Nuvoco Vistas Corporation

Fuel cost reduction drives margin recovery

We maintain BUY on Nuvoco Vistas, with an unchanged TP of INR 475/share (10x its consolidated Mar-25E EBITDA). In Q1FY24, Nuvoco delivered 7% YoY volume growth and its unit EBITDA expanded by INR 50/MT QoQ to INR 795 per MT, on strong fuel cost savings. Its net debt to EBITDA also remained stable at 3.8x QoQ. It is committed to reducing debt by ~INR 5bn in FY24E and major Capex would wait until its net debt falls below INR 40bn. It is working on further expanding its CC ratio from 1.83x to 1.92x.

- **Q1FY24 performance:** Cement sales volume rose 7% YoY (-4% QoQ). Utilisation (sales basis) stood at 80% vs 79/83% YoY/QoQ. Trade share fell marginally to 73% vs 75/75% QoQ/YoY. The share of premium cement sales remained high and flattish at 37% (of trade sales). Price fall in the east pulled down NSR 1% QoQ. Cement opex decreased 1/2% YoY/QoQ. Input cost fell sharply by INR 210 per MT (fuel prices cooled off by INR 0.37/mn Cal). However, logistics costs went up INR 110/MT QoQ on lower rakes availability. Even fixed costs went up INR 60/MT QoQ. These and lower NSR moderated unit EBITDA recovery by INR 50 per MT QoQ to INR 795 per MT. Net debt to EBITDA remained stable QoQ at 3.8x.
- **Capex, debt, and outlook:** It plans a Capex of INR 5.8bn in FY24E (Haryana SGU, Sonadih and Jajpur railway sidings, Nimbol and Risda clinker expansions, and RMC plant additions). It will take up further expansions only after reducing net debt to below INR 40bn. It has plans for brownfield expansion in Rajasthan, later on. We believe this is prudent as the current capacity is sufficient for it to deliver more than 7% volume CAGR for the next three years. Nuvoco is also working on increasing its CC ratio from 1.83x to 1.92x over the next two years, thus increasing its volume potential. We maintain our EBITDA estimates, target price, and BUY rating on the stock.

Quarterly/annual financial summary

YE Mar (INR bn)	Q1 FY24	Q1 FY23	*YoY (%)*	Q4 FY23	*QoQ (%)*	FY21	FY22	FY23	FY24E	FY25E
Sales Vol (mn MT)	5.00	4.70	*6.5*	5.20	*(3.8)*	15.91	17.84	18.80	20.30	21.73
NSR (INR/MT)	5,127	5,182	*(1.1)*	5,186	*(1.1)*	4,444	4,760	5,086	5,035	5,085
Opex (INR/MT)	4,333	4,375	*(1.0)*	4,439	*(2.4)*	3,503	3,929	4,466	4,227	4,216
EBITDA(INR/MT)	795	808	*(1.6)*	747	*6.3*	941	831	619	808	869
Net Sales	28.06	26.52	*5.8*	29.29	*(4.2)*	74.89	93.18	105.86	114.53	126.27
EBITDA	3.93	3.70	*6.2*	3.80	*3.2*	14.61	15.02	12.10	17.15	19.98
APAT	0.14	0.20	*(29.4)*	0.05	*167.8*	-0.26	0.32	-1.80	2.00	5.09
AEPS (INR)	0.40	0.57	*(29.4)*	0.15	*167.8*	-0.8	0.9	-5.0	5.6	14.3
EV/EBITDA (x)						12.8	11.7	13.8	9.6	7.8
EV/MT (INR bn)						8.39	7.35	7.03	6.57	5.95
P/E (x)						NA	388.4	-69.3	62.5	24.5
RoE (%)						-0.4	0.4	-2.0	2.2	5.5

Source: Company, HSIE Research

BUY

CMP *(as on 11 Aug 2023)*	INR 350
Target Price	INR 475
NIFTY	19,428

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 475	INR 475
EBITDA revision %	FY24E *0.0*	FY25E *0.0*

KEY STOCK DATA	
Bloomberg code	NUVOCO IN
No. of Shares (mn)	357
MCap (INR bn) / ($ mn)	125/1,528
6m avg traded value (INR mn)	89
52 Week high / low	INR 475/288

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	5.1	(7.4)	5.2
Relative (%)	(0.4)	(15.0)	(4.9)

SHAREHOLDING PATTERN (%)	Mar-23	Jun-23
Promoters	71.79	71.79
FIs & Local MFs	20.45	20.59
FPIs	3.14	2.76
Public & Others	4.63	4.87
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi
rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Keshav Lahoti
keshav.lahoti@hdfcsec.com
+91-22-6171-7353

Disclosure:
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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066
Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600
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HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com