

Orient Cement

Volume recovers QoQ; Capex plans revised

We maintain our BUY rating on Orient Cement with an unchanged TP of INR 155/share (7x Mar-25E EBITDA). Orient reported 20/6% QoQ/YoY volume recovery in Q4FY23 (flattish five-year CAGR) on healthy non-trade demand. Unit EBITDA recovered ~INR 180 per MT QoQ on op-lev gains to INR 812 per MT (it reported low employee and other expenses despite healthy volume growth QoQ). Orient has changed its Capex plan—it will add a 3mn MT brownfield IU in Chittapur (expected by H1FY26E). The 10MW WHRS in Chittapur will get operational in Q1FY24 and boost margin FY24 onwards. Orient faces increased regional competition from recent expansions by big players. The planned Chittapur expansion should stretch gearing, in our view.

- **Q4FY23 performance:** Orient Cement reported 20/6% QoQ/YoY volume recovery (however five-year CAGR: -0.4%), driven by non-trade sales. Weak pricing in the south drove a 0.4% QoQ NSR fall. However, Orient reported an INR 200 per MT reduction in unit opex, all of which came from lower employee/other expenses QoQ (it decline on absolute basis QoQ too, despite a 20% volume uptick). Input and freight costs broadly remained stable QoQ. Unit EBITDA, thus, recovered ~INR 180 per MT QoQ (-14/+28% YoY/QoQ) to INR 812 per MT.
- **Outlook:** Orient's 10MW WHRS is expected to be operational by the Q1FY24 end, which will boost its margin from FY24E onwards. The Chittapur Kiln operated at peak utilisation in Q4FY23 (high non-trade demand). Hence, as its Devapur expansion is put on hold (on Tiroda SGU getting cancelled), Orient now plans to double the Chittapur capacity (+3mn MT) by H1FY26 (Capex ~INR 16bn). It will also gradually work on its greenfield project in Rajasthan (CoD ~4-5 years away). We have marginally tweaked our earnings estimates. We estimate the planned Chittapur expansion to stretch net debt/EBITDA to 2.4x in FY25E and ~3x in FY26E. Factoring in the same and the high share of non-trade sales and increased regional competition, we reduce our valuation multiple to 7x FY25E EBITDA (from 7.5x earlier).

Quarterly/annual financial summary

YE Mar (INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Sales Vol (mn MT)	1.72	1.62	6.0	1.43	20.1	5.05	5.48	5.76	6.221	6.656
NSR (INR/MT)	5,099	4,959	2.8	5,121	(0.4)	4,602	4,973	5,100	5,049	5,125
Opex (INR/MT)	4,287	4,013	6.8	4,489	(4.5)	3,512	3,895	4,467	4,282	4,332
EBITDA(INR/MT)	812	946	(14.2)	632	28.5	1,090	1,079	633	766	793
Net Sales	8.76	8.04	9.0	7.32	19.6	23.24	27.25	29.38	31.41	34.11
EBITDA	1.39	1.53	(9.1)	0.90	54.4	5.51	5.91	3.65	4.77	5.28
APAT	0.67	0.73	(8.0)	0.28	144.9	2.14	2.63	1.23	1.95	2.29
AEPS (INR)	3.3	3.6	(8.0)	1.3	144.9	10.5	12.8	6.0	9.5	11.2
EV/EBITDA (x)						6.7	5.6	8.0	6.9	7.3
EV/MT (INR bn)						4.6	3.9	3.4	3.9	4.6
P/E (x)						14.3	11.6	21.0	13.2	11.3
RoE (%)						17.7	18.6	8.1	12.2	12.9

Source: Company, HSIE Research

Estimates revision summary

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Net Sales	30.73	31.41	2.2	33.54	34.11	1.7
EBITDA	4.65	4.77	2.6	5.31	5.28	(0.6)
APAT	1.85	1.95	5.8	2.18	2.29	5.4

Source: Company, HSIE Research

BUY

CMP (as on 3 May 2023)	INR 126
Target Price	INR 155
NIFTY	18,090

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 155	INR 155
EBITDA revision %	FY24E 2.6	FY25E (0.6)

KEY STOCK DATA

Bloomberg code	ORCMNT IN
No. of Shares (mn)	205
MCap (INR bn) / (\$ mn)	26/314
6m avg traded value (INR mn)	105
52 Week high / low	INR 149/96

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.3	(1.4)	(7.1)
Relative (%)	3.8	(2.0)	(14.6)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	37.9	37.9
FIs & Local MFs	11.01	9.54
FPIs	6.02	7.72
Public & Others	45.06	44.84
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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