

# Nuvoco Vistas Corp (NUVOCO)

Cement | Plant Visit Update

**BUY**

**CMP: Rs361 | Target Price (TP): Rs425 | Upside: 18%**

**December 17, 2024**

## Adoption of best practices and operational efficiency will keep the company in good stead

### Key Points

- We recently visited the Nuvoco Vistas plant in Chittorgarh, Rajasthan. We also interacted with the management to learn about the current business environment in the cement sector and get information on the company's activities.
- The following are the important takeaways:
  - We visited the integrated unit in Chittorgarh, Rajasthan, with a capacity of 2.6 MTPA and 2 MTPA of clinker. The company has 2 plants in Rajasthan, in Nimbol (2.3 MTPA) and Chittorgarh (2.6 MTPA).
  - The Clinker unit has ample limestone deposits that could last 50 years.
  - The integrated cement facility includes limestone grinding rollers, storage containers, clinker and cement grinding rollers, kiln, large transitory pipes, storage for pet coke, coal, gypsum, and fly ash, power unit, and 3 packaging machines for all cement types. Finally, cement bags were loaded into trucks manually and automatically.
- **Views and Valuation:** Nuvoco plans to optimise its domestic presence, expand its regional reach, and increase revenue through product premiumization, as well as focus on many cost-cutting efforts. Government spending on infrastructure and an increase in housing demand are expected to boost the company's performance. The company is trading at 6.6x FY26E EV/EBITDA, which is lower than the 4-yr. average of 10.4x (post listing in August 23, 2021). We retain our "BUY" recommendation, valuing the business at 8x September FY26E EV/EBITDA with a revised target price (TP) of Rs 425.
- **Key risks to our assumptions:**
  - Downside risks include delayed net debt to EBITDA ratio improvement to 2.5x and strong debt-funded growth plans.
  - Upward risks include continued cash accrual growth, operational efficiency, synergies, and debt reduction, leading in net debt to EBITDA below 1.5x.

Est Change	No Change
TP Change	No Change
Rating Change	No Change

### Company Data and Valuation Summary

Reuters:	NUVO.BO
Bloomberg:	NUVOCO IN Equity
Mkt Cap (Rsbn/US\$bn):	129.1 / 1.5
52 Wk H / L (Rs):	398 / 291
ADTV-3M (mn) (Rs/US\$):	133.3 / 1.6
Stock performance (%) 1M/6M/1yr:	7.9 / (1.2) / (3.0)
Nifty 50 performance (%) 1M/6M/1yr:	2.2 / (3.0) / 15.0

Shareholding	3QFY24	4QFY24	1QFY25
Promoters	71.8	72.0	72.0
DIIs	20.0	18.6	18.5
FIIIs	3.1	3.4	3.5
Others	5.2	6.0	6.0
Pro pledge	0.0	0.0	0.0

### Financial and Valuation Summary

Particulars (Rsmn)	FY24E	FY25E	FY26E	FY27E
Net Sales	1,07,329	1,12,384	1,19,315	1,35,257
Growth YoY%	1.4	4.7	6.2	13.4
EBITDA	16,237	16,678	22,106	22,328
EBITDA margin %	15.1	14.8	18.5	16.5
Adj PAT	1,474	2,617	5,129	5,244
Growth YoY%	830.4	77.6	96.0	2.2
Adj EPS	4.1	7.3	14.4	14.7
RoE	1.7	2.9	5.4	5.2
EV/EBITDA	10.1	9.4	6.6	6.1
EV/mt (\$)	75.8	72.0	67.1	62.6
P/E(x)	82.9	46.7	23.8	23.3

