INITIATING COVERAGE

SYSTEMATIX GROUP™
Investments Re-defined

NUVOCO VISTAS CORPORATION LTD

Nuvoco Vistas

19 September 2025

Steering towards robust growth

INITIATING COVERAGE

Sector: Cement	**Rating: BUY**
CMP: Rs 450	**Target Price: Rs 540**

Stock Info

Sensex/Nifty	83,014/25,424
Bloomberg	NUVOCO IN
Equity shares	357mn
52-wk High/Low	Rs 477/288
Face value	Rs 10
M-Cap	Rs 159bn/ USD 1.8bn
3-m Avg value	Rs 234mn

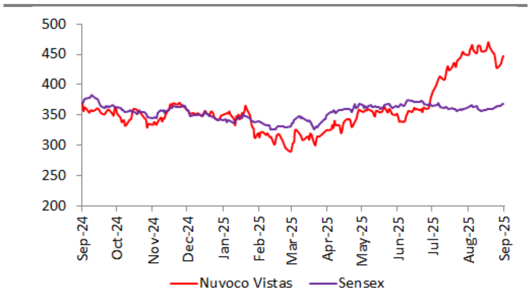
Financial Snapshot (Rs bn)

Y/E Mar	FY26E	FY27E	FY28E
Sales	117	128	137
EBITDA	21	23	25
PAT	4.7	5.1	6.4
EPS (Rs)	13.3	14.2	18.0
PE (x)	33.9	31.6	25.0
EV/EBITDA (x)	10.0	8.9	7.6
RoE (%)	5.0%	5.1%	6.0%
RoCE (%)	7%	7%	8%

Shareholding pattern (%)

	Jun'25	Mar'25	Dec'24
Promoter	72.0	72.0	72.0
–Pledged		-	-
FII	3.8	3.5	3.4
DII	19.1	19.4	19.3
Others	5.1	5.1	5.3

Stock Performance (1-year)



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Nuvoco Vistas Corporation (NVCL; NUVOCO IN) is India's fifth-largest cement producer with a cement grinding capacity of 25 mtpa and a clinker capacity of 13.5mtpa (with 5 integrated, 6 grinding and 58 RMC plants). It has a strong presence in eastern markets and is strategically expanding into the western and northern regions through its acquisition of Vadraj Cement. With this move, NVCL has added 6mtpa of grinding and 3.5mtpa of clinker capacity in Gujarat, in addition to limestone reserves, lignite access, and a captive jetty, providing it significant logistical and cost advantages. The company has consistently expanded capacity at ~20% CAGR over FY14-25, largely via acquisitions. A Rs 2bn capex program is underway to add 4mtpa capacity in the east by FY27, at a competitive cost of USD 6/tn, driven by debottlenecking and vertical roller mill installations. Post expansion, NVCL would have total capacity of ~35mtpa by FY27E, of which, 66% would be in the east, 17% in the west and 17% in the north.

NVCL has the highest premium product contribution in the industry at 41%, as its products, Concreto and Duraguard gain traction, resultantly improving realizations and margins. Management expects EBITDA/tn to improve by Rs60-80 FY26 onwards, driven by cost rationalization and better product mix. Limited clinker capacity expansion in east is likely to keep prices firm. Total capex on Vadraj is expected to be Rs18 bn, out of which Rs12 bn is allocated for equipment to revive existing plant (expected to commission by Q3FY27), Rs3 bn for 2.5mtpa capacity at Kutch, Rs2 bn for 50MW captive power capacity and Rs1 bn for railway sliding. We forecast revenue/EBITDA CAGR of 10%/21% over FY25–28E and free cash flows of Rs 15bn by FY28E. We initiate coverage on NVCL with a BUY rating and a target price of Rs 540 based on EV/EBITDA of 10x on FY27E, in line with its 4yr average multiple.

Eastern consolidation and western expansion bode well for future prospects

With Vadraj acquisition and brownfield expansion the company is looking to increase the capacity from 25mtpa to 35mtpa by Q3FY27. Also, clinker capacity would increase from 13.5mtpa to 19mtpa with 3.5mtpa from Vadraj and 2.5mtpa expansion at Chittorgarh. NVCL is looking to add 2.5mtpa of greenfield cement capacity in Kutch by Q3FY27, supported by 3.5mtpa of existing clinker capacity. Also, the company plans to commission 4mtpa of cement capacity at Surat by Q3FY27. NVCL expects to capture Gujarat and Maharashtra (till Nashik & Pune) from the Surat plant.

Higher prices coupled with operating efficiency to lift EBITDA/tn

NVCL expects the blended cement to increase from current 50% to 65% in East owing to higher sales of PSC and PCC, which would augment margins. With higher rail co-efficient (37%), expected drop in lead distance (current 334km), lower fuel cost (Rs1.43/kcal) and expected price hikes are likely to lift EBITDA/t to the range of Rs990-1050 during FY26-FY28 from Rs700-850 during FY22-25.

Initiate coverage with a BUY rating and a TP of Rs 540

The buoyant industry landscape is fueled by strong demand, supported by government's continued emphasis on housing and infrastructure. NVCL's strong capacity expansion and strengthening presence in India's western and eastern regions, operating efficiency and expected price hikes should boost its earnings. Higher leverage is the reason why the company gets lower multiple vs peers. We expect this gap to narrow once FCF starts improving sharply FY28 onwards. **We value NVCL at an EV/EBITDA of 10x FY27E and arrive at a target price of Rs 540. Initiate coverage with a BUY.**

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Story in Charts

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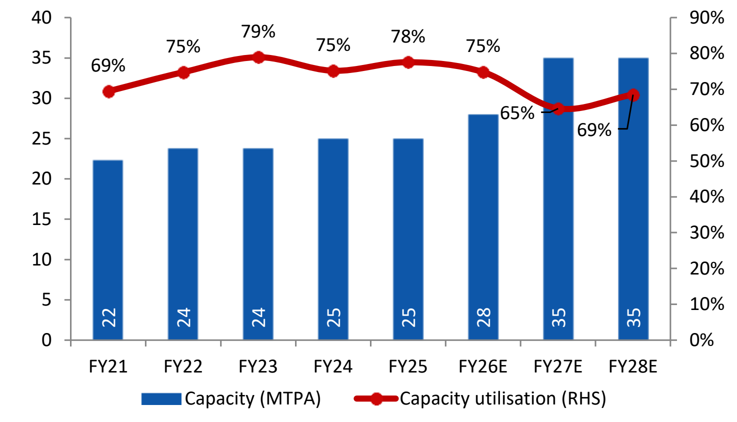
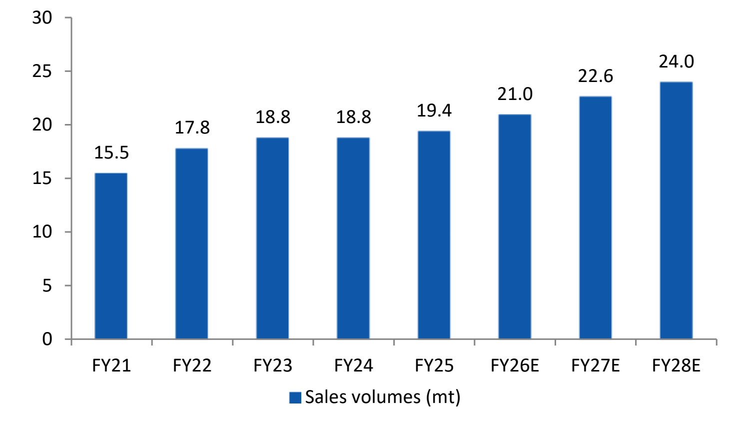


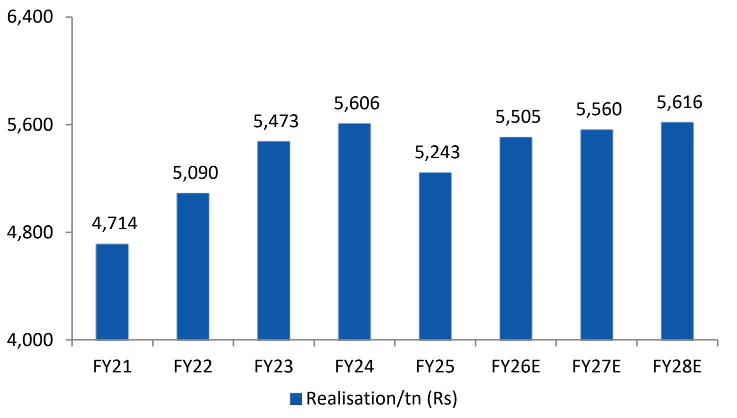
Source: Company, Systematix Institutional Research

Exhibit 2: …to aid steady growth in volumes over FY25-FY28E



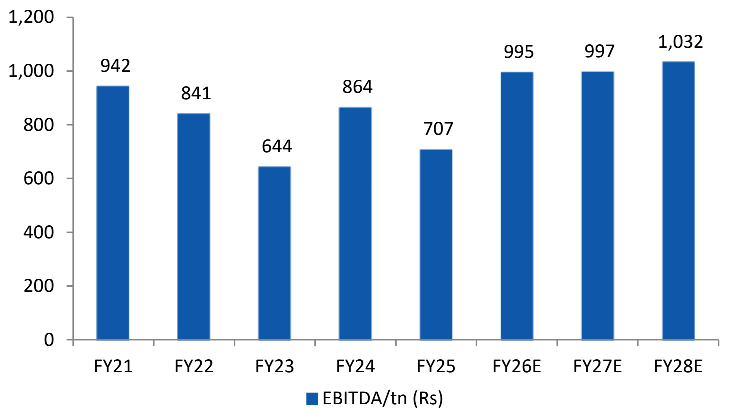
Source: Company, Systematix Institutional Research

