

Nuvoco Vistas Corporation

Long-term growth story intact

We maintain a BUY rating on Nuvoco Vistas but keep the target price unchanged at INR 420/share (9x its Mar-27E consolidated EBITDA). The company announced the acquisition of Vadraj Cements in Gujarat (6mn MT capacity) for an effective cost of USD 60/MT vs Nuvoco's current valuations of USD 76/MT and below recent M&As at >80/MT. With a total capex outgo of INR 30bn during FY26-27E, Nuvoco expects to commence production from the plant in Q3FY27E, thus increasing its consolidated capacity to 31mn MT. This acquisition (1) ensures volume growth visibility beyond FY27E, (2) enhances Nuvoco's regional sales mix and (3) puts to rest qualms about it being a sell-off candidate. The acquired plant has large high-quality limestone reserves, good local availability of low-cost lignite (as fuel), captive jetty (for coastal shipping) with option to set-up railway sidings. As Nuvoco is already selling ~1mn MT (5% of its total volumes) in Gujarat (from its Rajasthan plant), Vadraj ramp-up will free up Nuvoco's capacity in the north which in turn will be used to gain market share in the that region. We estimate that capex outgo and net debt will increase in FY26-27E, led by this expansion. However, we estimate cement prices and profitability will rebound FY26E onwards, which should reduce consolidated net debt to EBITDA ratio to 2.1x in Mar'27E vs 3.2x in Sep'24.

- **Vadraj acquisition at USD 60/MT is well below recent M&As at > USD 80/MT:** Nuvoco won Vadraj Cement (3.5/6mnMT clinker/cement capacities in Gujarat) under NCLT proceedings. It will have to pay INR 18bn post all approvals, expected in next 6-9 months (by Q2FY26). It will also spend INR 12bn towards the refurbishment of the two plants (3.5mn MT clinker in Kutch and 6mn MT grinding in Surat) and making them operational over the next 12-15 months. The company expects to commence production from these plants by Q3FY27E. It has undertaken several due diligences through various OEM vendors on the refurbishment capex and is confident of the robustness of their capex estimate. Thus, the effective acquisition cost works out to be USD 60/MT, well below recent acquisitions in the industry which happened at >USD 80/MT.
- **Enhances regional diversification and volume growth visibility:** This acquisition will expand the Nuvoco capacity to 31mn MT, spread across east/north/west 19/6/6mn MT, making it a larger entity with increased regional diversification. This deal also secures volume growth outlook for the next 3-4 years. Further, it also puts to rest concerns of Nuvoco being an acquisition target, in our view.
- **Good raw material and logistics infrastructure:** The acquired plant has > 50 years of high-quality limestone reserves in Kutch. Nuvoco plans to maximise usage of low-cost lignite that is available in the region. Further, in Kutch, there is a captive jetty, which will come handy for coastal shipping. There is a provision to bring railway sidings which can be connected to the main line situated 40kms away. At Surat grinding unit, too, there is a provision of setting up railway sidings. There is some government jetty near the plant, which Nuvoco will use to ship clinker from Kutch to the Surat plant.

BUY

CMP (as on 7 Jan 2025)	INR 355
Target Price	INR 420
NIFTY	23,708

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 420	INR 420
EBITDA revision %	FY25E (5.8)	FY26E (3.6)

KEY STOCK DATA

Bloomberg code	NUVOCO IN
No. of Shares (mn)	357
MCap (INR bn) / (\$ mn)	127/1,480
6m avg traded value (INR mn)	150
52 Week high / low	INR 386/291

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	1.1	(4.8)	(3.2)
Relative (%)	4.7	(2.5)	(11.8)