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

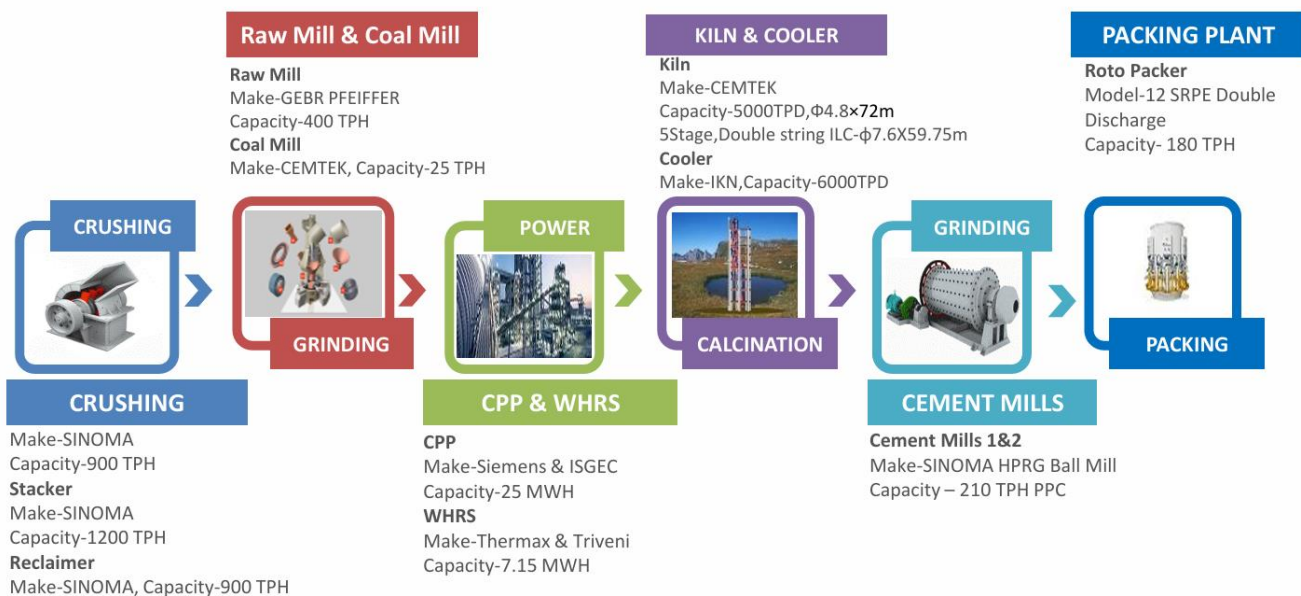
**Key Links:** [2QFY25 Result](#)

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

## Plant Details

Clinker & Grinding	Packing	CPP
<ul style="list-style-type: none"> <li>❖ Crusher Rotor</li> <li>❖ Kiln 01</li> <li>❖ PH (with Calcliner)</li> <li>❖ Cooler IKN 01</li> <li>❖ Roller Press 04</li> <li>❖ Ball Mill 02</li> <li>❖ Vertical Roller mill 01</li> <li>❖ Wagon tippler 01</li> <li>❖ Coal Mill 01</li> <li>❖ HAG</li> </ul>	<ul style="list-style-type: none"> <li>❖ Packer 05</li> <li>❖ Wagon loading platform</li> <li>❖ Wagon-loading machines</li> <li>❖ Truck loading machines</li> <li>❖ Railway track lines 05 km</li> </ul>	<ul style="list-style-type: none"> <li>❖ Installed Capacity – 25 MW</li> </ul> <p><b>WHRS</b></p> <ul style="list-style-type: none"> <li>❖ Installed capacity – 7 MW</li> </ul>

## Process Flow Diagram



### Plant Visit Highlights:

- The company has a limestone storage facility of approximately 20,000 tonnes. Furthermore, because coal is not readily available, kilns mostly use Petcoke.
- Gypsum and fly ash are stored separately and combined with clinker to make cement. As a result, cements such as OPC and PPC are created. The majority of the company's products were manufactured at its plant.
- At this factory, around 60 power units produce one tonne of cement.

### Other Highlights:

- Nuvoco, a Nirma Group firm, began its cement business in 2014 with a green field project in Rajasthan. It expanded inorganically by acquiring Lafarge's assets in 2016 and Emami in 2020. Going forward, it has intentions to grow organically by establishing plants in the north, east, and south
- In FY24, the company has 25MTPA of installed capacity and a decent presence in the North. The company contributes around ~71% to the trade segment, with the remaining ~29% coming from non-trade. The trade segment has a higher realization, which increases profitability. Premium products account for ~43% of trade sales.

- The Chittorgarh plant utilization rate is ~70%, and its cement-to-clinker ratio is 1.45-1.5x, which is at par with India average of 1.4-1.5x.
- The plant has a long-term arrangement with state power companies for fly ash as a hedge. Despite significant increases in fly ash prices in 2022, the company's long-term contract remained unaffected.
- The fuel mix for Nuvoco is ~78% pet coke, ~2% coal, and ~20% alternate fuel (AFR).
- In FY24, the company saved ~Rs 30/ton through Project Bridge 1.0 and aims to save ~Rs 50/ton in FY25 with Project Bridge 2.0. This program focuses on improving efficiency by optimizing material and power prices, reducing distribution costs, and increasing production.
- It competes with top cement manufacturing businesses such as Ultratech, Shree Cement, JK Cement, ACC, and Ambuja in the North region.