Exhibit 3: Consistently improving realization/tn…



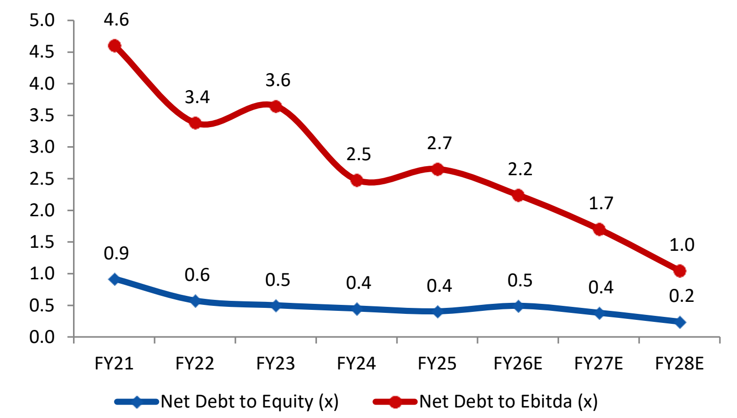
Source: Company, Systematix Institutional Research

Exhibit 4: …and EBITDA/tn FY26E onwards



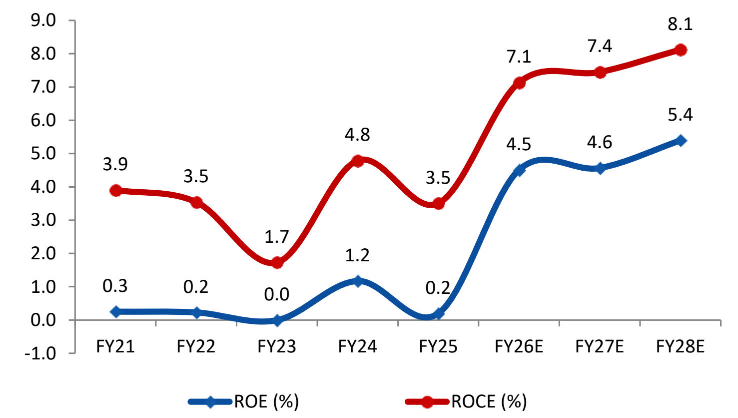
Source: Company, Systematix Institutional Research

Exhibit 5: Debt reduced over the years



Source: Company, Systematix Institutional Research

Exhibit 6: Return ratios to improve FY26 onwards



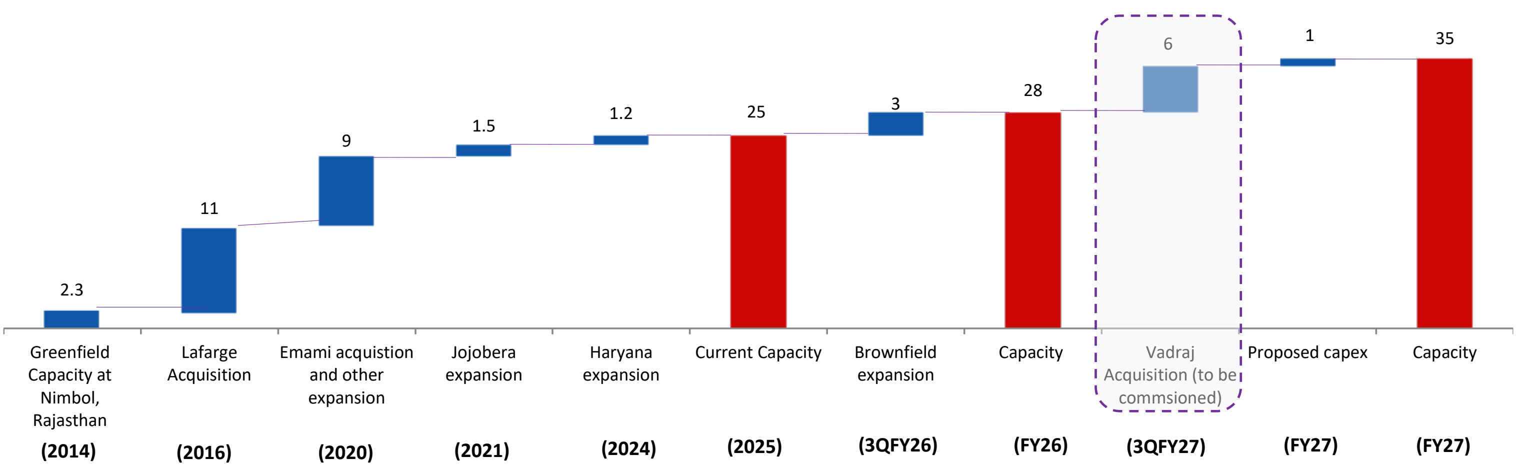
Source: Company, Systematix Institutional Research

Investment Arguments

Expanding inorganically and deepening presence through strategic acquisitions

NVCL, originally an East India-focused player, has successfully widened its footprint into the western and northern regions by acquiring Vadraj Cement Limited (Vadraj). The group is set to operate at a cumulative capacity of 35mtpa, which includes the Vadraj plant and planned capex in the eastern region. NVCL is focusing on scaling up capacity by continuously upgrading its existing facilities and through cost-effective strategic acquisitions, thereby opting for a capital efficient alternative to greenfield expansions. A favorable demand outlook for the industry acts as a catalyst to the company's expansion plans.

Exhibit 7: Vision to double capacity every 10 years



Source: Company, Systematix Institutional Research

Unveils 4mtpa capacity expansion in the eastern region

NVCL recently announced 4mtpa of capacity expansion in the eastern region at a total investment of Rs 2bn. The company is strengthening its presence in the east by expanding the cement grinding capacity through a new vertical roller mill (VRM) at the Arasmeta cement plant, complemented by series of debottlenecking projects at Jojobera, Panagarh, and Odisha cement plants. Key timelines include, additional ~1mtpa capacity during 3QFY26, followed by ~2mtpa by the end of FY26 and ~1mtpa during FY27. NVCL's cement capacity in the east is thus slated to rise from 19mtpa to 23mtpa (by >20%) over the next one and a half years at a capex of ~USD 6/tn, significantly lower than industry benchmark. This is primarily because 3mtpa of the planned expansion is being added through debottlenecking. These involve installing bucket filters and round mills, both of which require relatively low investments. A majority portion of the total Rs 2bn (for the 4mtpa capacity) would be allocated to the VRM facility at Arasmeta. This efficient cost structure is expected to boost return ratios through capacity growth at minimal capital outlay. The next phase of expansion will probably come in through Gulbarga limestone reserves and greenfield expansion in the Vidarbha region.

Exhibit 8: Capex (Unit economics)

Particulars	Amount (Rs mn)
Total capex	2,000
Capacity expansion (mtpa)	4
Capex/tn (Rs)	500
USD/INR	88.07
Capex/tn (USD)	**6**

Source: Company, Systematix Institutional Research

Healthy operating efficiency to boost profit

NVCL has its own limestone mines and clinker capacity, along with captive power plants and waste heat recovery systems (WHRS) across its plants. The company has installed a WHRS (20% of the power mix) at all its integrated plants (~45 MW). The company intends to improve its current alternative fuel and raw material (AFR) usage from 10% to 15% by 2HFY26 to reduce reliance on pet coke. It has completed installing a new coal loading and unloading and clinker loading wagon system at the Sonadih plant, reducing the rake handling time by ~50%. At the Odisha plant, it has developed a dedicated railway siding, which enables seamless raw material and cement transport, thereby lowering freight costs. Management hopes to lower freight cost further by Rs 70-80/tn.

Clinker from Chhattisgarh is transported to Jharkhand, Bihar and Odisha. With a railway siding commissioned in Sonadih, all clinker from Chhattisgarh now moves via rail. In the east, 100% of the raw material is transported by rail, while Jajpur railway siding in Odisha has eased dispatches, as these were earlier road based. However, the logistic cost is higher by Rs 150–200/tn due to clinker being transported. Plans are underway for a railway siding near Kutch at an estimated cost of Rs 1-1.3 bn. We expect such measures to aid in overall cost reduction. The company is targeting additional savings of Rs50/tn through multiple cost efficiency measures, as 1) increasing allied slag usage from 45,000 to 75,000 tonnes per month, 2) upgrading the Waste Heat Recovery System (WHRS) at Nimbol from 4.7 MW to 6.6 MW, and 3) enhancing the use of alternative fuels and raw materials (AFR) alongside greater integration of renewable sources such as wind and solar.

Vadraj Cement acquisition to add 6mtpa to NVCL's existing capacity

NVCL acquired Vadraj Cement for Rs 18bn in 2025, through which it added 6mtpa of capacity in Surat, marking its entry into the western market. Vadraj was a strategic value buy at USD 65/tn versus recent M&As of USD 80-85/tn in the industry. The deal does not only offer significant cost advantages but it would also unlock synergies with Chittorgarh plant, enabling seamless operations in existing markets, optimizing logistics, and enhancing overall competitiveness. Vadraj also offers a 3.5mtpa clinker capacity at Kutch. It has high quality limestone deposits with a long mining life. This acquisition will also help NVCL in gaining access to the captive jetty at Kutch. The jetty allows for direct loading and unloading of materials, streamlining transportation and potentially reducing costs.

