



IPO Report

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08th Aug 21

Snapshot

Nuvoco Vistas Corporation is the fifth largest cement company in India and the largest cement company in East India in terms of capacity. As of December 31, 2020, company's cement production capacity constituted approximately 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 company is one of the leading ready-mix concrete manufacturers in India

VALUATION

Company is bringing the issue at price band of Rs 560-570 per share at post issue EV/EBIDTA multiple of 16 on FY21 EBIDTA basis.

Company being largest cement manufacturing company in East India in terms of total capacity with market-leading brands that & experienced individual promoter and professional management team has strong future potential.

Hence we recommend "Subscribe" on issue for long term purpose.

| | |
|----------------------------------|------------------------------------|
| Price Band (Rs./Share) | 560-570 |
| Opening date of the issue | 09th August 2021 |
| Closing Date of the issue | 11th August 2021 |
| No of shares pre issue | 330840364 Eq Shares |
| Issue size (Rs) | 50000 Million |
| Offer For Sale (Rs) | 35000 Million |
| Fresh Issue (Rs) | 15000 Million |
| Face Value (Rs/ share) | 10 |
| Bid Lot | 26 |

BIDDING DETAILS

| | |
|--------------------------------|---|
| QIBs (Including Anchor) | 50% of the offer |
| Non-Institutional | 15% of the offer |
| Retail | 35 % of the offer |
| Lead managers | Axis Capital Ltd, ICICI Securities ,HSBC Securities, JP Morgan India, SBI Capital Markets Ltd |
| Registrar to the issue | Link Intime India Pvt. Ltd. |

WHAT WE LIKE

Largest cement manufacturing company in East India in terms of total capacity

Company is the largest cement manufacturer in East India and the fifth largest cement manufacturer in India in terms of capacity .Company have a capacity share of approximately 17% in terms of consolidated capacity in East India . Company also have a capacity share of approximately 4.7% in terms of consolidated capacity in North India . With a consolidated capacity of 22.32 MMTPA, company own 4.2% of the industry's installed capacity in India as of December 2020 . The location of company's plants allows it 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.

Extensive sales, marketing and distribution network with diversified product portfolio

Company have strong sales, marketing and distribution capabilities in East and North India, and strategic access to some key markets in Central India. This distribution network allows company to effectively target and drive sales within the Trade Segment. As at March 31, 2021, company have 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). Company's extensive network of warehouses, logistics partners and dealers in East and North India gives it a competitive advantage in its operating regions. Company is increasing this network as it ramp up volumes and market penetration.

Experienced Individual Promoter and professional management team

Company have seen strong growth under the vision, leadership and guidance of the Individual Promoter, Dr. Karsanbhai K. Patel, who is a successful entrepreneur committed to becoming a key player in the high-growth building materials industry. The Individual Promoter is associated with the "Nirma Group", a diversified conglomerate that manufactures products ranging from chemicals to detergents, soaps, healthcare and real estate. The Individual Promoter has played a key role in developing its business and company have benefited from his industry expertise, vision and leadership.



COMPANY BACKGROUND

Nuvoco Vistas Corporation is promoted by Dr. Karsanbhai K. Patel, who is a successful entrepreneur and is associated with the Nirma Group. The Nirma Group is a diversified conglomerate that manufactures products ranging from chemicals to detergents, soaps, healthcare products and real estate development. The Nirma Group forayed into the cement business in 2014 through a greenfield cement plant in Nimbol. Thereafter, as a part of the Nirma Group company have grown the cement businesses, through acquisitions such as the acquisition of the Indian cement business of LafargeHolcim in 2016 and in 2020 by acquiring NU Vista. Earlier, in February 2020, company completed the merger of the cement undertaking of Nirma Limited located at Nimbol, Rajasthan with company. As of March 31, 2021, company have 11 Cement Plants (eight in East India and three in North India).

Company's Cement Plants are in the states of West Bengal, Bihar, Odisha, Chhattisgarh and Jharkhand in East India and Rajasthan and Haryana in North India, while company's RMX Plants are located across India. As of March 31, 2021, company's Cement Plants have an installed capacity of 22.32 MMTPA.

Three of company's plants in East India are integrated units and five plants are grinding units. Two of company's plants in North India are integrated units and the third is a blending unit. Company have 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.

