Nuvoco Vistas Corporation Ltd

Price Band ₹ 560-570

UNRATED

August 6, 2021

Incorporated in 1999, Nuvoco Vista Corporation (NVCL), a part of 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 December 31, 2020, their 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. It is also one of the leading ready-mix concrete manufacturers with 49 RMC plants across India. The company forayed into the cement business in 2014 through a greenfield cement plant in Nimbol. Thereafter, it has grown the through acquisitions such as the acquisition of the Indian cement business of LafargeHolcim in 2016 and in 2020 by acquiring NU Vista (Emami). As of March 2021, it has a total installed cement capacity of 22.32 MT with 11 plants (eight in east, three in north). It also has 151.2 MW power plants (105 CPP, 44.7 MW WHRS and 1.5 MW solar), which caters to 50.4% of its power requirements.

Largest cement manufacturing company in East India

East India is the fastest growing cement markets in India. Nuvoco is the largest cement manufacturer in East India and the fifth largest cement manufacturer in India in terms of capacity. In addition, their 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. The company sold 17.26 MT of cement in FY21. Of this, 13.47 MT sales were in East India, 2.66 MT in North India and 1.13 MMT in Central region.

Plants located in close vicinity to raw materials, key markets

NVCL's plants are located at various strategic locations in east and north India. They have three integrated units and five grinding units in East India, and two integrated units and one blending unit in North India. These locations allow them to effectively sell their products in East and North India as well as access to select key markets in Central India. They are also in the process of enhancing their cement capacity in their existing grinding units in **Jojobera Cement Plant** and **Bhabua Cement Plant** in East India. The connectivity to raw materials and their customers allows them to manufacture and sell their cement products in a cost-efficient manner.

Key risk & concerns

- Heavy dependency on limestones for manufacturing plants. Changes in mining policies may affect the business
- Volatility in prices of key input materials like petcoke, coal and freight have a high bearing on the cost efficiency

Priced at FY21 EV/EBITDA of 16.9x on upper band

At a price of ₹ 570/share, the stock is available at 16.9x FY21 EV/EBITDA.

NUVOCO Shaping a new world

NUVOCO VISTAS CORPORATION LIMITED

Particulars

Issue Details	
Issue Opens	9th August 2021
Issue Closes	11th August 2021
Issue Size (₹ crore)	₹ 5,000 crore
Issue Type	IPO
Price Band	₹ 560-570
Market Lot	26
Face Value	₹ 10

Post Issue implied market cap

	₹ crore
At lower price band	20,027
At higher price band	20,358

Shareholding

Shareholding %		
	Pre-issue	Post-issue
Promoters	95.2%	71.0%
Public	4.8%	29.0%
Total	100%	100%

Objects of issue

Object of the Issue	₹ crore
Repayment of debt	1,350
General purpose	150

Research Analyst

Rashesh Shah
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IPO Review

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ crore	FY18	FY19	FY20	FY21	CAGR FY18-21
Revenue	6,855.5	7,052.1	6,793.2	7,488.8	3.0
EBIDTA	1,066.4	917.7	1,297.2	1,460.6	11.1
EBIDTA margin	15.6%	13.0%	19.1%	19.5%	
Net Profit	88.8	(28.0)	246.3	(22.9)	NA
EPS (₹) (Pre issue)	0.8	(1.1)	10.3	(0.8)	
EV/EBITDA (Post Issue)	17.3	20.1	14.2	12.6	
Mcap/Sales	3.0	2.9	3.0	2.7	
RoCE (%)	8.0	2.9	5.5	3.3	
RoE (%)	1.8	-0.6	4.7	-0.3	

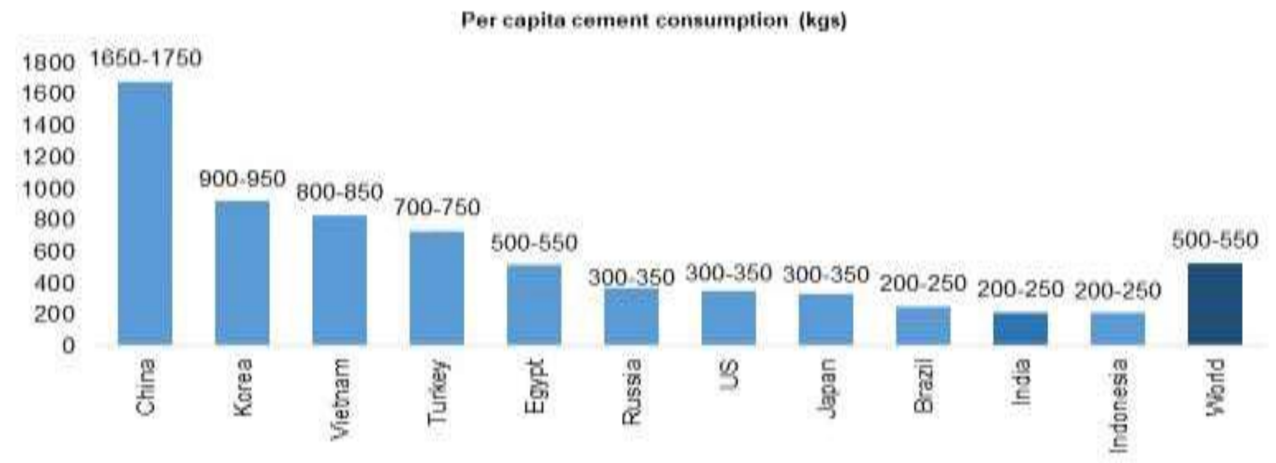
Source: ICICI Direct Research, RHP

Industry Overview

Comparison of per capita cement consumption across key cement-producing countries:

In comparison to other major cement producing countries, India exhibits the lowest per capita cement consumption at 200-250 kg, which is nearly half of world average of 500-550 kg. China has the highest per capita cement consumption of 1650-1750 kg, followed by Korea at 900-950 kg. However, despite a low per capita cement consumption, India is the second largest cement consumer in the world behind China.

Exhibit 1: Global trends in cement consumption

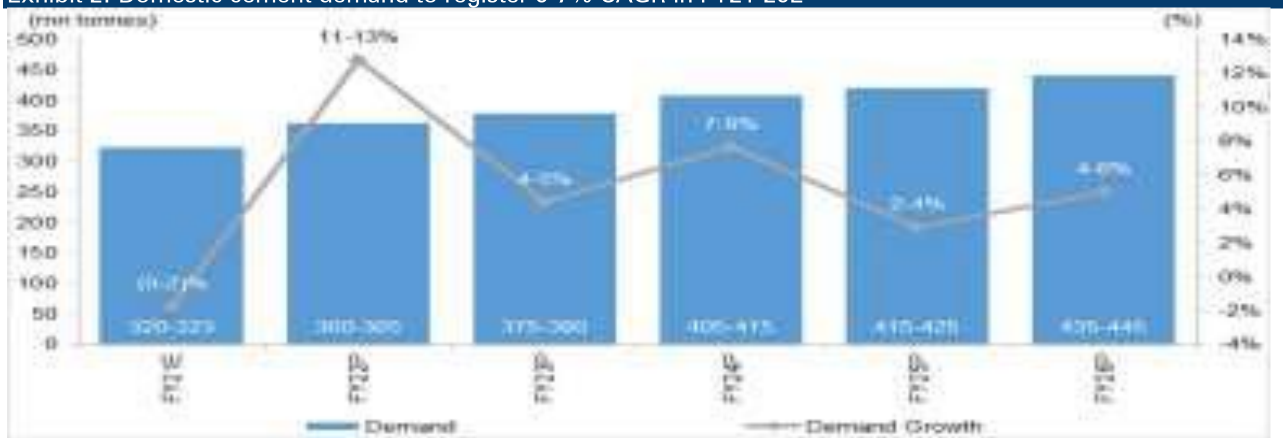


Source: RHP, ICICI Direct Research

Demand outlook for India: Demand to grow at CAGR of 6-7% over next five years

After falling by 31% YoY in Q1FY21, cement demand has recovered sharply, witnessing positive growth over Q2FY21 and Q3FY21. While demand witnessed tepid growth of 3-4% in Q2FY21, Q3FY21 marked a full-fledged recovery with the industry growing 8-9% on a year-on-year basis. Demand was largely driven by rural housing in the first half, whereas urban housing and the infrastructure segment aided recovery in the third quarter. A reboot in demand after the festive season in H2FY21 was led by a continued traction in rural demand, increased government spending on infrastructure and housing segments, and ample labour availability at construction sites. Additionally, key infrastructure projects like roads, metros and irrigation and the government's drive to revive the housing segment are expected to drive potential cement demand in the near future. Crisil Research expects cement demand to register a CAGR of 6-7% in FY21-26, driven by a raft of infrastructure investments and healthy revival in housing demand, as compared to a CAGR of 4.5-5.5% witnessed during FY15-20.