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	72.02	72.02
FIs & Local MFs	18.86	18.46
FPIs	3.24	3.50
Public & Others	5.88	6.02
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi

rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Keshav Lahoti

keshav.lahoti@hdfcsec.com
+91-22-6171-7353

Riddhi Shah

riddhi.shah@hdfcsec.com
+91-22-6171-7359

- **Nuvoco's ramp-up plans for Vadraj assets:** Nuvoco is currently selling 1mn MT in Gujarat from its Chittorgarh plant. Once the Vadraj plants are operational (late FY27E), it will supply the same to the Gujarat market. This will free up Nuvoco's capacity for selling more in the north. From Vadraj plants, Nuvoco will mostly target trade sales in Gujarat markets and non-trade sales across Gujarat, Maharashtra, and southern states (coastal shipping would come handy). It expects to ramp up utilisation of the acquired plants by FY29E. As the focus will be on ramping up Vadraj, Nuvoco will take its brownfield expansion at Chittorgarh after 2-3 years.
- **Gearing ratio should taper off as cement prices rebound FY26E onwards:** Nuvoco will be spending ~INR 2.5-3bn annually towards annual maintenance (company level). Thus, including pay-outs and capex towards Vadraj, total capex outgo for FY26-27E will increase to INR 34bn (vs our earlier estimate of INR 27bn). Thus, consolidated net debt for FY26-27E will increase by ~9-10bn each. However, as we expect both cement demand and pricing to rebound FY26E onwards, the rising profitability should taper off the gearing ratio to 2.1x in Mar'27E vs 3.2x in Sep'24E.
- **Valuations attractive, given low-cost acquisition and improving volume growth visibility:** The Vadraj acquisition at USD 60/MT is below Nuvoco's current valuation of ~USD 76/MT. The timely commissioning of the plant will enhance volume growth visibility (7-8% CAGR) beyond FY27E. Nuvoco's capacity will cross 30mn MT post this plant commissioning making it a bigger franchise with enhanced regional sales diversification. Hence, we maintain our BUY rating on the company with an unchanged target price of INR 420/share (9x its Mar-27E consolidated EBITDA). We roll forward valuation to Mar-27E vs Sep-26E earlier. The stock is currently trading at low FY26/27E valuation of ~USD 76/64 per MT and 8.9/7.8x its FY26/27E consolidated EBITDA.

Key operational assumptions

	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Cement Cap (mn MT)	22.3	23.8	23.8	25.0	25.0	25.0	31.0
Sales Volume (mn MT)	15.9	17.8	18.8	18.8	19.0	20.3	21.9
<i>YoY change (%)</i>	30.0	12.1	5.4	(0.1)	1.0	7.0	8.0
<i>Utilisation (%)</i>	79.9	74.9	78.9	75.0	75.8	81.1	70.7
(Rs/ MT trend)							
NSR	4,468	4,794	5,124	5,159	4,927	5,050	5,151
<i>YoY change (%)</i>	(3.9)	7.3	6.9	0.7	(4.5)	2.5	2.0
Input cost	1,349	1,529	1,961	1,665	1,592	1,570	1,586
Logistics costs	1,276	1,403	1,499	1,560	1,528	1,544	1,559
Fixed cost	902	1,030	1,053	1,111	1,141	1,091	1,081
Total Opex	3,527	3,962	4,513	4,336	4,261	4,204	4,226
<i>YoY change (%)</i>	(2.0)	12.3	13.9	(3.9)	(1.7)	(1.3)	0.5
EBITDA	941	832	611	824	666	846	926

