

Nuvoco Vistas Corp Ltd

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Price Band: INR 560-570

ISSUE SUMMARY

Issue Opens	9-Aug-21
Issue Closes	11-Aug-21
Offer Price (INR per share)	560-570
Bid Lot	26 shares
Face Value (INR)	10.0
Pre Issue Shares o/s (mn)	330.0
^*Offer for Sale (No of sh. mn)	61.4
^Fresh Issue (No of sh. mn)	26.3
^Post Issue shares o/s (mn)	356.3
^Issue Size (INR bn)	50.0
QIB	=>50%
Non-institutional	<15%
Retail	<35%
^ Issue Size (@INR570)	

POST ISSUE DETAILS

M.Cap @INR570/sh. (INR bn)	203.1
Shareholding pattern	
Promoters	71.2%
Non-Promoters	28.8%

Nuvoco Vistas Corporation Ltd (NVCL), part of the Nirma Group, is the 5th largest cement company in India (4.2% of the total capacity) and the largest cement company in East India in terms of capacity.

Largest player in fast growing East India with significant presence in North: NVCL is the largest player in East India with 17% of the total regional capacity while it constitutes 5% of total capacity in North India. Through its strategically located plants in North/East, it is able to cater demand in Central India too. North, East and Central India are the fastest growing cement markets in India. Focus on infrastructure investments and revival of housing segment would drive robust industry demand growth of 6.5% CAGR over FY21-26E (2x of supply growth), resulting in utilization level improving to 71% (vs. avg. of 64% over FY15-21). In addition, NVCL has 79% exposure to trade (vs. industry avg. of 63-68%), resulting in better realization.

Diverse portfolio of premium brands and synergy benefits to drive growth: NVCL doubled its capacity over the last 5 years to 22.3 MMTPA through acquisition of Lafarge Holcim in 2016 and NU Vista (Emami Cement) in 2020. These acquisitions have led to extensive portfolio with market leading brands across the range. Focus on premiumization would improve realization, while upcoming capacity addition would drive volume growth. Further successful integration of NU Vista along with new captive power plants and full benefit of WHR across plants would result in better operational efficiency.

Robust financials: In FY21, Revenue/EBITDA grew by 10.2%/12.6%, aided by robust cement demand and acquisition of Emami Cement. Over FY18-21, NVCL EBITDA grew at 11% CAGR (though revenue was flat at 3% CAGR), supported by margin expansion of 395bps to 19.5%. Despite healthy operational performance, higher depreciation and interest cost has led to inconsistent performance at the PAT level. With the repayment of debt from the IPO proceeds and synergy benefits playing out from the recent acquisition, the profitability is expected to improve going ahead.

Issue Size: INR50bn IPO consists of OFS of INR35bn (by promoters) and fresh issue of INR15bn, which will reduce promoters stake to 71.2% from earlier 95.2%. The funds will be largely utilized for repayment of debt (INR13.5bn).

Valuation & View: We like NVCL due its leadership position in fast growing East market, wide premium product portfolio and ability to successfully integrate large acquisitions. The issue is valued at USD146 FY21 EV/ton (USD) and 16.6x EV/EBITDA on post issue basis, which is at discount to industry average given slightly weaker financials. As NVCL has a short history of existence, we believe it has potential to improve its financials in the long run and come at par to its peers as operating leverage kicks in. It is expected to witness strong growth going ahead led by its expansion plans, integration of NU Vista and debt reduction. We recommend **Subscribe for Long Term**.

Exhibit 1: Financials & Valuations (INR mn)

Y/E March	FY18	FY19	FY20	FY21
Revenue	68,555	70,521	67,932	74,888
Growth (%)	-	2.9	-3.7	10.2
Adj PAT	875	-265	2,493	-259
Growth (%)	-	NA	NA	NA
EPS (INR)	2.5	-0.7	7.0	-0.7
EV/EBITDA (x)	22.6	25.7	18.1	16.6
EV/ton (USD-cap)	241.3	233.3	225.5	146.2

*Calculated on post issue basis, at the upper price band of INR570; Source: RHP, MOFSL

