)	0.4	4.1	1.6	13.9
EPS % Chg YoY	(50.6)	-	(60.9)	762.4
P/E (x)	770.3	82.9	212.1	24.6
EV/EBITDA (x)	13.7	10.0	11.0	7.5
RoCE (%) (post-tax)	(3.5)	4.0	3.4	6.4
RoE (%)	0.2	1.7	0.6	5.4

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Market Data

Market Cap (INR)	122bn
Market Cap (USD)	1,453mn
Bloomberg Code	NUVOCO IN
Reuters Code	NUVO BO
52-week Range (INR)	399 /291
Free Float (%)	28.0
ADTV-3M (mn) (USD)	2.5

Price Performance (%)	3m	6m	12m
Absolute	(0.9)	(1.7)	(2.6)
Relative to Sensex	(0.8)	(10.1)	(26.6)

ESG Score	2022	2023	Change
ESG score	-	66.6	-
Environment	-	49.3	-
Social	-	70.1	-
Governance	-	76.9	-

Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
Revenue	(6.1)	(2.5)
EBITDA	(19.8)	(2.0)
EPS	(80.0)	(0.1)

Previous Reports

02-08-2024: [Q1FY25 results review](#)

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

Conference call takeaways

Demand/volume:

- Combination of delay in government project-spending and prolonged and intense monsoon resulted in tepid volumes (down ~6% YoY) in Q2FY25 for the company.
- Volume growth was down ~5% YoY in H1FY25; the company expects demand to pick-up mid-Nov'24 onwards (post festive holidays), which should aid Nuvoco to report ~4% YoY growth for full-year FY25.

Pricing:

- Cement prices in Oct'24–TD, are broadly flat vs. Sep'24 exit levels.
- In Q2FY25, pan-India average cement prices dipped ~4% sequentially; on a regional basis, prices slipped 3%/5% QoQ in north/east India.
- Nuvoco (2.6% QoQ drop) managed to outperform the industry on realisation, led by focus on premiumisation and geo-optimisation.
- In Q2FY25, premium cement share stood at a multi-year high of 43% (of trade volumes) vs. 40% QoQ.
- Trade share, in Q2FY25, stood at 71% vs. 73% QoQ; cement-to-clinker (CC) ratio was 1.75x in Q2FY25 vs. flat QoQ.

Cost:

- In Q2FY25, fuel consumption cost (lowest since 12 preceding quarters) stood at INR 1.54/'000kcal vs. INR 1.57/'000kcal QoQ and INR1.74/'000kcal YoY.
- Power & Fuel cost/t reduced QoQ due to efficient sourcing, optimisation of fuel and power mix coupled with a decline in petcoke and coal costs.
- Nuvoco achieved operational cost reduction of INR 50/t in Q2FY25 (under Project Bridge 2.0) and aims to achieve INR 75/t by FY25-end on the back of cost savings emanating from Sonadih railway siding and grid integration project in Chhattisgarh (enabling savings in power cost).
- In Q2FY25, lead distance stood at 330kms (down 2kms QoQ). Road:Rail ratio stood at 60:40 in Q2FY25.

Capex:

- Nuvoco maintains its FY25 capex guidance at INR 3–4bn (including residual capex from FY24) and has spent ~INR 2.2bn in H1FY25; it also maintains FY26 capex guidance at INR 9–10bn.
- Odisha railway siding project is expected to be commission by Q4FY25.
- The company shall announce fresh capacity expansion projects by FY25-end, or in early FY26. It estimates a lead time of 18 months between project announcement to completion.

Others:

- Net debt stood at INR 45bn, as on Sep'24-end – down INR 2.33bn YoY, but up INR 1.43bn QoQ.
- As per Nuvoco, the company is comfortably meeting all the debt covenants and is on-course to reduce its net debt levels to INR 37–40bn by Mar'25-end.