## Navigating Strengths while working on weaknesses

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>○ NVCL operates an integrated plant in Chittorgarh, a split blending unit in Haryana, and an integrated unit in Nimbol, Rajasthan. These units will benefit from synergies, such as the rationalization of the marketing network and cost reductions due to increased operational scale.</li> <li>○ NVCL's units include limestone mines, clinker capacity, captive power plants, and waste heat recovery systems. Duraguard, Double Bull, Concreto, and Infracem brands, and an extensive network of distributors and sub-dealers, help maintain the company's established market position.</li> <li>○ Despite declining profitability during FY24 due to rising input costs for power and fuel, operational efficiency has remained high at around 78%, driven by synergies with brand positioning and increased captive power capabilities.</li> <li>○ However, the company's Return on Capital Employed (RoCE) has remained low in the past, owing primarily to big acquisitions that resulted in the recognition of intangible assets. Due to strong profitability, this will likely improve steadily over the medium term.</li> </ul>	<ul style="list-style-type: none"> <li>○ In fiscal 2025, the company expects to enhance its financial risk profile by reducing net debt to EBITDA to less than 3.0 times due to improved operating performance and no significant capital commitments. Using cash accrual to reduce debt should improve the debt protection indicators.</li> <li>○ The company planned to invest over Rs 25bn in brownfield projects. However, the scope was lowered to Rs 19bn, and the project was postponed due to lower-than-expected financial accruals. The management has stated that the project will resume provided cash accruals improve and net debt comes in the comfortable range of Rs35bn-Rs40bn</li> <li>○ The cement business is prone to cyclicity and fluctuations in input costs. Capacity addition in the cement industry is intermittent due to the long gestation period required to establish a facility and the large number of companies adding capacity during the cycle's peak. Historically, this resulted in unfavourable price cycles for the sector. Furthermore, profitability remains vulnerable to fluctuations in input prices such as raw materials, power, fuel, and goods. Demand, supply, off-take, and regional considerations all impact realizations and profitability.</li> </ul>

## Exhibit 1: 2QFY25 consolidated performance

Particulars (Rsmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E	FY24	FY25E
<b>Net Sales</b>	<b>28,055</b>	<b>25,730</b>	<b>24,210</b>	<b>29,334</b>	<b>25,855</b>	<b>22,686</b>	<b>28,488</b>	<b>34,846</b>	<b>1,07,329</b>	<b>1,12,384</b>
YoY Change (%)	5.8%	7.2%	-7.0%	0.2%	-6.0%	-11.8%	17.7%	18.8%	1.4%	4.7%
<b>Expenditure</b>										
Chg. in stock	(438)	184	159	763	(132)	(110)	372	455	667	584
RM consumption	4,870	4,410	3,703	4,431	4,818	4,152	3,969	4,855	17,414	17,795
Purchase of traded goods	112	108	566	670	563	666	124	152	1,456	1,505
Employee cost	1,736	1,725	1,742	1,614	1,762	1,655	1,576	1,907	6,818	6,900
Freight Costs	8,189	6,818	6,229	8,049	7,104	6,198	6,983	7,724	29,285	28,009
Power and fuel	6,223	5,372	4,494	5,312	5,148	4,527	7,550	9,138	21,402	26,362
Other exp	3,438	3,812	3,213	3,588	3,670	3,410	3,261	4,210	14,050	14,551
<b>Total Operating Expenses</b>	<b>24,130</b>	<b>22,430</b>	<b>20,106</b>	<b>24,426</b>	<b>22,931</b>	<b>20,498</b>	<b>23,836</b>	<b>28,441</b>	<b>91,092</b>	<b>95,706</b>
<b>EBITDA</b>	<b>3,925</b>	<b>3,300</b>	<b>4,104</b>	<b>4,908</b>	<b>2,924</b>	<b>2,188</b>	<b>4,652</b>	<b>6,405</b>	<b>16,237</b>	<b>16,678</b>
YoY Change (%)	8.8%	71.8%	53.0%	29.0%	-12.5%	-33.7%	13.3%	30.5%	35.1%	2.7%
Margin (%)	14.0%	12.8%	17.0%	16.7%	11.3%	9.6%	16.3%	18.4%	15.1%	14.8%
Depreciation	2,437	2,256	2,313	2,181	2,162	2,153	2,450	2,450	9,186	9,215
Interest	1,346	1,399	1,332	1,249	1,266	1,315	1,117	1,117	5,326	4,815
Other income	95	60	109	72	45	104	109	109	335	367
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
<b>PBT (bei)</b>	<b>237</b>	<b>(296)</b>	<b>568</b>	<b>1,550</b>	<b>(458)</b>	<b>(1,176)</b>	<b>1,194</b>	<b>2,947</b>	<b>2,059</b>	<b>3,015</b>
<b>PBT</b>	<b>237</b>	<b>(296)</b>	<b>568</b>	<b>1,550</b>	<b>(458)</b>	<b>(1,176)</b>	<b>1,194</b>	<b>2,947</b>	<b>(6,453)</b>	<b>3,015</b>
Tax	93	(311)	258	547	23	(325)	202	498	(6,611)	398
<b>ETR (%)</b>	<b>39.0%</b>	<b>105.2%</b>	<b>45.4%</b>	<b>35.3%</b>	<b>-4.9%</b>	<b>27.6%</b>	<b>16.9%</b>	<b>16.9%</b>	<b>102.5%</b>	<b>13.2%</b>
Reported PAT	145	15	310	1,004	(481)	(852)	992	2,449	158	2,617
<b>Adj. PAT</b>	<b>145</b>	<b>15</b>	<b>310</b>	<b>1,004</b>	<b>(481)</b>	<b>(852)</b>	<b>992</b>	<b>2,449</b>	<b>1,474</b>	<b>2,617</b>
YoY Change (%)	(29.4)%	(101.2)%	(141.2)%	(50.1)%	NA	NA	219.7%	144.0%	830.4%	77.6%
<b>Adj. EPS</b>	<b>0.4</b>	<b>0.0</b>	<b>0.9</b>	<b>2.8</b>	<b>(1.3)</b>	<b>(2.4)</b>	<b>2.8</b>	<b>6.9</b>	<b>4.1</b>	<b>7.3</b>