Exhibit 2: Domestic cement demand to register 6-7% CAGR in FY21-26E



Source: RHP, ICICI Direct Research

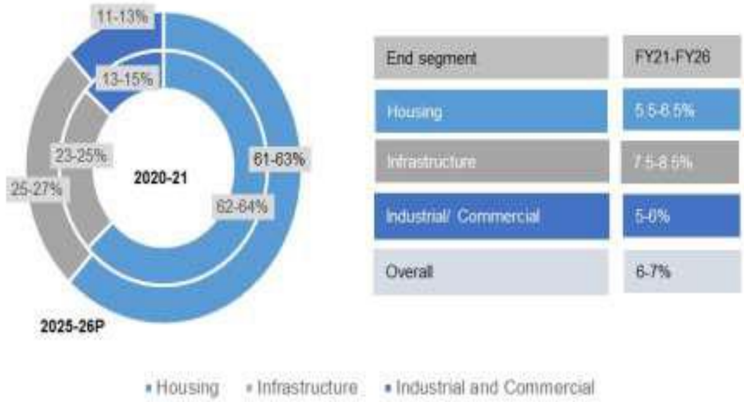
Demand to be driven by housing & infra:

The share of the housing sector has dropped over the past five years due to the housing sector, especially real estate, being caught in a quagmire of slow economic growth, weak demand, buyer-unaffordability and high inventories. However, overall share was maintained at 60-65% due to the central government's push for the "Housing for All" scheme. While the housing segment will remain the key volume contributor, infrastructure is expected to expand its contributions with rising investments by the central government in roads, railways and the irrigation sector. On the other hand, the infrastructure sector has increased its share due to a spurt in infrastructure spending by the central government.

Exhibit 3: Sectoral mix

Source: RHP , ICICI Direct Research

Exhibit 4: Demand growth segmentation by product



Source: RHP, ICICI Direct Research

Roads: Investment in state roads and national highways is estimated to have risen around 11% in FY20. The Indian government's focus on roads, state and national highways, driven by public funds and rising cement intensity of road projects, has pushed up cement demand from the road segment in the last five years. Specifically, the use of paver blocks and concrete tiles, construction of flyovers and other structures have increased the cement intensity of road projects.

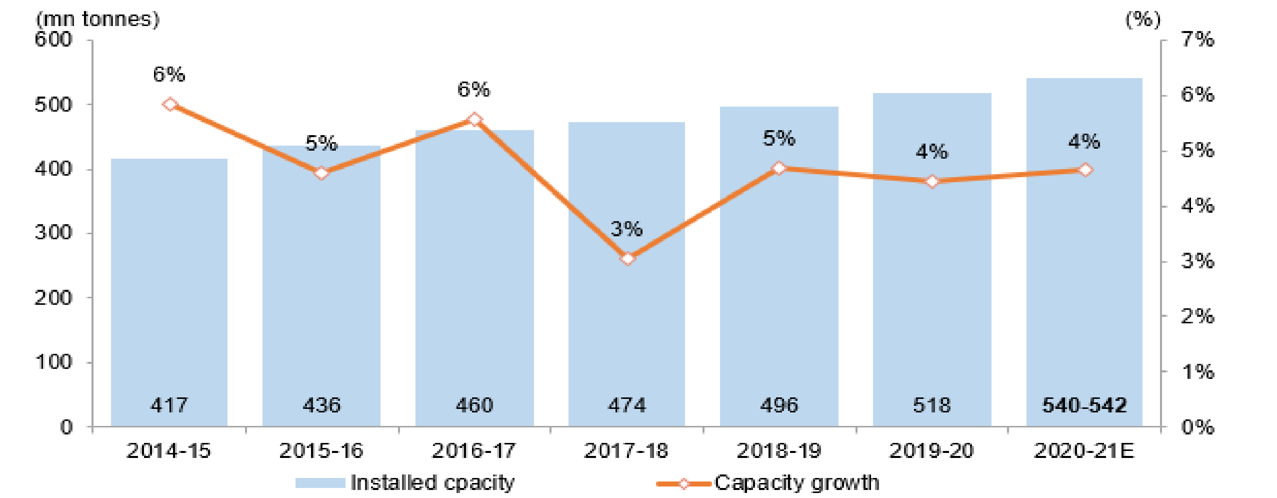
Exhibit 5: Government's outlay on major segments for FY22E

	Budgeted outlay FY22 (Rs bn)	Revised estimates FY21 (Rs bn)	Change
Ministry of Road Transport and Highways	1732	1571	10%
Ministry of Railways	2148	2408	-11%
PMGSY	150	137	9%

Source: RHP, ICICI Direct Research

Overview of cement supply in India

Exhibit 6: Historic capacity & capacity growth



Source: RHP, ICICI Direct Research

The large and mid-sized players have used both organic and inorganic route to grow. While UltraTech Cement has seen the maximum capacity additions in absolute terms, Nuvoco (consolidated) has grown the fastest in terms of percentage with the total installed capacity doubling over the last five years post the acquisition of Emami Cements. Other players like Shree Cements, JK Cement and JK Lakshmi Cement have also seen healthy capacity growth led by organic growth as they expanded to newer regions.

Exhibit 7: Players-wise installed capacity

(million tonnes)	FY16	FY17	FY18	FY19	FY20	Dec-20
UltraTech Cement Ltd	63.2	66.3	85.0	94.8	111.4	111.4
Lafarge Holcim Group	60.6	60.6	63.1	63.1	63.1	64.2
Shree Cement Ltd	25.6	29.3	34.9	37.9	40.4	40.4
Dalmia Bharat	24.9	24.9	24.9	26.5	26.5	28.5
Nuvoco Vistas	11.0	11.0	11.0	11.8	14.1	22.3
The Ramco Cements Limited	16.5	16.5	16.5	16.7	18.8	19.8
India Cements Ltd	15.6	15.6	15.6	15.6	15.6	15.6
Birla Corporation Ltd (con)	9.8	15.4	15.4	15.4	15.4	15.4
J K Cement Ltd.	10.5	10.5	10.5	10.5	14.0	14.7
JK Lakshmi Cement Ltd (con)	8.6	10.9	10.9	12.5	13.3	13.3
Prism Cements Ltd	5.6	7.0	7.0	7.0	7.0	7.0
Heidelberg Cement India Ltd	5.4	5.4	5.4	5.4	6.3	6.3
Sagar Cement Ltd. (con)	2.9	4.0	4.3	5.8	5.8	5.8