Company started operations in India in 1999 and, since then, have emerged as one of the major players in the building materials industry in India. Company's diversified business portfolio includes:

Cement: Company's cement portfolio includes different types of cement like Ordinary Portland Cement (OPC), Portland Slag Cement (PSC), Portland Pozzolana Cement (PPC) and Portland Composite Cement (PCC). As part of company's cement portfolio company have brands like "Concreto", "Duraguard", "Premium Slag Cement", "Nirmax", "Double Bull", "Infracem" and "Procem". Company's key brands include "Concreto", "Concreto Green", "Duraguard", "Duraguard MF Microfiber", "Duraguard Waterseal", "Duraguard Silver", "Duraguard Xtra", "Premium Slag Cement", "Nirmax Cement", "Infracem Cement", "Double Bull Cement", "Procem Cement", "Double Bull Master PPC" and "Double Bull Subh PSC".

RMX: Company's brands in the RMX concrete portfolio includes the "Concreto", "Instamix", "Artiste" and "X-Con" range of products. This portfolio includes products such as self-compacting concrete, decorative concrete, ready-to-use concrete, crack-resistant concrete, concrete with steel fibers, and lean concrete, as well as concrete with varied characteristics for specialty uses.

MBM: Company's modern building material products are a key differentiator. Company's suite of products under this category includes a range of construction chemicals, adhesives, wall putty, dry plaster, cover blocks and dry concrete. Company's modern building material products are marketed and sold under the "Zero M" and "Instamix" brands.