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 2: Trend in operating costs

Costs/mt (Rs)	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	YoY (%)	QoQ (%)
RM consumption	1,045	822	1,233	909	1,045	1,101	1,110	1,093	1,116	6.8	2.0
Employee cost	335	326	302	347	383	433	306	367	392	2.3	6.9
Freight, packing etc	1,423	1,493	1,508	1,638	1,515	1,550	1,524	1,480	1,469	(3.1)	(0.7)
Power and fuel	1,522	1,779	1,177	1,245	1,194	1,118	1,006	1,072	1,073	(10.1)	0.0
Other exp	694	771	681	688	847	799	679	764	808	(4.6)	5.7
<b>Operating costs/mt</b>	<b>5,020</b>	<b>5,192</b>	<b>4,900</b>	<b>4,826</b>	<b>4,984</b>	<b>5,001</b>	<b>4,626</b>	<b>4,777</b>	<b>4,857</b>	<b>(2.5)</b>	<b>1.7</b>
<b>EBITDA/mt</b>	<b>436</b>	<b>596</b>	<b>732</b>	<b>785</b>	<b>733</b>	<b>1,021</b>	<b>930</b>	<b>715</b>	<b>518</b>	<b>(29.3)</b>	<b>(27.5)</b>

Source: Company, Nirmal Bang Institutional Equities Research

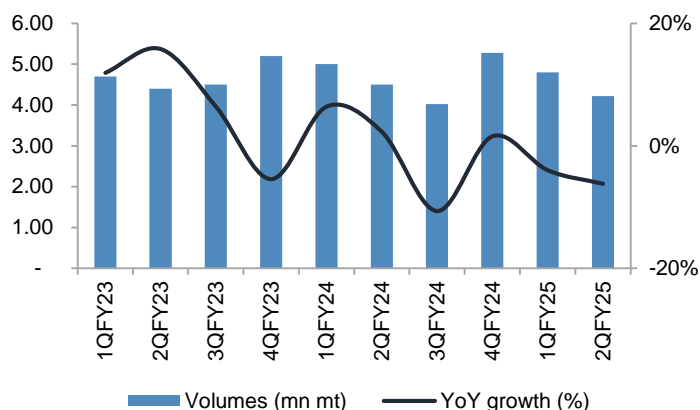
## Exhibit 3: Change in estimates

(Rs mn)	New			Old			% Change		
Particulars	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,12,384	1,19,315	1,35,257	1,12,384	1,19,315	1,35,257	0.0	0.0	0.0
EBITDA	16,678	22,106	22,328	16,678	22,106	22,328	0.0	0.0	0.0
PAT	2,617	5,129	5,244	2,617	5,129	5,244	0.0	0.0	0.0