Source: RHP, ICICI Direct Research

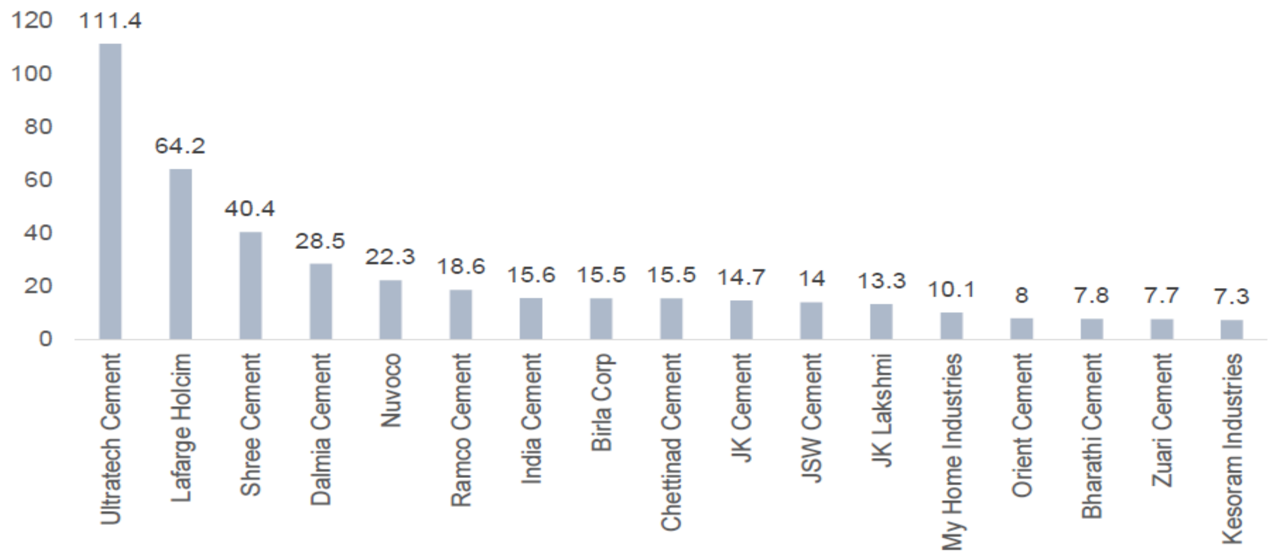
Exhibit 8: Trends in capacity utilisation (%)

Source: RHP, ICICI Direct Research

Market share of top industry players based on capacity:

The top five players have been gaining market share over the last five years through various acquisitions. Acquisition of Jaypee assets (17.2 MT; 4 MT under construction) and Century Textiles & Industries (14.6 MT) has helped Ultratech Cement consolidate its position in the western and central regions. Similarly, acquisition of Emami Cements by Nuvoco Vistas Corp has led to the player becoming the leading player in the eastern region. This has helped the large players consolidate their position across regions with the top five players accounting for over ~50.5% of pan-India capacity.

Exhibit 9: Player-wise domestic capacity of key players in industry

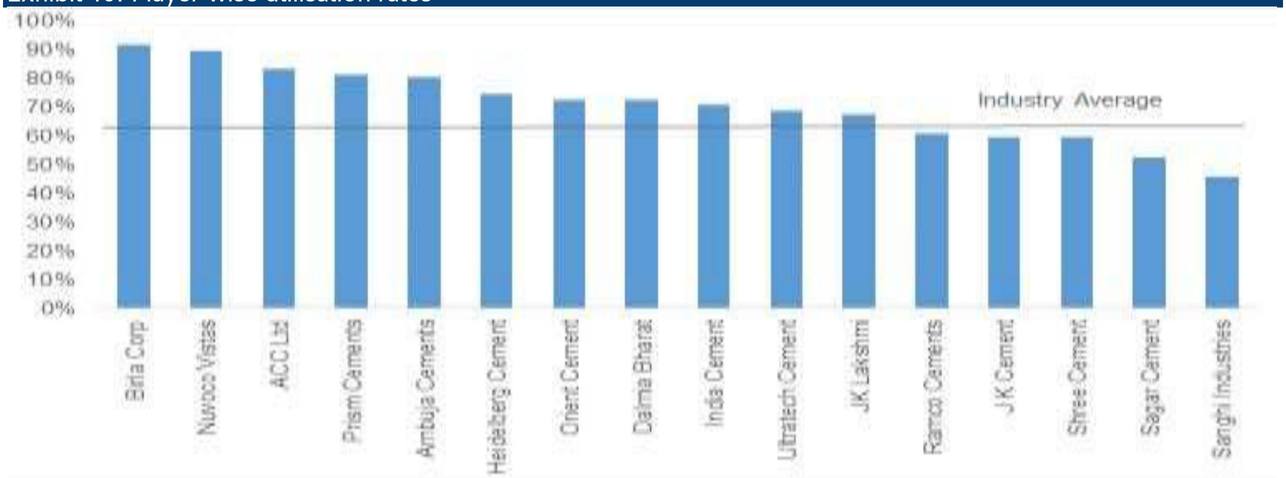


Source: RHP, ICICI Direct Research

Player wise utilisation rates:

The mid and large sized players operate at relatively higher utilisation rates compared to regional and smaller players on account of better brand pull as well as stronger distribution network. Among larger players Nuvoco Vistas Corp, Birla Corp and ACC Ltd (Lafarge Holcim group) have very high utilisation level. These players have high utilisation levels across regions. Birla Corporation and Nuvoco Vistas Corp were the only large/mid player to operate at a healthy utilisation level of 90% or above in FY20, with utilisation levels remaining high for these two players in plants across all regions. On the other hand, the recent expansion spree by Shree Cement, JK Cement and Ramco Cement has led to lower than industry utilisation levels. However, these players are expected to ramp up production from the newly installed units, leading to a pick-up in utilisation levels in the medium term.

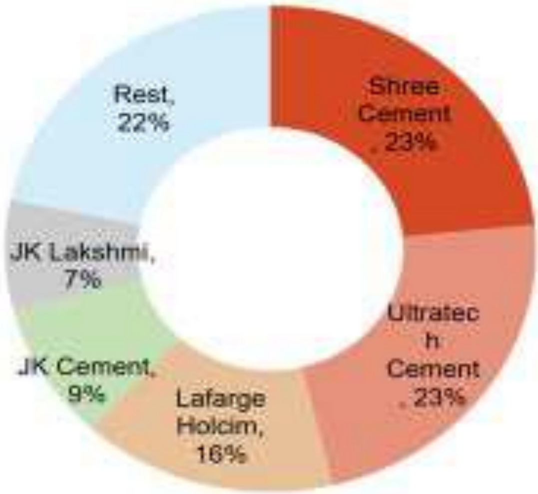
Exhibit 10: Player-wise utilisation rates



Source: RHP, ICICI Direct Research

Regional capacity break-up:

