

NUVOCO VISTAS CORPORATION LIMITED

Nuvoco Vistas Corporation Ltd (NVCL) is the fifth largest cement player in India and the largest cement company in East India, in terms of capacity, with a consolidated capacity of 22.32 MMTPA. ~77% of its capacities are in the East region while the balance is in North. NVCL has 11 Cement Plants, comprising five integrated units, five grinding units and one blending unit. Also, they one of the leading RMX manufacturers and have 49 RMX Plants across India. The company has achieved this scale mainly through acquisition of the Indian cement business of LafargeHolcim in 2016 and in 2020 by acquiring NU Vista (Emami Cement).

Positives: (a) Strong position in East India in terms of total capacity and market share. (b) Strategically located cement production facilities that are near raw materials and key markets. (c) Extensive sales, marketing, and distribution network with diversified product portfolio. (d) Good track record of growth via acquisitions; Volume growth and synergy benefits to aid profitability and debt reduction.

Investment concerns: (a) Slowdown in the construction in sectors like Infra and Real-estate pose as a risk (b) Inability to procure raw material and/or inability to pass on input cost inflation will impact the volumes and profitability (c) High debt levels and geographic concentration (d) Continuing impact of the COVID-19 could have a significant effect on operations & financial condition.

Outlook & Valuation: NVCL has a strong positioning in the East market and the company will be further expanding its capacity by 2.7 MMTPA over the next two years. The company's net debt/EBITDA stood at ~5x as on FY21 but the same is expected to come down with use of proceeds from the fresh issue. Going ahead, the volume growth would be robust on the back of strong demand environment and the pricing scenario is likely to remain favorable which along with synergy benefits would aid overall profitability. At the upper end of the price band, NVCL is seeking FY21 EV/EBITDA multiple of ~19x. We believe that the valuations on forward numbers are reasonable and hence we recommend "SUBSCRIBE" on the issue.

Key Financials

Y/E March (₹ cr)	FY2018	FY2019	FY2020	FY2021
Net Sales	6,652	7,052	6,793	7,489
% chg	-	6.0	-3.7	10.2
Reported Net Profit	88	-26	249	-26
% chg	-	-130.3	-	-110.4
EBITDA (%)	16.0	13.0	19.1	19.5
EPS (₹)	2.5	-0.7	7.0	-0.7
P/E (x)	232.5	-768.6	81.7	-785.4
P/BV (x)	4.2	4.1	3.9	2.8
ROE (%)	3.6	-0.5	4.9	-0.4
ROCE (%)	8.3	3.1	5.4	3.6
EV/EBITDA	23.0	26.7	18.8	18.7
EV/Sales	3.6	3.5	3.6	3.6

Source: Company, Angel Research.

Note: Valuation ratios at upper price band.

SUBSCRIBE

Issue Open: Aug 09, 2021

Issue Close: Aug 11, 2021

Present Eq. Paid up Capital: ₹315.1 cr

Offer for Sale: ₹3,500 cr

Fresh issue: ₹1,500 cr

Post Eq. Paid up Capital: ₹341.4cr

Issue size (amount): ₹5,000 cr

Price Band: ₹560-570

Lot Size: 26 shares and in multiple thereafter

Post-issue mkt. cap: * ₹20,027 cr - ** ₹20,358 cr

Promoters holding Pre-Issue: 95.24%

Promoters holding Post-Issue: 71.03%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	71.0%
Others	29.0%

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Company background

Nuvoco Vistas Corporation Limited (NVCL) is the 5th largest cement company in India and the largest cement company in East India in terms of capacity. As of December 31, 2020, 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 they are one of the leading ready-mix concrete manufacturers in India. As on FY21, NVCL has 11 Cement Plants (8 in East India and 3 in North India). 3 of their plants in East India are integrated units and 5 plants are grinding units. 2 of their plants in North India are integrated units and the third is a blending unit. They have WHRS at all their 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. NVCL distributes its products through the trade segment.

Issue details

The issue comprises of OFS of up to ₹3,500 crore and Fresh issue of ₹1,500 Cr.

Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	31,50,89,061	95.24	25,36,85,552	71.03
Public	1,57,51,303	4.76	10,34,70,601	28.97
Total	33,08,40,364	100.00	35,71,56,153	100.00

Source: Company, Angel Research & RHP.

Objectives of the Offer

- ₹1,350 Cr towards repayment/prepayment/redemption of borrowings
- General corporate purposes

Key Management Personnel

Hiren Patel is the Chairman and the Non-executive Director of the company. He has been on the Board since November 11, 2017. He has been associated with the Nirma group since the year 1997.

Jayakumar Krishnaswamy is the Managing Director of the company. He has been on the Board since September 17, 2018. He is responsible for the cement, RMX and modern building materials divisions of the company. He has experience across FMCG and paint and coating industry.

Maneesh Agrawal is the Chief Financial Officer of the company. He joined the company with effect from October 10, 2017. He is responsible for the overall finance and information management functions of the cement, RMX and modern building materials divisions of the company. He has over two decades of experience primarily in cement, RMX and paper businesses.

Shruta Sanghavi is the Company Secretary and Compliance Officer of the company. She is responsible for secretarial functions of the company. She has experience in agro-chemicals, automobile, and logistics industries.