Peer Comparison

Exhibit 2: Financial Comparison

Company	M.Cap. INR Bn	Revenue CAGR FY18-21 (%)	EBITDA CAGR FY18-21 (%)	EBITDA Margin FY21 (%)	Realization/ton FY21 (INR)	EBITDA/ton FY21 (INR)
Ultratech Cement	2205.4	13.0	23.5	25.9	5175.0	1338.6
Shree Cement	1045.0	8.4	16.9	31.4	4642.0	1473.4
Ambuja Cement	607.3	2.8	10.9	23.3	4929.0	1167.4
ACC	448.8	1.2	9.1	18.0	4909.0	971.8
Dalmia Bharat	371.8	7.0	11.0	26.4	5083.0	1344.4
Ramco Cement	252.9	6.3	13.2	29.4	5221.0	1551.1
JK Cement	259.8	10.8	25.0	23.3	5437.0	1321.9
Nuvoco Vista	203.1	3.0	11.1	19.5	4412.9	977.9
Birla Corp	106.9	5.8	-16.2	20.2	4853.0	1022.5

Exhibit 3: Valuation Comparison

Company	P/E FY21 (x)	EV/Ton FY21(USD)	EV/Sales FY21 (x)	EV/EBITDA FY21 (x)	P/BV FY21 (x)	D/E FY21 (x)
Ultratech Cement	39.5	276.4	5.1	19.7	4.7	0.5
Shree Cement	44.3	322.7	8.2	26.3	6.7	0.2
Ambuja Cement	44.8	263.1	5.1	21.9	3.9	0.0
ACC	29.8	159.1	2.8	15.7	3.5	0.0
Dalmia Bharat	35.4	163.7	3.5	13.4	2.8	0.3
Ramco Cement	32.5	196.2	5.4	18.2	4.4	0.6
JK Cement	36.9	217.2	4.1	17.8	6.9	0.9
Nuvoco Vista	NA	146.2	3.2	16.6	2.3	0.4
Birla Corp	18.9	123.9	2.1	10.3	1.9	0.7

Source: Company RHP, Bloomberg, MOFSL

*Price Data as on 6th August, 2021

^Calculated on fully diluted basis at upper price band of INR570

About the Company

Nuvoco Vistas Corp. Ltd (NVCL), a Nirma Group company is the fifth largest cement company in India and the largest cement company in East India in terms of capacity. As of 9MFY21, its cement production capacity constituted ~4.2% of total cement capacity in India, 17% of total cement capacity in East India and 5% of total cement capacity in North India, and it is also one of the leading ready-mix concrete (RMX) manufacturers in India. Nirma Group forayed into the cement business in 2014 through a green-field cement plant in Nimbol. Thereafter, it has grown the cement business, through acquisition of the Indian cement business of LafargeHolcim in 2016 and NU Vista (formerly Emami Cement Limited) in 2020. Today, NVCL have grown from being solely cement based to a building materials company.

Exhibit 4: Extensive cement portfolio with premium brands covering full price spectrum



Source: RHP, MOFSL

Exhibit 5: Range of innovative RMX and modern building materials offerings



Source: RHP, MOFSL

NVCL is one of the fastest growing cement company with installed capacity doubling over the last five years post the acquisition of NU Vista. The location of its plants allows the company to maintain its leadership position in East India while growing its business in North India. East India is the fastest growing cement markets in India. (CRISIL Report). In addition, its Cement Plants in Chhattisgarh and Rajasthan are ideally placed to serve

the adjacent markets of Uttar Pradesh and Madhya Pradesh in Central India and Maharashtra in West India respectively. According to CRISIL, NVCL is one of the players to increase market share in the last two years. The company offer a range of over 50 products across cement, RMX and modern building materials.

NVCL largely distributes its products through the trade segment (73%), which mainly caters to individual home buyers, while the non-trade segment, which is mainly direct sales to institutional and bulk buyers contribute 27%. In the trade segment, the company has built effective and wide spread distribution channel which is a mix of wholesale and retail dealers and a sub-dealer network. As of FY21, company has 244 CFAs (162 in East India and 82 in North India) and 16,076 dealers in India (10,091 in East India and 5,985 in North India).

As of March 31, 2021, NVCL has an installed capacity of 22.32 MMTPA with eight plants in East India and three in North India. These cement plants are located in the states of West Bengal, Bihar, Odisha, Chhattisgarh and Jharkhand in East India and Rajasthan and Haryana in North India, while the RMX Plants are located across India. It is also in the process of enhancing its cement capacity by 2.7MMTPA by FY23. All its units are located within close proximity to the key raw materials required to produce cement, such as limestone, slag and fly ash. For FY21 its capacity utilisation of plants in North/East India, stood at 72.7%/77.6%, while the total capacity utilisation of all plants across India, was 77.6%. Its total cement-to-clinker ratio across all units was 1.73 for FY21.