Source:RHP

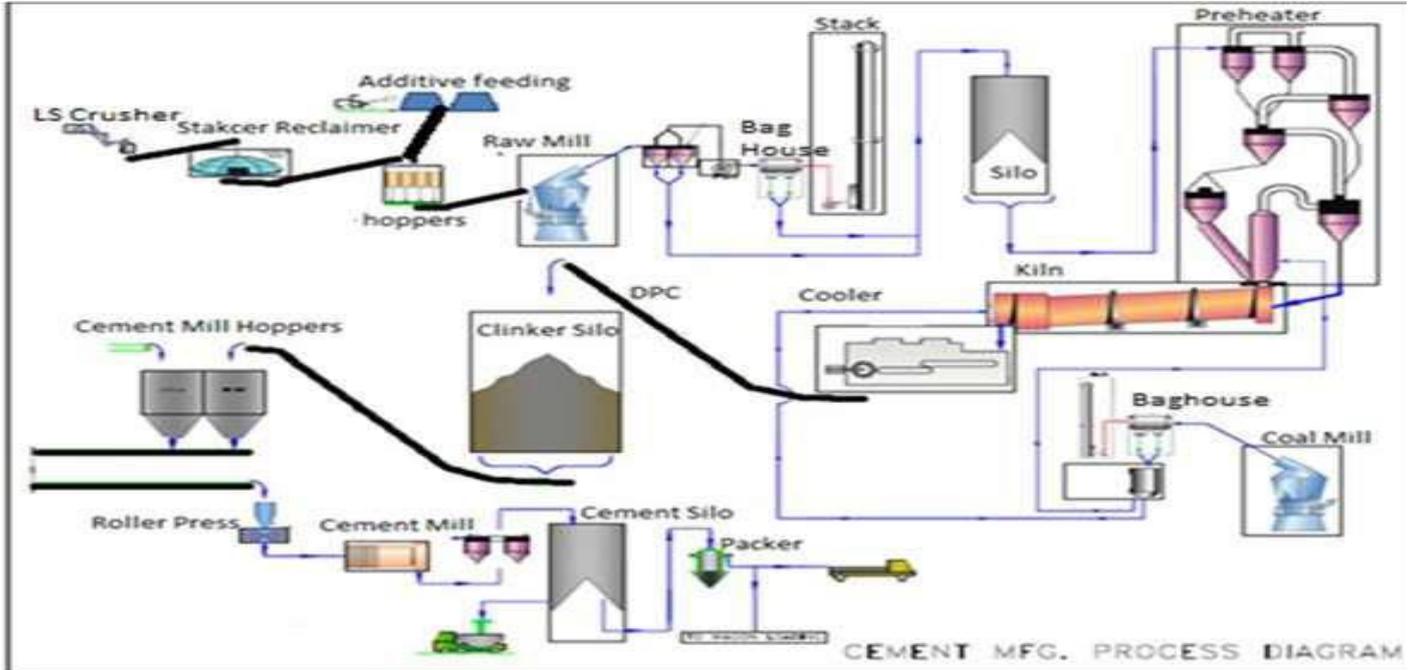


INVESTMENT RATIONALE

| | |
|---|--|
| <p><i>Strong Growth</i></p> | <p>Company is the fastest growing cement company in terms of capacity addition on percentage terms with installed capacity doubling over the last five years post the acquisition of NU Vista .Company was one of the players to increase market share in the last two years. For Fiscals 2021, 2020 and 2019, the total capacity utilisation of company’s plants in North India, calculated on the basis of total production capacity, was 72.67%, 83.79% and 85.59% respectively. During the same periods, the total capacity utilisation of company’s plants in East India, calculated based on total production capacity, was 79.16%, 93.39% and 97.12% respectively. For Fiscals 2021, 2020 and 2019, the total capacity utilisation of all company’s plants across India, calculated based on total production capacity, was 77.57%, 90.05% and 92.99% respectively. During the same periods, company’s total cement to-clinker ratio across all units was 1.73, 1.73 and 1.72 respectively.</p> |
| <p><i>Extensive sales, marketing and distribution network with diversified product portfolio</i></p> | <p>Company have strong sales, marketing and distribution capabilities in East and North India, and strategic access to some key markets in Central India. This distribution network allows company to effectively target and drive sales within the Trade Segment. As at March 31, 2021, company have 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). Company’s extensive network of warehouses, logistics partners and dealers in East and North India gives company a competitive advantage in its operating regions. Company is increasing this network as company ramp up volumes and market penetration. Company’s manufacturing unit locations and distribution network enable it to service its markets efficiently, increase its market share across East, Central and North India, and enhance its brand presence.</p> |
| <p><i>Growth through expanding operations and through acquisitions</i></p> | <p>Company have grown its business, geographical presence, manufacturing capacity and brand portfolio over time through strategic acquisitions. Through the merger of the Nimbol Cement Plant and the acquisition of NU Vista, company have further enhanced its business operations, growth and prospects. Company’s acquisition of NU Vista and merger of Nimbol Cement Plant increased its cement manufacturing capacity from 11.74 MMTPA to 22.32 MMTPA as on March 31, 2021. In addition, company’s acquisitions have also allowed to expand its distribution network. The capacity addition and extension of distribution reach has resulted in higher capacity utilisation at company’s plants, higher EBITDA/tonne of cement and increased overall revenues and profitability.</p> |



MANUFACTURING PROCESS



Source : RHP

OBJECTS OF ISSUE

Company proposes to utilise the Net Proceeds towards funding of the following objects:
 1. repayment/prepayment/redemption, in full or part, of certain borrowings availed of by company; and
 2. General corporate purposes.

RISKS

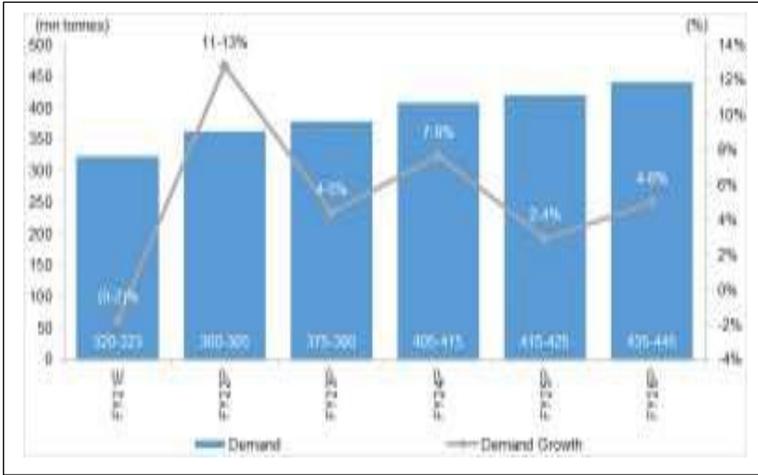
Company’s business is dependent upon its ability to mine/ procure sufficient limestone for operations, and any inability to do so on reasonable terms, or at all, could have an adverse impact on company’s business, financial condition and results of operations. Like, the Indian Bureau of Mines has revoked the approval of mining plans for two mines (ML-2 and ML-3, in relation to which company have received letters of intent), which company have challenged. Disputes of this nature in the future could adversely impact company’s ability to mine sufficient limestone.