Exhibit 11: North region

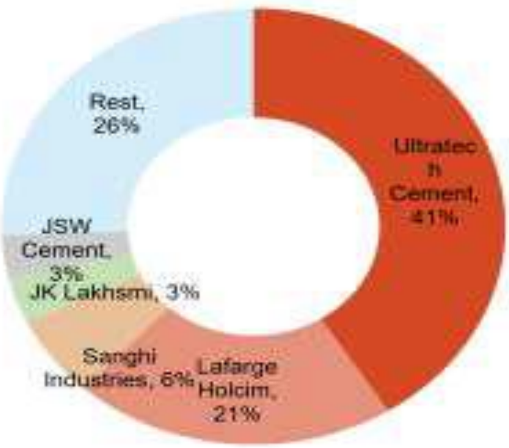


Source: RHP , ICICI Direct Research

Exhibit 12: East region

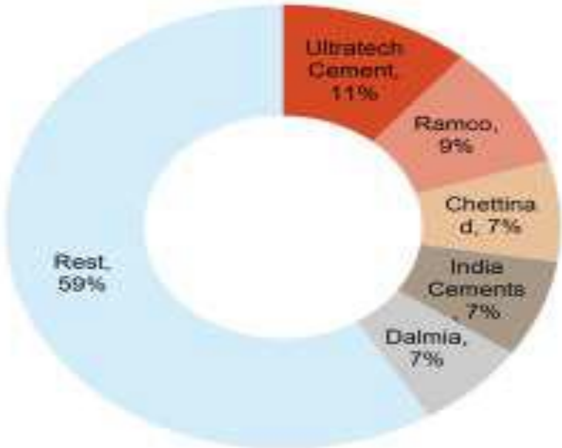
Source: RHP, ICICI Direct Research

Exhibit 13: West region



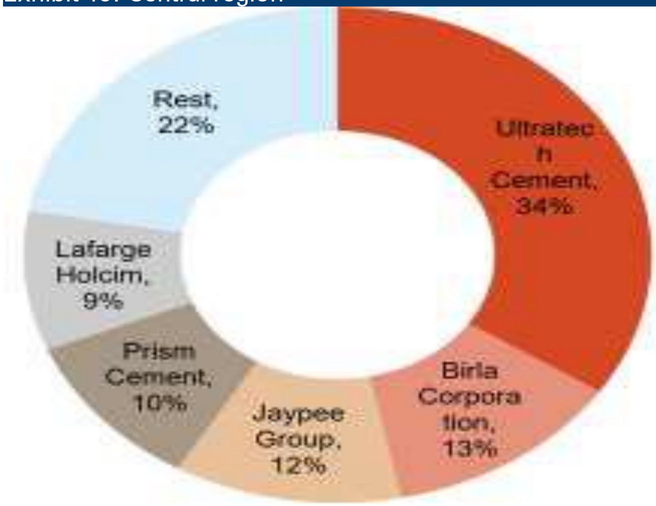
Source: RHP , ICICI Direct Research

Exhibit 14: South region



Source: RHP, ICICI Direct Research

Exhibit 15: Central region



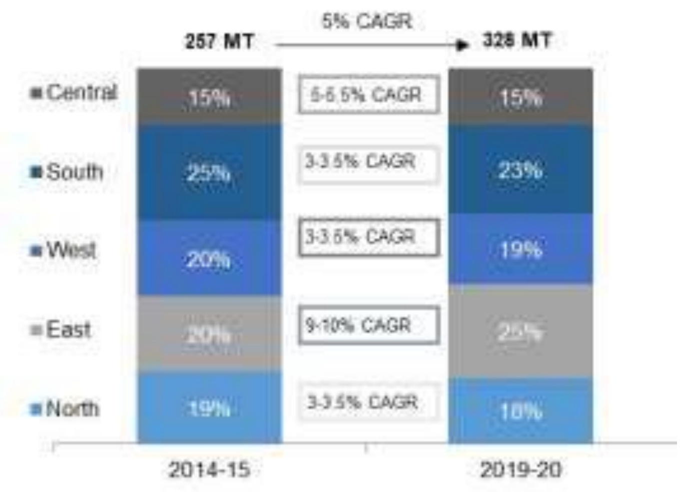
Source: RHP , ICICI Direct Research

Regional demand: Overview & Outlook

In the last five years, the central (Uttar Pradesh, Madhya Pradesh) and eastern (Odisha, Bihar, West Bengal) regions have exhibited strong demand led by a surge in infrastructure construction and rural housing. However, the southern region suffered sluggish growth in demand on account of continued capacity additions in the region, the stalling of construction activities in Amravati and Polavaram in AP-Telangana and sand unavailability in the region post-new sand mining laws.

In the long run, Crisil Research expects cement demand to increase at a faster pace of about 6.5% against a moderate pace of about 5% CAGR in the past five years. In terms of regional dynamics, while the eastern region is expected to exhibit robust growth followed by moderate growth in the central region, growth rates in the southern and western regions are expected to pick up pace over the next five years. Demand in the southern region will remain a key monitorable, as a pick-up in state capex in Andhra Pradesh-Telangana as well as release of funds by central government for Polavaram projects will lead to faster demand revival on low base. This interplay of demand dynamics would likely result in the share of the eastern region rising to 27 to 29% in FY26 from ~25% in FY20.

Exhibit 16: Regional demand growth trend FY15-20



Source: RHP , ICICI Direct Research

Exhibit 17: Regional demand growth trend FY21-26E

Source: RHP ICICI Direct Research

Eastern, central regions to drive demand growth in longer run:

Per the past decade, the eastern and central regions will continue to drive cement demand in India in the medium term on the back of continued government development of infrastructure and housing in these regions, along with a low base of development. Per-capita income and per capita cement consumption of the eastern and central regions are well below pan-India numbers and, thus, provide huge scope for potential growth. North, west and south India, which are home to the more industrialised states in India, have seen relatively lower demand growth in the past and will continue to lag behind the other two regions in the future as well. Among the three relatively well-developed regions of north, west and south India, demand growth in west and south India is optical in nature due to the low base of 2020-21, where both regions witnessed a sharper decline in demand.

Regional supply: Overview & outlook

In FY15-20, the northern, eastern and southern regions collectively made up 70% of overall capacity additions, with East India accounting for the largest addition in capacity over the years. The pace of capacity addition has slowed down significantly in the southern region as the operating rates in the region are the lowest in the country. The eastern region has seen the highest capacity additions in recent years led by rapid expansion by Nu Vista Ltd (formerly Emami Cement; now a wholly owned subsidiary of Nuvoco) as well as Shree Cement, which helped them gain market share in a fast-growing market. In the next five years, from FY21 to FY26, the eastern, central and western regions are expected to drive further capacity additions, with the northern and southern regions lagging behind.

Exhibit 18: Regional demand growth trend (FY15-20)

Source: RHP , ICICI Direct Research

Exhibit 19: State-wise demand outlook

		Cement Demand (In MT)				2020-26F
State	Zone	2015	2020	2021E	2026F	CARG %)
Rajasthan	North	17.8	22.3	22.8	30.0	5.1
Punjab	North	8.3	8.8	9.1	10.5	3.1
Gujarat	West	22.0	23.5	23.0	30.5	4.4
Bihar	East	10.5	17.0	17.5	26.5	7.7
West Bengal	East	13.5	21.3	21.5	31.0	6.5
Odisha	East	9.5	13.5	14.5	23.0	9.3
Chattisgarh	East	6.8	10.3	9.8	13.5	4.7
Jharkhand	East	4.8	8.8	9.1	14.5	8.8

Source: RHP , ICICI Direct Research

Exhibit 20: State wise capacity trend (FY21-26E)

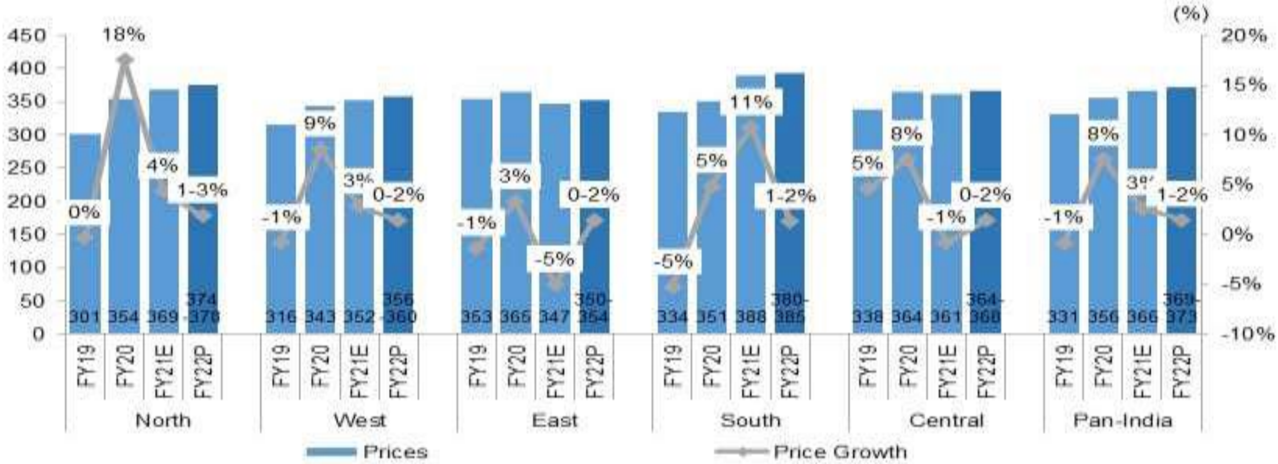
		Cement Supply (Installed Capacity)				2020-26F
State	Zone	2015	2020	2021E	2026F	CARG %)
Rajasthan	North	63.0	77.0	79.0	90.5	2.7
Punjab	North	5.5	5.5	5.5	6.5	2.8
Gujarat	West	24.0	32.0	35.0	37.0	2.4
Bihar	East	2.0	9.0	9.0	15.5	9.5
West Bengal	East	12.5	22.5	27.5	35.0	7.6
Odisha	East	11.0	15.5	20.0	34.0	14.0
Chattisgarh	East	21.0	26.5	26.5	30.5	2.4
Jharkhand	East	8.5	13.5	15.5	18.5	5.4

Source: Company, ICICI Direct Research

Pricing: Overview & outlook

Cement prices are expected to rise in FY22 due to rising input costs and increase in demand. A steep rise in pet coke, coal and diesel prices has led to a sharp increase in power, fuel and freight costs, which account for close to 60% of total production costs. Producers are likely to pass on the rise in cost pressures amid robust demand growth on low base, causing prices to increase.

