

**CMP: INR 342**

**Rating: Buy**

**Target: INR 438**

BSE	543334
NSE	NUVOCO
Bloomberg	NUVOCO:IN
Sector	Cement
Face Value (INR)	10
Equity Capital (INR mn)	357
Mkt Cap (INR mn)	122,160
52w H/L (INR)	398/291
Avg Yearly Volume (in 000')	80

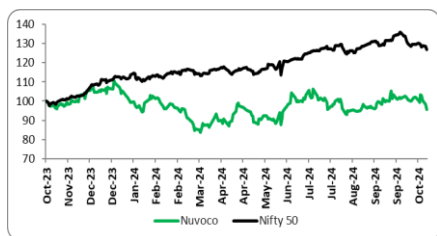
#### Shareholding Pattern %

(As on September, 2024)

Promoters	72.0
FII	3.2
DII	18.9
Public & Others	5.9

Stock Performance (%)	1m	6m	12m
NUVOCO	-4.5%	-1.6%	-9.8%
NIFTY	-5.4%	9.7%	12.8%

#### NUVOCO vs Nifty



Nuvoco Vistas reported Q2FY25 results which came in below our expectation; Revenue for Q2FY25 came in at INR 22,686 Mn, de-growth of 11.8% YoY/ de-growth of 14% QoQ as against expectation of INR 23,382 Mn due to sluggish demand and pricing pressure. Sales Volume was at 4.2 MnT with de-growth of 6.7% YoY and de-growth of 12.5% QoQ as against expectation of 4.3MnT. Realization stood at INR 5400/T de-growth of 5.6% YoY/ de-growth of 1.7% QoQ as against expectation of INR 5437/T.

**Both gross & operating margins remain impacted:** Nuvoco's gross profit for Q2FY25 came in at 17,975 Mn, de-growth of 14.5% YoY/de-growth of 14.9% QoQ due to increase in purchase of goods. Further, gross margin was at 79.2%, decline of 249bps YoY/decline of 86bps QoQ. Further, despite there was decrease in power & fuel, freight cost & other expenses, EBITDA seen a decline due to subdued performance on topline. Thus, EBITDA stood at INR 2,184 Mn which declined by 33.8% YoY/de-grew by 36.4% QoQ and EBITDA margin was decreased by 320bps YoY/decline by 340bps QoQ. EBITDA/t at INR 519/T decline of 29.3% YoY/decline of 27.5% QoQ. Further, the company reported loss on the bottom-line with PAT at INR -855Mn as against the profit of INR 15.6Mn in Q2FY24.

**Strategy going ahead:** The management strategy is to keep its focus on premiumization as well as on cost saving plan of Project Bridge 2.0 which is well on track. This quarter despite subdued topline performance its focused on efficiency and optimization of its costs as well as Nuvoco is well placed on slag supply as they have tied for long term contracts. Further, its total cost/t, fuel & power cost/t as well as freight cost/t (logistic cost) witnessed a decline of 2.1%/9.7%/2.6% YoY and for Q2FY25 it stood at INR 4,881/t, INR 1,078/t and INR 1,476/t, respectively. Additionally, the price of pet-coke & coal too saw a decline.

**Outlook & Valuation:** Nuvoco reported Q2FY25 numbers which were below our expectations due to impact of macro environment, slowdown in demand & pricing pressure. Going ahead, the management remain cautiously optimistic and expects demand to revive in H2 and meanwhile their plan is to focus on improving fuel mix, optimizing cost, increasing share in premium products, strengthening brand presence and reducing debt. Besides, pickup in infrastructure spending & demand of real estate sector will aid overall growth for the cement companies. Financially, we expect its revenue/EBITDA to grow by 8.8%/13.6% over FY24-26E and maintain a Buy rating but our target price is revised down to Rs 438 (earlier INR 455).

