

# Nuvoco Vistas Corporation

## Strong pricing offsets cost inflation QoQ

We maintain BUY on Nuvoco Vistas, with a lower TP of INR 545/share (11x its consolidated Mar-25E EBITDA). We continue to like it for its leadership presence in the east, large retail focus, and various margin initiatives. In Q3FY23, Nuvoco reported modest volume growth of 2/6% QoQ/YoY (lost market share). NSR recovered strongly 6% QoQ. But opex also increased by 3% QoQ. Thus, unit EBITDA recovery was moderated (+INR 161/MT QoQ) to INR 617/MT. Nuvoco has paused its Gulbarga expansion plans to focus on reducing debt to a comfortable level of INR 30-35bn. As the current capacity is sufficient to fund volume growth for the next 3-4 years, we believe focus on debt reduction should drive valuation rerating.

- Q3FY23 performance:** Cement sales volume rose a modest 2/6% QoQ/YoY to 4.5mn MT (lost market share). However, NSR firmed up 6/12% QoQ/YoY, supported by strong demand in the east region. Opex increase of 3% (higher fuel and freight cost, no op-lev gains) moderated the pricing benefit. Unit EBITDA recovered INR 161/MT QoQ to INR 617/MT. Nuvoco reduced its net debt by 2% QoQ to INR 53bn on low Capex outgo. Net debt/EBITDA cooled off a bit to 4.2x from 4.5x QoQ.
- Capex, debt and outlook:** Nuvoco expects fuel costs to moderate in Q4 (not quantified) on the back of higher AFR, linkage coal usage and cool-off in fuel prices. It lowered its Capex estimate by ~10-20% to ~INR 4.5-4.75bn for FY23E, mainly for clinker debottlenecking, AFR plant, and Bhiwani plant (1.2mn MT GU expected by early H2FY24E). The Gulbarga expansion is put on hold as the immediate focus is to reduce debt to a comfortable level of INR 30-35bn. We believe this is prudent as the current capacity is sufficient for it to deliver more than 7% volume CAGR for the next 3-4 years. Factoring in weak volumes and margin in Q3FY23, we reduce our EBITDA estimates by 11/7/7% for FY23/24/25E respectively.

### Quarterly/annual financial summary

YE Mar (INR bn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Sales Vol (mn MT)	4.50	4.23	6.4	4.40	2.3	15.91	17.84	19.00	20.90	22.99
NSR (INR/MT)	5,295	4,716	12.3	4,995	6.0	4,444	4,760	5,212	5,212	5,264
Opex (INR/MT)	4,679	4,162	12.4	4,539	3.1	3,503	3,934	4,556	4,325	4,335
EBITDA (INR/MT)	617	554	11.4	456	35.3	941	826	656	887	929
Net Sales	26.05	21.65	20.3	24.01	8.5	74.89	93.18	108.85	120.72	134.62
EBITDA	2.68	2.27	18.2	1.92	39.7	14.61	14.97	12.91	19.28	22.41
APAT	(0.75)	(0.86)		(1.30)		-0.26	0.32	-1.23	4.10	6.79
AEPS (INR)	(2.11)	(2.40)		(3.65)		-0.8	0.9	-3.4	11.5	19.0
EV/EBITDA (x)						13.6	12.2	13.9	9.0	7.4
EV/MT (INR bn)						8.89	7.64	7.53	6.96	6.40
P/E (x)						NA	404.1	-105.3	31.6	19.1
RoE (%)						-0.4	0.4	-1.4	4.6	7.3

Source: Company, HSIE Research

### Estimates revision summary

INR bn	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Net Sales	110.90	108.85	(1.8)	123.06	120.72	(1.9)	137.27	134.62	(1.9)
EBITDA	14.47	12.91	(10.8)	20.78	19.28	(7.2)	24.00	22.41	(6.6)
APAT	0.07	(1.23)	(1,881.3)	4.52	4.10	(9.2)	6.99	6.79	(2.9)

Source: Company, HSIE Research

## BUY

CMP (as on 07 Feb 2023)	INR 361
Target Price	INR 545
NIFTY	17,722

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 595	INR 545
EBITDA revision %	FY23E (10.8)	FY24E (7.2)

### KEY STOCK DATA

Bloomberg code	NUVOCO IN
No. of Shares (mn)	357
MCap (INR bn) / (\$ mn)	129/1,557
6m avg traded value (INR mn)	126
52 Week high / low	INR 475/260

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(10.0)	6.3	(19.9)
Relative (%)	(8.5)	3.1	(24.5)

### SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	71.79	71.79
FIs & Local MFs	19.67	20.16
FPIs	2.99	3.08
Public & Others	5.55	4.97
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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