Exhibit 21: Region wise outlook on prices



Source: RHP, ICICI Direct Research

Key brands across regions:

Cement brands are largely classified into three brands - Category A, B and C brands ("CAT A, B and C" respectively). CAT A producers are considered to be premium cement brands, whereas CAT B and CAT C producers sell at par or below the price of the base brand of a CAT A player.

The large pan-India players like UltraTech, ACC and Ambuja dominate the CAT A space along with the likes of Nuvoco Vistas (ex-South India) and India Cements, Ramco Cements and KCP in the southern region of India. The CAT B space is largely dominated by the mid-sized players like JK Cement, JK Lakshmi Cement, Birla Corporation, Orient Cement along with the two large players Dalmia and Shree. Most of the small regional players are in the CAT C segment, with most available options located in west and south.

Exhibit 22: Key brands across regions

	Major Cities	Premium	Category-A	Category-B	Category-C
North	Delhi Jaipur Chandigarh Faridabad	UltraTech – WeatherPlus ACC – Gold, F2R Ambuja – Plus Nuvoco – Concreto Green, Duragaurd MF	UltraTech – UT PPC, Super ACC – Suraksha Ambuja – Ambuja PPC Nuvoco – Duragaurd	JK – Super JK Lakshmi- JKLC Cement Shree – Ultra, Jangrodhak Birla – Chetak Wonder- Wonder PPC	
Central	Noida Allahabad Indore Bhopal	UltraTech – WeatherPlus ACC – Gold, F2R Ambuja – Plus	UltraTech – Super ACC – Suraksha Ambuja – PPC Nuvoco – Duragaurd	Prism– Champion Shree – Ultra, Jangrodhak Birla – Chetak, Samrat Wonder - PPC Heidelberg - My cem	KJS cement
West	Mumbai Pune Ahmedabad	UltraTech – WeatherPlus ACC – Gold, F2R Ambuja – Plus	UltraTech – Super ACC – Suraksha Ambuja – Plus Nuvoco – Duragaurd	JK – Super, Lakshmi, Super Strong Sanghi - PPC Wonder – PPC MP Birla - Samrat	Hathi cement Sidhee cement Saurashtra Cement
East	Kolkata Guwahati Bhubaneswar Ranchi Patna	UltraTech – WeatherPlus ACC – Gold, F2R Ambuja – Plus Nuvoco – Concreto, Duraguard MF	UltraTech – UT PCC, Super ACC – Suraksha Ambuja – Plus Nuvoco – Duragaurd Dalmia - DSP	Dalmia – PSC Shree – Jungrodhak Star Cement Nu Vista – Double Bull	JSW cement
South	Hyderabad Chennai Bengaluru Kochi	UltraTech – WeatherPlus ACC – Gold, F2R Ramco – Supercrete India– Coromandel King	UltraTech – Super ACC – Surakasha Ramco – Super grade Bharathi - Bharathi India Cement – Coromandel KCP – KCP PPC	Orient –Birla A1 Kesoram – Birla Shakti Dalmia – DSP, Super Sagar – PPC, PSC Chettinad - PPC	Raasi cement Priya cement Penna cement JSW cement

Source: RHP, ICICI Direct Research

Other key trends impacting industry

Increase of blending ratio to continue in short-term

By blending fly ash or slag with Ordinary Portland Cement (OPC), cement producers can lower power, fuel and raw material costs, thereby improving their operating margins. The production of slag cement (PBFSC/PSC) is concentrated in the eastern and southern regions of India on account of the availability of slag in those regions given that the close proximity of a steel plant is important for the supply of slag. The blending ratio for the cement industry has risen to 1.44-1.47 in FY20 (based on a sample covering ~70% of industry's production) from 1.40-1.41 in FY17-18. The blending ratio is expected to improve even further as players shift to the production of more profitable composite cement. While the availability of slag will be limited by the production of steel, fly ash is available in abundance.

Exhibit 23: Cement to clinker ratio for various types of cement

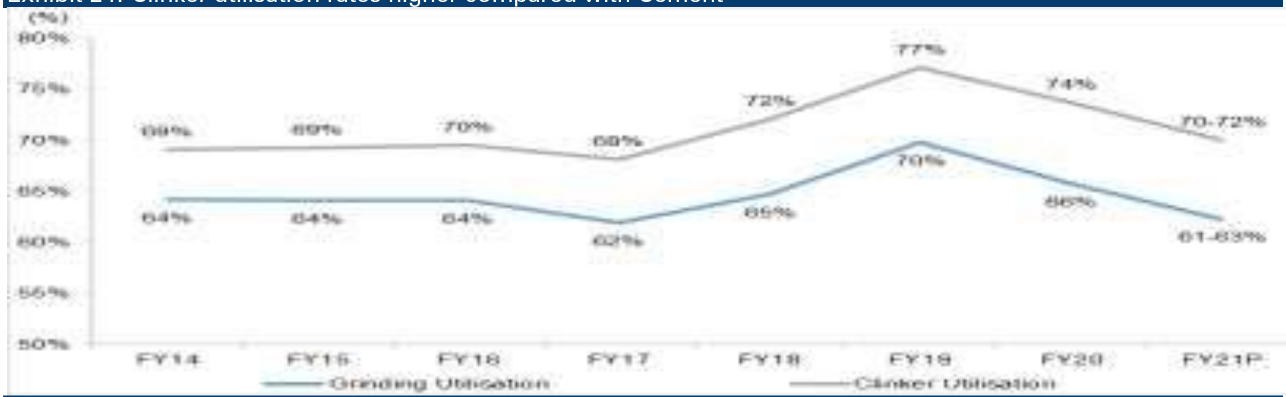
Type of Cement	Minimum Clinker requirement	Cement to clinker ratio
OPC	95%	1.05
PPC	60%	1.67
PSC	25%	4.00
Composite	35%	2.86

Source: RHP,ICICI Direct Research

Rise in share of split grinding units vis-à-vis integrated units

While the differential between operating rates for clinker and cement used to be narrow five years back, there has been a trend reversal over the past five years owing to a large number of grinding capacities being set up. Over the next five years, we expect players to also focus on capacity additions in clinker capacity as well to cater to increased requirements. A total of 45-50 MT of clinker capacity is to be added over the next four years.

Exhibit 24: Clinker utilisation rates higher compared with Cement



Source: RHP, ICICI Direct Research

Waste heat recovery system (WHRS)

Waste heat recovery from hot gases in the system can be considered a potential option to improve energy efficiency in cement manufacturing processes. Large scale players have considerable amount of installed WHRS capacity to meet their energy demands.

Exhibit 25: WHRS capacity of large players

Players	WHRS Capacity	Cement Capacity	WHRS / Cement (MW/MT)
Ultratech Cement	118 MW	111.4 MTPA	1.06
Shree Cement	186 MW	40.4 MTPA	4.60
Nuvoco (consolidated)*	44.7 MW	22.3 MTPA	2.00
ACC Limited (LH Group)	8 MW	34.5 MTPA	0.24
Ambuja Cement (LH Group)	7 MW	29.7 MTPA	0.24
J.K. Lakshmi	23 MW	13.3 MTPA	1.73
J.K. Cement	23 MW	14 MTPA	1.64
Birla Cement	12 MW	15.5 MTPA	0.77
Dalmia Bharat	9 MW	26.5 MTPA	0.34

Source: RHP , ICICI Direct Research

Company background

Incorporated in 1999, Nuvoco Vista Corporation (NVCL), a part of 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 December 31, 2020, their 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. While the entire cement industry has a share of trade/retail sales at 65-68%, several retail focused players like NVCL, Lafarge Holcim Group and Shree Cements **enjoys retail share of 75-85**%. It is also one of the leading ready-mix concrete (RMC) manufacturers with 49 RMC plants across India. The company forayed into the cement business in 2014 through a greenfield cement plant in Nimbol. Thereafter, it has grown the through acquisitions such as the acquisition of the Indian cement business of LafargeHolcim in 2016 and in 2020 by acquiring NU Vista (Emami). As of March-21, it has total installed cement capacity of 22.32 MT with 11 plants (eight in East, three in North). It also has 151.2 MW power plants (105 CPP, 44.7 MW WHRS and 1.5 MW solar) which caters 50.4% of its power requirements.