Source: Nirmal Bang Institutional Equities Research

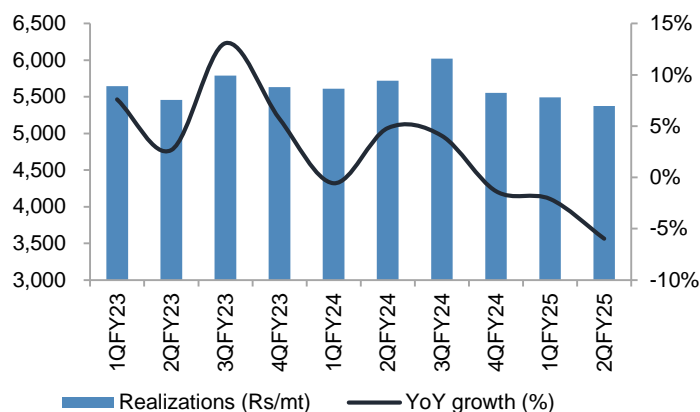
## Operational Performance on a per ton basis

**Exhibit 4: Volume decreased by 6.4% YoY**



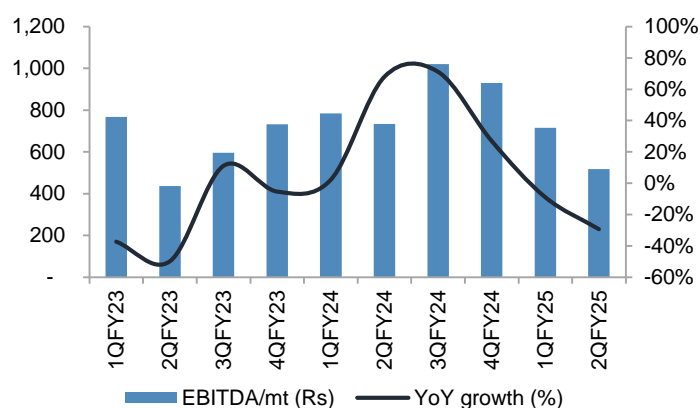
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 5: Realisation decreased by 6.0% YoY**



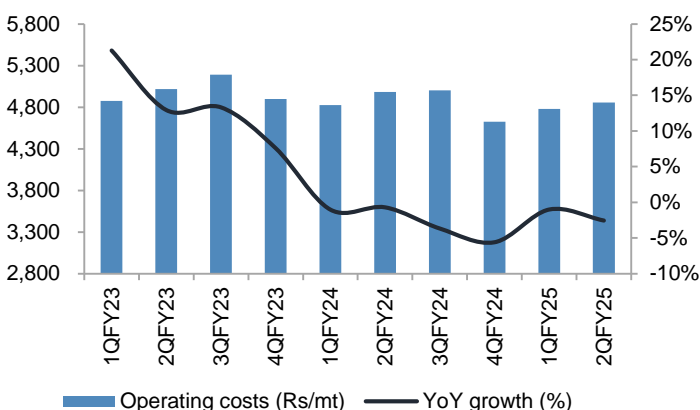
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 6: EBITDA/mt decreased by 29.3% YoY**



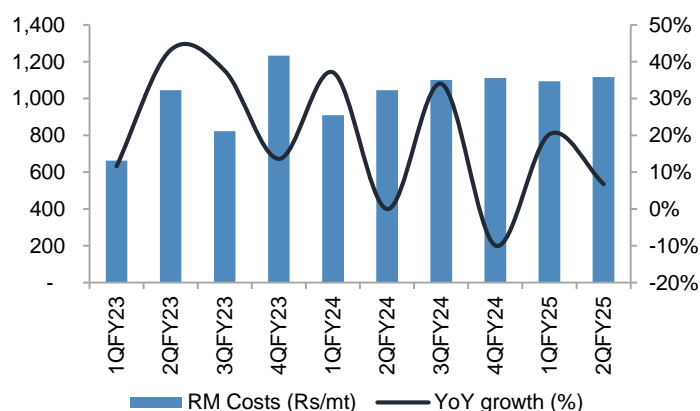
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 7: Operating cost decreased by 2.5% YoY**



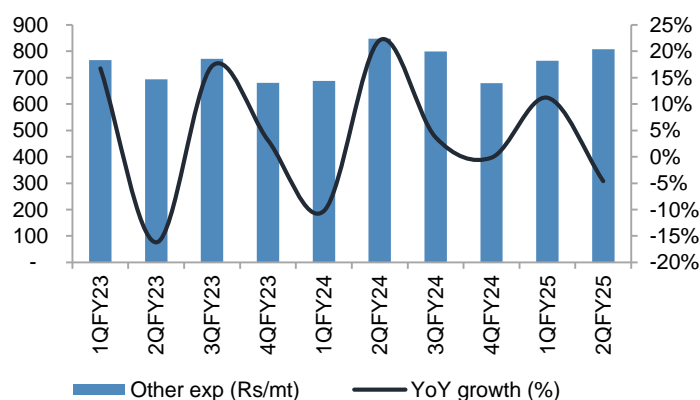
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 8: RM cost increased by 6.8% YoY**