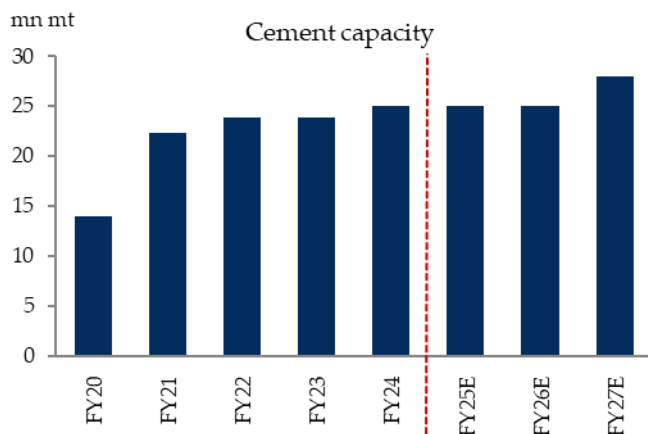
Source: Company, HSIE Research

Estimate revision

For FY25/26E, we trim volume estimates by 1% each and NSR estimates by 0.5% each factoring in lower sales and weak pricing in FY25E. Thus, we lower our EBITDA estimates for FY25/26E by 6/4% respectively. We maintain our FY27E EBITDA estimate. We have increased the capex estimate for FY26-27E to INR 34bn vs INR 27bn earlier, which will lead to higher net debt and interest outgo assumptions.

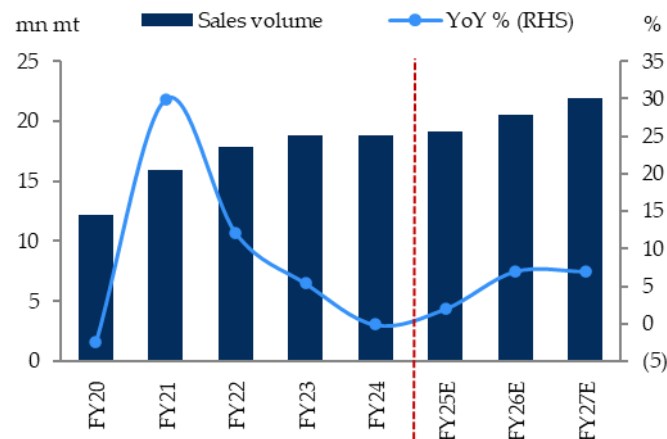
INR Bn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
	New	New	New	Old	Old	Old	Chg %	Chg %	Chg %
Net Sales	105.46	116.91	128.76	106.88	118.46	128.86	(1.3)	(1.3)	(0.1)
EBITDA	13.47	18.17	21.40	14.30	18.85	21.19	(5.8)	(3.6)	1.0
APAT	0.09	4.18	5.96	0.52	4.09	5.96	(83.5)	2.1	(0.0)
AEPS	0.2	12	17	1	11	17	(83.5)	2.1	(0.0)

Cement capacity will increase by 25% after acquisition of Vadraj Cement plant in FY27



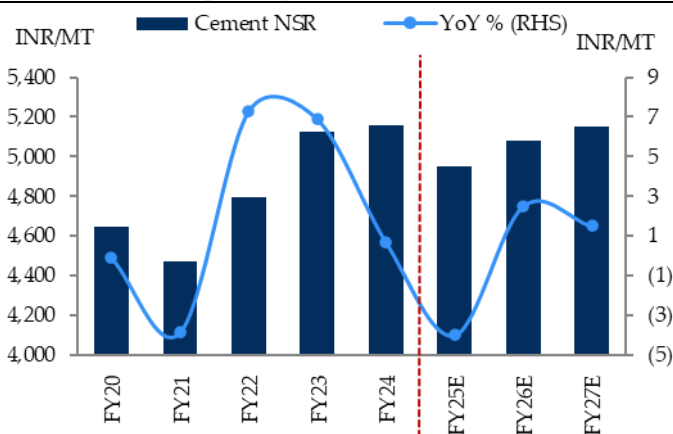
Source: Company, HSIE Research

Consolidated sales volume to clock 5% CAGR during FY24-27E



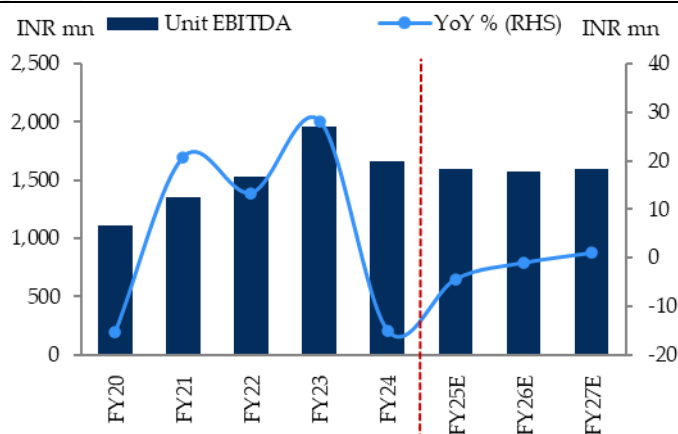
Source: Company, HSIE Research

NSR to decline in FY25E due to weak pricing. However, it will gradually pick up from FY26E onwards