Source:RHP

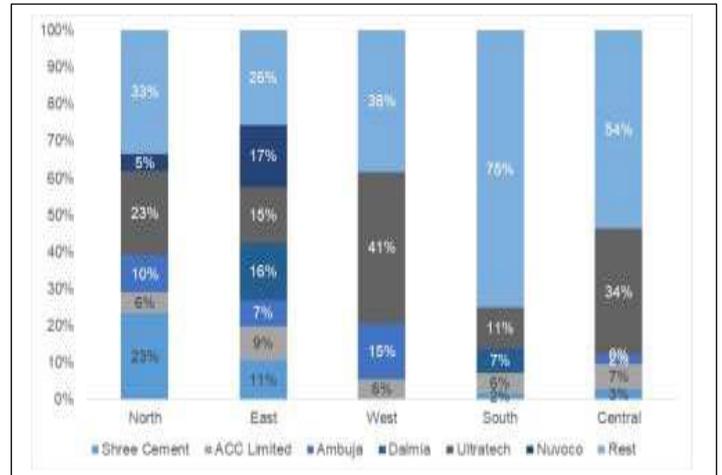


INDUSTRY OVERVIEW

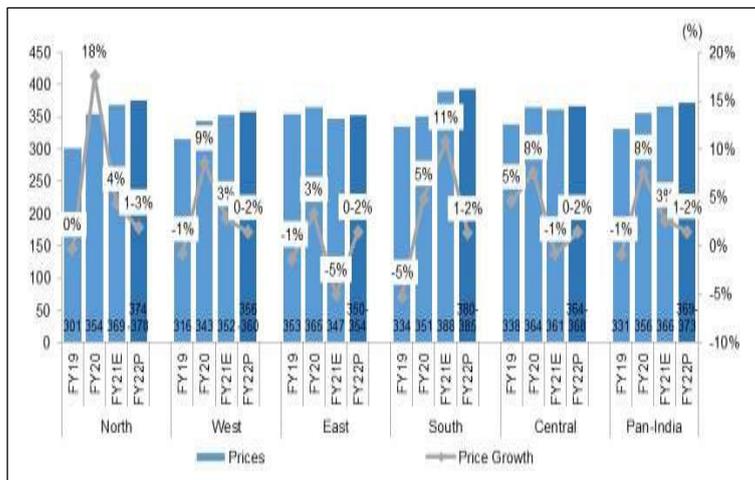
Cement Demand Forecast



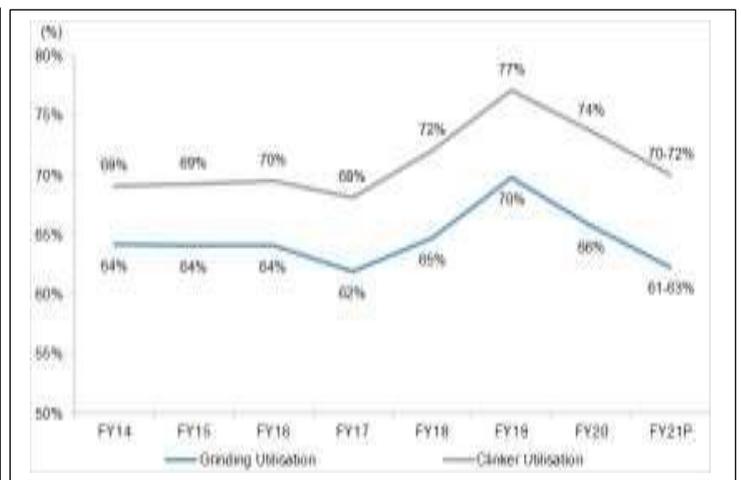
Regional capacity breakup of large players