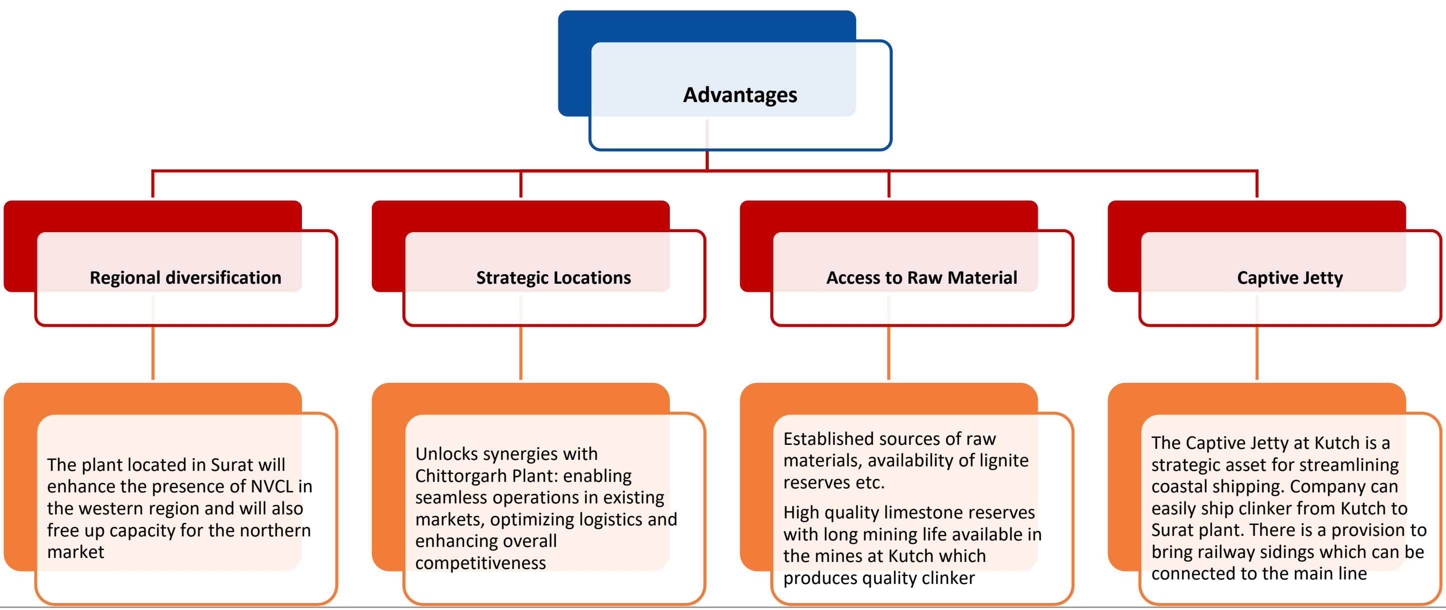
NVCL intends to spend Rs 16bn to upgrade capacities at Vadraj, which includes refurbishing assets and setting up a railway line in Kutch. Management is also considering spending additional Rs 2bn, with which it is looking to acquire the captive power plant. The Kutch-to-Surat jetty is in excellent condition, with vessels rented for transport. Raw material costs are expected to be lower in Kutch, as limestone is located within 2 km of the unit, requiring no blasting, resulting in Rs40/tn of savings. Gujarat lignite reserves provide a cheap energy source, while pet coke imports land at Kandla port, relatively close to the company's location. With NVCL's entry in Gujarat via Vadraj, it is slated to become the third largest player in the western region. Upon commissioning, this plant is expected to serve Maharashtra and Gujarat entirely, enabling reduction in lead distance. With a dedicated sales head appointed for Gujarat, the company is hoping to capture market in the Ahmedabad cluster, where the demand is roughly 10mtpa. By FY28, 2 mtpa from the Vadraj facility is expected to directly cater to Gujarat, while 1 mtpa currently being supplied from Nimbol would be redirected to the North and effectively raising Vadraj's contribution in Gujarat to 4.5–5 mtpa by FY30. Kutch's 3.5mtpa clinker capacity is expected to serve the markets in Ahmedabad, Saurashtra and Kutch, in addition to a 2mtpa grinding unit (within the same complex) being commissioned in 3QFY27. In Surat, one grinding mill of 2mtpa acquired through Vadraj would be ready by FY27, another 2mtpa would be commissioned by FY28 and the balance 2 mtpa would be operational once sufficient clinker is available.

Exhibit 9: Vadraj acquisition details

Particulars	Amount (Rs mn)
Acquisition value	18,000
Restart capex	16,000
Total	**34,000**
Capacity (mtpa)	6
EV/tn (USD) as on date of acquisition	**66**

Source: Company, Systematix Institutional Research

Exhibit 10: Synergies created through Vadraj acquisition

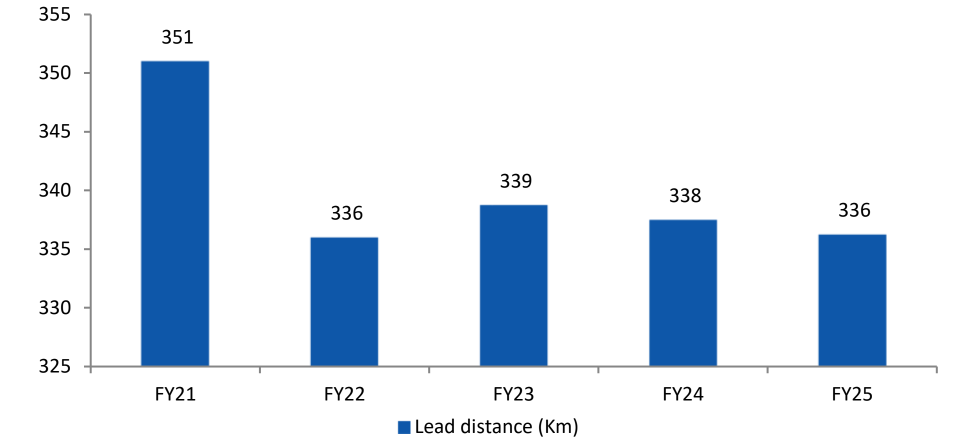


Source: Company, Systematix Institutional Research

Cost optimization to drive profitability

Having moved past the challenges of elevated energy prices, the company is regaining financial resilience. It has managed to reduce its lead distance from 351km in FY21 to 326km in FY25, by focusing on setting up and acquiring plants with locational advantages. NVCL has improved its operational infrastructure by building railway sidings, captive power plants (CPPs) and WHRS. Adequate limestone reserves and 105 MW of CPPs have aided the company in procuring resources at reasonable prices and improving its cost efficiency. In FY25, NVCL's cost-control measures led to a 5% YoY drop in freight expenses and 8% reduction in power and fuel costs. Through the acquisition, NVCL has gained access to the captive jetty in Kutch to facilitate the shipment of good quality clinker to Surat, thereby optimizing freight costs.

Exhibit 11: Consistent decline in lead distance

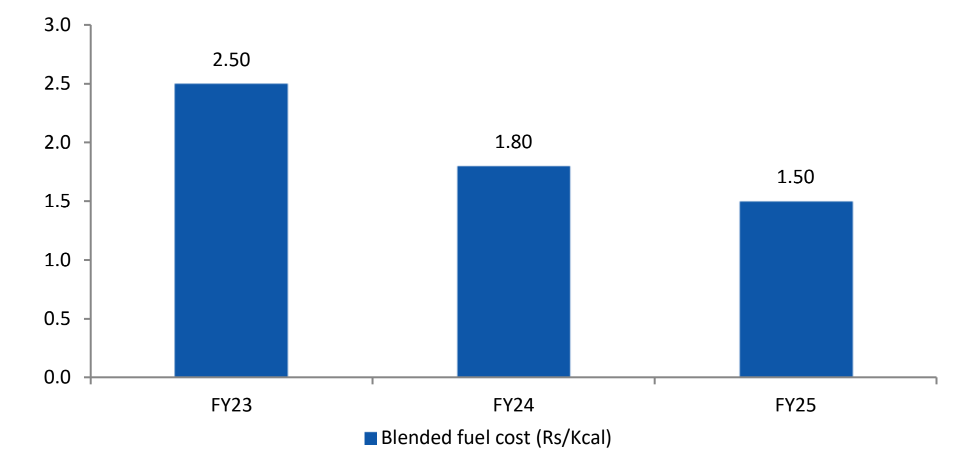


Source: Company, Systematix Institutional Research

Power and fuel mix

In the east, fuel mix comprises of 35% pet coke via Vizag, 60% linkage coal from Coal India and 4–5% AFR. In the north, 75–80% fuel is domestic pet coke and 20% AFR. At the company level, energy usage mix stands at 44% pet coke, 47% coal and the rest AFR. NVCL has been consistently reducing its power and fuel costs, as reflected in the exhibit below.