#### Key Financials:

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Net revenue	105,862	107,329	111,497	126,992
EBITDA	12,104	16,237	17,282	20,954
EBITDAM (%)	11.4	15.1	15.5	16.5
APAT	159	1,474	2,623	4,555
APATM (%)	0.1	1.4	2.4	3.6
EPS (Rs)	0.4	4.1	7.3	12.8
EV/EBITDA	13.7	10.0	9.4	7.9
RoE (%)	0.2	1.6	2.8	4.7

Source: Arihant Research, Company Filings

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**Q2FY25 Concall Highlights****Industry scenario:**

- The demand in the industry remain subdued while H1FY25 also witnessed slowdown in government capex amongst the states such as Bihar, Gujarat, Haryana, West Bengal, and Chhattisgarh.
- Challenging macro environment, unexpected weather condition too impacted the overall demand in the East and North region.
- Further, volumes as well as there was pricing pressure amongst the regions.
- All India Cement prices was down by 4% QoQ and in the North and East region prices dropped by 3% and 5%, respectively.

**Nuvoco's Strategy:**

- Balancing the growth by focusing both on volumes and pricing.
- Premiumization to remain key focus area and in the quarter its premium sales reached to 43% of trade mix.
- Operational efficiency would be the second area of focus wherein the company plan is to focus on saving and managing its cost of power & fuel, logistics, other expenses, etc. Thus, blended fuel cost reached to 1.54/Mcal
- Debt reduction to remains their priority.
- The company continues to focus on value over volume.
- The company is expecting 4% volume growth for FY25 and ~higher single digit growth in H2FY25.

**Expansion & Capex:**

- They commissioned new clinker line in Sonadih.
- In Nimbol plan is to reach clinker capacity of 6000 TPD by Q4FY25.
- Odisha railway siding project is expected to be commissioned by Q4, FY'25.
- Further, they completed a grid integration project across units in Chhattisgarh which will now enable in savings power cost.
- For FY25, capex spend will be INR 3,000-4,000Mn (INR 2200Mn is spend in H1) as no new projects are planned while for FY26 it will be INR 9,000-10,000Mn.

**Other Highlights:**

- Its premium brand namely, Concreto Uno is gaining good traction in the East & North regions and they are also gaining share.
- Long term contracts for slag supply is aiding to savings for the company.
- Project Bridge 2.0 has helped to reduce INR 50/t in operating cost and expect anoth INR 75/t saving in H2FY25.
- Lead Distance – 330kms in Q2FY25 as compared to 332kms in Q1FY25
- Trade Mix was ~71% in Q2FY25 and road/rail mix was 60%/40% in Q2FY25.
- Innovation continues for its Ready Mix and MBM businesses and have seen good traction in H1FY25.
- Plans to reduce debt to INR 35,000-40,000 Mn in the next 2-3 quarters.
- Contribution margin of selling Concreto or a Duraguard Microfiber or a Concreto Uno is more than other products in the market.