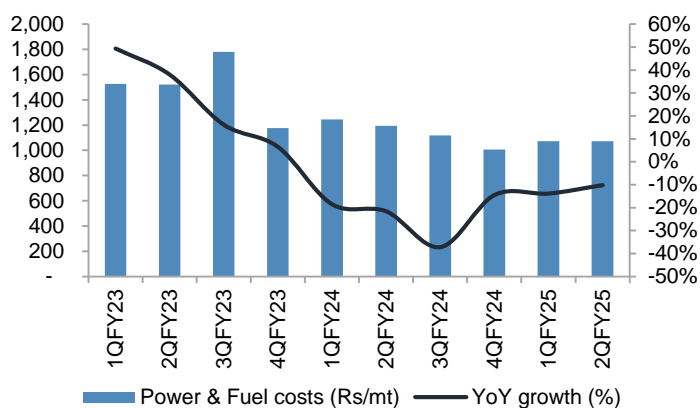
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 9: Other expenses decreased by 4.6% YoY**



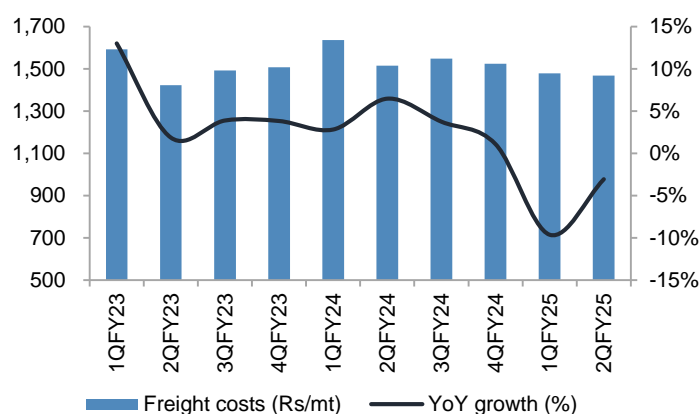
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 10: Power & Fuel cost was down by 10.1% YoY**



Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 11: Freight cost decreased by 3.1% YoY**



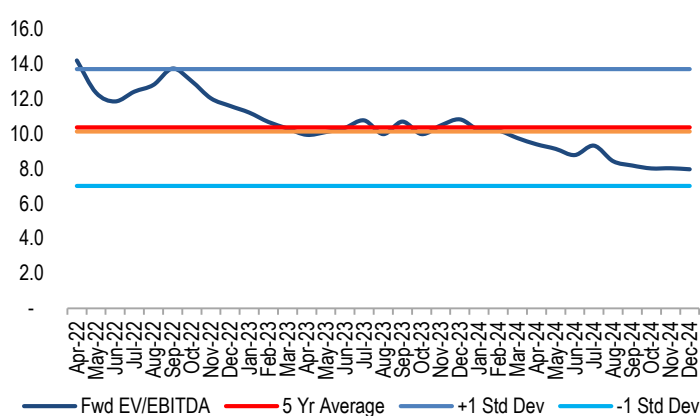
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 12: Valuation summary**

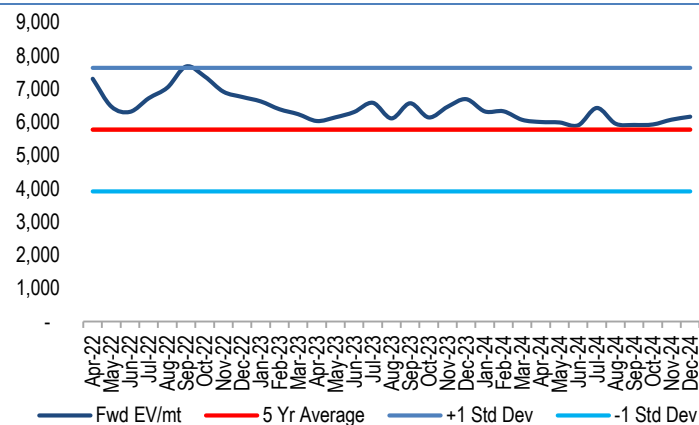
Particulars	(Rs mn)
Sep'26E EBITDA	21,895
Target multiple (x)	8.0
Enterprise value	1,75,162
Less: Net debt	23,446
Equity value	1,51,716
No of shares (mn)	357
<b>Value per share (Rs)</b>	<b>425</b>
CMP (Rs )	361
<b>Upside / (downside) %</b>	<b>18%</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 13: Rolling valuation charts**