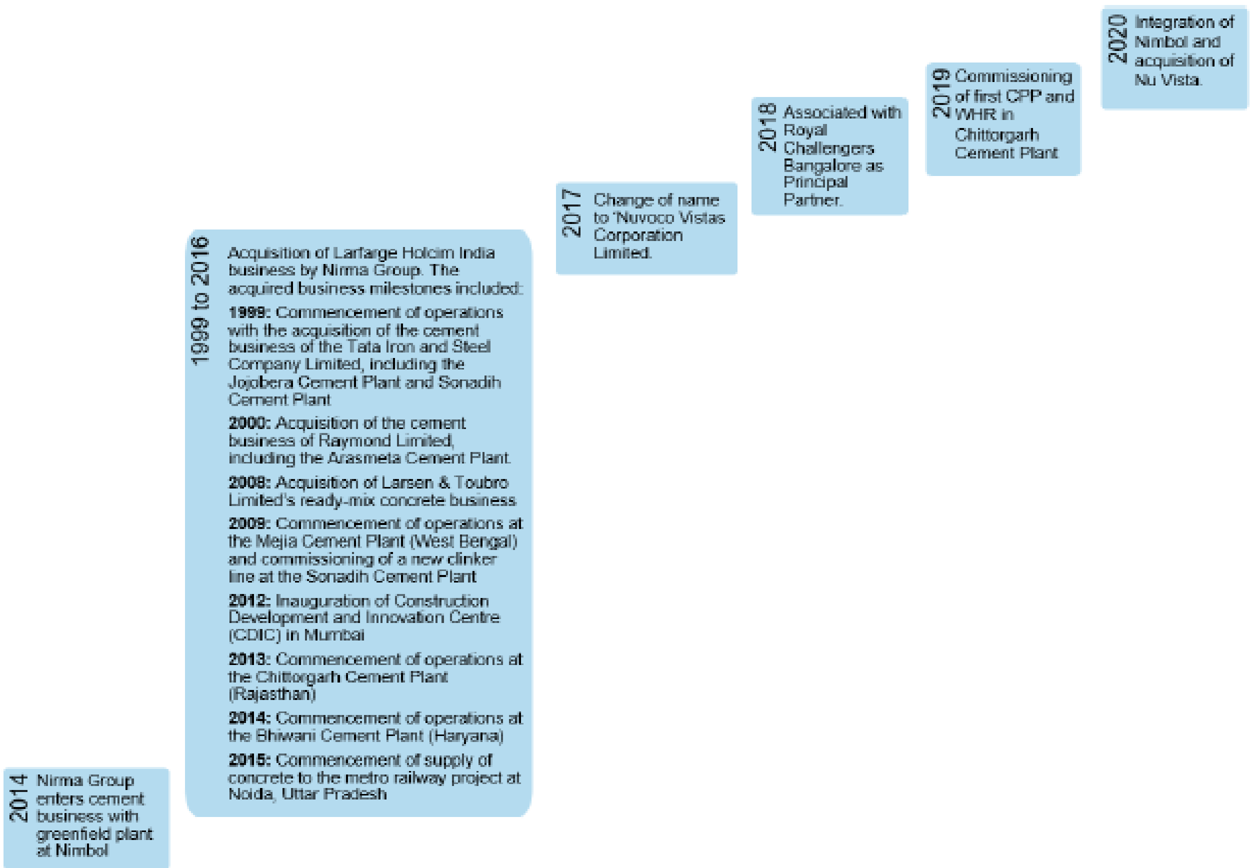
Diversified business portfolio of company include:

Cement: The consolidated entity of Nuvoco has well recognised cement brands in the market **Concreto**, **Duraguard** and **Double Bull.** The business accounted for ~84% of the company's total sales in FY20.

RMC: The company's RMC business has a pan-India presence offering specialised products like Artiste and InstaMix. The company has over 49 plants as of March 2021. The company has recently launched innovative products like InstaMix Mortare to supply wet-mix cement mortar in bags which is used for all kind of masonry.

Modern Building material (MBM): The MBM product range under the Zero M and InstaMix brands comprises of construction chemicals, waterproofing agents, wall putty, tile adhesive, ready mix dry plaster and cover blocks.