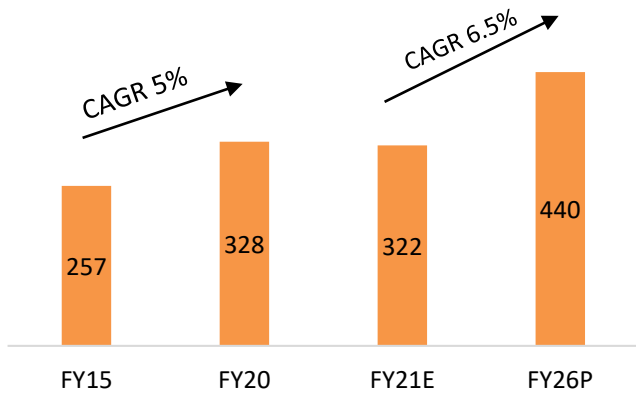
NVCL has waste heat recovery systems at all its integrated plants with a total capacity of 44.7 MW, solar power plants with a total capacity of 1.5 MW and captive power plants with generation capacity of 105 MW. As of FY21, these generate 50.4% (on a proforma basis) of the total power requirements. The company have a dedicated Construction Development and Innovation Centre (CDIC) located in Mumbai. This NABL-accredited facility serves as the incubation centre for innovative products across the Cement, Ready Mix and Modern Building Materials businesses.

Risk and concerns

- If NVCL is unable to effectively integrate its operations with its acquisitions and achieve operational efficiency, it may affect its financial performance.
- There are outstanding legal proceedings (~9% of Balance Sheet) involving company, subsidiary, the Individual Promoter, the Directors and the Group Companies and any adverse outcome in any of these proceedings may adversely impact business
- Demand for cement depends on various sectors such as infrastructure, housing and commercial real estate. Any downturn in the major cement consuming sectors or the building industry could have an adverse impact on the business.
- Cement is highly competitive industry and any failure to effectively compete could have a material impact.

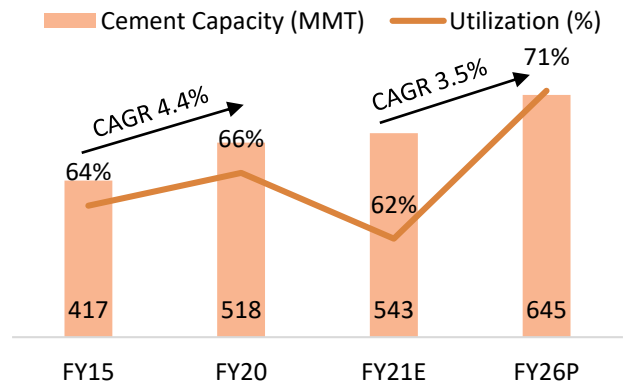
Story in Charts - Industry

Exhibit 6: Cement demand expected to grow at 6.5% CAGR over FY21-26E...