Source: Company, Nirmal Bang Institutional Equities Research



Source: Company, Nirmal Bang Institutional Equities Research



## Financial Statements

**Exhibit 14: Income statement**

YE March, Rs mn	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>1,05,862</b>	<b>1,07,329</b>	<b>1,12,384</b>	<b>1,19,315</b>	<b>1,35,257</b>
Raw Material Consumed	17,823	19,537	19,884	20,076	23,230
Power & Fuel Cost	27,998	21,402	26,362	29,113	34,342
Employee Cost	6,055	6,818	6,900	6,359	7,454
Freight and Forwarding	28,307	29,285	28,009	28,262	32,573
Other expenses	13,661	14,050	14,551	13,398	15,331
Total Expenditure	93,845	91,092	95,706	97,209	1,12,930
<b>Operating profit</b>	<b>12,017</b>	<b>16,237</b>	<b>16,678</b>	<b>22,106</b>	<b>22,328</b>
Operating profit margin (%)	11.4%	15.1%	14.8%	18.5%	16.5%
Other Income	219	335	367	303	315
Interest	5,119	5,326	4,815	5,526	5,422
Depreciation	9,512	9,186	9,215	10,229	10,229
PBT	(2,395)	2,059	3,015	6,654	6,992
Exceptional items	(4,058)	-	-	-	-
PBT post exc items	(6,453)	2,059	3,015	6,654	6,992
Tax	(6,611)	586	398	1,525	1,748
Tax rate (%)	102%	28%	13%	23%	25%
<b>PAT</b>	<b>158</b>	<b>1,474</b>	<b>2,617</b>	<b>5,129</b>	<b>5,244</b>
<b>EPS (Rs)</b>	<b>0.4</b>	<b>4.1</b>	<b>7.3</b>	<b>14.4</b>	<b>14.7</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 16: 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	88,890	94,019	99,262
Networth	88,371	89,844	92,462	97,590	1,02,834
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	10,627	10,281	8,983	11,914
Other Current Liabilities	22,736	23,746	24,813	25,934	27,114
Total Current Liabilities	52,690	51,761	50,743	49,002	51,704
<b>Total liabilities</b>	<b>1,89,878</b>	<b>1,88,177</b>	<b>1,85,644</b>	<b>1,83,989</b>	<b>1,86,968</b>
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	8,528	7,512	9,965
Sundry Debtors	6,012	4,991	4,698	4,213	5,573
Cash and Bank	2,032	5,813	7,833	11,769	14,764
Other current assets	6,695	6,886	7,034	6,998	8,008
Total Current Assets	25,238	26,511	28,092	30,492	38,311
<b>Total Assets</b>	<b>1,89,878</b>	<b>1,88,177</b>	<b>1,85,644</b>	<b>1,83,989</b>	<b>1,86,968</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 15: Cash flow statement**

YE March, Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	509	(6,453)	2,059	3,015	6,654
Add : Depreciation	9,180	9,512	9,186	9,215	10,229
Add: Interest Exp	5,699	5,119	5,326	4,815	5,526
Cash flow from ops before WC changes	15,388	8,178	16,572	17,045	22,409
Net change in Working capital	(2,333)	5,839	(3,159)	873	1,059
Tax paid	(188)	6,611	(586)	(398)	(1,525)
<b>Net cash from operations</b>	<b>12,866</b>	<b>20,627</b>	<b>12,827</b>	<b>17,521</b>	<b>21,942</b>
Capital expenditure	(4,445)	(6,987)	(6,152)	(5,050)	(6,153)
Sale of investments	1,986	1,855	-	-	-
<b>Net cash from investing</b>	<b>(3,464)</b>	<b>(2,065)</b>	<b>(6,214)</b>	<b>(5,101)</b>	<b>(6,174)</b>
Issue of shares	14,655	0	0	(0)	-
Increase in debt	(21,875)	(6,266)	2,494	(5,584)	(6,306)
Dividends paid incl. tax	(269)	(6,636)	-	-	-
Interest paid	(5,699)	(5,119)	(5,326)	(4,815)	(5,526)
<b>Net cash from financing</b>	<b>(13,189)</b>	<b>(18,021)</b>	<b>(2,833)</b>	<b>(10,400)</b>	<b>(11,832)</b>
Net Cash	(3,787)	541	3,781	2,020	3,937
Opening Cash	5,278	1,491	2,032	5,813	7,833
<b>Closing Cash</b>	<b>1,491</b>	<b>2,032</b>	<b>5,812</b>	<b>7,833</b>	<b>11,769</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 17: Key ratios**

