

Orient Cement

Strong show

Orient Cement (ORCMNT) reported a solid 2QFY21 as it reported strong profitability, sharp working capital and debt reduction. While net sales fell 7% YoY to Rs 4.78bn on weak volumes, EBITDA soared 111% YoY to Rs 1.13bn on solid pricing and continued cost reduction. Thus, ORCMNT's APAT swelled to Rs 348mn vs net loss of Rs 77mn YoY. The company also reduced its working capital requirement, thus bolstering free cash on its books, which it used to reduce its debt by 20% from the Mar-20 level. We continue to like ORCMNT for its continued cost efficiencies and balance sheet focus. We maintain our BUY with an unchanged target price of Rs 105/share (7x Sep'22E EBITDA).

- Results highlights:** Poor demand across the south and Maharashtra markets drove 18% YoY volume decline. Trade sales accounted for 60% of its sales. However, NSR rose 13% YoY despite 6.5% QoQ cool-off, owing to the sustenance of a large chunk of price hikes of 1QFY21. Opex fell 4/6% YoY/QoQ, due to continued focus on fixed cost controls, lower maintenance cost, and tailwinds from lower fuel prices YoY. Thus, unitary EBITDA rebound 157% YoY to Rs 1,109/MT, driving 111% EBITDA jump. APAT (Rs 348mn vs net loss of Rs 77mn YoY) further benefitted from 18% YoY lower interest cost. During 1HFY21, OCF surged 5x YoY to Rs 3bn, driven by 4% higher EBITDA and sharp WC release. As Capex spend remained low, ORCMNT used the free cash to prepay debt by ~Rs1.6bn (20% from Mar-20).
- Outlook:** We maintain our earnings estimates. We like ORCMNT for its improved cost efficiencies (which is bolstering its profit outlook), and balance sheet focus. We maintain our BUY rating on the stock with an unchanged target price of Rs 105/share (7x Sep'22E EBITDA).

Quarterly/Annual Financial summary

YEMar (Rs mn)	2Q FY21	2Q FY20	YoY (%)	1Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Sales (mn MT)	1.0	1.2	(17.7)	0.8	24.5	6.4	5.8	4.9	5.8	6.3
NSR (Rs/MT)	4,677	4,150	12.7	5,004	(6.5)	3,933	4,171	4,463	4,329	4,373
Opex (Rs/MT)	3,568	3,718	(4.0)	3,807	(6.3)	3,447	3,512	3,612	3,631	3,643
EBITDA(Rs/MT)	1,109	432	156.6	1,198	(7.4)	487	659	851	698	729
Net Sales	4,775	5,150	(7.3)	4,104	16.4	25,222	24,218	22,026	25,211	27,755
EBITDA	1,132	536	111.1	982	15.3	3,120	3,829	4,202	4,064	4,629
APAT	348	(77)		256	36.0	476	866	1,178	1,182	1,532
AEPS (Rs)	1.7	(0.4)		1.2	36.0	2.3	4.2	5.8	5.8	7.5
EV/EBITDA (x)						8.3	6.5	5.3	5.6	5.8
EV/MT (Rs bn)						3.22	3.13	2.78	2.86	3.37
P/E (x)						27.7	15.2	11.2	11.1	8.6
RoE (%)						4.6	8.0	10.1	9.4	11.2

Source: Company, HSIE Research, Financials

BUY

CMP (as on 30 Oct 2020)	Rs 64
Target Price	Rs 105
NIFTY	11,642

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 105	Rs 105
EBITDA %	FY21E	FY22E

KEY STOCK DATA

Bloomberg code	ORCMNT IN
No. of Shares (mn)	205
MCap (Rs bn) / (\$ mn)	13/178
6m avg traded value (Rs mn)	49
52 Week high / low	Rs 90/35

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.4)	58.1	(17.9)
Relative (%)	(6.4)	40.7	(16.8)

SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	37.4	37.4
FIs & Local MFs	26.8	26.4
FPIs	3.1	3.0
Public & Others	32.7	33.2
Pledged Shares	6.01	7.25

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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