Exhibit 12: Steady decline in power and fuel costs



Source: Company, Systematix Institutional Research

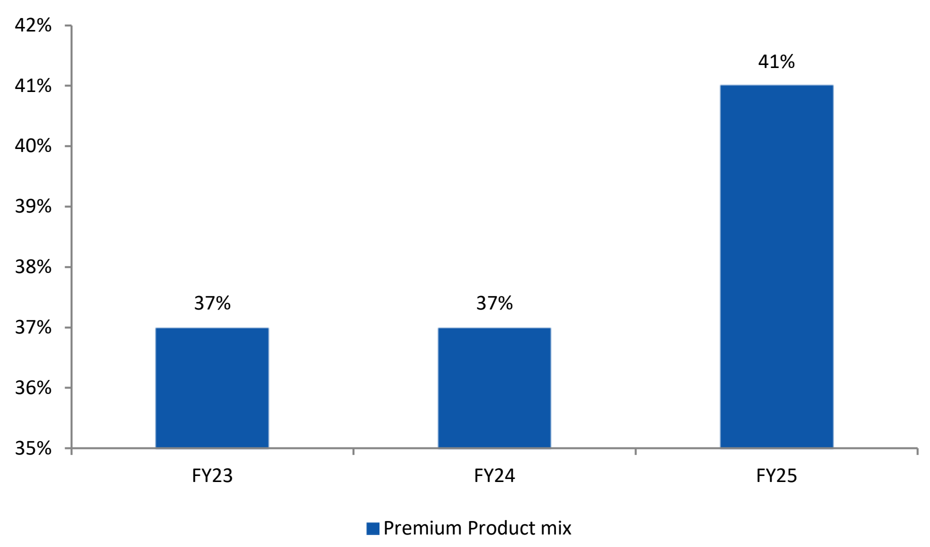
Incremental demand for premium products

The company's current trade product mix comprises 44% PPC, 28% PSC, 18% OPC, and 10% PCC. It is actively working to improve this mix by increasing the share of blended cement. The contribution of PSC is expected to rise from 28% to 33%, while that of PCC may double to 20%. This mix is not only expected to improve realizations, but also alleviate raw material costs, as slag and flyash are significantly cheaper than clinker. Clinker costs approximately Rs 2,500/tn, compared with slag at around Rs 1,500/tn. Consequently, higher sales of blended cement would lower the raw material costs.

With regards to raw material procurement, NVCL has a long-term slag supply contract in place with Tata Steel, valid until 2040. Raw material availability is unlikely to pose a challenge, given Tata Steel recently expanded its blast furnace capacity by 5mtpa in FY25, with other steel producers too expanding in the region.

In the eastern markets, demand for NVCL's premium products such as Concreto, Concreto Uno and Duraguard is strong, as these contribute nearly 50% of its regional revenue. In this region, the company plans to reduce its existing share of PPC from 39% to 28%, increase PSC from 38% to 41% and expand PCC from 14% to 25%. Availability of clinker is not a concern in this region as both PSC and PCC rely heavily on slag, flyash and gypsum. The premium products - Concreto and Concreto Uno are priced higher by Rs 20 and Rs 50 per bag, respectively. We believe the company has one of the strongest premium product portfolios in the industry, and its current strategy has the potential to enhance this mix.

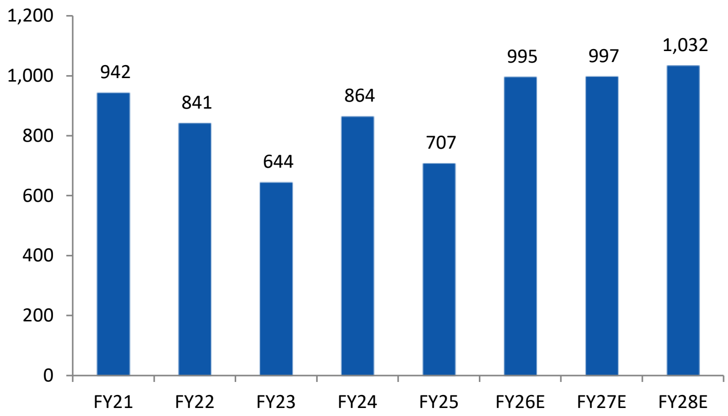
Exhibit 13: Rising share of premium products in the trade mix



Source: Company, Systematix Institutional Research

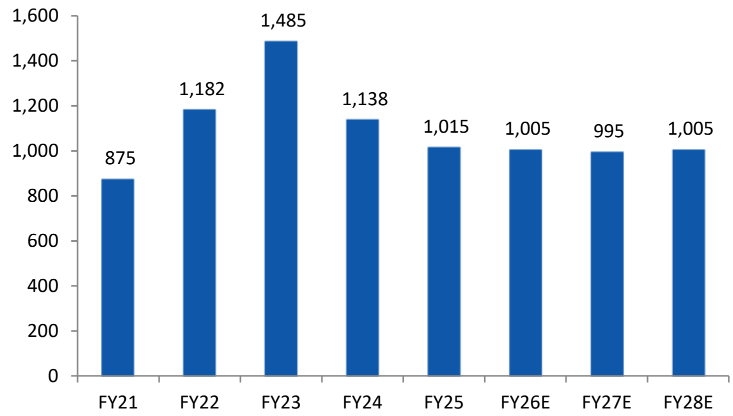
Cost movement (Rs/tn)

Exhibit 14: EBITDA/tn to improve led by operating leverage



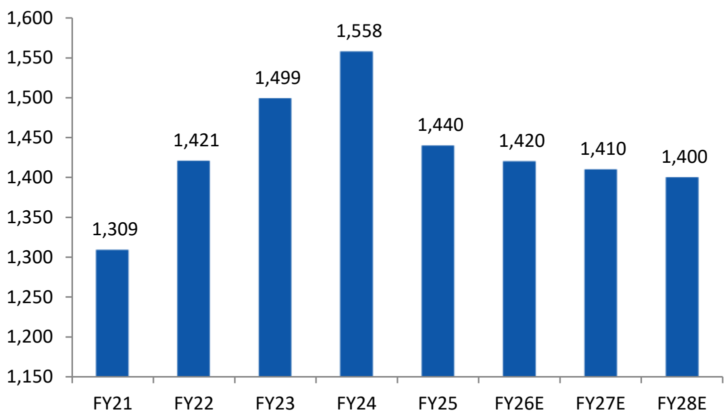
Source: Company, Systematix Institutional Research

Exhibit 15: P&F cost to fall on improving green power mix



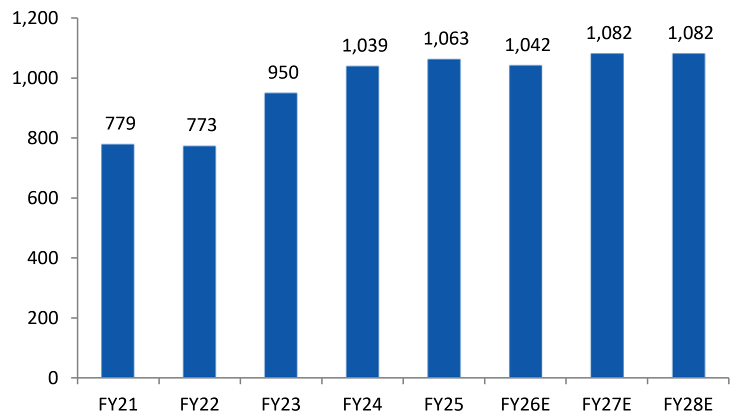
Source: Company, Systematix Institutional Research

Exhibit 16: Freight cost



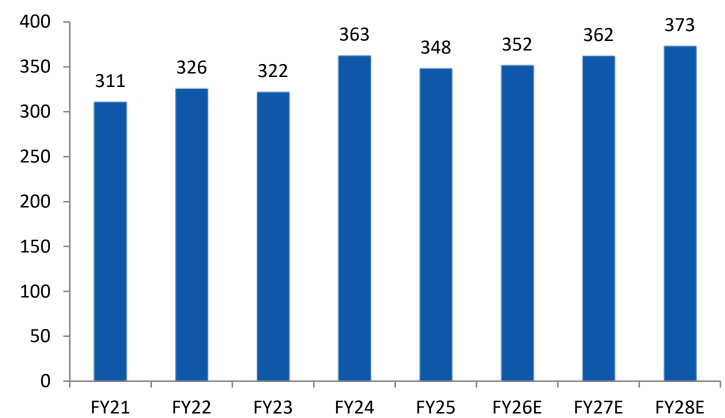
Source: Company, Systematix Institutional Research

Exhibit 17: Raw material cost



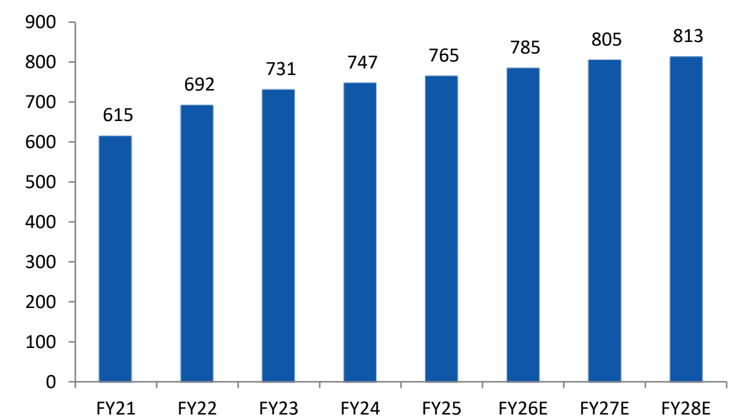
Source: Company, Systematix Institutional Research

Exhibit 18: Employee cost



Source: Company, Systematix Institutional Research

Exhibit 19: Other costs to stay stable

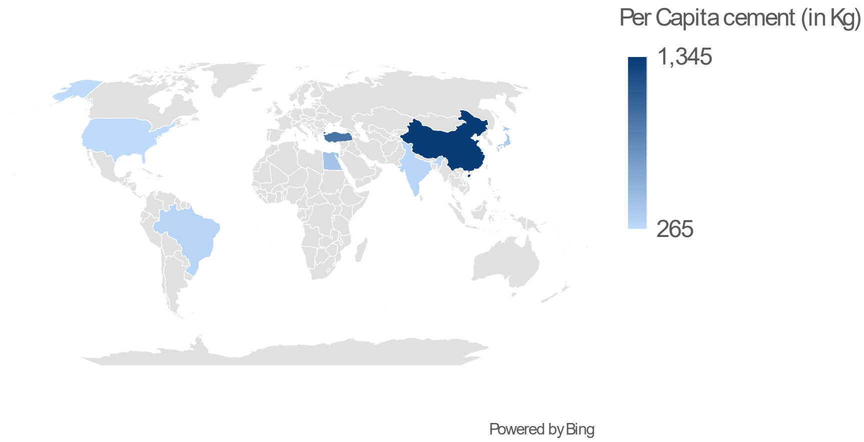


Source: Company, Systematix Institutional Research

Industry overview

India is the world's second-largest producer of cement with an installed capacity of approximately 690mtpa in FY25. The cement industry has added 119mtpa of capacity in last 5 years and expects to add another 200mtpa by FY28. Cement demand is estimated to expand at 7-8% in FY26 according to industry players, led by strong growth in housing and infrastructure demand. India's per capita consumption of cement at ~290kg is much less than the global average of 540kg, implying huge growth potential. Government's focus on large-scale projects, such as highways, railways, and housing schemes, along with rural development and industrial growth, too is expected to significantly drive the demand for cement.