Exhibit 26: Company history & corporate events



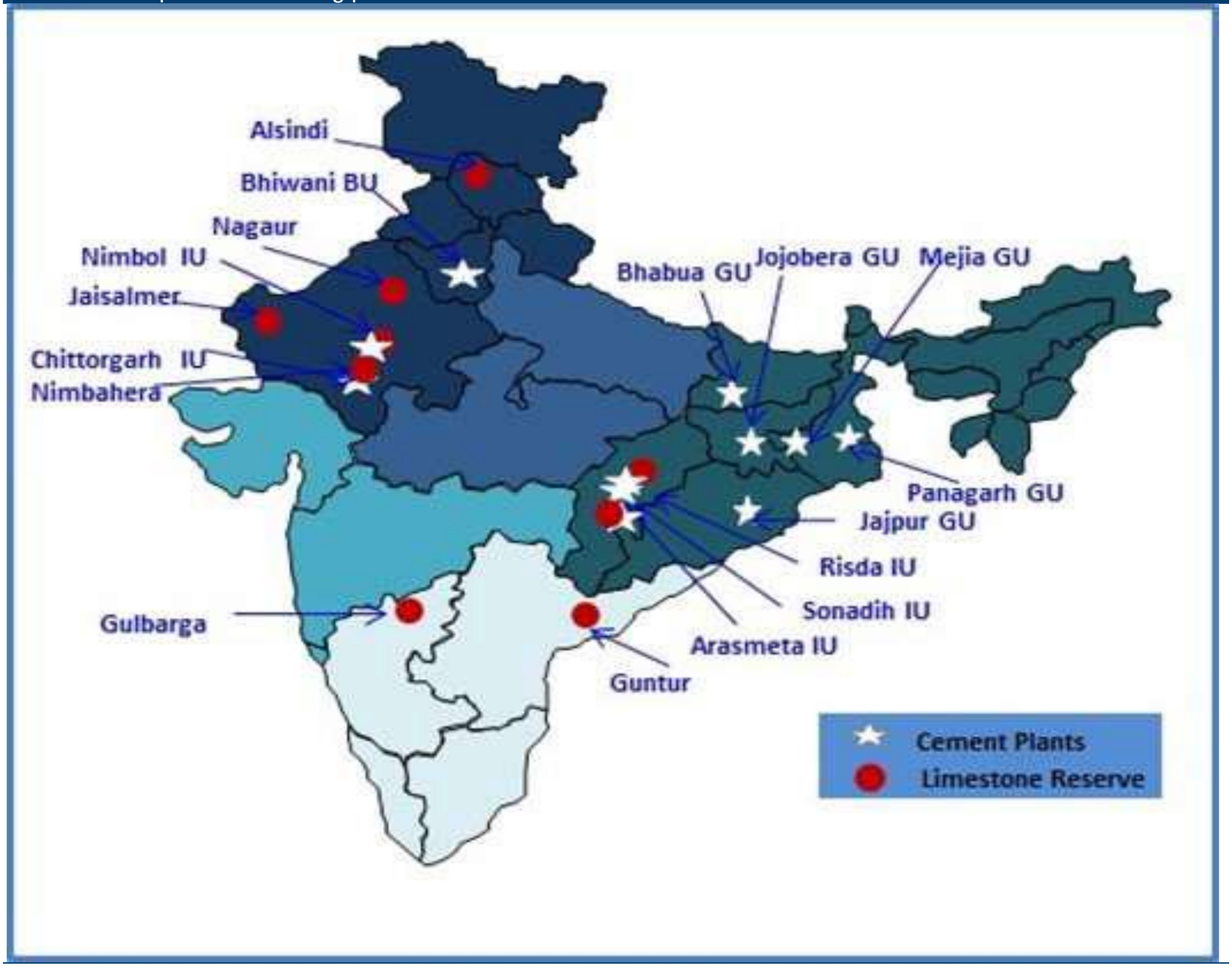
Source: RHP, ICICI Direct Research

Exhibit 27: Region wise total capacity details

S. No.	Region		Integrated Unit/ Grinding Unit/ Blending Unit	Location	Production capacity as of March 31, 2021* Cement (in MMTPA)	Clinker
1.	North India	Nimbol Cement Plant	Integrated unit	Rajasthan	2.28	1.48
2.	North India	Chittorgarh Cement Plant	Integrated unit	Rajasthan	2.10	1.94
3.	North India	Bhiwani Cement Plant	Blending unit	Haryana	0.50	NA
Total Capacity in North India					**4.88**	**3.42**
4.	East India	Mejia Cement Plant	Grinding unit	West Bengal	1.65	NA
5.	East India	Sonadih Cement Plant#	Integrated unit	Chhattisgarh	0.65	3.30
6.	East India	Arasmeta Cement Plant	Integrated unit	Chhattisgarh	1.89	1.66
7.	East India	Jojobera Cement Plant**	Grinding unit	Jharkhand	4.95	NA
8.	East India	Bhabua Cement Plant***	Grinding unit	Bihar	0.80	NA
9.	East India	Panagarh Cement Plant	Grinding unit	West Bengal	2.50	NA
10.	East India	Jajpur Cement Plant	Grinding unit	Odisha	2.00	NA
11.	East India	Risda Cement Plant	Integrated unit	Chhattisgarh	3.00	3.20
Total Capacity in East India					**17.44**	**8.16**
Total Current Production Capacity					**22.32**	**11.58**

Source: RHP, ICICI Direct Research

Exhibit 28: Map view of existing plants



Source: RHP, ICICI Direct Research

Exhibit 29: Other operational details

Proposed expansion plans

Plant	Proposed capacity expansion	Targeted time period
Jojobera Cement Plant (Cement)	1.50 MMTPA	Fiscal 2022
Bhabua Cement Plant (Cement)	1.20 MMTPA	Fiscal 2023

Capacity Utilisation

Capacity Utilisation (%) (actual)	Fiscal 2019	Fiscal 2020	Fiscal 2021
Cement	92.99%	90.05%	77.57%
Clinker	89.56%	90.27%	83.30%

Capacity Utilisation (%) (proforma)	Fiscal 2021
Cement	75.30%
Clinker	83.72%

Clinker to cement ratio (plant wise)

Plant	Fiscal 2019	Fiscal 2020	Fiscal 2021
Company Cement Plants:			
Arasmeta Cement Plant	1.57	1.57	1.60
Sonadih Cement Plant	1.59	1.60	1.59
Jojobera Cement Plant	2.50	2.52	2.53
Mejia Cement Plant	1.60	1.61	1.60
Chittorgarh Cement Plant	1.43	1.35	1.30
Nimbol Cement Plant	1.20	1.22	1.26
Bhiwani Cement Plant	1.64	1.87	1.55
NU Vista Cement Plants:			
Risda Cement Plant	N/A	N/A	1.52
Panagarh Cement Plant	N/A	N/A	2.01
Jajpur Cement Plant	N/A	N/A	2.32
Bhabua Cement Plant	N/A	N/A	1.73
Total	**1.72**	**1.73**	**1.73**

Source: RHP, ICICI Direct Research

Exhibit 30: Power capacity details

Particulars	Capacity (MW) (as of March 31, 2021)
Thermal CPP	105.00
Sonadih	25.00
Chittorgarh	25.00
Nimbol	25.00
Risda	30.00
WHRs	44.70
Arasmeta	7.00
Sonadih	11.00
Chittorgarh	7.00
Nimbol	4.70
Risda	15.00
Renewable (Solar)	1.50
Bhiwani	1.00
Chittorgarh	0.50

Source: RHP, ICICI Direct Research

Exhibit 31: Revenue from RMC segment vs Peer group

Sl. No.	Player Name	No of Plants	Sales volume (lakh m3)	Revenue (in ₹ crore)
1	ACC	90	35.2	1306
2	Ultratech cement	108	-	2147
3	Nuvoco Vistas	60	27.1	1088
4	Prism Johnson	106	-	1413
5	India Cements	9	2.8	110
6	The Ramco Cement	12	0.33	14

Source: RHP, ICICI Direct Research

Investment Rationale

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

East India is the fastest growing cement market in India and Nuvoco is the largest cement manufacturer in East India and the fifth largest cement manufacturer in India in terms of capacity. In addition, their 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. As of March 31, 2021, their ratio of trade segment sales to non-trade segment sales in East India was 76:24, in Central India was 79:21 and in North India was 56:44, which allows them to achieve higher sales volumes and improved margins. They sold 17.26 MT of cement in FY21. Of this, they sold 13.47 MT in East India, 2.66 MT in North India and 1.13 M MT in Central India

Market-leading brands that enhance leadership as building materials company with strong brand recognition

The company's established record of strong performance and reputation for quality products in cement, RMC and modern building materials has helped them build reputable brands in the building materials industry in India. They have a comprehensive suite of brands across all these segments. Their brands have differentiated characteristics and qualities which fulfil diverse customer needs and thereby attract new customers as well as retaining and increasing demand from existing customers. The company's modern building material products are a key differentiator for them

Strategically located cement production facilities in close proximity to raw materials, key markets

NVCL's Plants are located at various strategic locations in East and North India. They have three integrated units and five grinding units in East India. They have two integrated units and one blending unit in North India. These locations allow them to effectively sell their products in East and North India as well as access to select key markets in Central India. They are also in the process of enhancing their cement capacity in their existing grinding units in **Jojobera Cement Plant** and **Bhabua Cement Plant** in East India. The connectivity to raw materials and their customers allows them to manufacture and sell their cement products in a cost-efficient manner.

Extensive sales, marketing and distribution network

NVCL has strong sales, marketing and distribution capabilities in East and North India, and strategic access to some key markets in Central India. **As at March 31, 2021, they have 244 CFAs (162 in East and 82 in North) and 16,076 dealers in India (10,091 in East India and 5,985 in North India).** Their extensive network of warehouses, logistics partners and dealers in east and north India gives them a competitive advantage in their operating regions.

Growth in business from recent acquisition of NU Vista

NVCL completed the acquisition of Emami's cement business (8.3 MMTPA) at an enterprise value of ₹ 5,500 crore in July 2020. This acquisition gives them several competitive advantages. 1) NVCL has now become a leading cement in India 2) The inclusion of brand "Double Bull Cement" in their portfolio 3) Synergies in cross sourcing of raw materials 4) Implement best practices across their plants.

Key Risks

Business dependent on availability of mined raw-materials

The business depends heavily on the ability to mine and procure sufficient limestone for manufacturing plants. Changes in mining policies may affect the business. Moreover, there are uncertainties inherent in estimating quantities of limestone reserves. In terms of the MMDR Act, a lease granted on or after January 12, 2015 shall be for 50 years from the date of the original grant and leases granted before January 12, 2015 shall be deemed to have been granted for 50 years from the date of the grant or up to the current renewal period of the mine or up to March 31, 2030 (where the minerals are used for captive purpose), whichever is later, and shall be put on auction after expiry of the lease period with a right of first refusal granted to the holder of the mining lease agreement granted for captive purposes. A change in law may also remove the right of first refusal that is currently provided post-expiration of the existing tenure, and company may need to compete with other bidders in the open market for the mining leases.