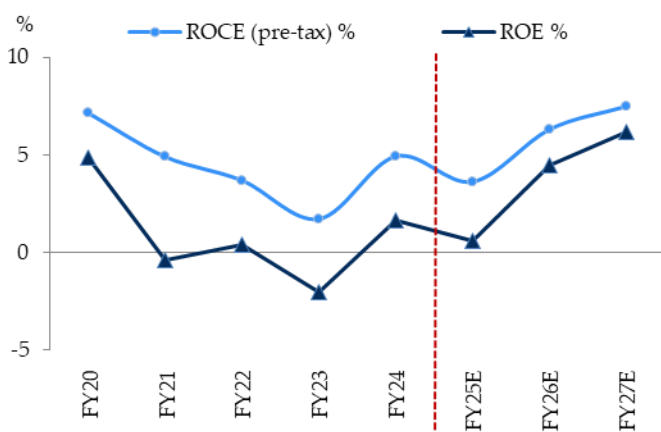
Source: Company, HSIE Research

EBITDA/MT will decline in FY25E owing to weak pricing; it will increase in FY26/27E



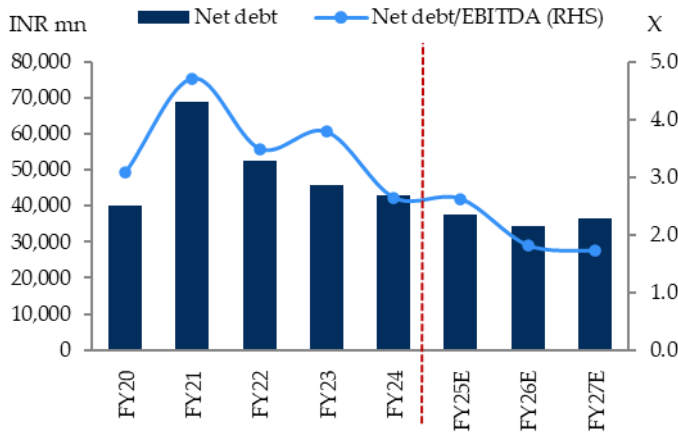
Source: Company, HSIE Research

Return ratios to improve from FY26E onwards



Source: Company, HSIE Research

Net debt/EBITDA will cool off to comfortable levels of 2x by FY27E



Source: Company, HSIE Research

Financials

Consolidated Income Statement

YE Mar (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	1,05,862	1,07,329	1,05,462	1,16,906	1,28,761
<i>Growth %</i>	<i>13.6</i>	<i>1.4</i>	<i>(1.7)</i>	<i>10.9</i>	<i>10.1</i>
Raw Material	17,857	19,537	20,836	23,851	26,140
Power & Fuel	27,923	21,402	20,535	21,423	23,368
Freight Expense	28,183	29,285	28,986	31,325	34,170
Employee cost	6,055	6,818	7,022	7,373	7,889
Other Expenses	13,740	14,050	14,612	14,758	15,791
EBITDA	12,104	16,237	13,470	18,175	21,401
<i>EBITDA Margin (%)</i>	<i>11.4</i>	<i>15.1</i>	<i>12.8</i>	<i>15.5</i>	<i>16.6</i>
<i>EBITDA Growth %</i>	<i>(19.4)</i>	<i>34.1</i>	<i>(17.0)</i>	<i>34.9</i>	<i>17.8</i>
Depreciation	9,511	9,186	8,690	9,026	9,441
EBIT	2,593	7,051	4,780	9,149	11,961
Other Income (Including EO Items)	132	335	246	262	217
Interest	5,119	5,326	4,918	3,768	4,125
PBT	(2,394)	2,059	107	5,643	8,053
Tax	(596)	586	21	1,467	2,094
Minority Int	-	-	-	-	-
RPAT	159	1,474	86	4,176	5,959
EO (Loss) / Profit (Net Of Tax)	1,957	-	-	-	-
APAT	(1,798)	1,474	86	4,176	5,959
<i>APAT Growth (%)</i>	<i>(660.3)</i>	<i>n/a</i>	<i>(94.2)</i>	<i>4,757.6</i>	<i>42.7</i>
AEPS	(5.0)	4.1	0.2	11.7	16.7
<i>AEPS Growth %</i>	<i>(660.3)</i>	<i>n/a</i>	<i>(94.2)</i>	<i>4,757.6</i>	<i>42.7</i>

Source: Company, HSIE Research

Consolidated Balance Sheet

YE Mar (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS					
Share Capital	3,572	3,572	3,572	3,572	3,572
Reserves And Surplus	84,818	86,264	86,350	90,525	95,888
Total Equity	88,390	89,835	89,921	94,097	99,460
Minority Int	-	-	-	-	-
Long-term Debt	47,851	44,037	40,037	50,037	50,037
Short-term Debt	-	-	-	-	-
Total Debt	47,851	44,037	40,037	50,037	50,037