## Q2FY25 - Quarterly Performance (Consolidated)

Particulars (INR Mn)	Q2FY25	Q2FY24	Y-o-Y %	Q1FY25	Q-o-Q %
<b>Net Sales</b>	<b>22,685.8</b>	<b>25,729.7</b>	<b>(11.8)</b>	<b>26,364.8</b>	<b>(14.0)</b>
Cost of Raw Materials	4,152.1	4,410.0	(5.8)	4,817.9	(13.8)
Purchase of Finished Goods	665.6	108.1	515.7	562.5	18.3
(Increase) / Decrease In Stocks	(106.6)	183.9	-	(131.9)	(19.2)
<b>Total Raw material cost</b>	<b>4,711.1</b>	<b>4,702.0</b>	<b>0.2</b>	<b>5,248.5</b>	<b>(10.2)</b>
<b>Gross Profit</b>	<b>17,975</b>	<b>21,028</b>	<b>(14.5)</b>	<b>21,116</b>	<b>(14.9)</b>
Gross Margins %	79.2	81.7	-249bps	80.1	-86bps
Employee Cost	1,655.1	1,725.3	(4.1)	1,761.7	(6.1)
Fuel Cost	4,526.5	5,372.0	(15.7)	5,147.9	(12.1)
Frieght & Forwarding	6,198.4	6,818.2	(9.1)	7,103.5	(12.7)
Other Expenses	3,410.4	3,812.4	(10.5)	3,669.5	(7.1)
<b>Total Expenditure</b>	<b>20,502</b>	<b>22,430</b>	<b>(8.6)</b>	<b>22,931</b>	<b>(10.6)</b>
<b>EBITDA</b>	<b>2,184</b>	<b>3,300</b>	<b>(33.8)</b>	<b>3,434</b>	<b>(36.4)</b>
<i>EBITDA Margins (%)</i>	<i>9.6</i>	<i>12.8</i>	<i>-320bps</i>	<i>13.0</i>	<i>-340bps</i>
Depreciation	2,152.9	2,256.3	(4.6)	2,162.0	(0.4)
EBIT	31.4	1,043.5	(97.0)	1,271.7	(97.5)
Other Income	104.3	59.5	75.3	45.2	130.8
Interest	1,315.4	1,398.8	(6.0)	1,266.0	3.9
PBT	(1,179.7)	(295.8)	-	50.9	-
Exceptional items	-	-	-	-	-
PBT	(1,179.7)	(295.8)	-	50.9	-
Tax	(324.7)	(311.4)	-	22.5	-
<b>Reported PAT</b>	<b>(855.0)</b>	<b>15.6</b>	<b>-</b>	<b>28.4</b>	<b>-</b>
<i>PAT Margin (%)</i>	<i>(3.8)</i>	<i>0.1</i>	<i>-</i>	<i>0.1</i>	<i>-</i>
<i>EPS</i>	<i>(2.4)</i>	<i>0.0</i>	<i>-</i>	<i>0.1</i>	<i>-</i>

Source: Arianth Research, Company Filings

Particulars	Q2FY25	Q2FY24	Y-o-Y %	Q1FY25	Q-o-Q %
Sales Volume (MT)	4.2	4.5	-6.7	4.8	-12.5
Realization/Ton (Rs)	5,400	5,718	(5.6)	5,493	(1.7)
EBITDA/Ton (Rs)	519	733	(29.3)	715	(27.5)
Total Cost/Ton (Rs)	4,881	4,984	(2.1)	4,777	2.2
Fuel Cost/Ton (Rs)	1,078	1,194	(9.7)	1,072	0.5
Frieght & Forwarding/Ton (Rs)	1,476	1,515	(2.6)	1,480	(0.3)

Source: Arianth Research, Company Filings

## Profit &amp; Loss Statement (Consolidated)

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Net sales	105,862	107,329	111,497	126,992
Expenditure				
Cost of materials	17,650	17,414	18,397	20,065
Purchase of stock in trade	443	1,456	1,672	1,905
(Inc)/Dec In Stocks	(236)	667	557	635
Total raw materials	17,857	19,537	20,627	22,605
Gross Profit	88,005	87,792	90,870	104,387
Gross Profit M (%)	83.1	81.8	81.5	82.2
Employee cost	6,055	6,818	7,136	8,127
Fuel cost	27,923	21,402	21,853	24,636
Freight & Forwarding	28,183	29,285	30,104	34,161
Other expenses	13,740	14,050	14,495	16,509
Total expenditure	93,758	91,092	94,215	106,038
EBITDA	12,104	16,237	17,282	20,954
EBITDAM (%)	11.4	15.1	15.5	16.5
Depreciation	9,511	9,186	8,808	9,270
PBIT	2,593	7,051	8,474	11,683
Other income	132	335	348	396
Interest expenses	5,119	5,326	5,157	5,715
PBT	(2,394)	2,060	3,665	6,365
Tax	(6,611)	586	1,042	1,810
Reported PAT	4,217	1,474	2,623	4,555
Except. Inc/Exp	(4,058)	-	-	-
PAT (after Exceptional)	159	1,474	2,623	4,555
PAT Margin %	0.1	1.4	2.4	3.6
EPS	0.4	4.1	7.3	12.8