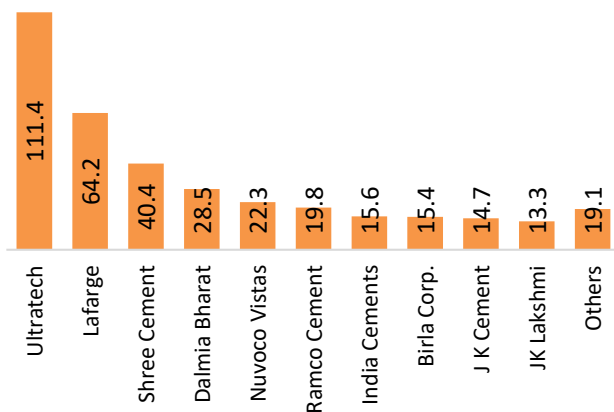
Source: RHP, MOFSL

Exhibit 7:vs. supply growth of 3.5% CAGR over FY21-26E



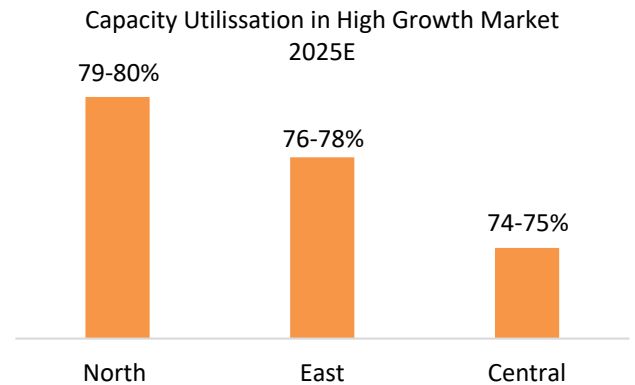
Source: RHP, MOFSL

Exhibit 8: NVCL is the 5th largest cement player



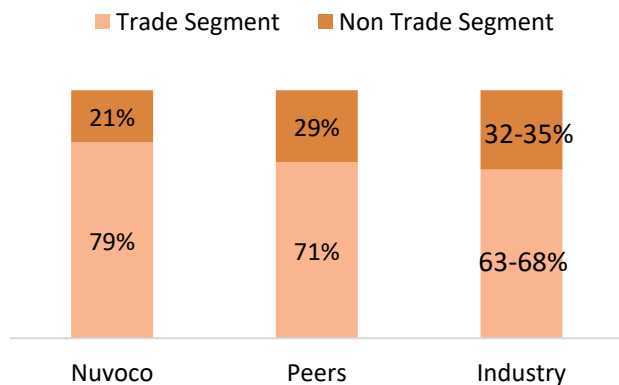
Source: RHP, MOFSL

Exhibit 9: North & East market expected to grow faster where NVCL is largely present



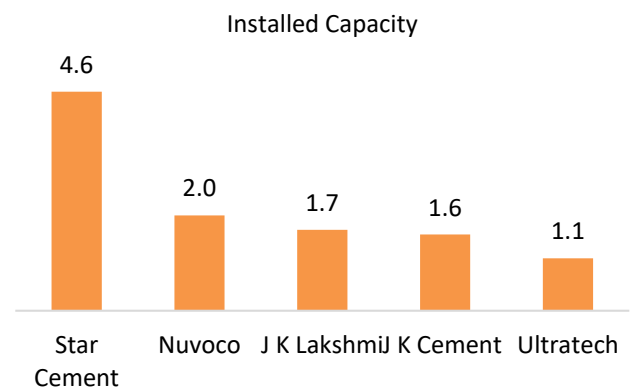
Source: RHP, MOFSL

Exhibit 10: NVCL has higher exposure to trade segment (FY20) leading to better realization



Source: RHP, MOFSL

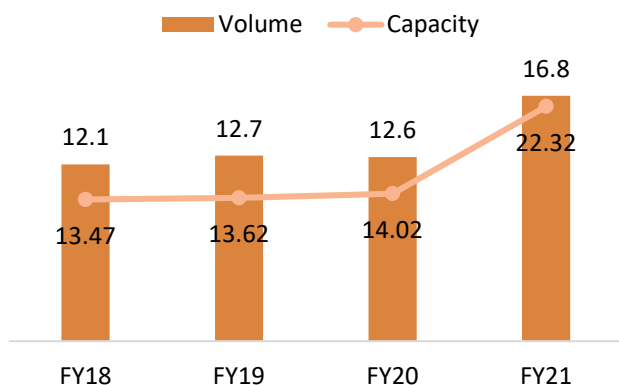
Exhibit 11: NVCL enjoys higher capacity of WHRS per MMTPA vs its peers leading to lower power/fuel cost