Exhibit 1: Q2FY25 result review – consolidated

(INR mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Q2FY25E	Variance
Volume Sales (mt)	4.20	4.46	(5.9)	4.80	(12.5)	4.33	(3.0)
Cement realisations (INR/t)	4,878	5,264	(7.3)	5,008	(2.6)	4,907	(0.6)
Net Sales	22,686	25,730	(11.8)	26,365	(14.0)	23,694	(4.3)
Raw Materials	4,708	4,702	0.1	5,249	(10.3)	4,733	(0.5)
Personnel Cost	1,655	1,725	(4.1)	1,762	(6.1)	1,760	(5.9)
Power fuel costs	4,527	5,372	(15.7)	5,148	(12.1)	4,642	(2.5)
Freight	6,198	6,818	(9.1)	7,104	(12.7)	6,405	(3.2)
Other Expenses	3,410	3,812	(10.5)	3,670	(7.1)	3,851	(11.4)
Total Expenses	20,498	22,430	(8.6)	22,931	(10.6)	21,390	(4.2)
EBITDA	2,188	3,300	(33.7)	3,434	(36.3)	2,304	(5.0)
EBITDA / t (INR)	521	739	(29.6)	715	(27.2)	532	(2.1)
Interest	1,315	1,399	(6.0)	1,266	3.9	1,271	3.5
Depreciation	2,153	2,256	(4.6)	2,162	(0.4)	2,167	(0.7)
Other Income	104	60	75.3	45	130.8	50	107.8
Recurring pre-tax income	(1,176)	(296)	NA	51	NM	(1,084)	8.5
Extraordinary inc/(exp)	-	-	NA	-	NA	-	NA
Taxation	(325)	(311)	NA	23	NM	(276)	17.5
Reported Net Income	(852)	15	NA	28	NM	(808)	5.5
Recurring Net Income	(852)	15	NA	28	NM	(808)	5.5
Ratios (%)							
EBITDA margins	9.6	12.8		13.0		9.7	
Net profit margins	(3.8)	0.1		0.1		(3.4)	

Source: I-Sec research, Company data

Exhibit 2: Historical quarterly analysis – Per tonne basis

(INR/t)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Blended realisations	5,401	5,766	-6.3%	4.8	-1.7%
Raw materials	1,121	1,054	6.4%	5,493	2.5%
Power & fuel costs	1,078	1,204	-10.5%	1,093	0.5%
Outward freight	1,476	1,528	-3.4%	1,072	-0.3%
Staff costs	394	387	1.9%	1,480	7.4%
Other expenditure	812	854	-5.0%	367	6.2%
Total cost	4,881	5,027	-2.9%	764	2.2%
EBITDA-blended	521	739	-29.6%	4,777	-27.2%

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	18.9	20.4
Capacity utilisation (%)	71.6	74.7	78.8	75.1	75.7	81.6
Volume (mt)	16.0	17.8	18.8	18.8	18.9	20.4
Growth (%)		11.5	5.4	0.1	0.9	7.7
Realisation Blended (INR/t)	4,689	5,235	5,640	5,714	5,531	5,754
Growth (%)		11.6	7.7	1.3	-3.2	4.0

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	5,531	5,754
YoY change (%)		11.6	7.7	1.3	-3.2	4.0
Raw material consumed	756	773	951	1,040	1,100	1,093
Power and fuel	849	1,182	1,488	1,139	1,074	1,089
Employee expenses	302	326	323	363	358	349
Freight and forwarding	1,271	1,421	1,508	1,559	1,487	1,518
Other Expenses	597	692	732	748	754	745
Total Operating Expenses	3,775	4,394	5,002	4,850	4,772	4,794
YoY change (%)		16.4	13.8	-3.0	-1.6	0.5
EBITDA	915	841	638	865	759	960
YoY change (%)		-8.1	-24.1	35.5	-12.2	26.5

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)	1,56,711
Net debt / (cash) (INR mn)	39,358
Target value (INR mn)	1,17,353
No. of shares (mn)	357
Target price per share (INR)	329

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	1,04,788	1,11,645	(6.1)	1,17,401	1,20,389	(2.5)
EBITDA	14,376	17,914	(19.8)	19,589	19,998	(2.0)
PAT	576	2,884	(80.0)	4,967	4,974	(0.1)

Source: I-Sec research, Company data

Exhibit 7: Shareholding pattern

%	Mar'24	Jun'24	Sep'24
Promoters	72.0	72.0	72.0
Institutional investors	22.0	21.9	22.1
MFs and others	14.5	14.6	17.1
FIs/Banks	0.0	0.0	1.5
Insurance	0.5	0.3	0.3
FIIIs	7.0	7.0	3.2
Others	6.0	6.1	5.9