Deferred Tax Liability	11,899	11,736	11,736	11,736	11,736
Long-term Liab+ Provisions	2,723	2,764	2,764	2,764	2,764
TOTAL SOURCES OF FUNDS	1,50,864	1,48,372	1,44,458	1,58,634	1,63,997
APPLICATION OF FUNDS					
Net Block	1,16,852	1,17,655	1,11,465	1,05,439	1,26,999
Capital WIP	5,941	4,708	4,708	24,708	4,708
Goodwill	32,785	32,785	32,785	32,785	32,785
Other Non-current Assets	9,062	8,396	8,539	8,689	8,689
Total Non-current Investments	1	8	8	8	8
Total Non-current Assets	1,64,639	1,63,552	1,57,505	1,71,629	1,73,189
Inventories	10,500	9,467	9,492	10,522	11,588
Debtors	6,012	5,907	5,800	6,430	7,082
Cash and Cash Equivalents	2,032	1,070	2,916	2,410	5,601
Other Current Assets (& Loans/adv)	6,695	7,104	7,204	7,819	8,491
Total Current Assets	25,238	23,547	25,412	27,180	32,762
Creditors	17,026	16,860	15,819	17,536	19,314
Other Current Liabilities & Provns	21,987	21,867	22,640	22,640	22,640
Total Current Liabilities	39,014	38,727	38,459	40,176	41,954
Net Current Assets	(13,775)	(15,180)	(13,047)	(12,995)	(9,192)
TOTAL APPLICATION OF FUNDS	1,50,864	1,48,372	1,44,458	1,58,634	1,63,997

Source: Company, HSIE Research

Consolidated Cash Flow

YE Mar (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	(6,452)	2,059	107	5,643	8,053
Non-operating & EO Items	4,321	(79)	(246)	(262)	(217)
Interest Expenses	5,119	5,326	4,918	3,768	4,125
Depreciation	9,511	9,186	8,690	9,026	9,441
Working Capital Change	4,777	(164)	(429)	(708)	(612)
Tax Paid	(162)	(403)	(21)	(1,467)	(2,094)
OPERATING CASH FLOW (a)	17,114	15,925	13,019	15,999	18,695
Capex	(4,863)	(5,822)	(2,500)	(23,000)	(11,000)
Free Cash Flow (FCF)	12,251	10,104	10,519	(7,001)	7,695
Investments	2,224	56	-	-	-
Non-operating Income	35	33	246	262	217
Others					
INVESTING CASH FLOW (b)	(2,604)	(5,734)	(2,254)	(22,738)	(10,783)
Debt Issuance/(Repaid)	(8,910)	(6,156)	(4,000)	10,000	-
Interest Expenses	(4,707)	(4,985)	(4,918)	(3,768)	(4,125)
FCFE	(1,366)	(1,037)	1,601	(769)	3,571
Share Capital Issuance	-	-	-	-	-
Dividend	-	-	-	-	(596)
FINANCING CASH FLOW (c)	(13,617)	(11,141)	(8,918)	6,232	(4,721)
NET CASH FLOW (a+b+c)	894	(949)	1,847	(507)	3,191