Source: RHP, MOFSL

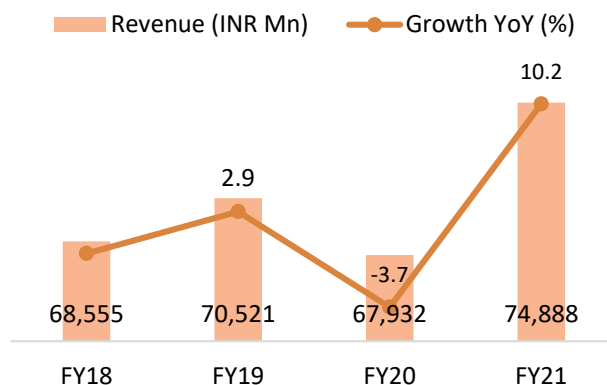
Story in Charts

Exhibit 12: Capacity and volume trend



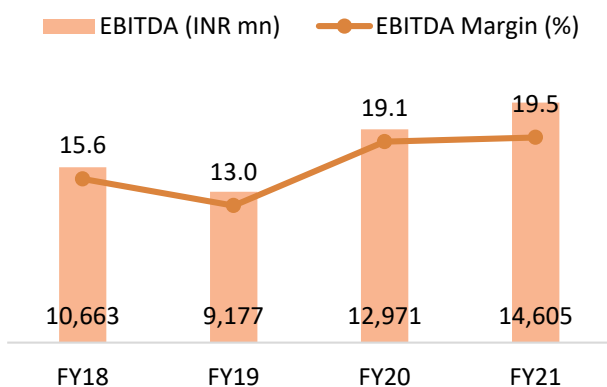
Source: RHP, MOFSL

Exhibit 13: Revenue grew at 3% CAGR over FY18-21



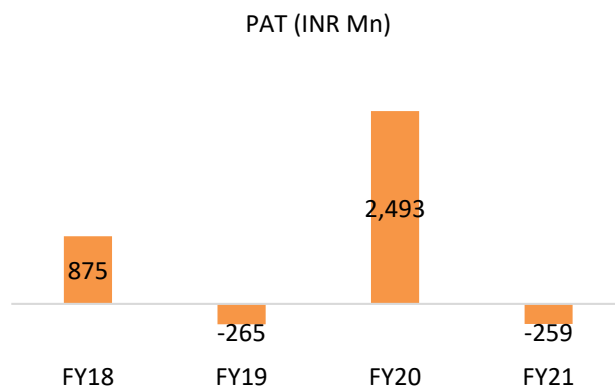
Source: RHP, MOFSL

Exhibit 14: EBITDA grew 11% CAGR led by margin expansion of 395 bps



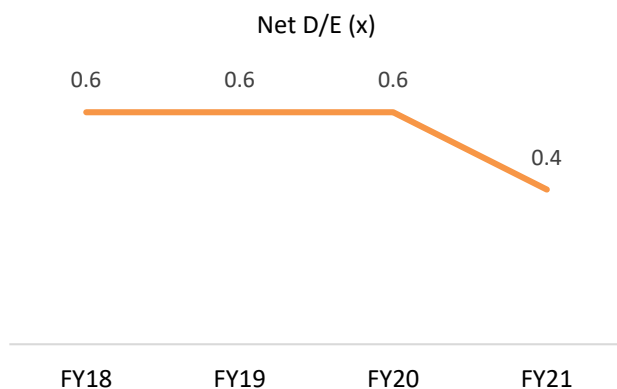
Source: RHP, MOFSL

Exhibit 15: PAT has been inconsistent due to higher depreciation and interest cost



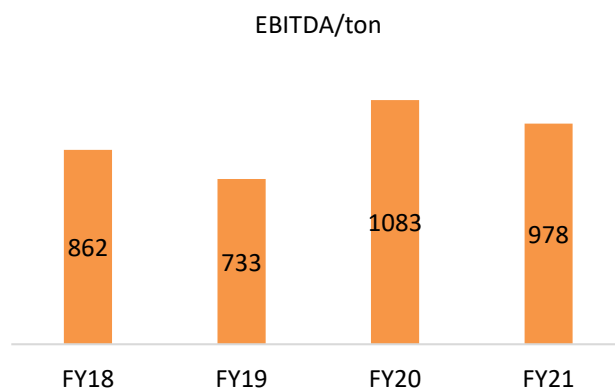
Source: RHP, MOFSL

Exhibit 16: Net D/E to come down post IPO which could improve profitability



Source: RHP, MOFSL

Exhibit 17: EBITDA/ton to improve post synergy benefits from acquisition and operational efficiency



Source: RHP, MOFSL

Financials

Income Statement

(INR mn)

Y/E March	FY18	FY19	FY20	FY21
Net Sales	68,555	70,521	67,932	74,888
Change (%)	-	2.9	-3.7	10.2
Total Expenditure	57,892	61,345	54,961	60,283
% of Sales	84.4	87.0	80.9	80.5
EBITDA	10,663	9,177	12,971	14,605
Margin (%)	15.6	13.0	19.1	19.5
Depreciation	4,849	4,979	5,279	7,938
EBIT	5,814	4,198	7,693	6,667
Int. and Finance Charges	4,755	4,569	4,192	6,640
Other Income	562	538	367	339
PBT	1,621	166	3,868	365
Tax	745	431	1,375	625
Tax Rate (%)	46.0	259.6	35.6	170.9
Reported PAT	875	-265	2493	-259
Adjusted PAT	875	-265	2,493	-259
Change (%)	-	-130.3	-1,041.0	-110.4
Margin (%)	1.3	-0.4	3.7	-0.3

