

Subscribe

Issue Details	
Price Band (Rs)	Rs.560 - 570
Face Value (Rs)	10
Issue Size (Rs)	5,000Cr
Issue Type	Book Building
Minimum lot	26 Shares
Issue Opens	August 09, 2021
Issue Closes	August 11, 2021
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	August 17, 2021
Unblocking of Funds	August 18, 2021
Credit of shares to Demat Account	August 20, 2021
Listing on exchange	August 23, 2021

Other Detail	
Book Running Lead Managers	ICICI Securities Limited, Axis Capital Limited, HSBC Securities and Capital Markets (India) Private Limited, J.P. Morgan India Private Limited, SBI Capital Markets Limited
Registrar	Link Intime India Private Limited

Nuvoco Vistas Corporation Ltd.

Company Background

Nuvoco Vistas Corporation Ltd. ("NVCL") was incorporated on February 8, 1999. NVCL is promoted by Dr. Karsanbhai K. Patel, who is a successful entrepreneur and is associated with the Nirma Group. NVCL is the 5th largest cement company in India and the largest cement company in East India in terms of capacity. It offers a diversified range of products such as cement, Ready-mix Concrete, and modern building materials i.e. adhesives, wall putty, dry plaster, cover blocks, and more. The company sells its products in the trade segment (individual home buyers) and non-trade segment (institutional and bulk buyers). It has a strong distribution network with 16,076 dealers and 244 CFAs. Its 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 with an aggregated installed capacity of 22.32 MMTPA.

Issue Details

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.1,500Cr and Offer for sale of Equity Shares aggregating upto Rs.3,500Cr.

Issue Objectives

- Repayment/prepayment/redemption, in full or part, of certain borrowings availed of by the company: Rs.1,350 Crore.
- To meet general corporate purposes: Rs.150 Crore.

IPO share allotment pattern

Category	Allocation	Number of Shares at Rs.560	Number of Shares at Rs.570	Issue Size (Rs.Cr)
QIB	50%	4,46,42,857	4,38,59,649	2,500.00
Non-Institutional	15%	1,33,92,857	1,31,57,895	750.00
Retail	35%	3,12,50,000	3,07,01,754	1,750.00
Total		8,92,85,714	8,77,19,298	5,000.00

Source: Company RHP, ACMIL Research

Outlook and Valuations

NVCL is the 5th largest cement company in India and the largest cement company in East India in terms of capacity. It offers a diversified range of products such as cement, Ready-mix Concrete (RMX), and modern building materials. The country's demand growth is likely to be led by East and Central regions and will be primarily from affordable housing and infrastructure creation and the cement sector is expected to largely benefit from it. NVCL, being the largest cement company in the east region, is well placed to capitalize on these opportunities. At the upper price band of Rs.570/-, stock is valued at 16.6x FY21 EV/EBITDA (based on post issue equity). **We recommend to subscribe the issue from a long-term prospective.**

Investment Rationale

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

NVCL has an extensive portfolio of cement, RMX and modern building materials to cater to the needs of their customers. 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. Their sales to the Trade Segment allow them to achieve high volume sales,

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thereby ensuring high capacity utilisation of their plants and ensuring steady cash flows. They also have steady Non-trade Segment sales and revenues which allow them to secure volume-based sales orders and improved margins. They sold 17.26 million MT ("MMT") of cement in India in Fiscal 2021 (based on their Proforma financial Statements). Of this figure, they sold 13.47 MMT in East India, 2.66 MMT in North India and 1.13 MMT in Central India. Additionally, they are one of the leading industry players in the RMX industry. Their position in the RMX industry allows them to access key markets in India, particularly in areas where their cement products are not readily available.

Market-leading brands that establish and enhance the leadership as a building materials company with strong brand recognition

Company's established record of strong performance and reputation for quality products in cement, RMX 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. Company's modern building material products are a key differentiator for them. Their suite of products under this category include a range of construction chemicals, adhesives, wall putty, dry plaster, cover blocks and dry concrete. Their Modern Building Material products and brands are an important value-added business for them. NVCL market these products to meet the requirements of their customers, such as providing a product that provides an immediate solution to their construction requirements or by offering a product as an alternative to their usual requirements.



Strategically located cement production facilities that are in close proximity to raw materials and key markets

Company's Cement Plants are located at various strategic locations in East and North India. These locations allow them to effectively sell and market their products in East and North India as well as access to select key markets in Central India. They have 3 integrated units and 5 grinding units located in East India, and 2 integrated units and 1 blending unit located in North 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 to customers in a cost-efficient manner.

Extensive sales, marketing and distribution network with diversified product portfolio

NVCL has 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 them to effectively target and drive sales within the Trade Segment. As at March 31, 2021, they 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). 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 the business and operations from the recently concluded acquisition of NU Vista

NVCL has a successful track record of executing acquisitions that aid in the growth of their business based on a careful selection of potential assets and the integration of these assets with their business. They have recently successfully completed the acquisition of NU Vista, the cement business of Emami Group.

This acquisition gives them several competitive advantages, including

- They are now a leading cement player in India ensuring their market-leading presence in each of the core states in East India;
- The inclusion of the brand "Double Bull Cement" and its variants in their brand portfolio.
- Synergies in the cross-sourcing of raw materials such as clinker, logistics for the shipping of their products, and economies of scale in procurement;
- The combined product portfolio includes all standard grades of cement (including Portland Composite Cement) and value-added products; and
- They can implement and apply best practices in manufacturing across all their plants.