Exhibit 20: Global per capita cement consumption



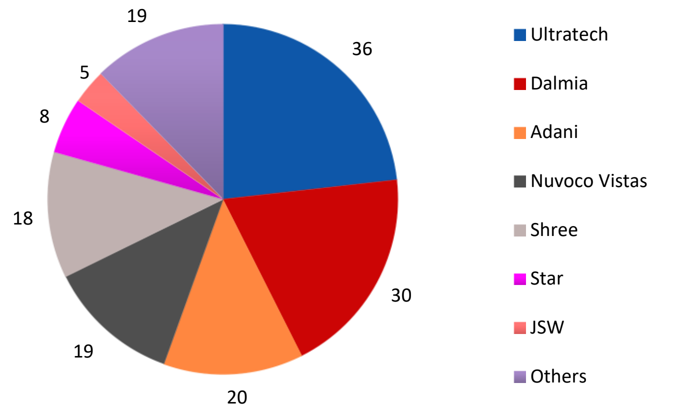
Source: CRISIL Intelligence, Systematix Institutional Research

The industry landscape is buoyant with multiple policy tailwinds, evident from government's allocation of record Rs 11.2trn towards infrastructural development during Budget 2026, a 10% rise in allocation from Budget 2025. The government has identified 3 railway corridor projects (energy, mineral and cement) to facilitate multi-modal connectivity across India, which would improve the logistic efficiencies of cement players through enhanced rail dispatches. Rural housing demand will continue to dominate cement consumption, as a healthy monsoon season is expected to boost rural income, driving the demand for housing. The urban housing segment should gain momentum from interest rate cuts and improved pace of execution under the Pradhan Mantri Awas Yojana - Urban. As of 1 April 2025, government announced plans to build 20mn houses under the PMAY-G, in addition to the 30mn houses announced previously. According to Confederation of Real Estate Developers' Associations of India (CREDAI), India's real estate market is projected to reach Rs 112trn (USD 1.3trn) by FY34 and Rs 449trn (USD 5.17trn) by 2047. India's real estate market is currently valued at Rs 24trn (USD 300bn). As per Union Budget 2025-26, government has approved an outlay of Rs 2,873bn (USD 33.08bn) for the Ministry of Road Transport and Highways, i.e., 3% higher compared to the previous budget.

The industry is therefore witnessing higher capacity utilization, has ambitious plans to add capacity, is consistently reducing operating costs through sustained focus on fuel and freight efficiencies.

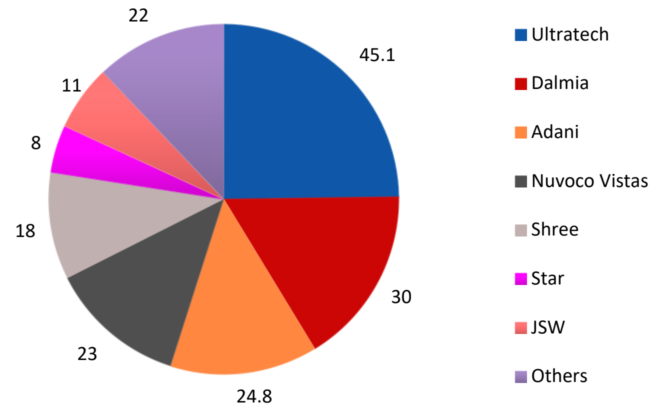
Despite near term seasonal slowdown, the cement sector is bound to showcase a recovery in 2HFY26, led by robust demand in infrastructure, urban housing, benign input prices and increasing thrust on green power.

Exhibit 21: Present market share in the eastern region



Source: CRISIL Intelligence, Systematix Institutional Research

Exhibit 22: Expected market share in the eastern region by FY28

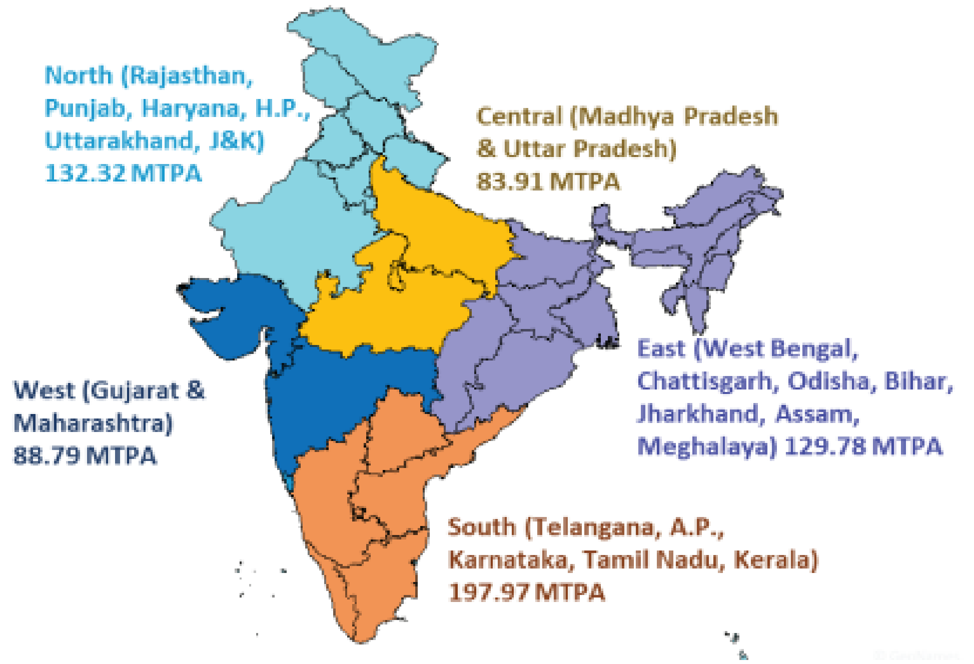


Source: CRISISL Intelligence, Systematix Institutional Research

Cement demand is expected to grow at 6.5%-7.5% in the eastern region for FY26, recovering from the slowdown seen last year. Demand is slated to benefit from rural housing programs like PMAY-G and infrastructure development in roads and railways, with growth projected at 8.5% to 9.5% CAGR in the region FY26 to FY30. Cement has the lowest per capita use in this area of the country, which faces a housing shortage of 30 to 35mn units, long-term demand prospects here look promising. Infrastructure demand is also expected to rise from major projects like metro development in Kolkata, Patna, and Ranchi; smart city initiatives in Bhubaneswar, Newtown Kolkata, Ranchi, Bhagalpur, and Raipur, in addition to several road and highway projects. Industrial demand is likely to remain strong, fueled by government and private investments in railways, power, cement, and steel. The Purvodaya scheme, announced in the FY26 Budget, is slated to further promote growth in eastern India through projects such as the Patna to Purnea Expressway, Buxar to Bhagalpur Expressway, and a two-lane Ganga bridge at Buxar, among others.

The eastern region has a total clinker capacity of 51 mtpa. While Ultratech and Adani have announced additions of 4mtpa each, JK Cement and JSW have proposed projects but facing delays. This situation positions NVCL advantageously, as it can capture growth opportunities in the region ahead of competitors.

Exhibit 23: Industry's regional installed capacity

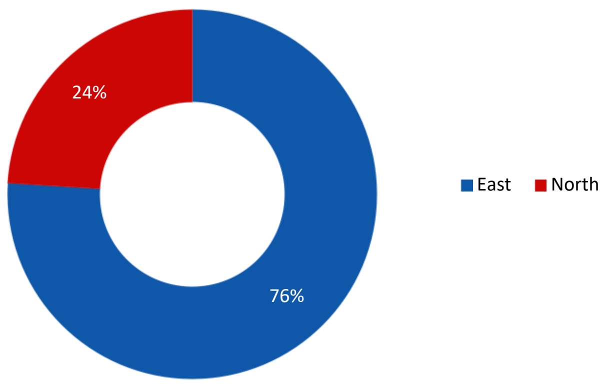


Source: DPIIT, Systematix Institutional Research

About the company

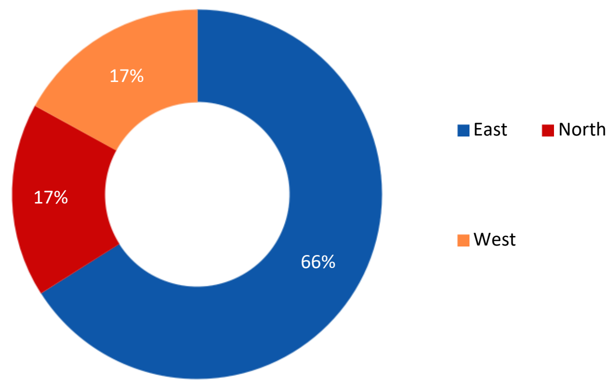
Nuvoco Vistas Corporation Limited (NVCL) is India's fifth-largest cement group by capacity and a leading player in East India. Management expects its cement capacity to reach 35 MTPA by FY27. It operates under three diversified businesses - Cement, Ready-Mix Concrete (RMX), and Modern Building Materials (MBM). **Cement -** NVCL currently has 13 cement manufacturing plants. **RMX business** is present pan-India with 58 RMX plants, through which it contributes to landmark projects like the Mumbai-Ahmedabad bullet train, Birsa Munda hockey stadium (Rourkela), Aquatic Gallery Science City (Ahmedabad), Metro Railway (Delhi, Jaipur, Noida and Mumbai), among many others. **MBM business** offers a suite of products that include construction chemicals, multipurpose bonding and waterproofing agents, waterproof coatings, wall putty, tile adhesive & grouts, ready mix dry plaster and cover blocks that are marketed and sold under Zero M brand. The company has presence in 22 states across India (some of these include West Bengal, Bihar, Jharkhand, Chhattisgarh, Delhi, Haryana, Punjab, Rajasthan, Gujarat, Uttar Pradesh, Madhya Pradesh and Odisha). Key brands under which it sells its products are, Concreto, Duraguard, Double Bull and Infracem.

