

CMP: INR 205

Rating: Buy

Stock Info

BSE	502168
NSE	NCLIND
Bloomberg	NCLI:IN
Sector	Cement
Face Value (INR)	10
Equity Capital (INR mn)	452
Mkt Cap (INR mn)	9270
52w H/L (INR)	260 / 180
Avg Yearly Volume (in 000')	297

Shareholding Pattern %

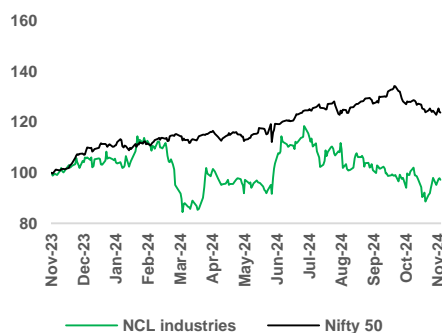
(As on September, 2024)

Promoters	42.1%
DII	0.0%
FII	5.3%
Public & Others	52.6%

Stock Performance (%) 1m 6m 12m

NCLIND	3.50	-0.13%	-4.56%
NIFTY	-1.91%	8.37%	25.3%

NCLIND vs Nifty



NCL Industries Ltd, headquartered in Secunderabad, India, operates primarily in the building materials sector, manufacturing and selling a diverse portfolio of products that includes cement, cement bonded particle boards, ready-mix concrete (RMC), and doors. The company's flagship brand, Nagarjuna Cement, is well-regarded in the industry. NCL's operations are largely in Telangana and Andhra Pradesh with installed cement capacity of 3.9 MnT pa. Additionally, the company has ventured into renewable energy, operating two small hydroelectric power projects with a combined capacity of 15.75 MW.

Demand in cement sector would aid growth: The Indian government emphasis on infrastructure development, with substantial budget allocations for housing, highways, ports, airports and irrigation projects which is expected to drive demand for the cement sector. India's cement production reached 400-410 MnT in FY24, growth of 6.83% YoY and amongst India's cement production capacity, ~32% is in South India, 20% each in North & East India, 15% in West and 13% in Central India. India per capita consumption in FY24 is 295 kg compare to the world average of 550 kg therefore there is scope of expansion in India. Cement demand in FY24 is 420-430 MTPA and it is expected to cross 625 MTPA by FY30 i.e CAGR of 7-8%, it is driven by an increase in construction activities throughout the country. Besides, there are expectation of steady increase in the cement industry's capacity utilization levels to ~72% in FY25 from ~68% in FY23 and ~71% in FY24.

Financials sees healthy growth: NCL Ind. posted FY24 revenue of INR 18,713Mn, grew by 16.3 % YoY due to strong demand across its core segments—cement, RMC, and doors. EBITDA reached INR 2,256.8 Mn, growing at an 35% YoY, supported by operational efficiencies and margin improvements. PAT rose sharply to INR 932.1 Mn, grew by 110% YoY. Over the past 5 years, the company financial reflects strong growth wherein revenue grew by 91% CAGR, EBIDTA grew by 60% & PAT grew by CAGR of 99% led by the company's' strategy of managing cost, expanding capacity, improvement in overall market sentiments and solid performance across key product lines.

Diversified portfolio to drive growth: NCL Ind., with its diversified portfolio including cement products (84.3% of turnover), Cement Bonded Particle Boards (8.2% of turnover) and Ready Mix Concrete (7.5% of turnover) . They have 1750 cement dealers in states like Andhra Pradesh, Kerala, Telangana, Karnataka, Maharashtra, Odisha, Tamil Nadu, Chhattisgarh and Pondicherry .The RMC segment of the company has plants in Hyderabad and Vizag and it is also adding in-demand products like green cement to its range. The company is the sole manufacturer of Cement Bonded Particle Boards under the brand "Bison Panel" in India, With current facilities operating at an annual capacity of 90,000 MT, are looking to expand production to take advantage of growing demand and new opportunities.

Valuation and outlook - As a proxy player in the Andhra market, current market price range of INR 205-206 appears attractive. Further in cement sector, ongoing consolidation by larger players is expected to benefit smaller players like NCL, positioning them as potential acquisition targets. Additionally NCL business being in Southern market will help buyer to gain share and their limestone reserve will provide additional benefits. Further, there is continuous real estate and housing demand as well as government spending strongly (Andhra and Telangana) on infra projects will drive demand and overall growth of the sector. The stock is trading at EV/EBITDA of 3.4x on FY24.

Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Nirvi Ashar

nirvi.ashar@arihantcapital.com

Kunjal Agarwal

kunjal.agarwal@arihantcapital.com

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Tel: (91-731) 4217100 Fax: (91-731) 4217101

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880