Strong research and development and technological capabilities

NVCL places a strong focus on innovation, with an emphasis on developing a comprehensive product range to meet the requirements of their customers, address the gaps in the market and improve their profitability. They have set up the CDIC, their innovation centre

located in Mumbai. Through CDIC, they can and have developed new products that address market needs. They have set up the Construction Development & Innovation Centre (CDIC), their innovation centre located in Mumbai. Through CDIC, they can and have developed new products that address market needs.

Focus on operational efficiencies and synergies to improve returns, whilst expanding manufacturing Capabilities

They are also setting up captive power plants at some of their units to further help in cost reduction and operational efficiency of their units by ensuring uninterrupted electricity supply. As of March 31, 2021, their captive power plant capacity is 105 MW, and 29.25% of the total power demand of their units is serviced by captive power plants. The company is in the process of implementing clinker debottlenecking at their integrated cement units located at Risda, Nimbol and Sonadih. Additionally, they are undertaking capacity expansion exercises at their Jojobera Cement Plant, to increase its capacity to 6.45 MTPA and at their Bhabua Cement Plant, to increase its capacity to 2 MTPA. They also have the option to undertake expansion in West India by utilising their limestone reserves in Chittapur, Gulbarga in Karnataka.

Strong network effects driven by their unique content and transaction flywheels

The end-to-end Food Services approach makes Zomato the most unique Food Services platform globally combining the offerings of platforms such as Yelp, DoorDash and OpenTable in a single mobile app. They had 389,932 Active Restaurant Listings across 525 cities in India, as of March 31, 2021. Restaurant listings on their platform include data points such as photos of the menu, photos of the restaurant premises, address and GPS coordinates, phone number, website, social media presence (Facebook and Twitter links), cuisine, opening timings, average cost for a meal, free parking availability, indoor or outdoor seating availability, free Wi-Fi availability, whether the restaurant offers live entertainment, has a smoking room, whether table booking is recommended, among others. They term this information about restaurants as "Structured Content".

They collect and curate all Structured Content using a feet-on-street approach, aided by in-house developed technology which helps them do this in a cost effective manner. Outside of Structured Content, they also have CGC which consists of reviews, ratings and photos posted by customers on their platform. In Fiscal 2021, 12.7 million customers generated 61.8 million units of CGC on their platform. Their focus on content attracts a large number of customers to their platform organically. During Fiscal 2021, 68% of their new customers were acquired organically and not through any paid advertisements. Their customers value the rich content of the restaurant listings on their platform and further enhance the richness of the restaurant listing content by adding their own reviews and photos to the platform which leads to a virtuous cycle of more new customer acquisition.

Financial Snapshot

Particulars (Rs Millions)	FY19	FY20	FY21
Equity share capital	2,000	2,424	3,151
Net worth	73,237	52,793	49,883
Net asset value per share	249	218	232
Debt to Equity Ratio	0.92	0.75	0.81
Revenue from Operations	70,521	67,932	74,888
EBITDA (Excluding other income)	9,177	12,971	14,605
EBITDA %	19.5%	19.1%	13.0%
Cement EBITDA per tonne (Rs.)	733	1,083	966
Net Profit	-258	2,492	-264
Net Debt	40,456	39,524	67,301
Debt to Equity Ratio	0.92	0.75	0.81
Net Debt to EBITDA ratio	4.16	2.96	4.50
Diluted EPS (Rs)	(-1.09)	10.28	(0.82)
ROE	(0.53)%	4.72%	(0.35)%
ROCE	4.30%	7.66%	4.21%

Source: Company RHP, ACMIIL Research

Comparison With Listed Peers

Company	Total Income (Rs.Mn)	EPS	NAV	EV/EBITDA	ROE(%)
Nuvoco Vistas Corporation Limited	75,227	(0.82)	232.43	16.5	(0.35)%
Ultratech Cement Limited	454,600	189.33	153.06	17.3	12.36%
Shree Cement Limited	139,427	633.54	428.17	23.5	14.82%
Ambuja Cement Limited	249,658	11.91	14.65	11	10.68%
ACC Limited	140,027	75.98	67.64	12.3	11.26%

Source: Company RHP, ACMIIL Research, Peer group data is based on annual reports and Audited Financial Results for the year ended March 31, 2021 of the respective companies. EV/EBITDA Ratio has been computed based on the closing market price of equity shares on BSE on August 04, 2021. ^ EV/EBITDA Ratio has been computed based on the Issue price and post issue equity.

Risk and Concern

1. COVID-19 pandemic has substantially impacted the construction industry, the continued slowdown in the Indian construction industry could severely impact their results of operations and profitability.

ACMIIL Retail Research Products

Informational Products	Recommendation Products
Morning Notes	Momentum Calls
Equi-Tea	Positional Calls
Market Watch	Smart Delivery Calls
Investor First Magazine	Investment Ideas
IPO/NCD/ETF/OFS/BOND	Master Trades High Risk
Market Pulse	Master Trades Medium Risk
RBI Monetary Policy	Techno-Funda
Union Budget Report	Top Mutual Fund Schemes
Weekly Derivative Synopsis	Portfolio Review
Rollover Snapshot	Stock Basket

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