Exhibit 24: Present capacity mix



Source: Company, Systematix Institutional Research

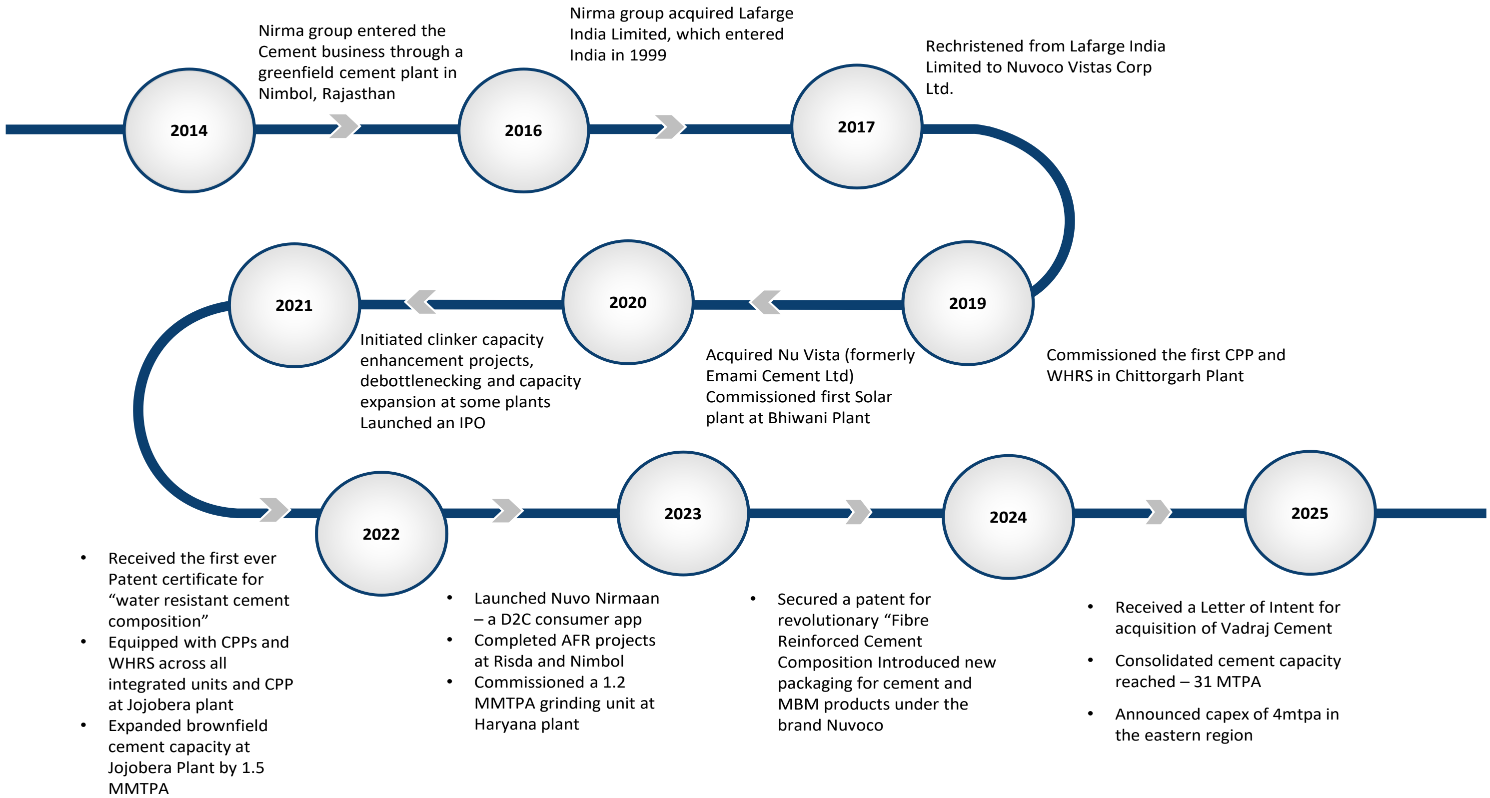
Exhibit 25: Post expansion (FY27E)



Source: Company, Systematix Institutional Research

NEPL and promoters of the Nirma group hold about ~72% in NVCL post IPO and NVL is a 100% subsidiary of NVCL. The company has its captive limestone mines and clinker capacities along with captive power plants and waste heat recovery systems across its plants. By acquiring Vadraj Cement recently, the company achieved its stated objective of diversifying its geographical presence. NVCL has 5 integrated units, 6 grinding units and 4 captive power plants with a capacity of 150 MW. The company has limestone reserves of approximately 1.7bn tons.

Exhibit 26: Nuvoco Vistas' journey over the years



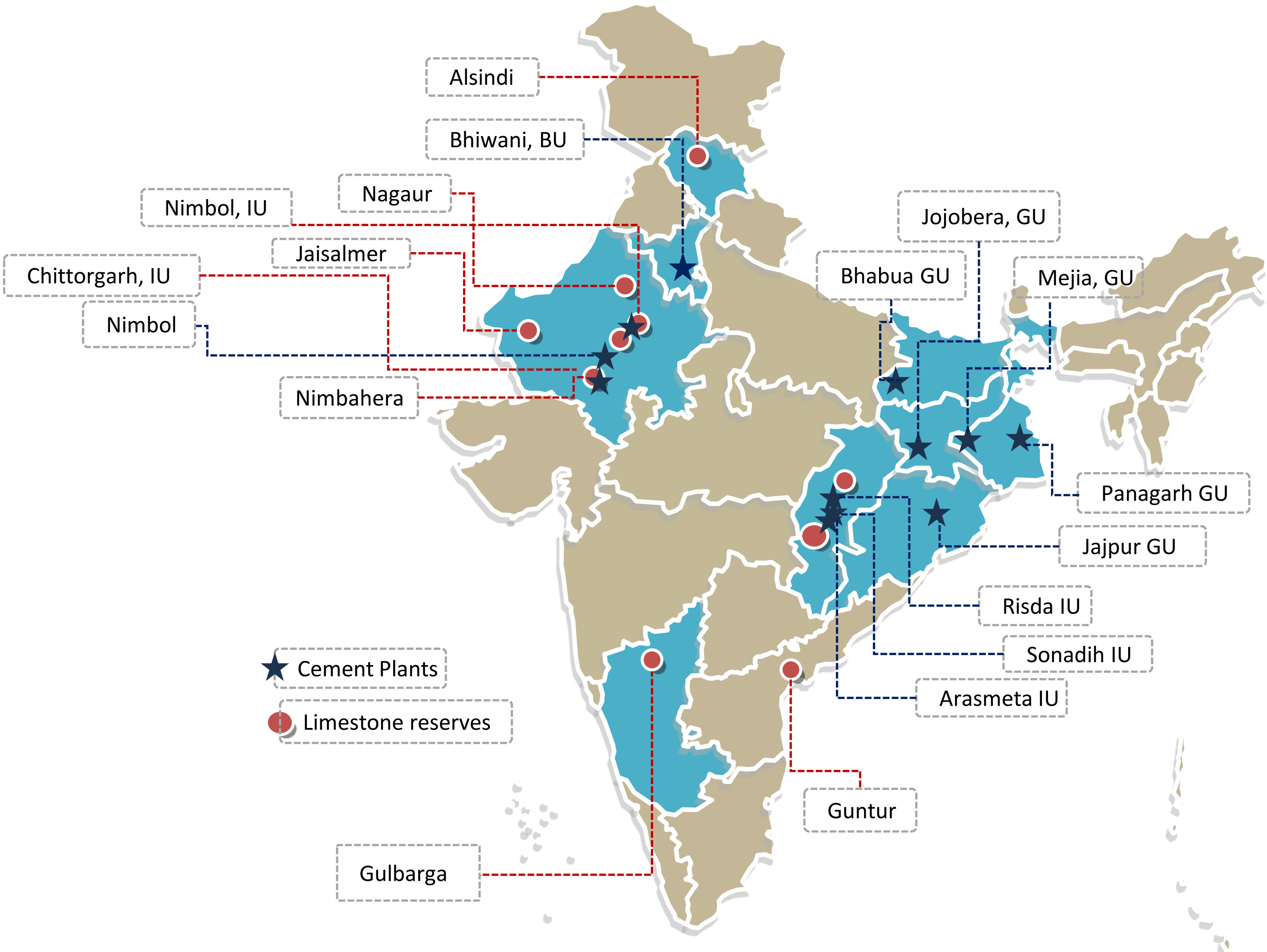
Source: Company, Systematix Institutional Research