Source: Company RHP, MOFSL

Balance Sheet

(INR mn)

Y/E March	FY18	FY19	FY20	FY21
Share Capital	1,500	2,000	2,424	3,151
Reserves	46,735	47,883	50,369	70,086
Net Worth	48,235	49,883	52,793	73,237
Debt	38,500	33,755	36,421	59,087
Deferred Tax (Net)	14,016	13,930	14,419	18,810
Total Capital Employed	1,00,751	97,568	1,03,632	1,51,133
Net Fixed Assets	1,01,604	98,949	99,701	1,50,416
Capital WIP	1,446	6,049	6,470	12,402
Investments	8,444	4,557	1	3,842
Current Assets	21,544	23,062	28,271	32,416
Inventory	5,558	5,847	6,030	7,124
Debtors	4,210	4,999	5,110	4,539
Cash and Bank Balance	589	1,247	5,109	5,278
Loans and Advances & OCA	11,187	10,970	12,022	15,475
Curr. Liability & Provisions	32,287	35,049	30,811	47,942
Account Payables	6,983	7,647	7,873	9,076
Current Liabilities	21,205	23,106	18,505	33,094
Other Long Term Liab. & Provs.	4,099	4,296	4,433	5,772
Net Current Assets	-10,743	-11,987	-2,540	-15,527
Misc Expenditure	-	-	-	-
Appl. of Funds	1,00,751	97,568	1,03,632	1,51,133

Source: Company RHP, MOFSL

Key Ratios

Y/E March	FY18	FY19	FY20	FY21
Basic (INR)				
EPS	2.5	-0.7	7.0	-0.7
Cash EPS	16.1	13.2	21.8	21.6
BV/Share	135.4	140.0	148.2	247.6
Valuation (x)				
P/E	232.0	-766.8	81.5	-783.6
Cash P/E	35.5	43.1	26.1	26.4
P/BV	4.2	4.1	3.8	2.3
EV/Sales	3.5	3.3	3.5	3.2
EV/EBITDA	22.6	25.7	18.1	16.6
EV/ton (USD)	241.3	233.3	225.5	146.2
Return Ratios (%)				
RoE	NA	-0.5	4.9	-0.4
RoCE	NA	-9.0	6.0	-4.5
Working Capital Ratios				
Asset Turnover (x)	0.7	0.7	0.7	0.5
Inventory (Days)	30	30	32	35
Debtor (Days)	22	26	27	22
Creditor (Days)	37	40	42	44
Leverage Ratio (x)				
Net Debt/Equity	0.6	0.6	0.6	0.4

Source: Company RHP, MOFSL

^Calculated on fully diluted basis at upper price band of INR570

Cash Flow Statement**(INR mn)**

Y/E March	FY18	FY19	FY20	FY21
OP/(Loss) before Tax	1,621	166	3,868	365
Depreciation	4,849	4,979	5,279	7,938
Finance Cost	4,755	4,569	4,192	6,640
Income Taxes paid	-909	-165	-1,022	-165
(Inc)/Dec in WC	598	-933	-1,903	-1,076
CF from Operations	10,914	8,617	10,413	13,703
Others	-733	-16	-166	3,470
CF from Operating (Net)	10,181	8,601	10,248	17,174
(Pur)/Sale of FA	-2,687	-5,808	-5,695	-5,473
(Pur)/Sale of Investments	-3,914	4,182	2,455	-23,899
Interest/Dividend received	68	145	146	146
Bank Deposits	12	-5	-7	-15
CF from Investments	-6,522	-1,486	-3,101	-29,241
Proceeds from borrowings	-724	-4,000	-2,200	832
Issue of equity shares	-208	-	20,503	-
Interest Paid	-4,120	-3,849	-3,580	-6,505
Dividend Paid	-	-	-	-
Others	1,003	1,381	-20,314	19,871
CF from Fin. Activity	-4,048	-6,468	-5,591	14,197
Net Inc/Dec of Cash	-389	647	1,556	2,130
Addition through business combination	8	-	-	263
Opening Balance	717	331	980	2,538
Closing Balance	331	980	2,538	4,670

Source: Company RHP, MOFSL

Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< -10%
NEUTRAL	> -10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Disclosure of Interest Statement Nuvoco Vista Corp. Ltd..

Analyst ownership of the stock No

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