Source: Bloomberg

Exhibit 8: Price chart



Source: Bloomberg

Financial Summary (consolidated)

Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	1,05,862	1,07,329	1,04,788	1,17,401
Operating Expenses	75,901	71,555	69,580	75,500
EBITDA	12,104	16,237	14,376	19,589
EBITDA Margin (%)	11.4	15.1	13.7	16.7
Depreciation & Amortization	9,511	9,186	8,725	9,078
EBIT	2,593	7,051	5,651	10,511
Interest expenditure	5,119	5,326	5,183	4,424
Other Non-operating Income	132	335	305	581
Recurring PBT	(2,394)	2,060	773	6,668
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	(6,611)	586	197	1,700
PAT	4,217	1,474	576	4,967
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	159	1,474	576	4,967
Net Income (Adjusted)	159	1,474	576	4,967

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	25,238	24,813	27,836	36,307
of which cash & cash eqv.	2,032	1,071	3,012	11,303
Total Current Liabilities & Provisions	39,757	39,521	39,244	39,670
Net Current Assets	(14,519)	(14,708)	(11,408)	(3,362)
Investments	1	1	1	1
Net Fixed Assets	97,243	95,056	89,832	84,254
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	1,44,130	1,46,098
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	86,636	91,603
Total Net Worth	88,390	89,631	90,207	95,175
Minority Interest	-	-	-	-
Total Liabilities	1,50,120	1,46,554	1,44,130	1,46,098

Source Company data, I-Sec research

Exhibit 11: Quarterly trend

(INR mn, year ending March)

	Dec-23	Mar-24	Jun-24	Sep-24
Net Sales	24,210	29,334	26,365	22,686
% growth (YoY)	-7.0	0.2	-6.0	-11.8
EBITDA	4,104	4,908	3,434	2,188
Margin %	17.0	16.7	13.0	9.6
Other Income	109	72	45	104
Extraordinaries	-	-	-	-
Adjusted Net Profit	310	1,004	28	-852

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

Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	12,499	16,572	14,681	20,170
Working Capital Changes	4,777	883	(1,359)	245
Capital Commitments	(4,863)	(5,810)	(3,000)	(3,000)
Free Cashflow	21,977	22,680	16,125	21,715
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)	(5,183)	(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)	(8,183)	(7,424)
Chg. in Cash & Bank balance	894	927	1,941	8,291
Closing cash & balance	1,927	2,854	4,796	13,086

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	0.4	4.1	1.6	13.9
Adjusted EPS (Diluted)	0.4	4.1	1.6	13.9
Cash EPS	27.1	29.8	26.0	39.3
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	247.5	251.0	252.6	266.5
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	13.6	1.4	(2.4)	12.0
EBITDA	(19.1)	34.1	(11.5)	36.3
EPS (INR)	(50.6)	-	(60.9)	762.4
Valuation Ratios (x)				
P/E	770.3	82.9	212.1	24.6
P/CEPS	12.6	11.5	13.1	8.7
P/BV	1.4	1.4	1.4	1.3
EV / EBITDA	13.7	10.0	11.0	7.5
EV / te (USD)	95.6	80.2	75.9	70.4
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	83.1	81.8	80.1	81.0
EBITDA Margins (%)	11.4	15.1	13.7	16.7
Effective Tax Rate (%)	276.1	28.4	25.5	25.5
Net Profit Margins (%)	4.0	1.4	0.5	4.2
NWC / Total Assets (%)	(9.7)	(10.0)	(7.9)	(2.3)
Net Debt / Equity (x)	0.5	0.4	0.4	0.3
Net Debt / EBITDA (x)	3.6	2.5	2.5	1.2
Profitability Ratios				
RoCE (%) (Post Tax)	(3.5)	4.0	3.4	6.4
RoE (%)	0.2	1.7	0.6	5.4
RoC (%)	(3.5)	4.0	3.5	6.8
Fixed Asset Turnover (x)	1.1	1.1	1.1	1.3
Inventory Turnover Days	52	52	51	49
Receivables Days	20	20	22	20
Payables Days	71	88	88	81

Source Company data, I-Sec research

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