Exhibit 27: Plant-wise capacity

Plants	Cement Capacity	Clinker Capacity	Captive Power	WHRS	Solar
	MTPA	MTPA	MW	MW	MW
Integrated Plant					
Arasmeta, Chattisgarh	1.89	1.66	-	7	-
Risda, Chattisgarh	3	4.0	30	15	-
Sonadih, Chattisgarh	0.65	3.4	25	11	-
Chittorgarh, Rajasthan	2.1	1.9	25	7	0.5
Nimbol, Rajasthan	2.28	1.48	-	4.7	-
Grinding Unit					
Bhabua, Bihar	2	-	-	-	-
Jojobera, Jharkhand	6.45	-	-	-	-
Jajpur, Odisha	2	-	-	-	-
Panagarh, West Bengal	2.5	-	-	-	-
Mejia, West Bengal	1.65	-	-	-	-
Blending Unit					
Bhiwani, Haryana	0.5	1	25	-	1.0
Total capacity at present	**25.0**	**13.5**	**105**	**44.7**	**1.5**
Proposed Capex					
Arasmeta, Jojobera, Panagarh, Odisha	4				
Surat	6				
Kutch		3.5			
Nimbol				1.9	
Total	**35.02**	**17.0**	**105**	**46.6**	**1.5**

Source: Company, Systematix Institutional Research; Note: 6mtpa capacity in Surat, 3.5mtpa clinker capacity in Kutch to commence operations by Q3FY27

Exhibit 28: NVCL's strategic plants across India



Source: Company, Systematix Institutional Research

Exhibit 29: Key management personnel

Name	Role	Profile
Mr. Jayakumar Krishnaswamy	Managing Director	• Holds a bachelor's degree in mechanical engineering from the University of Delhi • Has experience across the FMCG, paint and coating industries • Previously associated with Hindustan Unilever Limited and Akzo Nobel India Limited
Mr. Hiren Patel	Non-Executive Chairman	• Has rich and varied experience in areas of consumer goods, chemicals, cement and healthcare • Associated with the Nirma Group since 1997 • He is currently the Managing Director of Nirma Limited and Chairman of Glenmark Life Sciences Limited
Mr. Maneesh Agrawal	Chief Financial Officer	• CFO of the company since 2017 • Chartered Accountant by qualification • Has more than two decades of experience across the cement, RMX, infrastructure, sugar, energy and paper industries

Source: Company, Systematix Institutional Research

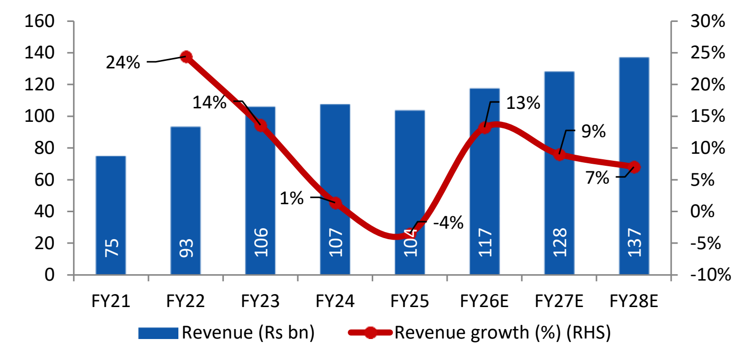
Financial analysis

Robust revenue/EBITDA CAGR during FY25-FY28E

NVCL is well placed to benefit from the healthy momentum in the cement industry, driven by rapid growth in the housing and infrastructure space, especially in the eastern region. We build in volume/revenue/EBITDA CAGR of 7%/10%/22% over FY25-FY28E, respectively, on consistently increasing realizations, cost optimization measures, healthy premium product mix and increasing capacity utilization.

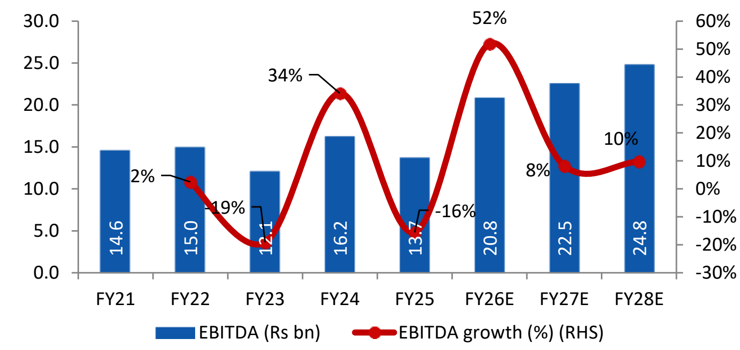
The company has managed to sustain realizations in its core markets, which is a positive sign, considering that prices were weak last year. We expect price hikes to be implemented 3Q onwards, which should drive revenue growth.

Exhibit 30: Revenue trend



Source: Company, Systematix Institutional Research

Exhibit 31: EBITDA trend

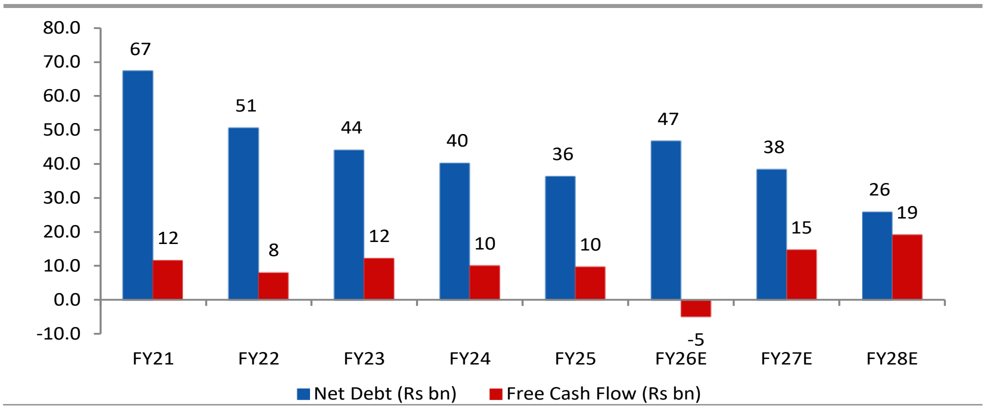


Source: Company, Systematix Institutional Research

Debt peaking at current levels

NVCL is comfortable with its gross debt of Rs35–40bn. It acquired the Vadraj facility for an upfront payment of Rs 18bn and plans to spend over Rs 16bn to redevelop it. The company has been consistently generating positive free cash flows and has steadily reduced its net debt during FY21 to FY25, prior to acquiring Vadraj. NVCL currently has a debt of Rs 42bn, of which, Rs 12bn is expected to be replaced by CCPS/CCDS. Investors investing in these instruments will be given a put option on Nirma Group's shares and not on NVCL, which would effectively serve as promoter infusion. The planned refurbishment capex will be phased over three years, with Rs 6bn in FY26E, Rs 7bn in FY27E, and the balance Rs 3bn in FY28. It also plans to cap its annual maintenance capex at ~Rs1.5bn. We estimate FCF of Rs 19bn by FY28E, as newer plants gain operational efficiency, and the company begins to realize the full benefits of its recent acquisition.

Exhibit 32: Debt and cash position



Source: Company, Systematix Institutional Research

Initiating coverage with a BUY and TP of Rs 540

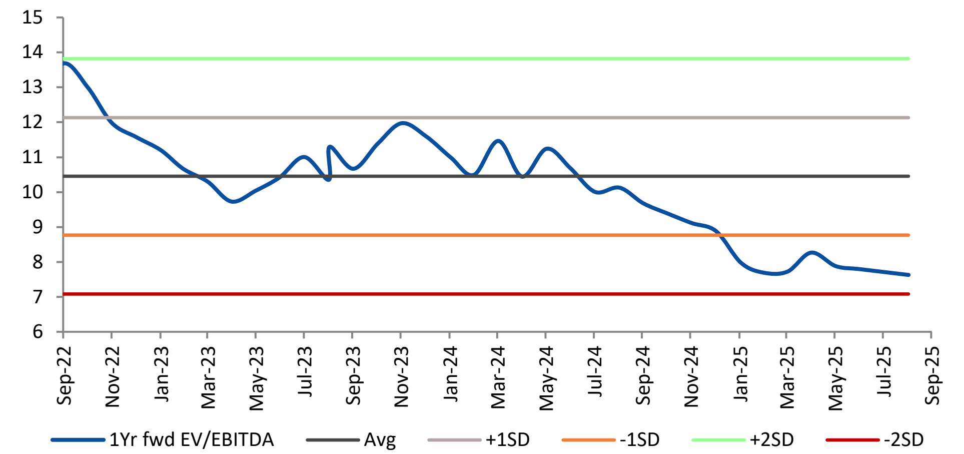
Strong demand for cement has helped retain buoyancy in the industry, led by government's continued emphasis on the housing and infrastructure sectors. NVCL has plans to scale up its recent acquisition and ramp up existing facilities to make the most of the demand momentum in the industry. As there is no major clinker facility coming up in east India, we expect prices to remain supportive in the region. NVCL's deepening presence in the demand-accretive eastern region and entry into the western region is expected to improve capacity utilization, which should augur well for the company. The stock has been trading at an average EV/EBITDA of 10.5x over the last three years. **We initiate coverage on the stock with a BUY rating, with a target price of Rs 540/share, valued at an EV/EBITDA of 10x FY27E, in line with its 4yr average multiple.**

Exhibit 33: Valuation methodology

FY27E	EBITDA (Rs bn)	Multiple (x)	Enterprise value (Rs bn)
Cons. EBITDA	22.6	10	226
Less: net debt / (cash)			36
Add: CWIP			4
Equity value			192
Target Price (Rs)			**540**

Source: Company, Systematix Institutional Research

Exhibit 34: NVCL: One-year forward EV/EBITDA



Source: Company, Systematix Institutional Research

Key risks

- **Regulatory challenges –** The recent retrospective rollback of incentives by the West Bengal government poses a threat to the company's profitability. In addition, delays or uncertainty in the auction of mining leases, obtaining environmental clearances, and changes in royalty structures may hinder project timelines and increase operational costs.
- **Slowdown in government capex –** Government capex contributes to bulk orders and drives the demand in rural housing and infrastructure. Reduction in government spending would lead to overcapacity and volume decline for the cement industry.
- **Change in energy prices may impact earnings –** Increase in diesel prices, petcoke, imported coal prices may impact the operating profit adversely.

