

CMP: INR 353

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)	125,720
52w H/L (INR)	386/291
Avg Yearly Volume (in 000')	80

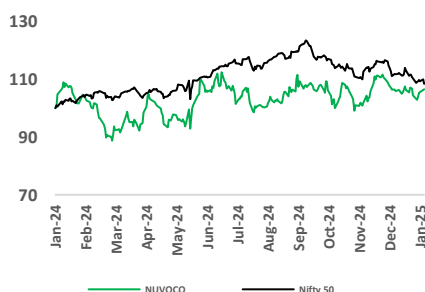
Shareholding Pattern %

(As on September, 2024)

Promoters	72.0
FII	3.4
DII	19.3
Public & Others	5.3

Stock Performance (%)	1m	6m	12m
NUVOCO	0.01%	3.08%	6.39%
NIFTY	-2.5%	-5.41%	9.02%

NUVOCO vs Nifty



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Nuvoco Vistas reported Q3FY25 results which came in below our expectation; Revenue for Q3FY25 came in at INR 24094 Mn, de-growth of 0.5% YoY/ growth of 6.2% QoQ as against expectation of INR 26,438 Mn due to sluggish demand and pricing pressure. Sales Volume was at 4.8 MnT with growth of 19.4% YoY and growth of 14.3% QoQ as in-line with our estimate of 4.8MnT. Realization stood at INR 5020/T de-growth of 7% YoY/ de-growth of 16.7% QoQ as against expectation of INR 5508/T.

Strategic Focus on Premiumization and Cost Efficiency: Nuvoco continues to emphasize premiumization, with premium products contributing 39% of trade volumes, driven by the growing popularity of offerings like Concreto UNO and microfiber. The company plans to expand its premium portfolio to enhance market positioning and improve realizations. On the cost front, Project Bridge 2.0 is on track to achieve INR 75/t savings in H2FY25, with total costs per tonne declining to INR 4,850/t, aided by reductions in power & fuel (-10.1% YoY) and freight costs (-2.9% YoY), along with lower petcoke and coal prices. Additionally, Nuvoco remains focused on operational efficiency and debt reduction, lowering net debt to INR 4,350 Mn and aiming to bring it below INR 4,000 Mn in the coming quarters to support future investments.

Strong Gross Margin, Weak EBITDA Margin: Nuvoco's gross margin improved to 82.6%, reflecting an increase of 84bps YoY and 332bps QoQ, driven by cost efficiencies and operational improvements. However, the EBITDA margin stood at 10.7%, declining by 623bps YoY, but showing a QoQ recovery with an increase of 109bps. Despite volume growth, lower realizations at INR 5,020/T and pricing pressure in October and November weighed heavily on margins. EBITDA per tonne was recorded at INR 538/T, an increase of 3.7% YoY, but a sharp decline of 47.3% QoQ, highlighting the impact of lower realizations earlier in the quarter.

Outlook & Valuation: Nuvoco remains cautiously optimistic about a demand recovery in Q4FY25, driven by improved rural activity, and increased infrastructure spending. The company is focused on optimizing its fuel mix, expanding its premium product portfolio, reducing costs, enhancing brand presence, and lowering debt. 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

Q3FY25 Concall Highlights**Industry Scenario**

- The cement industry showed a recovery after challenging conditions in H1FY25. Improved market dynamics, unspent capital expenditure, and festive season demand contributed to positive growth.
- Prices in key markets of the East and North hit a three-year low in October and November before improving in mid-December. December exit realizations increased by 6% over the quarter average.

Nuvoco's Strategy

- Premium products accounted for 39% of the trade mix during Q3FY25. Products like Concreto UNO and microfiber showed strong traction, achieving double-digit growth in markets like Chhattisgarh and Bihar.
- Project Bridge 2.0 delivered cost savings of INR 50 per tonne YTD, with further savings anticipated in H2FY25. The company reduced power and fuel costs by 6% QoQ, achieving the lowest blended fuel cost in 13 quarters (INR 1.45/Mcal). Distribution costs declined 3% QoQ due to logistical optimizations.
- Despite achieving 16% volume growth YoY, the company maintained its focus on value-driven sales rather than aggressive volume targets.
- Net debt as of December 2024 was INR 4,350 crores, reflecting a YoY reduction of INR 183 crores. Nuvoco aims to reduce net debt below INR 4,000 crores to support future investments.