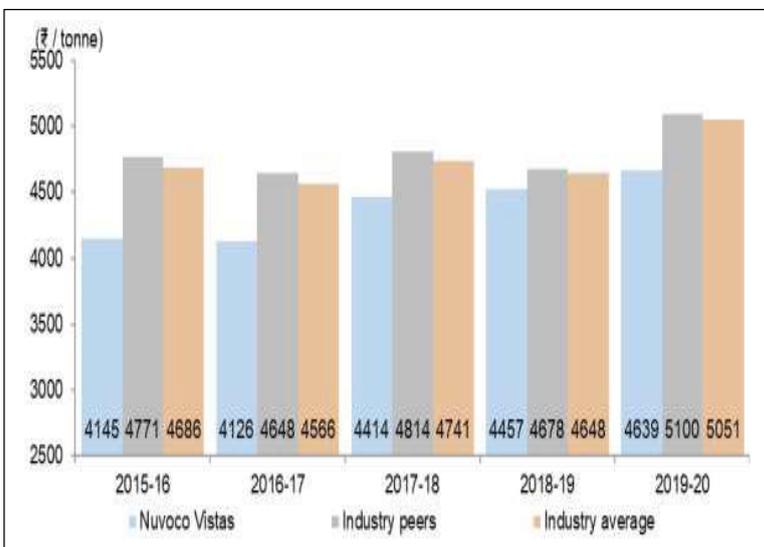
Region-wise outlook on prices



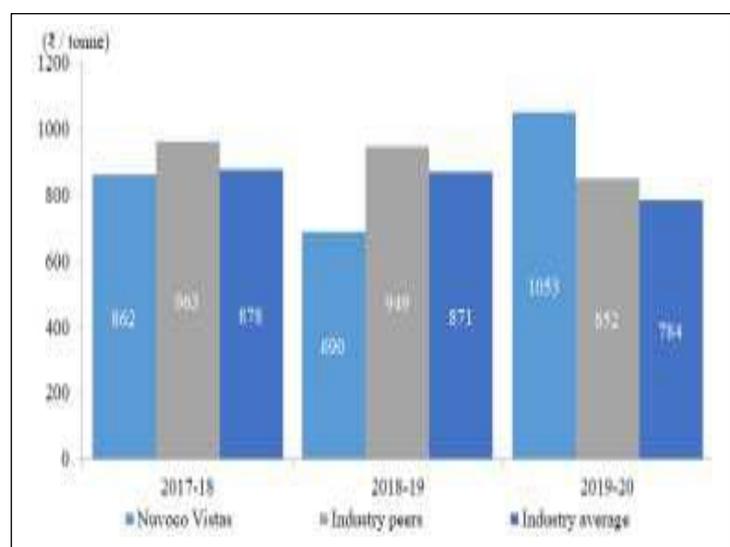
Trend in industry capacity utilizations for cement and clinker



Realization trend for the industry



EBIDTA Trend For Industry



Source: RHP

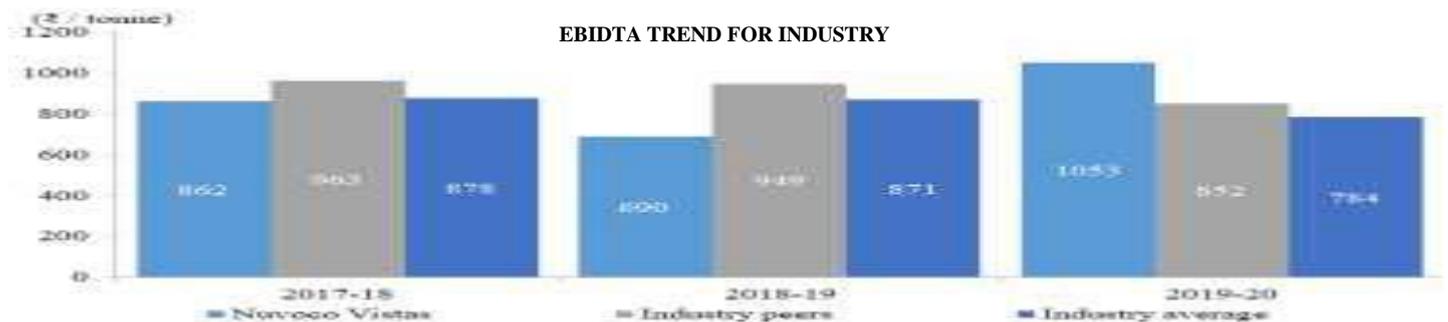


(Rs in Mn)

| Financials | FY21 | FY20 | FY19 |
|-----------------------|-----------|-----------|-----------|
| Total Revenue (A) | 74888.40 | 67932.39 | 70521.34 |
| Total Expenditure (B) | 60283.39 | 54960.95 | 61344.53 |
| EBIDTA | 14605.01 | 12971.44 | 9176.81 |
| EBIDTA Margin | 19.50 | 19.09 | 13.01 |
| Other Income | 338.53 | 367.05 | 537.54 |
| Depreciation | 7937.87 | 5278.77 | 4979.00 |
| EBIT | 7005.67 | 8059.72 | 4735.35 |
| Interest | 6640.29 | 4192.21 | 4569.34 |
| PBT | 365.38 | 3867.51 | 166.01 |
| Tax | 624.57 | 1374.96 | 430.89 |
| PAT | -259.19 | 2492.55 | -264.88 |
| NPM | -0.35 | 3.67 | -0.38 |
| ROE % | -0.35 | 4.72 | -0.53 |
| EPS | -0.82 | 10.28 | -1.32 |
| Eq Cap | 3,150.89 | 2,423.62 | 2,000.00 |
| Net Worth | 73,237.21 | 52,792.56 | 49,882.66 |

PEERS ANALYSIS

Following is peer group analysis:



Source: RHP



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