Peer Comparison

Exhibit 35: Risk Reward

Rs Mn	Nuvoco Vistas			JK Cement (Standalone)			Shree Cement (Standalone)			Dalmia Bharat		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Net revenue	1,03,567	1,17,289	1,27,859	1,10,932	1,27,427	1,43,646	1,80,373	2,07,147	2,37,615	1,39,800	1,55,597	1,68,154
EBITDA	13,720	20,839	22,550	19,778	25,681	31,363	38,368	52,470	65,741	24,070	35,470	41,104
APAT	188.0	5,213.8	5,588.5	8,156	12,830	16,659	11,962	20,989	27,821	3,490	15,775	19,023
EPS	5.3	14.6	15.6	113	166	216	332	582	771	19	84	101
Volume (mt)	19.4	21.0	22.6	19.4	22.3	24.8	39.0	43.0	48.3	29	31	33
% growth YoY												
Revenue growth	-4	13	9	2	15	13	-8	15	15	-5	11	8
EBITDA growth	-16	52	8	-1	30	22	-12	37	25	-9	47	16
PAT growth	-87	2,068	7	-2	57	30	-52	75	33	-58	352	21
Operating Metrics (Rs/tn)												
NSR	5,338	5,598	5,650	5,397	5,521	5,622	4,575	4,804	4,948	4,755	5,040	5,091
Total Cost	4,631	4,603	4,654	4,687	4,630	4,593	3,969	3,919	3,880	3,936	3,891	3,846
EBITDA	707	995	997	1,017	1,169	1,283	1,072	1,329	1,484	819	1,149	1,244
Valuation												
EV/EBITDA (x)	14	10	9	28	21	17	27	18	15	16	13	11
EV/tn ($)	89	94	73	220	190	161	185	161	146	81	98	91

Source: Company, Systematix Institutional Research

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs. Mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	**1,07,329**	**1,03,567**	**1,17,289**	**1,27,859**	**1,36,844**
Growth (%)	1	-4	13	9	7
Expenditure	**91,092**	**89,847**	**96,449**	**1,05,309**	**1,12,082**
EBITDA	**16,237**	**13,720**	**20,839**	**22,550**	**24,762**
Growth (%)	34	-16	52	8	10
EBITDA margin (%)	**15.1**	**13.2**	**17.8**	**17.6**	**18.1**
Depreciation	9,186	8,685	9,219	9,555	9,770
EBIT	**7,051**	**5,035**	**11,620**	**12,995**	**14,992**
EBIT margin (%)	**6.6**	**4.9**	**9.9**	**10.2**	**11.0**
Other Income	335	194	214	235	259
Interest expenses	5,326	4,964	5,505	6,447	6,673
PBT	**2,059**	**265**	**6,329**	**6,784**	**8,577**
Tax	**586**	**47**	**1,595**	**1,709**	**2,161**
Effective tax rate (%)	28.4	17.6	25.2	25.2	25.2
Adjusted PAT	**1,445**	**188**	**4,734**	**5,074**	**6,416**
Growth (%)	713	-87	2418	7	26
Net Margin (%)	1.3	0.2	4.0	4.0	4.7
E/O items	-28.5	-30.4	0	0	0
Reported PAT	**1,474**	**218**	**4,734**	**5,074**	**6,416**
Growth (%)	829	-85	2068	7	26

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs. Mn)	FY24	FY25	FY26E	FY27E	FY28E
Equity share capital	3,572	3,572	3,572	3,572	3,572
Reserves & surplus	86,264	86,452	91,185	96,260	1,02,675
Net worth	**89,835**	**90,023**	**94,757**	**99,831**	**1,06,247**
Minority Interest					
Secured Loans	28,783	23,632	37,632	43,632	46,632
Unsecured Loans	12,588	14,594	14,594	14,594	14,594
Loan Funds	**41,370**	**38,226**	**52,226**	**58,226**	**61,226**
Net Deferred Taxes	11,736	11,508	11,508	11,508	11,508
Total Liabilities	**1,47,220**	**1,43,665**	**1,62,398**	**1,73,473**	**1,82,888**
Other non current liabilities	4,278	3,907	3,907	3,907	3,907
Gross Block	1,60,782	1,67,249	1,92,249	1,99,249	2,03,749
Less: Acc Depreciation	66,762	75,448	84,666	94,221	1,03,991
Net block	**94,020**	**91,802**	**1,07,583**	**1,05,028**	**99,758**
Capital WIP	4,708	3,825	3,825	3,825	3,825
Investment	17	17	17	17	17
Other non current assets	64,808	63,221	63,221	63,221	63,221
Current Assets	**23,547**	**22,712**	**27,768**	**43,017**	**59,080**
Inventories	9,467	7,617	8,626	9,403	10,064
Sundry Debtors	5,907	6,601	7,475	8,149	8,721
Cash and Bank	1,070	1,823	4,996	18,794	33,623
Loans and Advances	39	18	18	18	18
Other current assets	7,065	6,654	6,654	6,654	6,654
Current Liab & Prov.	**39,880**	**37,912**	**40,015**	**41,635**	**43,013**
Net current assets	**-16,333**	**-15,200**	**-12,247**	**1,381**	**16,067**
Total Assets	**1,47,220**	**1,43,665**	**1,62,398**	**1,73,473**	**1,82,888**

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs Mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (Ex-Other income)	**2,059**	**265**	**6,329**	**6,784**	**8,577**
Depreciation	9,186	8,685	9,219	9,555	9,770
Interest Provided	5,326	4,964	5,505	6,447	6,673
Other Non-Cash items	-79	-371	-	-	-
Chg in working cap	-164	-274	220	169	144
Tax paid	-403	15	-1,595	-1,709	-2,161
Operating Cashflow	**15,925**	**13,285**	**19,678**	**21,244**	**23,003**
Capital expenditure	-5,814	-3,501	-25,000	-7,000	-4,500
Free Cash Flow	**10,112**	**9,784**	**-5,322**	**14,244**	**18,503**
Other income	22	69	-	-	-
Investments	58	61	-	-	-
Investing Cashflow	**-5,734**	**-3,371**	**-25,000**	**-7,000**	**-4,500**
Equity Capital Raised	-	-	-	-	-
Loans Taken / (Repaid)	-4,656	-3,014	14,000	6,000	3,000
Interest Paid	-4,985	-4,500	-5,505	-6,447	-6,673
Dividend paid (incl tax)	-	-	-	-	-
Income from investments	0	0	0	0	0
Others	-1,500	-1,612	-	-	-
Financing Cashflow	**-11,141**	**-9,126**	**8,495**	**-447**	**-3,673**
Net chg in cash	**-949**	**788**	**3,172**	**13,798**	**14,830**
Opening cash position	1,927	978	1,823	4,996	18,794
Add: Bank Balance other than Cash & Equiv	92	57	-	-	-
Closing cash position	**1,070**	**1,823**	**4,996**	**18,794**	**33,623**

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
Profitability (%)					
EBITDA Margin	15.1	13.2	17.8	17.6	18.1
Net Margin	1.3	0.2	4.0	4.0	4.7
ROCE	5%	4%	7%	7%	8%
ROE	2%	0%	5%	5%	6%
RoIC	7%	5%	9%	11%	13%
Per Share Data (Rs)					
EPS	40.5	5.3	13.3	14.2	18.0
CEPS	30	25	39	41	45
BVPS	252	252	265	280	297
DPS	-	-	-	-	-
Valuations (x)					
PER	8.7	85.1	33.8	31.5	24.9
P/CEPS	11.7	18.0	11.5	10.9	9.9
P/BV	1.4	1.8	1.7	1.6	1.5
EV / Sales	1.5	1.9	1.8	1.6	1.4
EV / EBITDA	10.2	14.3	9.9	8.8	7.6
Dividend Yield (%)	-	-	-	-	-
Gearing Ratio (x)					
Net Debt/ Equity	0.4	0.4	0.5	0.4	0.3
Net Debt/EBIDTA	2.5	2.7	2.3	1.7	1.1
Working Cap Cycle (days)	-5.1	-5.8	-5.8	-5.8	-5.8

Source: Company, Systematix Institutional Research

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Tel no. 022-66198000/40358000 Fax no. 022-66198029/40358029 Email id contactus@systematixgroup.in. Visit us at: www.systematixgroup.in
Details of Compliance officer: Ms Nipa Savla, Compliance officer Tel no. 022-66198092/4035808092 Email id compliance@systematixgroup.in
Details of Email id grievance redressal cell : grievance@systematixgroup.in
Details of Registration : CIN - U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MCX SEBI Reg. No.: INZ000171134 (Member Code: 56625) | NCDEX SEBI Reg. No.: INZ000171134 (Member Code: 1281) | Depository Participant SEBI Reg. No.: IN-DP-480-2020 (DP Id: 12034600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840 | AMFI : ARN - 64917