Expansion and CapEx

- The Jaspur project is nearing completion, with clinker and cement movements expected to begin by Q1FY26, saving logistics costs.
- Routine CapEx for maintenance is estimated at INR 300 crores annually, with INR 299 crores already spent YTD. Additional INR 50-60 crores is planned for Q4FY25.
- The Vadraj Cement acquisition will add 3.5 MTPA clinker capacity by Q3FY27. This will release capacity to meet growing demands in Northern markets while strengthening operations in Gujarat and Maharashtra.

Key Financial Metrics

- Revenue for Q3FY25 came in at INR 24094 Mn, de-growth of 0.5% YoY/ growth of 6.2% QoQ as against expectation of INR 26,438 Mn
- Sales Volume was at 4.8 MnT with growth of 19.4% YoY and growth of 14.3% QoQ as against expectation of 4.8MnT.
- Realization stood at INR 5020/T de-growth of 7% YoY/ de-growth of 16.7% QoQ as against expectation of INR 5508/T.
- Gross margin at 82.6%, increase by 84bps YoY / increase by 332bps QoQ.
- The company reported loss on the bottom-line with PAT at INR 610Mn as against our expectation of profit of INR 588 Mn.

Other Highlights

- Lead distance reduced to 327 km in Q3FY25 (vs. 333 km in Q2FY25).
- Road/rail mix improved to 64%/36% (vs. 60%/40% in Q2FY25).
- Innovation in Ready Mix and MBM businesses continues, with new product launches like Tile Adhesive T5, Tile Glitter, and Tile Bonder.

Q3FY25 - Quarterly Performance (Consolidated)

Particulars (INR Mn)	Q3FY25	Q3FY24	Y-o-Y %	Q2FY25	Q-o-Q %
Net Sales	24093.6	24209.8	-0.5	22680	6.2
Cost of Raw Materials	4104.9	3702.5	11	4152.1	(1.1)
Purchase of Finished Goods	705.4	566.3	25	665.6	6.0
(Increase) / Decrease In Stocks	-606	158.9	-481	-106.6	468.5
Total Raw material cost	4,204.3	4,427.7	-5	4,711.1	(10.8)
Gross Profit	19,889	19,782	1	17,969	10.7
Gross Margins %	82.6	81.7	84bps	79.23	332bps
Employee Cost	1724.2	1742.3	(1.0)	1655.1	4.2
Fuel Cost	5103.5	4494.1	13.6	4526.5	12.7
Freight & Forwarding	6605.1	6229	6.0	6198.4	6.6
Other Expenses	3874	3212.6	20.6	3410.4	13.6
Total Expenditure	21,511	20,106	7.0	20,502	4.9
EBITDA	2,583	4,104	(37.1)	2,179	18.54
<i>EBITDA Margins (%)</i>	10.72	16.95	63bps	9.61	112bps
Depreciation	2173.8	2312.5	(6.0)	2152.9	1.0
EBIT	408.7	1,792	(77.2)	25.6	1,496.5
Other Income	1.6	108.9	(98.5)	104.3	(98.5)
Interest	1257.4	1332.3	(5.6)	1315.4	(4.4)
PBT	(847.1)	568.2	(249.1)	(1,185.5)	(28.5)
Exceptional items	-	-	-	-	-
PBT	(847.1)	568.2	(249.1)	-1185.5	(28.5)
Tax	-233.4	257.9	(190.5)	-324.7	(28.1)
Reported PAT	(613.7)	310.3	(297.8)	(860.8)	(28.7)
<i>PAT Margin (%)</i>	-2.55	1.28	-383bps	-380%	125bps
<i>EPS</i>	<i>(0.2)</i>	<i>0.9</i>		<i>(2.4)</i>	

Key Data

Particulars	Q3FY25	Q3FY24	Y-o-Y %	Q2FY25	Q-o-Q %
Sales Volume (MT)	4.8	4.0	19.4	4.2	14.3
Realization/Ton (Rs)	5,020	6,022	-16.7	5,400	-7.0
EBITDA/Ton (Rs)	538	1,021	-47.3	519	3.7
Total Cost/Ton (Rs)	4,481	5,001	-10.4	4,881	-8.2
Fuel Cost/Ton (Rs)	1,063	1,118	-4.9	1,078	-1.3
Freight & Forwarding/Ton (Rs)	1,376	1,550	-11.2	1,476	-6.8

Source: Arianth Research, Company Filings

Profit & 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: Arihant 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: Arihant 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: Arihant 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: Arihant 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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