Dependency on coal, water, labour, raw materials; costs and supply of which can be subject to significant variation

The company’s competitiveness, costs and profitability depend, in part, on its ability to source and maintain a stable and sufficient supply of raw materials (such as limestone, gypsum, slag, water and fly ash) and fuel (including coal and pet coke) at acceptable prices. The company do not own any coal mines for our operations and typically source coal and pet coke from domestic and international suppliers based on purchase orders and fuel supply agreements.

Inability to effectively integrate operations of acquired assets may not yield timely or effective results

In July 2020, the company acquired 100% shareholding in NU Vista, with a view to expand operations in the East Indian market and to become a key industry player in India, and to harness synergies resulting from economies of scale. Further, as part of growth strategy, it may undertake other acquisitions as well. Such acquisitions involve various risks and challenges. An inability to integrate our operations or manage the acquired business may result in increased costs and adversely affect results of operations.

Brief profile of Directors

Hiren Patel is the Chairman and a Non-executive Director of the company. He has been on the board since November 11, 2017. He holds a bachelor's degree in engineering from Stevens Institute of Technology, New Jersey, US and a master's degree in business administration from Drexel University, Pennsylvania, US. He has been associated with the Nirma group since 1997. He has experience in the cement, consumer goods, chemicals and health care industry. He is presently the managing director of Nirma Ltd. He is also a trustee of Nirma Education & Research Foundation, which runs the Nirma University and Nirma Vidyavihar and a member of the governing board of Nirma University.

Jayakumar Krishnaswamy is the Managing Director of the company. He has been on the board since September 2018. He is responsible for the cement, RMC and modern building materials divisions of company. He holds a bachelor's degree in engineering (mechanical) from University of Delhi. He has experience across FMCG, paint and coating industry. He has previously been associated with Hindustan Unilever and Akzo Nobel India.

Kaushikbhai Patel is a Non-executive Director of our Company. He has been on the board since November 9, 2017. He holds a bachelor's degree in commerce from Gujarat University. He is a qualified chartered accountant. He has experience in strategy, financial planning, mergers and acquisitions, direct tax and capital markets. He has been associated with Nirma Ltd since 2002. He is currently associated with The Kalupur Commercial Co-operative Bank Limited as a director.

Berjis Desai is an Independent Director of the company. He has been on the Board since January 3, 2017. He holds a bachelor's degree in law from the University of Bombay and a master's degree in law from University of Cambridge.

Bhavna Doshi is an Independent Director of the company. She has been on the Board since January 3, 2017. She holds a master's degree in commerce from University of Bombay. She is a qualified chartered accountant. She was elected to the Western India Regional Council of the ICAI and held position of Secretary and chairperson. She was also elected to the Council of ICAI and has also served as the chairperson and member of the Accounting Standards Board of India and the Research Committee of ICAI. She has been a member of the Compliance Advisory Panel of International Federation of Accountants, New York and also a member of the Government Accounting Standards Advisory Board constituted by the Controller and Auditor General of India. She was elected as the president of the Indian Merchant's Chamber and is currently serving on the President's Advisory Committee of the Indian Merchant's Chamber. She is also a member of the Corporate Governance Committee of CII and the managing committee member of Assocham. She has experience in taxation, accounting, corporate and regulatory matters. She has previously been associated as partner in chartered accountant firms like B. S. Mehta & Co., RSM & Co. and Bharat S. Raut & Co. (member firm of KPMG in India.

Achal Bakeri is an Independent Director of the company. He has been on the Board since April 7, 2021. He holds a diploma in architecture from Centre for Environmental Planning and Technology (CEPT) Ahmedabad and a master's degree in business administration from the University of Southern California, US. He has experience in air cooler industry. He is the promoter, chairman and managing director of Symphony Ltd.

Financial summary

Exhibit 7: Profit and loss statement ₹ crore

₹ crore	FY19	FY20	FY21
Revenue	7,052.1	6,793.2	7,488.8
Other Income	53.8	36.7	33.9
Total Income	7,106	6,830	7,523
% Growth	3%	-4%	10%
Cost of materials consumed	1,397.4	1,273.8	1,032.3
Purchase of stock in trade	12.6	17.6	47.6
Changes in inventories	34.7	(61.4)	126.9
Power and Fuel	1,374.1	1,225.6	1,356.3
Freight and forwarding charges	1,983.2	1,776.1	2,029.4
Excise duty on sale of goods	NA	NA	NA
Employee benefits expense	381.1	404.6	482.0
Other Expense	951.3	859.7	953.8
EBITDA	971.5	1,333.9	1,494.4
EBITDA %	13.8	19.6	20.0
Finance Costs	456.9	419.2	664.0
Depreciation and Amortization expense	497.9	527.9	793.8
PBT	70.5	423.5	70.5
Other comprehensive Income	(1.6)	(3.0)	2.9
Tax	43.1	137.5	62.5
PAT	25.8	283.0	11.0
EPS (Pre-IPO)	(1.09)	10.28	(0.82)

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement ₹ crore

₹ crore	FY19	FY20	FY21
PBT	70.5	423.5	70.5
Add_			
Depreciation	497.9	527.9	793.8
Finance costs	456.9	419.2	664.0
Other	(124.6)	(44.7)	(76.1)
CFO before WC changes	900.7	1,325.9	1,452.2
Changes in WC	(24.2)	(200.9)	304.5
Cash from operations	876.6	1,125.0	1,756.6
Tax paid	(16.5)	(100.2)	(39.3)
Net CFO	860.1	1,024.8	1,717.4
Purchase of Assets	(580.8)	(569.5)	(401.8)
Current investments	418.2	245.5	(2,257.2)
Other	14.0	13.8	(265.1)
Net CF from investments	(148.6)	(310.1)	(2,924.1)
Proceeds from equity	-	-	2,100.0
Repaymet of leased liablity	(14.8)	(20.1)	(63.2)
Others	(632.0)	(538.9)	(617.1)
Net CF from Financing	(646.8)	(559.1)	1,419.7
Net increase/(decrease)	**64.7**	**155.6**	**213.0**

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet ₹ crore

₹ crore	FY19	FY20	FY21
Non Current Assets	**11,257.1**	**11,437.5**	**17,395.3**
Fixed Assets	6,778.5	6,969.5	10,889.2
Intangibles	3,720.1	3,646.5	5,391.9
Long term investments	582.1	580.5	789.6
Other Non-current Assets	176.4	241.0	324.6
Current Assets	**2,005**	**2,007**	**2,512**
Inventories	584.7	603.0	712.4
Investments	455.7	-	384.2
Trade Receivables	499.9	511.0	453.9
Cash & Bank	124.7	510.9	527.8
Other Current Assets	339.7	382.0	434.1
Total Assets	**13,261.8**	**13,444.4**	**19,907.6**
Equity	**4,988.3**	**5,279.3**	**7,323.7**
Equity Share Capital	200.0	242.4	315.1
Other Equity / Reserves	4,788.3	5,036.9	7,008.6
Non-Current Liabilities	**1,550.7**	**1,598.6**	**2,116.1**
Borrowings & Othr liabilities	5,202.4	5,109.2	8,494.4
Current Liabilities	**1,520.4**	**1,457.3**	**1,973.3**
Trade Payables	764.7	785.9	907.5
Other Current Liabilities	755.7	671.4	1,065.8
Total Liabilities	**13,261.8**	**13,444.4**	**19,907.6**

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios

Year end March	FY19	FY20	FY21
EPS	(1.09)	10.28	(0.82)
BV	249.4	217.9	232.5
Cash per share	6.2	21.1	16.8
EBIDTA Margin (in %)	13.8	19.6	20.0
PAT Margin (in %)	0.4	4.1	0.1
RoE (in %)	0.5	5.4	0.1
RoCE (in%)	3.3	5.7	3.4
EV/EBITDA	25.9	18.9	16.9
Mcap/Sales	1.8	1.8	1.2
Debt/Equity	1.0	1.0	1.2
Debt/Ebitda	5.36	3.83	5.68
Current Ratio	1.3	1.4	1.3
Quick ratio	0.38	0.35	0.46
Debtor Days	25.9	27.5	22.1
Creditor Days	39.6	42.2	44.2
Inventory days	30.3	32.4	34.7

Source: Company, ICICI Direct Research, Calculated

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