Exhibit 1: Consolidated Profit & Loss Statement

Y/E March (₹ Cr)	FY2018	FY2019	FY2020	FY2021
Total operating income	6,652	7,052	6,793	7,489
% chg	-	6.0	-3.7	10.2
Total Expenditure	5,586	6,134	5,496	6,028
Cost of Goods Sold	1,262	1,445	1,230	1,207
Power and fuel	1,222	1,374	1,226	1,356
Freight and forwarding charges	1,830	1,983	1,776	2,029
Employee benefits expense	356	381	405	482
Other expenses	916	951	860	954
EBITDA	1,066	918	1,297	1,461
% chg	-	-13.9	41.4	12.6
(% of Net Sales)	16.0	13.0	19.1	19.5
Depreciation & Amortization	485	498	528	794
EBIT	581	420	769	667
% chg	-	-27.8	83.3	-13.3
(% of Net Sales)	8.7	6.0	11.3	8.9
Finance costs	475	457	419	664
Other income	56	54	37	34
(% of Sales)	0.8	0.8	0.5	0.5
Recurring PBT	106	(37)	350	3
% chg	-	-135.1	-	-99.2
Exceptional item	-	-	-	-
Tax	75	43	137	62
PAT (reported)	88	(26)	249	(26)
% chg	-	-130.3	-	-110.4
(% of Net Sales)	1.3	-0.4	3.7	-0.3
Basic & Fully Diluted EPS (Rs)	2.5	-0.7	7.0	-0.7

Source: Company, Angel Research

Exhibit 2: Consolidated Balance Sheet

Y/E March (₹ Cr)	FY2018	FY2019	FY2020	FY2021
SOURCES OF FUNDS				
Equity Share Capital	150	200	242	315
Other equity	4,673	4,788	5,037	7,009
Shareholders' Funds	4,823	4,988	5,279	7,324
Total Loans	5,108	4,736	4,566	7,854
Other liabilities	1,463	1,454	1,512	1,964
Total Liabilities	11,395	11,178	11,357	17,142
APPLICATION OF FUNDS				
Property, Plant and Equipment	6,258	6,065	6,221	9,324
Right-of-use assets	1,348.7	1,276	1,203	2,109
Capital work-in-progress	145	605	647	1,240
Intangible assets	2,553	2,553	2,546	3,608
Non-Current Investments	0	0	0	0
Current Assets	2,212	2,005	2,007	2,512
Inventories	556	585	603	712
Investments	844	456	-	384
Trade receivables	421	500	511	454
Cash and Cash equivalents	59	125	511	528
Loans & Other Financial Assets	9	14	4	4
Other current assets	323	326	378	430
Current Liability	1,909	2,084	2,087	2,765
Net Current Assets	304	(79)	(80)	(253)
Other Non-Current Asset	788	759	821	1,114
Total Assets	11,395	11,178	11,357	17,142

Source: Company, Angel Research

Exhibit 3: Consolidated Cash flows

Y/E March (₹cr)	FY2018	FY2019	FY2020	FY2021
Operating profit	162	17	387	37
Net changes in working capital	60	(24)	(201)	304
Cash generated from operations	1,109	877	1,125	1,757
Direct taxes paid (net of refunds)	(91)	(16)	(100)	(39)
Net cash flow from operating activities	1,018	860	1,025	1,717
Purchase of Assets	(269)	(581)	(569)	(552)
Interest received	7	15	15	15
Others	(390)	418	245	(2,387)
Cash Flow from Investing	(652)	(149)	(310)	(2,924)
Repayment (long term borrowings)	(72)	(400)	(220)	9
Repayment (short term borrowings)	-	-	-	74
Proceeds from Issue of Shares	(21)	-	(1)	2,050
Interest paid	(412)	(385)	(358)	(651)
Interest on Lease liabilities	(12)	(15)	(20)	(63)
Others	112	153	40	(0)
Cash Flow from Financing	(405)	(647)	(559)	1,420
Inc./(Dec.) in Cash	(39)	65	156	213
Opening Cash balances	72	34	98	254
Closing Cash balances	33	98	254	493

Source: Company, Angel Research

Key Ratios

Y/E March	FY2018	FY2019	FY2020	FY2021
Valuation Ratio (x)				
P/E (on FDEPS)	232.5	-768.6	81.7	-785.4
P/CEPS	35.6	43.2	26.2	26.5
P/BV	4.2	4.1	3.9	2.8
EV/Sales	3.6	3.5	3.6	3.6
EV/EBITDA	23.0	26.7	18.8	18.7
Per Share Data (Rs)				
EPS (Basic)	2.5	-0.7	7.0	-0.7
EPS (fully diluted)	2.5	-0.7	7.0	-0.7
Cash EPS	16	13	22	21
Book Value	135	140	148	205
Returns (%)				
ROE	3.6	-0.5	4.9	-0.4
ROCE	8.3	3.1	5.4	3.6
Turnover ratios (x)				
Receivables (days)	22	26	27	22
Inventory (days)	36	35	40	43
Payables (days)	46	46	52	55
Working capital cycle (days)	13	15	15	10

Source: Company, Angel Research

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