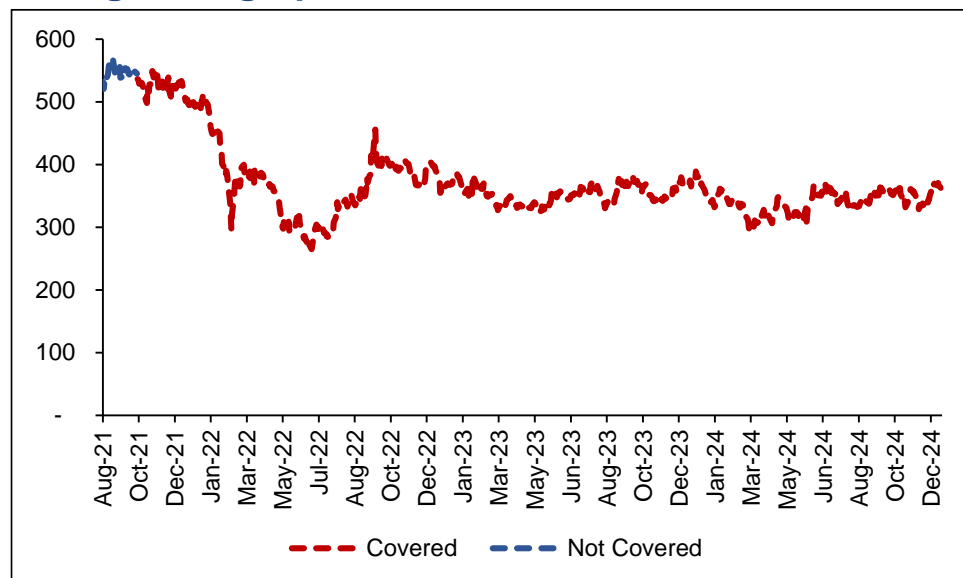
YE March	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth (%)</b>					
Sales	13.6	1.4	4.7	6.2	13.4
Operating Profits	(19.7)	35.1	2.7	32.5	1.0
Net Profits	(50.6)	830	78	96	2
<b>Leverage (x)</b>					
Net Debt:Equity	0.5	0.5	0.4	0.2	0.1
Interest Cover(x)	0.5	1.3	1.5	2.1	2.2
Total Debt/EBITDA	3.8	3.0	2.5	1.6	1.3
<b>Profitability (%)</b>					
OPM	11.4	15.1	14.8	18.5	16.5
NPM	0.1	1.4	2.3	4.3	3.9
ROE	0.2	1.7	2.9	5.4	5.2
ROCE	4.9	8.2	9.0	12.5	12.7
<b>Turnover ratios (x)</b>					
GFAT	0.6	0.6	0.6	0.6	0.7
Debtors Turnover(x)	18	20	23	27	28
WC days	1	-4	4	2	3
<b>Valuation (x)</b>					
P/E	814.8	87.6	49.3	25.2	24.6
P/B	1.5	1.4	1.4	1.3	1.3
EV/EBIDTA	14.4	10.6	9.8	6.9	6.4
EV/mt (\$)	89.8	78.9	75.2	70.2	65.8

Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
12 October 2021	Accumulate	550	606
12 November 2021	Accumulate	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	Accumulate	338	356
14 September 2022	BUY	382	509
11 November 2022	BUY	381	509
12 January 2023	ACCUMULATE	376	404
8 February 2023	ACCUMULATE	363	404
22 March 2023	ACCUMULATE	333	371
10 May 2023	ACCUMULATE	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
17 December 2024	BUY	361	425

## Rating track graph





## DISCLOSURES

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### Stock Ratings Absolute Returns

BUY > 15%

HOLD -5% to 14%

SELL < -5%

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Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Krishnan Sambamoorthy	Head of Research	krishnan.s@nirmalbang.com	+91 22 6273 8210
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

## Nirmal Bang Equities Pvt. Ltd.

### Correspondence Address

B-2, 301/302, Marathon Innova,  
 Nr. Peninsula Corporate Park,  
 Lower Parel (W), Mumbai-400013.  
 Board No.: 91 22 6273 8000/1; Fax.: 022 6273 8010