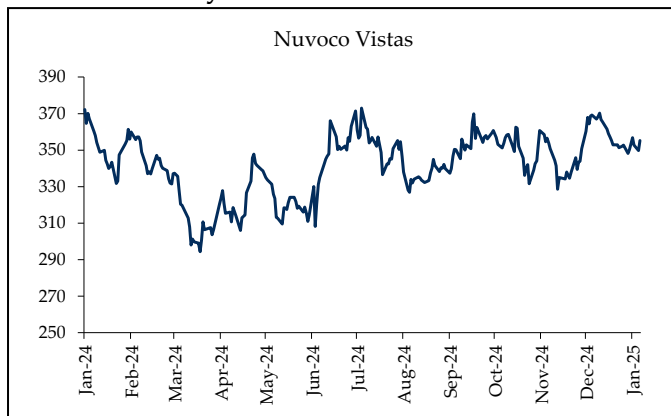
Source: Company, HSIE Research

Key Ratios

	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY %					
EBITDA Margin	11.4	15.1	12.8	15.5	16.6
EBIT Margin	2.4	6.6	4.5	7.8	9.3
APAT Margin	(1.7)	1.4	0.1	3.6	4.6
RoE	(2.0)	1.7	0.1	4.5	6.2
RoIC (pre-tax)	1.7	4.9	3.4	5.0	6.2
RoCE (pre-tax)	1.7	4.9	3.4	4.6	5.6
EFFICIENCY					
Tax Rate %	24.9	28.4	20.0	26.0	26.0
Fixed Asset Turnover (x)	0.5	0.5	0.5	0.5	0.5
Inventory (days)	36	32	33	33	33
Debtors (days)	21	20	20	20	20
Other Current Assets (days)	54	53	54	52	49
Payables (days)	59	57	55	55	55
Other Current Liab & Provns (days)	85	84	88	79	72
Cash Conversion Cycle (days)	(33)	(36)	(35)	(30)	(25)
Net Debt/EBITDA (x)	3.8	2.6	2.8	2.6	2.1
Net D/E	0.5	0.5	0.4	0.5	0.4
Interest Coverage	0.5	1.3	1.0	2.4	2.9
PER SHARE DATA (Rs)					
EPS	(5.0)	4.1	0.2	11.7	16.7
CEPS	21.6	29.8	24.6	37.0	43.1
Dividend	-	-	-	-	1.7
Book Value	247.5	251.5	251.8	263.5	278.5
VALUATION					
P/E (x)	(70.5)	86.0	1,475.0	30.4	21.3
P/Cash EPS (x)	13.1	11.9	14.4	9.6	8.2
P/BV (x)	1.4	1.4	1.4	1.3	1.3
EV/EBITDA (x)	14.0	10.3	12.0	8.9	7.9
EV/MT (Rs bn)	7.12	6.69	6.46	6.48	5.44
Dividend Yield (%)	-	-	-	-	0.5
OCF/EV (%)	10.1	9.5	8.1	9.9	11.1
FCFF/EV (%)	7.2	6.0	6.5	(4.3)	4.6
FCFE/M Cap (%)	(1.1)	(0.8)	1.3	(0.6)	2.8

Source: Company, HSIE Research

1 Yr Price History



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:

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Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

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HDFC Securities

Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com