Source: Arianth Research, Company Filings

## Balance Sheet (Consolidated)

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Share Capital	3,572	3,572	3,572	3,572
Reserves & Surplus	84,818	86,264	88,887	93,442
Net worth	88,390	89,835	92,458	97,013
Minority Interest	-	-	-	-
Long term borrowings	33,254	28,783	27,874	30,478
Short term borrowing	12,923	12,588	13,380	15,239
Total Debt	46,177	41,370	41,254	45,717
Deferred tax liabilities	11,899	11,736	12,265	12,699
Loans & advances	-	-	-	-
Long term provision	1,822	1,887	1,960	2,233
Other long term liabilities	1,832	2,391	2,484	2,829
Total	15,553	16,014	16,709	17,761
Current Liabilities				
Trade payables	17,026	16,860	17,515	19,949
Short term provisions	5,472	4,500	4,675	5,324
Other current liabilities	17,260	18,520	18,955	21,589
Total	39,757	39,880	41,144	46,861
Total liabilities	189,877	187,099	191,564	207,352
Application of Funds				
Net Block	149,637	150,442	153,069	161,778
Current work in process	5,941	4,708	4,708	4,708
Goodwill	-	-	-	-
Non current investment	-	-	-	-
Tax assets	1,763	1,716	1,782	2,030
Long term loans and adv.	15	13	13	15
Other non-current assets	7,283	6,668	7,136	8,381
Total	164,639	163,546	166,708	176,912
Current Assets				
Current investments	-	-	-	-
Inventories	10,500	9,467	9,775	11,481
Trade receivables	6,012	5,907	6,136	6,993
Cash balance	1,927	978	1,231	2,938
Bank balance	104	92	92	92
Short term loans and adv	26	39	41	46
Other current assets	6,669	7,071	7,582	8,889
Total	25,238	23,553	24,856	30,441
Total assets	189,877	187,099	191,564	207,352

Source: Arianth Research, Company Filings

## Cash Flow Statement (consolidated)

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Profit before tax	(6,452)	2,060	3,665	6,365
Add: Depreciation	9,511	9,186	8,808	9,270
Add: Interest cost	5,119	5,326	5,157	5,715
Less: Other Income	(53)	(159)	(348)	(396)
Less: Dividend Income	-	-	-	-
Others	4,374	80	-	-
Operating profit before W	12,499	16,493	17,282	20,954
Changes in working capit	4,777	(165)	373	1,398
Cash from Operations	17,276	16,328	17,655	22,352
Less: Taxes	(162)	(403)	(1,042)	(1,810)
Cash flow from Operations	17,114	15,925	16,613	20,542
Cash flow from investing	(2,604)	(5,734)	(11,087)	(17,583)
Cash flow from Financing	(13,617)	(11,141)	(5,273)	(1,252)
Net cash Inflow/Outflow	894	(949)	253	1,707
Opening cash	1,034	1,927	978	1,231
Closing cash	1,927	978	1,231	2,938

Source: Arianth Research, Company Filings

## Ratio Analysis

Particulars	FY23	FY24	FY25E	FY26E
Per share Data				
EPS (Rs)	0.4	4.1	7.3	12.8
Book value per share (Rs)	247.5	251.5	258.9	271.6
Profitability Ratios				
EBITDAM(%)	11.4	15.1	15.5	16.5
PBTM (%)	-2.3	1.9	3.3	5.0
NPM (%)	0.1	1.4	2.4	3.6
RoE (%)	0.2	1.6	2.8	4.7
RoCE (%)	1.9	5.4	6.3	8.2
Efficiency Data				
Debt-Equity (x)	0.5	0.5	0.4	0.5
Debt/EBITDA (x)	3.8	2.5	2.4	2.2
Interest Cover (x)	0.5	1.3	1.6	2.0
Fixed Asset (x)	1.4	1.4	1.4	1.3
Debtors (Days)	20.7	20.1	20.1	20.1
Inventory (Days)	36.2	32.2	32.0	33.0
Payable (Days)	58.7	57.3	57.3	57.3
WC (Days)	-1.8	-5.1	-5.2	-4.2
Valuation				
P/E (x)	770.2	82.9	46.6	26.8
P/BV	1.4	1.4	1.3	1.3
EV/EBITDA	13.7	10.0	9.4	7.9
EV/Sales	1.6	1.5	1.5	1.3

Source: Arianth Research, Company Filings

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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%

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